INTERNATIONAL WIRE GROUP INC
Form 10-Q
November 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

000-51043
(Commission File Number)

INTERNATIONAL WIRE GROUP, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	43-1705942
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12 MASONIC AVENUE, CAMDEN, NY	13316
(Address of principal executive offices)	(Zip Code)

(315) 245-3800
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [_]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [_] Accelerated filer [_] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES [_] NO [X]

APPLICABLE ONLY TO ISSUES INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE

PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES [X] NO [_]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of October 31, 2007, there were 9,951,002 shares, par value $.01 per share, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL WIRE GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
	(IN THOUSANDS, EXCEPT FOR SHARE DATA)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,047	$ 3,315
Accounts receivable, less allowance of $1,214 and $1,738	114,708	97,896
Inventories	68,023	58,808
Prepaid expenses and other	6,922	7,135
Deferred income taxes	15,396	16,701
Total current assets	208,096	183,855
Property, plant and equipment, net	107,883	103,889
Goodwill	62,148	62,148
Identifiable intangibles, net	16,825	18,369
Deferred financing costs, net	2,480	2,955
Restricted cash	1,499	1,559
Other assets	3,570	2,790
Total assets	$ 402,501	$ 375,565
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ --	$ 535
Accounts payable and other	51,356	33,513
Accrued and other liabilities	16,409	14,264
Accrued payroll and payroll related items	9,048	10,401
Customers' deposits	13,331	12,086
Accrued income taxes	1,851	1,011
Accrued interest	3,726	1,847
Total current liabilities	95,721	73,657
Long-term debt, less current maturities	102,892	113,020
Other long-term liabilities	7,746	4,029
Deferred income taxes	12,103	13,602

Total liabilities	218,462	204,308
Stockholders' equity:		
Common stock, $.01 par value, 20,000,000 shares authorized, 10,021,002 and 10,000,002 shares issued	100	100
Contributed capital	184,201	181,566
Accumulated deficit	(1,530)	(11,573)
Treasury stock at cost, 84,000 shares at September 30, 2007.	(1,725)	--
Accumulated other comprehensive income	2,993	1,164
Total stockholders' equity	184,039	171,257
Total liabilities and stockholders' equity	$ 402,501	$ 375,565

See accompanying notes to the condensed consolidated financial statements.

INTERNATIONAL WIRE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006
	(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE AMOUNTS			
Net sales	$ 179,994	$ 206,372	$ 554,149	$ 565,
Operating expenses:				
Cost of goods sold, exclusive of depreciation and amortization expense shown below	156,453	182,031	483,393	500,
Selling, general and administrative expenses	10,745	11,575	33,462	29,
Depreciation	3,286	3,471	9,565	7,
Amortization	734	864	2,354	2,
Gain on sale of property, plant and equipment	(497)	(8)	(491)	
Operating income	9,273	8,439	25,866	24,
Other income/(expense):				
Interest expense	(2,592)	(3,623)	(7,424)	(10,
Amortization of deferred financing				

costs	(159)	(654)	(477)	(
Other, net	(21)	(134)	(13)	
Income from continuing operations before income tax provision	6,501	4,028	17,952	13,
Income tax provision	1,902	377	5,219	3,
Income from continuing operations ...	4,599	3,651	12,733	9,
Income/(loss) from discontinued operations, net of income tax provision/(benefit) of ($505), $178, ($440) and ($86)	492	294	632	(
Net income	$ 5,091	$ 3,945	$ 13,365	$ 9,
Basic net income per share:				
Income from continuing operations.	$ 0.46	$ 0.36	$ 1.27	$ 0
Income/(loss) from discontinued operations	0.05	0.03	0.06	(0
Net income	$ 0.51	$ 0.39	$ 1.33	$ 0
Diluted net income per share:				
Income from continuing operations.	$ 0.45	$ 0.36	$ 1.25	$ 0
Income/(loss) from discontinued operations	0.05	0.03	0.06	(0
Net income	$ 0.50	$ 0.39	$ 1.31	$ 0
Weighted average basic shares outstanding	9,992,606	10,000,002	9,997,986	10,000,
Weighted average diluted shares outstanding	10,237,647	10,006,418	10,187,582	10,002,

See accompanying notes to the condensed consolidated financial statements.

INTERNATIONAL WIRE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006

	(IN THOUSANDS)	
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net income	$ 13,365	$ 9,070
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,565	8,734
Amortization	2,354	2,844
Amortization of deferred financing costs..	477	993
Stock-based compensation expense	2,351	1,562
Gain on sale of property, plant and equipment	(740)	(447)
Gain on sale of businesses	--	(280)
Deferred income taxes	122	2,738
Change in operating assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable	(15,476)	(18,807)
Inventories	(8,603)	(11,863)
Prepaid expenses and other assets	(1,547)	(1,881)
Accounts payable and other	20,216	19,906
Accrued and other liabilities	1,717	3,484
Accrued payroll and payroll related items	(1,502)	779
Customers' deposits	1,245	256
Accrued interest	1,879	1,599
Accrued income taxes	815	485
Other long-term liabilities	(45)	(8)
Net cash provided by operating activities	26,193	19,164
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Capital expenditures	(14,610)	(7,643)
Proceeds from sale of property, plant and equipment	2,929	1,191
Restricted cash	60	345
Proceeds from sale of businesses	--	36,123
Acquisition of Phelps Dodge High Performance Conductors of SC&GA, Inc., net of $45 cash acquired	(3,000)	(52,143)
Net cash used in investing activities	(14,621)	(22,127)
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Borrowings of long-term obligations	274,703	350,958
Repayment of long-term borrowings	(285,366)	(350,424)
Repurchase of common stock	(1,725)	--
Proceeds from the issuance of common stock	280	--
Financing fees	(2)	(1,443)
Net cash used in financing activities	(12,110)	(909)
Effects of exchange rate changes on cash and cash equivalents	270	377
Net change in cash and cash equivalents	(268)	(3,495)
Cash and cash equivalents at beginning of the period	3,315	5,422

Cash and cash equivalents at end of the period.. ...	$ 3,047	$ 1,927
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 5,545	$ 9,553
Net taxes paid (including taxes refunded of $129 in 2006)	$ 3,331	$ 711
Amount included in accounts payable and other for capital expenditures	$ 518	$ --

See accompanying notes to the condensed consolidated financial statements.

INTERNATIONAL WIRE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

1. BUSINESS ORGANIZATION AND BASIS OF PRESENTATION

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed 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, Inc. (the "Company," "we" or "our"). The results for the three and nine months ended September 30, 2007 and 2006 are not necessarily indicative of the results that may be expected for a full fiscal year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2006.

Cash and cash equivalents - The Company's banking arrangements allow for the Company to fund outstanding checks when presented to the financial institution for payment. This cash management practice frequently results in a net cash book overdraft position, which occurs when total issued checks exceed available cash balances at a single financial institution. The Company has recorded its cash disbursement accounts with a net cash book overdraft position in accounts payable in the accompanying condensed consolidated balance sheets. At September 30, 2007 and December 31, 2006, the Company had net cash book overdrafts of $1,541 and $0, respectively.

Immaterial restatement - On January 1, 2007, the Company adopted the provisions of FIN 48, which resulted in adjustment of its liability for unrecognized tax benefits, deferred income tax assets and the January 1, 2007 balance of accumulated deficit. During the quarter ended September 30, 2007, the Company determined that it had understated the liability for unrecognized tax benefits that was recorded upon adoption of FIN 48. Accordingly, the Company has restated the financial statements to correct this error by increasing the liability for unrecognized tax benefits and the balance of accumulated deficit as of January 1, 2007 by $3,670. This error was considered immaterial to the Company's consolidated financial statements and had no effect on its consolidated results of operations or cash flows.

2. ACQUISITION

On March 4, 2006, the Company entered into a Stock Purchase Agreement ("HPC Purchase Agreement") to acquire Phelps Dodge High Performance Conductors of SC & GA, Inc. ("HPC") from Phelps Dodge Corporation ("PD"). HPC is a manufacturer of specialty high performance conductors which are plated copper and copper alloy conductors offering both standard and customized high and low temperature conductors as well as specialty film insulated conductors and miniature tubing products. The conductors manufactured are tin, nickel and silver plated, including some proprietary products. High temperature products are generally used where high thermal stability and good solderability are required for certain military and commercial aerospace applications. The medical products include ultra fine alloys, which are used in medical electronics such as ultrasound equipment and portable defibrillators. The tubing products are used in a variety of medical devices in medicine delivery and coronary procedures. These products are sold to harness assembly manufacturers, distributors and original equipment manufacturers ("OEM's") in the United States, Europe and Asia primarily serving the aerospace, medical, automotive, computer, telecommunications, mass transportation, geophysical and electronics markets. HPC has manufacturing operations in Inman, South Carolina and Trenton, Georgia and a sales/distribution facility in Belgium.

