



**INTERNATIONAL WIRE GROUP HOLDINGS, INC.  
FINANCIAL INFORMATION (PUBLIC)  
AS OF JUNE 30, 2016  
AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016**

**INDEX TO FINANCIAL INFORMATION:**

Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 .....	1
Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2016 and 2015 .....	2
Consolidated Statements of Comprehensive (Loss)/Income for the Three and Six Months Ended June 30, 2016 and 2015 .....	3
Consolidated Statement of Stockholders' Deficit for the Six Months Ended June 30, 2016.....	4
Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and 2015 .....	5
Notes to Consolidated Financial Statements .....	6
Risk Factors .....	14
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, 2016 versus June 30, 2015 .....	16

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

International Wire Group Holdings, Inc.

Dated: August 5, 2016

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, 2016	December 31, 2015
	(In thousands, except share and per share data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 5,337	\$ 9,671
Accounts receivable, less allowances of \$1,306 and \$1,288 .....	89,569	87,741
Refundable income taxes .....	1,625	1,739
Inventories .....	50,957	39,886
Prepaid expenses and other .....	<u>9,312</u>	<u>9,534</u>
Total current assets .....	156,800	148,571
Property, plant and equipment, net.....	87,166	88,205
Goodwill .....	66,335	66,335
Identifiable intangibles, net .....	11,325	12,255
Restricted cash .....	1,123	1,129
Other assets .....	<u>5,572</u>	<u>5,066</u>
Total assets.....	<u>\$ 328,321</u>	<u>\$ 321,561</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable .....	\$ 22,324	\$ 15,492
Accrued and other liabilities .....	7,175	6,575
Accrued workers' compensation costs .....	5,047	5,078
Accrued payroll and payroll related items.....	7,429	10,185
Customers' deposits .....	10,904	10,965
Accrued income taxes .....	198	82
Accrued interest .....	<u>4,722</u>	<u>4,763</u>
Total current liabilities .....	57,799	53,140
Long-term debt.....	258,850	259,648
Other long-term liabilities .....	9,624	9,505
Deferred income taxes.....	<u>10,584</u>	<u>10,740</u>
Total liabilities .....	<u>336,857</u>	<u>333,033</u>
Commitments and contingencies (Note 9)		
Stockholders' deficit:		
Common stock, \$.01 par value, 6,000,000 and 10,000,000 shares authorized in 2016 and 2015, respectively, 4,640,522 issued .....	46	46
Contributed capital.....	72,121	71,957
Accumulated deficit .....	(75,069)	(77,494)
Accumulated other comprehensive loss .....	<u>(5,634)</u>	<u>(5,981)</u>
Total stockholders' deficit.....	<u>(8,536)</u>	<u>(11,472)</u>
Total liabilities and stockholders' deficit .....	<u>\$ 328,321</u>	<u>\$ 321,561</u>

See accompanying notes to the consolidated financial statements.

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

**CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)**

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
	<b>(In thousands, except share and per share data)</b>			
Net sales.....	\$ 137,130	\$ 172,424	\$ 276,752	\$ 350,024
Operating expenses:				
Cost of goods sold, exclusive of depreciation and amortization expenses shown below.....	115,903	146,812	231,095	297,592
Selling, general and administrative expenses .....	9,635	9,865	19,869	19,742
Depreciation.....	3,663	3,578	7,383	7,125
Amortization .....	840	832	1,650	1,633
(Gain)/loss on sale of property, plant and equipment .....	(32)	11	(28)	19
Operating income.....	7,121	11,326	16,783	23,913
Other (expense)/income:				
Interest .....	(6,006)	(6,278)	(12,018)	(12,017)
Amortization of deferred financing costs.....	(518)	(491)	(1,027)	(964)
Loss on early extinguishment of debt .....	(20)	—	(20)	—
Other, net.....	(4)	(91)	(57)	50
Income before income tax provision .....	573	4,466	3,661	10,982
Income tax provision.....	183	1,522	1,236	3,721
Net income.....	<u>\$ 390</u>	<u>\$ 2,944</u>	<u>\$ 2,425</u>	<u>\$ 7,261</u>
Basic net income per share.....	<u>\$ 0.08</u>	<u>\$ 0.62</u>	<u>\$ 0.52</u>	<u>\$ 1.43</u>
Diluted net income per share.....	<u>\$ 0.08</u>	<u>\$ 0.61</u>	<u>\$ 0.52</u>	<u>\$ 1.41</u>
Weighted-average basic shares outstanding .....	<u>4,648,376</u>	<u>4,775,374</u>	<u>4,648,376</u>	<u>5,085,594</u>
Weighted-average diluted shares outstanding .....	<u>4,653,317</u>	<u>4,861,407</u>	<u>4,652,412</u>	<u>5,164,740</u>

See accompanying notes to the consolidated financial statements.

