# INTERNATIONAL WIRE GROUP HOLDINGS, INC.
# FINANCIAL INFORMATION (PUBLIC)
# AS OF SEPTEMBER 30, 2015
# AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

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This information does not contain all of the disclosures required by generally accepted accounting principles, primarily segment reporting.

International Wire Group Holdings, Inc.

Dated: November 6, 2015

By: /s/ Donald F. DeKay
Donald F. DeKay
Senior Vice-President, Chief Financial Officer and Secretary

**INTERNATIONAL WIRE GROUP HOLDINGS, INC.**
**AND SUBSIDIARIES**

## CONSOLIDATED BALANCE SHEETS
**(Unaudited)**

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands, except share and per share data) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 8,798 | $ 5,154 |
| Accounts receivable, less allowances of $1,244 and $1,223 | 100,172 | 114,151 |
| Refundable income taxes | 2,559 | 2,280 |
| Inventories | 41,684 | 48,738 |
| Prepaid expenses and other | 9,731 | 9,262 |
| Deferred income taxes | 3,194 | 2,844 |
| Total current assets | 166,138 | 182,429 |
| Property, plant and equipment, net | 89,926 | 91,419 |
| Goodwill | 66,335 | 66,335 |
| Identifiable intangibles, net | 12,719 | 14,115 |
| Deferred financing costs, net | 4,028 | 5,336 |
| Restricted cash | 1,138 | 1,133 |
| Other assets | 5,102 | 4,989 |
| Total assets | $ 345,386 | $ 365,756 |
| **LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 21,449 | $ 23,336 |
| Accrued and other liabilities | 7,929 | 7,656 |
| Accrued workers' compensation costs | 5,215 | 5,965 |
| Accrued payroll and payroll related items | 10,007 | 11,537 |
| Customers' deposits | 11,054 | 11,945 |
| Accrued income taxes | 171 | 66 |
| Accrued interest | 10,531 | 4,516 |
| Total current liabilities | 66,356 | 65,021 |
| Long-term debt | 266,000 | 264,568 |
| Other long-term liabilities | 7,603 | 9,725 |
| Deferred income taxes | 15,172 | 13,851 |
| Total liabilities | 355,131 | 353,165 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' (deficit) equity: | | |
| Common stock, $.01 par value, 10,000,000 shares authorized, 4,640,522 and 5,465,461 issued in 2015 and 2014, respectively | 46 | 54 |
| Contributed capital | 73,648 | 101,832 |
| Accumulated deficit | (78,109) | (85,952) |
| Accumulated other comprehensive loss | (5,330) | (3,343) |
| Total stockholders' (deficit) equity | (9,745) | 12,591 |
| Total liabilities and stockholders' (deficit) equity | $ 345,386 | $ 365,756 |

See accompanying notes to the consolidated financial statements.

**INTERNATIONAL WIRE GROUP HOLDINGS, INC.**
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| | (In thousands, except share and per share data) | | | |
| Net sales | $ 154,109 | $ 199,251 | $ 504,133 | $ 589,638 |
| Operating expenses: | | | | |
| Cost of goods sold, exclusive of depreciation and amortization expenses shown below | 132,692 | 172,895 | 430,284 | 503,933 |
| Selling, general and administrative expenses | 11,217 | 10,525 | 30,959 | 32,998 |
| Depreciation | 3,504 | 3,330 | 10,629 | 10,267 |
| Amortization | 714 | 738 | 2,347 | 2,375 |
| Loss/(gain) on sale of property, plant and equipment | — | (187) | 19 | (204) |
| Operating income | 5,982 | 11,950 | 29,895 | 40,269 |
| Other income/(expense): | | | | |
| Interest | (6,181) | (5,705) | (18,198) | (17,163) |
| Amortization of deferred financing costs | (497) | (457) | (1,461) | (1,350) |
| Loss on early extinguishment of debt | (122) | — | (122) | — |
| Other, net | (17) | (72) | 33 | (23) |
| (Loss)/income before income tax (benefit)/provision | (835) | 5,716 | 10,147 | 21,733 |
| Income tax (benefit)/provision | (1,417) | 1,827 | 2,304 | 7,671 |
| Net income | $ 582 | $ 3,889 | $ 7,843 | $ 14,062 |
| Basic net income per share | $ 0.13 | $ 0.68 | $ 1.59 | $ 2.40 |
| Diluted net income per share | $ 0.12 | $ 0.68 | $ 1.57 | $ 2.34 |
| Weighted-average basic shares outstanding | 4,640,522 | 5,693,205 | 4,935,606 | 5,863,695 |
| Weighted-average diluted shares outstanding | 4,706,819 | 5,739,951 | 5,010,469 | 6,010,979 |

See accompanying notes to the consolidated financial statements.

**INTERNATIONAL WIRE GROUP HOLDINGS, INC.**
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| | (In thousands) | | | |
| Net income | $ 582 | $ 3,889 | $ 7,843 | $ 14,062 |
| Foreign currency translation adjustment | 106 | (2,170) | (1,987) | (2,580) |
| Comprehensive income | $ 688 | $ 1,719 | $ 5,856 | $ 11,482 |

See accompanying notes to the consolidated financial statements.

**INTERNATIONAL WIRE GROUP HOLDINGS, INC.**
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT) EQUITY**
**(Unaudited)**

| | For the Nine Months Ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Number of Issued Shares | Common Stock | Contributed Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total |
| | (In thousands, except share data) | | | | | |
| **Balance January 1, 2015** | 5,465,461 | $ 54 | $ 101,832 | $ (85,952) | $ (3,343) | $ 12,591 |
| Net income | — | — | — | 7,843 | — | 7,843 |
| Foreign currency translation adjustment | — | — | — | — | (1,987) | (1,987) |
| Repurchase and retirement of common stock | (824,939) | (8) | (28,865) | — | — | (28,873) |
| Repurchase of stock options | — | — | (2,797) | — | — | (2,797) |
| Tax benefit on stock option exercise and repurchases | — | — | 512 | — | — | 512 |
| Stock-based compensation | — | — | 2,966 | — | — | 2,966 |
| **Balance September 30, 2015** | 4,640,522 | $ 46 | $ 73,648 | $ (78,109) | $ (5,330) | $ (9,745) |

See accompanying notes to the consolidated financial statements.

