TOWER AUTOMOTIVE INC
Form 10-Q
October 03, 2005

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**Form 10-Q**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2005**

**OR**

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

**For the transition period from ___to ___**

**Commission file number 1-12733**

**TOWER AUTOMOTIVE, INC.**

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **41-1746238** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **27175 Haggerty Road Novi, Michigan** | **48377** |
| (Address of principal executive offices) | (Zip Code) |

**(248) 675-6000**

(Registrant s telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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

Yes þ No o

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes þ No o

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

Yes o No þ

The number of shares outstanding of the Registrant s Common Stock, par value $.01 per share, at April 29, 2005 was 58,528,554 shares.

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**PART 1 FINANCIAL INFORMATION**

**ITEM 1. Financial Statements.**

**TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Amounts in thousands unaudited)**

| | March 31, 2005 | December 31, 2004 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 35,598 | $ 149,101 |
| Accounts receivable | 528,912 | 346,031 |
| Inventories | 161,366 | 159,034 |
| Prepaid tooling and other | 127,118 | 124,938 |
| Total current assets | 852,994 | 779,104 |
| Property, plant and equipment, net | 1,161,655 | 1,205,640 |
| Investments in joint ventures | 216,144 | 227,740 |
| Goodwill | 166,985 | 174,563 |
| Other assets, net | 152,187 | 173,727 |
| Total assets | $ 2,549,965 | $ 2,560,774 |
| **LIABILITIES AND STOCKHOLDERS DEFICIT** | | |
| Current liabilities not subject to compromise: | | |
| Current maturities of long-term debt and capital lease obligations | $ 139,828 | $ 133,156 |
| Accounts payable | 327,216 | 638,118 |
| Accrued liabilities | 307,360 | 286,262 |
| Total current liabilities | 774,404 | 1,057,536 |
| Liabilities subject to compromise | 1,127,364 | |
| Non-current liabilities not subject to compromise: | | |
| Long-term debt, net of current maturities | 105,662 | 1,239,562 |
| Debtor-in-Possession borrowings | 510,738 | |
| Convertible senior debentures | | 121,723 |
| Obligations under capital leases, net of current maturities | 34,689 | 36,823 |
| Other non-current liabilities | 222,738 | 226,062 |
| Total non-current liabilities | 873,827 | 1,624,170 |

| | | |
|---|---|---|
| Stockholders deficit: | | |
| Preferred stock | | |
| Common stock | 666 | 666 |
| Additional paid-in-capital | 681,284 | 681,084 |
| Retained deficit | (814,554) | (715,754) |
| Deferred compensation plans | (7,510) | (7,636) |
| Accumulated other comprehensive loss | (36,192) | (29,968) |
| Treasury stock | (49,324) | (49,324) |
| Total stockholders deficit | (225,630) | (120,932) |
| Total liabilities and stockholders deficit | $ 2,549,965 | $ 2,560,774 |

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

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**TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Amounts in thousands, except per share amounts unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2005** | **2004** |
| Revenues | $ 915,880 | $ 781,236 |
| Cost of sales | 851,089 | 720,591 |
| Gross profit | 64,791 | 60,645 |
| Selling, general and administrative expenses | 43,206 | 34,154 |
| Restructuring and asset impairment charges, net | 31,895 | (5,607) |
| Operating income (loss) | (10,310) | 32,098 |
| Interest expense, net (contractual interest of $55,967 in 2005) | 43,670 | 31,470 |
| Chapter 11 and related reorganization items | 41,622 | |
| Income (loss) before provision for income taxes, equity in earnings of joint ventures, minority interest, and gain on sale of joint venture | (95,602) | 628 |
| Provision (benefit) for income taxes | 6,125 | 478 |
| Income (loss) before equity in earnings of joint ventures, minority interest, and gain on sale of joint venture | (101,727) | 150 |
| Equity in earnings of joint ventures, net of tax | 4,263 | 3,447 |
| Minority interest, net of tax | (1,334) | (1,311) |
| Gain on sale of joint venture, net of tax | | 9,732 |
| Net income(loss) | $ (98,798) | $ 12,018 |
| Basic earnings (loss) per share | $ (1.68) | $ 0.21 |
| Weighted average basic shares outstanding | 58,648 | 57,342 |
| Diluted earnings (loss) per share | $ (1.68) | $ 0.21 |
| Weighted average diluted shares outstanding | 58,648 | 58,110 |

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

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**TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Amounts in thousands unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2005** | **2004** |
| **OPERATING ACTIVITIES:** | | |
| Net income (loss) | $ (98,798) | $ 12,018 |
| Adjustments required to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Chapter 11 and related reorganization items, net | 38,188 | |
| Non-cash restructuring and impairment | 32,095 | (6,276) |
| Depreciation | 43,591 | 38,357 |
| Deferred income tax provision (benefit) | 2,343 | (4,104) |
| Gain on sale of joint venture investment | | (9,732) |
| Equity in earnings of joint ventures, net | (4,263) | (3,447) |
| Change in working capital and other operating items | (190,011) | (89,700) |
| Net cash used in operating activities | (176,855) | (62,884) |
| **INVESTING ACTIVITIES:** | | |
| Capital expenditures | (31,977) | (53,186) |
| Divestitures and other | | 54,595 |
| Acquisitions | | (21,299) |
| Net cash used in investing activities | (31,977) | (19,890) |
| **FINANCING ACTIVITIES:** | | |
| Proceeds from borrowings | 16,151 | 14,630 |
| Repayments of borrowings | (433,435) | (14,409) |
| Proceeds from DIP credit facility borrowings | 623,738 | |
| Repayments of DIP credit facility borrowings | (111,125) | |
| Net cash provided by financing activities | 95,329 | 221 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (113,503) | (82,553) |
| Cash and cash equivalents, beginning of period | 149,101 | 160,899 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | $ 35,598 | $ 78,346 |

**Supplemental Cash Flow Information:**

| | | | | |
|---|---|---|---|---|
| Interest paid, net of amounts capitalized | $ | 13,074 | $ | 29,118 |
| Income taxes paid (refunded) | $ | (295) | $ | (863) |

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)

**1. Basis of Presentation**

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 primarily 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 the rules and regulations of the Securities and Exchange Commission. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these condensed consolidated financial statements should 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, 2004.

As indicated in Note 2, Tower Automotive, Inc. and 25 of its U.S. Subsidiaries (collectively the Debtors ) are operating pursuant to Chapter 11 under the Bankruptcy Code and continuation of the Company as a going concern is contingent upon, among other things, the Debtors ability: (i) to comply with the terms and conditions of the Debtor-in-Possession financing agreement described in Note 4; (ii) to obtain confirmation of a plan of reorganization under the Bankruptcy Code; (iii) to undertake certain restructuring actions relative to the Company s operations in North America; (iv) to reduce unsustainable debt and other liabilities and simplify the Company s complex and restrictive capital structure through the bankruptcy process; (v) to return to profitability; (vi) to generate sufficient cash flow from operations and; (vii) to obtain financing sources to meet the Company s future obligations. These matters create uncertainty regarding the Company s ability to continue as a going concern. The accompanying condensed consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of liabilities that might result from the outcome of these uncertainties. In addition, a plan of reorganization could materially change amounts reported in the Company s consolidated financial statements, which do not give effect to any adjustments of the carrying value of assets and liabilities that are necessary as a consequence of reorganization under Chapter 11.

Subsequent to the bankruptcy filing date, the provisions in Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code ( SOP 90-7 ) applies to the Debtors financial statements while the Debtors operate under the provisions of Chapter 11. SOP 90-7 does not change the application of generally accepted accounting principles in the preparation of financial statements. However, SOP 90-7 does require that the financial statements, for periods including and subsequent to the filing of the Chapter 11 petition, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business.

Revenues and operating results for the three months ended March 31, 2005 are not necessarily indicative of the results to be expected for the full year or any future period.

**2. Chapter 11 Reorganization Proceedings**

On February 2, 2005 (the Petition Date ), the Debtors filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code ( Bankruptcy Code ) in the United States Bankruptcy Court Southern District of New York ( Bankruptcy Court ). The cases were consolidated for administrative purposes. An extensive liquidity deficiency in early 2005 and a significant amount of indebtedness, incurred through internal growth and acquisition activity made the filing necessary. The Debtors are operating their businesses as debtors-in-possession ( DIP ) pursuant to the Bankruptcy Code. An official committee of unsecured creditors has been appointed.

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Customer pricing pressures, North American automotive production cuts, significantly higher material costs involving primarily steel and the termination of accelerated payment programs of certain customers adversely affected the Debtors operations and financial condition.

Pursuant to the provisions of the Bankruptcy Code, all actions to collect upon any of the Debtors liabilities as of the petition date or to enforce pre-petition date contractual obligations are automatically stayed. As a general rule, absent approval from the Bankruptcy Court, the Debtors are prohibited from paying pre-petition obligations. In addition, as a consequence of the Chapter 11 filing, pending litigation against the Debtors is generally stayed, and no party may take any action to collect pre-petition claims except pursuant to an order of the Bankruptcy Court. However, the Debtors have requested that the Bankruptcy Court approve certain pre-petition liabilities, such as payments for the retention of certain legal and financial professionals, employee wages and benefits and certain other pre-petition obligations. Since the filing, all orders sufficient to enable the Debtors to conduct normal business activities, including the approval of the Debtors DIP financing, have been entered by the Bankruptcy Court. While the Debtors are subject to Chapter 11, all transactions of the Debtors outside the ordinary course of business will require the prior approval of the Bankruptcy Court.

The objectives of this Chapter 11 filing were to protect and preserve the value of assets and to restructure and improve the Debtors financial and operational affairs in order to return to profitability. While the Company believes it will be able to significantly reduce the Debtors unsustainable liabilities and simplify its complex and restrictive capital structure through the bankruptcy process, there can be no certainty that it will be successful in doing so.

The Debtors intend to file a plan of reorganization with the Bankruptcy Court. The Company is unable to estimate what recovery such a plan of reorganization will provide holders of the Debtors unsecured pre-petition debt. While the Debtors filed for Chapter 11 to gain relief from significant pre-petition debt levels and to address needed operational restructuring of the business the extent to which such relief will be achieved is uncertain at this time. See Note 4 for a description of the DIP financing.

*Financial Statement Classification*

The majority of the Debtors pre-petition debt is in default and is classified as Liabilities Subject to Compromise in the accompanying Consolidated Balance Sheet at March 31, 2005 (See Note 4).

