

**SINGER<sup>®</sup>**

**QUARTERLY REPORT**

**Singer N.V.**

Incorporated in the Netherlands Antilles

De Ruyterkade 62, Willemstad  
Curacao, Netherlands Antilles

**For the Quarterly Period Ended  
June 30, 2002**

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The Company publishes its consolidated financial statements in US dollars and in accordance with accounting principles generally accepted in the United States. In this Report, references to “US dollars”, “dollars”, “U.S.\$”, “US\$”, or “\$” are to US currency.

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The registered offices of the Company are located at De Ruyterkade 62, Willemstad, Curacao, Netherlands Antilles, and its telephone number is 011-599-9732-2555. Certain administrative matters are handled in the United States by the Company’s subsidiary, Singer Corporation, located at 915 Broadway, New York, NY 10010.

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As used herein, except as the context otherwise requires, the term “Company” or “Singer” refers to Singer N.V. and its consolidated subsidiaries. The term “Operating Companies” refers to locally incorporated companies which operate the Company’s business in various countries around the world. The term “Operating Affiliates” refers to Operating Companies in which Singer exercises significant management influence but does not hold greater than 50% ownership. The term “Old Singer” refers to The Singer Company N.V., which filed for protection under Chapter 11 of the United States Bankruptcy Code in September 1999.

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On November 11, 2001, the Singer Creditor Trust made an initial distribution of the Common Shares of Singer N.V. to the holders of allowed, general unsecured claims against Old Singer. It is anticipated that the final distribution of the Common Shares will be made later this year.

The Company’s common shares are not currently listed on any U.S. or overseas security exchange, the NASDAQ National Market System, the NASDAQ Small Cap Market, the OTC Bulletin Board or any similar trading system, nor is such listing likely in the near future. Price quotations for the Company’s common shares became available on the “Pink Sheets” quotation service under the symbol, “SNGR” in March 2002. It is anticipated that brokers should be able to continue to trade Singer’s Common Shares using the “Pink Sheets” quotation service as long as the Company is current in submitting to the Securities and Exchange Commission (“SEC”) the materials that it makes available to its shareholders or is required to file under its own country jurisdiction. If the Common Shares cease to be traded, shareholders seeking to sell or buy shares will only be able to do so with considerable difficulty and at prices that may not reflect the shares’ theoretical inherent value. Even to the extent that quotations on the “Pink Sheets” service continue, there is no assurance that there will be adequate liquidity or that there will not be wide swings in prices and significant differences between “bid” and “asked” prices, which will make trading difficult and could cause prices for the Company’s shares to deviate substantially from their theoretical inherent value.

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## **CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS**

Statements made herein with respect to Singer's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Company. Forward-looking statements include but are not limited to those using words such as believe, expect, anticipates, plans, strategy, prospects, forecast, estimate, project, may or might, and words of similar meaning in connection with a discussion of future operations, financial performance, financial position, capital resources and strategy and plans and objectives of management. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs, which are expressed in light of the information currently available to management. The ultimate outcome in many cases is outside of the Company's control. The Company cautions that no assurance can be given that expectation reflected in such forward-looking statements will prove to have been correct, that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore, undue reliance should not be placed on such forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and no assumption should be made to the contrary. Risks and uncertainties that might affect the Company include, but are not limited to: general economic conditions in the Company's markets worldwide, particularly in Asia, Mexico and the Caribbean, including levels of consumer spending; exchange rates, particularly between the U.S. dollar and other currencies in which the Company makes significant sales or in which the Company's assets and liabilities are denominated; the Company's ability to continue to win acceptance of its products and services, which are offered in highly competitive markets; the Company's ability to implement successfully the ongoing restructuring of its businesses; the success of the Company in improving liquidity and obtaining access to capital resources, including the Company's ability to achieve its minimum-operating plan and meet its obligations under several financing agreements, and seeking and obtaining additional or replacement financing or successfully renegotiating with creditors under the credit facilities; improving efficiency in its manufacturing and marketing operations; continuing relationships with financial institutions, suppliers and other creditors; and the outcome of contingencies.

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**SINGER N.V.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**June 30, 2002 and 2001 (Unaudited)**  
**(in thousands of US dollars, except share and per share amounts)**

	June 30, 2002	June 30, 2001
<b>ASSETS:</b>		
Current assets-		
Cash and cash equivalents	\$ 13,357	\$ 15,576
Accounts receivable, net	113,689	108,258
Inventories, net	75,887	93,862
Other current assets	8,310	12,840
Total current assets	211,243	230,536
Investment in operating affiliates	27,756	26,385
Property, plant and equipment, net	62,193	68,581
Intangible assets	139,942	142,730
Other assets	21,392	26,595
Total assets	\$ 462,526	\$ 494,827
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities-		
Notes and loans payable	\$ 57,525	\$ 49,550
Accounts payable and accrued liabilities	84,593	132,086
Current portion of long-term debt	34,021	73,785
Total current liabilities	176,139	255,421
Long-term debt	110,179	95,300
Other non-current liabilities	65,458	40,771
Total liabilities	351,776	391,492
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred shares, \$0.01 par value, authorized 1,000,000 shares, issued and outstanding Series A convertible, 40 shares	18,925	17,825
Common Shares, \$0.01 par value, authorized 20,000,000 shares, issued and outstanding 8,121,828	81	81
Additional paid-in capital	80,919	80,919
Retained earnings	13,451	4,261
Accumulated other comprehensive (loss)/income	(2,626)	249
Total shareholders' equity	110,750	103,335
Total liabilities and shareholders' equity	\$ 462,526	\$ 494,827