**INTERNATIONAL WIRE GROUP HOLDINGS, INC.**
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | For the Nine Months Ended | |
|---|---|---|
| | September 30, 2015 | September 30, 2014 |
| | (In thousands) | |
| **Cash flows provided by/(used in) operating activities:** | | |
| Net income | $ 7,843 | $ 14,062 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 10,629 | 10,267 |
| Amortization | 2,347 | 2,375 |
| Amortization of deferred financing costs | 1,461 | 1,350 |
| Loss on early extinguishment of debt | 122 | — |
| Accounts receivable allowances provision | 160 | 118 |
| Stock-based compensation expense | 2,966 | 709 |
| Loss/(gain) on sale of property, plant and equipment | 19 | (204) |
| Deferred income taxes | 978 | 2,742 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 12,931 | (8,192) |
| Inventories | 6,649 | (13,652) |
| Prepaid expenses and other assets | (1,585) | (2,037) |
| Accounts payable | (1,138) | 17,824 |
| Accrued and other liabilities and workers' compensation costs | (379) | (56) |
| Accrued payroll and payroll related items | (1,341) | (677) |
| Customers' deposits | (891) | 1,023 |
| Accrued interest | 6,015 | 5,283 |
| Accrued/refundable income taxes | (169) | 156 |
| Other long-term liabilities | (2,077) | 265 |
| Net cash provided by operating activities | 44,540 | 31,356 |
| **Cash flows (used in)/provided by investing activities:** | | |
| Capital expenditures | (10,339) | (10,737) |
| Proceeds from sale of property, plant and equipment | 10 | 235 |
| Restricted cash | (5) | 40 |
| Net cash used in investing activities | (10,334) | (10,462) |
| **Cash flows provided by/(used in) financing activities:** | | |
| Proceeds from the issuance of PIK Notes | 26,000 | — |
| Repurchase of PIK Notes | (10,000) | — |
| Borrowings under Revolving Credit Facility | 157,836 | 261,381 |
| Repayments under Revolving Credit Facility | (172,404) | (265,516) |
| Debt issuance costs | (277) | — |
| Proceeds from the issuance of common stock | — | 2,925 |
| Repurchase of common stock | (28,873) | (19,051) |
| Repurchase of stock options | (2,797) | (6,637) |
| Tax benefit on stock option exercise and repurchases | 512 | 472 |
| Net cash used in financing activities | (30,003) | (26,426) |
| Effects of exchange rate changes on cash and cash equivalents | (559) | (624) |
| Net change in cash and cash equivalents | 3,644 | (6,156) |
| Cash and cash equivalents at beginning of the period | 5,154 | 18,443 |
| Cash and cash equivalents at end of the period | $ 8,798 | $ 12,287 |
| **Supplemental disclosure of cash flow information:** | | |
| Interest paid | $ 11,876 | $ 11,844 |
| Income taxes paid, net | $ 2,004 | $ 4,033 |
| Amount included in accounts payable and other for capital expenditures and other | $ 956 | $ 466 |

See accompanying notes to the consolidated financial statements.

**INTERNATIONAL WIRE GROUP HOLDINGS, INC.**
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share data)**
**(Unaudited)**

## 1. Basis of Presentation

The unaudited interim consolidated financial statements presented herein include the accounts of International Wire Group Holdings, Inc. ("International Wire Group Holdings" or "Holdings") since its formation on May 27, 2011, and its wholly owned subsidiary International Wire Group, Inc. ("IWG") and its indirect subsidiaries, for all periods presented. International Wire Group Holdings is a holding company and conducts all of its operations through IWG and IWG's wholly owned subsidiaries. Unless the context otherwise requires, Holdings and the direct and indirect subsidiaries of Holdings are collectively referred to as "we", "our" or the "Company." All intercompany balances and transactions have been eliminated in consolidation.

The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows of International Wire Group Holdings, Inc. and its subsidiaries, including IWG. The results of operations for the three and nine months ended September 30, 2015 and 2014 are not necessarily indicative of the results that may be expected for the full fiscal year. These consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2014.

## 2. Recently Issued Accounting Standards

In January 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items: Subtopic 225-20.* ASU 2015-01 eliminates the concept of extraordinary items. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. ASU 2015-01 may be applied prospectively or retrospectively to all prior periods presented in the financial statements. The Company does not expect the adoption of this pronouncement will have a material effect on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis: Topic 810.* This pronouncement makes amendments to the current consolidation guidance. ASU 2015-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. ASU 2015-02 may be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or may be applied retrospectively. The Company does not expect the adoption of this pronouncement will have a material effect on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest: Subtopic 835-30: Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 makes amendments to the presentation of debt issuance costs. This pronouncement is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. ASU 2015-03 should by applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects. The

Company is in the process of assessing the impact of the adoption of this ASU on its consolidated financial statements.

### 3. Inventories

The composition of inventories is as follows:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Raw materials | $ 14,120 | $ 10,574 |
| Work-in-process | 10,673 | 12,027 |
| Finished goods | 16,891 | 26,137 |
| Total inventories | $ 41,684 | $ 48,738 |

Inventories are valued at the lower of cost or current estimated market value. Cost is determined using the last-in, first-out ("LIFO") method for our U.S. based business and the first-in, first-out ("FIFO") method for our European based business. The primary components of inventory costs include raw materials used in the production process (copper, tin, nickel, silver, alloys and other) and production related labor and overhead costs. Had all inventories been valued using the FIFO cost method, inventories would have been $16,913 and $28,269 higher as of September 30, 2015 and December 31, 2014, respectively. During the third quarter of 2015, inventory quantities were reduced at the Bare Wire and High Performance Conductors segments which resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in the prior years as compared with the cost of 2015 purchases. The effect of this reduction in inventory decreased cost of goods sold by $1,633 and increased the net income by $1,094, or $0.24 and $0.22 per share, for the three and nine months ended September 30, 2015, respectively.

### 4. Goodwill and Intangible Assets

The carrying amounts of goodwill are as follows:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Balance, beginning of period | $ 66,335 | $ 66,335 |
| Balance, end of period | $ 66,335 | $ 66,335 |

The Company completed its annual impairment assessment at December 31, 2014 and concluded that goodwill was not impaired.

The components of identifiable intangibles are as follows:

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Customer contracts and relationships | $ 19,897 | $ 12,034 | $ 19,897 | $ 11,038 |
| Trade names and trademarks | 10,858 | 6,048 | 10,858 | 5,653 |
| Non-compete agreement | — | — | 300 | 300 |
| Alloys | 92 | 46 | 92 | 41 |
| Total identifiable intangibles | $ 30,847 | $ 18,128 | $ 31,147 | $ 17,032 |

Amortization expense for the nine months ended September 30, 2015 and September 30, 2014 was $1,396 and $1,470, respectively. Amortization expense for identifiable intangibles for the next five fiscal years and thereafter is as follows:

| | Amount |
|---|---|
| 2015 (remaining three months) | $ 463 |
| 2016 | 1,859 |
| 2017 | 1,859 |
| 2018 | 1,859 |
| 2019 | 1,859 |
| Thereafter | 4,820 |
| Total | $ 12,719 |

## 5. Stock Option Plans and Compensation Expense

Holdings measures compensation cost for all stock awards at fair value on the date of grant and the recognition of compensation cost is spread over the service periods for awards expected to vest. Stock-based compensation expense is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

The fair values of the options under ASC 718, *Compensation – Stock Compensation*, were estimated at the date of the grants using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | For the Nine Months Ended | |
|---|---|---|
| | September 30, 2015 | September 30, 2014 |
| Stock Options: | | |
| Expected life – employees | 6 years | 6 years |
| Expected life – non-employee directors | 5.5 years | 5.5 years |
| Expected volatility | 38% | 50% |
| Dividend yield | 0% | 0% |
| Risk-free interest rate | 1.6% | 2.0% |

Holdings calculates expected volatility for stock options using historical volatility of a group of companies in the wire and cable industry. The risk-free interest rate is estimated based on the Federal Reserve's historical data for the maturity of nominal treasury investments that corresponds to the expected life of the option. The expected life was determined using the simplified method as these awards meet the definition of "plain-vanilla" options under the rules proscribed by ASC 718.

