



**INTERNATIONAL WIRE GROUP HOLDINGS, INC.
FINANCIAL INFORMATION (PUBLIC)
AS OF SEPTEMBER 30, 2017
AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

INDEX TO FINANCIAL INFORMATION:

Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016.....	1
Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2017 and 2016	2
Consolidated Statements of Comprehensive Income/(Loss) for the Three and Nine Months Ended September 30, 2017 and 2016	3
Consolidated Statement of Stockholders' Deficit for the Nine Months Ended September 30, 2017.....	4
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2017 and 2016.....	5
Notes to Consolidated Financial Statements	6
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, 2017 versus September 30, 2016.....	13

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 10, 2017

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, 2017	December 31, 2016
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 4,438	\$ 6,238
Accounts receivable, less allowances of \$1,102 and \$1,359	100,694	81,502
Refundable income taxes	3,834	2,477
Inventories	56,584	46,269
Prepaid expenses and other	9,711	13,797
Total current assets	175,261	150,283
Property, plant and equipment, net.....	86,382	85,621
Goodwill	66,335	66,335
Identifiable intangibles, net	9,000	10,396
Restricted cash	1,188	1,204
Other assets	4,784	5,004
Total assets.....	<u>\$ 342,950</u>	<u>\$ 318,843</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 27,844	\$ 7,311
Accrued and other liabilities	6,947	5,723
Accrued workers' compensation costs	3,978	4,526
Accrued payroll and payroll related items.....	8,873	9,518
Customers' deposits	10,285	9,870
Accrued income taxes	74	—
Accrued interest	4,297	11,590
Total current liabilities	62,298	48,538
Long-term debt.....	277,957	268,455
Other long-term liabilities	6,880	8,302
Deferred income taxes.....	7,324	7,949
Total liabilities	<u>354,459</u>	<u>333,244</u>
Commitments and contingencies (Note 9)		
Stockholders' deficit:		
Common stock, \$.01 par value, 6,000,000 shares authorized, 4,654,483 and 4,653,986 issued in 2017 and 2016.....	46	46
Contributed capital.....	72,490	72,279
Accumulated deficit	(80,306)	(79,798)
Accumulated other comprehensive loss	(3,739)	(6,928)
Total stockholders' deficit.....	<u>(11,509)</u>	<u>(14,401)</u>
Total liabilities and stockholders' deficit	<u>\$ 342,950</u>	<u>\$ 318,843</u>

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, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In thousands, except share and per share data)			
Net sales.....	\$ 135,138	\$ 129,088	\$ 403,528	\$ 405,840
Operating expenses:				
Cost of goods sold, exclusive of depreciation and amortization expenses shown below.....	116,611	110,079	343,322	341,174
Selling, general and administrative expenses.....	8,560	8,982	27,014	28,851
Depreciation.....	3,011	3,176	9,563	10,559
Amortization.....	692	716	2,293	2,366
(Gain)/loss on sale of property, plant and equipment.....	(8)	22	(2)	(6)
Operating income.....	6,272	6,113	21,338	22,896
Other (expense)/income:				
Interest.....	(7,472)	(7,270)	(22,236)	(19,288)
Amortization of deferred financing costs.....	(428)	(481)	(1,322)	(1,508)
Gain/(loss) on early extinguishment of debt.....	248	(6,693)	248	(6,713)
Other, net.....	(57)	9	(125)	(48)
Loss before income tax benefit.....	(1,437)	(8,322)	(2,097)	(4,661)
Income tax benefit.....	(1,199)	(4,412)	(1,589)	(3,176)
Net loss.....	<u>\$ (238)</u>	<u>\$ (3,910)</u>	<u>\$ (508)</u>	<u>\$ (1,485)</u>
Basic net loss per share.....	<u>\$ (0.05)</u>	<u>\$ (0.84)</u>	<u>\$ (0.11)</u>	<u>\$ (0.32)</u>
Diluted net loss per share.....	<u>\$ (0.05)</u>	<u>\$ (0.84)</u>	<u>\$ (0.11)</u>	<u>\$ (0.32)</u>
Weighted-average basic shares outstanding.....	<u>4,654,483</u>	<u>4,648,376</u>	<u>4,654,483</u>	<u>4,648,376</u>
Weighted-average diluted shares outstanding.....	<u>4,654,483</u>	<u>4,655,061</u>	<u>4,654,483</u>	<u>4,653,295</u>

See accompanying notes to the consolidated financial statements.