In addition to the Debtors pre-petition debt which is in default, liabilities subject to compromise reflects the Debtors other liabilities incurred prior to the commencement of the bankruptcy proceedings. These amounts represent the Company s estimate of known or potential pre-petition claims to be resolved in connection with the bankruptcy proceedings. Such claims remain subject to future adjustments. Future adjustments may result from: (i) negotiations; (ii) actions of the Bankruptcy Court; (iii) further developments with respect to disputed claims; (iv) rejection of executory contracts and leases; (v) the determination of value of any collateral securing claims; (vi) proofs of claims; or (vii) other events. Payment terms for these claims will be established in connection with a plan of reorganization.

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Liabilities subject to compromise consist of the following (in thousands):

| | | March 31, 2005 |
|---|---|---|
| Debt: | | |
| 5.75% Convertible senior debentures | $ | 125,000 |
| Due to Tower Automotive Capital Trust | | 258,750 |
| 9.25% Senior Euro notes | | 195,555 |
| 12% Senior notes | | 258,000 |
| Total debt | | 837,305 |
| Accounts payable | | 260,689 |
| Accrued interest on debt subject to compromise | | 21,128 |
| Accrued liabilities | | 3,616 |
| Executory contracts | | 4,626 |
| Consolidated liabilities subject to compromise | | 1,127,364 |
| Inter-company payable to non-Debtor subsidiaries | | 16,363 |
| Total liabilities subject to compromise | $ | 1,143,727 |

The Debtors have incurred certain professional and other expenses directly associated with the bankruptcy proceedings. In addition, the Debtors have made certain provisions to adjust the carrying value of certain pre-petition liabilities to reflect the Debtors estimate of allowed claims. Such costs are classified as Chapter 11 and related reorganization items in the accompanying Statement of Operations for the three months ended March 31, 2005 and consist of the following (in thousands):

| | | Three Months Ended March 31, 2005 |
|---|---|---|
| Professional fees directly related to the filing | $ | 12,194 |
| Key employee retention costs | | 36 |
| Write off of deferred financing costs | | 29,135 |
| Estimated executory contract rejection damages | | 208 |
| Other expenses directly attributable to the Company s reorganization | | 49 |
| Total | $ | 41,622 |

Pursuant to the Bankruptcy Code, the Debtors have filed schedules with the Bankruptcy Court setting forth the assets and liabilities of the Debtors as of the Petition Date. The Debtors have issued proof of claim forms to current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent the recipients disagree with the claims quantified on these forms, the recipient may file discrepancies with the Bankruptcy Court. Differences between the amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the bankruptcy proceedings. The Bankruptcy Court ultimately will determine liability amounts that will be allowed for these claims. The Company is in the process of receiving, cataloging and reconciling claims received in conjunction with this process. Because the Debtors have not received all claims and have not completed the evaluation of the claims received in connection with this process, the ultimate number and allowed amount of such claims is not presently known. The resolution of such claims could result in a material adjustment to the Company s financial statements.

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*Debtors Financial Statements*

Presented below are the condensed consolidated financial statements of the Debtors. These statements reflect the financial position, results of operations and cash flows of the combined Debtors, including certain transactions and resulting assets and liabilities between the Debtors and non-Debtor subsidiaries of the Company, which are eliminated in the Company s consolidated financial statements.

**Debtors Condensed Consolidated Balance Sheet**
**Debtors-in-Possession**
(Amounts in thousands unaudited)

| | | March 31, 2005 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ | 2,705 |
| Accounts receivable, net | | 293,044 |
| Inventories | | 84,067 |
| Prepaid tooling and other | | 40,028 |
| Total current assets | | 419,844 |
| Property, plant and equipment, net | | 645,399 |
| Investments in subsidiaries | | 403,537 |
| Inter-company receivables | | 412,200 |
| Other assets, net | | 108,739 |
| Total assets | $ | 1,989,719 |
| **LIABILITIES AND STOCKHOLDERS DEFICIT** | | |
| Current Liabilities Not Subject to Compromise: | | |
| Current maturities of long-term debt and capital lease obligations | $ | 5,331 |
| Accounts payable | | 99,564 |
| Accrued liabilities | | 214,976 |
| Total current liabilities | | 319,871 |
| Liabilities subject to compromise | | 1,143,727 |
| Non-Current Liabilities Not Subject to Compromise: | | |
| Long-term debt, net of current maturities | | 57,125 |
| DIP borrowings | | 510,738 |
| Other noncurrent liabilities | | 183,888 |
| Total noncurrent liabilities | | 751,751 |
| Total stockholders deficit | | (225,630) |

| | | |
|---|---|---|
| Total liabilities and stockholders deficit | $ | 1,989,719 |

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**Debtors Condensed Consolidated Statement of Operations**
**Debtors-in-Possession**
(Amounts in thousands unaudited)

| | Three Months Ended March 31, 2005 |
|---|---|
| Revenues | $ 577,617 |
| Cost of sales | 545,144 |
| Gross profit | 32,473 |
| Selling, general and administrative expenses | 28,782 |
| Restructuring and asset impairment charges, net | 31,895 |
| Chapter 11 and related reorganization items | 41,622 |
| Operating loss | (69,826) |
| Interest expense, net | 40,560 |
| Inter-company interest income | (5,890) |
| Loss before provision for income taxes, equity in earnings of joint ventures and equity in earnings of non-Debtor subsidiaries | (104,496) |
| Provision for income taxes | 3,251 |
| Loss before equity in earnings of joint ventures and equity in earnings of non-Debtor subsidiaries | (107,747) |
| Equity in earnings (loss) of joint ventures, net of tax | (89) |
| Equity in earnings of non-Debtor subsidiaries | 9,038 |
| Net loss | $ (98,798) |

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**Debtors Condensed Consolidated Statement of Cash Flows**
**Debtors-in-Possession**
(Amounts in thousands unaudited)

| | Three Months Ended March 31, 2005 |
|---|---|
| **OPERATING ACTIVITIES:** | |
| Net loss | $ (98,798) |
| Adjustments required to reconcile net loss to net cash provided by (used in) operating activities: | |
| Chapter 11 and related reorganization expenses | 38,188 |
| Non-cash restructuring and impairment | 32,095 |
| Depreciation | 27,040 |
| Equity in earnings of non-Debtor subsidiaries | (9,038) |
| Equity in earnings of joint ventures, net | 89 |
| Change in working capital and other operating items | (173,864) |
| Net cash used in operating activities | (184,288) |
| **INVESTING ACTIVITIES:** | |
| Capital expenditures | (6,760) |
| Net cash used in investing activities | (6,760) |
| **FINANCING ACTIVITIES:** | |
| Repayments of pre-petition borrowings | (425,941) |
| Proceeds from DIP borrowings | 623,738 |
| Repayments of DIP borrowings | (111,125) |
| Net cash provided by financing activities | 86,672 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (104,376) |
| Cash and cash equivalents, beginning of period | 107,081 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | $ 2,705 |

**3. Inventories**

Inventories are valued at the lower of first-in-first-out ( FIFO ) cost or market, and consisted of the following (in thousands):

| | March 31, | December 31, |
|---|---|---|

| | 2005 | 2004 |
|---|---|---|
| Raw materials | $ 85,314 | $ 91,220 |
| Work in process | 32,096 | 26,820 |
| Finished goods | 43,956 | 40,994 |
| | $ 161,366 | $ 159,034 |

**4. Debt**

**Chapter 11 Impact**

Under the terms of the Company s then-existing credit agreement, the Chapter 11 filing created an event of default. Upon the Chapter 11 filing, the lenders obligation to loan additional money to the Company terminated, the outstanding principal of all obligations became immediately due and payable and the Debtors were required to immediately deposit funds into a collateral account to cover the outstanding amounts under the letters of credit issued pursuant to the Company s pre-petition credit agreement ( Credit Agreement ). Outstanding obligations under the Credit Agreement amounted to $425 million, which was refinanced through the DIP financing described below.

In addition, the Chapter 11 filing created an event of default in relation to the Company s pre-petition Convertible Debentures, Senior Notes, Senior Euro Notes and the amount due to the Tower Automotive Capital Trust (see Note 2). Pursuant to SOP 90-7, the Company ceased recognizing interest expense on the pre-petition Convertible Debentures, Senior Notes, Senior Euro Notes and the amount due to the Tower Automotive Capital Trust effective February 2, 2005. The Company s contractual interest not accrued or paid during the period of February 2, 2005 through March 31, 2005 amounted to $12.3 million.

As described in Note 2, the ability of creditors of the Debtors to seek remedies to enforce their rights under the debt facilities described above is stayed as a result of the Chapter 11 filing, and the creditors rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

The debt of the Company s foreign subsidiaries is not subject to compromise in the bankruptcy proceedings as the Company s operating foreign subsidiaries are not included in the Chapter 11 filing.

**DIP Financing**

In February 2005, the Bankruptcy Court approved a Revolving Credit, Term Loan and Guaranty Agreement, as amended, ( DIP Agreement ) between the Company and a national banking institution as agent for the lenders ( Lenders ) and each of the Lenders.

The DIP Agreement provides for a $725 million commitment of debtor-in-possession financing comprised of a revolving credit and letter of credit facility in an aggregate principal amount not to exceed $300 million and a term loan in the aggregate principal amount of $425 million. The proceeds of the term loan have been used to refinance the Debtors obligation amounting to $425 million under the Credit Agreement. The proceeds of the revolving credit loans shall be used to fund the working capital requirements of the Debtors during the Chapter 11 proceedings. Obligations under the DIP Agreement are secured by a lien on the assets of the Debtors (which lien shall have first priority with respect to a significant portion of the Debtors assets) and by a super-priority administrative expense claim in each of the bankruptcy cases.

Advances under the DIP Agreement bear interest at a fixed rate per annum equal to (x) the greatest (as of the date the advance is made) of the prime rate, the Base CD Rate (as defined in the DIP Agreement) plus 1%, or the Federal Funds Effective Rate (as defined in the DIP Agreement) plus 0.5%, plus (y) 1.75%, in the case of a loan under the revolving facility, or 2.25% in the case of the term loan. Alternatively, the Debtors may request that advances be made at a variable rate equal to (x) the Adjusted LIBO Rate (as defined in the DIP Agreement), for a one-month, three-month, six-month, or nine-month period, at the election of the Debtors, plus (y) 2.75%, in the case of a loan under the revolving facility, or 3.25% in the case of the term loan. In addition, the DIP Agreement obligates the Debtors to pay certain fees to the Lenders as described in the DIP Agreement.

The DIP Agreement contains various representations, warranties and covenants by the Debtors that are customary for transactions of this nature, including (without limitation) reporting requirements and maintenance of financial covenants.

The Debtors obligations under the DIP Agreement may be accelerated following certain events of default, including (without limitation) any breach by the Debtors of any of the representations, warranties, or covenants made in the DIP Agreement or the conversion of any of the bankruptcy cases to a case under Chapter 7 of the Bankruptcy Code or the appointment of a trustee pursuant to Chapter 7 of the Bankruptcy Code.