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these Statements

**SINGER N.V.**

**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001 (Unaudited)**  
**(in thousands of US dollars)**

	Three Months ended June 30, 2002 and 2001		Six Months ended June 30, 2002 and 2001	
Revenues	\$ 106,998	\$ 108,269	\$ 210,354	\$ 213,560
Cost of revenues	65,322	65,182	129,804	129,436
Gross profit	41,676	43,087	80,550	84,124
Selling and administrative expenses	32,446	33,110	64,092	65,520
Operating income	9,230	9,977	16,458	18,604
Other income (expense):				
Interest expense	(5,306)	(6,866)	(10,491)	(14,124)
Equity in earnings from operating affiliates	1,079	717	1,674	1,395
Other, net	1,574	1,452	1,351	1,840
Total other income (expense)	(2,653)	(4,697)	(7,466)	(10,889)
Income from continuing operations before provision for income taxes and minority interest	6,577	5,280	8,992	7,715
Provision for income taxes	1,609	1,815	2,666	3,424
Minority interest share in income	318	115	659	345
Income from continuing operations	4,650	3,350	5,667	3,946
Discontinued Operations				
Gain (loss) from operations of Greece, net of tax benefit	61	82	(374)	127
Net income	4,711	3,432	5,293	4,073
Dividends on preferred shares	275	275	550	550
Net income applicable to common shares	\$ 4,436	\$ 3,157	\$ 4,743	\$ 3,523

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these Statements

**SINGER N.V.**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2002 and 2001 (Unaudited)**  
**(in thousands of US dollars)**

	Six Months ended June 30, 2002 and 2001	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 5,293	\$ 4,073
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	3,358	5,866
Gain on disposal of discontinued operation	(113)	-
Equity in earnings from operating affiliates, net of dividends received	(921)	(801)
Minority interest share in income	659	345
Foreign exchange gain	(1,251)	(735)
Change in current assets and liabilities-		
(Increase) decrease in accounts receivable	(3,459)	8,125
Decrease (increase) in inventory	5,473	(4,638)
Decrease (increase) in other current assets	2,988	(430)
Decrease in accounts payable and accrued expenses	(2,951)	(1,944)
Other	(201)	549
Net cash provided by operating activities	8,875	10,410
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(3,472)	(1,802)
Proceeds from disposal of discontinued operations	1,300	-
Net cash used in investing activities	(2,172)	(1,802)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase (decrease) in notes and loans payable	2,162	(110)
Net decrease in long term debt	(10,067)	(2,646)
Net cash used in financing activities	(7,905)	(2,756)
Effect of exchange rate changes on cash	(361)	(2,731)
Net (decrease) increase in cash and cash equivalents	(1,563)	3,121
CASH AND CASH EQUIVALENTS, beginning of the period	14,920	12,455
CASH AND CASH EQUIVALENTS, end of the period	\$ 13,357	\$ 15,576

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these Statements

## **SINGER N.V.**

### **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (in thousands of US dollars)**

#### **1. BUSINESS AND ORGANIZATION**

Singer N.V. (“Singer” or the “Company”) was formed as a new corporate entity in the Netherlands Antilles in December 1999. Pursuant to the Reorganization Plan discussed below, effective September 14, 2000, Singer became the parent company of several operating companies (the “Operating Companies”), formerly owned by The Singer Company N.V. (“Old Singer”), as well as the owner of the SINGER® brand name.

The Company is a holding company whose subsidiaries are engaged in two principal businesses, Retail and Sewing. The Retail segment derives revenues primarily from the retail distribution and direct selling of a wide variety of consumer durable products for the home in selected emerging markets, with consumer credit and other financial services available to qualified customers. The Sewing segment derives revenues primarily from the distribution of consumer and artisan sewing machines and accessories, manufactured by Singer and certain third-party manufacturers, through its own distribution channels and through third-party distributors, as well as through the Operating Companies which operate Singer’s Retail business. The Retail and Sewing segments are currently managed as two business lines. Within the Retail segment, management is on a geographic basis; within the Sewing segment, management is divided between marketing and manufacturing.

#### **2. BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments and fresh start reporting adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month and six-month period ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s 2001 Disclosure Statement and Report dated May 2002.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. The Company has significant borrowings that require, among other things, compliance with certain financial ratios on a quarterly basis and required reductions of certain significant outstanding debt balances in 2002 and 2003. Singer’s ability to continue as a going concern is dependent on the Company’s ability to achieve its minimum-operating plan and meet its obligations under several financing agreements, and to obtain additional or replacement financing or successfully renegotiate with

creditors under the credit facilities. As of June 30, 2002, the Company was in compliance with the respective covenants and restrictions of these financing agreements. As of June 30, 2001, the Company was not in compliance with certain of the covenants under selected financing arrangements; accordingly, the amounts due under these financing arrangements were classified as short-term, in the accompanying financial statements for the period ended June 30, 2001.

### The Reorganization Plan

The reorganization of the Company was made pursuant to the First Amended Joint Plan of Reorganization of Old Singer and its Affiliated Debtors and Debtors in Possession (the “Reorganization Plan”) adopted in accordance with the provisions of Chapter 11 of the United States Bankruptcy Code. The basic reorganization cases were commenced under Chapter 11 in September of 1999 by Old Singer and certain of its subsidiaries as a result of a number of internal and external factors making problematic the continued viability of their operations outside of reorganization proceedings. The majority of the Operating Companies, however, did not commence proceedings under Chapter 11 or under the insolvency laws of other countries, but continued to operate in the ordinary course as substantially stand-alone companies throughout the period of the bankruptcy proceedings. Operating Companies in Brazil, the United States and Turkey were successfully reorganized under Chapter 11.