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

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

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(In thousands)			
Net loss	\$ (238)	\$ (3,910)	\$ (508)	\$ (1,485)
Foreign currency translation adjustment	<u>937</u>	<u>354</u>	<u>3,189</u>	<u>701</u>
Comprehensive income/(loss)	<u>\$ 699</u>	<u>\$ (3,556)</u>	<u>\$ 2,681</u>	<u>\$ (784)</u>

See accompanying notes to the consolidated financial statements.

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

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

	For the Nine Months Ended September 30, 2017					
	<u>Number of Issued Shares</u>	<u>Common Stock</u>	<u>Contributed Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive (Loss)/Income</u>	<u>Total</u>
	(In thousands, except share data)					
Balance January 1, 2017	4,653,986	\$ 46	\$ 72,279	\$ (79,798)	\$ (6,928)	\$ (14,401)
Net loss.....	—	—	—	(508)	—	(508)
Foreign currency translation adjustment	—	—	—	—	3,189	3,189
Stock-based compensation	<u>497</u>	<u>—</u>	<u>211</u>	<u>—</u>	<u>—</u>	<u>211</u>
Balance September 30, 2017	<u>4,654,483</u>	<u>\$ 46</u>	<u>\$ 72,490</u>	<u>\$ (80,306)</u>	<u>\$ (3,739)</u>	<u>\$ (11,509)</u>

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	
	<u>September 30,</u>	<u>September 30,</u>
	<u>2017</u>	<u>2016</u>
	(In thousands)	
Cash flows provided by/(used in) operating activities:		
Net loss.....	\$ (508)	\$ (1,485)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	9,563	10,559
Amortization.....	2,293	2,366
Amortization of deferred financing costs and original issue discount.....	2,409	1,767
(Gain)/loss on early extinguishment of debt.....	(248)	6,713
Accounts receivable allowances provision.....	55	72
Stock-based compensation expense.....	336	652
Gain on sale of property, plant and equipment.....	(2)	(6)
Deferred income taxes.....	(625)	(46)
Change in operating assets and liabilities:		
Accounts receivable.....	(17,666)	3,760
Inventories.....	(9,531)	(10,327)
Prepaid expenses and other assets.....	3,501	(1,176)
Accounts payable.....	20,300	2,983
Accrued and other liabilities and workers' compensation costs.....	553	282
Accrued payroll and payroll related items.....	(936)	(1,369)
Customers' deposits.....	415	(418)
Accrued interest.....	(7,293)	334
Accrued/refundable income taxes.....	(1,217)	(2,772)
Other long-term liabilities.....	(1,622)	(1,850)
Net cash (used in)/provided by operating activities.....	<u>(223)</u>	<u>10,039</u>
Cash flows provided by/(used in) investing activities:		
Capital expenditures.....	(9,515)	(8,421)
Proceeds from sale of property, plant and equipment.....	16	64
Restricted cash.....	16	21
Net cash used in investing activities.....	<u>(9,483)</u>	<u>(8,336)</u>
Cash flows provided by/(used in) financing activities:		
Repurchase of PIK Notes.....	—	(13,147)
Repurchase of 8.50% Senior Secured Notes.....	—	(250,000)
Issuance of 10.750% Senior Secured Notes.....	—	250,344
Repurchase of 10.750% Senior Secured Notes.....	(13,988)	—
Borrowings under Revolving Credit Facility.....	129,038	82,127
Repayments under Revolving Credit Facility.....	(107,657)	(63,299)
Debt issuance costs.....	(52)	(6,522)
Prepayment fees on early extinguishment of debt.....	—	(4,754)
Net cash provided by/(used in) financing activities.....	<u>7,341</u>	<u>(5,251)</u>
Effects of exchange rate changes on cash and cash equivalents.....	565	173
Net change in cash and cash equivalents.....	(1,800)	(3,375)
Cash and cash equivalents at beginning of the period.....	6,238	9,671
Cash and cash equivalents at end of the period.....	<u>\$ 4,438</u>	<u>\$ 6,296</u>
Supplemental disclosure of cash flow information:		
Interest paid.....	<u>\$ 28,406</u>	<u>\$ 18,422</u>
Income taxes paid, net.....	<u>\$ 495</u>	<u>\$ 1,145</u>
Amount included in accounts payable and other liabilities for capital expenditures and other.....	<u>\$ 530</u>	<u>\$ 784</u>

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

International Wire Group Holdings, Inc. ("International Wire Group Holdings" or "Holdings") is a holding company and conducts all of its operations through International Wire Group, Inc. ("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 and its subsidiaries, including IWG. The results of operations for the three and nine months ended September 30, 2017 and 2016 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, 2016.

2. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognizing revenue, the application of which will require significant judgment. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Company is in the process of assessing the impact the adoption of this ASU will have on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory: Topic 330: Simplifying the Measurement of Inventory*. ASU 2015-11 requires an entity to measure in scope inventory at the lower of cost and net realizable value. This pronouncement is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. ASU 2015-11 should be applied on a prospective basis. The Company adopted this ASU in the first quarter of 2017 and it did not have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases: Topic 842*. The objective of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods. Early adoption is permitted. The Company is in the process of assessing the impact of the adoption of this ASU on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation: Topic 718: Improvements to Employee Share-Based Payment Accounting*. The objective of this update is to simplify several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement

of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Company is in the process of assessing the impact of the adoption of this ASU on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flow: Topic 230: Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 is intended to address eight specific cash flow issues with the objective of reducing the existing diversity in practice. This pronouncement is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is in the process of assessing the impact the adoption of this ASU will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other: Topic 350: Simplifying the Test for Goodwill Impairment*. ASU 2017-04 is intended to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. This pronouncement is effective for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is in the process of assessing the impact that the adoption of this ASU will have on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation: Topic 718: Scope of Modification Accounting*. The standard provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The ASU is effective for fiscal years beginning after December 15, 2017 and interim periods within the fiscal year. Early adoption is permitted. The Company does not expect that the adoption of this standard will have a material effect on the consolidated financial statements.

Management does not expect any other recently issued accounting pronouncements, which have not already been adopted, to have a material impact on the Company's consolidated financial statements.

3. Inventories

The composition of inventories are as follows:

	September 30, 2017	December 31, 2016
Raw materials.....	\$ 15,554	\$ 12,608
Work-in-process	14,310	12,360
Finished goods	26,720	21,301
Total inventories	<u>\$ 56,584</u>	<u>\$ 46,269</u>

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 \$23,364 and \$17,805 higher as of September 30, 2017 and December 31, 2016, respectively.

4. Goodwill and Intangible Assets

The carrying amounts of goodwill are as follows:

	September 30, 2017	December 31, 2016
Balance, beginning of period.....	\$ 66,335	\$ 66,335
Balance, end of period.....	<u>\$ 66,335</u>	<u>\$ 66,335</u>

The Company completed its annual impairment assessment at December 31, 2016 and concluded that goodwill was not impaired.

The components of identifiable intangibles are as follows:

	September 30, 2017		December 31, 2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Customer contracts and relationships.....	\$ 19,897	\$ 14,687	\$ 19,897	\$ 13,692
Trade names and trademarks.....	10,858	7,107	10,858	6,712
Alloys	<u>92</u>	<u>53</u>	<u>92</u>	<u>47</u>
Total identifiable intangibles	<u>\$ 30,847</u>	<u>\$ 21,847</u>	<u>\$ 30,847</u>	<u>\$ 20,451</u>

Amortization expense for identifiable intangibles for the nine months ended September 30, 2017 and September 30, 2016 was \$1,396 and \$1,394, respectively. Amortization expense for identifiable intangibles for the next five fiscal years and thereafter is as follows:

	Amount
2017 (remaining three months)	\$ 464
2018	1,859
2019	1,733
2020	1,223
2021	1,223
Thereafter	<u>2,498</u>
Total	<u>\$ 9,000</u>

5. Net Loss 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/(loss) 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 nonvested restricted stock 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, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Weighted — average shares outstanding-basic	4,654,483	4,648,376	4,654,483	4,648,376
Dilutive effect of nonvested restricted stock	—	6,685	—	4,919
Weighted — average shares outstanding-diluted	<u>4,654,483</u>	<u>4,655,061</u>	<u>4,654,483</u>	<u>4,653,295</u>

Weighted-average shares outstanding for the three and nine month periods ended September 30, 2017 exclude 4,332 and 2,976 of nonvested restricted stock, respectively, because they are antidilutive.