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

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

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(In thousands)			
Net income.....	\$ 390	\$ 2,944	\$ 2,425	\$ 7,261
Foreign currency translation adjustment .....	(636)	528	347	(2,093)
Comprehensive (loss)/income .....	<u>\$ (246)</u>	<u>\$ 3,472</u>	<u>\$ 2,772</u>	<u>\$ 5,168</u>

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, 2016					Total
	Number of Issued Shares	Common Stock	Contributed Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	
	(In thousands, except share data)					
<b>Balance January 1, 2016</b> .....	4,640,522	\$ 46	\$ 71,957	\$ (77,494)	\$ (5,981)	\$ (11,472)
Net income .....	—	—	—	2,425	—	2,425
Foreign currency translation adjustment .....	—	—	—	—	347	347
Stock-based compensation .....	—	—	164	—	—	164
<b>Balance June 30, 2016</b> .....	<u>4,640,522</u>	<u>\$ 46</u>	<u>\$ 72,121</u>	<u>\$ (75,069)</u>	<u>\$ (5,634)</u>	<u>\$ (8,536)</u>

See accompanying notes to the consolidated financial statements.

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

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

	<b>For the Six Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
	<b>(In thousands)</b>	
<b>Cash flows provided by/(used in) operating activities:</b>		
Net income.....	\$ 2,425	\$ 7,261
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation.....	7,383	7,125
Amortization.....	1,650	1,633
Amortization of deferred financing costs.....	1,027	964
Loss on early extinguishment of debt.....	20	—
Accounts receivable allowances provision.....	72	149
Stock-based compensation expense.....	434	486
(Gain)/loss on sale of property, plant and equipment.....	(28)	19
Deferred income taxes.....	(156)	(175)
Change in operating assets and liabilities:		
Accounts receivable.....	(1,692)	1,357
Inventories.....	(10,985)	(2,070)
Prepaid expenses and other assets.....	(981)	(439)
Accounts payable.....	6,598	8,006
Accrued and other liabilities and workers' compensation costs.....	556	(626)
Accrued payroll and payroll related items.....	(2,791)	(2,891)
Customers' deposits.....	(61)	(912)
Accrued interest.....	(41)	523
Accrued/refundable income taxes.....	238	2,744
Other long-term liabilities.....	(161)	(4)
Net cash provided by operating activities.....	<u>3,507</u>	<u>23,150</u>
<b>Cash flows (used in)/provided by investing activities:</b>		
Capital expenditures.....	(6,128)	(6,273)
Proceeds from sale of property, plant and equipment.....	74	—
Restricted cash.....	6	(9)
Net cash used in investing activities.....	<u>(6,048)</u>	<u>(6,282)</u>
<b>Cash flows provided by/(used in) financing activities:</b>		
Proceeds from the issuance of PIK Notes.....	—	26,000
Repurchase of PIK Notes.....	(2,000)	—
Borrowings under Revolving Credit Facility.....	32,008	131,304
Repayments under Revolving Credit Facility.....	(31,853)	(139,971)
Debt issuance costs.....	(6)	(225)
Repurchase of common stock.....	—	(28,873)
Net cash used in financing activities.....	<u>(1,851)</u>	<u>(11,765)</u>
Effects of exchange rate changes on cash and cash equivalents.....	58	(413)
Net change in cash and cash equivalents.....	(4,334)	4,690
Cash and cash equivalents at beginning of the period.....	9,671	5,154
Cash and cash equivalents at end of the period.....	<u>\$ 5,337</u>	<u>\$ 9,844</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid.....	\$ 11,920	\$ 11,351
Income taxes paid, net.....	\$ 1,114	\$ 887
Amount included in accounts payable and other liabilities for capital expenditures.....	<u>\$ 518</u>	<u>\$ 1,523</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**

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

The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows of International Wire Group Holdings, Inc. and its subsidiaries, including IWG. The results of operations for the three and six months ended June 30, 2016 and 2015 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, 2015.

**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, and for interim periods within those fiscal years. The Company is in the process of assessing the impact the adoption of this ASU will have on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis: Topic 810*. This pronouncement makes amendments to the current consolidation guidance. ASU 2015-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company adopted ASU 2015-02 during the first quarter of fiscal 2016 and the adoption of this ASU did not have a material effect on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest: Subtopic 835-30: Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 makes amendments to the presentation of debt issuance costs. This pronouncement is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company adopted ASU 2015-03 during the first quarter of fiscal 2016 and applied its provisions retrospectively, which resulted in a reclassification of \$3,499 of unamortized deferred financing costs from long-term assets to a reduction in long-term debt within its consolidated balance sheet as of December 31, 2015.