Under the Reorganization Plan, which was confirmed by the United States Bankruptcy Court for the Southern District of New York on August 24, 2000, and became effective on September 14, 2000, the outstanding shares of Old Singer were cancelled and the holders of allowed general unsecured claims against Old Singer were to receive substantially all of the equity shares of the Company. While the Company’s common shares are not listed on any U.S. or overseas securities exchange or any NASDAQ or similar trading system, they are currently quoted on the “Pink Sheets” quotation service.

As part of the implementation of the Reorganization Plan, the Company entered into an Exit Financing Agreement with the Bank of Nova Scotia (the “Nova Scotia Financing Agreement”), pursuant to which the Company effectively assumed certain restructured secured indebtedness of Old Singer. With the exception of the chief executive officer, none of the directors of Old Singer were appointed to the Board of Directors of the Company, and the majority of the directors of the Company were appointed by the Creditors Committee of Old Singer.

### Fresh Start Reporting

In connection with the reorganization under the Reorganization Plan, the Company implemented “Fresh Start Reporting” as of September 30, 2000 (its normal interim closing date), as set forth in Statement of Position 90-7, “Financial Reporting by Entities in Reorganization Under the Bankruptcy Code” (“SOP 90-7”), issued by the American Institute of Certified Public Accountants. “Fresh Start Reporting” was required because there was an ownership change of more than 50%. Accordingly, all assets and liabilities were restated to reflect their respective estimatable fair values at that date.

The reorganization value of the Company was determined by management, with assistance from The Blackstone Group LLP, independent financial professionals. The methodology employed involved estimation of enterprise value (i.e., the market value of the Company’s debt and stockholders’ equity which was determined to be \$324.0 million), taking into account a discounted cash flow analysis. The discounted cash flow analysis was based on five-year cash flow projections prepared by management and using average discount rates of 15-20%. The reorganization value of the Company was determined to be \$514.5 million as of September 30, 2000.

The Company allocated \$85.0 million of the reorganization value to the SINGER® brand name based on an independent appraisal. The portion of the reorganization value which could not be attributed to specific tangible or identifiable intangible assets of the reorganized Company has been reported as “Reorganization value in excess of amounts allocable to identifiable assets”. The amounts are reflected under intangible assets. Effective January 1, 2002, the Company adopted Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards (SFAS) No. 142, “Accounting for Goodwill and Other Intangible Assets”, pursuant to which Singer is no longer amortizing the value of the trademark and other intangible assets with indefinite lives, reducing amortization expense by approximately \$1.3 million per quarter, subject, however, to any periodic adjustment which may be appropriate to assure that the carrying value of the Company’s intangible assets do not exceed their fair value. The Company has determined there was no impairment of intangible assets pursuant to the provisions of SFAS No. 142 at June 30, 2002.

### Management’s Plans

The Company believes that its Operating Companies have viable core businesses, reflecting the reputation of the SINGER® brand and the strength of the distribution networks and the Company’s reputation for quality and service in selected markets important to its operations. The Company also believes it has the potential to meaningfully improve its financial performance and to achieve its minimum-operating plan.

In order to improve operating and financial performance, the Company is undertaking a number of programs, including implementing management changes, introducing new and improved products and services, increasing the number and variety of distribution points, strengthening working capital management, improving product sourcing and implementing programs to increase royalty and licensing earnings. Similar efforts are being undertaken by the Operating Companies, in addition to their continuing cost-reduction efforts.

The Company’s liquidity position is tight. Among significant principal repayments due over the following twelve months are repayments under the Nova Scotia Financing Agreement to reduce the outstanding balance of the facility by \$5.0 million to \$40.0 million by December 31, 2002; the Company’s Brazil subsidiary is required to make a principal repayment of \$4.5 million on September 14, 2002; and the Company’s Turkish subsidiary is required to increase its quarterly blended principal and interest repayments from \$0.4 to \$1.6 million per quarter, starting on December 12, 2002. Improvement in liquidity in 2002 and beyond is dependent on the achievement of improved operating and financial performance, including working capital efficiencies, as well as the timing and the ultimate realization of significant one-time items, including liquidation of operations as outlined in the Reorganization Plan and real estate sales, and renegotiation and/or refinancing of certain financing arrangements, some of which are not within the Company’s control.

Certain prior year amounts have been reclassified to conform to the current year presentation.

## **Recent Accounting Pronouncements**

In June 2001, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations” and SFAS No. 142, “Goodwill and Other Intangible Assets”. SFAS No. 141 requires that all business combinations be accounted for by the purchase method of accounting and changes the criteria for recognition of intangible assets acquired in a business combination. The provisions of SFAS No. 141 apply to all business combinations initiated after June 30, 2001. The adoption of SFAS No. 141 did not have a material effect on the Company’s financial position or results of operations.

SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized; however, these assets must be reviewed at least annually for impairment. Intangible assets with finite useful lives will continue to be amortized over their respective useful lives. The standard also establishes specific guidance for testing for impairment of goodwill and intangible assets with indefinite useful lives. The provisions of SFAS No. 142 are effective for the fiscal year ending December 31, 2002. However, goodwill and intangible assets acquired after June 30, 2001 are subject immediately to the non-amortization provisions of SFAS No. 142. The adoption of SFAS No. 142 will reduce amortization expense by approximately \$5.2 million per year, subject however, to any periodic adjustment which may be appropriate to assure that the carrying value of the Company’s intangible assets do not exceed their fair value. The Company has determined there was no impairment of intangible assets pursuant to the provisions of SFAS No. 142 at June 30, 2002.