Stock option activity for the nine months ended September 30, 2015 is summarized as follows:

| | Options Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Term in Years | Aggregate Intrinsic Value (1) |
|---|---|---|---|---|
| Outstanding at January 1, 2015 | 290,467 | $ 20.96 | | |
| Granted | — | | | |
| Exercised | — | | | |
| Repurchased | (138,633) | $ 19.83 | | |
| Forfeited | (21,000) | | | |
| Outstanding at September 30, 2015 | 130,834 | $ 21.51 | 7.6 | $ 2,910 |
| Vested and expected to vest at September 30, 2015 | 124,292 | $ 21.51 | 7.6 | $ 2,765 |
| Exercisable at September 30, 2015 | 13,200 | $ 17.64 | 6.8 | $ 345 |

(1) The aggregate intrinsic value was calculated using the difference between the market price of Holdings' common stock at September 30, 2015 and the grant price for only those awards that have a grant price less than the market price of Holdings' common stock at September 30, 2015.

On August 10, 2015, Holdings offered to repurchase its vested stock options outstanding from option holders at a price of $40.00 per option minus the exercise price. The offer closed on August 17, 2015. As a result of the offer, Holdings repurchased 138,633 options with a weighted average exercise price of $19.83 for a total cost of approximately $2,797.

Holdings recorded stock-based compensation expense of $2,840 and $618 related to outstanding stock options for the nine months ended September 30, 2015 and 2014, respectively. As of September 30, 2015, Holdings had total unrecognized compensation costs of $707 which will be recognized as compensation expense over a weighted average period of 1.6 years. Holdings estimates a 5% forfeiture rate in recording stock-based compensation expense. The stock options are non-qualified which results in the creation of a deferred income tax asset until the time the option is exercised.

Under the 2006 Management Stock Option Plan, as amended, and the 2006 Stock Option Plan for Nonemployee Directors, as amended, Holdings may grant nonemployee directors and management restricted common stock with vesting contingent upon completion of specified service periods ranging from one to three years.

No shares of restricted common stock were granted during the nine months ended September 30, 2015.

On October 20, 2014, Holdings granted 5,610 shares of restricted common stock to nonemployee directors. The weighted-average grant-date fair value of the restricted common stock granted during the year ended December 31, 2014 was $31.50 per share and the shares vest over a period of one year. The Company recorded $126 and $91 of compensation expense related to outstanding shares of restricted common stock held by nonemployee directors during the nine months ended September 30, 2015 and 2014, respectively. As of September 30, 2015, Holdings had no unrecognized compensation costs related to outstanding shares of restricted common stock held by nonemployee directors. The fair value of nonvested restricted common stock awards was equal to the closing trading price of Holdings' common stock on the grant date.

Information regarding Holdings' nonvested restricted common stock is summarized below:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2015 | 5,610 | $ 31.50 |
| Granted | — | $ — |
| Vested | — | $ — |
| Forfeited | — | $ — |
| Nonvested at September 30, 2015 | 5,610 | $ 31.50 |

## 6. Net Income Per Share

ASC 260, *Earnings per Share*, requires the computation of basic and diluted earnings per share. Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per share is determined by giving effect to the exercise of diluted stock options using the treasury stock method. The following table provides a reconciliation of the number of shares outstanding for basic and diluted earnings per share:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| Weighted — average shares outstanding-basic | 4,640,522 | 5,693,205 | 4,935,606 | 5,863,695 |
| Dilutive effect of stock options | 66,297 | 46,746 | 74,863 | 147,284 |
| Weighted — average shares outstanding-diluted | 4,706,819 | 5,739,951 | 5,010,469 | 6,010,979 |

Weighted-average shares outstanding for the three month periods ended September 30, 2015 and 2014 exclude 0 and 132,000 options, respectively, because they are antidilutive since the exercise price of these options was greater than the average market price of the common shares in the periods. Weighted-average shares outstanding for the nine month periods ended September 30, 2015 and 2014 exclude 1,088 and 85,880 options, respectively, because they are anti-dilutive since the exercise price of these options was greater than the average market price of the common shares in the periods.

## 7. Long-Term Debt

The composition of long-term debt is as follows:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| IWG Senior Revolving Credit Facility | $ — | $ 14,568 |
| IWG 8.50% Senior Secured Notes | 250,000 | 250,000 |
| 10.00%/12.00% PIK Notes | 16,000 | — |
| Total long-term debt | 266,000 | 264,568 |
| Less current maturities | — | — |
| Long-term portion of long-term debt | $ 266,000 | $ 264,568 |

### IWG Senior Revolving Credit Facility

IWG and its domestic subsidiaries are parties to a credit agreement (the "Revolving Credit Facility") with Wells Fargo Capital Finance, LLC, as administrative agent, and the other lenders party thereto. On October 4, 2012, IWG amended and restated its Revolving Credit Facility. The Revolving Credit Facility permits borrowings of up to $175,000, subject to borrowing availability and includes a $25,000 letter of credit sub-facility. The collateral for the Revolving Credit Facility includes all or substantially all of the assets of the Company and its domestic subsidiaries, as well as 65 percent of the capital stock of, or other equity interests in, the Company's first-tier foreign subsidiaries.

Borrowings under the Revolving Credit Facility are tied to a borrowing base, which is calculated by reference to, among other things, eligible accounts receivable, eligible inventory and eligible real property and equipment and may limit the amount of loans and letters of credit otherwise available to IWG. As of September 30, 2015, letters of credit in the amount of $4,258 were outstanding and $0 was drawn under the Revolving Credit Facility. Availability under the Revolving Credit Facility was $87,721 as of September 30, 2015.

Interest on the loans outstanding under the Revolving Credit Facility accrues at a rate per annum equal to, at IWG's election, either (1) LIBOR plus a margin ranging from 1.75% to 2.25% depending on IWG's borrowing availability under the Revolving Credit Facility or (2) a base rate plus 0.50%. IWG also pays an unused line fee ranging from 0.25% to 0.375% per annum depending on borrowing availability under the Revolving Credit Facility. If IWG obtains any letters of credit under the Revolving Credit Facility, it must pay an upfront issuance fee of 0.50% of the face amount of such letter of credit (plus other customary and reasonable fees charged by the issuing bank), and ongoing fees ranging from 1.75% to 2.25% per annum (depending on borrowing availability) on the aggregate undrawn face amount of all outstanding letters of credit. Each of these interest rates and fees increase by 2.00% per annum at any time a default exists under the Revolving Credit Facility.