At March 31, 2005, $225 million was available for borrowing under the revolving credit and letter of credit facility. For the period of February 2, 2005 through March 31, 2005, the weighted average interest rate associated with borrowings under the DIP Agreement was 6.38%.

The DIP Agreement matures on February 2, 2007; however, the Debtors are obligated to repay all borrowings made pursuant to the DIP Agreement upon substantial consummation of a plan of reorganization of the Debtors that is confirmed pursuant to an order of the Bankruptcy Court.

**Back-Stop Agreement**

The Debtors have entered into a Back-Stop agreement with a finance company ( Finance Company ). Under the Back-Stop Agreement, the Finance Company agreed to take by assignment any second lien holder s rights and obligations as a second lien holder in association with second lien letters of credit under the Credit Agreement in an aggregate amount not to exceed $155 million.

Draws were made against the second lien letters of credit in the amount of $10.7 million as of March 31, 2005.

**Debt Classified as Not Subject to Compromise**

The Company s industrial development revenue bonds and the debt associated with the Company s variable interest entity in the amounts of $43.8 million and $18.7 million, respectively, are classified as liabilities not subject to compromise on the Company s Condensed Consolidated Balance Sheet at March 31, 2005. The Company s foreign subsidiary indebtedness amounting to $218 million at March 31, 2005, is not subject to compromise because these subsidiaries are not included in the bankruptcy proceedings.

**Interest Rate Swap Contracts**

In February 2005, the Company s interest rate swap contracts were terminated. As a result of these terminations, the originator of the contracts drew upon a second lien letter of credit of the Company in the amount of approximately $5.0 million.

As of March 31, 2005, $2.7 million (net of tax) is recorded in accumulated other comprehensive loss in relation to the accumulated losses on one of the contracts, prior to being de-designated as a cash flow hedge. This amount will be amortized as additional interest expense over the initial remaining term of the contract, as the Company expects that the cash flows originally hedged will continue to occur.

**5. Accounts Receivable Securitization Facilities**

On December 30, 2004, the Company, a qualifying special purpose entity ( QSPE ) and a third-party lender entered into a $50.0 million accounts receivable securitization facility agreement (the Facility ). Pursuant to the terms of the Facility, the Company unconditionally sold certain accounts receivable to the QSPE on an ongoing basis. The QSPE funded its purchases of the accounts receivable through borrowings from the third-party lender. A security interest with respect to such accounts receivable was granted to the third-party lender.

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In addition, the Company was allowed, from time to time, to contribute capital to the QSPE in the form of contributed receivables or cash. The Facility allowed the Company to earn fees for performing collection and administrative functions associated with the Facility. The Facility had an expiration date of the earlier of 36 months subsequent to December 30, 2004 or the occurrence of a termination event as defined in the agreement. The accounts receivable sold were removed from the Consolidated Balance Sheet of the Company as these receivables and the QSPE met the applicable criteria of SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The Facility became unavailable on February 2, 2005, the date on which the Debtors filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code.

During the quarter ended March 31, 2005, the Company received $74.0 million in cash proceeds from receivables sold to the QSPE and reinvested $78.1 million in cash collections in revolving securitizations with the QSPE. The Company recognized interest expense of $0.8 million associated with the Facility, which represents the discount on the sale of the receivables to the QSPE.

**6. Income Taxes**

During the three months ended March 31, 2005, the Company recognized income tax expense of $6.1 million in relation to a net loss of $98.8 million. This income tax provision resulted primarily from the recognition of foreign income taxes and state taxes. A full valuation allowance was provided for U.S. Federal income tax benefits generated during the 2005 period.

During the three months ended March 31, 2004, the Company s effective tax rate was 76.1%. The relatively high effective tax rate for the 2004 period was due to the high proportion of non-deductible items in relation to pre-tax income.

**7. Stockholders Deficit**

**Earnings (Loss) Per Share**

Basic loss per share for the three months ended March 31, 2005 is computed by dividing net loss by the weighted average number of common shares outstanding during the period. The effects of common stock equivalents have not been included in diluted loss per share for the three months ended March 31, 2005 as the effect would be anti-dilutive. Basic earnings per share for the three months ended March 31, 2004 were computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share for the three months ended March 31, 2004 was determined based on the assumption that stock options outstanding were exercised at the beginning of the period or at the time of issuance, if later, to the extent such options were dilutive. The Convertible Subordinated Notes and the Preferred Securities issued by the Tower Automotive Capital Trust, totaling approximately 16.2 million shares, were not included in the computation of earnings per share for the three months ended March 31, 2004 due to their anti-dilutive effect (in thousands, except per share data):

| | **Three Months Ended March 31,** | |
|---|---|---|
| | **2005** | **2004** |
| Net income (loss) basic and diluted | $ (98,798) | $ 12,018 |
| Weighted average number of common shares outstanding | 58,648 | 57,342 |
| Dilutive effect of stock options | | 768 |
| Weighted average number of diluted shares outstanding | 58,648 | 58,110 |
| Basic earnings (loss) per share | $ (1.68) | $ 0.21 |
| Diluted earnings (loss) per share | $ (1.68) | $ 0.21 |

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**Stock-Based Compensation**

The Company accounts for stock options under the provisions of Accounting Principles Board Opinion ( APB ) No. 25, under which no compensation expense is recognized when the stock options are granted to colleagues and directors with an exercise price equal to fair market value of the stock as of the grant date, which represents the measurement date of the stock options. The Company may also grant stock options to outside consultants. The fair value of options granted to outside consultants is expensed over the period services are rendered based on the Black-Scholes valuation model.

The Company has three stock option plans: the 1994 Key Employee Stock Option Plan, the Long Term Incentive Plan and the Independent Director Stock Option Plan and three stock purchase plans: the Employee Stock Purchase Plan, the Key Leadership Deferred Income Stock Purchase Plan and the Director Deferred Income Stock Purchase Plan.

Had compensation expense for these plans been determined as required under SFAS No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, the Company s pro forma net income (loss) and pro forma net income (loss) per share would have been as follows (in thousands, except per share data):

| | For the three months ended March 31, | |
|---|---|---|
| | **2005** | **2004** |
| Net income (loss), as reported | $ (98,798) | $ 12,018 |
| Add: Stock based employee compensation included in reported net income (loss), net of tax related effects | 274 | 299 |
| Deduct: Total stock-based employee compensation (expense) income determined under fair value based method for all awards, net of related tax effects | 112 | (595) |
| Pro Forma | $ (98,412) | $ 11,722 |
| Basic earnings (loss) per share as reported | $ (1.68) | $ 0.21 |
| Pro Forma | (1.68) | 0.20 |
| Diluted earnings (loss) per share as reported | $ (1.68) | $ 0.21 |
| Pro forma | (1.68) | 0.20 |

Total stock-based employee compensation income for the three months ended March 31, 2005 resulted from total amounts relating to forfeitures exceeding stock-based compensation expense for the period.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.89% in the 2005 period and a risk free interest rate of 3.92% in the 2004 period; expected life of seven years for the 2005 and 2004 periods; expected volatility of 61.2 % in the 2005 period and 58% in the 2004 period; and no expected dividends in both the 2005 and 2004 periods.

**8. Acquisitions**

Effective February 27, 2004, the Company acquired the remaining 34% ownership interest in Seojin Industrial Company Limited ( Seojin ) for consideration of approximately $21.3 million. Such consideration consisted of cash of $21.3 million offset by the repayment of $11.0 million of loans to Seojin s minority shareholder, resulting in a net cash outflow of $10.3 million. Seojin is a supplier of frames, modules and structural components to the Korean automotive industry with its primary customers being Hyundai/ Kia. The Company financed the acquisition through Korean debt facilities, which are not covered under the Company s credit facilities described in Note 6. The acquisition was accounted for under the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed have been recorded at fair value at the date of acquisition.

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In conjunction with the Company s acquisition activities, reserves have been established for certain costs associated with facility shutdowns and consolidation activities involving general and payroll related costs, primarily for planned employee termination activities, and for provisions for acquired loss contracts. As of March 31, 2005, all of the identified facilities have been shutdown.

**9. Investments in Joint Ventures**

In March 2004, the Company sold its 30.76% ownership interest in Yorozu Corporation ( Yorozu ) to Yorozu, through a share buy-back transaction on the Tokyo Stock Exchange. Yorozu is a supplier of suspension modules and structural parts to the Asian and North American automotive markets. The Company received proceeds of approximately $51.7 million through this sale. The consideration for the sale was based on the prevailing price of Yorozu, as traded on the Tokyo Stock Exchange. The Company recognized a gain on the sale of $9.7 million during the three months ended March 31, 2004. The proceeds of this divestiture were utilized for tooling purchases and other capital expenditures.

On February 10, 2004, the Company announced that a decision had been finalized by DaimlerChrysler to move the production of the frame assembly for the Dodge Ram light truck from the Company s Milwaukee, Wisconsin facility to the Company s joint venture partner, Metalsa S. de R.L. ( Metalsa ) headquartered in Monterrey, Mexico. The Dodge Ram frame program produced in the Milwaukee facility was expected to run through 2009. Production related to this program ceased in June 2005 (see Note 15). The Company recognized revenue associated with the Dodge Ram frame program of $46.5 million and $60.2 million for the three months ended March 31, 2005 and 2004, respectively. The Company is a 40% partner in Metalsa with Promotora de Empresas Zano, S.A. de C.V. ( Proeza ). Metalsa is the largest supplier of vehicle frames and structures in Mexico.

**10. Retirement Plans**

The following table provides the components of net periodic pension benefit cost and other post-retirement benefit cost for the three months ended March 31, (in thousands):

| | **Pension Benefits** | | **Other Benefits** | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| Service cost | $ 1,720 | $ 2,140 | $ 200 | $ 94 |
| Interest cost | 3,790 | 3,626 | 2,065 | 1,935 |
| Expected return on plan assets | (3,672) | (3,045) | | |
| Amortization of transition assets | | (1) | | |
| Amortization of prior service cost | 1,231 | 1,054 | | |
| Amortization of net losses | 1,027 | 941 | 3,230 | 1,495 |
| Net periodic benefit cost | $ 4,096 | $ 4,715 | $ 5,495 | $ 3,524 |

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2004 that it expects its minimum pension funding requirements to be $32.4 million during 2005. During the three months ended March 31, 2005, the Company made contributions of $5.9 million to its pension plans. The Company presently anticipates contributing an additional $21.5 million to fund its pension plans in 2005 for a total of $27.4 million based upon the Company s most recent estimate.