On March 31, 2006, the Company completed the acquisition of all of the outstanding common stock of HPC for $42,000 plus an estimated working capital adjustment payment at closing of $1,676. An additional working capital adjustment of $2,671 was paid in August 2006. The acquisition was funded with borrowings under the Company's Revolver Credit Facility. Additionally, the Company purchased the copper inventory held on consignment by HPC from PD for $5,057. In addition, pursuant to the Purchase Agreement, there was a contingency payment capped at $3,000 based

on performance, and in May 2007, the $3,000 payment was made. Phelps Dodge High Performance Conductors of SC & GA, Inc. changed its name to IWG High Performance Conductors, Inc.

This acquisition has been accounted for as a purchase on March 31, 2006. Results of operations of HPC are included in the accompanying condensed consolidated statements of operations beginning April 1, 2006.

The total purchase price of the HPC acquisition was $55,188, and the payment of related purchase price, fees and costs is summarized as follows:

Purchase of common stock and estimated working capital adjustment at closing	$43,676
Additional working capital adjustment	2,671
Purchase of consigned inventory	5,057
Contingent payment	3,000
Fees and costs	784

	$55,188

The total acquisition costs have been allocated to the acquired net assets at fair value as follows:

Current assets	$34,288
Property, plant and equipment	30,789
Identifiable intangibles	460
Current liabilities, excluding deferred income taxes	(3,065)
Deferred income taxes	(6,937)
Other liabilities	(347)
	$55,188

The allocation of total acquisition cost was based on fair values as required under Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, including inventory, property, plant and equipment, identifiable intangibles and certain liabilities. The Company finalized this allocation in the fourth quarter of 2006.

Based upon the fair value of assets acquired and liabilities assumed compared to the total purchase price, there was an excess of fair value of net assets acquired over purchase price, or "negative goodwill", of $2,686. Pursuant to the provisions of SFAS No. 141, the excess was allocated on a pro rata basis to the acquired property, plant and equipment and identifiable intangible assets.

Identifiable intangibles represent the fair market value of alloys (formulation of two or more metals) and trade names and trademarks. The fair market values were determined using a discount rate to compute the present value of the income of the identifiable intangible assets. A discount rate of 17% was used. The identifiable intangibles of $460 consist of alloys of $92 and trade names and trademarks of $368. Each of the identifiable intangibles will be amortized over 20 years.

The following table shows summary unaudited pro forma results of operations as if the Company and HPC had been combined as of the beginning of the periods presented. The unaudited pro forma results of operations are based on estimates and assumptions and have been made solely for purposes of developing such pro forma information. The pro forma information for the nine months ended September 30, 2006 reflects adjustments including: elimination of intercompany sales; reduction of expenses for pension and post-retirement medical; adjustment to depreciation relating to the adjustment to the fair market value and adjusted useful lives of existing property, plant and equipment; additional amortization of identifiable intangibles; adjustment of interest expense for additional borrowings. and reflects a 38% effective tax rate. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or

financial position that would have occurred if the acquisition had been consummated at the beginning of the period presented:

	PRO FORMA FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
Net sales..........................	$591,906
Income from continuing operations...	10,295
Net income.........................	10,093
Basic and diluted net income per share...........................	1.01

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 ("FIN 48"), to be effective for fiscal years beginning after December 15, 2006. This interpretation adopts a two-step approach for recognizing and measuring tax benefits and requires certain disclosures about uncertainties in income tax positions. Under FIN 48, the impact of an uncertain income tax position on an income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. On January 1, 2007, the Company adopted the provisions of FIN 48. As a result of the adoption of FIN 48, the Company recognized an increase of $3,322 to the opening balance of accumulated deficit. See Note 1.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS No. 157"). This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities and expands disclosures about fair value measurements. The statement applies whenever other pronouncements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for the Company's fiscal year beginning January 1, 2008. The Company is evaluating the impact the adoption of SFAS No. 157 will have on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Liabilities ("SFAS No. 159") -- including an amendment to FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments and certain other items at fair value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective for the Company's fiscal year beginning January 1, 2008. The Company is evaluating the impact the adoption of SFAS No. 159 will have on the Company's financial statements.

4. INVENTORIES

The composition of inventories is as follows:

	SEPTEMBER 30,	DECEMBER 31,

	2007	2006
Raw materials	$19,083	$16,960
Work-in-process	16,593	13,827
Finished goods	32,347	28,021
Total inventories	$68,023	$58,808

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 the Bare Wire and High Performance Conductors segments and the first-in,

first-out ("FIFO") method for the Engineered Wire Products - Europe segment. 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 $39,978 and $37,245 higher as of September 30, 2007 and December 31, 2006, respectively.

5. SALE OF TEXAS FACILITY

In fiscal 2006, the Company temporarily idled one of its facilities in Texas due to a decrease in sales demand in that region. Having met the criteria of SFAS No. 144, these assets were classified as "held for sale" at June 30, 2007. These assets were reported within the Bare Wire segment and consisted of real property. The property was sold on August 2, 2007 for $2,350. A net gain on the sale of $441 was recorded in the third quarter of fiscal 2007.

6. GOODWILL AND INTANGIBLE ASSETS

The carrying amounts of goodwill are as follows:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Balance, beginning of period	$ 62,148	$ 62,307
Reversal of deferred income tax valuation allowance	--	(159)
Balance, end of period	$ 62,148	$ 62,148

At September 30, 2007 and December 31, 2006, all goodwill is included in the Bare Wire segment. The Company completed its annual impairment test at December 31, 2006 and concluded that goodwill was not impaired.

The components of identifiable intangibles are as follows:

	SEPTEMBER 30, 2007 COST	SEPTEMBER 30, 2007 ACCUMULATED AMORTIZATION	DECEMBER 31, 2006 COST	DECEMBER 31, 2006 ACCUMULATED AMORTIZATION
Customer contracts and relationships	$ 9,534	$ 1,877	$ 9,534	$ 1,400
Trade names and trademarks	10,568	1,531	10,568	1,135
Leases	2,671	2,626	2,671	1,958
Alloys	92	6	92	3
Total identifiable intangibles	$22,865	$ 6,040	$22,865	$ 4,496

Amortization expense for the nine months ended September 30, 2007 and September 30, 2006 was $1,544 and $1,539, respectively. Amortization expense for identifiable intangibles for the next five fiscal years and thereafter is as follows:

	AMOUNT
2007 (remaining three months)	$ 339
2008	1,169
2009	1,169
2010	1,169
2011	1,169
Thereafter	11,810

7. STOCK OPTION PLANS AND COMPENSATION EXPENSE

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment ("SFAS No. 123(R)") which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation cost spread over the service periods for awards expected to vest. SFAS No. 123(R) was adopted using the modified-prospective transition method. Under this method, compensation cost recognized in the nine-month periods ended September 30, 2007 and 2006 includes: (a) compensation cost for all unvested share-based awards granted prior to January 1, 2006, based on the grant date fair value estimated in accordance with SFAS No. 123, Accounting For Stock-Based Compensation, and (b) compensation cost for all share-based awards granted subsequent to December 31, 2005, based on the grant date fair value estimated in accordance with SFAS No. 123(R). Stock-based compensation expense is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

The Company uses the Black-Scholes option model to estimate fair value of share-based awards with the following weighted average assumptions:

	NINE MONTHS ENDED	
	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006
Stock Options and Awards:		
Expected life.................	6 years	6 years
Expected volatility...........	50.0%	58.0%
Dividend yield................	0%	0%
Risk-free interest rate.......	4.2%	4.9%

The Company calculates expected volatility for stock options using historical volatility of a group of companies in the wire and cable industry. The risk-free interest rate is estimated based on the Federal Reserve's historical data for the maturity of nominal treasury investments that corresponds to the expected term of the option. The expected life was determined using the simplified method as these awards meet the definition of "plain-vanilla" options under the rules prescribed by Staff Accounting Bulletin 107.

Stock option activity for the nine months ended September 30, 2007 is summarized as follows:

	OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING TERM IN YEARS	AGGREGATE INTRINSIC VALUE
Outstanding at January 1, 2007....	1,114,300	$ 15.03		
Granted	42,000	$ 21.86		
Exercised	(21,000)	$ 14.05		
Outstanding at September 30, 2007	1,135,300	$ 15.30	8.9	$ 6,184
Vested or expected to vest at September 30, 2007	1,078,535	$ 15.30	8.9	$ 5,875
Exercisable at September 30, 2007	652,867	$ 14.93	8.6	$ 3,801

The Company recorded stock-based compensation expense of $786, $1,018, $2,351 and $1,562 for the three and nine months ended September 30, 2007 and 2006, respectively. As of September 30, 2007, the Company had total unrecognized compensation costs of $1,464 which will be recognized as compensation expense over a weighted average period of 1.5 years. The Company estimates a 5% forfeiture rate in recording stock-based compensation expense. As of September 30, 2007, 16,000 stock option awards have been exercised under the 2006 Management Stock Option Plan, no stock option awards have been exercised under the 2006 Stock Option Plan for Non-Employee Directors, and 5,000 stock option awards have been exercised under the grant to Lane Pennington. The stock options are non-qualified which results in the creation of a deferred tax asset until the time the option is exercised.

