INTERNATIONAL WIRE GROUP INC
Form 10-Q
August 14, 2002

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 JUNE 30, 2002

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 JULY 31, 2002
Common Stock	1,000

INTERNATIONAL WIRE GROUP, INC.

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERNATIONAL WIRE GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30, 2002	DECEMBER 31, 2001
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,879	$ 8,017
Accounts receivable trade, less allowance of $5,357 and $4,065, respectively	74,311	62,500
Inventories	57,794	58,201
Other current assets	26,843	28,107
Total current assets	164,827	156,825

Property, plant and equipment, net	132,946	138,784
Deferred income taxes	31,200	11,198
Intangible assets, net	119,816	193,627
Other assets	11,278	11,509
Total assets	$ 460,067	$ 511,943
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Current maturities of long-term obligations	$ 10,490	$ 3,049
Accounts payable	26,590	23,382
Accrued and other liabilities	38,393	42,917
Accrued interest	3,190	2,937
Total current liabilities	78,663	72,285
Long-term obligations, less current maturities	326,981	328,743
Other long-term liabilities	32,479	33,334
Total liabilities	438,123	434,362
Stockholder's equity:		
Common stock, $.01 par value, 1,000 shares authorized, issued and outstanding	0	0
Contributed capital	236,331	236,331
Carryover of predecessor basis	(67,762)	(67,762)
Accumulated deficit	(145,098)	(87,493)
Accumulated other comprehensive loss	(1,527)	(3,495)
Total stockholder's equity	21,944	77,581
Total liabilities and stockholder's equity	$ 460,067	$ 511,943

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 JUNE 30,		SI END
	2002	2001	2002
Net sales	$ 107,579	$ 115,671	$ 208,022
Operating expenses:			

Cost of goods sold	84,706	89,073	164,721
Selling, general and administrative expenses	8,636	9,673	16,870
Depreciation	6,245	6,925	12,366
Amortization	755	2,289	1,487
Impairment, unusual and plant closing charges	--	837	--
Operating income	7,237	6,874	12,578
Other income (expense):			
Interest expense	(9,034)	(8,825)	(18,054
Amortization of deferred financing costs	(534)	(338)	(1,068
Loss before income tax benefit and change in accounting principle	(2,331)	(2,289)	(6,544
Income tax benefit	(557)	(985)	(3,443
Loss before change in accounting principle	(1,774)	(1,304)	(3,101
Change in accounting for goodwill, net of $19,408 tax benefit	--	--	(54,504
Net loss	$ (1,774)	$ (1,304)	$ (57,605

See accompanying notes to the condensed consolidated financial statements.

INTERNATIONAL WIRE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(Unaudited)

	SIX MONTHS ENDED JUNE 30,	
	2002	2001
Cash flows provided by (used in) operating activities:		
Net loss	$ (57,605)	$ (3,
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,919	18,
Deferred income taxes	(570)	
Change in accounting for goodwill	54,504	
Changes of assets and liabilities of continuing operations	(14,329)	(19,
Net cash used in continuing operations	(3,081)	(3,
Net cash provided by (used in) discontinued operations	412	(
Net cash used in operating activities	(2,669)	(4,

Net cash used in investing activities for capital expenditures ..	(5,878)	(10,
Net cash provided by (used in) financing activities from/for borrowings/(repayment) of long-term obligations	6,548	(1,
Effects of exchange rate changes on cash and cash equivalents	(139)	(
Net change in cash and cash equivalents	(2,138)	(16,
Cash at beginning of the period	8,017	32,
Cash at end of the period	$ 5,879	$ 16,

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 and six months ended June 30, 2002 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, 2001.

Recently Issued Accounting Standards

In August 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-lived Assets and Assets to be Disposed of" and the accounting and reporting provisions of APB No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of SFAS No. 144 are effective for fiscal years beginning after December 15, 2001. The most significant changes made by SFAS No. 144 are: (1) removes goodwill from its scope and, therefore, eliminates the requirements of SFAS No. 121 to allocate goodwill to long-lived assets to be tested for impairment, and (2) describes a probability-weighted cash flow estimation approach to deal with situations in which alternative courses of action to recover the

carrying amount of long-lived assets are under consideration or a range is estimated for the amount of possible future cash flows. The Company adopted SFAS No. 144 as of January 1, 2002. The adoption of this statement did not have an impact on the Company's consolidated financial position.