6. Long-Term Debt

The composition of long-term debt is as follows:

	September 30, 2017	December 31, 2016
IWG Senior Revolving Credit Facility	\$ 61,584	\$ 40,203
IWG 10.750% Senior Secured Notes.....	228,340	243,340
Discount on 10.750% Senior Secured Notes	(6,900)	(8,448)
Total long-term debt obligations	283,024	275,095
Less unamortized deferred financing costs on debt obligations.....	(5,067)	(6,640)
Less current maturities	—	—
Long-term portion of long-term debt.....	<u>\$ 277,957</u>	<u>\$ 268,455</u>

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 and agents party thereto.

On July 26, 2016, IWG amended its Revolving Credit Facility. The Revolving Credit Facility, as amended, decreases the maximum revolving line of credit from \$175,000 to \$125,000, subject to borrowing base availability and includes a \$25,000 letter of credit sub-facility. The collateral for the Revolving Credit Facility includes substantially all of the assets of IWG and its domestic subsidiaries, as well as 65% of the voting capital stock and 100% of the non-voting capital stock of, or other equity interests in, IWG’s first-tier foreign subsidiaries.

Borrowings and letters of credit under the Revolving Credit Facility are limited in the aggregate to the lesser of the maximum revolving line of credit (currently \$125,000) or the borrowing base, which is calculated based upon the value of, among other things, eligible accounts receivable and eligible inventory and may limit the amount of loans and letters of credit otherwise available to IWG. As of September 30, 2017, letters of credit in the amount of \$3,158 were outstanding and \$61,584 was drawn under the Revolving Credit Facility. Availability under the Revolving Credit Facility was \$60,258 as of September 30, 2017.

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 IWG and its subsidiaries to observe affirmative and negative covenants (including financial covenants). These covenants include limitations on IWG's and its subsidiaries' ability to make acquisitions, dispose of assets, incur additional indebtedness (including 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. IWG 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 \$15,625 or (2) there is a default or event of default. IWG was in compliance with such conditions and covenants at September 30, 2017.

IWG's Revolving Credit Facility was extended by the July 26, 2016 amendment and will mature on April 30, 2021.

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

IWG 10.750% Senior Secured Notes

On July 26, 2016, IWG completed the offering of \$260,000 of its 10.750% Senior Secured Notes due 2021 (the "10.750% Senior Secured Notes"). The 10.750% Senior Secured Notes will mature on August 1, 2021. The 10.750% Senior Secured Notes pay interest semi-annually on February 1 and August 1, beginning on February 1, 2017. The 10.750% Senior Secured Notes are guaranteed on a senior secured basis by each of IWG's existing and certain of its future domestic subsidiaries. The 10.750% 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% of the voting capital stock and 100% of the non-voting capital stock of, or other equity interests in, IWG's first-tier foreign subsidiaries.

The fair value of the 10.750% Senior Secured Notes was approximately \$210,073 and \$243,325 at September 30, 2017 and December 31, 2016, respectively.

Prior to August 1, 2019, IWG may redeem some or all of the notes at a redemption price equal to the sum of 100% of principal amount plus accrued interest plus a "make-whole" payment. Beginning August 1, 2019, IWG may redeem some or all of the 10.750% Senior Secured Notes at the redemption price set forth below plus accrued and unpaid interest. In addition, any time prior to August 1, 2019, IWG may redeem up to 40% of the 10.750% Senior Secured Notes with the proceeds of certain sales of equity securities at 110.750% of the principal amount plus accrued and unpaid interest. IWG's ability to redeem the 10.750% Senior Secured Notes is also subject to restrictions in its Revolving Credit Facility.

Redemption Price

2019	105.375%
2020 and thereafter	100.000%

Upon the occurrence of a change of control, we must offer to purchase the 10.750% Senior Secured Notes at 101% of the principal amount of the 10.750% Senior Secured Notes, plus accrued and unpaid interest.

The indenture governing the 10.750% 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 10.750% 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.