The Company contributed $2.8 million during the three months ended March 31, 2005 to its defined contribution employee savings plans.

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The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2004 that it expects minimum funding requirements in relation to its postretirement plans to be $20.6 million during 2005. During the three months ended March 31, 2005, the Company made contributions of $6.4 million to its postretirement plans. The Company presently anticipates contributing an additional $16.1 million to fund its postretirement plans in 2005 for a total of $22.5 million based upon the Company s most recent estimate.

**11. Segment Information**

The Company produces a broad range of assemblies and modules for vehicle body structures and suspension systems for the global automotive industry. The Company s operations have similar characteristics including the nature of products, production processes and customers. The Company s products include body structures and assemblies, lower vehicle frames and structures, chassis modules and systems and suspension components for the automotive industry. Management reviews the operating results of the Company and makes decisions based upon two operating segments: North America and International.

Financial information by segment follows (in thousands):

| | North America | International | Total |
|---|---|---|---|
| **Three months ended March 31, 2005:** | | | |
| Revenues | $ 589,608 | $ 326,272 | $ 915,880 |
| Operating income (loss) | (29,851) | 19,541 | (10,310) |
| Restructuring and asset impairment charge | 31,895 | | 31,895 |
| Total assets | $ 1,419,893 | $ 1,130,072 | $ 2,549,965 |
| **Three months ended March 31, 2004:** | | | |
| Revenues | $ 533,881 | $ 247,355 | $ 781,236 |
| Operating income | 15,357 | 16,741 | 32,098 |
| Total assets | $ 1,886,526 | $ 980,789 | $ 2,867,315 |

The change in the carrying amount of goodwill for the three months ended March 31, 2005, by operating segment follows (in thousands):

| | International |
|---|---|
| Balance at December 31, 2004 | $ 174,563 |
| Currency translation adjustment | (7,578) |
| Balance at March 31, 2005 | $ 166,985 |

**12. Restructuring and Asset Impairment Charges**

The Company has executed various restructuring plans and may execute additional plans in the future to respond to its bankruptcy proceedings, customer sourcing decisions, realignment of manufacturing capacity to prevailing global automotive production and to improve the utilization of remaining facilities. Estimates of restructuring charges are based on information available at the time such charges are recorded. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially recorded. Accordingly, the Company may record revisions of previous estimates by adjusting previously established reserves.

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The table below summarizes the accrual for the Company s various restructuring actions for the three months ended March 31, 2005 (in thousands):

| | Severance | Other Costs | Total |
|---|---|---|---|
| Balance at December 31, 2004 | $ 2,615 | $ 4,349 | $ 6,964 |
| Cash usage | (636) | | (636) |
| Non-cash charges and revisions of estimates | (1,031) | (4,349) | (5,380) |
| Balance at March 31, 2005 | $ 948 | $ | $ 948 |

The Company anticipates additional cash charges in association with these actions in the amount of approximately $0.3 million.

During the three months ended March 31, 2005, the Company recognized an asset impairment charge relating to property, plant and equipment in the amount of $32.1 million in association with the anticipated closing of the Company s Corydon, IN and Bowling Green, KY facilities. This charge represents the amount by which the carrying value of these assets exceeded fair market value. Fair market value was determined based upon anticipated future cash flows (See Note 15).

**13. Comprehensive Income (Loss)**

The following table presents comprehensive income (loss), net of tax (in thousands):

| | For the three months ended March 31, 2005 | 2004 |
|---|---|---|
| Net income (loss) | $ (98,798) | $ 12,018 |
| Change in cumulative translation adjustment | (7,951) | (7,678) |
| Unrealized gain (loss) on qualifying cash flow hedges, net of tax $- and $384, respectively | 1,727 | 746 |
| Comprehensive income (loss) | $ (105,022) | $ 5,086 |

**14. Commitments and Contingencies**

*Environmental Matters*

The Company owns properties, which have been impacted by environmental releases. The Company is liable for costs associated with investigation and/or remediation of contamination in one or more environmental media at some of these properties. The Company is actively involved in investigation and/or remediation at several of these locations. At certain of these locations, costs incurred for environmental investigation/remediation are being paid partly or completely out of funds placed into escrow by previous property owners. Nonetheless, total costs associated with remediation of environmental contamination at these properties could be substantial and may have an adverse impact on the Company s financial condition, results of operations or cash flows.

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. The established liability for environmental matters is based upon management s best estimates of expected investigation/remediation costs related to environmental contamination. It is possible that actual costs associated with these matters will exceed the environmental reserves established by the Company. Inherent uncertainties exist in the estimates, primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability and evolving technologies for handling site remediation and restoration. As of March 31, 2005 and December 31, 2004, the Company had accrued approximately $13.5 million and $16.3 million, respectively.

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*Litigation*

The Company is subject to various legal actions and claims incidental to its business. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not predictable with assurance. After discussions with counsel, it is the opinion of management that the outcome of such matters will not have a material adverse impact on the Company s financial position, results of operations or cash flows.

On February 2, 2005, the Debtors filed a voluntary petition for relief under the Bankruptcy Code. The cases of each of the Debtors were consolidated for the purpose of joint administration (See Note 2). As a result of the commencement of the Chapter 11 proceedings by the Debtors, an automatic stay has been imposed against the commencement or continuation of legal proceedings, pertaining to claims existing as of February 2, 2005, against the Debtors outside of the Bankruptcy Court. Claimants against the Debtors may assert their claims in the Chapter 11 proceedings by filing a proof of claim, to which the Debtors may object and seek a determination from the Bankruptcy Court as to the allowability of the claim. Claimants who desire to liquidate their claims in legal proceedings outside of the Bankruptcy Court will be required to obtain relief from the automatic stay by order of the Bankruptcy Court. If such relief is granted, the automatic stay will remain in effect with respect to the collection of liquidated claim amounts. Generally, all claims against the Debtors that seek a recovery from assets of the Debtors estates will be addressed in the Chapter 11 proceedings and paid only pursuant to the terms of a confirmed plan of reorganization.

The Company requested an extension of the required due date for the filing of its plan of reorganization. On September 21, 2005, the Bankruptcy Court approved an extension of the due date from September 30, 2005 to January 27, 2006.

*Key Employee Retention Plan Agreements*

On March 30, 2005, the Bankruptcy Court entered an order approving the execution and implementation by the Company of Key Employee Retention Plan Agreements (the KERP Agreements ) with 106 of its key employees. The Company entered into the KERP Agreements to ensure the continued contributions of its key employees during the Company s Chapter 11 bankruptcy proceedings. Under each KERP Agreement, the Company agrees to pay the applicable employee a retention incentive. The total amount of the retention incentive (which varies by employee from 40% to 110% of base salary) is payable in four installments of 25% each, conditioned upon the employee s continued employment by the Company through each of the scheduled payment dates. The four scheduled payment dates are (1) May 2, 2005; (2) November 2, 2005; (3) the confirmation of a plan of reorganization in the Company s Chapter 11 proceedings; and (4) six months after the confirmation of a plan of reorganization in the Company s Chapter 11 proceedings. The approximate cost of the KERP Agreements is $7.9 million.

Pursuant to each KERP Agreement, if the employee s employment by the Company is voluntarily terminated by the employee (other than upon retirement) or is terminated by the Company for cause (as defined in the KERP Agreement) prior to a scheduled payment date, the employee forfeits all unpaid amounts of the retention incentive. If an employee s employment by the Company is terminated by the Company other than for cause or is terminated as a result of retirement, disability or death, the Company is obligated to pay the employee (or his or her estate) a prorated portion of the unpaid amount of the retention incentive, based upon the date of termination of employment.

**15. Subsequent Events**

*Exit or Disposal Activities*

On April 15, 2005, the Company committed to a plan to close its Belcamp, MD, Bowling Green, KY and Corydon, IN facilities. The facilities ceased production in June 2005. In addition, as a result of the closing of the Corydon, IN facility, the Company will reduce the number of employees at its Granite City, IL facility. These actions resulted in the elimination of approximately 800 positions. These operational restructuring initiatives are designed to reduce excess capacity and associated costs and improve overall efficiency.

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Total costs associated with these actions amount to approximately $63.4 million, which is comprised of employee termination benefits of $3.8 million, asset impairment charges of $32.1 million, related lease costs of $25.0 million and other costs of $2.5 million. The $32.1 million of asset impairment charges were recognized in the three months ended March 31, 2005. See Note 12. Future cash expenditures for these actions are estimated at $4.5 million. These amounts do not include approximately $4.7 million of cash expenditures to be incurred for training and relocation of colleagues and equipment. These actions are contained in the North America operating segment.

In June 2005, production ceased on the Dodge Ram light truck frame at the Company s Milwaukee, Wisconsin facility (See Note 9). The Company does not expect material net cash costs associated with the customer s decision to move the Dodge Ram light truck frame production.

The Company anticipates recording approximately $37.8 million in pension and postretirement curtailment charges in the third quarter of 2005, as measured in the second quarter of 2005, based on certain actions the Company believes are probable of occurring which will result in the curtailments.

**16. Recently Issued Accounting Prouncements**

In December 2004, the Financial Accounting Standards Board ( FASB ) adopted SFAS No. 123(R), Share-Based Payment. SFAS 123(R) applies to all transactions involving the issuance of equity instruments (stock, stock options and other equity instruments) for goods or services, or the incurrence of liabilities for goods or services that are based on the fair value of an entity s equity or may be settled in an entity s equity. Under this standard, the fair value of all employee share-based payment awards will be expensed through the statement of operations over any applicable vesting period. SFAS 123(R) requires the use of a fair value valuation method to measure share-based payment awards. This standard is effective for the Company on January 1, 2006. The Company will be required to recognize compensation expense, over an applicable vesting period, for all awards granted subsequent to adoption of this standard. In addition, the Company shall be required to recognize compensation expense related to the unvested portion of previously granted awards outstanding as of the date of adoption as those awards continue to vest. The Company is currently evaluating SFAS 123(R) to determine its impact on the Company s consolidated financial statements.

In May 2005, the FASB issued SFAS 154, Accounting Changes and Error Corrections. SFAS 154 replaces Accounting Principles Board Opinion No. 20, Accounting Changes and SFAS 3, Reporting Accounting Changes in Interim Financial Statements and changes the requirements for the accounting and reporting of a change in accounting principle. This statement requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. This statement also requires that a change in depreciation or amortization method for long-lived, non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. This standard is effective for the Company on January 1, 2006. The Company anticipates that SFAS 154 will not have a material effect on its consolidated financial statements.

