



# Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-Q

## PART I FINANCIAL INFORMATION

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Condensed Consolidated Statements of Operations (unaudited) for the Three Months Ended March 31, 2001 and 2000

Condensed Consolidated Balance Sheets at March 31, 2001 (unaudited) and December 31, 2000

Condensed Consolidated Statements of Cash Flows (unaudited) for the Three Months Ended March 31, 2001 and 2000

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## ITEM 1 - FINANCIAL INFORMATION

### TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS - UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	-----	-----
Revenues	\$628,376	\$685,364
Cost of sales	549,105	573,642
	-----	-----
Gross profit	79,271	111,722
Selling, general and administrative expenses	35,299	34,656
Amortization expense	6,078	5,099
	-----	-----

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Operating income	37,894	71,967
Interest expense, net	19,722	13,197
	-----	-----
Income before provision for income taxes	18,172	58,770
Provision for income taxes	7,028	23,508
	-----	-----
Income before equity in earnings of joint ventures and minority interest	11,144	35,262
Equity in earnings of joint ventures	4,381	4,480
Minority interest - dividends on trust preferred securities, net	(2,664)	(2,619)
	-----	-----
Net income	\$ 12,861	\$ 37,123
	=====	=====
Basic earnings per share	\$ 0.29	\$ 0.79
	=====	=====
Diluted earnings per share	\$ 0.28	\$ 0.65
	=====	=====

The accompanying notes are an integral part of these condensed consolidated financial statements.

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TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(AMOUNTS IN THOUSANDS)

ASSETS	MARCH 31, 2001	DECEMBER 31, 2000
-----	-----	-----
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ --	\$ 3,370
Accounts receivable, net	365,970	278,700

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Inventories, net	114,056	132,47
Prepaid tooling and other	108,292	133,93
	-----	-----
Total current assets	588,318	548,49
	-----	-----
Property, plant and equipment, net	1,240,673	1,199,96
Investments in joint ventures	301,684	267,21
Goodwill and other assets, net	865,111	877,07
	-----	-----
	\$ 2,995,786	\$ 2,892,74
	=====	=====
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
-----		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 134,834	\$ 149,06
Accounts payable	290,046	248,38
Accrued liabilities	200,357	175,21
	-----	-----
Total current liabilities	625,237	572,67
	-----	-----
Long-term debt, net of current maturities	996,505	933,44
Obligations under capital leases, net of current maturities	6,714	8,45
Convertible subordinated notes	200,000	200,00
Deferred income taxes	35,276	33,88
Other noncurrent liabilities	170,249	185,44
	-----	-----
Total noncurrent liabilities	1,408,744	1,361,22
	-----	-----
Mandatorily redeemable trust convertible preferred securities	258,750	258,75
Stockholders' investment:		
Preferred stock	--	--
Common stock	477	47
Additional paid-in capital	451,088	450,45
Retained earnings	320,817	307,95
Deferred income stock plan	(8,942)	(8,94)
Accumulated comprehensive loss	(20,207)	(9,67)
Treasury stock, at cost	(40,178)	(40,17)
	-----	-----
Total stockholders' investment	703,055	700,09
	-----	-----
	\$ 2,995,786	\$ 2,892,74
	=====	=====

The accompanying notes are an integral part of these condensed consolidated balance sheets.

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TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (AMOUNTS IN THOUSANDS - UNAUDITED)

	THREE MONTHS ENDED	
	2001	
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 12,861	\$
Adjustments to reconcile net income to net cash provided by (used in) operating activities -		
Depreciation and amortization	39,074	
Deferred income tax provision	5,492	
Changes in other operating items	(16,636)	
	40,791	
<b>INVESTING ACTIVITIES:</b>		
Acquisitions and investment in joint ventures	(7,562)	(
Capital expenditures, net	(68,864)	)
	(76,426)	(
<b>FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	678,255	
Repayment of debt	(646,627)	(
Proceeds from issuance of stock	634	)
	32,262	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,373)</b>	
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period	3,373	
	End of period	\$ -- \$
		=====
<b>NON-CASH FINANCING ACTIVITIES:</b>		
Notes payable converted to common stock	\$ 201	\$
		=====
Deferred income stock plan	\$ --	\$
		=====

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

- The accompanying condensed consolidated financial statements have been prepared by Tower Automotive, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of such financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Revenues and operating results for the three months ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year.

- Inventories consisted of the following (in thousands):

	MARCH 31, 2001	DECEMBER 31, 2000
Raw materials	\$ 53,158	\$ 54,958
Work in process	26,791	40,281
Finished goods	34,107	37,239
	-----	-----
	\$ 114,056	\$ 132,478
	=====	=====

- Basic earnings per share were computed by dividing net income by the weighted average number of common shares outstanding during the respective quarters. Diluted earnings per share for the three months ended March 31, 2000 were determined on the assumptions: (i) the Edgewood notes were converted at the beginning of the period, (ii) the Convertible Subordinated Notes were converted at the beginning of the period, and (iii) the Preferred Securities were converted at the beginning of the period. The Preferred Securities were not included in the computation of earnings per share for the three months ended March 31, 2001 due to their anti-dilutive effect (in thousands, except for per share data):

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	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Net income	\$12,861	\$37,123
Interest expense on Edgewood notes, net of tax	7	8
Interest expense on Convertible Subordinated Notes, net of tax	1,652	1,626
Dividends on Preferred Securities, net of tax	--	2,619
Net income applicable to common stockholders -- diluted	\$14,520	\$41,376
Weighted average number of common shares outstanding	44,111	47,209
Dilutive effect of outstanding stock options and warrants after application of the treasury stock method	129	274
Dilutive effect of Edgewood notes, assuming conversion	264	289
Dilutive effect of Convertible Subordinated Notes, assuming conversion	7,729	7,729
Dilutive effect of Preferred Securities, assuming conversion	--	8,425
Diluted shares outstanding	52,233	63,926
Basic earnings per share	\$ 0.29	\$ 0.79
Diluted earnings per share	\$ 0.28	\$ 0.65