8. STOCK REPURCHASE PROGRAM

On September 4, 2007, the Company announced that its Board of Directors approved a stock repurchase program whereby the Company was authorized to repurchase $3,700 of its common stock through open market or privately negotiated transactions from time to time. The share repurchase program may be increased in the future or suspended or terminated at any time. The

funding for the stock repurchases will be from the Company's operating cash flow and/or borrowings under its Revolver Credit Facility.

During the third quarter of 2007, the Company repurchased 84,000 shares pursuant to this repurchase program for an aggregate cost, including broker commissions, of $1,725, or at an average price of $20.53 per share. At September 30, 2007, the Company has 84,000 shares of repurchased stock which is reported as treasury stock and as a reduction of stockholders' equity.

9. COMPREHENSIVE INCOME

Comprehensive income is comprised of:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006
Net income	$ 5,091	$ 3,945	$13,365	$ 9,070
Foreign currency translation adjustment	1,350	(473)	1,829	1,571
Total comprehensive income..	$ 6,441	$ 3,472	$15,194	$10,641

10. NET INCOME PER SHARE

Net income per share is calculated using the weighted average number of common shares outstanding during the period. For purposes of computing weighted average dilutive shares outstanding, the Company uses the treasury stock method as required by Statement of Financial Accounting Standards No. 128, Earnings Per Share (as amended). The following table provides a reconciliation of the number of shares outstanding for basic and dilutive earnings per share:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006
Weighted average shares outstanding-basic........	9,992,606	10,000,002	9,997,986	10,000,002
Dilutive effect of stock options	245,041	6,416	189,596	2,864

Weighted average shares outstanding-dilutive	10,237,647	10,006,418	10,187,582	10,002,866
	==========	==========	==========	==========

Weighted average shares outstanding for the three month periods ended September 30, 2007 and 2006 exclude 55,304 and 1,041,300 options, because they are anti-dilutive under the treasury stock method. Weighted average shares outstanding for the nine month periods ended September 30, 2007 and 2006 exclude 50,462, and 578,500 options, because they are anti-dilutive under the treasury stock method.

11. LONG-TERM DEBT

The composition of long-term debt is as follows:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Senior Revolver Credit Facility	$ 27,892	$ 38,020
10% Secured Senior Subordinated Notes	75,000	75,000

Other	--	535
	--------	--------
Total long-term debt	102,892	113,555
Less current maturities	--	535
	--------	--------
Long-term portion of long-term debt	$102,892	$113,020
	========	========

SENIOR REVOLVER CREDIT FACILITY

The Company and its domestic subsidiaries are parties to a credit agreement (the "Revolver Credit Facility") with Wachovia Capital Financial Corporation (Central), formerly known as Congress Financial Corporation (Central), as administrative agent, and several banks and financial institutions parties. The Revolver Credit Facility is a senior revolver credit facility in the amount of up to $200,000 subject to borrowing availability (including, as a sub-facility of the Revolver Credit Facility, a $25,000 letter of credit facility).

Borrowings under the Revolver 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. As of September 30, 2007, letters of credit in the amount of $15,472 were outstanding and $27,892 was drawn under the Revolver Credit Facility. Availability under the Revolver Credit Facility was $112,423 as of September 30, 2007. The Company's domestic subsidiaries are the primary parties to the Revolver Credit Facility. The Company has guaranteed their obligations under the Revolver Credit Facility. The collateral for the Revolver Credit Facility includes all or substantially all of the Company's and its domestic subsidiaries' assets, including 65 percent of the capital stock of, or other equity interests in, the Company's foreign subsidiaries.

The Company may choose to pay interest on advances under the Revolver Credit Facility at either a Eurodollar rate or a base rate plus the following applicable margin: (1) for base rate Revolver Credit Facility advances, 0.00 percent, (2) for Eurodollar rate advances, 1.25 percent to 1.75 percent per annum, subject to adjustment in accordance with a pricing grid based on excess availability and (3) for letters of credit, 1.50 percent per annum. The default rate is 2.00 percent above the rate otherwise applicable. The Company also has an annual commitment fee of 0.25 percent on the unused balance of its Revolver Credit Facility and an issuance letter of credit fee equal to 2.00 percent.

The Revolver Credit Facility requires the Company to observe conditions, affirmative covenants and negative covenants (including financial covenants). These covenants include limitations on the Company's ability to pay dividends, 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 subject to a $5,000 limit, change the nature of its business or engage in certain transactions with affiliates. In addition, the Company's subsidiaries are restricted from making dividends and other restricted payments (which may include payments of intercompany indebtedness) to the Company for purposes other than the payment of reasonable compensation to officers, employees and directors for services rendered to the Company's subsidiaries in the ordinary course of business, payments by the Company's subsidiaries for actual and necessary reasonable out-of-pocket legal and accounting, insurance, marketing, payroll and similar types of services paid for by the Company on behalf of the Company's subsidiaries, in the ordinary course of their respective businesses or as the same may be directly attributable to the Company's subsidiaries, for the payment of taxes by or on behalf of the Company, and the payments by the Company's subsidiaries for the payment of fees, principal and interest on the Notes described below. The Company must also comply with a fixed charge coverage ratio when either (1) the minimum availability under the credit facility falls below $30,000 or (2) there is a default or event of default.

On October 26, 2007, the Company amended the Revolver Credit Facility, such that the Company was made an additional Borrower (as defined in the amendment documents).

The Company's Revolver Credit Facility commitment expires on August 22, 2011.

The Company may prepay the loans or reduce the commitments under its Revolver Credit Facility in a minimum amount of $5,000 and additional integral amounts in multiples of $1,000 in respect of the Revolver Credit

Facility. The commitments under the Revolver Credit Facility may not be reduced by more than $10,000 in any twelve-month period.

The Company must prepay the loans under the Revolver Credit Facility by the following amounts (subject to certain exceptions):

o An amount equal to 100 percent of the net proceeds of any incurrence of indebtedness by the Company or any of its subsidiaries;

- An amount equal to 100 percent of the net proceeds of any non-ordinary course sale or other disposition by the Company or any of its subsidiaries of any assets, except for certain exceptions.

SECURED SENIOR SUBORDINATED NOTES

The 10% Secured Senior Subordinated Notes due 2011 ("Notes") are: senior subordinated obligations of the Company; senior in right of payment to any of future subordinated obligations; guaranteed by the Company's domestic subsidiaries; and secured by a second-priority lien on all or substantially all of the Company's and its domestic subsidiaries' assets, including 65 percent of the capital stock of, or other equity interests in, the Company's foreign subsidiaries. The Company issued the Notes on October 20, 2004 in aggregate principal amount of $75,000. The Notes will mature on October 15, 2011. Interest on the Notes accrues at the rate of 10 percent per annum and is payable semiannually in arrears on April 15 and October 15. Interest on overdue principal accrues at 2 percent per annum in excess of the above rate. The indenture governing the Notes contains restrictive covenants which, among other things, limit the Company's ability 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; transfer or sell assets; engage in transactions with affiliates; create certain liens; engage in sale/leaseback transactions; impair the collateral for the Notes; make investments; guarantee debt; consolidate, merge or transfer all or substantially all of its assets and the assets of the Company's subsidiaries; and engage in unrelated businesses.

12. INCOME TAXES

During the third quarter, the 2007 annual effective tax rate was increased to 32.7%, exclusive of discrete items for the nine months ended September 30, 2007, due to changes in certain estimates used to calculate the annual effective tax rate.

On January 1, 2007, the Company adopted the provisions of FIN 48. The total amount of the liability for unrecognized tax benefits as of the date of adoption was $4,577, which is included in "Other long-term liabilities." As a result of the adoption of FIN 48, the Company recognized an increase in the liability for unrecognized tax benefits, net of deferred income taxes, as of January 1, 2007 with a corresponding increase in the Company's accumulated deficit totaling $3,322.

As of September 30, 2007, the Company's liability for unrecognized tax benefits totaled $4,754, which includes interest and penalties. The total unrecognized tax benefits balance at September 30, 2007 is comprised of tax benefits that, if recognized, would affect the effective rate.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the year ended December 31, 2006, the Company recognized approximately $58 in penalties and interest. The Company had $58 accrued for the payment of interest and penalties at December 31, 2006. Upon adoption of FIN 48 on January 1, 2007, the Company decreased its accrual for interest and penalties to $8.

The Company is subject to taxation in the United States and various state and foreign jurisdictions. The Company's tax years from 2001 to 2006 are subject to examination by the taxing authorities due to the Company's net operating loss carryforwards.

13. BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

The Company's three reportable segments are Bare Wire, Engineered Wire Products-Europe, and High Performance Conductors. These segments are strategic business units organized around three product categories that follow management's internal organization structure. The Company evaluates segment performance based on segment operating income.

The Bare Wire segment manufactures bare and tin-plated copper wire products (or conductors) used to transmit digital, video and audio signals or conduct electricity and sells to insulated wire manufacturers and various OEM's for use in computer and data communications products, general industrial, energy, appliances, automobiles, and other applications. The Bare Wire segment is in the primary business of copper fabrication. The Company may provide such copper to its customers or use their copper in the fabrication process. While the Company bills its customers for copper it provides, it does not distinguish in its records these customer types, and it is therefore not practical to provide such disclosure.