In July 2001, the FASB also issued SFAS No. 143 “Accounting for Asset Retirement Obligations”. This statement establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost as well as any legal obligations associated with the retirement of tangible long-lived assets. The Company adopted SFAS No. 143 effective January 1, 2002, this adoption has not had a material effect on its financial position or results of operations.

In August 2001, the FASB issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. SFAS No. 144 amends existing accounting guidance on asset impairment and provides a single accounting model for long-lived assets to be disposed. Among other provisions, the new rules change the criteria for classifying an asset as held-for-sale. The standard also broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations. The Company adopted SFAS No. 144 effective January 1, 2002. The sale of Singer A.E.E. Home Appliances, the Company’s operating subsidiary in Greece (“Singer Greece”), in May 2002 has been recorded as a discontinued operation.

### **3. ACCOUNTS RECEIVABLE**

Accounts receivable are summarized as follows:

	June 30, 2002	June 30, 2001
Trade receivables	\$ 55,535	\$ 81,925
Installment receivables	85,082	79,581
Other	24,064	18,254
	<u>164,681</u>	<u>179,760</u>
Less:		
Allowance for doubtful accounts	21,586	40,959
Unearned carrying charges	22,023	21,483
Installment receivables due in excess of one year	7,383	9,060
	<u>\$ 113,689</u>	<u>\$ 108,258</u>

### **4. INVENTORIES**

Inventories are summarized as follows:

	June 30, 2002	June 30, 2001
Finished goods	\$ 67,206	\$ 84,350
Work in progress	1,526	2,190
Raw materials and supplies	7,155	7,322
	<u>\$ 75,887</u>	<u>\$ 93,862</u>

### **5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are summarized as follows:

	June 30, 2002	June 30, 2001
Accounts payable	\$ 51,903	\$ 62,510
Accrued liabilities	32,690	69,576
	<u>\$ 84,593</u>	<u>\$ 132,086</u>

## 6. COMPREHENSIVE INCOME

	Three Months ended June 30, 2002 and 2001		Six Months ended June 30, 2002 and 2001	
Net income	\$ 4,711	\$ 3,432	\$ 5,293	\$ 4,073
Other comprehensive income:				
Foreign currency translation Adjustment	1,052	2,489	1,113	610
Comprehensive income	\$ 5,763	\$ 5,921	\$ 6,406	\$ 4,683

## 7. DISCONTINUED OPERATIONS

On May 30, 2002, the Company sold the shares of Singer Greece for net proceeds of \$1.3 million, resulting in a net gain of \$0.1 million. The results of operations of Singer Greece are reported separately as discontinued operations and are summarized as follows:

	January 1, 2002 to May 30, 2002	Six Months Ended June 30, 2001
Revenues	\$ 2,568	\$ 6,749
Net income (loss)	(487)	127
Gain on disposal of Singer Greece	113	-
Gain (loss) from operations of Greece, net of tax	\$ (374)	\$ 127

  

	May 30, 2002	June 30, 2001
Assets		
Current	\$ 6,230	\$ 6,920
Other assets	2,380	2,310
Total assets	\$ 8,610	\$ 9,230
Liabilities and Shareholder's Equity		
Current liabilities	\$ 6,340	\$ 6,050
Other liabilities	1,570	1,560
Total liabilities	7,910	7,610
Shareholder's Equity	700	1,620
Total liabilities and shareholder's equity	\$ 8,610	\$ 9,230

## **8. CONTINGENCIES AND OTHER INFORMATION**

During the quarter, the Company received notices from the Mexican tax authorities of proposed assessments of taxes resulting from the transfer of shares of Singer Mexicana S.A. de C.V., ("Singer Mexicana") the Company's operating subsidiary in Mexico, from one company to another company within the Singer group of companies. The approximate proposed assessment claimed by the tax authorities, including penalties and interest, through June 30, 2002 is \$17 million. The Company believes that it has properly reported the transfers of the shares of Singer Mexicana in accordance with applicable laws and has commenced appropriate proceedings in Mexico to contest the proposed adjustments. The Company believes that it has meritorious legal defenses to the amount claimed and expects that the ultimate resolution of this matter will not have a material adverse effect on the Company's Consolidated financial position. At this time the outcome of the dispute is undeterminable.

## **9. SEGMENT RELATED INFORMATION**

The Company is a holding company whose Operating Companies are engaged in two principal businesses, Retail and Sewing. The Retail segment derives revenues primarily from the retail distribution of a wide variety of consumer durable products for the home in selected emerging markets, with consumer credit and other financial services available to qualified customers. The Sewing segment derives revenues primarily from the distribution of consumer and artisan sewing machines and accessories, manufactured by Singer and certain third-party manufacturers, through its own distribution channels and through third-party distributors, as well as through the Operating Companies which operate Singer's Retail business. The Retail and Sewing segments are currently managed as two business lines. Within the Retail segment, management is on a geographic basis; within the Sewing segment, management is divided between marketing and manufacturing.

The operations and the performance of these segments are regularly reviewed and are coordinated by senior management of the Company.

Intersegment sales are at transfer prices which approximate prices charged to unaffiliated customers.