4. Long-term debt consisted of the following (in thousands):

	MARCH 31, 2001	DECEMBER 31, 2000
Revolving credit facility	\$ 413,454	\$ 345,919
Senior Euro notes	131,625	141,330
Term credit facility	325,000	325,000
Industrial development revenue bonds	43,765	43,765
Edgewood notes	727	878
Other foreign subsidiary indebtedness	154,785	151,171
Other	59,403	72,969
	1,128,759	1,081,032
Less-current maturities	(132,254)	(147,590)
Total long-term debt	\$ 996,505	\$ 933,442

On July 25, 2000, the Company replaced its existing \$750 million amortizing credit agreement with a new six-year \$1.15 billion senior unsecured credit agreement. The new credit agreement includes a non-amortizing revolving

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facility of \$825 million along with an amortizing term loan of \$325 million. The new facility also includes a multi-currency borrowing feature that allows the Company to borrow up to \$500 million in certain freely tradable offshore currencies, and letter of credit sublimits of \$100 million. As of March 31, 2001, approximately \$13.4 million of the outstanding borrowings are denominated in Japanese yen and \$62.3 million of the outstanding borrowings are denominated in Euro. Interest on the new credit facility is at the financial institutions' reference rate, LIBOR, or the Eurodollar rate plus a margin ranging from 0 to 200 basis points depending on the ratio of the consolidated funded debt for restricted subsidiaries of the Company to its total EBITDA. The weighted average interest rate for such borrowings was 7.6 percent for three months ended March 31, 2001. The new credit agreement has a final maturity of 2006. As a result of the debt replacement, the Company recorded an extraordinary loss, net of tax, of \$3.0 million during the third quarter of 2000.

The Credit Agreement requires the Company to meet certain financial tests, including but not limited to a minimum interest coverage and maximum leverage ratio. As of March 31, 2001, the Company was in compliance with all debt covenants.

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On July 25, 2000, R. J. Tower (the "Issuer"), a wholly-owned subsidiary of the Company, issued Euro-denominated senior unsecured notes in the amount of 150 million. The notes bear interest at a rate of 9.25 percent, payable semi-annually. The notes rank equally with all of the Company's other unsecured and unsubordinated debt. The net proceeds after issuance costs were used to repay a portion of the Company's existing Euro-denominated indebtedness under its existing credit facility. The notes mature on August 1, 2010.

During September 2000, the Company entered into an interest rate swap contract to hedge against interest rate exposure on approximately \$160 million of its floating rate indebtedness under its \$1.15 billion senior unsecured credit facility. The contracts have the effect of converting the floating rate interest to a fixed rate of approximately 6.9 percent, plus any applicable margin required under the revolving credit facility. The interest rate swap contract was executed to balance the Company's fixed-rate and floating-rate debt portfolios and expires in September 2005.

5. On November 30, 2000, the Company completed the acquisition of Strojarne Malacky, a.s. ("Presskam"), a manufacturer of upper body structural assemblies for Volkswagen, Porsche and Skoda, located near Bratislava, Slovakia. The Company paid total consideration of approximately \$10 million for Presskam and intends to use the investment to further support Volkswagen's Bratislava assembly operation.

On July 6, 2000, the Company acquired the remaining 60 percent equity interest in Metalurgica Caterina S.A. ("Caterina") for approximately \$42 million. The initial 40 percent interest was acquired in March 1998, for approximately \$48 million. Caterina is a supplier of structural stampings and assemblies to the Brazilian automotive market, including Volkswagen and Mercedes-Benz. The acquisition was funded with proceeds from the Company's revolving credit facility.

On May 3, 2000, the Company acquired all of the outstanding common stock of Algoods, Inc. ("Algoods") for total consideration of approximately \$33 million. Algoods manufactures aluminum heat shields and impact discs for



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the North American automotive industry from aluminum mini-mill and manufacturing operations located in Toronto, Canada. Its primary customer is DaimlerChrysler. The acquisition of Algoods represents a significant investment in processing technology for lightweight materials which complements the Company's existing heat shield capabilities and provides opportunities for application in other lightweight vehicle structural products. The acquisition was funded with proceeds from the Company's revolving credit facility.

On March 23, 2000, the Company invested \$2.1 million in the formation of a product technology and development joint venture with Defiance Testing & Engineering Services, Inc., a subsidiary of GenTek Inc. The joint venture, DTA Development, located in Westland, Michigan, provides the Company with product-testing services. Traditionally, the Company utilizes both internal and external product testing extensively to validate complex systems during the development stage of a program. This joint venture allows the Company to have access to a broader and more cost efficient range of testing capabilities. DTA Development blends the benefits of chassis product technology and development activities with leading edge commercial testing services.

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Effective January 1, 2000, the Company acquired all of the outstanding shares of Dr. Meleghy GmbH & Co. KG Werkzeugbau und Presswerk, Bergisch Gladbach ("Dr. Meleghy") for approximately \$86.4 million. Dr. Meleghy designs and produces structural stampings, assemblies, exposed surface panels and modules to the European automotive industry. Dr. Meleghy also designs and manufactures tools and dies for use in their production and for the external market. Dr. Meleghy operates three facilities in Germany and one facility in both Hungary and Poland. Dr. Meleghy's main customers include DaimlerChrysler, Audi, Volkswagen, Ford, Opel and BMW. Products offered by Dr. Meleghy include body side panels, floor pan assemblies and miscellaneous structural stampings. Based on the purchase contract, the Company will pay an additional \$24 million during 2001 for achieving certain operating earnings targets during the 2000 period. The acquisition was financed with proceeds from the Company's revolving credit facility.