The Engineered Wire Products-Europe segment manufactures and engineers connections and bare copper wire products (or conductors) to conduct electricity either for power or for grounding purposes and are sold to a diverse customer base of various OEM's for use in electrical appliances, power supply, aircraft and railway, and automotive products.

The High Performance Conductors segment, which resulted from the Company's acquisition described in Note 2, manufactures specialty high performance conductors which include tin, nickel and silver plated copper and copper alloy conductors including high and low temperature standard and customized conductors as well as specialty film insulated conductors and miniature tubing products.

Summarized financial information for the Company's reportable segments is as follows:

	BARE WIRE	ENGINEERED WIRE PRODUCTS-EUROPE	HIGH PERFORMANCE CONDUCTORS	CORPORATE	ELIMINATIONS
NET SALES					
Three months ended September 30, 2007......	$ 135,071	$ 15,757	$ 29,786	$ --	$ (620)
Three months ended September 30, 2006......	166,356	12,801	27,263	--	(48)
Nine months ended September 30, 2007......	413,651	49,794	92,189	--	(1,485)
Nine months ended September 30, 2006......	469,275	39,739	56,291	--	(293)
OPERATING INCOME/(LOSS)					
Three months ended					

September 30, 2007......	5,548	959	3,554	(788)	--
Three months ended September 30, 2006......	5,429	1,107	2,923	(1,020)	--
Nine months ended September 30, 2007......	14,965	3,483	10,275	(2,857)	--
Nine months ended September 30, 2006......	16,749	3,326	5,885	(1,569)	--
GOODWILL					
September 30, 2007	62,148	--	--	--	--
December 31, 2006	62,148	--	--	--	--
TOTAL ASSETS					
September 30, 2007	268,843	43,837	67,460	32,695	(10,334)
December 31, 2006	247,778	40,115	62,863	32,161	(7,352)

The following table presents sales by period and by geographic region based on the country in which the legal subsidiary is domiciled:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006
United States	$163,121	$189,091	$499,839	$515,957
Europe	16,873	17,281	54,310	49,055
Total	$179,994	$206,372	$554,149	$565,012

The following table presents property, plant and equipment, net, by geographic region based on the location of the asset:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
United States	$ 97,519	$ 94,568
Europe	10,364	9,321
Total	$107,883	$103,889

14. RELATED PARTY TRANSACTIONS

The Company sells a portion of its production scrap to Prime Materials Recovery, Inc. ("Prime") and Prime also performs certain scrap processing services for the Company. Prime is a closely held company and its major shareholder, chairman and director is the Chief Executive Officer of the Company. In addition, the Vice President of Finance of the Company holds a minority ownership interest and is a director. The Company had sales to Prime of $3,486 and $7,866 for the three months ended September 30, 2007 and 2006, respectively, and $13,059 and $19,144 for the nine months ended September 30, 2007 and 2006, respectively. The outstanding trade receivables were $2,533 and $2,564 at September 30, 2007 and December 31, 2006, respectively. The Company incurred scrap conversion costs from Prime of $37 and $0 for the three months ended September 30, 2007 and 2006, respectively, and $451 and $0 for the nine months ended September 30, 2007 and 2006, respectively. There were no outstanding trade payables at both September 30, 2007 and December 31, 2006. Sales to and purchases from Prime were made at terms comparable to those of other companies in the industry.

15. LITIGATION

In February 2002, the Company initiated an action in the Circuit Court of Cook County, Chancery Division (Case No. 02CH2470) located in Chicago, Illinois, titled International Wire Group, Inc. v. National Union Fire Insurance Company of Pittsburgh, Pennsylvania, AIG Technical Services, Inc., Aon Corporation and Aon Risk Services of Missouri, Ltd. (the "AIG Litigation "). The Company alleges in the complaint in such action, among other things, that National Union is obligated to defend and indemnify and otherwise provide insurance coverage to the Company and the various OEM's for certain claims and damages related to certain water inlet hoses supplied by and through the Company's former wire harness business pursuant to two (2) $25,000 excess insurance policies issued to the Company by National Union. In July 2003, a ruling was rendered in this matter. The trial court ruled in favor of the Company and ruled that National Union/AIG is obligated to defend and indemnify and otherwise provide insurance coverage to the Company and various OEM's for certain claims and damages related to certain water inlet hoses supplied by and through the Company pursuant to the two (2) $25,000 excess insurance policies issued to the Company by National Union. National Union/AIG filed for an appeal of the decision.

In December 2003, the Company and its former parent company reached an agreement with National Union, AIG Technical Services, Aon Corporation and Aon Risk Services of Missouri to settle pending matters in the AIG Litigation. Under the settlement agreement, National Union agreed to provide full defense and indemnity to the Company and certain OEM's for all claims for damages that have occurred between April 1, 2000 and March 31, 2002 related to certain water inlet hoses supplied by and through the Company pursuant to the two (2) $25,000 excess insurance policies issued to the Company by National Union. All other aspects of the settlement are subject to the confidentiality provisions of the settlement agreement.

In connection with the sale of the Company's former wire harness business to Viasystems International, Inc. in March 2000, the Company agreed to indemnify Viasystems for certain claims and litigation, including any claims related to the claims for water inlet hoses. The Company's policy is to record the probable and reasonably estimable loss related to the product liability claims. Over time, the level of claims, insurance coverage and settlements has varied. Accordingly, the Company has revised its estimated liability outstanding, or balance sheet reserve, based on actual claims reported and costs incurred and its estimate of claims and cost incurred but not reported. The Company has reached global settlements with various claimants related to such claims which are also considered in

determining the balance sheet reserve. There are no recoveries from third parties considered in determining the balance sheet reserve. The following table summarizes the number of uninsured claims received, resolved and pending as of and for the periods ended September 30, 2007, December 31, 2006 and December 31, 2005 (in thousands, except number of claims):

	NO. OF CLAIMS	VALUE OF ALLEGED DAMAGES
As of December 31, 2005	310	$ 3,611
For the year ended December 31, 2006:		
New uninsured claims	668	6,956
Resolved uninsured claims	(681)	(6,386)
As of December 31, 2006	297	4,181
For the nine months ended September 30, 2007:		
New uninsured claims	110	1,974
Resolved uninsured claims	(297)	(3,755)
As of September 30, 2007	110	$ 2,400

For the periods prior to April 1, 2002, the Company's product liability coverage is in excess of the insured claims outstanding. As of September 30, 2007 and December 31, 2006, the total of such claims was less than $2,000 with an estimated liability related to these claims of less than $500. As of September 30, 2007 and December 31, 2006, the Company had $75,000 of remaining insurance coverage under its excess umbrella policies for each of the insured years prior to April 1, 2002.

For the periods ended September 30, 2007 and December 31, 2006, the aggregate settlement costs, cost of administering and litigating and average cost per resolved claim were as follows:

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007	FOR THE YEAR ENDED DECEMBER 31, 2006
Aggregate settlement costs	$109	$482
Cost of administering and litigating	$110	$215
Average cost per resolved claim	$ 1	$ 1

The Company had a reserve of $1,031 and $1,250 as of September 30, 2007 and December 31, 2006, respectively, related to the estimated future payments to be made to the claimants in the settlement of the remaining incurred claims and claims incurred but not reported. The majority of payments are expected to be made over approximately the next three years. Due to the uncertainties associated with these product claims, such as greater than expected amount of unreported claims and amounts to be paid under reached global settlements, the future costs of final settlement of these claims may differ from the liability currently accrued. However, in the Company's opinion, the impact of final settlement of these claims on future operations, financial position and cash flows should not be material.

The Company is a party to various legal proceedings and administrative actions, all of which are of an ordinary or routine nature incidental to the operations of the Company. The Company does not believe that such proceedings and actions would materially affect the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in this Form 10-Q.

We make forward-looking statements in this Form 10-Q that are based on management's beliefs and assumptions and on information currently available to management. Forward-looking statements include the

information concerning the Company's possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, competition, outlook, objectives, plans, intentions and goals. For those statements, the Company claims the protection of the safe harbor for forward-looking statements provided for by Section 21E of the Securities Exchange Act of 1934, as amended. 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 of any thereof or other variations thereof or comparable terminology, or by discussions of strategy or intentions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. Undue reliance should not be placed on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after the filing of this Form 10-Q.

Many important factors could cause our results to differ materially from those expressed in 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 and silver, copper premiums and alloys, the failure of our acquisitions and expansion plans to perform as expected, the competitive environment, our reliance on our significant customers, lack of long-term contracts, substantial dependence on business outside of the U.S. and risks associated with our international operations, limitations due to our indebtedness, 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 regarding risk factors, see our discussion in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006.

OVERVIEW

We, together with our subsidiaries, manufacture and market wire products, including bare and tin-plated copper wire, engineered wire products and high performance conductors for other wire suppliers and original equipment manufacturers or "OEM's". Our products include a broad spectrum of copper wire configurations and gauges with a variety of electrical and conductive characteristics and are utilized by a wide variety of customers primarily in the aerospace, appliance, automotive, electronics/data communications, general industrial/energy and medical device industries. As of September 30, 2007, we manufacture and distribute our products at 15 facilities located in the United States, Belgium, France and Italy. For the period ended September 30, 2007, we operated 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 and are sold to a diverse customer base of over 1,000 insulated wire manufacturers and various industrial OEM's for use in computer and data communications products, general industrial, energy, appliances, automobiles and other applications.

