INTERNATIONAL WIRE GROUP HOLDINGS, INC.
FINANCIAL INFORMATION (PUBLIC)
AS OF JUNE 30, 2018
AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

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

International Wire Group Holdings, Inc.

Dated: August 10, 2018

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)

	June 30, 2018	December 31, 2017
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,160	$ 4,895
Accounts receivable, less allowances of $1,239 and $1,182	123,482	122,971
Refundable income taxes	2,070	1,397
Inventories	40,158	40,508
Prepaid expenses and other	9,669	9,255
Total current assets	178,539	179,026
Property, plant and equipment, net	85,000	85,810
Goodwill	66,335	66,335
Identifiable intangibles, net	7,598	8,529
Restricted cash	1,024	1,116
Other assets	4,730	4,765
Total assets	$ 343,226	$ 345,581
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 28,783	$ 22,387
Accrued and other liabilities	9,265	5,757
Accrued workers' compensation costs	3,786	4,094
Accrued payroll and payroll related items	8,874	11,214
Customers' deposits	11,205	10,551
Accrued income taxes	146	87
Accrued interest	10,345	10,484
Total current liabilities	72,404	64,574
Long-term debt	266,475	274,113
Other long-term liabilities	2,999	4,080
Deferred income taxes	6,423	6,428
Total liabilities	348,301	349,195
Commitments and contingencies (Note 10)		
Stockholders' deficit:		
Common stock, $.01 par value, 6,000,000 shares authorized, 4,656,529 and 4,655,605 issued in 2018 and 2017.	46	46
Contributed capital	72,540	72,528
Accumulated deficit	(73,414)	(72,864)
Accumulated other comprehensive loss	(4,247)	(3,324)
Total stockholders' deficit	(5,075)	(3,614)
Total liabilities and stockholders' deficit	$ 343,226	$ 345,581

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 Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands, except share and per share data)			
Net sales	$ 164,370	$ 132,216	$ 311,404	$ 268,390
Operating expenses:				
Cost of goods sold, exclusive of depreciation and amortization expenses shown below	139,842	110,701	267,799	226,711
Selling, general and administrative expenses	10,914	9,361	20,948	18,454
Depreciation	3,293	3,170	6,540	6,552
Amortization	787	796	1,550	1,601
Loss/(gain) on sale of property, plant and equipment	24	6	(17)	6
Operating income	9,510	8,182	14,584	15,066
Other (expense)/income:				
Interest	(7,220)	(7,412)	(14,324)	(14,764)
Amortization of deferred financing costs	(378)	(443)	(765)	(894)
Other, net	22	(72)	(36)	(68)
Income/(loss) before income tax provision/(benefit)	1,934	255	(541)	(660)
Income tax provision/(benefit)	107	98	9	(390)
Net income/(loss)	$ 1,827	$ 157	$ (550)	$ (270)
Basic net income/(loss) per share	$ 0.39	$ 0.03	$ (0.12)	$ (0.06)
Diluted net income/(loss) per share	$ 0.39	$ 0.03	$ (0.12)	$ (0.06)
Weighted-average basic shares outstanding	4,656,529	4,654,483	4,656,529	4,654,483
Weighted-average diluted shares outstanding	4,657,194	4,657,459	4,656,529	4,654,483

See accompanying notes to the consolidated financial statements.

INTERNATIONAL WIRE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Net income/(loss)	$ 1,827	$ 157	$ (550)	$ (270)
Foreign currency translation adjustment	(1,820)	1,817	(923)	2,252
Comprehensive income/(loss)	$ 7	$ 1,974	$ (1,473)	$ 1,982

See accompanying notes to the consolidated financial statements.

INTERNATIONAL WIRE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(Unaudited)

	For the Six Months Ended June 30, 2018					
	Number of Issued Shares	Common Stock	Contributed Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	(In thousands, except share data)					
Balance January 1, 2018	4,655,605	$ 46	$ 72,528	$ (72,864)	$ (3,324)	$ (3,614)
Net loss	—	—	—	(550)	—	(550)
Foreign currency translation adjustment	—	—	—	—	(923)	(923)
Stock-based compensation	924	—	12	—	—	12
Balance June 30, 2018	4,656,529	$ 46	$ 72,540	$ (73,414)	$ (4,247)	$ (5,075)

See accompanying notes to the consolidated financial statements.