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**17. Consolidating Guarantor and Non-Guarantor Financial Information**

The following consolidating financial information presents balance sheets, statements of operations and cash flow information related to the Company s business. Certain foreign subsidiaries of R.J. Tower Corporation are subject to restrictions on their ability to dividend or otherwise distribute cash to R. J. Tower Corporation because they are subject to financing arrangements that restrict them from paying dividends. Each Guarantor, as defined, is a direct or indirect 100% owned subsidiary of the Company and has fully and unconditionally guaranteed the 9.25% senior unsecured Euro notes issued by R. J. Tower Corporation in 2000, the 12% senior unsecured notes issued by R. J. Tower Corporation in 2003 and the DIP financing entered into by R. J. Tower Corporation in February 2005. Tower Automotive, Inc. (the parent company) has also fully and unconditionally guaranteed the notes and the DIP financing and is reflected as the Parent Guarantor in the consolidating financial information. The Non-Guarantor Restricted Companies are the Company s foreign subsidiaries except for Seojin Industrial Company Limited, which is reflected as the Non-Guarantor Unrestricted Company in the consolidating financial information. As a result of the Chapter 11 filing by the Debtors, the above-mentioned notes are subject to compromise pursuant to the bankruptcy proceedings. 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.**
**Consolidating Balance Sheets at March 31, 2005**
**(Amounts in thousands unaudited)**

| Assets | R.J. Tower Corporation | Parent Guarantor | Guarantor Companies | Non-Guarantor Restricted Companies | Non-Guarantor Unrestricted Companies | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Current assets: | | | | | | | |
| Cash and cash equivalents | $ 2,643 | $ | $ 61 | $ 32,520 | $ 374 | $ | $ 35,598 |
| Accounts receivable | 14,912 | | 278,131 | 209,084 | 26,785 | | 528,912 |
| Inventories | | | 84,068 | 61,615 | 15,683 | | 161,366 |
| Prepaid tooling and other | 4,812 | | 35,216 | 65,283 | 21,807 | | 127,118 |
| Total current assets | 22,367 | | 397,476 | 368,502 | 64,649 | | 852,994 |
| Property, plant and equipment, net | 850 | | 644,548 | 317,405 | 198,852 | | 1,161,655 |
| Investments in and advances to (from) affiliates | 815,263 | 165,459 | (618,057) | (195,991) | 34 | 49,436 | 216,144 |
| Goodwill | | | | 166,985 | | | 166,985 |
| Other assets, net | 21,275 | | 87,282 | 25,521 | 18,109 | | 152,187 |
| | $ 859,755 | $ 165,459 | $ 511,249 | $ 682,422 | $ 281,644 | $ 49,436 | $ 2,549,965 |
| **Liabilities and Stockholders Investment (Deficit)** | | | | | | | |
| Current liabilities: | | | | | | | |
| Current maturities of long-term debt and capital lease obligations | $ | $ | $ 5,331 | $ 23,682 | $ 110,815 | $ | $ 139,828 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Accounts payable | 1,484 | | 98,080 | 177,067 | 50,585 | | 327,216 |
| Accrued liabilities | 32,532 | | 180,493 | 84,172 | 10,163 | | 307,360 |
| Total current liabilities | 34,016 | | 283,904 | 284,921 | 171,563 | | 774,404 |
| Liabilities subject to compromise | 474,704 | 391,089 | 261,571 | | | | 1,127,364 |
| Non-Current Liabilities Not Subject to Compromise: | | | | | | | |
| Long-term debt, net of current maturities | | | 57,125 | 10,540 | 37,997 | | 105,662 |
| Debtor-in-possession borrowings, net of current maturities | 510,738 | | | | | | 510,738 |
| Obligations under capital leases, net of current maturities | | | | 34,689 | | | 34,689 |
| Other noncurrent liabilities | 41,366 | | 141,870 | 31,473 | 8,029 | | 222,738 |
| Total noncurrent liabilities | 552,104 | | 198,995 | 76,702 | 46,026 | | 873,827 |
| Stockholders investment (deficit) | (201,069) | (225,630) | (233,221) | 320,799 | 64,055 | 49,436 | (225,630) |
| | $ 859,755 | $ 165,459 | $ 511,249 | $ 682,422 | $ 281,644 | $ 49,436 | $ 2,549,965 |

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**TOWER AUTOMOTIVE, INC.**
**Consolidating Statement of Operations for the Three Months Ended March 31, 2005**
**(Amounts in thousands unaudited)**

| | R.J. Tower Corporation | Parent Guarantor | Guarantor Companies | Non-Guarantor Restricted Companies | Non-Guarantor Unrestricted Companies | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Revenues | $ | $ | $ 577,616 | $ 242,824 | $ 95,440 | $ | $ 915,880 |
| Cost of sales | (1,542) | | 547,577 | 215,770 | 89,284 | | 851,089 |
| Gross profit | 1,542 | | 30,039 | 27,054 | 6,156 | | 64,791 |
| Selling, general and administrative expenses | (4,212) | | 32,994 | 11,587 | 2,837 | | 43,206 |
| Restructuring and asset impairment charge | 105 | | 31,790 | | | | 31,895 |
| Operating income (loss) | 5,649 | | (34,745) | 15,467 | 3,319 | | (10,310) |
| Interest expense, net | 36,376 | 2,221 | 1,960 | 1,368 | 1,745 | | 43,670 |
| Chapter 11 and related reorganization items | 41,622 | | | | | | 41,622 |
| Income (loss) before provision for income taxes, equity in earnings of joint ventures and minority interest | (72,349) | (2,221) | (36,705) | 14,099 | 1,574 | | (95,602) |
| Provision (benefit) for income taxes | | | 1,297 | 4,340 | 488 | | 6,125 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Income (loss) before equity in earnings of joint ventures and minority interest | (72,349) | (2,221) | (38,002) | 9,759 | 1,086 | | (101,727) |
| Equity earnings in joint ventures and subsidiaries, net | (24,228) | (96,577) | | | | 125,068 | 4,263 |
| Minority interest, net | | | | (1,334) | | | (1,334) |
| Net income (loss) | $ (96,577) | $ (98,798) | $ (38,002) | $ 8,425 | $ 1,086 | $ 125,068 | $ (98,798) |

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**TOWER AUTOMOTIVE, INC.**
**Consolidating Statements of Cash Flows for the Three Months Ended March 31, 2005**
**(Amounts in thousands unaudited)**

| | R. J. Tower Corporation | Parent Guarantor | Guarantor Companies | Non-Guarantor Restricted Companies | Non-Guarantor Unrestricted Companies | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| OPERATING ACTIVITIES: | | | | | | | |
| Net income (loss) | $ (96,577) | $ (98,798) | $ (38,002) | $ 8,425 | $ 1,086 | $ 125,068 | $ (98,798) |
| Adjustments required to reconcile net income to net cash provided by (used in) operating activities | | | | | | | |
| Chapter 11 and related reorganization expenses, net | 38,188 | | | | | | 38,188 |
| Non-cash restructuring charge | | | 32,095 | | | | 32,095 |
| Depreciation | 83 | | 26,956 | 11,507 | 5,045 | | 43,591 |
| Deferred income tax provision (benefit) | | | (2,265) | 2,344 | 2,264 | | 2,343 |
| Equity in earnings of joint ventures, net | (4,263) | | | | | | (4,263) |
| Changes in working capital and other operating items | (33,647) | 2,445 | (10,505) | (11,154) | (12,082) | (125,068) | (190,011) |
| Net cash provided by (used in) operating activities | (96,216) | (96,353) | 8,279 | 11,122 | (3,687) | | (176,855) |
| INVESTING ACTIVITIES: | | | | | | | |
| | | | (6,760) | (19,421) | (5,796) | | (31,977) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Capital expenditures, net | | | | | | | |
| Other, net | (96,353) | 96,353 | | | | | |
| Net cash provided by (used in) investing activities | (96,353) | 96,353 | (6,760) | (19,421) | (5,796) | | (31,977) |
| FINANCING ACTIVITIES: | | | | | | | |
| Proceeds from pre-petition borrowings | | | | 5,541 | 10,610 | | 16,151 |
| Repayments of pre-petition borrowings | (425,000) | | (941) | (6,670) | (824) | | (433,435) |
| Proceeds from DIP credit facility | 623,738 | | | | | | 623,738 |
| Repayments of DIP credit facility borrowings | (111,125) | | | | | | (111,125) |
| Net cash provided by (used for) financing activities | 87,613 | | (941) | (1,129) | 9,786 | | 95,329 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (104,956) | | 578 | (9,428) | 303 | | (113,503) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 107,599 | | (517) | 41,948 | 71 | | 149,101 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 2,643 | $ | $ 61 | $ 32,520 | $ 374 | $ | $ 35,598 |

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**TOWER AUTOMOTIVE, INC.**
**Consolidating Balance Sheets at December 31, 2004**
**(Amounts in thousands)**

| Assets | R.J. Tower Corporation | Parent Guarantor | Guarantor Companies | Non-Guarantor Restricted Companies | Non-Guarantor Unrestricted Companies | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Current assets: | | | | | | | |
| Cash and cash equivalents | $ 107,599 | $ | $ (517) | $ 41,948 | $ 71 | $ | $ 149,101 |
| Accounts receivable | 47,373 | | 70,636 | 188,352 | 39,670 | | 346,031 |
| Inventories | (372) | | 75,469 | 72,050 | 11,887 | | 159,034 |
| Prepaid tooling and other | 4,427 | | 54,618 | 53,947 | 11,946 | | 124,938 |
| Total current assets | 159,027 | | 200,206 | 356,297 | 63,574 | | 779,104 |
| Property, plant and equipment, net | 601 | | 690,646 | 319,785 | 194,608 | | 1,205,640 |
| Investments in joint ventures | 227,740 | | | | | | 227,740 |
| Investments in and advances to (from) affiliates | 526,173 | 255,049 | (453,177) | (216,603) | 4,278 | (115,720) | |
| Goodwill | | | | 174,563 | | | 174,563 |
| Other assets, net | 37,307 | 5,410 | 90,194 | 28,616 | 12,200 | | 173,727 |
| | $ 950,848 | $ 260,459 | $ 527,869 | $ 662,658 | $ 274,660 | $ (115,720) | $ 2,560,774 |