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 is in the process of assessing the impact the adoption of this ASU will have on our 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 and is to be applied utilizing a modified retrospective approach. 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, 2016, 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.

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 is as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Raw materials .....	\$ 13,701	\$ 12,264
Work-in-process .....	13,591	10,548
Finished goods .....	23,665	17,074
Total inventories .....	<u>\$ 50,957</u>	<u>\$ 39,886</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 \$12,895 and \$13,258 higher as of June 30, 2016 and December 31, 2015, respectively.

### 4. Goodwill and Intangible Assets

The carrying amounts of goodwill are as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
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, 2015 and concluded that goodwill was not impaired.



The components of identifiable intangibles are as follows:

	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Cost</b>	<b>Accumulated Amortization</b>
Customer contracts and relationships.....	\$ 19,897	\$ 13,029	\$ 19,897	\$ 12,365
Trade names and trademarks .....	10,858	6,445	10,858	6,182
Alloys .....	92	48	92	45
Total identifiable intangibles .....	<u>\$ 30,847</u>	<u>\$ 19,522</u>	<u>\$ 30,847</u>	<u>\$ 18,592</u>

Amortization expense for identifiable intangibles was \$930 for both the six months ended June 30, 2016 and June 30, 2015. Amortization expense for identifiable intangibles for the next five fiscal years and thereafter is as follows:

	<b>Amount</b>
2016 (remaining six months) .....	\$ 928
2017 .....	1,859
2018 .....	1,859
2019 .....	1,733
2020 .....	1,223
Thereafter .....	3,723
Total .....	<u>\$ 11,325</u>

## 5. Net Income Per Share

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

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Weighted — average shares outstanding-basic	4,648,376	4,775,374	4,648,376	5,863,695
Dilutive effect of stock options and nonvested restricted stock	<u>4,941</u>	<u>86,033</u>	<u>4,036</u>	<u>197,553</u>
Weighted — average shares outstanding-diluted	<u>4,653,317</u>	<u>4,861,407</u>	<u>4,652,412</u>	<u>6,061,248</u>

Weighted-average shares outstanding for each of the three month periods ended June 30, 2016 and 2015 exclude zero stock options and nonvested restricted stock because they are anti-dilutive since the exercise price of these stock options and grant date fair value of the nonvested restricted stock was greater than the average market price of the common shares in the periods. Weighted-average shares outstanding for the six month periods ended June 30, 2016 and 2015 exclude zero and 1,641 stock options and nonvested restricted stock, respectively, because they are anti-dilutive since the exercise price of these stock options and grant date fair value of the nonvested restricted stock was greater than the average market price of the common shares in the periods.

## 6. Long-Term Debt

The composition of long-term debt is as follows:

	June 30, 2016	December 31, 2015
IWG Senior Revolving Credit Facility .....	\$ 155	\$ —
IWG 8.50% Senior Secured Notes .....	250,000	250,000
10.00%/12.00% PIK Notes .....	11,147	13,147
Total debt obligations .....	261,302	263,147
Less unamortized deferred financing costs on debt obligations.....	(2,452)	(3,499)
Less: current maturities .....	—	—
Long-term portion of long-term debt.....	<u>\$ 258,850</u>	<u>\$ 259,648</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 party thereto. On October 4, 2012, IWG amended and restated its Revolving Credit Facility. The Revolving Credit Facility permits borrowings of up to \$175,000, subject to borrowing availability and includes a \$25,000 letter of credit sub-facility. The collateral for the Revolving Credit Facility includes all or substantially all of the assets of the Company and its domestic subsidiaries, as well as 65 percent of the capital stock of, or other equity interests in, the Company’s first-tier foreign subsidiaries.

Borrowings under the Revolving Credit Facility are tied to a borrowing base, which is calculated by reference to, among other things, eligible accounts receivable, eligible inventory and eligible real property and equipment and may limit the amount of loans and letters of credit otherwise available to IWG. As of June 30, 2016, letters of credit in the amount of \$4,058 were outstanding and \$155 was drawn under the Revolving Credit Facility. Availability under the Revolving Credit Facility was \$81,985 as of June 30, 2016.

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

IWG’s Revolving Credit Facility requires the IWG and its subsidiaries to observe affirmative and negative covenants (including financial covenants). These covenants include limitations on the IWG and its subsidiaries’ ability to make acquisitions, dispose of assets, incur additional indebtedness, incur guarantee obligations, create liens, make investments, engage in mergers, pledge assets as collateral, repurchase, redeem or acquire its common stock or pay dividends, change the nature of its business or engage in certain transactions with affiliates. 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 \$21,875 or (2) there is a default or event of default. IWG was in compliance with such conditions and covenants at June 30, 2016.