In May 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The statement rescinds FASB No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that statement, FASB No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." As a result, gains and losses from extinguishment of debt will no longer be aggregated and classified as an extraordinary item, net of related income tax effect, on the statement of earnings. Instead, such gains and losses will be classified as extraordinary items only if they meet the criteria of unusual or infrequently occurring items. SFAS No. 145 also requires that the gains and losses from debt extinguishments, which were classified as extraordinary items in prior periods, should be reclassified to continuing operations if they do not meet the criteria for extraordinary items. The provisions related to this portion of the statement are required to be applied in fiscal years beginning after May 15, 2002, with earlier application encouraged.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The statement requires that costs associated with exit or disposal activities must be recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan. Such costs include lease termination costs and certain employee severance costs associated with a restructuring, discontinued operation or other exit or disposal activity. The Company is currently reviewing SFAS No. 146, which is effective for exit or disposal activities initiated after December 31, 2002.

2. CHANGE IN ACCOUNTING FOR GOODWILL AND OTHER INTANGIBLE ASSETS

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses financial accounting and reporting for acquired goodwill and other intangible assets. Under SFAS No. 142, goodwill is no longer amortized and the rules for measuring goodwill impairment use a fair-value-based test. Under the new rules, a fair value of each of the Company's reporting units with assigned goodwill must be calculated using either market comparables or a discounted cash flow approach, or a combination thereof. Once the fair value of the reporting unit has been determined, the fair value of net assets, including intangibles, of that reporting unit must be compared to the total market value derived in the first step to determine impairment.

The Company adopted SFAS No. 142 as of January 1, 2002. Accordingly, the Company has stopped amortization of goodwill effective January 1, 2002.

In completing the impairment test required under SFAS No. 142, the Company determined the estimated fair value of its various reporting units and compared that amount to their respective carrying values. Based on this calculation, the Company determined that an impairment existed primarily related to insulated wire operations obtained through the acquisition of Wirekraft Industries, Inc. in 1992 and the acquisition of a group of affiliated companies collectively referred to as Dekko Wire Technology Group in 1996. To determine the amount of the impairment, the Company calculated the "implied fair value" of goodwill for each impaired reporting unit in the same manner as the amount of goodwill recognized in a business combination is determined. The Company then recognized an impairment charge to write-off goodwill in the amount of $54,504, net of tax benefit of $19,408, representing the excess of the "implied fair value" of goodwill over the carrying amount of goodwill for the impaired reporting units. The impairment loss is recognized in the statement of operations under the caption "change in accounting for goodwill."

Had amortization of goodwill and other intangible assets been accounted for as prescribed under SFAS No. 142 for all periods reported, the Company's loss before change in accounting principle would have been as follows:

	SIX MONTHS ENDED JUNE 30,	
	2002	2001
	(In thousands)	
As reported	$ (3,101)	$ (3,354)
Pro forma	$ (3,101)	$ (827)

3. IMPAIRMENT, UNUSUAL AND PLANT CLOSING CHARGES

During the first quarter of 2001, the Company recorded its first of a series of impairment, unusual and plant closing charges related to its plan which called for the realignment of capacity, a consolidation of production facilities and a reorganization of selling, general and administrative functions. In total, the Company announced the closure of seven facilities in 2001 as well as certain selling, general and administrative consolidations and a corporate reorganization. The Company completed the closure of six of the facilities by the end of 2001, with one facility in Alabama now expected to remain open through late 2002. The production capacity from the closed locations was primarily transferred and consolidated into the Company's existing manufacturing facilities in Indiana, Texas and New York locations, which were expanded, as necessary, to accommodate the production transfer. In addition to the plant consolidations announced during 2001, the Company purchased an existing plant site for a "greenfield" insulated wire operation in Mexico. This plant is located in Durango, Mexico, which is approximately 600 miles south of the U.S./Mexican border. The startup of this Mexican facility began in the third quarter of 2001, and the Company now anticipates that the plant will begin production in the third quarter of 2002.

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

As a result of these actions, 205 employees have been terminated, and the Company anticipates an additional 25 will be terminated upon completion of the restructuring plan, all of whom have been notified by the Company. The related charges to impairment, unusual and plant closing costs for the three and six months ended June 30, 2001 were $837 and $3,937, respectively. There were no such charges for the three and six months ended June 30, 2002.