**Liabilities and Stockholders Investment (Deficit)**

Current liabilities:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current maturities of long-term debt and capital lease obligations | $ 3,750 | $ | $ 6,271 | $ 24,460 | $ 98,675 | $ | $ 133,156 |
| Accounts payable | 29,052 | | 366,329 | 184,876 | 57,861 | | 638,118 |
| Accrued liabilities | 70,421 | 918 | 143,643 | 57,941 | 13,339 | | 286,262 |
| Total current liabilities | 103,223 | 918 | 516,243 | 267,277 | 169,875 | | 1,057,536 |
| Non-Current Liabilities: | | | | | | | |
| Long-term debt, net of current maturities | 874,358 | 258,750 | 57,126 | 11,855 | 37,473 | | 1,239,562 |
| Convertible senior debenture | | 121,723 | | | | | 121,723 |
| Obligations under capital leases, net of current maturities | | | | 36,472 | 351 | | 36,823 |
| Other noncurrent liabilities | 40,001 | | 149,776 | 30,956 | 5,329 | | 226,062 |
| Total noncurrent liabilities | 914,359 | 380,473 | 206,902 | 79,283 | 43,153 | | 1,624,170 |
| Stockholders investment (deficit) | (66,734) | (120,932) | (195,276) | 316,098 | 61,632 | (115,720) | (120,932) |
| | $ 950,848 | $ 260,459 | $ 527,869 | $ 662,658 | $ 274,660 | $ (115,720) | $ 2,560,774 |

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**TOWER AUTOMOTIVE, INC.**
**Consolidating Statement of Operations for the Three Months Ended March 31, 2004**
**(Amounts in thousands unaudited)**

| | R.J. Tower Corporation | Parent Guarantor | Guarantor Companies | Non-Guarantor Restricted Companies | Non-Guarantor Unrestricted Companies | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Revenues | $ | $ | $ 524,823 | $ 189,125 | $ 67,288 | $ | $ 781,236 |
| Cost of sales | (2,739) | | 495,377 | 166,503 | 61,450 | | 720,591 |
| Gross profit | 2,739 | | 29,446 | 22,622 | 5,838 | | 60,645 |
| Selling, general and administrative expenses | (8,415) | | 30,382 | 9,595 | 2,592 | | 34,154 |
| Restructuring and asset impairment charge | 217 | | (5,824) | | | | (5,607) |
| Operating income | 10,937 | | 4,888 | 13,027 | 3,246 | | 32,098 |
| Interest expense, net | 21,250 | 7,191 | (519) | 1,581 | 1,967 | | 31,470 |
| Income (loss) before provision for income taxes, equity in earnings of joint ventures and minority interest | (10,313) | (7,191) | 5,407 | 11,446 | 1,279 | | 628 |
| Provision (benefit) for income taxes | (3,242) | (2,445) | 1,838 | 3,892 | 435 | | 478 |
| Income (loss) before equity in earnings of joint ventures | (7,071) | (4,746) | 3,569 | 7,554 | 844 | | 150 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| and minority interest | | | | | | | |
| Equity earnings in joint ventures and subsidiaries, net | 14,103 | 16,764 | | | | (27,420) | 3,447 |
| Minority interest, net | | | | (1,311) | | | (1,311) |
| Gain on sale of joint venture, net | 9,732 | | | | | | 9,732 |
| Net income (loss) | $ 16,764 | $ 12,018 | $ 3,569 | $ 6,243 | $ 844 | $ (27,420) | $ 12,018 |

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**TOWER AUTOMOTIVE, INC.**
**Consolidating Statements of Cash Flows for the Three Months Ended March 31, 2004**
**(Amounts in thousands unaudited)**

| | R. J. Tower Corporation | Parent Guarantor | Guarantor Companies | Non-Guarantor Restricted Companies | Non-Guarantor Unrestricted Companies | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| OPERATING ACTIVITIES: | | | | | | | |
| Net income (loss) | $ 16,764 | $ 12,018 | $ 3,569 | $ 6,243 | $ 844 | $ (27,420) | $ 12,018 |
| Adjustments required to reconcile net income to net cash provided by (used in) operating activities | | | | | | | |
| Non-cash restructuring and asset impairment reversal | | | (6,276) | | | | (6,276) |
| Depreciation | 65 | | 23,917 | 10,185 | 4,190 | | 38,357 |
| Deferred income tax provision (benefit) | (2,217) | | (279) | (1,858) | 250 | | (4,104) |
| Gain on sale of joint venture investment | (9,732) | | | | | | (9,732) |
| Equity in earnings of joint ventures, net | (3,447) | | | | | | (3,447) |
| Changes in working capital and other operating items | (5,338) | (2,499) | (105,026) | 4,381 | 10,850 | 7,932 | (89,700) |
| Net cash provided by (used in) operating activities | (3,905) | 9,519 | (84,095) | 18,951 | 16,134 | (19,488) | (62,884) |
| INVESTING ACTIVITIES: | | | | | | | |
| | (608) | | (32,875) | (16,031) | (3,672) | | (53,186) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Capital expenditures, net | | | | | | | |
| Divestitures and other | 44,626 | (9,519) | | | | 19,488 | 54,595 |
| Acquisitions | | | | | (21,299) | | (21,299) |
| Net cash provided by (used in) investing activities | 44,018 | (9,519) | (32,875) | (16,031) | (24,971) | 19,488 | (19,890) |
| FINANCING ACTIVITIES: | | | | | | | |
| Proceeds from borrowings | | | | 3,378 | 11,252 | | 14,630 |
| Repayment of debt | | | (881) | (9,188) | (4,340) | | (14,409) |
| Net cash provided by (used for) financing activities | | | (881) | (5,810) | 6,912 | | 221 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 40,113 | | (117,851) | (2,890) | (1,925) | | (82,553) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | | | 118,352 | 40,419 | 2,128 | | 160,899 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 40,113 | $ | $ 501 | $ 37,529 | $ 203 | $ | $ 78,346 |

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**Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.**

**Going Concern**

Effective February 2, 2005, Tower Automotive, Inc. and 25 of its U.S. subsidiaries (collectively the Debtors ) are operating pursuant to Chapter 11 under the Bankruptcy Code and continuation of the Company as a going concern is contingent upon, among other things, the Debtors ability: (i) to comply with the terms and conditions of the DIP financing agreement described in Note 4 to the Condensed Consolidated Financial Statements; (ii) to obtain confirmation of a plan of reorganization under the Bankruptcy Code; (iii) to undertake certain restructuring actions relative to the Company s operations in North America; (iv) to reduce unsustainable debt and simplify the Company s complex and restrictive capital structure through the bankruptcy process; (v) to return to profitability; (vi) to generate sufficient cash flow from operations to fund working capital and debt service requirements; and (vii) to obtain financing sources to meet the Company s future obligations. These matters create uncertainty regarding the Company s ability to continue as a going concern. See Notes 1, 2 and 4 to the accompanying Condensed Consolidated Financial Statements for additional information.

**Overview**

The Company produces a broad range of assemblies and modules for vehicle frames, upper body structures and suspension systems for the global automotive industry. Including 100% owned subsidiaries and investments in joint ventures, the Company has production and/or engineering facilities in the United States, Canada, Mexico, Germany, Belgium, Italy, Slovakia, Poland, France, Spain, Brazil, India, South Korea, Japan and China.

The Company s products are manufactured utilizing steel and various purchased steel assemblies. The price of steel increased significantly in 2004 compared to historical periods due to a shortage of certain raw materials necessary to produce steel and increased global demand, primarily in China. The Company purchases a substantial portion of its steel from its customers through certain customers repurchase programs. The purchases through customers repurchase programs have somewhat mitigated the severity of price increases associated with the procurement of steel. The remainder of the Company s steel purchasing requirements is met through contracts with steel producers and market purchases. Prices associated with such purchases increased rapidly in 2004. The Company s agreements with its customers generally do not permit the Company to increase selling prices for increases in prices of raw material inputs.

While steel price increases have recently abated, and in some cases decreased, the Company expects that higher overall steel prices in 2005, relative to average prices in 2004, will have an adverse impact on the Company s results of operations. Higher steel prices during the three months ended March 31, 2005 as compared to the comparable period in 2004 reduced gross margin by $22.2 million. The Company is pursuing several initiatives to mitigate the impact of such raw material price increases on its results of operations. Such initiatives include moving more steel purchases to customer repurchase programs, pursuing selling price increases from customers and reducing other operating costs, among other initiatives. The Company can provide no assurances that such initiatives will be successful. However, during the three months ended March 31, 2005, the Company realized approximately $12.8 million in steel price increase recoveries from certain customers.

Despite an approximate 5% decline in North American vehicle production during the first quarter of 2005, volume and product mix increased the Company s revenues and gross profit by $94.7 million and $13.4 million, respectively. These increases resulted primarily from new product programs going from the launch stage to full production. The Company s relatively high concentration of revenues associated with large vehicle platforms exposes the Company to a significant adverse impact from reductions in OEM production levels in relation to such vehicle platforms.

The Company s gross margins have been declining since 1999. High raw material and labor costs, including health care, have had a negative impact on results of operations and are expected to do so for the foreseeable future.

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Generally, the Company s customers require the reduction of selling prices of the Company s products for each year during the respective lives of such product programs, generally five to seven years. The Company s ability to improve its profit margins is directly linked to its ability to more than offset these price reductions with reduced operating costs. However, product pricing increased gross profit by $1.3 million in the first three months of 2005 in comparison to the corresponding period of 2004.

To address the deterioration in operating performance, management has initiated plans to: (a) centralize and standardize processes which were previously performed on a decentralized basis, including purchasing, customer quoting and product costing, product engineering and accounting; (b) rationalize and reduce capital expenditures to more closely align capital spending with expected product returns; (c) use centralization and standardization to leverage cost improvement ideas across the Company s operating facilities globally; (d) pursue recoveries of significant steel price increases; and (e) a number of other cost reduction initiatives. If the Company is not successful in implementing these actions, the Company may continue to experience declining gross margins.

The number of new vehicle launches also impacts the Company s gross margins. The Company s operating costs are higher during a product launch period relative to when the vehicle has reached normal production volumes. In addition, the Company s gross margins are impacted by the commercial success of the vehicles to which the Company is a supplier, general global economic conditions and vehicle production volumes as mentioned above. During 2004, the Company was adversely impacted by a significant amount of new product launch activity. These launches, which were significant both in terms of number and relative size, reduced gross profit significantly during 2004. However, during 2005 the Company s launch activities are expected to decrease to a significant degree due to a number of product programs in the launch stage during 2004 going into full production. Launch costs decreased during the first three months of 2005 by approximately $12.7 million.

On February 10, 2004, the Company announced that a decision had been finalized by DaimlerChrysler to move the current production of the frame assembly for the Dodge Ram light truck from the Company s Milwaukee, Wisconsin facility to the Company s 40% owned joint venture partner, Metalsa located in Monterrey, Mexico. The Dodge Ram frame program produced in the Milwaukee facility was expected to run through 2009. In June 2005, production ceased on the Dodge Ram light truck frame at the Company s Milwaukee facility. The Company does not expect material net cash costs associated with the customer s decision to move the Dodge Ram light truck frame production.