Net sales between geographic areas, which are eliminated in the financial statements, were not material to the operating income of any geographic area in the period presented. No single customer accounted for 10% or more of total revenues.

Segment Data	Three Months ended June 30, 2002 and 2001		Six Months ended June 30, 2002 and 2001	
<b>Revenues:</b>				
Retail-				
Americas	\$ 36,018	\$ 38,741	\$ 69,108	\$ 72,111
Asia	56,388	55,377	113,598	111,443
Africa and Middle East	1,619	1,630	2,718	3,267
Intersegment	306	457	582	1,147
	<u>94,331</u>	<u>96,205</u>	<u>186,006</u>	<u>187,968</u>
Sewing marketing-				
Americas	22,851	20,707	43,318	42,402
Asia	8,690	10,395	17,181	19,167
Europe	5,067	5,002	10,777	11,137
Intersegment	2,511	2,649	3,986	6,111
	<u>39,119</u>	<u>38,753</u>	<u>75,262</u>	<u>78,817</u>
Sewing manufacturing-				
Americas	314	250	1,249	541
Asia	10	122	10	250
Intersegment	12,037	12,287	20,848	25,207
	<u>12,361</u>	<u>12,659</u>	<u>22,107</u>	<u>25,998</u>
Gross segment revenues	145,811	147,617	283,375	292,783
Less- Operating Affiliate, Thailand	(23,959)	(23,955)	(47,605)	(46,758)
Intersegment	(14,854)	(15,393)	(25,416)	(32,465)
Total revenues	<u>\$ 106,998</u>	<u>\$ 108,269</u>	<u>\$ 210,354</u>	<u>\$ 213,560</u>
<b>Operating income:</b>				
Retail-				
Americas	\$ 3,153	\$ 4,888	\$ 4,275	\$ 7,128
Asia	5,006	5,381	10,743	11,145
Africa and Middle East	83	128	125	244
	<u>8,242</u>	<u>10,397</u>	<u>15,143</u>	<u>18,517</u>
Sewing marketing-				
Americas	1,427	2,145	3,041	3,906
Asia	2,292	2,755	3,779	4,594
Europe	(94)	76	187	112
	<u>3,625</u>	<u>4,976</u>	<u>7,007</u>	<u>8,612</u>
Sewing manufacturing-				
Americas	2,064	910	3,074	3,003
Asia	29	(221)	(64)	(131)
	<u>2,093</u>	<u>689</u>	<u>3,010</u>	<u>2,872</u>
Corporate and eliminations	(2,563)	(3,398)	(4,502)	(6,431)
	<u>11,397</u>	<u>12,664</u>	<u>20,658</u>	<u>23,570</u>
Less- Operating Affiliate, Thailand	(2,167)	(2,687)	(4,200)	(4,966)
Total operating income	<u>\$ 9,230</u>	<u>\$ 9,977</u>	<u>\$ 16,458</u>	<u>\$ 18,604</u>

	June 30, 2002	June 30, 2001
Total assets:		
Retail-		
Americas	\$ 75,756	\$ 70,470
Asia	184,869	190,955
Europe	-	9,235
Africa and Middle East	1,186	783
	<u>261,811</u>	<u>271,443</u>
Sewing marketing-		
Americas	38,588	45,477
Asia	29,437	34,908
Europe	12,303	12,150
	<u>80,328</u>	<u>92,535</u>
Sewing manufacturing-		
Americas	31,050	25,009
Asia	10,561	13,936
	<u>41,611</u>	<u>38,945</u>
Corporate and eliminations	169,147	177,564
Less- Operating Affiliate, Thailand	(90,371)	(85,660)
Total assets	<u>\$ 462,526</u>	<u>\$ 494,827</u>

Certain financial information by geographical area is as follows:

	Three Months ended June 30, 2002 and 2001		Six Months ended June 30, 2002 and 2001	
Revenues:				
Americas	\$ 59,183	\$ 59,698	\$ 113,675	\$ 115,054
Asia	65,088	65,894	130,789	130,860
Europe	5,067	5,002	10,777	11,137
Africa and Middle East	1,619	1,630	2,718	3,267
	<u>130,957</u>	<u>132,224</u>	<u>257,959</u>	<u>260,318</u>
Less- Operating Affiliate, Thailand	(23,959)	(23,955)	(47,605)	(46,758)
Total revenues	<u>\$ 106,998</u>	<u>\$ 108,269</u>	<u>\$ 210,354</u>	<u>\$ 213,560</u>

	June 30, 2002	June 30, 2001
Total assets:		
Americas	\$ 145,394	\$ 140,956
Asia	224,867	239,799
Europe	12,303	21,385
Africa and Middle East	1,186	783
Total countries	<u>383,750</u>	<u>402,923</u>
Corporate and eliminations	169,147	177,564
Less- Operating Affiliate, Thailand	(90,371)	(85,660)
Total assets	<u>\$ 462,526</u>	<u>\$ 494,827</u>

## **PART II**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Company for the twelve months ended December 31, 2001 and the unaudited consolidated financial statements of the Company for the three months ended June 30, 2002 and 2001 and for the six months ended June 30, 2002 and 2001. This section contains forward-looking statements that are subject to the "Cautionary Statement With Respect to Forward-Looking Statements" appearing elsewhere herein. Risks to the Company are also discussed elsewhere herein. Financial statements of Old Singer for prior periods are not comparable to post effective date results of the Company and have not, therefore, been presented or discussed herein.