IWG's Revolving Credit Facility requires the Company to observe affirmative and negative covenants (including financial covenants). These covenants include limitations on the Company's ability to make acquisitions, dispose of assets, incur additional indebtedness, incur guarantee obligations, create liens, make investments, engage in mergers, pledge assets as collateral, repurchase, redeem or acquire its common stock or pay dividends, change the nature of its business or engage in certain transactions with affiliates. The Company must also comply with a 1.0 to 1.0 fixed charge coverage ratio when either (1) the minimum availability under the Revolving Credit Facility falls below $21,875 or (2) there is a default or event of default. The Company was in compliance with such conditions and covenants at September 30, 2015.

IWG's Revolving Credit Facility commitment expires on April 4, 2017.

The carrying value of the borrowings under the Revolving Credit Facility approximates fair value due to its variable interest rate.

**IWG 8.50% Senior Secured Notes**

On October 4, 2012, IWG completed the offering of $250,000 of its 8.50% Senior Secured Notes due 2017 (the "8.50% Senior Secured Notes"). The 8.50% Senior Secured Notes will mature on October 15, 2017. The 8.50% Senior Secured Notes pay interest semi-annually on April 15 and October 15, beginning on April 15, 2013. The 8.50% Senior Secured Notes are guaranteed on a senior secured basis by each of IWG's existing and certain of its future domestic subsidiaries. The 8.50% Senior Secured Notes and the guarantees are secured, subject to certain exceptions and permitted liens, on a second-priority basis by a lien on the assets of IWG and the domestic subsidiaries that secure borrowings under IWG's Revolving Credit Facility, including 65 percent of the capital stock of, or other equity interests in, IWG's first-tier foreign subsidiaries.

The fair value of the 8.50% Senior Secured Notes was approximately $256,875 and $261,875 at September 30, 2015 and December 31, 2014, respectively.

Beginning October 15, 2015, IWG may redeem some or all of the 8.50% Senior Secured Notes at redemption prices ranging from 104.25% to 100.0% of the principal amount of the redeemed 8.5% Senior Secured Notes plus accrued interest. In addition, at any time prior to October 15, 2015, IWG may redeem up to 35% of the 8.50% Senior Secured Notes from the proceeds of certain sales of our equity securities at 108.500% of the principal amount, plus accrued interest. IWG's ability to redeem the 8.50% Senior Secured Notes is also subject to restrictions in its Revolving Credit Facility.

Upon the occurrence of a change of control, we must offer to repurchase the 8.50% Senior Secured Notes at 101% of the principal amount of the 8.50% Senior Secured Notes, plus accrued interest.

The indenture governing the 8.50% Senior Secured Notes contains restrictive covenants which, among other things, limits the ability of IWG and some of its subsidiaries to (subject to exceptions): incur additional debt; pay dividends or distributions on, or redeem or repurchase, capital stock; restrict dividends or other payments from subsidiaries; transfer or sell assets; engage in transactions with affiliates; create certain liens; engage in sale/leaseback transactions; impair the collateral for the 8.50%

Senior Secured Notes; make investments; guarantee debt; consolidate, merge or transfer all or substantially all of its assets and the assets of IWG's subsidiaries; and engage in unrelated businesses.

**PIK Notes**

On April 15, 2015, Holdings issued $26,000 of Senior PIK Toggle Notes due 2020 (the "PIK Notes"), bearing interest at 10.00%/12.00%. Holdings received $26,000 in proceeds from the offering of the PIK Notes (the "PIK Offering"). The proceeds were used for share repurchases and general corporate purposes. Fees and expenses related to the offering of the PIK Notes were paid from available cash.

The PIK Notes (a) are Holdings' general senior unsecured obligations, (b) rank senior in right of payment to all future debt of Holdings that is expressly subordinated in right of payment to the PIK Notes, (c) rank equally in right of payment with all existing and future liabilities of Holdings that are not so subordinated and (d) are effectively subordinated to all of Holdings' existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The PIK Notes are also structurally subordinated to all of the liabilities of each of Holdings subsidiaries, including IWG's Revolving Credit Facility and IWG's 8.50% Senior Secured Notes.

The PIK Notes mature on April 15, 2020. The PIK Notes require the payment of interest semi-annually in arrears on each April 15 and October 15.

Subject to the availability of funds from dividends from IWG, Holdings will pay interest on the PIK Notes entirely in cash, referred to as "Cash Interest," at a rate of 10.00%. If Holdings does not have sufficient availability to pay Cash Interest only, Holdings may elect to pay interest on the PIK Notes (a) entirely by increasing the principal amount of the PIK Notes or by issuing new PIK Notes for the entire amount of the interest payment, both of which are referred to as, "PIK Interest," at a rate of 12.00% or (b) 50% as Cash Interest and 50% as PIK Interest. The fair value of the PIK Notes was approximately $16,440 at September 30, 2015.

Beginning on April 15, 2015, Holdings may redeem some or all of the PIK Notes at redemption prices ranging from 103.0% to 100.0% of the principal amount of the redeemed PIK Notes plus accrued interest.

Upon the occurrence of a change of control, we must offer to repurchase the PIK Notes at 101% of the principal amount of the PIK Notes, plus accrued interest.

The indenture governing the PIK Notes contains certain covenants limiting Holdings' ability and the ability of its restricted subsidiaries to, under certain circumstances: incur additional indebtedness; pay certain dividends or make certain distributions on its capital stock or repurchase its capital stock or repay subordinated indebtedness; make certain investments or other restricted payments; place restrictions on the ability of subsidiaries to pay dividends or make other payments to Holdings; engage in transactions with stockholders or affiliates; sell certain assets or merge with or into other companies; guarantee indebtedness; and create liens.

On July 16, 2015, Holdings redeemed $10,000 of the PIK Notes at 100.0% plus accrued interest. On October 26, 2015, Holdings redeemed $2,862 of the PIK Notes at 100.0% plus accrued interest.

**8. Income Taxes**

The provision for income taxes for the nine months ended September 30, 2015 was derived using an estimated effective annual income tax rate for all of 2015 of 33.0%, which excluded any discrete tax adjustments. The provision for income taxes for the nine months ended September 30, 2014 was derived using an effective annual income tax rate for 2014 of 34.1%, which excluded any discrete tax adjustments. Discrete tax adjustments, primarily related to the reversal of a portion of our uncertain tax positions due to the statute of limitations expiration, decreased the provision for income taxes by $1,251 for the three and nine months ended September 30, 2015. Effective March 31, 2014, there was a change in New York law lowering our New York State income tax rate to zero. As a result, the

Company recorded a full valuation allowance on the $439 New York investment tax credit deferred tax asset in the first quarter of 2014.