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

	CORPORATE	INSULATED WIRE PRODUCTS	BARE WIRE PRODUCTS	CONSOL
SIX MONTHS ENDED JUNE 30, 2002				
Balance, beginning of period	$ 1,920	$ 1,240	$ 1,368	$
Charges to operations:				
Facility shut-down costs	--	--	--	
Personnel and severance costs .	--	--	--	
Cash payments:				
Facility shut-down costs	(36)	(271)	(437)	
Personnel and severance costs .	(769)	(194)	--	
	(805)	(465)	(437)	(
Balance, end of period	$ 1,115	$ 775	$ 931	$

	CORPORATE	INSULATED WIRE PRODUCTS	BARE WIRE PRODUCTS	CONSOL
SIX MONTHS ENDED JUNE 30, 2001				
Balance, beginning of period	$ 626	$ --	$ --	$
Charges to operations:				
Facility shut-down costs	--	1,286	--	
Personnel and severance costs .	--	2,651	--	
	--	3,937	--	
Cash payments:				
Facility shut-down costs	--	(527)	--	
Personnel and severance costs .	(180)	(1,651)	--	(

	(180)	(2,178)	--	(
Balance, end of period	$ 446	$ 1,759	$ --	$

In addition to the accruals for plant closings in the first and second quarters of 2001, the Company also incurred an additional $1,714 of expenses related to the facility consolidations that the Company considers to be one-time items incremental to the on-going operations. These expenses include inefficiencies incurred during the transition of production capacity and incremental costs related to the transferred lines of production. These unusual one-time charges are included in cost of goods sold for the three and six months ended June 30, 2001. There were no such charges in 2002.

4. INVENTORIES

The composition of inventories at June 30, 2002 and December 31, 2001 is as follows:

	JUNE 30, 2002	DECEMBER 31, 2001
Raw materials	$ 12,644	$ 12,814
Work-in-process	18,732	18,667
Finished goods	26,418	26,720
Total	$ 57,794	$ 58,201

The carrying value of inventories on a last-in, first-out basis, at June 30, 2002 and December 31, 2001, approximates their current cost.

5. LONG-TERM OBLIGATIONS

The composition of long-term obligations at June 30, 2002 and December 31, 2001 is as follows:

	JUNE 30, 2002	DECEMBER 31, 2001

Second Amended and Restated Credit Agreement	$ 7,300	$ --
Senior Subordinated Notes	150,000	150,000
Series B Senior Subordinated Notes	150,000	150,000
Series B Senior Subordinated Notes Premium ..	6,043	6,912
Industrial revenue bonds	15,500	15,500
Other	8,628	9,380
	337,471	331,792
Less, current maturities	10,490	3,049
	$ 326,981	$ 328,743

The schedule of principal payments for long-term obligations, excluding premium, at June 30, 2002 is as follows:

2002......................................	$ 7,926
2003......................................	1,275
2004......................................	336
2005......................................	309,637
2006......................................	4,656
Thereafter................................	7,598
Total....................................	$ 331,428

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

The Second Amended and Restated Credit Agreement (the "Credit Agreement") consists of a $70,000 revolving credit facility, subject to certain borrowing base requirements that will mature on January 15, 2005. The Credit Agreement provides that a portion of the Credit Agreement, not in excess of $35,000, is available for the issuance of letters of credit. At June 30, 2002, the Company had $7,300 outstanding under the Credit Agreement and $29,439 in outstanding letters of credit.

The Company's obligations under the Credit Agreement 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 2.25% or (b) the Eurodollar Rate (as defined in the Credit Agreement) plus 3.25%. 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 Credit Agreement is 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.

SENIOR SUBORDINATED NOTES AND SERIES B SENIOR SUBORDINATED NOTES

The Senior Subordinated Notes issued in connection with the formation of the Company and the Series B Notes issued in connection with the refinancing of the Company's credit facility in 1997 (collectively, the "Senior Notes") were issued under similar indentures (the "Indentures") dated June 12, 1995 and June 17, 1997, respectively. The Senior Notes represent unsecured general obligations of the Company and are subordinated to all Senior Debt (as defined in the Indentures) of the Company.

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, International Wire Group SAS, Tresse Metallique J. Forissier, S.A., Cablerie E. Charbonnet, S.A., IWG Services Co., S de RC de CV, IWG Durango, S de RL de CV (the "Non-Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries and Non-Guarantor Subsidiaries is wholly owned by the Company.

The Senior Notes mature on June 1, 2005. Interest on the Senior Notes is payable semi-annually on each June 1 and December 1. The Senior Notes bear interest at the rate of 11.75% per annum. The Senior Notes are redeemable, at the Company's option, at the redemption price of 102.0% at June 30, 2002. The redemption price decreases to 100% at June 1, 2003, and thereafter, with accrued interest.