INTERNATIONAL WIRE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
	(In thousands)	
Cash flows provided by/(used in) operating activities:		
Net loss	$ (550)	$ (270)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	6,540	6,552
Amortization	1,550	1,601
Amortization of deferred financing costs and original issue discount	1,521	1,612
Accounts receivable allowances provision	13	25
Stock-based compensation expense	12	273
(Gain)/loss on sale of property, plant and equipment	(17)	6
Deferred income taxes	(5)	(624)
Change in operating assets and liabilities:		
Accounts receivable	(1,053)	(5,222)
Inventories	113	(4,987)
Prepaid expenses and other assets	(1,041)	4,161
Accounts payable	6,717	15,010
Accrued and other liabilities and workers' compensation costs	3,242	(122)
Accrued payroll and payroll related items	(2,271)	(1,692)
Customers' deposits	654	353
Accrued interest	(139)	(545)
Accrued/refundable income taxes	(605)	(93)
Other long-term liabilities	(1,061)	(971)
Net cash provided by operating activities	13,620	15,067
Cash flows provided by/(used in) investing activities:		
Capital expenditures	(6,275)	(6,584)
Proceeds from sale of property, plant and equipment	36	—
Net cash used in investing activities	(6,239)	(6,584)
Cash flows provided by/(used in) financing activities:		
Borrowings under Revolving Credit Facility	86,203	64,273
Repayments under Revolving Credit Facility	(95,360)	(75,476)
Debt issuance costs	—	(52)
Net cash used in financing activities	(9,157)	(11,255)
Effects of exchange rate changes on cash and cash equivalents	(51)	403
Net change in cash and cash equivalents and restricted cash	(1,827)	(2,369)
Cash and cash equivalents and restricted cash at beginning of the period	6,011	7,442
Cash and cash equivalents and restricted cash at end of the period	$ 4,184	$ 5,073
Supplemental disclosure of cash flow information:		
Interest paid	$ 13,660	$ 14,600
Income taxes paid, net	$ 306	$ 90
Amount included in accounts payable and other liabilities for capital expenditures and other	$ 667	$ 316

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 six months ended June 30, 2018 and 2017 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, 2017. These financial statements are considered condensed due to the limited footnote information provided herein.

2. Revenue Recognition

On January 1, 2018, we adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers: Topic 606*, and all related amendments, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC Topic 605, *Revenue Recognition*.

We have determined that the impact of transition to the new standard is immaterial to our revenue recognition model since the vast majority of our recognition is based on point in time transfer of control. Accordingly, we have not made any adjustment to opening retained earnings.

The Company considers the customer's purchase order, which in some cases is governed by a long-term agreement, and the Company's corresponding sales order acknowledgment as the contract with the customer. The Company has elected to adopt the practical expedient provided in ASC 340-40-25-4 and recognize the incremental costs of obtaining a contract, which are primarily sales commissions, as expense when incurred because the amortization period is less than one year.

The Company considers each shipment of an individual product included on a purchase order to be a separate performance obligation, as each shipment is separately identifiable and the customer can benefit from each individual product separately from the other products included on the purchase order. Accordingly, a contract and/or purchase order can have one or more performance obligations to manufacture products. Standard payment terms range from 30 to 60 days. We recognize revenue at the point in time that control of the ordered product(s) is transferred to the customer, which is typically upon shipment to the customer from our manufacturing facilities or receipt of the product at our customer's facility and based on agreed upon shipping terms on the related purchase order. Amounts billed and due from our customers are classified as accounts receivable on the balance sheet and require payment on a short-term basis through standard payment terms.