The Company's liability for unrecognized tax benefits totaled $3,683 and $4,885 at September 30, 2015 and December 31, 2014, respectively, which includes interest and penalties. The total balance of unrecognized tax benefits at September 30, 2015 and December 31, 2014 was comprised of tax benefits that, if recognized, would affect the effective rate. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

Holdings or one of its subsidiaries files income tax returns in the U.S., various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2006.

Holdings, IWG and their subsidiaries that are included in the U.S. federal return have entered into a tax sharing agreement that reflects each party's rights and obligations relating to payments and refunds of income taxes.

In general, the federal and state income tax liabilities for which the parties to the tax sharing agreement are jointly and severally liable are allocated in proportion to each party's taxable income, with any party that has a taxable loss being compensated currently. Other provisions include tax audits, settlements and return filings in cases where more than one party has an interest in the results of these events.

### 9. Related Party Transactions

The Company sells a portion of its production scrap to Prime Materials Recovery, Inc. ("Prime"). In addition, Prime performs certain scrap processing services for the Company and sells copper rod to the Company. Prime is a closely held company and its major shareholder, chairman and director is the former Chief Executive Officer of the Company who is now a director of the Company. In addition, the Chief Financial Officer of the Company holds a minority ownership interest and is a director of Prime. The Company had net sales to Prime of $4,671 and $8,604 for the three months ended September 30, 2015 and 2014, respectively, and $14,783 and $21,545 for the nine months ended September 30, 2015 and 2014, respectively. The outstanding accounts receivable were $1,192 and $2,293 at September 30, 2015 and December 31, 2014, respectively. The Company purchased $104 and $0 of copper rod through Prime for the three months ended September 30, 2015 and 2014, respectively, and $112 and $919 for the nine months ended September 30, 2015 and 2014, respectively. The Company had outstanding accounts payable to Prime of $0 and $769 at September 30, 2015 and December 31, 2014, respectively.

### 10. Litigation

The Company is subject to legal proceedings and claims that arise in the normal course of business. In the opinion of management, the ultimate liabilities with respect to these actions will not have a material adverse effect on the Company's consolidated financial statements.

### 11. Stock Repurchases

During the nine months ended September 30, 2015 and 2014, Holdings repurchased the following shares of its common stock in privately negotiated transactions:

| Repurchase Date | Number of Shares | Purchase Price | Price per Share | Settlement Date |
|---|---|---|---|---|
| June 10, 2015 ..... | 1,966 | $ 69 | $ 35.00 | June 10, 2015 |
| April 28, 2015 ..... | 1,966 | $ 69 | $ 35.00 | April 28, 2015 |
| April 16, 2015 ..... | 754,807 | $ 26,418 | $ 35.00 | April 16, 2015 |
| January 6, 2015 ..... | 66,200 | $ 2,317 | $ 35.00 | January 6, 2015 |
| March 28, 2014 ..... | 136,207 | $ 3,472 | $ 25.50 | April 1, 2014 |
| February 28, 2014 ..... | 300,000 | $ 7,500 | $ 25.00 | March 4, 2014 |

### 12. Subsequent Events

In accordance with the provisions of ASC 855, *Subsequent Events*, the Company has evaluated all subsequent events through November 6, 2015, the date these financial statements were issued, to ensure that this financial information includes appropriate disclosure of events both recognized in the financial statements as of September 30, 2015, and events which occurred subsequent to September 30, 2015 but were not recognized in the financial statements. As of November 6, 2015, there were no subsequent events which required recognition or disclosure.

**DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS, FINANCIAL CONDITION, WORKING CAPITAL AND CASH FLOWS AND OTHER INFORMATION AS OF AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 VERSUS SEPTEMBER 30, 2014**

The following discussion should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in this report and the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2014. The Company's annual report can be found under the Investor Relations tab of our website at http://itwg.client.shareholder.com or http://www.internationalwiregroup.com.

Certain statements in this report may constitute "forward-looking" statements. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believes," "expects," "may," "will," "should," "seeks," "pro forma," "anticipates," "intends," "plans," "estimates," or the negative thereof or any other variations thereof or comparable terminology, or by discussions of strategy or intentions. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. As a result, these statements speak only as of the date they were made and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Many important factors could cause our results to differ materially from those expressed in the forward-looking statements. These factors include, but are not limited to, fluctuations in our operating results and customer orders, unexpected decreases in demand or increases in inventory levels, changes in the price of copper, tin, nickel or silver, the failure of our acquisitions and expansion plans to perform as expected, the competitive environment of our industry, our reliance on our significant customers, our lack of long-term contracts, our substantial dependence on business outside of the U.S. and risks associated with our international operations, limitations due to our indebtedness, the loss of key employees or the deterioration in our relationship with employees, litigation, claims, liability from environmental laws and regulations and other factors. For additional information on the risks facing our business, see the section entitled "Risk Factors" in our annual report, which can be found under the Investor Relations tab of our website at http://itwg.client.shareholder.com or http://www.internationalwiregroup.com.

**Overview**

We, together with our subsidiaries, manufacture and market wire products, including bare, silver-plated, nickel-plated and tin-plated copper wire, engineered wire products and high performance conductors, for other wire suppliers, distributors and original equipment manufacturers or "OEMs". Our products include a broad spectrum of copper wire configurations and gauges with a variety of electrical and conductive characteristics and are utilized by a wide variety of customers primarily in the aerospace, automotive/specialty vehicles, consumer and appliance, electronics and data communications, industrial and energy, medical device and medical electronics industries. We have eighteen manufacturing facilities and one distribution facility located in the United States, France, Italy and Poland.

We operate our business in the following three segments:

- *Bare Wire*. Our bare and tin-plated copper wire products (or conductors) are used to transmit digital, video and audio signals or conduct electricity. These products are sold to a diverse customer base of over 1,000 insulated wire manufacturers and various industrial OEMs for use in the automotive/specialty vehicles, consumer and appliance, electronics and data communications, and industrial and energy markets.

- *Engineered Wire Products–Europe*. Our bare and tin-plated copper wire products and connections are engineered and used to conduct electricity either for power or for grounding purposes and are sold to a diverse customer base of various OEMs for use in the aerospace, automotive/specialty vehicles and industrial and energy (including electrical appliances, power supply and railway) markets.

- *High Performance Conductors*. Our High Performance Conductors segment manufactures specialty high performance conductors which include tin, nickel and silver-plated copper and copper alloy conductors including standard and customized high and low temperature conductors as well as specialty film insulated conductors and miniature tubing products. These products are used by a variety of customers in the commercial and military aerospace, electronics and data communications, industrial and energy, medical device and medical electronics markets.

Demand for our products is directly related to two primary factors:

- demand for the end products in which our products are incorporated; and

- our ability to compete with other suppliers in the industries we serve.

Important indicators of demand for all of our products include a number of general economic factors such as gross domestic product, interest rates and consumer confidence. In specific industries, management also monitors the following factors:

- Automotive/specialty vehicles market – North American industry production statistics are influenced by labor relations, regulatory requirements and trade agreements. For the three and nine months ended September 30, 2015, automotive industry production volumes increased 9.0% and 3.9%, respectively, compared to the same period for 2014 (based on data from Automotive News).