Under the indenture governing the 10.750% Senior Secured Notes, IWG may be required, within 95 days of the end of each fiscal year, to make an offer to purchase 10.750% Senior Secured Notes with excess cash flow from the prior fiscal year (the "Excess Cash Flow Offer") at a price of 101% of the principal amount plus accrued and unpaid interest. The amount of excess cash flow committed to the Excess Cash Flow Offer ranges from 50% to 75% based on IWG's consolidated leverage ratio. IWG's ability to make the Excess Cash Flow Offer is subject to restrictions under its Revolving Credit Facility.

7. Income Taxes

The provision for income taxes for the nine months ended September 30, 2017 and September 30, 2016 was derived using an estimated effective annual income tax rate for all of 2017 and 2016 of 39.9% and 34.4%, respectively, which excluded any discrete tax adjustments.

The Company's liability for unrecognized tax benefits totaled \$1,972 and \$2,455 at September 30, 2017 and December 31, 2016, respectively, which includes interest and penalties. The total balance of unrecognized tax benefits at September 30, 2017 and December 31, 2016 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 2014.

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.

8. 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 \$4,150 and \$2,903 for the three months ended September 30, 2017 and 2016, respectively, and \$11,582 and \$9,330 for the nine months ended September 30, 2017 and 2016, respectively. The outstanding accounts receivable were \$2,071 and \$3,601 at September 30, 2017 and December 31, 2016, respectively. The Company purchased \$819 and \$5 of copper rod through Prime for the three months ended September 30, 2017 and 2016, respectively, and \$4,117 and \$23 for the nine months ended September 30, 2017 and 2016, respectively. The Company had outstanding accounts payable to Prime of \$818 and \$0 at September 30, 2017 and December 31, 2016, respectively.

9. 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.

10. Subsequent Events

In accordance with the provisions of ASC 855, *Subsequent Events*, the Company has evaluated all subsequent events through November 10, 2017, the date these consolidated financial statements were issued, to ensure that this financial information includes appropriate disclosure of events both recognized in the consolidated financial statements as of September 30, 2017, and events which occurred subsequent to September 30, 2017 but were not recognized in the consolidated financial statements. As of November 10, 2017, 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, 2017 VERSUS SEPTEMBER 30, 2016

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, 2016. The Company's annual report can be found under the Investor Relations tab of our website at <http://internationalwiregroup.gcs-web.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. 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, except as required by law. 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://internationalwiregroup.gcs-web.com> or <http://www.internationalwiregroup.com>.

Overview

We, through 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 industrial and energy, electronics and data communications, automotive/specialty vehicles, aerospace and defense, medical products and consumer and appliance 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 that 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 micro diameter tubing products. These products are used by a variety of customers in the commercial and military aerospace, electronics and data communications, industrial and energy and medical products 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 markets, 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. Automotive industry production volumes decreased 10.0% for the three months ended September 30, 2017, and decreased 3.3% for the nine months ended September 30, 2017, compared to the same period for 2016 (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 these markets include technology spending and major industrial and/or infrastructure projects, including 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 include commercial aircraft deliveries, spending levels in the military and defense markets and demand in the medical products markets. The commercial aerospace industry set a third quarter delivery record of 354 large commercial aircraft in 2017. September 2017 year-to-date Boeing has delivered a record number of single-aisle jets while Airbus has delivered a record number of wide-body jets. The total large commercial jet aircraft backlog at the end of the third quarter of 2017 was 13,420. Demand for our medical products in the third quarter of 2017 decreased 6.7% over the same period in 2016 but remains 6.5% above 2016 for the first nine months.

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") increased to \$2.89 per pound for the three months ended September 30, 2017 from \$2.16 per pound for the three months ended September 30, 2016 or 34% and increased from \$2.58 per pound for the three months ended June 30, 2017, or 12%.

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. As of September 30, 2017, a \$0.10 per pound fluctuation in the price of copper would have had approximately a \$2.6 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, 2017, the average price of silver decreased by 14%, the average price of nickel increased by 2% and the average price of tin increased by 11%, in each case compared to the three months ended September 30, 2016.

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.

