INTERNATIONAL WIRE GROUP INC
Form 10-Q
May 14, 2001

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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 March 31, 2001

OR

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

For the transition period from ______________________ to ______________________

33-93970
(Commission File Number)

International Wire Group, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

43-1705942
(I.R.S. Employer Identification No.)

101 South Hanley Road
St. Louis, MO 63105
(314) 719-1000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at April 30, 2001

Common Stock	1,000

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INTERNATIONAL WIRE GROUP, INC.

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

INTERNATIONAL WIRE GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2001	December 31, 2000
ASSETS		

Current assets:		
Cash and cash equivalents	$ 27,309	$ 32,244
Accounts receivable, less allowance of $2,464 and $2,760, respectively	87,992	82,339
Inventories	78,053	83,527
Other current assets	29,692	28,163
Total current assets	223,046	226,273
Property, plant and equipment, net	144,710	148,414
Intangible and other assets	208,362	211,047
Total assets	$ 576,118	$ 585,734
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Current maturities of long-term obligations	$ 4,067	$ 4,312
Accounts payable	38,025	42,654
Accrued and other liabilities	36,928	38,227
Accrued payroll and payroll related items	4,075	11,740
Accrued interest	11,895	3,195
Total current liabilities	94,990	100,128
Long-term obligations, less current maturities	330,355	331,121
Other long-term liabilities	46,280	46,736
Total liabilities	471,625	477,985
Stockholder's equity:		
Common stock, $.01 par value, 1,000 shares authorized, issued and outstanding	0	0
Contributed capital	246,724	246,724
Carryover of predecessor basis	(67,762)	(67,762)
Accumulated deficit	(72,039)	(69,989)
Accumulated other comprehensive loss	(2,430)	(1,224)
Total stockholder's equity	104,493	107,749
Total liabilities and stockholder's equity	$ 576,118	$ 585,734

See accompanying notes to the condensed consolidated financial statements.

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INTERNATIONAL WIRE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Net sales	$ 124,749	$ 144,613
Operating expenses:		
Cost of goods sold	96,483	107,190
Selling, general and administrative expenses	11,022	12,415
Depreciation and amortization	8,951	9,108
Unusual charge	3,100	-
Operating income	5,193	15,900
Other income (expense):		
Interest expense	(8,450)	(13,051)
Amortization of deferred financing costs	(339)	(801)
Income (loss)from continuing operations before income tax provision and extraordinary item	(3,596)	2,048
Income tax provision (benefit)	(1,546)	1,555
Income (loss) from continuing operations before extraordinary item	(2,050)	493
Income from discontinued operations, net of income taxes of $1,598	-	3,634
Income (loss) before extraordinary item	(2,050)	4,127
Extraordinary item - loss related to early extinguishment of debt, net of taxes of $2,073	-	(2,747)
Net income (loss)	$ (2,050)	$ 1,380

See accompanying notes to the condensed consolidated financial statements.

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INTERNATIONAL WIRE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Three Months
Ended March 31,

	2001	2000
Cash flows provided by (used in) operating activities:		
Net cash used in continuing operations	$ (653)	$ (7,235)
Net cash provided by (used in) discontinued operations	(332)	1,697
Net cash provided by (used in) operating activities	(985)	(5,538)
Cash flows used in investing activities:		
Capital expenditures	(3,228)	(4,229)
Capital expenditures of discontinued operations	--	(982)
Net cash used in investing activities	(3,228)	(5,211)
Cash flows provided by (used in) financing activities:		
Repayment of long-term obligations	(623)	(198,342)
Financing fees and other	--	(699)
Net proceeds from sale of Wire Harness Segment	--	208,500
Net cash provided by (used in) financing activities	(623)	9,459
Effects of exchange rate changes on cash and cash equivelants	(99)	--
Net change in cash and cash equivalents	(4,935)	(1,290)
Cash at beginning of the period	32,244	7,425
Cash at end of the period	$ 27,309	$ 6,135

See accompanying notes to the condensed consolidated financial statements.

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INTERNATIONAL WIRE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands)
(Unaudited)

1. 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 and results of operations of International Wire Group, Inc. (the "Company"). The results for the three months ended March 31, 2001 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, 2000.

Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board (the "FASB") adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. The Company adopted SFAS No. 133 as of January 1, 2001. The adoption of this statement did not have a significant impact on the Company's consolidated financial position or results of operations.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a Replacement of FASB Statement No. 125". SFAS No. 140 revised the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Management does not anticipate SFAS No. 140 will have a material effect on the Company's consolidated financial position or results of operations.