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

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

The Revolving Credit Facility was amended and extended on July 26, 2016.

### **IWG 8.50% Senior Secured Notes**

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

The fair value of the 8.50% Senior Secured Notes was approximately \$247,500 and \$254,375 at June 30, 2016 and December 31, 2015, respectively.

IWG may redeem some or all of the 8.50% Senior Secured Notes at redemption prices ranging from 104.25% to 100.0% of the principal amount of the redeemed 8.50% Senior Secured Notes plus accrued interest. IWG’s ability to redeem the 8.50% Senior Secured Notes is also subject to restrictions in its Revolving Credit Facility.

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

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

On July 26, 2016, IWG deposited \$260,625 with the trustee to redeem the 8.50% Senior Secured Notes on October 15, 2016 and discharge the indenture governing the 8.50% Senior Secured Notes. Noteholders will receive both principal and accrued interest on October 15, 2016.

### **PIK Notes**

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

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

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

Subject to the availability of funds from dividends from IWG, Holdings will pay interest on the PIK Notes entirely in cash, referred to as "Cash Interest," at a rate of 10.00%. If Holdings does not have sufficient availability to pay Cash Interest only, Holdings may elect to pay interest on the PIK Notes (a) entirely by increasing the principal amount of the PIK Notes or by issuing new PIK Notes for the entire amount of the interest payment, both of which are referred to as, "PIK Interest," at a rate of 12.00% or (b) 50% as Cash Interest and 50% as PIK Interest. The fair value of the PIK Notes was approximately \$11,036 and \$13,377 at June 30, 2016 and December 31, 2015, respectively.

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

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

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

On July 16, 2015, Holdings repurchased \$10,000 of the PIK Notes at 100.0% plus accrued interest. On October 26, 2015, Holdings repurchased \$2,853 of the PIK Notes at 100.0% plus accrued interest. On April 29, 2016, Holdings repurchased \$2,000 of the PIK Notes at 100.0% plus accrued interest. On July 26, 2016, Holdings repurchased all \$11,147 of the outstanding PIK Notes at 100.0% plus accrued interest and discharged the indenture governing the PIK Notes.

## **7. Income Taxes**

The provision for income taxes for the six months ended June 30, 2016 was derived using an estimated effective annual income tax rate for all of 2016 of 32.2%, which excluded any discrete tax adjustments. The provision for income taxes for the six months ended June 30, 2015 was derived using an effective annual income tax rate for 2015 of 33.3%, which excluded any discrete tax adjustments.

The Company's liability for unrecognized tax benefits totaled \$3,939 and \$3,883 at June 30, 2016 and December 31, 2015, respectively, which includes interest and penalties. The total balance of unrecognized tax benefits at June 30, 2016 and December 31, 2015 was comprised of tax benefits that, if recognized, would affect the effective rate. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

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

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

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

## 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 \$3,996 and \$4,398 for the three months ended June 30, 2016 and 2015, respectively, and \$6,427 and \$10,112 for the six months ended June 30, 2016 and 2015, respectively. The outstanding accounts receivable were \$1,263 and \$1,237 at June 30, 2016 and December 31, 2015, respectively. The Company had outstanding accounts payable to Prime of \$3 and \$2 at June 30, 2016 and December 31, 2015, 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 August 5, 2016, the date these financial statements were issued, to ensure that this financial information includes appropriate disclosure of events both recognized in the financial statements as of June 30, 2016, and events which occurred subsequent to June 30, 2016 but were not recognized in the financial statements. As of August 5, 2016, there were no subsequent events which required recognition or disclosure, except as noted below:

On July 26, 2016, IWG completed the offering of \$260,000 of its 10.75% Senior Secured Notes due 2021 (the “10.75% Senior Secured Notes”). The 10.75% Senior Secured Notes will mature on August 1, 2021. The 10.75% Senior Secured Notes pay interest semi-annually on February 1 and August 1, beginning on February 1, 2017. The 10.75% Senior Secured Notes are guaranteed on a senior secured basis by each of IWG’s existing and certain of its future domestic subsidiaries. The 10.75% Senior Secured Notes and the guarantees are secured, subject to certain exceptions and permitted liens, on a second-priority basis by a lien on the assets of IWG and the domestic subsidiaries that secure borrowings under IWG’s Revolving Credit Facility, including 65 percent of the capital stock of, or other equity interests in, IWG’s first-tier foreign subsidiaries.