During the three months ended March 31, 2005, the Company incurred $41.6 million in costs related to its Chapter 11 and related reorganization activities. The Company expects to incur substantial costs in association with these activities until it emerges from Chapter 11.

For a more detailed description of other factors that have had, or may in the future have, a significant impact on the Company s business, please refer to Forward Looking Statements , Market Risks and Opportunities contained in this Management s Discussion and Analysis for insight on opportunities, challenges and risks, such as those presented by known material trends and uncertainties, on which the Company s management is most focused for both the short term and long term as well as the actions management is taking to address these opportunities, challenges and risks.

**Results of Operations**

**Three Months Ended March 31, 2005 Compared to the Three Months Ended March 31, 2004**

*Revenues*. Revenues increased by $134.6 million, or 17.2%, during the three months ended March 31, 2005 to $915.9 million from $781.2 million during the three months ended March 31, 2004. Higher volume including product mix and favorable foreign exchange effects increased revenues by $94.7 million and $28.4 million, respectively, during the 2005 period. The remaining $11.5 million of the increase was primarily attributable to steel price recoveries from certain customers.

*Gross Profit and Gross Margin.* Gross margin for the quarter ended March 31, 2005 was 7.1% compared to 7.8% for the comparable period of 2004. Gross profit increased by $4.1 million, or 6.8 %, to $64.8 million during the 2005 period compared to $60.6 million during the 2004 period. The increase in gross profit resulted primarily from the positive impacts of volume, pricing, steel price increase recoveries and declines in launch costs in the amounts of $13.4 million, $1.3 million, $12.8 million and $12.7 million, respectively. These positive impacts were partially offset by increases in steel prices, general economic factors (i.e. labor rate increases, higher energy costs, etc.) and operating inefficiencies in the amounts of $22.2 million, $6.3 million and $7.6 million, respectively. The decrease in gross margin was primarily attributable to changes in product mix and the increased costs mentioned above.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased by $9.1 million, or 26.5%, to $43.2 million during the three months ended March 31, 2005 from $34.2 million for the corresponding period of 2004. Selling, general and administrative expenses represented 4.7% of revenues during the 2005 period in comparison to 4.4% in the 2004 period. The increase resulted primarily from higher compensation costs of $2.3 million, foreign currency exchange effects of $2.2 million, higher legal and professional fees of $2.0 million, an allowance for doubtful accounts increase of $1.8 million and an additional depreciation charge of $0.8 million.

*Interest Expense, Net.* Interest expense, net increased by $12.2 million, or 38.8%, to $43.7 million during the 2005 period in comparison to $31.5 million in the 2004 period. The increase was attributable to: (i) the write off of deferred financing fees of $16.4 million related to debt associated with the Company s Credit Agreement that was repaid in the first quarter of 2005; (ii) increased interest of $5.0 million related to increased borrowing levels; (iii) $2.5 million related to a decrease in capitalized interest during the 2005 period; and (iv) an increase of $2.6 million in relation to interest expense associated with miscellaneous items. These increases were partially offset by: (i) $11.6 million related to debt that has been classified as subject to compromise pertaining to the Company s bankruptcy proceedings and for which no interest is being accrued in the Company s financial statements effective February 2, 2005; (ii) $1.9 million related to interest savings associated with the repayment of 5.0% convertible subordinated notes, which were repaid in May 2004; (iii) interest savings of $0.7 million in association with an interest rate swap contract; and (iv) higher interest income of $0.1 million. In accordance with SOP 90-7, Reorganization Under the Bankruptcy Code, interest expense during the Company s bankruptcy has been recognized only to the extent that it will be paid during the Company s bankruptcy proceedings or that it is probable that it will be an allowed priority, secured or unsecured claim. Interest expense recognized by the Company is lower than the Company s stated contractual interest for the three months ended March 31, 2005 by $12.3 million.

*Chapter 11 and Related Reorganization Items.* On February 2, 2005, the Debtors filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. During the three months ended March 31, 2005, Chapter 11 and related reorganization costs amounted to $41.6 million. These costs primarily related to professional fees pertaining to the Company s bankruptcy proceedings, write offs of deferred financing costs and lease rejection costs. See Notes 1 and 4 to the Condensed Consolidated Financial Statements.

*Provision for Income Taxes.* The Company recognized income tax expense of $6.1 million, despite a $95.6 million pre-tax loss, during the three months ended March 31, 2005 in comparison to the recognition of income tax expense of $0.5 million in relation to pre-tax income of $0.6 million for the corresponding period of 2004. The provision for income taxes for the 2005 period was primarily attributable to the recognition of foreign income taxes and state taxes. The relatively high effective tax rate of 76.1% for the three months ended March 31, 2004 was primarily attributable to the high proportion of non-deductible items in relation to pre-tax income.

*Equity in Earnings of Joint Ventures, Net of Tax.* Equity in earnings of joint ventures, net of tax increased by $0.8 million, or 23.7%, to $4.3 million during the three months ended March 31, 2005 from $3.4 million during the three months ended March 31, 2004. The increase resulted from the Company s share of earnings from its joint venture interest in Metalsa in the amount of $2.4 million more than offsetting declines in the Company s share of earnings in Yorozu. The Company sold its investment in Yorozu in March 2004. See Note 9 to the Condensed Consolidated Financial Statements.

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*Minority Interest, Net of Tax.* Minority interest, net of tax during the three months ended March 31, 2005 of $1.3 million approximated the amount for the corresponding period of 2004.

*Gain on Sale of Joint Venture, Net of Tax.* The gain on sale of joint venture of $9.7 million for the three months ended March 31, 2004 represents the Company s sale of its 30.76% ownership interest in Yorozu. See Note 9 to the Condensed Consolidated Financial Statements.

*Net Income (Loss).* The Company recognized a net loss of $98.8 million ($1.68 per basic and diluted share) during the first three months of 2005 compared to net income of $12.0 million ($0.21 per basic and diluted share) in the corresponding period of 2004. The net loss for the 2005 period was primarily attributable to the Chapter 11 and related reorganization items, the significant decline in operating results, the increase in interest expense, net and the provision for income taxes mentioned above. The gain on the sale of the Company s 30.76% ownership interest in Yorozu represented a significant portion of net income for the 2004 period.

**Restructuring and Asset Impairment**

During the three months ended March 31, 2005, the Company recognized an asset impairment charge of $32.1 million (see Note 12 to the Condensed Consolidated Financial Statements). During the three months ended March 31, 2004, the Company recognized a reversal of a pension curtailment loss in the amount of $6.3 million resulting in an income item in relation to restructuring and asset impairment charges, net on the Condensed Consolidated Statement of Operations.

On April 15, 2005, the Company committed to a plan to close its Belcamp, MD, Bowling Green, KY and Corydon, IN facilities. The facility closures were completed in June 2005. In addition, as a result of the closing of the Corydon, IN facility, the Company will reduce the number of employees at its Granite City, IL facility. These operational restructuring initiatives are designed to reduce excess capacity and associated costs and improve overall efficiency. Total estimated costs associated with these actions amount to approximately $63.4 million. Cash expenditures related to these actions are estimated at $4.5 million (see Note 15 to the Condensed Consolidated Financial Statements).

**Liquidity and Capital Resources**

During the first three months of 2005, the Company s cash requirements were met through operations and a $725 million commitment of debtor-in-possession financing ( DIP Financing ). At March 31, 2005, the Company had available liquidity in the amount of $260.6 million, which consisted of $35.6 million of cash on hand and the availability of $225.0 million for borrowing under the DIP Financing.

Net cash used in operating activities was $176.9 million during the three months ended March 31, 2005 compared to net cash utilized of $62.9 million during the three months ended March 31, 2004. The $114.0 million increase in the amount utilized during the 2005 period was primarily attributable to an increase in inventory balances of $2.3 million and the $110.8 million representing the difference between the recognition of a net loss of $98.8 million during the three months ended March 31, 2005 and the recognition of net income of $12.0 million during the corresponding period of 2004.

Net cash utilized in investing activities was $32.0 million during the first three months of 2005 compared to net cash utilized of $19.9 million in the corresponding period of 2004. The utilization for the 2005 period resulted from capital expenditures of $32.0 million. The increase of $12.1 million in the amount utilized in the 2005 period reflected the recognition of $54.6 million of proceeds related to divestitures during the 2004 period, which was partially offset by an decrease in capital expenditures of $21.2 million and the utilization of $21.3 million in relation to the remaining 34% ownership interest in Seojin during the 2004 period. The Company received proceeds of $51.7 million from the sale of its 30.76% ownership interest in Yorozu during the 2004 period.

Net cash provided by financing activities was $95.3 million during the first three months of 2005 compared to net cash provided of $0.2 million during the comparable period of 2004. The $95.1 million increase was attributable to proceeds of borrowings exceeding repayments in relation to the Company s Credit Agreement and DIP financing in the amounts of $7.7 million and $87.6 million, respectively, in the 2005 period in comparison to proceeds of borrowings exceeding repayments in the amount of $0.2 million in relation to the Company s credit facilities during the 2004 period.

At March 31, 2005, the Company s balance sheet reflected working capital of $78.6 million. However, the Company classified approximately $286.4 million of contractual current liabilities as liabilities subject to compromise.

The Company s business has significant liquidity requirements due to its product launch activities and its capital intensive nature. The Company encountered a series of developments in late 2004 and early 2005, in addition to the termination of accelerated payment programs with key customers, that resulted in a material reduction in the Company s liquidity position in early 2005.

Production volumes of the Company s largest customers declined in the latter part of 2004 and in early 2005. In North America, Ford, DaimlerChrysler and General Motors experienced declining production volumes due, in part, to a loss in market share to foreign competitors such as Toyota, Honda and Nissan. Since the Company typically supplies its customers on a requirements basis and is not guaranteed any set volume of business and Ford, DaimlerChrysler and General Motors are major customers of the Company, representing approximately 62% of the Company s revenues in 2004, the decline in production has significantly impacted the Company s liquidity position and recent results of operations.

Increased costs of raw materials have also negatively impacted the Company s liquidity position. The majority of the Company s product offerings are produced from steel. Due to significantly increased demand for steel, most notably from China, the cost of steel increased significantly during 2004 and, despite a recent abatement in these steel price increases, the adverse impact is continuing into 2005.

In addition, certain foreign subsidiaries of the Company are subject to restrictions on their ability to dividend or otherwise distribute cash to the Company because they are subject to financing arrangements that restrict them from paying dividends.

Due to the above-mentioned factors, the Company s liquidity position deteriorated in early 2005 which required the Company to seek Chapter 11 protection to restructure its operations and financial position. The objective of the bankruptcy filing is to provide relief from the Company s burdensome pre-petition debt service and other obligations and allow the Company to make the necessary investments in the near term to grow and sustain its business.