### **Results Of Operations**

#### *Three Months Ended June 30, 2002 and June 30, 2001*

For the second quarter ended June 30, 2002, the Company reported consolidated revenues of \$107.0 million as compared to \$108.3 million for the second quarter of 2001, a decline of \$1.3 million or 1.2%. The decrease was primarily due to the economic slowdown in several markets primarily in Latin America. Revenues of Singer's 48 percent-owned Thailand affiliate amounted to \$24.0 million for both the 2002 and 2001 quarters. These sales are not included in consolidated revenues. The Company's revenues for the second quarter of 2002 included \$8.5 million of finance charges on consumer credit sales and \$1.3 million of royalty and licensing income; the corresponding amounts for the second quarter of 2001 were \$9.0 million and \$1.3 million, respectively.

Gross profit for the three months ended June 30, 2002 was \$41.7 million, representing a gross margin of 39%, as compared to \$43.1 million and a gross margin of 40% for the same period in 2001. The decline in gross margin was due primarily to lower margins in the Mexico Retail operations as a result of changes in the sales mix and a slight decrease in Sewing segment margins.

Selling and administrative expenses for the three months ended June 30, 2002 were \$32.4 million, representing 30.3% of revenues, as compared to \$33.1 million and 30.6% of revenues for the same period in 2001. Included in selling and administrative expenses is amortization expense for intangible assets, which was nil in the 2002 quarter as compared to \$1.2 million in the 2001 quarter. The reduction of amortization expense for intangible asset is due to the adoption of SFAS No. 142 "Accounting for Goodwill and Other Intangible Assets", effective January 1, 2002.

Operating income for the 2002 and 2001 quarters were \$9.2 million and \$10.0 million, respectively, while EBITDA (earnings before interest, taxes, depreciation and amortization) were \$13.3 and \$15.0 million, respectively.

The Retail operations (including Thailand) accounted for 72% of Singer's revenues in the 2002 second quarter, and for 59% of Singer's operating earnings before corporate expenses and eliminations. The major contributors to the results of this segment during the period include the Retail businesses in Mexico, Thailand, Sri Lanka, and Bangladesh. The comparable figures for the second quarter of 2001 were 72% of Singer's revenue and 65% of operating earnings.

The Sewing Marketing and Manufacturing operations accounted for 28% of Singer's revenues in the 2002 second quarter and for 41% of operating earnings before corporate expenses and eliminations. The Sewing operations in the United States and Brazil were major contributors to this segment. The comparable figures for the second quarter of 2001 were 28% of Singer's revenue and 35% of operating earnings.

Interest expense for the three-month period ending June 30, 2002 was \$5.3 million. Interest expense incurred by the Operating Companies during the period totaled \$4.2 million, while Corporate interest expense in the period was \$1.1 million; interest expense for the period at the Company's non-consolidated Operating Affiliate in Thailand was \$0.4 million. Interest expense for the three-month period ending June 30, 2001 was \$6.9 million. Interest expense incurred by the Operating Companies during the 2001 period totaled \$5.3 million, while Corporate interest expense in the period was \$1.6 million; interest expense for the period at the Company's non-consolidated Operating Affiliate in Thailand was \$0.5 million. The \$1.6 million decrease in total interest expense was due to lower interest rates and decreased borrowings.

Equity in earnings from Operating Affiliates, primarily the Company's operating affiliate in Thailand, totaled \$1.1 million during the three-month period ended June 30, 2002 as compared to \$0.7 million for the same period in 2001.

Miscellaneous other income was \$1.6 million in the three-month period ended June 30, 2002 as compared to other income of \$1.5 million in 2001.

During the second quarter, Singer Greece was sold to a third party buyer who became Singer's new distributor and licensee for Greece. In accordance with SFAS No. 144, the Company has recorded this transaction as a sale of a discontinued operation.

Provision for income taxes amounted to \$1.6 million representing a 24% effective tax provision in the three-month period ended June 30, 2002, as compared to \$1.8 million and a 34% provision for the same period in 2001. The high effective tax provision largely reflects the impact of tax losses in jurisdictions which may have minimum taxes and losses for which no tax benefit has been recorded.

The Company's net income for the second quarter of 2002 was \$4.7 million, a \$1.3 million or a 38.0% increase over the \$3.4 million net income recorded in the 2001 second quarter.

Dividends on Preferred Shares equal to 4% per annum, calculated on the shares' \$20 million liquidation preference, amounted to \$0.2 million for the three-month periods ending June 30, 2002 and 2001. This dividend is cumulative and has been accrued but not paid; no dividend may be paid on the Company's Common Shares until all accrued dividends on the Preferred Shares have been paid. An additional amount of \$0.1 million for the three-month periods ending June 30, 2002 and 2001 has been accrued representing the accretion in the value of the Preferred Shares. No dividend payments are permitted under the Company's Nova Scotia Financing Agreement.

The net income applicable to Common Shares was \$4.4 million for 2002 as compared to \$3.2 million for 2001.

Six Months Ended June 30, 2002 and June 30, 2001

For the first half ended June 30, 2002, the Company reported consolidated revenues of \$210.4 million as compared to \$213.6 million for the first half of 2001, a decline of \$3.2 million or 1.5%. The decrease was primarily due to the continuing economic slowdown in several markets and the weakening of their currencies against the U.S. dollar. Revenues of Singer's 48 percent-owned Thailand affiliate amounted to \$47.6 million for the 2002 first half, a 1.7% increase over the \$46.8 million recorded in the first half of 2001; these sales are not included in consolidated revenues. The Company's revenues for the first half of 2002 included \$16.8 million of finance charges on consumer credit sales and \$2.9 million of royalty and licensing income; the corresponding amounts for the first half of 2001 were \$16.9 million and \$2.7 million, respectively.