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 10.75% 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 10.75% 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 10.75% 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 repurchase the 10.75% Senior Secured Notes at 101% of the principal amount of the 10.75% Senior Secured Notes, plus accrued interest.

Under the indenture governing the 10.75% Senior Secured Notes, IWG is required within 95 days of the end of each fiscal year, to make a offered to repurchase 10.75% Senior Secured Notes with excess cash

flow from the prior fiscal year (the “Excess Cash Flow Offer”) at a price of 101% of 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. The Excess Cash Flow Offer for the fiscal year ended December 31, 2016 will be limited to excess cash flow for the six months ended December 31, 2016. IWG’s ability to make the Excess Cash Flow Offer is subject to restrictions under its Revolving Credit Facility.

IWG used the net proceeds of the offering, together with advances under its revolving credit facility and cash on its balance sheet, to (1) redeem all of its outstanding 8.50% Senior Secured Notes at a redemption price equal to 100% of the principal amount of the 8.50% Senior Secured Notes plus accrued and unpaid interest to, but excluding, the redemption date and (2) fund the repurchase of all of the PIK Notes of Holdings, Inc. The redemption of the 8.50% Senior Secured Notes is expected to occur on October 15, 2016.

On July 26, 2016, IWG amended its Revolving Credit Facility. The Revolving Credit Facility, as amended, decreases the permitted borrowings from up to \$175,000 to up to \$125,000, subject to borrower availability. The Revolving Credit Facility was extended by the amendment and will expire on April 30, 2021.

## RISK FACTORS

There are no material changes to the risk factors previously disclosed in our annual report for the fiscal year ended December 31, 2015, with the exception of the additional risk factors discussed below. The risks and uncertainties described below could adversely affect the material risks we face. Risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected.

***Economic downturns in national or international economies in general or in the industries we serve in particular could have a material adverse effect on our sales, results of operations, cash flows and access to capital. A challenging global economic environment or a downturn in the markets we serve could adversely affect our operating results and price of our securities in a material manner.***

A challenging national or global economic environment could cause substantial reductions in our revenue and results of operations as a result of weaker demand by the end users of our products and price erosion. Price erosion may occur through competitors becoming more aggressive in pricing practices. A challenging global economy could also make it difficult for our customers, our vendors and us to accurately forecast and plan future business activities. Our customers could also face issues gaining timely access to sufficient credit, which could have an adverse effect on our results if such events cause reductions in revenues, delays in collection or write-offs of receivables. Further, the demand for many of our products is economically sensitive and vary with general economic activity, trends in nonresidential construction, investment in manufacturing facilities and automation, demand for information and broadcast technology equipment and other economic factors. Deteriorating economic conditions generally or in the industries we serve could result in decreased demand for our products and materially impact our business, prospects, financial condition, cash flows, results of operations and price of our securities.

***The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on European and global economic conditions, financial markets and our business.***

On June 23, 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last up to two years after the United Kingdom government formally initiates a withdrawal process. The timing of this process has not yet been determined. The effects of the referendum will depend in part on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. The referendum has created significant uncertainty about the political and economic circumstances of the United Kingdom and the European Union. These developments have had and may continue to have an adverse effect on European and global economic or market conditions and the stability of European, foreign exchange and global financial markets, including the European markets we serve. Any of these factors, and others we cannot anticipate, could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations, particularly our European operations, and reduce the price of our securities.

***We may not be permitted to use the funds necessary to finance the repurchase of the Senior Secured Notes in connection with an excess cash flow offer required by the indenture.***

Subject to certain conditions, the indenture governing the 10.750% Senior Secured Notes due 2021 (the "Senior Secured Notes") requires IWG, within 95 days of the end of each fiscal year, to make an offer to repurchase Senior Secured Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of repurchase with a portion of our excess cash flow for the prior fiscal year. However, restrictions under our Revolving Credit Facility or other future debt instruments may not allow IWG to repurchase the Senior Secured Notes in an excess cash flow offer.

If we could not refinance such debt or otherwise obtain a waiver from the holders of such debt, IWG would be prohibited from repurchasing the Senior Secured Notes, which would constitute an event of default under the indenture. If the indebtedness under our Revolving Credit Facility is not paid, the lenders thereunder may seek to enforce security interests in the collateral securing such indebtedness, thereby limiting our ability to raise cash to purchase the Senior Secured Notes, and reducing the practical benefit of the offer to purchase provisions to the holders of the Senior Secured Notes. In addition, we will not be required to make an excess cash flow offer if the making of such an excess cash flow offer would violate Delaware General Corporation Law.