The acquisitions discussed above have been accounted for using the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed have been recorded at the fair value as of the date of the acquisitions. The assets and liabilities of Caterina and Presskam have been recorded based on preliminary estimates of fair value as of the date of acquisition. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed has been recorded as goodwill. The Company is further evaluating the fair value of certain assets acquired and liabilities assumed in connection with the Caterina and Presskam acquisitions and as a result, will likely result in adjustments to the preliminary allocation of the purchase price.

In conjunction with its acquisitions, the Company has established reserves for certain costs associated with facility shutdown and consolidation activities and for general and payroll related costs primarily for planned employee termination activities. As of December 31, 2000, approximately \$7.3 million and \$3.9 million were recorded for facility shutdown and payroll related costs, respectively. Costs incurred and charged to such reserves amounted to \$0.7 million for facility shutdown costs and \$1.1 million for payroll related termination costs for the three months ended

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March 31, 2001. At March 31, 2001, liabilities of approximately \$6.6 million for costs associated with facility shutdown and consolidation activities and \$2.8 million of costs for planned employee termination activities remained. The timing of facility shutdown and consolidation activities has been adjusted to reflect customer concerns with supply interruption. These reserves have been utilized as originally intended and management believes the liabilities recorded for shutdown and consolidation activities are adequate but not excessive as of March 31, 2001.

6. The Company is a 40 percent partner in Metalsa S. de R.L. ("Metalsa") with Promotora de Empresas Zano, S.A. de C.V. ("Proeza"). The partnership agreement provides additional amounts of up to \$45 million payable based upon net earnings of Metalsa during 1998, 1999, and 2000. Based upon Metalsa's net earnings, the Company paid Proeza approximately \$9.0 million and \$7.9 million in additional consideration during 1999 and 2000, respectively. Based upon Metalsa's 2000 net earnings, the Company will pay Proeza approximately \$8.0 million in additional consideration during 2001.
7. On October 2, 2000, the Company's board of directors approved a comprehensive operational realignment plan (the "Plan"), which is intended to improve the Company's long-term competitive position and lower its cost structure. The Plan includes phasing out the heavy truck rail manufacturing in Milwaukee, Wisconsin; reducing stamping capacity by closing the Kalamazoo, Michigan facility; and consolidating related support activities across the enterprise. The Company recognized a charge to operations of approximately \$141.3 million in the fourth quarter of 2000, which reflects the estimated qualifying "exit costs" to be incurred over the next 12 months under the Plan.

The charge includes costs associated with asset impairments, severance and outplacement costs related to employee terminations, loss contract provisions and certain other exit costs. These activities are anticipated to result in a reduction of more than 800 employees. Through March 31, 2001, the Company had eliminated approximately 850 employees pursuant to the Plan. The estimated realignment charge does not cover certain aspects of the Plan, including movement of equipment and employee relocation and training. These costs will be recognized in future periods as incurred.

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The asset impairments consist of long-lived assets, including fixed assets, manufacturing equipment and land, from the facilities the Company intends to dispose of or discontinue. For assets that will be disposed of currently, the Company measured impairment based on estimated proceeds on the sale of the facilities and equipment. The carrying value of the long-lived assets held for sale or disposal is approximately \$3.8 million as of March 31, 2001. For assets that will be held and used in the future, the Company prepared a forecast of expected undiscounted cash flows to determine whether asset impairment existed, and used fair values to measure the required write-downs. These asset impairments have arisen only as a consequence of the Company making the decision to exit these activities during the fourth quarter of 2000. The assets will be abandoned or disposed of upon the exit of the activity, with expected completion during the first nine months of 2001.

The accrual for operational realignment and other costs is included in accrued liabilities in the accompanying consolidated balance sheet as of March 31, 2001. The table below summarizes the accrued operational

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realignment and other charges through March 31, 2001 (in millions):

	ASSET IMPAIRMENTS	SEVERANCE AND OUTPLACEMENT COSTS	LOSS CONTRACTS	
Provision for operational realignment and other charges	\$103.7	\$25.2	\$8.1	
Cash payments	--	(8.7)	(2.5)	
Non cash charges	(73.1)	--	--	
Balance at December 31, 2000	30.6	16.5	5.6	
Cash payments	--	(6.0)	(2.2)	
Non cash charges	(10.3)	--	--	
Balance at March 31, 2001	\$20.3	\$10.5	\$3.4	

8. Supplemental cash flow information (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Cash paid for -		
Interest	\$27,007	\$17,473
Income taxes	1,683	6,462

9. The following table presents comprehensive income, defined as changes in the stockholders' investment of the Company, for the three months ended March 31, 2001 and 2000 (in thousands):

	THREE MONTHS ENDED MARCH 31	
	2001	2000
Net income	\$12,861	\$37,123
Change in cumulative translation adjustment	(3,835)	(954)
Transition adjustment relating to loss on qualifying cash flow hedges	(4,200)	--
Unrealized loss on qualifying cash flow hedges	(2,500)	--
Comprehensive income	\$2,326	\$36,169

10. On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," issued by the Financial Accounting Standards Board in 1998. SFAS No. 133, as amended, establishes accounting and reporting standards requiring the recording of each derivative instrument in the balance sheet as either an asset or liability measured at fair value. Changes in the derivative instrument's fair value

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must be recognized currently in earnings unless specific hedge accounting criteria is met. For hedges which meet the criteria, the derivative instrument's gains and

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losses, to the extent effective, may be recognized in accumulated other comprehensive income or loss, rather than in earnings.