- Engineered Wire Products - Europe. Our bare copper wire products are engineered and used to conduct electricity either for power or for grounding purposes and are sold to a diverse customer base of various OEM's for use in electrical appliances, power supply, aircraft and railway and automotive products.

- High Performance Conductors. Our High Performance Conductors segment manufacturers specialty high performance conductors which include tin, nickel and silver-plated copper and copper alloy conductors including high and low temperature standard and customized conductors as well as specialty film insulated conductors and miniature tubing products. This segment resulted from our acquisition of Phelps Dodge High Performance Conductors of SC & GA, Inc. ("HPC") on March 31, 2006.

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

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

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

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

- Electronics/data communications and industrial/energy - while the end user applications are very diverse, some of the contributing factors of demand in the 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.

- Automobiles - North American industry production statistics, which are influenced by labor relations issues, regulatory requirements and trade agreements. For the first nine months of 2007, North American automotive industry production volumes decreased 3.4% compared to the same period for 2006.

- Additional demand factors for the High Performance Conductors segment include commercial aircraft build rates; military defense, aircraft and electronics deliveries; industrial process and control equipment demand; and medical electronics and device market demand. Deliveries of large aircraft continued to increase during the first nine months of 2007 driven predominately by Boeing. The demand for industrial products was driven by projects in the chemical and energy processing segment. Medical products demand continues to be driven by the increase in preventive treatments and minimally invasive procedures as well as rapid technology development.

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 state-of-the-art 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 and product development so that we can continue to provide our customers with the array of products and features they demand. Finally, we have located our production facilities 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 these materials and the related risks of ownership do not pass to us at any time. The remainder of our sales included non-customer owned copper ("owned copper"). Accordingly, for these sales, copper is included in both sales and cost of sales.

Our expenses in producing these products fall into three main categories - raw materials, including copper, silver, nickel, tin and alloys, labor and, to a lesser extent, utilities. Copper is the primary raw material incorporated in all of our products. As a world traded commodity, copper prices have historically been subject to fluctuations. Copper prices are affected by a number of factors, including worldwide demand, mining and transportation capacity and political instability. Copper supply is generally affected by the number and capacity of the mines that produce copper. For instance, production problems at a single major mine can impact worldwide supply and prices. Copper prices have remained consistent with 2006 levels as a result of a combination of continued sustained demand from China and India and continued unprecedented levels of investment fund involvement. The average price of copper based upon The New York Mercantile Exchange, Inc. ("COMEX") decreased to $3.48 per pound for the three months ended September 30, 2007 from $3.54 per pound for the three months ended September 30, 2006, or 2%. We attempt, where possible, to minimize the impact of these copper price fluctuations on our profitability through pass-through arrangements with our customers, which are based on similar variations of monthly copper price formulas.

However, a severe increase in the price of copper can have a negative impact on our liquidity. Currently, a $0.10 per pound fluctuation in the price of copper will have an approximate $2.7 million impact on our

working capital. Increased working capital requirements cause us to increase our borrowings, which increases our interest expense.

Copper prices continue to fluctuate. The average copper price for the nine months ended September 30, 2007 of $3.21 per pound was higher than the COMEX price of $2.85 as of December 31, 2006. The price of copper on the COMEX was $3.11 per pound on November 12, 2007.

Tin is also a component in our products in the Bare Wire and HPC segments. For the three months ended September 30, 2007, the average price of tin increased by 70% compared to the three months ended September 30, 2006. The HPC segment also uses silver and nickel. For the three months ended September 30, 2007, the average price of silver increased by 9% and the average price of nickel increased by 4% compared to the three months ended September 30, 2006. The cost of silver, nickel and tin is generally passed-through to our customers through a variety of pricing mechanisms.

Our labor and utility expenses are directly tied to our level of production. While the number of employees we use in our operations has fluctuated 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 fringe 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 the prices for coal, natural gas and other similar commodities which are used in the generation of power. We attempt to manage our utility rates through usage agreements which affect our power usage during peak usage hours.

STOCK REPURCHASE PROGRAM

On September 4, 2007, the Company announced that its Board of Directors approved a stock repurchase program whereby the Company was authorized to repurchase $3.7 million of its common stock through open market or privately negotiated transactions from time to time. The share repurchase program may be increased in the future or suspended or terminated at any time. The funding for the stock repurchases will be from the Company's operating cash flow and/or borrowings under its Revolver Credit Facility. Through the end of the third quarter of 2007, the Company has repurchased 84,000 shares of common stock at an aggregate cost, including broker commissions, of $1.7 million, resulting in an average purchase price of $20.53 per share.

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. The Company's former insulated wire business is included in discontinued operations.

	FOR THE THREE MONTHS ENDED				
	SEPTEMBER 30, 2007		SEPTEMBER 30, 2006		SE
Net sales....................................	$ 180.0	100.0%	$ 206.4	100.0%	$ 554
Operating expenses:					
Cost of goods sold, exclusive of depreciation and amortization expense shown below	156.5	86.9	182.0	88.2	483
Selling, general and administrative expenses	10.7	5.9	11.6	5.6	33
Depreciation and amortization	4.0	2.2	4.4	2.1	11
(Gain) on sale of property, plant, and equipment	(0.5)	(0.2)	0.0	0.0	(0
Operating income	9.3	5.2	8.4	4.1	25
Other income/(expense):					
Interest expense	(2.6)	(1.4)	(3.6)	(1.7)	(7
Amortization of deferred financing costs	(0.2)	(0.2)	(0.7)	(0.3)	(0
Other, net	0.0	0.0	(0.1)	(0.2)	(0
Income from continuing operations before income tax provision..	6.5	3.6	4.0	1.9	17
Income tax provision	1.9	1.0	0.4	0.2	5
Income from continuing operations	4.6	2.6	3.6	1.7	12
Income/(loss) from discontinued operations	0.5	0.2	0.3	0.2	0
Net income................................	$ 5.1	2.8%	$ 3.9	1.9%	$ 13

We have three reportable segments: Bare Wire, Engineered Wire Products-Europe, and High Performance Conductors. The following table sets forth unaudited net sales and operating income for the periods presented in millions of dollars and percentages of totals:

FOR THE THREE MONTHS ENDED		
SEPTEMBER 30, 2007	SEPTEMBER 30, 2006	SEPTEM 2

Net sales:					
Bare Wire	$ 135.1	75%	$ 166.4	81%	$ 413.6
Engineered Wire Products - Europe	15.7	9	12.8	6	49.8
High Performance Conductors	29.8	17	27.3	13	92.2
Eliminations	(0.6)	(1)	(0.1)	--	(1.5
Total	$ 180.0	100%	$ 206.4	100%	$ 554.1
Operating income:					
Bare Wire	$ 5.5	55%	$ 5.4	57%	$ 15.0
Engineered Wire Products - Europe	1.0	10	1.1	12	3.5
High Performance Conductors	3.6	35	2.9	31	10.2
Subtotal	10.1	100%	9.4	100%	28.7
Corporate	(0.8)		(1.0)		(2.8
Total	$ 9.3		$ 8.4		$ 25.9

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THREE MONTHS ENDED SEPTEMBER 30, 2007 VERSUS THREE MONTHS ENDED SEPTEMBER 30, 2006

Net sales were $180.0 million and $206.4 million for the three months ended September 30, 2007 and 2006, respectively. Sales for the three months ended September 30, 2007 were $26.4 million, or 12.8%, lower than comparable 2006 levels, as a result of a higher proportion of tolled copper shipped in the 2007 period compared to the 2006 period ($31.7 million) and a decrease in the average cost and selling price of copper ($0.1 million). These factors were partially offset by higher volume ($2.5 million), higher customer pricing/mix ($1.9 million) and the impact of a stronger euro versus the U.S. dollar ($1.0 million). The average price of copper based upon COMEX decreased to $3.48 per pound for the three months ended September 30, 2007 from $3.54 per pound for the three months ended September 30, 2006.

Bare Wire segment net sales for the three months ended September 30, 2007 were $135.1 million, or a decrease of $31.3 million, or 18.8%, from net sales of $166.4 million for the comparable 2006 period. This decrease was primarily the result of lower volume to customers supplying the electronics/data communications and appliance markets ($1.8 million), the impact of a higher proportion of tolled copper shipped in the 2007 period compared to the 2006 period ($31.7 million) and a decrease in the average cost and selling price of copper ($0.1 million). These decreases were partially offset by the impact of higher volume to customers supplying the industrial/energy and automotive markets ($0.4 million) and increased customer pricing/mix, including higher tin prices ($1.9 million). Of the total pounds processed for the three months ended September 30, 2007 and 2006, respectively, 54.2% and 42.8% were from customers' tolled copper.