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 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.

6. BUSINESS SEGMENT INFORMATION

The Company operates its business as one business segment.

7. RELATED PARTY TRANSACTIONS

In connection with the sale of the Company's former wire harness business to Viasystems International, Inc., ("Viasystems"), a party with common ownership, the Company entered into an agreement to supply substantially all of their insulated wire requirements through March 2003. The Company had sales to Viasystems of $10,578 and $8,269 for the three months ended June 30, 2002 and 2001 and $18,836 and $16,243 for the six months ended June 30, 2002 and 2001, respectively. The outstanding trade receivables were $11,398 and $12,017 at June 30, 2002 and December 31, 2001, respectively.

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

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 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.

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

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR
BALANCE SHEET AS OF JUNE 30, 2002			
ASSETS			
Cash	$ --	$ 4,624	$ 1,255
Accounts receivable	--	59,849	14,462
Inventories	--	48,047	9,747
Other current assets	--	25,553	1,290
Total current assets	--	138,073	26,754
Property, plant and equipment, net	--	105,881	27,065
Investment in subsidiaries	422,012	--	--
Deferred income taxes	11,450	19,794	(44)
Intangible assets, net	1,682	110,758	7,376
Other assets	7,097	2,861	1,320
Total assets	$ 442,241	$ 377,367	$ 62,471
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities	$ 4,817	$ 66,482	$ 7,364
Long-term obligations, less current maturities	316,716	10,265	--
Other long-term liabilities	--	31,142	1,337
Intercompany (receivable) payable	29,475	(63,897)	34,422

Total liabilities	351,008	43,992	43,123
Stockholder's equity:			
Common stock	0	0	0
Contributed capital	236,331	297,106	11,887
Carryover of predecessor basis	--	(67,762)	--
Retained earnings (accumulated deficit)	(145,098)	104,031	8,988
Other comprehensive loss	--	--	(1,527)
Total stockholder's equity	91,233	333,375	19,348
Total liabilities and stockholder's equity	$ 442,241	$ 377,367	$ 62,471

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

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR
BALANCE SHEET AS OF DECEMBER 31, 2001			
ASSETS			
Cash	$ --	$ 5,306	$ 2,711
Accounts receivable	--	49,843	12,657
Inventories	--	48,722	9,479
Other current assets	--	27,468	639
Total current assets	--	131,339	25,486
Property, plant and equipment, net	--	113,706	25,078
Investment in subsidiaries	442,414	--	--
Deferred income taxes	10,855	343	--
Intangible assets, net	1,971	180,120	11,536
Other assets	8,163	2,882	464
Total assets	$ 463,403	$ 428,390	$ 62,564
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities	$ 4,539	$ 62,292	$ 5,454
Long-term obligations, less current maturities	310,285	18,458	--
Other long-term liabilities	--	32,264	1,070
Intercompany (receivable) payable	(259)	(36,407)	36,666
Total liabilities	314,565	76,607	43,190
Stockholder's equity (deficit):			
Common stock	0	0	0

Contributed capital	236,331	297,106	11,887
Carryover of predecessor basis	--	(67,762)	--
Retained earnings (accumulated deficit)	(87,493)	122,439	10,982
Other comprehensive loss	--	--	(3,495)
Total stockholder's equity	148,838	351,783	19,374
Total liabilities and stockholder's equity	$ 463,403	$ 428,390	$ 62,564

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2002			
Net sales	$ --	$ 93,603	$ 13,976
Operating expenses:			
Cost of goods sold	--	74,639	10,067
Selling, general and administrative expenses	--	7,599	1,037
Depreciation and amortization	177	5,924	899
Operating income (loss)	(177)	5,441	1,973
Other income (expense):			
Interest income (expense)	8,885	(17,562)	(357)
Amortization of deferred financing costs	(534)	--	--
Equity in net income (loss) of subsidiaries	(9,948)	--	--
Income (loss) before tax provision (benefit) and change in accounting principle	(1,774)	(12,121)	1,616
Income tax provision (benefit)	--	(624)	67
Net income (loss)	$ (1,774)	$ (11,497)	$ 1,549