The Company has entered into an interest rate swap (see note 4) to hedge the exposure to interest rate fluctuations on the credit agreement. This agreement meets the specific hedge accounting criteria and is designated as a cash flow hedge. The effective portion of the cumulative gain or loss on the derivative instrument has been reported as a component of accumulated other comprehensive loss in stockholders' investment and will be recognized into current earnings in the same period or periods during which the hedged transactions affect current earnings.

The adoption of SFAS No. 133 on January 1, 2001 resulted in a pretax charge to accumulated other comprehensive loss of \$6.8 million (\$4.2 million net of income tax benefit) for derivative instruments that were issued, acquired or modified after December 31, 1998. The accumulated other comprehensive loss was attributable to losses on effective cash flow hedges. Amounts currently recorded in accumulated other comprehensive loss (\$6.7 million at March 31, 2001) will be reclassified into current earnings by September 2005, the termination date for the current agreement.

Derivative liabilities relating to the interest rate swap agreement totaling \$10.8 million have been recorded in accrued liabilities on the balance sheet as of March 31, 2001. The fair value of the interest rate swap agreement is based upon the difference between the contractual rates and the present value of the expected future cash flows on the hedged interest rate.

11. The following consolidating financial information presents balance sheets, statements of operations and cash flow information related to the Company's business. Each Guarantor, as defined, is a direct or indirect wholly-owned subsidiary of the Company and has fully and unconditionally guaranteed the 9.25 percent senior unsecured notes issued by R. J. Tower Corporation, on a joint and several basis. Tower Automotive, Inc. (the parent company) has also fully and unconditionally guaranteed the note and is reflected as the Parent Guarantor in the consolidating financial information. The Non-Guarantors are the Company's foreign subsidiaries. Separate financial statements and other disclosures concerning the Guarantors have not been presented because management believes that such information is not material to investors.

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TOWER AUTOMOTIVE INC.

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CONSOLIDATING BALANCE SHEETS AT MARCH 31, 2001  
(AMOUNTS IN THOUSANDS - UNAUDITED)

	R. J. TOWER CORPORATION -----	PARENT GUARANTOR -----
ASSETS		
-----		
Current assets:		
Cash and cash equivalents	\$ (8,222)	\$ --
Accounts receivable, net	5,507	--
Inventories, net	2,055	--
Prepaid tooling and other	24,255	--
	-----	-----
Total current assets	23,595	--
	-----	-----
Property, plant and equipment, net	39,696	--
Investments in joint ventures	252,278	44,740
Investment in subsidiaries	542,776	703,055
Goodwill and other assets, net	22,511	10,680
	-----	-----
	\$ 880,856	\$ 758,475
	=====	=====
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
-----		
Current liabilities		
Current maturities of long-term debt and capital lease obligations	\$ 32,579	\$ --
Accounts payable	(2,920)	--
Accrued liabilities	56,111	1,667
	-----	-----
Total current liabilities	85,770	1,667
	-----	-----
Long-term debt, net of current maturities	866,100	--
Obligations under capital leases, net of current maturities	--	--
Convertible subordinated notes	--	200,000
Due to/(from) affiliates	(829,903)	(404,997)
Deferred income taxes	30,276	--
Other noncurrent liabilities	9,237	--
	-----	-----
Total noncurrent liabilities	75,710	(204,997)
	-----	-----
Mandatorily redeemable trust convertible preferred securities	--	258,750
Stockholders' investment	727,141	703,055
Accumulated other comprehensive loss	(7,765)	--
	-----	-----
Total stockholders' investment	719,376	703,055
	-----	-----
	\$ 880,856	\$ 758,475
	=====	=====
	NON-GUARANTOR COMPANIES -----	ELIMINATIONS -----

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ASSETS

-----		
Current assets:		
Cash and cash equivalents	\$ 8,014	\$ --
Accounts receivable, net	112,683	--
Inventories, net	35,019	--
Prepaid tooling and other	34,086	--
	-----	-----
Total current assets	189,802	--
	-----	-----
Property, plant and equipment, net	242,943	--
Investments in joint ventures	--	--
Investment in subsidiaries	--	(1,245,831)
Goodwill and other assets, net	278,798	--
	-----	-----
	\$ 711,543	\$ (1,245,831)
	=====	=====

LIABILITIES AND STOCKHOLDERS' INVESTMENT

-----		
Current liabilities		
Current maturities of long-term debt and capital lease obligations	\$ 99,675	\$ --
Accounts payable	93,035	--
Accrued liabilities	54,143	--
	-----	-----
Total current liabilities	246,853	--
	-----	-----
Long-term debt, net of current maturities	85,640	--
Obligations under capital leases, net of current maturities	--	--
Convertible subordinated notes	--	--
Due to/(from) affiliates	243,601	--
Deferred income taxes	5,000	--
Other noncurrent liabilities	39,261	--
	-----	-----
Total noncurrent liabilities	373,502	--
	-----	-----
Mandatorily redeemable trust convertible preferred securities	--	--
Stockholders' investment	103,630	(1,245,831)
Accumulated other comprehensive loss	(12,442)	--
	-----	-----
Total stockholders' investment	91,188	(1,245,831)
	-----	-----
	\$ 711,543	\$ (1,245,831)
	=====	=====