Revenue is measured as the amount of consideration we expect to receive in exchange for fulfilling product orders. The amount of consideration we expect to receive and revenue we recognize includes customer rebates which are estimated using historical experience and other relevant factors and is recorded within the same period that the revenue is recognized. We review and update these estimates regularly and the impact of any adjustments are recognized in the period the adjustments are identified. The adjustments recognized in first two quarters of 2018 and 2017 resulting from updated estimates of revenue for product sales were not material.

The Company does not offer its customers a right of return. Rather, the Company warrants that the product received by the customer will meet the agreed upon technical and quality specifications and requirements. Only when the delivered product does not meet these requirements can the customer request permission to return the non-compliant products. The remedy offered to the customer is replacement of the returned product. Accordingly, the Company records a customer return reserve and any activities related to the customer return are not considered to be a separate performance obligation. Historically, customer return reserves have not been material.

In general, the Company's business segmentation is aligned according to the nature and economic characteristics of its products and customer relationships and provides meaningful disaggregation of each business segment's results of operations.

3. 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 core principle of this ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The Company adopted ASU 2014-09 on January 1, 2018, using the modified retrospective method of adoption 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. The Company adopted this ASU in the first quarter of 2018 and it did not have a material impact 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. The Company adopted this ASU in the first quarter of 2018 and it did not have a material impact on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows, Restricted Cash* requiring restricted cash and restricted cash equivalents to be included with cash and cash equivalents on the statement of cash flows when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. We adopted this standard during the first quarter of 2018. Restricted cash is now included as a component of cash, cash equivalents, and restricted cash on our unaudited condensed consolidated statements of cash flows. The inclusion of restricted cash increased beginning balances of the unaudited condensed consolidated statements of cash flows by $1,116 and $1,204, respectively, and the ending balances by $1,024 and $1,189 respectively, for the six months ended June 30, 2018 and 2017. Restricted cash is associated with deposits for self-insured workers' compensation programs.

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. This ASU is effective for fiscal years beginning after December 15, 2017 and interim periods within the fiscal year. The Company adopted this ASU in the first quarter of 2018 and it did not have a material impact on its 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.

4. Inventories

The composition of inventories are as follows:

	June 30, 2018	December 31, 2017
Raw materials	$ 14,761	$ 13,956
Work-in-process	11,487	11,381
Finished goods	13,910	15,171
Total inventories	$ 40,158	$ 40,508

Inventories are valued at the lower of cost or net realizable 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 $16,681 and $20,173 higher as of June 30, 2018 and December 31, 2017, respectively.

The Company utilizes the LIFO method of accounting which generally provides for the matching of current costs with current revenues. However, under the LIFO method, reductions in annual inventory balances cause a portion of the Company's cost of sales to be based on historical costs rather than current year costs (LIFO liquidation). In accordance with AICPA Issue Paper – *Identification and Discussion of Certain Financial Accounting and Reporting Issues Concerning LIFO Inventories*, reductions in interim inventory balances expected to be replenished by year-end do not result in a LIFO liquidation and the impact is recorded on the balance sheet as a temporary LIFO liquidation credit. Accordingly, interim LIFO calculations are based, in part, on management's estimates of expected year-end inventory levels and costs which may differ from actual results. Since inventory levels and costs are subject to factors beyond management's control, interim results are subject to the final year-end LIFO inventory valuation. There were no LIFO inventory liquidations or related impact on cost of sales in the six months ended June 30, 2018 and 2017, respectively. We had a temporary LIFO liquidation credit of $2,870 and $0 recorded within accrued and other liabilities on our balance sheet at June 30, 2018 and 2017, respectively.

5. Goodwill and Intangible Assets

The carrying amounts of goodwill are as follows:

	June 30, 2018	December 31, 2017
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, 2017 and concluded that goodwill was not impaired.