2. Discontinued Operations

On March 29, 2000, the Company consummated the sale of its Wire Harness business (the "Wire Harness Sale") for $210,000 in cash. The results of operations of the Wire Harness business have been reclassified to discontinued operations for all periods presented.

3. Unusual Charge

During the first quarter of 2001, the Company announced its plan for a realignment of its insulated wire production. In connection with the realignment, the Company initiated the closure of three of its manufacturing facilities located in Alabama and Indiana. The production capacity for these locations is being primarily transferred and consolidated into the Company's existing manufacturing facilities in Texas, which are being expanded, as necessary, to accommodate the production transfer. In addition to the production realignment announced in the first quarter, the Company anticipates further realignment actions in the second and third quarters of 2001. In addition to the plant consolidations announced in the first quarter and the additional actions anticipated for the second and third quarters, the Company has undertaken a strategic initiative and expects to establish a "greenfield" insulated wire facility in Mexico by the end of 2001. The startup of this Mexican facility, will complete the Company's realignment.

The Company estimates that it will incur total costs of approximately $3,600 related to the plant closures and the transition of production capacity, of which, $3,100 has been accrued for as of March 31, 2001. The additional realignment activity anticipated by the Company will likely result in additional charges of between $1,400 and $3,400. In connection with the plant closures, 138 employees will be terminated, all of whom were notified in the first quarter. The Company estimates that the plant closures announced in the first quarter will be complete by the end of the third quarter.

A summary of activity related to plant closings is as follows:

	Three Months Ended March 31, 2001
Balance, beginning of period	$ --
Charges to operations:	
Facility shut-down costs	859
Personnel and severance costs	2,241
	3,100
Costs incurred:	
Facility shut-down costs	(720)
Personnel and severance costs	(263)
	(983)
Balance, end of period	$ 2,117

4. Extraordinary Item - Loss Related to Early Retirement of Debt

Substantially all of the net proceeds (after the payment of fees and expenses) from the Wire Harness Sale were used to repay indebtedness outstanding under the Company's senior credit facility. Accordingly, the

Company recorded an extraordinary loss during the first quarter of 2000 of $2,747, net of income tax benefit, related to the write-off of deferred financing fees.

5. Inventories

The composition of inventories at March 31, 2001 and December 31, 2000 is as follows:

	March 31, 2001	December 31, 2000
Raw materials	$ 18,726	$ 28,402
Work-in-process	30,097	26,414
Finished goods	29,230	28,711
Total	$ 78,053	$ 83,527

The carrying value of inventories on a last-in, first-out basis, at March 31, 2001 and December 31, 2000, approximates their current cost.

6. Long-Term Obligations

The composition of long-term obligations at March 31, 2001 and December 31, 2000 is as follows:

	March 31, 2001	December 31, 2000
Amended and Restated Credit Agreement:		
Revolving credit facility	$ -	$ -
Term facility	2,273	2,273
Senior Subordinated Notes	150,000	150,000
Series B Senior Subordinated Notes	150,000	150,000
Series B Senior Subordinated Notes Premium	8,135	8,523
Industrial revenue bonds	15,500	15,500
Other	8,514	9,137
	334,422	335,433

Less, current maturities	4,067	4,312
	$330,355	$331,121

The schedule of principal payments for long-term obligations, excluding premium, at March 31, 2001 is as follows:

2001	$ 2,078
2002	1,815
2003	375
2004	125
2005	314,137
Thereafter	7,757
Total	$ 326,287

As of March 31, 2001, the Credit Agreement provides senior secured financing under the Term A Loan of up to $2,273 (the "Term Facility") and a $75,000 revolving loan and letter of credit facility (the "Revolver"). Mandatory principal payments of the Term Facility are due in quarterly installments. The final installment is due September 30, 2002, at which time the Revolver is also due.

Borrowings under the Term A Loan and Revolver bear interest, at the option of the Company, at a rate per annum equal to (a) the Alternate Base Rate (as defined in the Credit Agreement) plus an applicable margin as defined in the Credit Agreement; or (b) the Eurodollar Rate (as defined in the Credit Agreement) plus an applicable margin as defined in the Credit Agreement. The Alternate Base Rate and Eurodollar Rate margins are established quarterly based on a formula as defined in the Credit Agreement. Interest payment dates vary depending on the interest rate option to which the Term Facility and the Revolver are tied, but generally interest is payable quarterly. The Credit Agreement contains several financial covenants which, among other things, require the Company to maintain certain financial ratios and restrict the Company's ability to incur indebtedness, make capital expenditures and pay dividends.