## **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, 2016 VERSUS JUNE 30, 2015**

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, 2015. The Company's annual report can be found under the Investor Relations tab of our website at <http://itwg.client.shareholder.com> or <http://www.internationalwiregroup.com>.

Certain statements in this report may constitute "forward-looking" statements. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believes," "expects," "may," "will," "should," "seeks," "pro forma," "anticipates," "intends," "plans," "estimates," or the negative thereof or any other variations thereof or comparable terminology, or by discussions of strategy or intentions. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. 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 risk factors set forth in "Risk Factors" above and in the section entitled "Risk Factors" in our annual report.

### **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. For the three and six months ended June 30, 2016, automotive industry production volumes increased 5.0% and 3.6%, respectively, compared to the same period for 2015 (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 softened slightly in the first half of 2016, with deliveries of 674 large commercial airplanes, a decrease of 1.6% from the first half of 2015. Boeing and Airbus delivered 375 and 298 planes, respectively. The backlog for large commercial aircraft grew slightly and remains at near all-time record highs of 13,232 units on order. At current production rates, large commercial jet backlog represents almost ten years of production. In the defense electronics market, continued defense program cuts have negatively impacted demand from the OEM defense market.

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

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

to compare tolled customers with non-tolled customers, we sometimes refer to “adder sales”, which is the net sales from our products less, if applicable, the invoiced amounts of owned copper and certain other metals.

Our costs and expenses in producing these products fall into three main categories: raw materials (including copper, silver, nickel and tin), labor and, to a lesser extent, utilities. Copper is the primary raw material incorporated in all of our products. As copper is a world-traded commodity, its price has historically been subject to fluctuations. The average price of copper based upon The New York Mercantile Exchange, Inc. (“COMEX”) decreased to \$2.13 per pound for the three months ended June 30, 2016 from \$2.77 per pound for the three months ended June 30, 2015, or 23%, but increased from \$2.11 per pound for the three months ended March 31, 2016, or 1%.

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, 2016, a \$0.10 per pound fluctuation in the price of copper would have approximately a \$2.9 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, 2016, the average price of silver increased by 3%, the average price of nickel decreased by 32% and the average price of tin increased by 6%, in each case compared to the three months ended June 30, 2015.

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, 2016		June 30, 2015		June 30, 2016		June 30, 2015	
Net sales .....	\$ 137.1	100.0%	\$ 172.4	100.0%	\$ 276.7	100.0%	\$ 350.0	100.0%
Operating expenses:								
Cost of goods sold, exclusive of depreciation and amortization expenses shown below.....	115.9	84.5	146.8	85.1	231.1	83.5	297.6	85.0
Selling, general and administrative expenses .....	9.6	7.0	9.9	5.7	19.9	7.2	19.7	5.6
Depreciation and amortization.....	4.5	3.3	4.4	2.6	9.0	3.3	8.8	2.5
(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 .....	7.1	5.2	11.3	6.6	16.7	6.0	23.9	6.9
Other (expense)/income:								
Interest.....	(6.0)	(4.4)	(6.3)	(3.6)	(12.0)	(4.3)	(12.0)	(3.4)
Amortization of deferred financing costs .....	(0.5)	(0.4)	(0.5)	(0.3)	(1.0)	(0.4)	(1.0)	(0.3)
Loss on early extinguishment of debt.....	(0.0)	(0.0)	—	—	(0.0)	(0.0)	—	—
Other, net.....	0.0	0.0	(0.1)	(0.1)	(0.1)	0.0	0.1	(0.0)
Income before income tax provision.....	0.6	0.4	4.4	2.6	3.6	1.3	11.0	3.2
Income tax provision .....	0.2	0.1	1.5	0.9	1.2	0.4	3.7	1.1
Net income .....	<u>\$ 0.4</u>	<u>0.3%</u>	<u>\$ 2.9</u>	<u>1.7%</u>	<u>\$ 2.4</u>	<u>0.9%</u>	<u>\$ 7.3</u>	<u>2.1%</u>

### Three Months Ended June 30, 2016 versus Three Months Ended June 30, 2015

Net sales were \$137.1 million and \$172.4 million for the three months ended June 30, 2016 and 2015, respectively. Sales for the three months ended June 30, 2016 were \$35.3 million, or 20.5%, lower than comparable 2015 levels. This decrease was the result of the decreased average cost and selling price of copper (\$21.3 million), lower volume primarily in the Bare Wire and HPC segments from decreased customer demand in all major markets (\$16.6 million), and lower customer pricing/mix (\$1.2 million). These factors were partially offset by a lower proportion of tolled copper shipped in the 2016 period compared to the 2015 period (\$3.5 million) and favorable currency exchange rates (\$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 decrease, the sales we record increase. Of the total pounds processed for the three months ended June 30, 2016 and 2015, 43.5% and 45.9%, respectively, were from customers' tolled copper. The average price of copper based upon COMEX decreased to \$2.13 per pound for the three months ended June 30, 2016 from \$2.77 per pound for the three months ended June 30, 2015. Total pounds of product sold in the second quarter of 2016 decreased by 12.4% compared to the second quarter of 2015.