- Electronics and data communications and industrial and energy markets – while the end user applications are very diverse, some of the factors contributing to demand in the markets include technology spending and major industrial and/or infrastructure projects, including the build-out of computer networks, mining development, oil exploration and production projects, mass transit and general commercial and industrial real estate development.

- Additional factors relevant to the High Performance Conductors segment commercial aircraft deliveries, spending levels in the military and defense markets and demand in the medical device and medical electronics markets. Demand in the commercial aerospace industry remained strong in the first nine months of 2015 with deliveries of 1,026 large commercial airplanes. Boeing and Airbus delivered 580 and 446 planes respectively. Backlog for large commercial jets continued to expand. At current production rates, the backlog represents over nine years of production at Boeing and Airbus. In the defense electronics market, continued defense program cuts have negatively impacted demand from the OEM defense market. Demand for our medical device components increased in the first nine months of 2015, due to higher demand from the OEM device manufacturers.

We compete with other suppliers of wire products on the basis of price, quality, delivery and the ability to provide a sufficient array of products to meet most of our customers' needs. We believe our highly flexible production equipment permits us to provide a high quality product while also permitting us to efficiently manufacture our products, which assists in our ability to provide competitively priced products. Also, we invest in engineering so that we can continue to provide our customers with the array of products and features they demand. Finally, our production facilities are located near many of our customers' manufacturing facilities, which allows us to meet our customers' delivery demands, including assisting with inventory management for just-in-time production techniques.

A portion of our revenue is derived from processing customer-owned ("tolled") copper. The value of tolled copper is excluded from both our sales and costs of sales, as title to the tolled copper and the related risks of ownership do not pass to us at any time. The remainder of our sales include Company owned ("owned") copper. Accordingly, for these sales, copper is included in both net sales and cost of sales. The main factor that causes fluctuations in the proportion of tolled copper from one period to the next is the decision by our customers whether to use their tolled copper or purchase our owned copper. We have some customers who only use their tolled copper, others who only purchase our owned copper and others who use some tolled copper and some owned copper purchased from us. This decision is based on each customer's internal factors which are unknown to us and outside of our control. In order to compare tolled customers with non-tolled customers, we sometimes refer to "adder sales", which is the net sales from our products less, if applicable, the invoiced amounts of owned copper and certain other metals.

Our costs and expenses in producing these products fall into three main categories: raw materials (including copper, silver, nickel and tin), labor and, to a lesser extent, utilities. Copper is the primary raw material incorporated in all of our products. As copper is a world-traded commodity, its price has historically been subject to fluctuations. The average price of copper based upon The New York Mercantile Exchange, Inc. ("COMEX") decreased to $2.40 per pound for the three months ended September 30, 2015 from $3.16 per pound for the three months ended September 30, 2014 or 24% and decreased from $2.77 per pound for the three months ended June 30, 2015.

In order to reduce the potential negative impact of fluctuations in the price of copper, we have copper price pass-through arrangements with our customers based on variations of monthly copper price formulas. These pass-through arrangements are less effective when copper prices are volatile. Additionally, these pass-through arrangements do not apply to the scrap which is created in the production process (and subsequently sold as scrap) as the selling price for the copper in the scrap sales may be more or less than the purchase price at the time we acquired the copper. Changing copper prices may adversely affect both profitability and liquidity depending on the magnitude of these changes, the timing of purchases, quantity levels and the applicable account receivable and payable payment terms.

Moreover, since we generally do not obtain long-term purchase commitments, our customers may cancel, reduce or delay their orders. Customer order patterns may change if they believe copper prices will increase or decrease significantly. Additionally, declining copper prices can result in inventory charges that increase our costs of goods sold and negatively impact our profitability. Conversely, a significant increase in the price of copper can negatively impact our short-term liquidity because of the period of time between our purchase of copper at an increased price and the time at which we receive cash payments after selling end products to customers reflecting the increased price. Currently, a $0.10 per pound fluctuation in the price of copper would have approximately a $2.8 million impact on our working capital. Increased working capital requirements cause us to increase our borrowings, which increases our interest expense.

Other raw materials we use include silver, nickel and tin. The cost of silver, nickel and tin are generally passed through to our customers through a variety of pricing mechanisms. Our price of silver includes a margin and consequently market fluctuations in the price of silver can result in an increase or decrease in profitability at a given volume. For the three months ended September 30, 2015, the average price of silver decreased by 24%, the average price of nickel decreased by 43% and the average price of tin decreased by 31%, in each case compared to the three months ended September 30, 2014.

Our labor and utility expenses are directly tied to our level of production. While the number of employees we use in our operations fluctuates with sales volume, our cost per employee continues to rise with increases in wages and the costs of providing medical coverage, workers' compensation and other benefits to employees. The cost of providing medical coverage is impacted by continued inflation in medical products and services. Utility rates vary by season and also fluctuate with changes in the prices for coal, natural gas and other similar commodities which are used in the generation of power.

**Results of Operations**

The following table sets forth certain unaudited statements of operations data in millions of dollars and percentage of net sales for the periods indicated.

| | For the Three Months Ended | | | | For the Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2015 | | September 30, 2014 | | September 30, 2015 | | September 30, 2014 | |
| Net sales | $ 154.1 | 100.0% | $ 199.3 | 100.0% | $ 504.1 | 100.0% | $ 589.6 | 100.0% |
| Operating expenses: | | | | | | | | |
| Cost of goods sold, exclusive of depreciation and amortization expenses shown below | 132.7 | 86.1 | 172.9 | 86.8 | 430.3 | 85.4 | 503.9 | 85.5 |
| Selling, general and administrative expenses | 11.2 | 7.3 | 10.5 | 5.3 | 30.9 | 6.1 | 33.0 | 5.6 |
| Depreciation and amortization | 4.2 | 2.7 | 4.1 | 2.0 | 13.0 | 2.6 | 12.6 | 2.1 |
| Gain on sale of property, plant, and equipment | (0.0) | (0.0) | (0.2) | (0.1) | (0.0) | (0.0) | (0.2) | 0.0 |
| Operating income | 6.0 | 3.9 | 12.0 | 6.0 | 29.9 | 5.9 | 40.3 | 6.8 |
| Other (expense)/income: | | | | | | | | |
| Interest | (6.2) | (4.0) | (5.7) | (2.9) | (18.2) | (3.6) | (17.2) | (2.9) |
| Amortization of deferred financing costs | (0.5) | (0.3) | (0.5) | (0.2) | (1.5) | (0.3) | (1.4) | (0.2) |
| Loss on early extinguishment of debt | (0.1) | (0.1) | 0.0 | 0.0 | (0.1) | (0.0) | 0.0 | 0.0 |
| Other, net | (0.0) | (0.0) | (0.1) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| (Loss)/income before income tax (benefit)/provision | (0.8) | (0.5) | 5.7 | 2.9 | 10.1 | 2.0 | 21.7 | 3.7 |
| Income tax (benefit)/provision | (1.4) | 0.9 | 1.8 | 0.9 | 2.3 | 0.5 | 7.6 | 1.3 |
| Net income | $ 0.6 | 0.4 % | $ 3.9 | 2.0 % | $ 7.8 | 1.5% | $ 14.1 | 2.4 % |