Engineered Wire Products-Europe net sales of $15.7 million for the three months ended September 30, 2007 were $2.9 million, or 22.7%, higher than sales of $12.8 million for the 2006 period. This increase was the result of $0.1 million for the increase in the average cost and selling price of copper, $1.0 million from the impact of a stronger euro versus the U.S. dollar and $1.8 million from increased volume from improved customer demand in all major markets.

High Performance Conductors net sales of $29.8 million for the three months ended September 30, 2007 were $2.5 million, or 9.2%, higher than sales of $27.3 million for the 2006 period. This increase was the result of $2.6 million from increased volume from improved customer demand in the aerospace and medical device markets and higher silver, nickel and tin prices which were partially offset by the impact of a decrease in the average cost and selling price of copper ($0.1 million).

Cost of goods sold, exclusive of depreciation and amortization, as a percentage of sales decreased to 86.9% for the three months ended September 30, 2007 from 88.2% for the same period in 2006. The decrease of 1.3 percentage points was due to the impact of a higher proportion of tolled copper sales in 2007 compared to 2006 (2.0 percentage points) and higher customer pricing/mix (0.9 percentage points), partially offset by a decreased contribution from High Performance Conductors (0.3 percentage points) and Engineered Wire Products - Europe (0.2 percentage points) and higher tin and production costs (1.1 percentage points).

Selling, general and administrative expenses were $10.7 million for the three months ended September 30, 2007 compared to $11.6 million for the same period in 2006. This decrease of $0.9 million was primarily from $0.8 million of reduced transportation costs and $0.5 million of lower bad debts partially offset by $0.4 million of other cost increases. These expenses, as a percent of net sales, increased to 5.9% for the three months ended September 30, 2007 from 5.6% for the three months ended September 30, 2006, primarily from the impact of lower sales from a higher proportion of tolled copper in 2007 compared to 2006 partially offset by previously-mentioned cost reductions.

Depreciation and amortization was $4.0 million for the three months ended September 30, 2007 compared to $4.4 million for the same period in 2006. This decrease of $0.4 million was the result of lower depreciation in the Bare Wire segment due to fully depreciated items and the closing of the Texas plant in late 2006 partially offset by the effect of property, plant, and equipment additions.

Gain on sale of property, plant and equipment was $0.5 million in the 2007 period and $0.0 in the three months ended September 30, 2006. The 2007 gain represents the gain on the sale of a facility in Texas. There were no similar gains in the 2006 period.

Operating income for the three months ended September 30, 2007 was $9.3 million compared to $8.4 million for the 2006 period, or an increase of $0.9 million, or 10.7%, primarily from higher sales volume at High

Performance Conductors, reduced selling, general, and administrative expenses, lower depreciation and amortization, and the gain on sale of property, plant, and equipment. Bare Wire segment's operating income of $5.5 million for the 2007 period was slightly higher than operating income of $5.4 million for the 2006 period, primarily from increased customer pricing/mix, reduced operating expenses and lower depreciation and amortization. Engineered Wire Products-Europe operating income was $1.0 million, or a decrease of $0.1 million from the 2006 period as the result of a lower gross profit rate which offset higher sales volume. High Performance Conductors operating income was $3.6 million, or an increase of $0.7 million from the 2006 period of $2.9 million primarily from increased sales volume. Operating income in the 2007 period also increased by $0.2 million from a reduced charge for stock-based compensation expense.

Interest expense was $2.6 million for the three months ended September 30, 2007 compared to $3.6 million for the three months ended September 30, 2006. This decrease of $1.0 million was the result of the impact of lower levels of borrowings from improved operating cashflows and a lower cost debt structure.

Amortization of deferred financing costs was $0.2 million for the three months ended September 30, 2007 compared to $0.7 million for the three months ended September 30, 2006. This decrease of $0.5 million was the result of the write-off of fees associated with the term credit facility with Silver Point Financial, LLC (the "Term Credit Facility") that was terminated in August 2006.

Income tax provision was $1.9 million and $0.4 million for the three months ended September 30, 2007 and 2006, respectively. The Company's effective tax rate was 29.2% for the three months ended September 30, 2007 and 9.4% for the three months ended September 30, 2006. The lower effective tax rate in 2006 was the result of an adjustment of the expected annual effective tax rate due to state and international tax strategies which did not reoccur in 2007.

Income from continuing operations was $4.6 million and $3.6 million for the three months ended September 30, 2007 and 2006, respectively, or an increase of $1.0 million primarily from increased operating income and reduced interest expense which were partially offset by a higher effective income tax rate.

Income from discontinued operations was $0.5 million and $0.3 million for the three months ended September 30, 2007 and 2006, respectively. The 2007 amount includes adjustments to the 2007 effective tax rate and interest accrued under FIN 48. The 2006 amount included the results of the Insulated Wire business that was sold in July 2006.

As a result of the aforementioned changes, net income was $5.1 million, or $0.51 per basic and $0.50 per diluted share, and $3.9 million, or $0.39 per basic and diluted share, for the three months ended September 30, 2007 and 2006, respectively.

NINE MONTHS ENDED SEPTEMBER 30, 2007 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 2006

Net sales were $554.1 million and $565.0 million for the nine months ended September 30, 2007 and 2006, respectively. Sales for the nine months ended September 30, 2007 were $10.9 million, or 1.9%, below comparable 2006 levels, as a result of a higher proportion of tolled copper shipped in the 2007 period compared to the 2006 period ($79.4 million) and lower volume ($1.7 million). These factors were partially offset by an increase in the average cost and selling price of copper ($31.3 million), higher customer pricing/mix ($4.4 million), the impact of a stronger euro versus the U.S. dollar ($3.3 million) and the acquisition of HPC ($31.2 million) on March 31, 2006. The average price of copper based upon COMEX increased to $3.21 per pound for the nine months ended September 30, 2007 from $3.06 per pound for the nine months ended September 30, 2006.

Bare Wire segment net sales for the nine months ended September 30, 2007 were $413.6 million, or a decrease of $55.7 million, or 11.9%, from sales of $469.3 million for the comparable 2006 period. This decrease was primarily the result of lower volume to customers supplying the appliance market ($8.7 million) and the impact of a higher proportion of tolled copper shipped in the 2007 period compared to the 2006 period ($79.4 million). These decreases were partially offset by the impact of an increase in the average cost and selling price of copper ($28.0 million)

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and increased customer pricing/mix, including higher tin prices ($4.4 million). Of the total pounds processed for the nine months ended September 30, 2007 and 2006, respectively, 51.0% and 43.7% were from customers' tolled copper.

Engineered Wire Products-Europe net sales of $49.8 million for the nine months ended September 30, 2007 were $10.1 million, or 25.4%, higher than sales of $39.7 million for the 2006 period. This increase was the result of $2.8 million for the increase in the average cost and selling price of copper, $3.3 million impact of a stronger euro versus the U.S. dollar and $4.0 million from increased volume from improved customer demand in all major markets.

High Performance Conductors net sales of $92.2 million for the nine months ended September 30, 2007 were $35.9 million, or 63.8%, higher than sales of $56.3 million for the 2006 period. This increase was the result of $0.5 million of increase in the average cost and selling price of copper, $4.2 million of increased volume from improved customer demand in the aerospace and medical device markets, higher silver, nickel and tin prices and $31.2 million of HPC results for the three months ended March 31, 2007 with no similar sales for the three months ended March 31, 2006 as HPC was acquired on March 31, 2006.

Cost of goods sold, exclusive of depreciation and amortization, as a percentage of sales decreased to 87.2% for the nine months ended September 30, 2007 from 88.7% for the same period in 2006. The decrease of 1.5 percentage points was due to the impact of a higher proportion of toll copper sales in 2007 compared to 2006 (1.8 percentage points), higher customer pricing/mix (0.8 percentage points) and the favorable contribution of HPC sales (0.2 percentage points) partially offset by the increase in the average cost and selling price of copper (0.8 percentage points), a lower contribution for Engineered Wire Products - Europe (0.1 percentage points), and increased tin costs and lower overhead absorption (0.4 percentage points).

Selling, general and administrative expenses were $33.5 million for the nine months ended September 30, 2007 compared to $29.2 million for the same period in 2006. This increase of $4.3 million was the result of $2.5 million from the HPC acquisition on March 31, 2006, $0.8 million of stock-based compensation expense and $1.1 million of higher professional fees and $0.6 million of increased transportation costs partially offset by $0.7 million lower expenses primarily bad debts. These expenses, as a percent of net sales, increased to 6.0% for the nine months ended September 30, 2007 from 5.2% for the nine months ended September 30, 2006, primarily from the impact of the effect of a higher proportion of tolled copper in 2007 compared to 2006 and the previously-mentioned cost increases.

Depreciation and amortization was $11.9 million for the nine months ended September 30, 2007 compared to $10.4 million for the same period in 2006. This increase of $1.5 million was the result of the HPC acquisition ($1.4 million) and higher depreciation on other property, plant and equipment additions net of disposals ($0.1 million).