Cost of goods sold, exclusive of depreciation and amortization, as a percentage of sales decreased to 84.5% for the three months ended June 30, 2016 from 85.1% for the same period in 2015. The decrease of 0.6 percentage points was due to the decrease in the average cost and selling price of copper (2.1 percentage points) and higher silver profits (0.2 percentage points), partially offset by lower LIFO/copper profits (0.8 percentage points), a change in the proportion and level of tolled and owned copper sales (0.3 percentage points), less favorable plant utilization (0.5 percentage points) and an unfavorable customer pricing/mix impact (0.1 percentage points).

Selling, general and administrative expenses were \$9.6 million for the three months ended June 30, 2016 compared to \$9.9 million for the same period in 2015. This decrease of \$0.3 million was primarily the result of \$0.2 million of decreased transportation costs (related primarily to fuel cost and, to a lesser extent, volume) and \$0.1 million of lower bonus accruals. These expenses, as a percent of net sales, increased to 7.0% for the three months ended June 30, 2016 from 5.7% for the three months ended June 30, 2015.

Depreciation and amortization was \$4.5 million for the three months ended June 30, 2016 compared to \$4.4 million for the same period in 2015.

Operating income for the three months ended June 30, 2016 was \$7.1 million compared to \$11.3 million for the 2015 period, or a decrease of \$4.2 million, or 37.2%, primarily from lower sales volume, lower LIFO/copper profits and less favorable plant utilization, partially offset by higher silver profits and lower selling, general and administrative expenses.

Interest expense was \$6.0 million and \$6.3 million for the three month periods ended June 30, 2016 and 2015, respectively. This decrease of \$0.3 million was primarily the result of the repurchase of \$14.9 million of PIK Notes subsequent to the second quarter of 2015.

Amortization of deferred financing costs was \$0.5 million in each of the three month periods ended June 30, 2016 and 2015.

Income tax provision was \$0.2 million and \$1.5 million for the three months ended June 30, 2016 and 2015, respectively. The Company's effective tax rate was 31.9% for the three months ended June 30, 2016 and 34.1% for the three months ended June 30, 2015.

Net income was \$0.4 million and \$2.9 million for the three months ended June 30, 2016 and 2015, respectively. Net income per basic share was \$.08 and \$0.62 while net income per diluted share was \$.08 and \$0.61 for the three months ended June 30, 2016 and 2015, respectively.

#### ***Six Months Ended June 30, 2016 versus Six Months Ended June 30, 2015***

Net sales were \$276.7 million and \$350.0 million for the six months ended June 30, 2016 and 2015, respectively. Sales for the six months ended June 30, 2016 were \$73.3 million, or 20.9%, below net sales in the 2015 period. This decrease was the result of the decreased average cost and selling price of copper (\$42.7 million), lower volume, primarily in the Bare Wire and HPC segments, due to decreased customer demand in all major markets except the electronics and data communications market (\$32.1 million), and lower customer pricing/mix (\$3.9 million). These factors were partially offset by a lower proportion of tolled copper shipped in the 2016 period compared to the 2015 period (\$5.4 million). For sales of product comprised of tolled copper, the value of the copper material processed is excluded from sales. Accordingly, as the proportion of tolled sales decrease, the sales we record increase. Of the total pounds processed for the six months ended June 30, 2016 and 2015, 44.5% and 46.5%, respectively, were from customers' tolled copper. The average price of copper based upon COMEX decreased to \$2.12 per pound for the six months ended June 30, 2016 from \$2.72 per pound for the six months ended June 30, 2015. Total pounds of product sold in the first six months of 2016 decreased by 12.0% compared to the first six months of 2015.

Cost of goods sold, exclusive of depreciation and amortization, as a percentage of sales decreased to 83.5% for the six months ended June 30, 2016 from 85.0% for the same period in 2015. The decrease of 1.5 percentage points was due to the decrease in the average cost and selling price of copper (2.1 percentage points), more favorable plant utilization (0.3 percentage points) and higher silver profits (0.1 percentage points), partially offset by lower LIFO/copper profits (0.4 percentage points), a change in the proportion and level of tolled and owned copper sales (0.5 percentage points) and an unfavorable customer pricing/mix impact (0.1 percentage points).