	<u>For the Three Months Ended</u>		<u>September 30,</u>		<u>September 30,</u>		<u>For the Nine Months Ended</u>		<u>September 30,</u>	
	<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>	
	<u>2017</u>		<u>2016</u>		<u>2017</u>		<u>2016</u>		<u>2016</u>	
Net sales.....	\$ 135.1	100.0%	\$ 129.1	100.0%	\$ 403.5	100.0%	\$ 405.8	100.0%		
Operating expenses:										
Cost of goods sold, exclusive of depreciation and amortization expenses shown below	116.6	86.3	110.1	85.3	343.3	85.1	341.2	84.1		
Selling, general and administrative expenses	8.5	6.3	9.0	7.0	27.0	6.7	28.8	7.1		
Depreciation and amortization	3.7	2.8	3.9	3.0	11.9	2.9	12.9	3.2		
(Gain)/loss on sale of property, plant, and equipment	(0.0)	(0.0)	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)		
Operating income.....	6.3	4.6	6.1	4.7	21.3	5.3	22.9	5.6		
Other (expense)/income:										
Interest	(7.5)	(5.6)	(7.2)	(5.6)	(22.2)	(5.6)	(19.3)	(4.7)		
Amortization of deferred financing costs	(0.4)	(0.3)	(0.5)	(0.3)	(1.3)	(0.3)	(1.5)	(0.4)		
Gain/(loss) on early extinguishment of debt	0.2	0.2	(6.7)	(5.2)	0.2	0.1	(6.7)	(1.7)		
Other, net	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)		
Loss before income tax benefit	(1.4)	(1.1)	(8.3)	(6.4)	(2.1)	(0.5)	(4.7)	(1.2)		
Income tax benefit.....	(1.2)	(0.9)	(4.4)	(3.4)	(1.6)	(0.4)	(3.2)	(0.8)		
Net loss	<u>\$ (0.2)</u>	<u>(0.2)%</u>	<u>\$ (3.9)</u>	<u>(3.0)%</u>	<u>\$ (0.5)</u>	<u>(0.1)%</u>	<u>\$ (1.5)</u>	<u>(0.4)%</u>		

Three Months Ended September 30, 2017 versus Three Months Ended September 30, 2016

Net sales were \$135.1 million and \$129.1 million for the three months ended September 30, 2017 and 2016, respectively. Net sales for the three months ended September 30, 2017 were \$6.0 million, or 4.6%, higher than comparable 2016 levels. This increase was the result of the increased average cost and selling price of copper (\$16.8 million) and favorable currency exchange rates (\$0.5 million), partially offset by a higher proportion of tolled copper shipped in the 2017 period compared to the 2016 period (\$8.2 million), lower volume primarily in the Bare Wire and High Performance Conductors segments from decreased customer demand in all major markets except the aerospace, electronics/data communications and consumer/appliance markets (\$2.0 million) and lower customer pricing/mix (\$1.1 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 increase, the sales we record decrease. Of the total pounds processed for the three months ended September 30, 2017 and 2016, 51.3% and 44.6%, respectively, were from customers' tolled copper. The average price of copper based upon COMEX increased to \$2.89 per pound for the three months ended September 30, 2017 from \$2.16 per pound for the three months ended September 30, 2016. Total pounds of product sold in the third quarter of 2017 decreased by 2.1% compared to the third quarter of 2016.

Cost of goods sold, exclusive of depreciation and amortization expense, as a percentage of net sales increased to 86.3% for the three months ended September 30, 2017 from 85.3% for the same period in 2016. The increase of 1.0 percentage point was due to the increase in the average cost and selling price of copper (1.9 percentage points) and lower silver profits (0.8 percentage points), partially offset by a change in the proportion and level of tolled and owned copper sales (0.9 percentage points), more favorable plant utilization (0.7 percentage points) and higher LIFO/copper profits (0.1 percentage points).

Selling, general and administrative expenses were \$8.5 million for the three months ended September 30, 2017 compared to \$9.0 million for the same period in 2016. This decrease of \$0.5 million was primarily the result of \$0.2 million of lower stock-based compensation expense and \$0.3 million of other cost decreases, net. These expenses, as a percent of net sales, decreased to 6.3% for the three months ended September 30, 2017 from 7.0% for the three months ended September 30, 2016.

Depreciation and amortization expense was \$3.7 million for the three months ended September 30, 2017 compared to \$3.9 million for the same period in 2016.

Operating income for the three months ended September 30, 2017 was \$6.3 million compared to \$6.1 million for the 2016 period, or an increase of \$0.2 million, or 3.3%, primarily from higher LIFO/copper profits, more favorable plant utilization and lower selling, general and administrative expenses, partially offset by lower sales volume and lower silver profits.