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	R. J. TOWER CORPORATION	PARENT GUARANTOR	GUARANTOR COMPANIES	NON-GUA COMPA
Revenues	\$ 18,623	\$ --	\$ 399,876	\$ 209
Cost of sales	9,453	--	355,123	184
Gross profit	9,170	--	44,753	25
Selling, general and administrative expenses	342	--	25,731	9
Amortization expense	533	321	3,617	1
Operating income	8,295	(321)	15,405	14
Interest expense, net	18,518	1,672	(3,712)	3
Income before provision for income taxes	(10,223)	(1,993)	19,117	11
Provision for income taxes	(3,987)	(778)	7,456	4
Income before equity in earnings of joint ventures and minority interest	(6,236)	(1,215)	11,661	6
Equity in earnings of joint ventures and subsidiaries	22,976	16,740	--	
Minority interest - dividends on trust preferred, net	--	(2,664)	--	
Net income	\$ 16,740	\$ 12,861	\$ 11,661	\$ 6

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TOWER AUTOMOTIVE INC.  
CONSOLIDATING STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2001  
(AMOUNTS IN THOUSANDS - UNAUDITED)

	R. J. TOWER CORPORATION	PARENT GUARANTOR	GUARANTOR COMPANIES	NON-GUA COMPA
OPERATING ACTIVITIES:				
Net income	\$ 16,740	\$ 12,861	\$ 11,661	\$
Adjustments required to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	1,452	321	28,360	
Deferred income tax provision	5,274	--	631	
Changes in other operating items	6,969	(2,119)	22,739	(2
Net cash provided by (used in) operating activities	30,435	11,063	63,391	(1

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INVESTING ACTIVITIES:				
Capital expenditures, net	(3,370)	--	(58,418)	(
Acquisitions and other, net	(42,765)	(11,697)	(5,677)	)
	-----	-----	-----	-----
Net cash provided by (used in) investing activities	(46,135)	(11,697)	(64,095)	(
	-----	-----	-----	-----
FINANCING ACTIVITIES:				
Proceeds from borrowings	660,830	--	--	1
Repayments of debt	(634,580)	--	(663)	(1
Net proceeds from the issuance of common stock	--	634	--	)
	-----	-----	-----	-----
Net cash provided by (used for) financing activities	26,250	634	(663)	(
	-----	-----	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,550	--	(1,367)	(1
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	(18,772)	--	1,575	2
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ (8,222)	\$ --	\$ 208	\$
	=====	=====	=====	=====

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TOWER AUTOMOTIVE INC.  
CONSOLIDATING BALANCE SHEETS AT DECEMBER 31, 2000  
(AMOUNTS IN THOUSANDS)

	R. J. TOWER CORPORATION	PAREN GUARANT
	-----	-----
ASSETS		
-----		
Current assets:		
Cash and cash equivalents	\$ (18,772)	\$
Accounts receivable, net	6,983	
Inventories, net	2,032	
Prepaid tooling and other	24,704	
	-----	-----
Total current assets	14,947	
	-----	-----
Property, plant and equipment, net	37,245	
Investments in joint ventures	221,165	43,
Investment in subsidiaries	541,468	734,
Goodwill and other assets, net	21,527	11,
	-----	-----
	\$ 836,352	\$ 789,
	=====	=====
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
-----		
Current liabilities		



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Current maturities of long-term debt and capital lease obligations	\$ 56,569	\$
Accounts payable	(13,260)	
Accrued liabilities	35,183	4,
	-----	-----
Total current liabilities	78,492	4,
	-----	-----
Long-term debt, net of current maturities	800,401	
Obligations under capital leases, net of current maturities	--	
Convertible subordinated notes	--	200,
Due to/(from) affiliates	(822,981)	(373,
Deferred income taxes	29,102	
Other noncurrent liabilities	9,060	
	-----	-----
Total noncurrent liabilities	15,582	(173,
	-----	-----
Mandatorily redeemable trust convertible preferred securities	--	258,
Stockholders' investment	744,296	700,
Accumulated other comprehensive income (loss) - cumulative translation adjustment	(2,018)	
	-----	-----
Total stockholders' investment	742,278	700,
	-----	-----
	\$ 836,352	\$ 789,
	=====	=====

NON-GUARANTOR  
COMPANIES

ELIMINAT

ASSETS

Current assets:		
Cash and cash equivalents	\$ 20,570	\$
Accounts receivable, net	99,011	
Inventories, net	46,967	
Prepaid tooling and other	26,308	
	-----	-----
Total current assets	192,856	
	-----	-----
Property, plant and equipment, net	238,360	
Investments in joint ventures	--	
Investment in subsidiaries	--	(1,27
Goodwill and other assets, net	308,403	
	-----	-----
	\$ 739,619	\$ (1,27
	=====	=====

LIABILITIES AND STOCKHOLDERS' INVESTMENT

Current liabilities		
Current maturities of long-term debt and capital lease obligations	\$ 91,020	\$
Accounts payable	104,925	

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Accrued liabilities	34,868	
	-----	-----
Total current liabilities	230,813	
	-----	-----
Long-term debt, net of current maturities	88,254	
Obligations under capital leases, net of current maturities	--	
Convertible subordinated notes	--	
Due to/(from) affiliates	280,744	
Deferred income taxes	5,413	
Other noncurrent liabilities	44,279	
	-----	-----
Total noncurrent liabilities	418,690	
	-----	-----
Mandatorily redeemable trust convertible preferred securities	--	
Stockholders' investment	97,770	(1,27
Accumulated other comprehensive income (loss) - cumulative translation adjustment	(7,654)	
	-----	-----
Total stockholders' investment	90,116	(1,27
	-----	-----
	\$ 739,619	\$ (1,27
	=====	=====

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TOWER AUTOMOTIVE INC.  
CONSOLIDATING STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000  
(AMOUNTS IN THOUSANDS - UNAUDITED)