The Company has established a plan that encompasses: (i) a balance sheet restructuring in conjunction with the bankruptcy filing that is intended to allow the Company to eliminate much of its unsustainable debt load and simplify its complex and restrictive capital structure; (ii) rationalizing the Company s facilities; (iii) increasing productivity, efficiency and quality at the plant level while optimizing capacity utilization across the Company s entire network to reduce costs and improve operating results by managing plants as cost centers instead of profit centers; (iv) leveraging scale by centralizing material services, capital and manufacturing sourcing that is designed to maximize overall purchasing power with the objective of reducing costs; (v) rationalizing the Company s manufacturing operations by utilizing a common approach toward processes across all of the Company s manufacturing facilities; and (vi) focusing on profitability rather than revenue growth and market share, with the objective that future platform launches will be in a better position to achieve improved margins.

The Company s new product launch activities and capital expenditures are expected to decline during 2005 as compared to 2004 levels. Capital expenditures for 2005 are expected to be approximately $160.0 million. For the year ending December 31, 2005, management expects total new program launch costs to be approximately $7.4 million.

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**Chapter 11 Impact**

Under the terms of the Credit Agreement, the Chapter 11 filing created an event of default. Upon the Chapter 11 filing, the lenders obligation to loan additional money to the Company terminated, the outstanding principal of all obligations became immediately due and payable and the Debtors were required to immediately deposit funds into a collateral account to cover the outstanding amounts under the letters of credit issued pursuant to the Credit Agreement. Outstanding obligations under the Credit Agreement amounted to $425 million, which was refinanced through the DIP financing described below.

In addition, the Chapter 11 filing created an event of default in relation to the Convertible Debentures, Senior Notes, Senior Euro Notes, and the amount due to the Tower Automotive Capital Trust. As a result, such indebtedness became immediately due and payable.

The ability of the creditors of the Debtors to seek remedies to enforce their rights under the credit facilities described above is stayed as a result of the Chapter 11 filing, and the creditors rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

The debt of the Company s foreign subsidiaries is not subject to compromise in the bankruptcy proceedings as the Company s operating foreign subsidiaries are not included in the Chapter 11 filing.

**DIP Financing**

In conjunction with its Chapter 11 filing, the Debtors entered into a DIP Financing Agreement in February 2005. The DIP Agreement provides for a $725 million of debtor-in-possession financing, comprised of a revolving credit and letter of credit facility in an aggregate principal amount not to exceed $300 million and a term loan in the aggregate principal amount of $425 million. The proceeds of the term loan have been used to payoff the Company s outstanding balance of $425 million associated with its pre-petition Credit Agreement. The Company believes that the existing DIP Agreement is adequate to provide for its future liquidity needs through the Debtors Chapter 11 bankruptcy.

Advances under the DIP Agreement bear interest at a fixed rate per annum equal to (x) the greatest (as of the date the advance is made) of the prime rate, the Base CD Rate (as defined in the DIP Agreement) plus 1%, or the Federal Funds Effective Rate (as defined in the DIP Agreement) plus 0.5%, plus (y) 1.75%, in the case of a loan under the revolving facility, or 2.25% in the case of the term loan. Alternatively, the Debtors may request that advances be made at a variable rate equal to (x) the Adjusted LIBO Rate (as defined in the DIP Agreement), for a one-month, three-month, six-month, or nine-month period, at the election of Debtors, plus (y) 2.75%, in the case of a loan under the revolving facility, or 3.25% in the case of the term loan. In addition, the DIP Agreement obligates the Debtors to pay certain fees to the lenders as described in the DIP Agreement.

The DIP Agreement contains various representations, warranties and covenants by the Debtors that are customary for transactions of this nature, including (without limitation) reporting requirements and maintenance of financial covenants.

The Debtors obligations under the DIP Agreement may be accelerated following certain events of default, including (without limitation) any breach by the Debtors of any of the representations, warranties, or covenants made in the DIP Agreement or the conversion of any of the bankruptcy cases to a case under Chapter 7 of the Bankruptcy Code or the appointment of a trustee pursuant to Chapter 7 of the Bankruptcy Code.

The DIP Agreement matures on February 2, 2007; however, the Debtors are obligated to repay all borrowings made pursuant to the DIP Agreement upon substantial consummation of a plan of reorganization of the Debtors that is confirmed pursuant to an order of the Bankruptcy Court.

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### Contractual Obligations and Commercial Commitments

During the three months ended March 31, 2005, the Company repaid its obligation amounting to $425 million under the Credit Agreement with proceeds of the term loan under the Company s DIP Agreement. The DIP Agreement also provides for a $300 million revolving credit and letter of credit facility.

The Company s contractual obligations relating to long-term debt and the DIP Agreement as of March 31, 2005 follows:

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| | | Less than | | | After |
| **Contractual Obligations** | **Total** | **1 Year** | **1- 3 Years** | **4- 5 Years** | **5 Years** |
| Long-term debt (1) | $ 945,751 | $ 124,622 | $ 63,764 | $ 416,881 | $ 340,484 |
| DIP Agreement | 510,738 | | 510,738 | | |

Changes in other contractual obligations and commercial commitments disclosed in the Management s Discussion and Analysis contained in the Company s Form 10-K for the year ended December 31, 2004 were not significant.

(1) Includes liabilities subject to compromise.

### Market Risk

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

At March 31, 2005, the Company had total debt not subject to compromise in the bankruptcy proceedings of $791 million. The debt is composed of fixed rate debt of $161 million and floating rate debt of $630 million. The pre-tax earnings and cash flow impact for the next year resulting from a one percentage point increase in interest rates on variable rate debt not subject to compromise would be approximately $6.3 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 not subject to compromise.

A portion of the Company s revenues are 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 their 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 the Company s assets are based in its foreign operations and are 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 (deficit). Accordingly, the Company s consolidated stockholders investment (deficit) 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, also involve hedging programs intended to reduce the Company s exposure to currency fluctuations. Management believes the effect of a 100 basis point movement in foreign currency rates versus the dollar would not materially affect the Company s financial position, results of operations or cash flows for the periods presented.

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**Opportunities**

The Company s presence in Europe and Asia along with foreign vehicle manufacturers transplant operations in the U.S. have allowed the Company to reduce its reliance on Ford, DaimlerChrysler and General Motors. In addition, the Company expects the trend of diversification of its sales away from Ford, DaimlerChrysler and General Motors to continue as organic growth continues to mature from the recent launch activity.

**Disclosure Regarding Forward-Looking Statements**

All statements, other than statements of historical fact, included in this Form 10-Q or incorporated by reference herein, are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). When used in this Form 10-Q, the words anticipate, believe, estimate, expect, intends , project , plan and similar expressic 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 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) confirmation of a plan of reorganization under the Bankruptcy Code which would allow the Company to reduce unsustainable debt and other liabilities and simplify the Company s complex and restrictive capital structure; (ii) the Company s reliance on major customers and selected vehicle platforms; (iii) the cyclicality and seasonality of the automotive market; (iv) the failure to realize the benefits of acquisitions and joint ventures; (v) the Company s ability to obtain new business on new and redesigned models; (vi) the Company s ability to achieve the anticipated volume of production from new and planned supply programs; (vii) the general economic or business conditions affecting the automotive industry (which is dependent on consumer spending), either nationally or regionally, being less favorable than expected; (viii) the Company s failure to develop or successfully introduce new products; (ix) increased competition in the automotive components supply market; (x) unforeseen problems associated with international sales, including gains and losses from foreign currency exchange; (xi) implementation of or changes in the laws, regulations or policies governing the automotive industry that could negatively affect the automotive components supply industry; (xii) changes in general economic conditions in the United States, Europe and Asia; and (xiii) various other factors beyond the Company s control. 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.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

See Market Risk section of Management s Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2.

**Item 4. Controls and Procedures.**

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Company s Chief Executive Officer (the CEO ) and the Company s Chief Financial Officer (the CFO ) have reviewed and evaluated the effectiveness of the Company s disclosure controls and procedures as defined in Rule 13a 15 (e) of the Securities Exchange Act of 1934, as amended (the Exchange Act ) as of the end of the period covered by this report. Based upon this review and evaluation, the CEO and CFO have concluded that the Company s disclosure controls and procedures were not effective as of March 31, 2005. This determination was based upon the identification of material weaknesses as of December 31, 2004, in the Company s internal control over financial reporting, which the Company views as an integral part of its disclosure controls and procedures. The effect of such weaknesses on the Company s disclosure controls and procedures and remedial actions taken and planned are described in Item 9A, Controls and Procedures of the Company s Form 10-K for the year ended December 31, 2004.

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CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING. During the quarter ended March 31, 2005, the Company implemented processes and policies specifically related to the Company s bankruptcy filing. Such processes and policies were designed to:

- § Assure that payments of pre-petition liabilities subsequent to the bankruptcy filing were made in accordance with the approved motions by the Bankruptcy Court;

- § Assure that pre-petition liabilities are adequately segregated from post-petition liabilities; and

- § Assure that the Company s financial statements comply with Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code.

## PART II OTHER INFORMATION

**Item 1. Legal Proceedings.**

As indicated in Note 1 to the Condensed Consolidated Financial Statements, on February 2, 2005, Tower Automotive, Inc. and its 25 United States subsidiaries each filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court Southern District of New York. The cases are jointly consolidated for administrative purposes as Case No. 05-10578 (ALG). As a result of the commencement of the Chapter 11 proceedings by the Debtors, an automatic stay has been imposed against the commencement or continuation of legal proceedings, pertaining to claims existing as of February 2, 2005, against the Debtors outside of the Bankruptcy Court. Claimants against the Debtors may assert their claims in the Chapter 11 proceedings by filing a proof of claim, to which the Debtors may object and seek a determination from the Bankruptcy Court as to the allowability of the claim. Claimants who desire to liquidate their claims in legal proceedings outside of the Bankruptcy Court will be required to obtain relief from the automatic stay by order of the Bankruptcy Court. If such relief is granted, the automatic stay will remain in effect with respect to the collection of liquidated claim amounts. Generally, all claims against the Debtors that seek a recovery from assets of the Debtors estates will be addressed in the Chapter 11 proceedings and paid only pursuant to the terms of a confirmed plan of reorganization.

The Company has requested an extension of the required due date for the filing of its plan of reorganization. On September 21, 2005, the Bankruptcy Court approved an extension of the due date from September 30, 2005 to January 27, 2006.

**Item 6. Exhibits.**

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

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.
Registrant

Date: October 3, 2005

/s/ Christopher T. Hatto

Christopher T. Hatto
Chief Accounting Officer

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## Exhibit Index

| Exhibit Number | Description |
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