Interest expense was \$7.5 million and \$7.2 million for the three month periods ended September 30, 2017 and 2016, respectively. This increase of \$0.3 million was primarily the result of the Company's debt refinancing in the third quarter of 2016.

Amortization of deferred financing costs was \$0.4 million and \$0.5 million for the three month periods ended September 30, 2017 and 2016, respectively.

Gain on early extinguishment of debt was \$0.2 million for the three months ended September 30, 2017 due to the Company's repurchase of \$15.0 million principal amount of 10.75% Senior Secured Notes during the third quarter of 2017. Loss on early extinguishment of debt was \$6.7 million for the three months ended September 30, 2016 due to the Company's debt refinancing in the third quarter of 2016.

Income tax benefit was \$1.2 million and \$4.4 million for the three months ended September 30, 2017 and 2016, respectively. The Company's effective tax rate was 83.4% for the three months ended September 30, 2017 and 53.0% for the three months ended September 30, 2016 primarily due to the impact of certain discrete items recorded in the 2017 and 2016 periods.

Net loss was \$0.2 million and \$3.9 million for the three months ended September 30, 2017 and 2016, respectively. Net loss per basic and diluted share was \$0.05 and \$0.84 for the three months ended September 30, 2017 and 2016, respectively.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Net sales were \$403.5 million and \$405.8 million for the nine months ended September 30, 2017 and 2016, respectively. Net sales for the nine months ended September 30, 2017 were \$2.3 million, or 0.6%, below comparable 2016 levels. This decrease was the result of lower volume in the Bare Wire and High Performance Conductors segments from decreased customer demand in all major markets except the electronics/data communication, consumer/appliance and medical products markets (\$21.3 million), a higher proportion of tolled copper shipped in the 2017 period compared to the 2016 period (\$23.9 million) and unfavorable currency exchange rates (\$0.2 million). These factors were partially offset by the increased average cost and selling price of copper (\$39.2 million) and higher customer pricing/mix (\$3.9 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 increase, the sales we record decrease. Of the total pounds processed for the nine months ended September 30, 2017 and 2016, 51.1% and 44.6%, respectively, were from customers' tolled copper. The average price of copper based upon COMEX increased to \$2.71 per pound for the nine months ended September 30, 2017 from \$2.13 per pound for the nine months ended September 30, 2016. Total pounds of product sold in the first nine months of 2017 decreased by 6.0% compared to the first nine months of 2016.

Cost of goods sold, exclusive of depreciation and amortization expense, as a percentage of net sales increased to 85.1% for the nine months ended September 30, 2017 from 84.1% for the same period in 2016. The increase of 1.0 percentage point was due to the increase in the average cost and selling price of copper (1.6 percentage points), lower silver profits (0.4 percentage points) and less favorable plant utilization (0.9 percentage points), partially offset by a change in the proportion and level of tolled and owned copper sales (1.0 percentage point), higher LIFO/copper profits (0.5 percentage points) and a favorable customer pricing/mix impact (0.4 percentage points).

Selling, general and administrative expenses were \$27.0 million for the nine months ended September 30, 2017 compared to \$28.8 million for the same period in 2016. This decrease of \$1.8 million was the result of \$0.6 million of lower bonus accruals, \$0.4 million of lower salaries and fringe benefits, \$0.3 million of lower stock-based compensation expense and \$0.5 million of other cost decreases, net.

Depreciation and amortization expense was \$11.9 million for the nine months ended September 30, 2017 compared to \$12.9 million for the same period in 2016.

Operating income for the nine months ended September 30, 2017 was \$21.3 million compared to \$22.9 million for the 2016 period, or a decrease of \$1.6 million, or 7.0%, primarily from lower sales volume, lower silver profits and less favorable plant utilization, partially offset by higher LIFO/copper profits and lower selling, general and administrative expenses.

Interest expense was \$22.2 million and \$19.3 million for the nine month periods ended September 30, 2017 and 2016, respectively. This increase of \$2.9 million was primarily the result of the Company's debt refinancing in the third quarter of 2016.

Amortization of deferred financing costs was \$1.3 million and \$1.5 million for the nine month periods ended September 30, 2017 and 2016, respectively.