The components of identifiable intangibles are as follows:

	June 30, 2018		December 31, 2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Customer contracts and relationships	$ 19,897	$ 15,690	$ 19,897	$ 15,026
Trade names and trademarks	10,858	7,503	10,858	7,238
Alloys	92	56	92	54
Total identifiable intangibles	$ 30,847	$ 23,249	$ 30,847	$ 22,318

Amortization expense for identifiable intangibles was $931 for both the six months ended June 30, 2018 and June 30, 2017. Amortization expense for identifiable intangibles for the next five fiscal years and thereafter is as follows:

	Amount
2018 (remaining six months)	$ 933
2019	1,741
2020	1,231
2021	1,231
2022	1,231
Thereafter	1,231
Total	$ 7,598

6. Net Income/(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 Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Weighted — average shares outstanding-basic	4,656,529	4,654,483	4,656,529	4,654,483
Dilutive effect of nonvested restricted stock	665	2,976	—	—
Weighted — average shares outstanding-diluted	4,657,194	4,657,459	4,656,529	4,654,483

Weighted-average shares outstanding for the six month periods ended June 30, 2018 and 2017 exclude 459 and 2,097 of nonvested restricted stock, respectively, because they are antidilutive.

7. Long-Term Debt

The composition of long-term debt is as follows:

	June 30, 2018	December 31, 2017
IWG Senior Revolving Credit Facility	$ 47,823	$ 56,980
IWG 10.750% Senior Secured Notes	228,340	228,340
Discount on 10.750% Senior Secured Notes	(5,781)	(6,537)
Total long-term debt obligations	270,382	278,783
Less unamortized deferred financing costs on debt obligations	(3,907)	(4,670)
Less current maturities	—	—
Long-term portion of long-term debt	$ 266,475	$ 274,113

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 June 30, 2018, letters of credit in the amount of $3,208 were outstanding and $47,823 was drawn under the Revolving Credit Facility. Availability under the Revolving Credit Facility was $73,969 as of June 30, 2018.

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 June 30, 2018.

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 $214,640 and $210,073 at June 30, 2018 and December 31, 2017, 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 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 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 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.

8. Income Taxes

The provision for income taxes for the six months ended June 30, 2018 and June 30, 2017 was derived using an estimated effective annual income tax rate for all of 2018 and 2017 of 6.5% and 42.3%, respectively, which excluded any discrete tax adjustments. The 2018 effective tax rate includes the benefit of a lower U.S. corporate income tax rate of 21.0% from the enactment of the U.S. Tax Cuts and Jobs Act (the "Tax Reform Act").

On December 22, 2017, the Tax Reform Act was enacted, substantially changing the U.S. tax system and affecting the Company in a number of ways. Notably, the Tax Reform Act:

- establishes a flat corporate income tax rate of 21.0% on U.S. earnings;
- imposes a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries ("Transition Tax");
- imposes a new minimum tax on certain non-U.S. earnings, irrespective of the territorial system of taxation, and generally allows for the repatriation of future earnings of foreign subsidiaries without incurring additional U.S. taxes by transitioning to a territorial system of taxation (Global Intangible Low-Taxed Income or "GILTI Tax");
- subjects certain payments made by a U.S. company to a related foreign company to certain minimum taxes (Base Erosion Anti-Abuse Tax or "BEAT");
- limits the deductibility of business interest expense to 30% of earnings before interest, taxes, depreciation and amortization (EBITDA)
- eliminates certain prior tax incentives for manufacturing in the United States and creates an incentive for U.S. companies to sell, lease or license goods and services abroad by allowing for a reduction in taxes owed on earnings related to such sales; and
- allows the cost of investments in certain depreciable assets acquired and placed in service after September 27, 2017 to be immediately expensed.

As U.S. GAAP accounting for income taxes requires the effect of a change in tax laws or rates to be recognized in income from continuing operations for the period that includes the enactment date, the Company recognized an estimate of the impact of the Tax Reform Act in the year ended December 31, 2017. As a result of the Tax Reform Act, the Company recognized a provisional $547 of Transition Tax in income tax expense in the Company's Consolidated Statement of Operations and Comprehensive Income/(Loss) for the year ended December 31, 2017. As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the Tax Reform Act, the Company revalued its ending net deferred tax liabilities at December 31, 2017 and recognized a $3,786 tax benefit in the Company's Consolidated Statements of Operations and Comprehensive Income/(Loss) for the year ended December 31, 2017.