	R.J. TOWER CORPORATION	PARENT GUARANTOR	GUARANTOR COMPANIES	NON-GUA COMPA
	-----	-----	-----	-----
Revenues	\$ 21,889	\$	\$ 549,193	\$ 114
Cost of sales	15,660	--	456,008	101
	-----	-----	-----	-----
Gross profit	6,229	--	93,185	12
Selling, general and administrative expenses	3,454	--	26,808	4
Amortization expense	364	435	3,560	
	-----	-----	-----	-----
Operating income	2,411	(435)	62,817	7
Interest expense, net	10,529	1,931	(1,234)	1
	-----	-----	-----	-----
Income before provision for income taxes	(8,118)	(2,366)	64,051	5
Provision for income taxes	(3,248)	(946)	25,621	2
	-----	-----	-----	-----
Income before equity in earnings of				

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joint ventures and minority interest	(4,870)	(1,420)	38,430	3
Equity in earnings of joint ventures and subsidiaries	46,032	41,162	--	
Minority interest - dividends on trust preferred, net	--	(2,619)	--	
Net income	<u>\$ 41,162</u>	<u>\$ 37,123</u>	<u>\$ 38,430</u>	<u>\$ 3</u>

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TOWER AUTOMOTIVE INC.  
CONSOLIDATING STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2000  
(AMOUNTS IN THOUSANDS - UNAUDITED)

	R.J. TOWER CORPORATION	PARENT GUARANTOR	GUARANTOR COMPANIES	NON-GUA COMPA
OPERATING ACTIVITIES:				
Net income	\$ 41,162	\$ 37,123	\$ 38,430	\$
Adjustments required to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	1,447	435	29,548	
Deferred income tax provision	10,559	--	--	
Changes in other operating items	(133,682)	(2,500)	(6,026)	8
Net cash provided by (used in) operating activities	<u>(80,514)</u>	<u>35,058</u>	<u>61,952</u>	<u>9</u>
INVESTING ACTIVITIES:				
Capital expenditures, net	326	--	(53,674)	(
Acquisitions and other, net	(62,755)	(36,176)	(6,104)	(9
Net cash provided by (used in) investing activities	<u>(62,429)</u>	<u>(36,176)</u>	<u>(59,778)</u>	<u>(9</u>
FINANCING ACTIVITIES:				
Proceeds from borrowings	835,226	--	21	
Repayments of debt	(691,223)	--	(3,158)	(
Net proceeds from the issuance of common stock	--	1,118	--	
Net cash provided by (used for) financing activities	<u>144,003</u>	<u>1,118</u>	<u>(3,137)</u>	<u></u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>1,060</u>	<u>--</u>	<u>(963)</u>	<u>(</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,312</u>	<u>--</u>	<u>484</u>	<u></u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,372</u>	<u>\$ --</u>	<u>\$ (479)</u>	<u>\$ (</u>

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

#### RESULTS OF OPERATIONS

##### COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2001 TO THE THREE MONTHS ENDED MARCH 31, 2000

Revenues -- Revenues for the first quarter of 2001 were \$628.4 million, an 8.3 percent decrease, compared to \$685.4 million for the prior period. The decrease in revenues is comprised of a decline in volumes on models such as the Dodge Dakota and Durango, the Chrysler LH, the Ford Ranger and the Lincoln LS/Jaguar S-Type. The volume decline, which primarily affected the U.S. and Canada business units, accounted for \$126.8 million of the revenue decline in the first quarter of 2001 as compared to the first quarter of 2000. Other declines in revenues from the first quarter of 2001 are attributable to the decline in General Motors light truck program sales and heavy truck business and amounted to \$45.0 million. These declines were offset by increases in revenue in the first quarter of 2001 due to the Algoods, Caterina, Presskam and Seojin acquisitions totaling \$114.8 million. The strength of sales volumes for the remainder of 2001 continues to be uncertain.

Cost of Sales -- Cost of sales as a percentage of revenues for the first quarter of 2001 was 87.4 percent compared to 83.7 percent for the prior period. The decline in gross profit was primarily due to decreased production volumes and product mix on light truck, sport utility and other models served by the Company in North America and increasing sales with lower margins in Europe, Asia, and South America. Increased costs associated with the launch of the Ford Explorer, Dodge Ram truck and GM Sigma programs also contributed to the first quarter of 2001 decline in gross margins from the first quarter of 2000.

S, G & A Expenses -- Selling, general and administrative expenses increased to \$35.3 million, or 5.6 percent of revenues, for the first quarter of 2001 compared to \$34.7 million, or 5.1 percent of revenues for the prior period. This increase was due primarily to incremental costs associated with the Company's acquisitions of Algoods, Caterina, Presskam and Seojin of \$4.3 million. This increase was offset by \$3.7 million in decreased costs due mainly to reductions in headcount in the consolidation of the Company's support activities.

Amortization Expense -- Amortization expense for the first quarter of 2001 was \$6.1 million compared to \$5.1 million for the prior period. The increase was due to incremental goodwill amortization related to the acquisitions of Algoods, Caterina, Presskam, and Seojin.

Interest Expense -- Interest expense for the first quarter of 2001 was \$19.7 million compared to \$13.2 million for the prior period. Interest expense was affected by increased borrowings incurred to fund the Company's acquisitions of Algoods, Caterina, and Presskam. Rate increases on the credit facilities entered into in July 2000 along with the issuance of the senior Euro notes in July 2000 also contributed to the increase in interest expense. These increases were offset by an increase in capitalized interest of \$1.9 million.

Income Taxes -- The effective income tax rate was 38.7 percent and 40.0 percent for the first quarters of 2001 and 2000, respectively. The decrease in the effective rate is due primarily as a result of increased income in lower tax jurisdictions.

Equity in Earnings of Joint Ventures -- Equity in earnings of joint ventures, net of tax, was \$4.4 million and \$4.5 million for the first quarters of 2001 and 2000, respectively. These amounts represent the Company's share of the earnings from its joint venture interests in Metalsa, Caterina, Tower Golden Ring, and Seojin.