Gross profit for the six months ended June 30, 2002 was \$80.6 million, representing a gross margin of 38%, as compared to \$84.1 million and a gross margin of 39% for the same period in 2001. The decline in gross margin was due primarily to lower margins in the Mexico Retail operations as a result of changes in the sales mix and a slight decrease in Sewing segment margins.

Selling and administrative expenses for the six months ended June 30, 2002 were \$64.1 million, representing 30.5% of revenues, as compared to \$65.5 million and 30.7% of revenues for the same period in 2001. Included in selling and administrative expenses is amortization expense for intangible assets, which was nil in the first half 2002 as compared to \$2.4 million in the first half 2001. The reduction of amortization expense for intangible asset is due to the adoption of SFAS No. 142 "Accounting for Goodwill and Other Intangible Assets", effective January 1, 2002.

Operating income for the 2002 and the 2001 first half were \$16.5 million and \$18.6 million, respectively, while EBITDA (earnings before interest, taxes, depreciation and amortization) were \$21.8 million and \$27.5 million, respectively.

The Retail operations (including Thailand) accounted for 72% of Singer's revenues in the 2002 first half, and for 60% of Singer's operating earnings before corporate expenses and eliminations. The major contributors to the results of this segment during the period include the Retail businesses in Mexico, Thailand, Sri Lanka, and Bangladesh. The comparable figures for the first half of 2001 were 72% of Singer's revenue and 62% of operating earnings.

The Sewing Marketing and Manufacturing operations accounted for 28% of Singer's revenues in the first half of 2002 and for 40% of operating earnings before corporate expenses and eliminations. The Sewing operations in the United States and Brazil were major contributors to this segment. The comparable figures for the first half of 2001 were 28% of Singer's revenue and 38% of operating earnings.

The Company's consolidated results and the results for the Sewing segment were negatively impacted in both the 2002 and 2001 periods by the economic crisis in Turkey. However, both revenue and net income in Turkey improved significantly in the six-month period ending June 30, 2002, as compared with the same period in the prior year.

Interest expense for the six-month period ending June 30, 2002 was \$10.5 million. Interest expense incurred by the Operating Companies during the period totaled \$8.4 million, while Corporate interest expense in the period was \$2.1 million; interest expense for the period at the Company's non-consolidated Operating Affiliate in Thailand was \$0.8 million. Interest expense for the six-month period ending June 30, 2001 was \$14.1 million. Interest expense incurred by the Operating Companies during the 2001 period totaled \$10.8 million, while Corporate interest expense in the period was \$3.3

million; interest expense for the period at the Company's non-consolidated Operating Affiliate in Thailand was \$1.2 million. The \$3.6 million decrease in total interest expense was due to lower interest rates and decreased borrowings.

Equity in earnings from Operating Affiliates, primarily the Company's operating affiliate in Thailand, totaled \$1.7 million during the six-month period ended June 30, 2002 as compared to \$1.4 million for the same period in 2001.

Miscellaneous other income was \$1.4 million in the six-month period ended June 30, 2002 as compared to other income of \$1.8 million in 2001. The decrease in other income is primarily due a decrease in income from fees for services charged to liquidating entities.

Provision for income taxes amounted to \$2.7 million representing a 30% effective tax provision in the six-month period ended June 30, 2002, as compared to \$3.4 million and a 44% provision for the same period in 2001. The high effective tax provision, especially in 2001, largely reflects the impact of tax losses in jurisdictions which may have minimum taxes and losses for which no tax benefit has been recorded.

The Company's net income for the first half of 2002 was \$5.3 million, a \$1.2 million or a 29% increase over the \$4.1 million net income recorded in the first half of 2001.

Dividends on Preferred Shares equal to 4% per annum, calculated on the shares' \$20 million liquidation preference, amounted to \$0.4 million for the six-month periods ending June 30, 2002 and 2001. This dividend is cumulative and has been accrued but not paid. An additional amount of \$0.2 million for the six-month periods ending June 30, 2002 and 2001 has been accrued representing the accretion in the value of the Preferred Shares. No dividend payments are permitted under the Company's Nova Scotia Financing Agreement.

The net income applicable to Common Shares was \$4.7 million for 2002 as compared to \$3.5 million for 2001.

## **Liquidity And Capital Resources**

### *Six Months Ended June 30, 2002 and June 30, 2001*

For the six months ended June 30, 2002, Singer had a net cash inflow from operations of \$8.9 million primarily due to the Company's net income of \$5.3 million, a \$5.5 million decrease in inventory and to depreciation and amortization of \$3.4 million. This was partially offset by an increase in account receivable of \$3.5 million. Capital expenditures for the three months were \$3.5 million. The decrease in notes and loans payable amounted to \$7.9 million. The net effect was a decrease in cash and cash equivalents by \$1.6 million to \$13.4 million at June 30, 2002.

For the six months ended June 30, 2001, Singer had a net cash inflow from operations of \$10.4 million primarily due to the Company's net income of \$4.1 million, depreciation and amortization of \$5.9 million and a decrease in account receivable of \$8.1 million, which were partially offset by an increase in inventory of \$4.6 million and a decrease in accounts payable and accrued liabilities of \$1.9 million. Capital expenditures for the six months were \$1.8 million. The decrease in notes and loans payable amounted to \$2.8 million. The net effect was an increase in cash and cash equivalents by \$3.1 million to \$15.6 million at June 30, 2001.