Due to the complexities involved in accounting for the enactment of the Tax Reform Act, Staff Accounting Bulletin ("SAB") No. 118 allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. SAB No. 118 provides that where reasonable estimates can be made, the provisional accounting should be based on such estimates and when no reasonable estimate can be made, the provisional accounting may be based on the tax law in effect before the Tax Reform Act. During the six-month period ended June 30, 2018, there were no changes made to the provisional amounts recorded in 2017. The Company will continue to analyze the effects of the Tax Reform Act on its Consolidated Statements of Operations. Additional impacts from the enactment of the Tax Reform Act will be recorded as they are identified during the measurement period as provided for in SAB No. 118, which extends up to one year from the enactment date. The final impact of the Tax Reform Act may differ from the provisional amounts that have been recognized, possibly materially, due to, among other things, changes in the Company's interpretation of the Tax Reform Act, legislative or administrative actions to clarify the intent of the statutory language that differs from the Company's current interpretation, any changes in accounting standards for income taxes or related interpretations in response to the Tax Reform Act, or any updates or changes to estimates utilized to calculate the impacts, including changes to current year earnings estimates and applicable foreign exchange rates. Additionally, the Company's U.S. tax returns for 2017 will be filed during the fourth quarter of 2018 and any changes to the tax positions for temporary differences compared to the estimates used will result in an adjustment of the estimated tax benefit recorded as of December 31, 2017.

The Company also continues to evaluate the impact of the GILTI provisions under the Tax Reform Act which are complex and subject to continuing regulatory interpretation by the U.S. Internal Revenue Service. The Company is required to make an accounting policy election of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred (the "period cost method") or (2) factoring such amounts into the Company's measurement of its deferred taxes (the "deferred method"). The Company's accounting policy election with respect to the new GILTI Tax rules will depend, in part, on analyzing its global income to determine whether it can reasonably estimate the tax impact. While the Company has included an estimate of GILTI in its estimated effective tax rate for 2018, it has not completed its analysis and is not yet able to determine which method to elect. Adjustments related to the amount of GILTI Tax recorded in its consolidated financial statements may be required based on the outcome of this election.

The Company's liability for unrecognized tax benefits totaled $1,636 and $1,592 at June 30, 2018 and December 31, 2017, respectively, which includes interest and penalties. The total balance of unrecognized tax benefits at June 30, 2018 and December 31, 2017 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.

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 currently 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 $4,741 and $4,129 for the three months ended June 30, 2018 and 2017, respectively, and $8,748 and $7,432 for the six months ended June 30, 2018 and 2017, respectively. The outstanding accounts receivable were $1,242 and $5,172 at June 30, 2018 and December 31, 2017, respectively. The Company purchased $3 and $1,338 of copper rod through Prime for the three months ended June 30, 2018 and 2017, respectively, and $3 and $3,298 for the six months ended June 30, 2018 and 2017, respectively. The Company had outstanding accounts payable to Prime of $0 and $1 at June 30, 2018 and December 31, 2017, 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. Subsequent Events

In accordance with the provisions of ASC 855, *Subsequent Events*, the Company has evaluated all subsequent events through August 10, 2018, 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 June 30, 2018, and events which occurred subsequent to June 30, 2018 but were not recognized in the consolidated financial statements. As of August 10, 2018, 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 SIX MONTHS ENDED JUNE 30, 2018 VERSUS JUNE 30, 2017

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, 2017. 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 seventeen 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. For the three and six months ended June 30, 2018, automotive industry production volumes decreased 7.8% and 4.6%, respectively, compared to the same period for 2017 (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. Demand in the commercial aerospace industry continued to show strength in the second quarter of 2018. Combined deliveries of single and wide bodied aircraft set a new record of 383. Deliveries were up 7% and order intakes were up 4% compared to the second quarter of 2017. The backlog for large commercial jet aircraft at the end of June 2018 was up 5% compared to the same period in 2017. The defense electronics market continues to see strong order intakes. Demand for our medical products in the second quarter of 2018 increased 4.3% over the same period in 2017.