***Three Months Ended September 30, 2015 versus Three Months Ended September 30, 2014***

Net sales were $154.1 million and $199.3 million for the three months ended September 30, 2015 and 2014, respectively. Net sales for the three months ended September 30, 2015 were $45.2 million, or 22.7%, lower than comparable 2014 levels. This decrease was the result of the decreased average cost and selling price of copper ($24.2 million), lower volume in the Bare Wire and HPC segments from decreased customer demand in all major markets except the electronics and data communications and medical electronics markets ($23.8 million), lower customer pricing/mix ($1.9 million), and unfavorable currency exchange rates ($2.1 million). These factors were partially offset by a lower proportion of tolled copper shipped in the 2015 period compared to the 2014 period ($6.8 million). For sales of product comprised of tolled copper, the value of the copper material processed is excluded from sales. Accordingly, as the proportion of tolled sales decrease, the sales we record increase. Of the total pounds processed for the three months ended September 30, 2015 and 2014, 42.5% and 46.4%, respectively, were from customers' tolled copper. The average price of copper based upon COMEX decreased to $2.40 per pound for the three months ended September 30, 2015 from $3.16 per pound for the three months ended September 30, 2014. Total pounds of product sold in the third quarter of 2015 decreased by 14.2% compared to the third quarter of 2014.

Cost of goods sold, exclusive of depreciation and amortization expense, as a percentage of net sales decreased to 86.1% for the three months ended September 30, 2015 from 86.8% for the same period in 2014. The decrease of 0.7 percentage points was due to a decrease in the average cost and selling price of copper (1.9 percentage points) and higher LIFO/copper profits (1.0 percentage points), partially offset by less favorable plant utilization (1.0 percentage points), lower silver and non-copper metal profits (0.7 percentage points) and the change in the proportion and level of tolled and owned copper sales (0.5 percentage points).

Selling, general and administrative expenses were $11.2 million for the three months ended September 30, 2015 compared to $10.5 million for the same period in 2014. This increase of $0.7 million was primarily the result of $2.2 million of higher stock-based compensation expense, partially offset by $0.4 million of decreased transportation costs (primarily fuel cost related and, to a lesser extent, volume), $0.4 million of lower legal and professional expenses, $0.3 million of lower bonus accruals and $0.4 million of other cost reductions, net. These expenses, as a percent of net sales, increased to 7.3% for

the three months ended September 30, 2015 from 5.3% for the three months ended September 30, 2014, primarily due to lower net sales and the previously mentioned expense increases, net.

Depreciation and amortization expense was $4.2 million for the three months ended September 30, 2015 compared to $4.1 million for the same period in 2014.

There was a gain on sale of property, plant and equipment of $0.2 million for the three months ended September 30, 2014 as the result of the sale of certain assets during the period.

Operating income for the three months ended September 30, 2015 was $6.0 million compared to $12.0 million for the 2014 period, or a decrease of $6.0 million, or 50.0%, primarily from lower sales volume, lower silver and non-copper metal profits, less favorable plant utilization and higher selling, general and administrative expenses, partially offset by higher LIFO/copper profits.

Interest expense was $6.2 million and $5.7 million for the three month periods ended September 30, 2015 and 2014, respectively. This increase of $0.5 million was primarily the result of the issuance of the $26.0 million of PIK Notes in the second quarter of 2015.

Amortization of deferred financing costs was $0.5 million in each of the three month periods ended September 30, 2015 and 2014.

Loss on early extinguishment of debt was $0.1 million for the three months ended September 30, 2015 due to the repurchase of $10.0 million of PIK Notes in the third quarter of 2015.

Income tax benefit was $1.4 million and income tax provision was $1.8 million for the three months ended September 30, 2015 and 2014, respectively. The Company's effective tax rate was (170%) for the three months ended September 30, 2015 and 32.0% for the three months ended September 30, 2014. The lower effective tax rate in 2015 was primarily a result of the impact of certain discrete items related to the reversal of a portion of our uncertain tax positions due to the statute of limitations expiration.

Net income was $0.6 million and $3.9 million for the three months ended September 30, 2015 and 2014, respectively. Net income per basic share was $0.13 and $0.68 while net income per diluted share was $0.12 and $0.68 for the three months ended September 30, 2015 and 2014, respectively.

***Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014***

Net sales were $504.1 million and $589.6 million for the nine months ended September 30, 2015 and 2014, respectively. Net sales for the nine months ended September 30, 2015 were $85.5 million, or 14.5%, below comparable 2014 levels. This decrease was the result of the decreased average cost and selling price of copper ($53.3 million), lower volume in the Bare Wire and HPC segments, from decreased customer demand in all major markets except the electronics and data communications, medical electronics and medical device markets ($52.7 million), unfavorable currency exchange rates ($7.5 million) and lower customer pricing/mix ($0.3 million). These factors were partially offset by a lower proportion of tolled copper shipped in the 2015 period compared to the 2014 period ($28.3 million). For sales of product comprised of tolled copper, the value of the copper material processed is excluded from sales. Accordingly, as the proportion of tolled sales decrease, the sales we record increase. Of the total pounds processed for the nine months ended September 30, 2015 and 2014, 45.2% and 50.0%, respectively, were from customers' tolled copper. The average price of copper based upon COMEX decreased to $2.61 per pound for the nine months ended September 30, 2015 from $3.17 per pound for the nine months ended September 30, 2014. Total pounds of product sold in the first nine months of 2015 decreased by 10.4% compared to the first nine months of 2014.

Cost of goods sold, exclusive of depreciation and amortization expense, as a percentage of net sales decreased to 85.4% for the nine months ended September 30, 2015 from 85.5% for the same period in 2014. The decrease of 0.1 percentage points was due to a decrease in the average cost and selling price of copper (1.4 percentage points) and higher LIFO/copper profits (0.7 percentage points), partially

offset by less favorable plant utilization (1.0 percentage points), the change in the proportion and level of tolled and owned copper sales (0.6 percentage points) and lower silver and non-copper metal profits (0.4 percentage points).

Selling, general and administrative expenses were $30.9 million for the nine months ended September 30, 2015 compared to $33.0 million for the same period in 2014. This decrease of $2.1 million was the result of $1.6 million of decreased transportation costs (primarily fuel cost related and, to a lesser extent, volume), $0.8 million of lower legal and professional expenses, $0.8 million of lower bonus accruals and $1.1 million of other cost reductions, net, partially offset by $2.2 million of higher stock-based compensation expense.

Depreciation and amortization expense was $13.0 million for the nine months ended September 30, 2015 compared to $12.6 million for the same period in 2014.