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR

STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2001			
Net sales	$ --	$ 99,751	$ 15,920
Operating expenses:			
Cost of goods sold	--	77,507	11,566
Selling, general and administrative expenses	--	8,487	1,186
Depreciation and amortization	144	7,981	1,089
Impairment, unusual and plant closing charges	--	837	--
Operating income (loss)	(144)	4,939	2,079
Other income (expense):			
Interest income (expense)	9,226	(17,681)	(370)
Amortization of deferred financing costs	(338)	--	--
Equity in net income (loss) of subsidiaries	(10,048)	--	--
Income (loss) before tax provision (benefit)	(1,304)	(12,742)	1,709
Income tax provision (benefit)	--	(1,058)	73
Net income (loss)	$ (1,304)	$ (11,684)	$ 1,636

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

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR
STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2002			
Net sales	$ --	$ 179,165	$ 28,857
Operating expenses:			
Cost of goods sold	--	143,199	21,522
Selling, general and administrative expenses	--	14,815	2,055
Depreciation and amortization	357	11,729	1,767
Operating income (loss)	(357)	9,422	3,513
Other income (expense):			
Interest income (expense)	381	(17,726)	(709)
Amortization of deferred financing costs	(1,068)	--	--
Equity in net income (loss) of subsidiaries	(56,561)	--	--
Income (loss) before tax provision (benefit)			

and change in accounting principle	(57,605)	(8,304)	2,804
Income tax provision (benefit)	--	(3,531)	88
Income (loss) before change in accounting principle for goodwill, net of tax benefit..	(57,605)	(4,773)	2,716
Change in accounting principle	--	(49,794)	(4,710)
Net income (loss)	$ (57,605)	$ (54,567)	$ (1,994)

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR
STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2001			
Net sales	$ --	$ 208,883	$ 31,537
Operating expenses:			
Cost of goods sold	--	161,983	23,573
Selling, general and administrative expenses..............................	--	18,368	2,327
Depreciation and amortization	288	15,754	2,123
Impairment, unusual and plant closing charges	--	3,937	--
Operating income (loss)	(288)	8,841	3,514
Other income (expense):			
Interest income (expense)	1,392	(17,925)	(742)
Amortization of deferred financing costs..	(677)	--	--
Equity in net income (loss) of subsidiaries..........................	(3,781)	--	--
Income (loss) before tax provision (benefit) ..	(3,354)	(9,084)	2,772
Income tax provision (benefit)	--	(2,750)	219
Net income (loss)	$ (3,354)	$ (6,334)	$ 2,553

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2002			
Net cash provided by (used in) operating activities	$ (7,300)	$ 2,941	$ 1,690
Cash flows used in investing activities for capital expenditures	--	(2,871)	(3,007)
Cash flows provided by (used in) financing activities for borrowing/(repayment) of long-term obligations	7,300	(752)	--
Effect of exchange rate changes on cash and cash equivalents	--	--	(139)
Net change in cash and cash equivalents	$ --	$ (682)	$ (1,456)

	COMPANY	TOTAL GUARANTOR	TOTAL NON-GUARANTOR
STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2001			
Net cash provided by (used in) operating activities	$ (397)	$ (3,831)	$ 58
Cash flows used in investing activities for capital expenditures	--	(8,645)	(1,925)
Cash flows provided by (used in) financing activities for repayment of long-term obligations	397	(1,689)	--
Effect of exchange rate changes on cash and cash equivalents	--	--	(168)
Net change in cash and cash equivalents	$ --	$ (14,165)	$ (2,035)

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 and six months ended June 30, 2002 compared to the three and six months ended June 30, 2001.

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 JUNE 30,	
	2002	2001
	(In thousands)	
Net sales	$ 107,579	$ 115,671
Operating expenses:		
Cost of goods before item below	84,706	87,359
Unusual costs related to plant consolidations	--	1,714
Total cost of goods sold	84,706	89,073
Selling, general and administrative expenses	8,636	9,673
Depreciation and amortization	7,000	9,214
Impairment, unusual and plant closing charges	--	837
Operating income	$ 7,237	$ 6,874

THREE MONTHS ENDED JUNE 30, 2002 COMPARED TO THREE MONTHS ENDED JUNE 30, 2001

Net sales for the quarter were $107.6 million, a decrease of $8.1 million, or 7.0%, compared to the three months ended June 30, 2001. This decrease in sales was primarily the result of reduced demand from customers supplying the electronics / data communications and industrial / energy markets and lower copper prices, which were partially offset by higher sales to the appliance market. In general, the Company prices its wire products based on a spread over the cost of copper, which results in a decreased dollar value of sales when copper costs decrease. The average price of copper based on the New York Mercantile Exchange, Inc. ("COMEX") decreased to $0.74 per pound during the quarter ended June 30, 2002 from $0.75 per pound in the quarter ended June 30, 2001.