The Company's 11 3/4% Senior Subordinated Notes, 11 3/4% Series B Senior Subordinated Notes, and 14% Senior Subordinated Notes (collectively, the "Senior Notes") restrict, among other things, the incurrence of additional indebtedness by the Company, the payment of dividends and other distributions in respect of the Company's capital stock, the imposition of restrictions on the payment of dividends and other distributions by the Company's subsidiaries, the creation of liens on the properties and the assets of the Company to secure certain subordinated debt and certain mergers, sales of assets and transactions with affiliates.

7. Business Segment Information

The Company operates its business as one business segment.

8. Guarantor Subsidiaries

The Senior Notes are fully and unconditionally (as well as jointly and severally) guaranteed on an unsecured, senior subordinated basis by each subsidiary of the Company (the "Guarantor Subsidiaries") other than IWG-Philippines, Inc., IWG International, Inc., Italtrecce-Societa Italiana Trecce & Affini S.r.l., International Wire SAS, Tresse Metalique J. Forissier, S.A., Cablerie E. Charbonnet, S.A. and Fressynet, S.A. (the "Non-Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries and Non-Guarantor Subsidiaries is wholly owned by the Company.

The following condensed, consolidating financial statements of the Company include the accounts of the Company, the combined accounts of the Guarantor Subsidiaries and the combined accounts of the Non-Guarantor Subsidiaries.

INTERNATIONAL WIRE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTO
BALANCE SHEET			
AS OF MARCH 31, 2001			
ASSETS			
Cash and cash equivalents	$ --	$ 23,598	$ 3,711
Accounts receivable	--	71,114	16,878
Inventories	--	67,083	10,970
Other assets	--	28,520	1,172
Total current assets	--	190,315	32,731
Property, plant and equipment, net	--	124,533	20,177
Investment in subsidiaries	467,300	--	--
Intangibles and other assets	7,874	187,625	12,863
Total assets	$ 475,174	$ 502,473	$ 65,771

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities	$ 14,642	$ 70,177	$ 10,171
Long-term obligations, less current maturities	315,946	14,409	--
Other long-term liabilities	--	44,913	1,367
Intercompany (receivable) payable	(30,099)	(6,822)	36,921
Total liabilities	300,489	122,677	48,459
Stockholder's equity:			
Common stock	0	0	0
Contributed capital	246,724	297,106	11,887
Carryover of predecessor basis	--	(67,762)	--
Retained earnings (accumulated deficit)	(72,039)	150,452	7,855
Other comprehensive loss	--	--	(2,430)
Total stockholder's equity	174,685	379,796	17,312
Total liabilities and stockholder's equity	$ 475,174	$ 502,473	$ 65,771

INTERNATIONAL WIRE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTO
BALANCE SHEET AS OF DECEMBER 31, 2000			
ASSETS			
Cash	$ --	$ 27,772	$ 4,472
Accounts receivable	--	66,362	15,977
Inventories	--	73,573	9,954
Other current assets	--	26,937	1,226
Total current assets	--	194,644	31,629
Property, plant and equipment, net	--	127,661	20,753
Investment in subsidiaries	461,033	--	--
Intangible and other assets	8,357	189,099	13,591
Total assets	$ 469,390	$ 511,404	$ 65,973
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities	$ 5,942	$ 84,003	$ 10,183
Long term obligations, less current maturities	313,049	18,072	--

Other long-term liabilities	--	45,472	1,264
Intercompany (receivable) payable	(26,336)	(10,589)	36,925
Total liabilities	292,655	136,958	48,372
Stockholder's equity (deficit):			
Common stock	0	0	0
Contributed capital	246,724	297,106	11,887
Carryover of predecessor basis	--	(67,762)	--
Retained earnings (accumulated deficit)	(69,989)	145,102	6,938
Other comprehensive loss	--	--	(1,224)
Total stockholder's equity (deficit)	176,735	374,446	17,601
Total liabilities and stockholder's equity (deficit)	$ 469,390	$ 511,404	$ 65,973