Operating income for the nine months ended September 30, 2007 was $25.9 million compared to $24.4 million for the 2006 period, or an increase of $1.5 million, primarily due to the contribution of the HPC acquisition. Bare Wire segment's operating income of $15.0 million for the 2007 period decreased by $1.8 million, or 10.7%, from $16.8 million for the comparable 2006 period, primarily from lower sales volume, increased tin costs, lower overhead absorption and higher depreciation expense partially offset by higher customer pricing/mix. Engineered Wire Products-Europe operating income was $3.5 million, or an increase of $0.2 million, from the 2006 period of $3.3 million due to increased sales volume to all major markets. High Performance Conductors operating income was $10.2 million, or an increase of $4.3 million, from the 2006 period of $5.9 million due to increased sales levels and a lack of results for the three months ended March 31, 2006, as HPC was acquired on March 31, 2006. Operating income in the 2007 period also decreased by $1.2 million from increased charges for stock-based compensation and professional fees.

Interest expense was $7.4 million for the nine months ended September 30, 2007 compared to $10.2 million for the nine months ended September 30, 2006. This decrease of $2.8 million was the result of the impact of lower levels of borrowings from improved operating cashflows and a lower cost debt structure.

Amortization of deferred financing costs was $0.5 million for the nine months ended September 30, 2007 compared to $1.0 million for the nine months ended September 30, 2006. This decrease of $0.5 million was the result of the write-off of fees associated with the Term Credit Facility that was terminated in August 2006.

Income tax provision was $5.2 million and $4.0 million for the nine months ended September 30, 2007 and 2006, respectively. The Company's effective tax rate for the nine months ended September 30, 2007 was 29.1% and 30.0% for the nine months ended September 30, 2006. The lower effective tax rate in 2007 was the result of efficient state tax strategies and certain changes in state tax laws.

Income from continuing operations was $12.7 million and $9.3 million for the nine months ended September 30, 2007 and 2006, respectively, or an increase of $3.4 million primarily due to higher operating income, reduced interest expense and a lower effective tax rate.

Income/(loss) from discontinued operations was $0.7 million and ($0.2) million for the nine months ended September 30, 2007 and 2006, respectively. The 2007 amount included a gain of $0.2 million from the sale of property, plant and equipment of the former Insulated Wire business and adjustments to the effective tax rate partially offset by interest accrued under FIN 48. The 2006 amount included the results of the Insulated Wire business that was sold in July 2006.

As a result of the aforementioned changes, net income was $13.4 million, or $1.33 per basic share and $1.31 per diluted share, and $9.1 million, or $0.91 per basic and diluted share, for the nine months ended September 30, 2007 and 2006, respectively.

FINANCIAL CONDITION

At the end of the third quarter, total cash and cash equivalents were $3.0 million, down $0.3 million from year-end 2006. During the first nine months of 2007, cash levels were relatively constant throughout the period as we used excess cash to reduce outstanding long-term debt borrowings.

Accounts receivable increased $16.8 million, or 17.2%, from year-end 2006. This increase was primarily due to an increase in net sales of 11.2% in the last two months of the third quarter of 2007 as compared to the last two months of the fourth quarter of 2006. Accounts receivable also increased due to an increase in the number of days sales outstanding as of September 30, 2007. The number of days sales outstanding increased to 54 as of September 30, 2007 from 52 days as of December 31, 2006. The allowance for doubtful accounts as a percentage of accounts receivable decreased from 1.7% at December 31, 2006 to 1.1% as of September 30, 2007 reflecting primarily the write-off of remaining Insulated Wire accounts deemed uncollectible against the allowance in the first quarter of 2007.

Inventories of $68.0 million as of September 30, 2007 increased by $9.2 million from December 31, 2006. This increase was the result of an increase in pounds of copper and other inventory held in the Bare Wire segment ($10.8 million) and increased inventory levels and metal costs at HPC ($1.5 million), partially offset by an increase in the LIFO reserve ($2.7 million) and lower quantities in the Engineered Wire Products-Europe segment of ($0.4 million). Inventory turns in the first nine months of 2007 were comparable to 2006 levels.

Accounts payable were $51.4 million as of September 30, 2007, or an increase of $17.8 million from December 31, 2006 levels, as trade vendor terms from a major copper vendor were extended, more pounds were purchased and the timing of payments differed.

RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, - an interpretation of FASB Statement No. 109 ("FIN 48") to be effective for fiscal years beginning after December 31, 2006. This Interpretation adopts a two-step approach for recognizing and measuring tax benefits and requires certain disclosures about uncertainties surrounding income tax positions. It also adopts the recognition threshold of "more-likely-than-not." On January 1, 2007, the Company adopted the provisions of FIN 48. As a result of the implementation of FIN 48, the Company recognized an increase of $3.3

million to the opening balance of accumulated deficit. See Note 1 to the unaudited condensed consolidated financial statements in this Form 10-Q.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS No. 157"). This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities and expands disclosures about fair value measurements. The statement applies whenever other pronouncements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for the Company's fiscal year beginning January 1, 2008. The Company is evaluating the impact the adoption of SFAS No. 157 will have on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Liabilities -- including an amendment to FASB Statement No. 115 ("SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective for the Company's fiscal year beginning January 1, 2008. The Company is evaluating the impact the adoption of SFAS No. 159 will have on the Company's financial statements.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL AND CASH FLOWS

Net cash provided by operating activities was $26.2 million for the nine months ended September 30, 2007, compared to net cash provided by operating activities of $19.2 million for the nine months ended September 30, 2006. This improvement of $7.0 million was the result of increased net income ($4.3 million), non-cash stock-based compensation expense ($0.8 million), accounts receivable changes ($3.3 million), inventory changes ($3.3 million), increased accounts payable ($0.3 million), and other, net ($1.7 million) partially offset by lower accrued payroll and payroll related items ($2.3 million) deferred income taxes ($2.6 million), and lower accrued and other liabilities ($1.8 million).

Net cash used in investing activities was $14.6 million for the nine months ended September 30, 2007, compared to $22.1 million for the nine months ended September 30, 2006. This decrease in net cash used of $7.5 million resulted primarily from the acquisition of HPC for $52.1 million in the 2006 period and $3.0 million in 2007. In addition, capital expenditures were $14.6 million for the nine months ended September 30, 2007 compared to $7.6 million for the nine months ended September 30, 2006, primarily due to spending for the new plant in Sherrill, New York of $7.6 million, including purchase of equipment and installation costs. Total capital expenditures related to the acquisition of the Sherrill, New York facility are expected to be approximately $3.2 million over the remaining life of the project. Proceeds from the sale of property, plant and equipment in the 2007 period were $1.7 million greater than in the 2006 period. Proceeds from sale of businesses was zero for the nine months ended September 30, 2007 compared to $36.1 million for the nine months ended September 30, 2006. The collection of restricted cash contributed $0.3 million less in 2007 than in 2006.

Net cash used in financing activities was $12.1 million for the nine months ended September 30, 2007, compared to net cash used in financing activities of $0.9 million for the nine months ended September 30, 2006, for a increase of $11.2 million. There were net repayments of borrowings of $10.7 million for the nine months ended September 30, 2007, and net borrowings of $0.5 million for the nine months ended September 30, 2006. During the third quarter of 2007, $1.7 million was used to repurchase the Company's stock under its stock repurchase program and the Company received $0.3 million in proceeds from the issuance of common stock. Financing fees were $1.4 million lower in 2007 compared to 2006 due to amendments to the Revolver Credit Facility that occurred in 2006.

FINANCING ARRANGEMENTS

The Company and its subsidiaries are party to a revolving credit facility with Wachovia Capital Finance Corporation (Central) (the "Revolver Credit Facility"). The Revolver Credit Facility provides for a $200 million revolver credit facility subject to borrowing availability (including a $25 million letter of credit facility) and matures August 22, 2011.

The Company and its subsidiaries are party to an indenture governing the Notes we issued in October 2004. For a description of the terms of the Revolver Credit Facility and the Notes, see Note 11 to the unaudited condensed consolidated financial statements.

LIQUIDITY

We require cash to fund working capital, capital expenditures, debt service and taxes. Our working capital requirements generally increase when demand for our products increase or when copper, copper premiums, silver, nickel, tin and alloy costs increase significantly or rapidly. Currently, a $0.10 per pound fluctuation in the price of copper will have an approximate $2.7 million impact on our working capital. The average price of copper based upon COMEX decreased to $3.48 per pound for the three months ended September 30, 2007 from $3.54 per pound for the three months ended September 30, 2006. Copper prices continue to fluctuate, and the price of copper on the COMEX was $3.11 per pound as of November 12, 2007.

Our principal sources of cash are generated from operations and availability under our Revolver Credit Facility.

As of September 30, 2007, we had $3.0 million of unrestricted cash and cash equivalents. Actual borrowing availability under our Revolver Credit Facility is subject to a borrowing base calculation, generally based upon a percentage of eligible accounts receivable, inventory and property, plant and equipment. As of September 30, 2007, our borrowing base was $155.7 million and our outstanding indebtedness under the Revolver Credit Facility (including outstanding letters of credit) was $43.3 million, resulting in a remaining availability of $112.4 million.

As part of the Company's approved $3.7 million stock repurchase program discussed above, during the third quarter of 2007, the Company repurchased 84,000 shares for an aggregate cost, including broker commissions, of $1.7 million, resulting in an average price of $20.53 per share. The Company utilized funds available from its operating cashflow and/or borrowings under its Revolver Credit Facility.