There was a gain on sale of property, plant and equipment of $0.2 million for the nine months ended September 30, 2014 as the result of the sale of certain assets during the period.

Operating income for the nine months ended September 30, 2015 was $29.9 million compared to $40.3 million for the 2014 period, or a decrease of $10.4 million, or 25.8%, primarily from lower sales volume, lower silver and non-copper metal profits and less favorable plant utilization, partially offset by higher LIFO/copper profits and lower selling, general and administrative expenses.

Interest expense was $18.2 million and $17.2 million for the nine month periods ended September 30, 2015 and 2014, respectively. This increase of $1.0 million was primarily the result of the issuance of the $26.0 million of PIK Notes in the second quarter of 2015.

Amortization of deferred financing costs was $1.5 million and $1.4 million for the nine months ended September 30, 2015 and 2014, respectively.

Loss on early extinguishment of debt was $0.1 million for the nine months ended September 30, 2015 due to the repurchase of $10 million of PIK Notes in the third quarter of 2015.

Income tax provision was $2.3 million and $7.6 million for the nine months ended September 30, 2015 and 2014, respectively. The Company's effective tax rate for the nine months ended September 30, 2015 was 22.7% and 35.3% for the nine months ended September 30, 2014. The lower effective tax rate in 2015 was primarily a result of the impact of certain discrete items related to the reversal of a portion of our uncertain tax positions due to the statute of limitations expiration.

Net income was $7.8 million and $14.1 million for the nine months ended September 30, 2015 and 2014, respectively. Net income per basic share was $1.59 and $2.40 while net income per diluted share was $1.57 and $2.34 for the nine months ended September 30, 2015 and 2014, respectively.

**Financial Condition**

At the end of the third quarter, total cash and cash equivalents were $8.8 million, an increase of $3.6 million from year-end 2014 primarily due to a $10.0 million dividend from IWG funded through cash flows provided by operating activities and $26.0 million in proceeds from the issuance of PIK Notes, partially offset by $28.9 million in common stock repurchases, $2.8 in stock option repurchases and cash being used for working capital requirements in Europe.

Accounts receivable of $100.2 million as of September 30, 2015 decreased $14.0 million, or 12.2%, from year-end 2014. This decrease was primarily due to lower sales levels in the Bare Wire and High Performance Conductors segments in the current quarter compared to the fourth quarter of 2014 and a decrease in days sales outstanding to 58 days as of September 30, 2015 compared to 62 days at year-end 2014. Accounts receivable allowances as a percentage of accounts receivable was 1.2% and 1.1% at September 30, 2015 and December 31, 2014, respectively.

Inventories of $41.7 million as of September 30, 2015 decreased by $7.1 million from December 31, 2014. This decrease was the result of net lower inventories in the Bare Wire and High Performance Conductors segments driven by metal price and quantity decreases ($19.4 million), partially offset by higher inventory quantities in the Europe segments ($0.9 million) and a decrease in the LIFO reserve ($11.4 million).

Accounts payable were $21.4 million as of September 30, 2015, or a decrease of $1.9 million from December 31, 2014 levels, resulting from the timing of payments.

**Liquidity and Capital Resources**

***Working Capital and Cash Flows***

Net cash provided by operating activities was $44.5 million for the nine months ended September 30, 2015, compared to net cash provided by operating activities of $31.4 million for the nine months ended September 30, 2014. This increase of $13.1 million was primarily the result of a favorable accounts receivable impact of $21.1 million and a favorable inventory impact of $20.3 million. These were partially offset by an unfavorable accounts payable impact of $19.0 million, unfavorable other long-term liabilities impact of $2.3 million, lower net income of $6.2 million and other unfavorable impacts, net of $0.8 million.

Net cash used in investing activities was $10.3 million for the nine months ended September 30, 2015, compared to net cash used in investing activities of $10.5 million for the nine months ended September 30, 2014. This decrease in net cash used of $0.2 million resulted primarily from a $0.4 million decrease in capital expenditures in the 2015 period, partially offset by a $0.2 million decrease in proceeds from sales of property, plant and equipment.

Net cash used in financing activities was $30.0 million for the nine months ended September 30, 2015, compared to net cash used in financing activities of $26.4 million for the nine months ended September 30, 2014. There were net repayments of $14.6 million for the nine months ended September 30, 2015, and net repayments of $4.1 million for the nine months ended September 30, 2014. There were net repayments of $14.6 million for the nine months ended September 30, 2015, and net repayments of $4.1 million for the nine months ended September 30, 2014. There were repurchases of common stock of $28.9 million and $19.1 million for the nine months ended September 30, 2015 and 2014, respectively. There were repurchases of stock options of $2.8 million and $6.6 million for the nine months ended September 30, 2015 and 2014, respectively. There was a tax benefit on stock option exercise and repurchases of $0.5 million for both the nine months ended September 30, 2015 and 2014. There were proceeds from the issuance of PIK Notes of $26.0 million, repurchase of PIK Notes of $10.0 million and payments for debt issuance costs of $0.2 million for the nine months ended September 30, 2015. There were proceeds from the issuance of common stock of $2.9 million for the nine months ended September 30, 2014.

**Stock Repurchase Programs**

IWG's Board of Directors previously approved a stock repurchase program pursuant to which the Company was authorized to repurchase up to $20.0 million of its common stock through open market and privately negotiated transactions from time to time. Prior to the Holdings Reorganization, IWG had repurchased 344,000 shares of common stock under the program for an aggregate repurchase price of $5.3 million, resulting in an average repurchase price of $15.47 per share, including broker commissions. There were no stock repurchases in 2015 or 2014 under this program. In addition, the Company established a stock repurchase plan pursuant to the requirements of and in conformity with the provisions of Rule 10b5-1 promulgated under the Securities and Exchange Act of 1934. Under this plan, the Company is allowed to repurchase up to $5.0 million of shares. As of September 30, 2015, there have been no repurchases under this program and this program expired in the third quarter of 2015.

Our ability to make restricted payments, including dividends or other distributions on our common stock or repurchases of our common stock, is limited (1) under IWG's 8.50% Senior Secured Notes and Holdings' PIK Notes to the amount available from time to time under restricted payments covenants as calculated under the indentures governing the 8.50% Senior Secured Notes and the PIK Notes and (2) under the Revolving Credit Facility pursuant to a fixed charge coverage ratio test under the Revolving Credit Facility. The restricted payments covenants under IWG's 8.50% Senior Secured Notes indenture and Holdings' PIK Notes indenture would permit the payment of up to $2.5 million and $12.6 million, respectively, as of September 30, 2015.

**Off-Balance Sheet Arrangements**

We have not historically utilized off-balance sheet financing arrangements and have no such arrangements as of September 30, 2015. However, we do lease certain facilities and equipment under agreements provided by various third parties. Since the terms of these leases meet the definition of operating leases, the future lease payments are not reflected on our consolidated balance sheet. As of September 30, 2015, the future minimum lease payments under these arrangements totaled $7.6 million.