INTERNATIONAL WIRE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANT
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2001			
Net sales	$ --	$ 109,132	$ 15,617
Operating expenses:			
Cost of goods sold	--	84,476	12,007
Selling, general and administrative expenses	--	9,881	1,141
Depreciation and amortization	144	7,773	1,034
Unusual item	--	3,100	--
Operating income	(144)	3,902	1,435
Other income (expense):			
Interest expense	(7,834)	(244)	(372
Amortization of deferred financing costs	(339)	--	--
Equity in net income of subsidiaries	6,267	--	--
Income (loss) before tax provision (benefit)	(2,050)	3,658	1,063
Income tax provision (benefit)	--	(1,692)	146
Net income	$ (2,050)	$ 5,350	$ 917

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INTERNATIONAL WIRE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARA
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000			
Net sales	$ --	$ 128,853	$ 15,7
Operating expenses:			
Cost of goods sold	--	96,280	10,9
Selling, general and administrative expenses	--	11,292	1,1
Depreciation and amortization	156	7,914	1,0
Operating income	(156)	13,367	2,6
Other income (expense):			
Interest expense	(12,763)	(189)	(
Amortization of deferred financing costs	(801)	--	
Equity in net income of subsidiaries	17,847	--	
Income from continuing operations before income tax provision and extraordinary item	4,127	13,178	2,5
Income tax provision	--	1,171	3
Income from continuing operations before extraordinary item	4,127	12,007	2,2
Income from discontinued operations, net of taxes of $1,598	--	2,288	1,3
Income before extraordinary item	4,127	14,295	3,5
Extraordinary item - loss related to early extinguishment of debt, net of taxes of $2,073	(2,747)	--	
Net income (loss)	$ 1,380	$ 14,295	$ 3,5

INTERNATIONAL WIRE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR	EL
STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2001				
Net cash used in operating activities	$ --	$ (637)	$ (348)	$
Cash flows used in investing activities for capital expenditures	--	(2,914)	(314)	
Cash flows used in financing activities for repayment of long-term obligations	--	(623)	--	
Effect of exchange rate changes on cash and cash equivalents	--	--	(99)	
Net change in cash and cash equivalents	$ --	$ (4,174)	$ (761)	$

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR	E
STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2000				
Net cash provided by (used in) operating activities	$ (10,161)	$ 3,206	$ 1,417	
Cash flows used in investing activities for capital expenditures	--	(3,571)	(1,640)	
Cash flows provided by (used in) financing activities:				
Repayment of long-term obligations	(197,640)	(702)	--	
Financing fees and other	(699)	--	--	
Net proceeds from sale of Wire Harness Segment	208,500	--	--	

Net cash provided by (used in) financing activities	10,161	(702)	--
Net change in cash and cash equivalents	$ --	$ (1,067)	$ (223)

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

GENERAL

The following discussion and analysis includes the results of operations for the three months ended March 31, 2001, compared to the three months ended March 31, 2000.

In March 2000, the Company sold its Wire Harness Segment to Viasystems Group, Inc. The Wire Harness Segment was previously reported as a separate segment. The results of operations of the Wire Harness Segment for the first quarter of 2000 have been reclassified to discontinued operations.

A portion of the Company's revenues is derived from processing customer-owned ("tolled") copper. The value of tolled copper is excluded from both sales and costs of sales of the Company, as title to these materials and the related risks of ownership do not pass to the Company.

The cost of copper has historically been subject to fluctuations. While fluctuations in the price of copper may directly affect the per unit prices of the Company's products, these fluctuations have not had, nor are expected to have, a material impact on the Company's profitability due to copper price pass-through arrangements that the Company has with its customers. These sales arrangements are based on similar variations of monthly copper price formulas. Use of these copper price formulas minimizes the differences between raw material copper costs charged to the cost of sales and the pass-through pricing charged to customers.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2001 Compared to Three Months Ended March 31, 2000

Net sales for the quarter were $124.7 million, a decrease of $19.9 million, or 13.7%, compared to the three months ended March 31, 2000. This decrease in sales was primarily the result of reduced demand from customers supplying the automotive and electronics/data communications markets, which was partially offset by increased volume in the general industrial market. In general, the Company prices its wire products based on a spread over the cost of copper, which results in an increased dollar value of sales when copper costs increase. The average price of copper based on the New York Mercantile Exchange, Inc. ("COMEX") was $0.82 per pound during both quarters ended March 31, 2001 and March 31, 2000.