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 $3.09 per pound for the three months ended June 30, 2018 from $2.58 per pound for the three months ended June 30, 2017, or 20%, but decreased from $3.14 per pound for the three months ended March 31, 2018, or 2%.

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 June 30, 2018, a $0.10 per pound fluctuation in the price of copper would have had approximately a $2.2 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 June 30, 2018, the average price of silver decreased by 4%, the average price of nickel increased by 48% and the average price of tin increased by 5%, in each case compared to the three months ended June 30, 2017. For the six months ended June 30, 2018, the average price of silver decreased by 4%, the average price of nickel increased by 39% and the average price of tin increased by 5%, in each case compared to the six months ended June 30, 2017.

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 Six Months Ended			
	June 30, 2018		June 30, 2017		June 30, 2018		June 30, 2017	
Net sales	$ 164.4	100.0%	$ 132.2	100.0%	$ 311.4	100.0%	$ 268.4	100.0%
Operating expenses:								
Cost of goods sold, exclusive of depreciation and amortization expenses shown below	139.9	85.1	110.7	83.7	267.8	86.0	226.7	84.5
Selling, general and administrative expenses	10.9	6.6	9.3	7.1	20.9	6.7	18.4	6.9
Depreciation and amortization	4.1	2.5	4.0	3.0	8.1	2.6	8.2	3.0
Loss/(gain) 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	9.5	5.8	8.2	6.2	14.6	4.7	15.1	5.6
Other (expense)/income:								
Interest	(7.2)	(4.4)	(7.4)	(5.6)	(14.3)	(4.6)	(14.8)	(5.5)
Amortization of deferred financing costs	(0.4)	(0.2)	(0.4)	(0.3)	(0.8)	(0.2)	(0.9)	(0.3)
Other, net	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	0.0
Income/(loss) before income tax provision/(benefit)	1.9	1.2	0.3	0.2	(0.6)	(0.2)	(0.7)	(0.2)
Income tax provision/(benefit)	0.1	0.1	0.1	0.1	0.0	0.0	(0.4)	0.1
Net income/(loss)	$ 1.8	1.1%	$ 0.2	0.1%	$ (0.6)	(0.2)%	$ (0.3)	(0.1)%

Three Months Ended June 30, 2018 versus Three Months Ended June 30, 2017

Net sales were $164.4 million and $132.2 million for the three months ended June 30, 2018 and 2017, respectively. Sales for the three months ended June 30, 2018 were $32.2 million, or 24.4%, higher than comparable 2017 levels. This increase was the result of the increased average cost and selling price of copper ($15.4 million), higher volume in all three segments, primarily from increased customer demand in the industrial and energy, electronics/data communications and consumer/appliance markets and most major markets in Europe ($15.2 million), favorable currency exchange rates ($1.1 million) and higher customer pricing/mix ($0.8 million). These factors were partially offset by a higher proportion of tolled copper shipped in the 2018 period compared to the 2017 period ($0.3 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 increase, sales decrease. Of the total pounds processed for the three months ended June 30, 2018 and 2017, 51.9% and 51.5%, respectively, were from customers' tolled copper. The average price of copper based upon COMEX increased to $3.09 per pound for the three months ended June 30, 2018 from $2.58 per pound for the three months ended June 30, 2017. Total pounds of product sold in the second quarter of 2018 increased by 13.9% compared to the second quarter of 2017.

Cost of goods sold, exclusive of depreciation and amortization, as a percentage of sales increased to 85.1% for the three months ended June 30, 2018 from 83.7% for the same period in 2017. The increase of 1.4 percentage points was due to the increase in the average cost and selling price of copper (1.5 percentage points), a change in the proportion and level of tolled and owned copper sales (0.2 percentage points) and unfavorable plant utilization (0.2 percentage points), partially offset by higher LIFO/copper profits (0.3 percentage points) and a favorable customer pricing/mix impact (0.2 percentage points).