Cost of goods sold excluding unusual costs related to plant consolidations as a percentage of sales increased to 78.7% for the three months ended June 30, 2002, from 75.5% for the three months ended June 30, 2001. This change was due primarily to product mix, competitive pricing pressures and operating inefficiencies associated with lower production levels partially offset by favorable effects of the 2001 plant consolidation and realignment actions.

Selling, general and administrative expenses decreased $1.0 million, or 10.7%, to $8.6 million for the three months ended June 30, 2002, compared to $9.7 million for the same period in 2001 due to the favorable impact of actions taken in 2001 including headcount reductions, administrative and corporate reorganizations and volume related items.

Depreciation and amortization was $7.0 million for the three months ended June 30, 2002, compared to $9.2 million for the same period in 2001. This decrease of $2.2 million was due to the elimination of amortizing intangible assets in 2002 as required under SFAS No. 142 and to the closure and consolidation of certain production facilities in 2001.

During the first quarter of 2001, the Company recorded its first of a series of impairment, unusual and plant closing charges related to its plan which called for the realignment of capacity, a consolidation of production facilities and a reorganization of selling, general and administrative functions. In total, the Company announced the closure of seven facilities in 2001 as well as certain selling, general and administrative consolidations and a corporate reorganization. The Company completed the closure of six of the facilities by the end of 2001, with one facility in Alabama expected to remain open through late 2002. The production capacity from the closed locations was primarily transferred and consolidated into the Company's existing manufacturing facilities in Indiana, Texas and New York locations, which were expanded, as necessary, to accommodate the production transfer. In addition to the plant consolidations announced during 2001, the Company purchased an existing plant site for a "greenfield" insulated wire operation in Mexico. This plant is located in Durango, Mexico, which is approximately 600 miles south of the U.S./Mexican border. The startup of this Mexican facility began in the third quarter of 2001, and the Company anticipates that the plant will begin production in the third quarter of 2002. The related charge to impairment, unusual and plant closings cost for the three months ended June 30, 2001 was $0.8 million. There was no such charge during the three months ended June 30, 2002.

RESULTS OF OPERATIONS

	SIX MONTHS ENDED JUNE 30,	
	2002	2001
	(In thousands)	
Net sales	$ 208,022	$ 240,420
Operating expenses:		
Cost of goods excluding item below	164,721	183,842
Unusual costs related to plant consolidations	--	1,714

Total cost of goods sold	164,721	185,556
Selling, general and administrative expenses	16,870	20,695
Depreciation and amortization	13,853	18,165
Impairment, unusual and plant closing charges	--	3,937
Operating income	$ 12,578	$ 12,067

SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO SIX MONTHS ENDED JUNE 30, 2001

Net sales for the six months ended June 30, 2002 were $208.0 million, a decrease of $32.4 million, or 13.5%, compared to the six months ended June 30, 2001. This decrease in sales was primarily the result of reduced demand from customers supplying the electronics / data communications and industrial / energy markets and lower copper prices, which were partially offset by higher sales to the appliance market. In general, the Company prices its wire products based on a spread over the cost of copper, which results in a decreased dollar value of sales when copper costs decrease. The average price of copper based on the New York Mercantile Exchange, Inc. ("COMEX") decreased to $0.73 per pound during the six months ended June 30, 2002 from $0.79 per pound during the six months ended June 30, 2001.

Cost of goods sold excluding unusual costs related to plant consolidations as a percentage of sales increased to 79.2% for the six months ended June 30, 2002, from 76.5% for the six months ended June 30, 2001. This change was due primarily to product mix, competitive pricing pressures and operating inefficiencies associated with lower production levels partially offset by favorable effects of the 2001 plant consolidation and realignment actions.

Selling, general and administrative expenses decreased $3.8 million, or 18.5%, to $16.9 million for the six months ended June 30, 2002, compared to $20.7 million for the same period in 2001 due to the favorable impact of actions taken in 2001 including headcount reductions, administrative and corporate reorganizations and volume related items.

Depreciation and amortization was $13.9 million for the six months ended June 30, 2002, compared to $18.2 million for the same period in 2001. This decrease of $4.3 million was due to the elimination of amortizing intangible assets in 2002 as required under SFAS No. 142 and to the closure and consolidation of certain production facilities in 2001.