As of June 30, 2002, Singer had net working capital of \$35.1 million compared to a net working capital deficit of \$24.9 million as of June 30, 2001. The \$60.0 million improvement in the working capital position reflects the reclassification as of June 30, 2002 of \$40.0 million in long-term amounts due under certain financing arrangements where the Company is in compliance with all financial covenants as of June 30, 2002 but was not in compliance with certain covenants as of June 30, 2001, and a reduction in accounts payable and accrued liabilities by \$47.5 million, primarily due to the reclassification of approximately \$26.0 million of accrued liabilities to non-current as management has concluded that these accrued liabilities will not be settled within the following twelve months. The reduction in accounts payable and accrued liabilities was partially offset by an \$18 million reduction in inventory.

The Company's Bank of Nova Scotia Financing Agreement contains certain covenants and places certain restrictions upon the Company. Under the more restrictive of these requirements, the borrower must observe certain specified financial covenants including minimum quarterly EBITDA. The Company has negotiated certain modifications to the financial covenants with the Bank of Nova Scotia for the quarter ending December 31, 2001 and for the subsequent quarters; the Bank has also agreed to waive all prior covenant defaults. As consideration for these modifications and waivers, and for a rescheduling of a portion of a principal repayment due December 31, 2001 to June 30, 2002, the Company is required to make an additional debt repayment of \$5.0 million by December 31, 2002.

As of June 30, 2002, the Company was in compliance with all of its respective covenants and restrictions under the Bank of Nova Scotia Financing Agreement.

As of June 30, 2002, Singer's liquidity position was tight. The Company's available short-term lines of credit and corresponding amounts utilized at June 30, 2002, were \$74.8 million and \$60.0 million, respectively. The Company was either fully drawn or close to fully drawn under certain facilities, while other facilities in certain locations remain unutilized. These facilities are not generally available to provide liquidity in other locations.

Other significant principal repayments due over the following twelve months are by the Company's Brazil subsidiary, which is required to make a principal repayment of \$4.5 million on September 14, 2002; and the Company's Turkish subsidiary, which is required to increase its quarterly blended principal and interest repayments from \$0.4 million to \$1.6 million per quarter under its bank loan agreement starting on December 12, 2002.

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company's ability to continue as a going concern is dependent on the Company's ability to achieve its minimum-operating plan and to meet its obligations under several financing agreements, and obtain additional or replacement financing or successfully renegotiate with creditors under the credit facilities. Improvement in the Company's liquidity is dependent on a number of factors, including achievement of improved operating and financial performance, working capital efficiencies, and the ultimate realization of significant, one-time items, some of which are not within the Company's control. The Company believes that its Operating Companies have viable core businesses and that the Company has the potential to meaningfully improve operating and financial performance and to achieve its minimum-operating plan.

## **Changes in Certifying Accountant**

Effective May 22, 2002, the Company terminated the engagement of Arthur Andersen LLP as its independent accountants. The Company's Audit Committee and Board of Directors participated in and approved the decision to change independent accountants.

The reports of Arthur Andersen LLP on the financial statements for the past two fiscal periods contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to, audit scope or accounting principle, but was modified for the uncertainty as to the Company's ability to continue as a going concern.

In connection with its audits for the two most recent fiscal periods and through May 22, 2002, there have been no disagreements with Arthur Andersen LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Arthur Andersen LLP would have caused them to make reference thereto in their report on the financial statements for such years.

During the two most recent fiscal periods and through May 22, 2002, there have been no reportable events (as defined in Regulation S-K Item 304(a) (1) (v)).

The Company engaged KPMG LLP as its new independent accountants as of May 22, 2002. During the two most recent fiscal periods and through May 22, 2002 the Company has not consulted with KPMG LLP with respect to the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on Singer's financial statements, or any other matters or reportable events listed in Items 304(a) (2) (i) and (ii) of Regulation S-K.

## **Research and Development**

Research and development expenses are incurred largely at Singer's manufacturing facilities in Brazil. The amount spent on research and development in the three-month and six-month periods ended June 30, 2002 and 2001 were not material. The Company's ability to offer competitive, state-of-the-art computer machines and full-featured, mechanical machines is aided by its close, working relationships with third-party manufacturers who supply the Company with a share of the sewing products that it sells.

## **Environment**

The Company is subject to a variety of environmental and pollution control laws and regulations in many jurisdictions in which it operates, and faces exposure from actual and potential claims involving such matters. The Company believes that any costs resulting from environmental matters known to it will not have a material, adverse impact on the Company's financial position, results of operation or liquidity. The amount spent on environmental and pollution matters was not material in the three-month and six-month periods ending June 30, 2002 and 2001.

## **Market Risks**

Singer has significant foreign operations whose results are transacted in their local currency. The Company's consolidated profit and loss statement, and consolidated balance sheet, are subject to foreign

exchange rate fluctuations. In recent periods, for many operations, financial trends reported in US dollars have appeared significantly less favorable than would have been the case had those results been reported in local currency.

The Company's debt is largely subject to variable interest rates. Although the Company is exposed to interest rate market risk, management does not believe any likely change in interest rates will have a material impact on the Company's financial condition or results of operations in the near future.

There have been no material changes in the market risks faced by Singer since December 31, 2001. For a further discussion of these market risks and other risk factors see the Singer NV 2001 Disclosure Statement and Report dated May 2002.