Gain on early extinguishment of debt was \$0.2 million for the nine months ended September 30, 2017 due to the Company's repurchase of \$15.0 million principal amount of 10.75% Senior Secured Notes during the third quarter of 2017. Loss on early extinguishment of debt was \$6.7 million for the nine months ended September 30, 2016 due to the Company's debt refinancing in the third quarter of 2016.

Income tax benefit was \$1.6 million and \$3.2 million for the nine months ended September 30, 2017 and 2016, respectively. The Company's effective tax rate for the nine months ended September 30, 2017 was 75.8% and 68.1% for the nine months ended September 30, 2016 primarily due to the impact of certain discrete items recorded in the 2017 and 2016 periods.

Net loss was \$0.5 million and \$1.5 million for the nine months ended September 30, 2017 and 2016, respectively. Net loss per basic and diluted share was \$0.11 and \$0.32 for the nine months ended September 30, 2017 and 2016, respectively.

Financial Condition

At the end of the third quarter, total cash and cash equivalents were \$4.4 million, a decrease of \$1.8 million from year-end 2016 primarily due to cash being used for working capital requirements.

Accounts receivable of \$100.7 million as of September 30, 2017 increased \$19.2 million, or 23.6%, from year-end 2016. This increase was primarily due to the higher cost and selling price of copper in the current quarter compared to the fourth quarter of 2016, partially offset by a decrease in days sales outstanding to 62 days as of September 30, 2017 compared to 63 days at year-end 2016. Accounts receivable allowances as a percentage of accounts receivable was 1.1% and 1.7% at September 30, 2017 and December 31, 2016, respectively.

Inventories of \$56.6 million as of September 30, 2017 increased by \$10.3 million from December 31, 2016. This increase was the result of higher inventory quantities in the Bare Wire, Engineered Wire Products - Europe and High Performance Conductors segments (\$15.9 million), partially offset by an increase in the LIFO reserve (\$5.6 million).

Accounts payable were \$27.8 million as of September 30, 2017, or an increase of \$20.5 million from December 31, 2016 levels, resulting from the timing of purchases and related payments.

Liquidity and Capital Resources

Working Capital and Cash Flows

Net cash used in operating activities was \$0.2 million for the nine months ended September 30, 2017, compared to net cash provided by operating activities of \$10.0 million for the nine months ended September 30, 2016. This decrease of \$10.2 million was primarily the result of an unfavorable accounts receivable impact of \$21.4 million, an unfavorable accrued interest impact of \$7.6 million and an unfavorable (gain)/loss on early extinguishment of debt impact of \$7.0 million. These were partially offset by a favorable accounts payable impact of \$17.3 million, a favorable prepaid expenses and other assets impact of \$4.7 million, a favorable accrued/refundable incomes taxes impact of \$1.6 million and other favorable impacts, net of \$2.2 million.

Net cash used in investing activities was \$9.5 million for the nine months ended September 30, 2017, compared to net cash used in investing activities of \$8.3 million for the nine months ended September 30, 2016. This increase in net cash used of \$1.2 million resulted primarily from a \$1.1 million increase in capital expenditures in the 2017 period and \$0.1 million of lower proceeds from the sale of property, plant and equipment.

Net cash provided by financing activities was \$7.3 million for the nine months ended September 30, 2017, compared to net cash used in financing activities of \$5.3 million for the nine months ended September 30, 2016. There were net borrowings of \$21.4 million for the nine months ended September 30, 2017, and net borrowings of \$18.8 million for the nine months ended September 30, 2016. For the nine months ended September 30, 2017, there was repurchase of 10.750% Senior Secured Notes of \$14.0 million and debt issuance costs of \$0.1 million. For the nine months ended September 30, 2016, there were proceeds from the issuance of 10.750% Senior Secured Notes of \$250.3 million, repurchase of 8.5% Senior Secured Notes of \$250.0 million, repurchase of PIK Notes of \$13.1 million, debt issuance costs of \$6.5 million and prepayment fees on early extinguishment of debt of \$4.8 million.

Off-Balance Sheet Arrangements

We have not historically utilized off-balance sheet financing arrangements and have no such arrangements as of September 30, 2017. 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, 2017, the future minimum lease payments under these arrangements totaled \$5.5 million.