Selling, general and administrative expenses were \$19.9 million for the six months ended June 30, 2016 compared to \$19.7 million for the same period in 2015. This increase of \$0.2 million was primarily the result of \$0.2 million of higher bonus accruals. These expenses, as a percent of net sales, increased to 7.2% for the six months ended June 30, 2016 from 5.6% for the six months ended June 30, 2015.

Depreciation and amortization was \$9.0 million for the six months ended June 30, 2016 compared to \$8.8 million for the same period in 2015.

Operating income for the six months ended June 30, 2016 was \$16.7 million compared to \$23.9 million for the 2015 period, or a decrease of \$7.2 million, or 30.1%, primarily from lower sales volume, lower LIFO/copper profits, less favorable plant utilization and higher selling, general and administrative expenses, partially offset by higher silver profits.

Interest expense was \$12.0 million for each of the six month periods ended June 30, 2016 and 2015.

Amortization of deferred financing costs was \$1.0 million for each of the six months ended June 30, 2016 and 2015.

Income tax provision was \$1.2 million and \$3.7 million for the six months ended June 30, 2016 and 2015, respectively. The Company's effective tax rate for the six months ended June 30, 2016 was 33.8% and 33.9% for the six months ended June 30, 2015.

Net income was \$2.4 million and \$7.3 million for the six months ended June 30, 2016 and 2015, respectively. Net income per basic share was \$0.52 and \$1.43 while net income per diluted share was \$0.52 and \$1.41 for the six months ended June 30, 2016 and 2015, respectively.

### **Financial Condition**

At the end of the second quarter, total cash and cash equivalents were \$5.3 million, a decrease of \$4.4 million from year-end 2015 primarily due to cash being used for working capital requirements and \$2.0 million in PIK Note repurchases.

Accounts receivable of \$89.6 million as of June 30, 2016 increased \$1.8 million, or 2.1%, from year-end 2015. This increase was primarily due to higher sales levels in the Bare Wire and Engineered Wire Products - Europe segments in the current quarter compared to the fourth quarter of 2015, partially offset by a decrease in days sales outstanding to 59 days as of June 30, 2016 compared to 62 days at year-end 2015. Accounts receivable allowances as a percentage of accounts receivable was 1.5% at both June 30, 2016 and December 31, 2015.

Inventories of \$51.0 million as of June 30, 2016 increased by \$11.1 million from December 31, 2015. This increase was the result of higher inventory quantities in the Bare Wire, Engineered Wire Products - Europe and High Performance Conductors segments (\$10.7 million) and a decrease in the LIFO reserve (\$0.4 million).

Accounts payable were \$22.3 million as of June 30, 2016, or an increase of \$6.8 million from December 31, 2015 levels, resulting from more pounds purchased due to higher sales levels in the Bare Wire and Engineered Wire Products-Europe segments in the current quarter compared to the fourth quarter of 2015.

### **Liquidity and Capital Resources**

#### ***Working Capital and Cash Flows***

Net cash provided by operating activities was \$3.5 million for the six months ended June 30, 2016, compared to net cash provided by operating activities of \$23.2 million for the six months ended June 30, 2015. This decrease of \$19.7 million was primarily the result of an unfavorable accounts receivable impact of \$3.0 million, an unfavorable inventory impact of \$8.9 million, an unfavorable accrued/refundable income taxes impact of \$2.5 million, lower net income of \$4.8 million and other, net of \$0.5 million.

Net cash used in investing activities was \$6.0 million for the six months ended June 30, 2016, compared to \$6.3 million for the six months ended June 30, 2015. This decrease in net cash used of \$0.3 million resulted primarily from \$0.2 million decrease in capital expenditures and \$0.1 million of proceeds from sale of property, plant and equipment in the 2016 period.

Net cash used in financing activities was \$1.9 million for the six months ended June 30, 2016, compared to net cash used in financing activities of \$11.8 million for the six months ended June 30, 2015. There were net borrowings of \$0.1 million for the six months ended June 30, 2016, and net repayments of \$8.7 million for the six months ended June 30, 2015. There were repurchases of PIK Notes of \$2.0 million for the six months ended June 30, 2016. There were repurchases of common stock of \$28.9 million, proceeds from the issuance of PIK Notes of \$26.0 million and payments for debt issuance costs of \$0.2 million for the six months ended June 30, 2015.

#### **Off-Balance Sheet Arrangements**

We have not historically utilized off-balance sheet financing arrangements and have no such arrangements as of June 30, 2016. 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, 2016, the future minimum lease payments under these arrangements totaled \$7.4 million.