Selling, general and administrative expenses were $10.9 million for the three months ended June 30, 2018 compared to $9.3 million for the same period in 2017. This increase of $1.6 million was primarily the result of higher transportation costs and bonus accruals. These expenses, as a percent of net sales, decreased to 6.6% for the three months ended June 30, 2018 from 7.1% for the three months ended June 30, 2017.

Depreciation and amortization was $4.1 million for the three months ended June 30, 2018 compared to $4.0 million for the same period in 2017.

Operating income for the three months ended June 30, 2018 was $9.5 million compared to $8.2 million for the 2017 period, or an increase of $1.3 million, or 15.9%, primarily from higher sales volume, higher LIFO/copper profits and more favorable customer pricing/mix, partially offset by higher selling, general and administrative expenses.

Interest expense was $7.2 million and $7.4 million for the three month periods ended June 30, 2018 and 2017, respectively. This decrease of $0.2 million was primarily the result of the Company's repurchase of $15.0 million principal of 10.750% Senior Secured Notes in the third quarter of 2017.

Amortization of deferred financing costs was $0.4 million for both the three month periods ended June 30, 2018 and 2017.

Income tax provision was $0.1 million for both the three months ended June 30, 2018 and 2017. The Company's effective tax rate was 5.5% for the three months ended June 30, 2018 and 38.4% for the three months ended June 30, 2017. The lower effective tax rate in 2018 was primarily a result of the benefit of a lower U.S. corporate income tax rate of 21.0% from the enactment of the U.S. Tax Cuts and Jobs Act (the "Tax Reform Act") and the impact of certain discrete items recorded in the 2018 period.

Net income was $1.8 million and $0.2 million for the three months ended June 30, 2018 and 2017, respectively. Net income per basic and diluted share was $0.39 and $0.03 for the three months ended June 30, 2018 and 2017, respectively.

Six Months Ended June 30, 2018 versus Six Months Ended June 30, 2017

Net sales were $311.4 million and $268.4 million for the six months ended June 30, 2018 and 2017, respectively. Sales for the six months ended June 30, 2018 were $43.0 million, or 16.0%, above net sales in the 2017 period. This increase was the result of the increased average cost and selling price of copper ($28.1 million), higher volume in all three segments, primarily from increased customer demand in the industrial and energy, electronics/data communications and consumer/appliance markets and most major markets in Europe ($21.3 million) and favorable currency exchange rates ($3.0 million). These factors were partially offset by a higher proportion of tolled copper shipped in the 2018 period compared to the 2017 period ($9.3 million) and lower customer pricing/mix ($0.1 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 six months ended June 30, 2018 and 2017, 54.0% and 51.0%, respectively, were from customers' tolled copper. The average price of copper based upon COMEX increased to $3.12 per pound for the six months ended June 30, 2018 from $2.62 per pound for the six months ended June 30, 2017. Total pounds of product sold in the first six months of 2018 increased by 10.0% compared to the first six months of 2017.

Cost of goods sold, exclusive of depreciation and amortization, as a percentage of sales increased to 86.0% for the six months ended June 30, 2018 from 84.5% for the same period in 2017. The increase of 1.5 percentage points was due to an increase in the average cost and selling price of copper (1.4 percentage points) and lower LIFO/copper profits (0.7 percentage points), partially offset by favorable customer pricing/mix impact (0.3 percentage points), a change in the proportion and level of tolled and owned copper sales (0.1 percentage points) and unfavorable plant utilization (0.2 percentage points).

Selling, general and administrative expenses were $20.9 million for the six months ended June 30, 2018 compared to $18.4 million for the same period in 2017. This increase of $2.5 million was primarily the result of higher transportation costs and bonus accruals. These expenses, as a percent of net sales, decreased to 6.7% for the six months ended June 30, 2018 from 6.9% for the six months ended June 30, 2017.

Depreciation and amortization was $8.1 million for the six months ended June 30, 2018 compared to $8.2 million for the same period in 2017.