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Minority Interest -- Minority interest for the first quarters of 2001 and 2000 represents dividends, net of income tax benefits, on the Preferred Securities.

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### RESTRUCTURING AND ASSET IMPAIRMENT CHARGE

On October 2, 2000, the Company's board of directors approved a comprehensive operational realignment plan (the "Plan"), which is intended to improve the Company's long-term competitive position and lower its cost structure. The Plan includes phasing out the heavy truck rail manufacturing in Milwaukee, Wisconsin; reducing stamping capacity by closing the Kalamazoo, Michigan facility; and consolidating related support activities across the enterprise. The Company recognized a charge to operations of approximately \$141.3 million in the fourth quarter of 2000, which reflects the estimated qualifying "exit costs" to be incurred over the next 12 months under the Plan.

The charge includes costs associated with asset impairments, severance and outplacement costs related to employee terminations, loss contract provisions and certain other exit costs. These activities are anticipated to result in a reduction of more than 800 employees. Through March 31, 2001, the Company had eliminated approximately 850 employees pursuant to the Plan. The estimated realignment charge does not cover certain aspects of the Plan, including movement of equipment and employee relocation and training. These costs will be recognized in future periods as incurred.

The asset impairments consist of long-lived assets, including fixed assets, manufacturing equipment and land, from the facilities the Company intends to dispose of or discontinue. For assets that will be disposed of currently, the Company measured impairment based on estimated proceeds on the sale of the facilities and equipment. The carrying value of the long-lived assets held for sale or disposal is approximately \$3.8 million as of March 31, 2001. For assets that will be held and used in the future, the Company prepared a forecast of expected undiscounted cash flows to determine whether asset impairment existed, and used fair values to measure the required write-downs. These asset impairments have arisen only as a consequence of the Company making the decision to exit these activities during the fourth quarter of 2000. The assets will be abandoned or disposed of upon the exit of the activity, with expected completion during the first nine months of 2001.

The accrual for operational realignment and other costs is included in accrued liabilities in the accompanying consolidated balance sheet as of March 31, 2001. The table below summarizes the accrued operational realignment and other charges through March 31, 2001 (in millions):

	ASSET IMPAIRMENTS	SEVERANCE AND OUTPLACEMENT COSTS	LOSS CONTRACTS
	-----	-----	-----
Provision for operational realignment and other charges	\$103.7	\$25.2	\$8.1
Cash payments	--	(8.7)	(2.5)
Non cash charges	(73.1)	--	--
	-----	-----	-----
Balance at December 31, 2000	30.6	16.5	5.6

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Cash payments	--	(6.0)	(2.2)
Non cash charges	(10.3)	--	--
	-----		
Balance at March 31, 2001	\$20.3	\$10.5	\$3.4
	=====		

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LIQUIDITY AND CAPITAL RESOURCES

In July 2000, the Company replaced its existing \$750 million amortizing credit agreement with a new six-year \$1.15 billion senior unsecured credit agreement. The new credit agreement includes a non-amortizing revolving facility of \$825 million along with an amortizing term loan of \$325 million. The new facility also includes a multi-currency borrowing feature that allows the Company to borrow up to \$500 million in certain freely tradable offshore currencies, and letter of credit sublimits of \$100 million. As of March 31, 2001, approximately \$13.4 million of the outstanding borrowings are denominated in Japanese yen and \$62.3 million of the outstanding borrowings are denominated in Euro. Interest on the new credit facility is at the financial institutions' reference rate, LIBOR, or the Eurodollar rate plus a margin ranging from 0 to 200 basis points depending on the ratio of the consolidated funded debt for restricted subsidiaries of the Company to its total EBITDA. The weighted average interest rate for such borrowings was 7.6 percent for year ended March 31, 2001. The new credit agreement has a final maturity of 2006. As a result of the debt replacement, the Company recorded an extraordinary loss, net of tax, of \$3.0 million during the third quarter of 2000.

In July 2000, R. J. Tower (the "Issuer"), a wholly-owned subsidiary of the Company, issued Euro-denominated senior unsecured notes in the amount of 150 million (approximately \$131.6 million at March 31, 2001). The notes bear interest at a rate of 9.25 percent, payable semi-annually. The notes rank equally with all of the Company's other unsecured and unsubordinated debt. The net proceeds after issuance costs were used to repay a portion of the Company's existing Euro-denominated indebtedness under its existing credit facility. The notes mature on August 1, 2010.

In September 2000, the Company entered into an interest rate swap contract to hedge against interest rate exposure on approximately \$160 million of its floating rate indebtedness under its \$1.15 billion senior unsecured credit facility. The contracts have the effect of converting the floating rate interest to a fixed rate of approximately 6.9 percent, plus any applicable margin required under the revolving credit facility. The interest rate swap contract was executed to balance the Company's fixed-rate and floating-rate debt portfolios and it expires in September 2005.

Effective January 1, 2001, unrealized gains and losses on interest rate swap agreements used to hedge the Company's exposure to interest rate fluctuations are recognized currently for financial reporting purposes. The swap agreement is marked to market on a quarterly basis. The effect of this change as of January 1, 2001, was a pretax charge to accumulated other comprehensive loss of \$6.8 million (\$4.2 million net of income tax benefit). During the first quarter of 2001, pretax other comprehensive loss increased by \$4.0 million (\$2.5 million net of income tax benefit) to reflect an unrealized loss on the swap agreement from January 1, 2001 to March 31, 2001.