During the first quarter of 2001, the Company recorded its first of a series of impairment, unusual and plant closing charges related to its plan which called for the realignment of capacity, a consolidation of production facilities and a reorganization of selling, general and administrative functions. In total, the Company announced the closure of seven facilities in 2001 as well as certain selling, general and administrative consolidations and a corporate reorganization. The Company completed the closure of six of the facilities by the end of 2001, with one facility in Alabama expected to remain open through late 2002. The production capacity from the closed locations was primarily transferred and consolidated into the Company's existing manufacturing facilities in Indiana, Texas and New York locations, which were expanded, as necessary, to accommodate the production transfer. In addition to the plant consolidations announced during 2001, the Company purchased an existing plant site for a "greenfield" insulated wire operation in Mexico. This plant is located in Durango, Mexico, which is approximately 600 miles south of the

U.S./Mexican border. The startup of this Mexican facility began in the third quarter of 2001, and the Company anticipates that the plant will begin production in the third quarter of 2002. The related charges to impairment, unusual and plant closings cost for the six months ended June 30, 2001 were $3.9 million. There were no such charges during the six months ended June 30, 2002.

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, the principle raw material used by the Company, have not, nor are expected to have, a material impact on the Company's profitability. The Company is subject to normal inflationary pressures with its other raw materials purchased as well as its general operating expenses, such as salaries, employee benefits and facilities costs.

Working Capital and Cash Flows

Net cash used in operating activities was $2.7 million for the six months ended June 30, 2002 compared to net cash used in operating activities of $4.2 million for the six months ended June 30, 2001. This change was primarily due to lower working capital requirements.

Net cash used in investing activities, representing capital expenditures, was $5.9 million for the six months ended June 30, 2002, compared to $10.6 million for the six months ended June 30, 2001.

Net cash provided by financing activities, representing net borrowing of long-term obligations, was $6.5 million for the six months ended June 30, 2002, compared to net cash used in financing activities, representing net repayment of long-term obligations, of $1.3 million for the six months ended June 30, 2001.

Financing Arrangements

On December 20, 2001, the Company entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") with certain financial institutions that replaced the Company's previous credit agreement. All outstanding letters of credit from the prior credit agreement were incorporated into the Credit Agreement. Borrowings under the Credit Agreement are collateralized by first priority mortgages and liens on all domestic assets of the Company.

The Credit Agreement consists of a $70.0 million revolving credit facility, subject to certain borrowing base requirements, that will mature on January 15, 2005. The Credit Agreement provides that a portion of the Credit Agreement, not in excess of $35.0 million, is available for the issuance of letters of credit. Based on the June 30, 2002 borrowing base calculation, the Company had available borrowing capacity under the Credit Agreement of $60.3 million, of which $29.4 million was subject to outstanding letters of credit and of which $23.6 million was available for borrowing. At June 30, 2002, the Company had $7.3 million in borrowings outstanding under the Credit Agreement. The Company's obligations under the Credit Agreement bear interest at floating rates and require interest payments on varying dates depending on the interest rate option selected by the Company.

The Company has outstanding $150.0 million principal amount of 11.75% Senior Subordinated Notes due 2005 under an Indenture dated June 12, 1995, $150.0 million of 11.75% Series B Senior Subordinated Notes due June 2005 under an

Indenture dated June 17, 1997, priced at 108.75% for an effective interest rate of 10.15% (collectively, the 11 3/4% Notes") and $5.0 million of 14% Senior Subordinated Notes (the "14% Notes") due June 1, 2005 (collectively, the "Senior Subordinated Notes"). The 11 3/4% Notes bear interest at the rate of 11.75% per annum, requiring semi-annual interest payments of $17.6 million on each June 1 and December 1. The 14% Notes bear interest at the rate of 14% per annum, requiring a semi-annual interest payment of $0.4 million on each June 1 and December 1. Neither the 11 3/4% nor the 14% Notes are subject to any sinking fund requirements.

The schedule below reconciles "EBITDA, as adjusted," to operating income as determined in accordance with generally accepted accounting principles ("GAAP") for all periods presented in the financial statements. EBITDA, as adjusted, is defined as operating income plus depreciation, amortization of intangible assets, impairment, unusual and plant closing charges, one-time unusual items and other non-cash expense (income) items. EBITDA, as adjusted, is presented because (i) it is a widely accepted indicator of a company's ability to incur and service debt and (ii) it is the basis on which the Company's compliance with certain financial covenants contained in the Credit Agreement is principally determined. However, EBITDA, as adjusted, does not purport to represent cash provided by operating activities as reflected in the Company's consolidated statements of cash flow, is not a measure of financial performance under GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Also, the measure of EBITDA, as adjusted, may not be comparable to similar measures reported by other companies.