We expect our cash on hand, operating cash flow, and available borrowings under the Revolver Credit Facility, will be sufficient to meet our anticipated future operating expenses, stock repurchases, capital expenditures and debt service requirements for the next twelve months and the foreseeable future. Our ability to generate sufficient cash flow to meet our operating needs could be affected by general economic, financial, competitive, legislative, regulatory, business and other factors beyond our control. Any significant reduction in customer demand for our products, change in competitive conditions, reduction in vendor terms from our suppliers, increases in prices of our major material components including copper, silver, nickel, tin and alloy, increases in other expenses such as utility costs, or adverse changes in economic conditions in the U.S. or worldwide, could impact our ability to generate sufficient cash flow to fund operations.

OFF-BALANCE SHEET ARRANGEMENTS

We have not historically utilized off-balance sheet financing arrangements and have no such arrangements as of September 30, 2007. However, we do finance the use of certain facilities and equipment under lease agreements provided by various institutions. Since the terms of these agreements meet the definition of operating lease agreements, the sum of future lease payments is not reflected on our consolidated balance sheets. As of September 30, 2007, the future minimum lease payments under these arrangements totaled $6.3 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not ordinarily hold market risk sensitive instruments for trading purposes.

INTEREST RATE RISK

At September 30, 2007, approximately $27.9 million of the total $102.9 million of long-term debt, specifically, $27.9 million of borrowings under our Revolver Credit Facility, bear interest at variable rates. A hypothetical 1% increase in variable interest rates would increase our interest rate expense by $0.3 million based on the debt outstanding as of September 30, 2007. We are not currently engaged in any hedging activities.

FOREIGN CURRENCY RISK

As of September 30, 2007, we had operations in Belgium, France and Italy. Our operations may, therefore, be subject to volatility because of currency fluctuations. Sales and expenses are denominated in the euro for the Belgium, French and Italian operations. As a result, these operations are subject to fluctuations in the relative value of the euro versus other currencies. We evaluate from time-to-time various currency hedging programs that could reduce the risk.

In terms of foreign currency translation risk, we are exposed primarily to the euro. Our net foreign currency investment in foreign subsidiaries and affiliates translated into U.S. dollars using month-end exchange rates at September 30, 2007 and year-end exchange rates at December 31, 2006, was $26.7 million and $22.0 million, respectively.

At September 30, 2007, we had no financial instruments outstanding that were sensitive to changes in foreign currency exchange rates.

COMMODITY PRICE RISK

The principal raw material we use is copper, which is purchased in the form of 5/16-inch rod primarily from the major copper producers in North America, Europe and South America. Copper rod prices are based on market prices, which are generally established by reference to the COMEX prices, plus a premium charged to convert copper cathode to copper rod and deliver it to the required location. As a worldwide traded commodity, copper prices have historically been subject to fluctuations. The average price of copper based upon COMEX decreased to $3.48 per pound for the three months ended September 30, 2007 from $3.54 per pound for the three months ended September 30, 2006. While fluctuations in the price of copper may directly affect the per unit prices of our products, these fluctuations have not had, nor are expected to have, a material impact on our profitability due to copper price pass-through arrangements that we have with our customers. These sales arrangements are based on similar variations of monthly copper price formulas. Use of these copper price formulas minimizes the differences between copper raw material costs charged to the cost of sales and the pass-through pricing charge to customers. However, a severe increase in the price of copper could negatively impact our short-term liquidity because of the period of time between our purchase of copper at an increased price and the time at which we receive cash payments after selling end products to customers reflecting the increased price. Currently, a $0.10 per pound fluctuation in the price of copper will have an approximate $2.7 million impact on our working capital.

Tin is also a component of our products in the Bare Wire and HPC segments. For the three months ended September 30, 2007, the average price of tin increased by 70% compared to the three months ended September 30, 2006. The HPC segment also uses silver and nickel. For the three months ended September 30, 2007, the average price of silver increased by 9% and the average price of nickel increased by 4% compared to the three months ended September 30, 2006. The cost of silver, nickel and tin is generally passed-through to our customers through a variety of pricing mechanisms.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer, with the participation of other members of management, conducted an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) under the Securities and Exchange Act of 1934. Based upon the evaluation and because of the material weaknesses described below, our officers concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective. Notwithstanding the material weaknesses discussed below, the Company's management has concluded that the financial statements included in this Form 10-Q fairly present in all material respects the Company's financial position and its results of operations for the periods presented in conformity with generally accepted accounting principles.

As of December 31, 2005, we did not maintain effective controls over the evaluation and completeness of our deferred tax assets and liabilities, the associated valuation allowances established in previous years to reflect the likelihood of the recoverability of net deferred tax assets and the income tax provision/(benefit) for continuing and discontinued operations. Specifically, we did not have effective controls in place to identify net operating loss carryforwards and the differences between book and tax accounting for fixed assets, certain inventory reserves and LIFO inventories and certain intangibles. This material weakness resulted in a restatement of the Company's 2005 annual consolidated financial statements with respect to income taxes. In addition, this control deficiency could result in a material misstatement to the aforementioned accounts such as deferred tax assets, deferred tax liabilities, goodwill, and income tax provision/(benefit) that would result in a material misstatement to the Company's annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness. This material weakness existed throughout 2006 and 2007, and at September 30, 2007.

As of December 31, 2006 and September 30, 2007, we did not maintain a sufficient number of personnel with an appropriate level of knowledge to adequately prepare the financial statements, which contributed to the following control deficiencies:

1. We did not have an adequate process in place to perform analysis and independent secondary review of complex or non-routine accounting matters, such as accounting for discontinued operations, certain aspects of a debt modification, purchase accounting transactions and stock-based compensation.

2. We did not maintain an adequate process to analyze and review certain accrued liabilities and related expense accounts involving management's judgments and estimates.

3. We did not maintain effective policies and procedures related to our financial close process to ensure that the presentation and disclosures in the financial statements were prepared and reviewed in a timely and accurate manner.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. These control deficiencies, either individually or in the aggregate, could result in material misstatements to annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that these control deficiencies combined constituted a material weakness.

REMEDIATION PLAN

Our remediation plan for the deferred tax accounting weakness included a special project in which we staffed qualified outside tax and accounting consultants, beginning in the second quarter of 2006, to fully assess the material weakness. Management also obtained internal and external resources for the preparation of the 2006 and 2007 quarter-end and year-end closings. The initial phase of the remediation plans has resulted in the restatement of the 2005 annual consolidated financial statements as more fully described in Amendment No. 1 to the Form 10-K for December 31, 2005 in Note 1A. We continue to strengthen our controls over income tax accounting with additional internal accounting and external resources through and including the preparation of the 2006 and 2007 income tax provision and related footnote disclosures. To remediate the control weakness related to personnel, management has hired a Manager of Financial Reporting (recently promoted to Corporate Controller) who possesses the technical qualifications to properly account for both non-routine and routine transactions. In 2007, management has also hired a Manager of Income Taxes and a Senior Accountant to assist the Corporate Controller in income tax accounting and financial reporting. Management has additionally hired a Manager of Internal Audit/SOX to assist management in the proper implementation of adequate disclosure controls. Management, with the assistance of the Manager of Internal Audit/SOX, has developed, and will continue to develop, detailed control remediation steps for each of the deficiencies noted above and has begun implementation of those steps. Management had previously conducted an analysis of the current financial reporting staff and validated that the roles and responsibilities have been properly allocated and assessed the potential need for additional resources. Management is in the process of assessing if additional resources are deemed necessary and is transitioning various functions to the Camden, NY offices.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except as otherwise discussed above, there were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During the three months ended September 30, 2007, there have been no material developments in the Company's legal proceedings. For more detailed information, see the disclosures provided in Note 15 to the unaudited condensed consolidated financial statements in this Form 10-Q and Note 18 to our Consolidated Financial Statements and in "Item 3-Legal Proceedings" set forth in our 2006 Form 10-K.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our 2006 Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The Risk Factors included in our 2006 Form 10-K have not materially changed. The risks described in our 2006 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

The following is a summary of the Company's share repurchase activity for the three months ended September 30, 2007:

PERIOD	(A) TOTAL NUMBER OF SHARES PURCHASED(1)	(B) AVERAGE PRICE PAID PER SHARE	(C) TOTAL NUMBER SHARES PURCHAS PART OF PUBLIC ANNOUNCED PLA
July 1, 2007 - July 31, 2007	--	$ --	--
August 1, 2007 - August 31, 2007	--	$ --	--
September 1, 2007 - September 30, 2007	84,000	$ 20.53	84,000
Total	84,000	$ 20.53	84,000

(1) Share repurchases under the program were made pursuant to open-market purchases.

(2) On September 4, 2007, the Company publicly announced a $3.7 million stock repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
31.1	Certification of Principal Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.

31.2	Certification of Principal Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

INTERNATIONAL WIRE GROUP, INC.

Dated: November 14, 2007

By: /s/ GLENN J. HOLLER

Name: Glenn J. Holler
Title: Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Secretary

EXHIBIT INDEX

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