Operating income for the six months ended June 30, 2018 was $14.6 million compared to $15.1 million for the 2017 period, or a decrease of $0.5 million, or 3.3%, primarily from lower LIFO/copper profits and higher selling, general and administrative expenses, partially offset by higher sales volume.

Interest expense was $14.3 million and $14.8 million for the six month periods ended June 30, 2018 and 2017, respectively. This decrease of $0.5 million was primarily the result of the Company's repurchase of $15.0 million principal of 10.750% Senior Secured Notes in the third quarter of 2017.

Amortization of deferred financing costs was $0.8 million and $0.9 million for the six month periods ended June 30, 2018 and 2017, respectively.

Income tax provision was $0.0 million and income tax benefit was $0.4 million for the six months ended June 30, 2018 and 2017, respectively. The Company's effective tax rate for the six months ended June 30, 2018 was (1.7%) and 59.1% for the six months ended June 30, 2017. The lower effective tax rate in 2018 was primarily a result of the benefit of a lower U.S. corporate income tax rate of 21.0% from the enactment of the Tax Reform Act and the impact of certain discrete items recorded in the 2018 period.

Net loss was $0.6 million and $0.3 million for the six months ended June 30, 2018 and 2017, respectively. Net loss per basic and diluted share was $0.12 and $0.06 for the six months ended June 30, 2018 and 2017, respectively.

Financial Condition

At the end of the second quarter, total cash and cash equivalents were $3.2 million, a decrease of $1.7 million from year-end 2017 primarily due to cash in Europe being used for working capital requirements.

Accounts receivable of $123.5 million as of June 30, 2018 increased $0.5 million, or 0.4%, from year-end 2017. This increase was primarily due to higher sales levels in the Bare Wire, Engineered Wire Products – Europe and High Performance Conductors segments in the current quarter compared to the fourth quarter of 2017, partially offset by a decrease in days sales outstanding to 62 days as of June 30, 2018 compared to 69 days at year-end 2017. Accounts receivable allowances as a percentage of accounts receivable was 1.0% and 1.5% at June 30, 2018 and December 31, 2017, respectively.

Inventories of $40.2 million as of June 30, 2018 decreased by $0.4 million from December 31, 2017. This decrease was the result of lower inventory quantities in the Bare Wire segment ($4.3 million), partially offset by a decrease in the LIFO reserve ($3.9 million).

Accounts payable were $28.8 million as of June 30, 2018, or an increase of $6.4 million from December 31, 2017 levels, resulting from the timing of payments and more pounds purchased due to higher sales levels in the Bare Wire, Engineered Wire Products–Europe and High Performance Conductors segments in the current quarter compared to the fourth quarter of 2017.

Liquidity and Capital Resources

Working Capital and Cash Flows

Net cash provided by operating activities was $13.6 million for the six months ended June 30, 2018, compared to net cash provided by operating activities of $15.1 million for the six months ended June 30, 2017. This decrease of $1.5 million was primarily the result of an unfavorable accounts payable impact of $8.3 million, an unfavorable prepaid expenses and other assets impact of $5.2 million and other, net of $0.7 million, partially offset by a favorable inventory impact of $5.1 million, a favorable accounts receivable impact of $4.2 million and a favorable accrued and other liabilities and workers' compensation costs impact of $3.4 million.

Net cash used in investing activities was $6.2 million for the six months ended June 30, 2018, compared to $6.6 million for the six months ended June 30, 2017. This decrease in net cash used of $0.4 million resulted primarily from $0.4 million increase in capital expenditures.

Net cash used in financing activities was $9.2 million for the six months ended June 30, 2018, compared to net cash used in financing activities of $11.3 million for the six months ended June 30, 2017. There were net repayments of $9.2 million for the six months ended June 30, 2018, and net repayments of $11.2 million for the six months ended June 30, 2017. There were debt issuance costs of $0.1 million for the six months ended June 30, 2017.

Off-Balance Sheet Arrangements

We have not historically utilized off-balance sheet financing arrangements and have no such arrangements as of June 30, 2018. 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 June 30, 2018, the future minimum lease payments under these arrangements totaled $6.2 million.