	THREE MONTHS ENDED JUNE 30,		E
	2002	2001	2002
	(In thousands)		
EBITDA, as adjusted	$ 14,237	$ 18,639	$ 26,4
Depreciation and amortization	(7,000)	(9,214)	(13,8
Impairment, unusual and plant closing charges	--	(2,551)	
Operating income	$ 7,237	$ 6,874	$ 12,5

Liquidity

The principal raw material used in the Company's products is copper. The market price of copper is subject to significant fluctuations. Working capital needs change whenever the Company experiences a significant change in copper prices. A $0.10 per pound change in the price of copper changes the Company's working capital by approximately $3.2 million. The Company enters into contractual relationships with most of its customers to adjust its prices based upon the prevailing market prices on the COMEX. This approach is patterned after the Company's arrangement with its copper suppliers and is designed to remove the risk associated with fluctuating copper prices.

The Company's primary sources of liquidity are cash flows from operations and borrowings under the Credit Agreement, which are subject to a borrowing base calculation. As of June 30, 2002, the excess availability of funds under the borrowing base calculation is $23.6 million. The major uses of cash in 2002 are expected to be for debt service requirements and capital expenditures.

Management believes that cash from operating activities, together with available borrowings under the Credit Agreement, if necessary, should be sufficient to permit the Company to meet these financial obligations.

RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which supercedes APB No. 17, "Intangible Assets." SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition (i.e., the post-acquisition accounting). The provisions of SFAS No. 142 are effective for fiscal years beginning after December 15, 2001. The most significant changes made by SFAS No. 142 are: (1) goodwill and indefinite lived intangible assets will no longer be amortized, (2) goodwill will be tested for impairment at least

annually at the reporting unit level, (3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually, and (4) the amortization period of intangible assets with finite lives will no longer be limited to forty years. The Company adopted SFAS No. 142 as of January 1, 2002. Upon adoption of SFAS 142, the Company recorded an impairment to goodwill of $54.5 million, net of tax benefit of $19.4 million.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-lived Assets and Assets to be Disposed of" and the accounting and reporting provisions of APB No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of SFAS No. 144 will be effective for fiscal years beginning after December 15, 2001. The most significant changes made by SFAS No. 144 are: (1) removes goodwill from its scope and, therefore, eliminates the requirements of SFAS No. 121 to allocate goodwill to long-lived assets to be tested for impairment, and (2) describes a probability-weighted cash flow estimation approach to deal with situations in which alternative courses of action to recover the carrying amount of long-lived assets are under consideration or a range is estimated for the amount of possible future cash flows. The Company adopted SFAS No. 144 as of January 1, 2002. The adoption of this statement did not have an impact on the Company's consolidated financial position.

In May 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The statement rescinds FASB No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that statement, FASB No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." As a result, gains and losses from extinguishment of debt will no longer be aggregated and classified as an extraordinary item, net of related income tax effect, on the statement of earnings. Instead, such gains and losses will be classified as extraordinary items only if they meet the criteria of unusual or infrequently occurring items. SFAS No. 145 also requires that the gains and losses from debt extinguishments, which were classified as extraordinary items in prior periods, should be reclassified to continuing operations if they do not meet the criteria for extraordinary items. The provisions related to this portion of the statement are required to be applied in fiscal years beginning after May 15, 2002, with

earlier application encouraged.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The statement requires that costs associated with exit or disposal activities must be recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan. Such costs include lease termination costs and certain employee severance costs associated with a restructuring, discontinued operation or other exit or disposal activity. The Company is currently reviewing SFAS No. 146, which is effective for exit or disposal activities initiated after December 31, 2002.

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, 2001. 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, 2001.

PART II. OTHER INFORMATION

None.

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: August 14, 2002 By: /s/ GLENN HOLLER

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

and Accounting Officer)

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Sindelar, as Chief Executive Officer of International Wire Group, Inc., (the "Company") certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the accompanying Form 10-Q report for the period ending June 30, 2002 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

INTERNATIONAL WIRE GROUP, INC.

Dated: August 14, 2002

By: /s/ DAVID M. SINDELAR

Name: David M. Sindelar
Title: Chief Executive Officer

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Glenn J. Holler, as Chief Financial Officer of International Wire Group, Inc., (the "Company") certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(3) the accompanying Form 10-Q report for the period ending June 30, 2002 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(4) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

INTERNATIONAL WIRE GROUP, INC.

Dated: August 14, 2002

By: /s/ GLENN J. HOLLER

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