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During the first quarter of 2001, the Company generated \$40.8 million of cash from operations compared with generating \$11.3 million in the 2000 period. Cash provided by net income, depreciation, amortization, and deferred income tax provision of \$57.4 million in 2001 and \$83.4 million in 2000, was partially offset by cyclical increases in working capital requirements and other operating items of \$16.6 million and \$72.1 million, respectively.

Net cash used in investing activities was \$76.4 million during the first quarter of 2001 as compared to \$159.6 million in the prior period. Net capital expenditures totaled \$68.9 million in the first quarter of 2001 for equipment and dedicated tooling purchases related to new or replacement programs. This compares with net capital expenditures of \$57.3 million for the prior period.

Net cash provided by financing activities totaled \$32.3 million for the first quarter of 2001 compared with \$146.5 million in 2000.

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At March 31, 2001, the Company had unused borrowing capacity of approximately \$121 million, under its most restrictive debt covenant. The Company believes the borrowing availability under its credit agreement, together with funds generated by operations, should provide liquidity and capital resources to pursue its business strategy for the foreseeable future, with respect to working capital, capital expenditures, and other operating needs. The Company estimates its 2001 capital expenditures will approximate \$225 million. Under present conditions, management does not believe access to funds will restrict its ability to pursue its business strategy.

### EFFECTS OF INFLATION

Inflation generally affects the Company by increasing the interest expense of floating-rate indebtedness and by increasing the cost of labor, equipment and raw materials. Management believes that inflation has not significantly affected the Company's business over the past 12 months. However, because selling prices generally cannot be increased until a model changeover, the effects of inflation must be offset by productivity improvements and volume from new business awards.

### MARKET RISK

The Company is exposed to various market risks, including changes in foreign currency exchange rates and interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. The Company's policy is not to enter into derivatives or other financial instruments for trading or speculative purposes. The Company enters into financial instruments to manage and reduce the impact of changes in interest rates.

Interest rate swaps are entered into as a hedge of underlying debt instruments to effectively change the characteristics of the interest rate without actually changing the debt instrument. Therefore, these interest rate swap agreements convert outstanding floating rate debt to fixed rate debt for a period of time. For fixed rate debt, interest rate changes affect the fair market value but do not impact earnings and cash flows. Conversely for floating rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant.

At March 31, 2001, the Company had total debt and obligations under capital leases of \$1.3 billion. The debt is comprised of fixed rate debt of \$491.6

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million and floating rate debt of \$846.4 million. The pre-tax earnings and cash flows impact for the next year resulting from a one percentage point increase in interest rates on variable rate debt would be approximately \$8.5 million, holding other variables constant. A one-percentage point increase in interest rates would not materially impact the fair value of the fixed rate debt.

A portion of Tower Automotive's revenue was derived from manufacturing operations in Europe, Asia, and South America. The results of operations and financial position of the Company's foreign operations are principally measured in its respective currency and translated into U. S. dollars. The effects of foreign currency fluctuations in Europe, Asia, and South America are somewhat mitigated by the fact that expenses are generally incurred in the same currency in which revenues are generated. The reported income of these subsidiaries will be higher or lower depending on a weakening or strengthening of the U. S. dollar against the respective foreign currency.

A portion of Tower Automotive's assets is based in its foreign operations and is translated into U. S. dollars at foreign currency exchange rates in effect as of the end of each period, with the effect of such translation reflected as a separate component of stockholders' investment. Accordingly, the Company's consolidated stockholders' investment will fluctuate depending upon the weakening or strengthening of the U. S. dollar against the respective foreign currency.

The Company's strategy for management of currency risk relies primarily upon conducting its operations in a country's respective currency and may, from time to time, engage in hedging programs intended to reduce the Company's exposure to currency fluctuations. As of March 31, 2001, the Company held no foreign currency hedge positions. Management believes the effect of a one percent appreciation or depreciation in

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foreign currency rates would not materially affect the Company's financial position or results of operations for the periods presented.

### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended on January 1, 2001 (see note 10). The effect of this change as of January 1, 2001, was a pretax charge to accumulated other comprehensive loss of \$6.8 million (\$4.2 million net of income tax benefit). During the first quarter of 2001, pretax other comprehensive loss increased by \$4.0 million (\$2.5 million net of income tax benefit) to reflect an unrealized loss on the swap agreement from January 1, 2001 through March 31, 2001.

### FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this Form 10-Q, including without limitation the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Form 10-Q, the words "anticipate," "believe," "estimate," "expect," "intends," and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by and information currently available to the Company at the time such statements were made. Various economic and competitive



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factors could cause actual results to differ materially from those discussed in such forward-looking statements, including factors which are outside the control of the Company, such as risks relating to: (i) the degree to which the Company is leveraged; (ii) the Company's reliance on major customers and selected models; (iii) the cyclical nature and seasonality of the automotive market; (iv) the failure to realize the benefits of recent acquisitions and joint ventures; (v) obtaining new business on new and redesigned models; (vi) the Company's ability to continue to implement its acquisition strategy; and (vii) the highly competitive nature of the automotive supply industry. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by such cautionary statements.

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PART II. OTHER INFORMATION

TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES

Item 1. Legal Proceedings:

None

Item 2. Change in Securities:

None

Item 3. Defaults Upon Senior Securities:

None

Item 4. Submission of Matters to a Vote of Security Holders:

None

Item 5. Other Information:

None

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

(b) During the quarter for which this report is filed, the Company filed the following Form 8-K Current Reports with the Securities and Exchange Commission:

1. The Company's current report on Form 8-K dated February 2, 2001, Under Item 5 (Commission File No. 1-12733).

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SIGNATURE

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

TOWER AUTOMOTIVE, INC.

Date: May 15, 2001

By /s/ Anthony A. Barone

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Anthony A. Barone  
Vice President, Chief Financial Officer  
(principal accounting and financial officer)