Cost of goods sold as a percentage of sales increased to 77.3% for the three months ended March 31, 2001, from 74.1% for the three months ended March 31, 2000. This change was due primarily to lower pricing under new agreements with customers who supply the automotive industry and operating inefficiencies associated with lower production levels.

Selling, general and administrative expenses decreased $1.4 million to $11.0 million for the three months ended March 31, 2001, compared to $12.4 million for the same period in 2000 due to a reduction in headcount and other cost containment actions.

Depreciation and amortization was $9.0 million for the three months ended March 31, 2001, compared to $9.1 million for the same period in 2000.

During the first quarter of 2001, the Company announced its plan for a realignment of its insulated wire production. In connection with the realignment, the Company initiated the closure of three of its manufacturing facilities located in Alabama and Indiana. The production capacity for these locations is being primarily

transferred and consolidated into the Company's existing manufacturing facilities in Texas, which are being expanded, as necessary, to accommodate the production transfer. In addition to the actions taken in the first quarter, the Company is also in the process of reviewing its remaining facilities and anticipates further realignment activity. The Company has undertaken a strategic initiative and expects to establish a "greenfield" insulated wire facility in Mexico by the end of 2001. The startup of this Mexican facility, along with the additional plant closures, will complete the Company's realignment.

The Company estimates that it will incur total costs of approximately $3,600 related to the plant closures and the transition of production capacity, of which, $3,100 has been accrued for as of March 31, 2001. The additional realignment activity anticipated by the Company will likely result in additional charges of between $1,400 and $3,400. In connection with the plant closures, 138 employees will be terminated, all of whom were notified in the first quarter. The Company estimates that the plant closures announced in the first quarter will be complete by the end of the third quarter. There was no such unusual charge during the first quarter of 2000.

LIQUIDITY AND CAPITAL RESOURCES

Inflation has not been a material factor affecting the Company's business. As a result of the copper price pass-through arrangements that the Company has with its customers, fluctuations in the price of copper have not, nor are expected to have, a material impact on the Company's profitability. The Company's general operating expenses, such as salaries, employee benefits and facilities costs are subject to normal inflationary pressures.

Net cash used in operating activities by continuing operations for the three months ended March 31, 2001 was $0.7 million, compared to $7.2 million for the three months ended March 31, 2000. This change was primarily due to improved working capital requirements partially offset by the lower operating results.

Net cash used in investing activities, representing capital expenditures, was $3.2 million for the three months ended March 31, 2001, compared to $5.2 million for the three months ended March 31, 2000. The change in capital expenditures was due, in part, to the capital expenditures from discontinued operations incurred in the first quarter of 2000.

Net cash provided by (used in) financing activities was ($0.6) million, representing the repayment of long-term obligations, for the three months ended March 31, 2001, compared $9.5 million for the three months ended March 31, 2000. In March 2000, the Company generated $208.5 million in proceeds from the sale of its Wire Harness business, net of transaction costs of approximately $1.5 million. The Company applied substantially all of the net proceeds from this sale for repayment of outstanding obligations under the Company's Amended and Restated Credit Agreement.

The Company's ability to fund its liquidity and capital requirements and to pay its indebtedness is limited to its ability to receive dividends and other distributions from its subsidiaries. The Company's Amended and Restated Credit Agreement and its Senior Notes prohibit the Company from imposing certain restrictions on the ability of its subsidiaries to pay dividends or make other distributions to the Company.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board (the "FASB") adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be

recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. The Company adopted SFAS No. 133 as of January 1, 2001. The adoption of this statement did not have a significant impact on the Company's consolidated financial position or results of operations.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a Replacement of FASB Statement No. 125". SFAS No. 140 revised the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Management does not anticipate SFAS No. 140 will have a material effect on the Company's consolidated financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

In accordance with Item 305 of Regulation S-K, the Company provided quantitative and qualitative information about market risk in "Item 7a. Quantitative and Qualitative Disclosures About Market Risk" of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2000. There have been no material changes to the information disclosed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2000.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits
None

(b) Reports on Form 8-K
There were no reports on Form 8-K filed during the reporting period.

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SIGNATURES

Pursuant to the requirements of the Securities and 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: May 14, 2001

By : /s/ DAVID M. SINDELAR

Name : David M. Sindelar
Title: Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

By : /s/ GLENN J. HOLLER

Name : Glenn J. Holler
Title: Vice President - Finance
(Principal Accounting Officer)

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