

TOWER AUTOMOTIVE INC

Form 10-Q

October 03, 2005

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

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

**For the quarterly period ended June 30, 2005
OR**

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
(State or other jurisdiction of
incorporation or organization)

41-1746238
(I.R.S. Employer
Identification No.)

27175 Haggerty Road
Novi, Michigan
(Address of principal executive offices)

48377
(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

No

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

Yes

No

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

Yes

No

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

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

	June 30, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,581	\$ 149,101
Accounts receivable	534,243	346,031
Inventories	134,390	159,034
Prepaid tooling and other	148,226	124,938
Total current assets	868,440	779,104
Property, plant and equipment, net	1,087,319	1,205,640
Investments in joint ventures	217,967	227,740
Goodwill	156,272	174,563
Other assets, net	141,803	173,727
Total assets	\$ 2,471,801	\$ 2,560,774
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities not subject to compromise:		
Current maturities of long-term debt and capital lease obligations	\$ 138,784	\$ 133,156
Accounts payable	341,204	638,118
Accrued liabilities	280,820	286,262
Total current liabilities	760,808	1,057,536
Liabilities subject to compromise	1,192,883	
Non-current liabilities not subject to compromise:		
Long-term debt, net of current maturities	89,639	1,239,562
Debtor-in-possession borrowings	533,286	
Convertible senior debentures		121,723
Obligations under capital leases, net of current maturities	31,349	36,823
Other non-current liabilities	230,389	226,062
Total non-current liabilities	884,663	1,624,170
Stockholders deficit:		
Preferred stock		

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Common stock	666	666
Additional paid-in-capital	681,272	681,084
Retained deficit	(948,204)	(715,754)
Deferred compensation plans	(7,261)	(7,636)
Accumulated other comprehensive loss	(43,702)	(29,968)
Treasury stock	(49,324)	(49,324)
Total stockholders' deficit	(366,553)	(120,932)
Total liabilities and stockholders' deficit	\$ 2,471,801	\$ 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 June		Six Months Ended June	
	30,	30,	30,	30,
	2005	2004	2005	2004
Revenues	\$ 923,014	\$ 783,213	\$ 1,838,894	\$ 1,564,449
Cost of Sales	843,625	714,499	1,694,714	1,435,090
Gross Profit	79,389	68,714	144,180	129,359
Selling, general, and administrative expenses	39,422	35,141	82,628	69,295
Restructuring and asset impairment charges, net	39,289	304	71,184	(5,303)
Operating income (loss)	678	33,269	(9,632)	65,367
Interest expense, net (Contractual interest of \$40,759 and \$96,727 in 2005)	22,343	37,878	66,013	69,348
Chapter 11 and related reorganization items	103,287		144,909	
Unrealized loss on derivative		1,850		1,850
Income (loss) before provision for income taxes, equity in earnings of joint ventures, minority interest and gain on sale of joint venture	(124,952)	(6,459)	(220,554)	(5,831)
Provision (benefit) for income taxes	9,697	(2,196)	15,822	(1,718)
Loss before equity in earnings of joint ventures, minority interest, and gain on sale of joint venture	(134,649)	(4,263)	(236,376)	(4,113)
Equity in earnings of joint ventures, net of tax	2,222	3,522	6,485	6,969
Minority interest, net of tax	(1,223)	(1,916)	(2,557)	(3,227)
Gain on sale of joint venture, net of tax				9,732
Net income (loss)	\$ (133,650)	\$ (2,657)	\$ (232,448)	\$ 9,361
Basic earnings (loss) per share	\$ (2.28)	\$ (0.05)	\$ (3.96)	\$ 0.16
Weighted average basic shares outstanding	58,646	58,067	58,647	57,705
Diluted earnings (loss) per share	\$ (2.28)	\$ (0.05)	\$ (3.96)	\$ 0.16
Weighted average diluted shares outstanding	58,646	58,067	58,647	58,500

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)

	Six Months Ended June 30,	
	2005	2004
OPERATING ACTIVITIES:		
Net income (loss)	\$ (232,448)	\$ 9,361
Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:		
Chapter 11 and related reorganization expenses	131,535	
Non-cash restructuring and impairment	63,722	(6,276)
Depreciation	89,931	76,353
Deferred income tax expense (benefit)	12,711	(9,652)
Gain on sale of joint venture investment		(9,732)
Equity in earnings of joint ventures, net	(6,485)	(6,969)
Change in working capital and other operating items	(208,690)	(22,636)
Net cash provided by (used in) operating activities	(149,724)	30,449
INVESTING ACTIVITIES:		
Capital expenditures	(51,537)	(131,027)
Divestitures and other		51,700
Acquisitions		(21,299)
Net cash used in investing activities	(51,537)	(100,626)
FINANCING ACTIVITIES:		
Proceeds from borrowings	18,452	576,491
Repayments of borrowings	(449,871)	(474,393)
Borrowings from DIP credit facility	866,785	
Repayments of borrowings from DIP credit facility	(331,625)	
Net proceeds from issuance of common stock		65
Net cash provided by financing activities	103,741	102,163
NET CHANGE IN CASH AND CASH EQUIVALENTS	(97,520)	31,986
Cash and cash equivalents, beginning of period	149,101	160,899
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 51,581	\$ 192,885
Supplemental Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ 29,161	\$ 63,790
Income taxes refunded	\$ (292)	\$ (1,191)

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 and six months ended June 30, 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 June 30, 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):

	June 30, 2005
Debt:	
5.75% Convertible senior debentures	\$ 125,000
Due to Tower Automotive Capital Trust	258,750
9.25% Senior Euro notes	181,500
12% Senior notes	258,000
Total debt	823,250
Pre-petition accounts payable	241,525
Accrued interest on debt subject to compromise	21,178
Accrued liabilities	5,649
Executory Contracts	101,281
Consolidated liabilities subject to compromise	1,192,883
Inter-company payable to non-Debtor subsidiaries	16,363
Total liabilities subject to compromise	\$ 1,209,246

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 and six months ended June 30, 2005 and consist of the following (in thousands):

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Professional fees directly related to the filing	\$ 7,770	\$ 19,964
Key employee retention costs	1,657	1,693
Write off of deferred financing costs		29,135
Estimated executory contract rejection damages	93,712	93,920
Other expenses directly attributable to the Company's reorganization	148	197
Total	\$ 103,287	\$ 144,909

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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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)

	June 30, 2005
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 5,756
Accounts receivable, net	304,423
Inventories	68,684
Prepaid tooling and other	43,836
Total current assets	422,699
Property, plant and equipment, net	593,933
Investments in non-Debtor subsidiaries	412,696
Inter-company receivables	404,984
Other assets, net	92,771
Total assets	\$ 1,927,083
LIABILITIES AND STOCKHOLDERS DEFICIT	
Current Liabilities Not Subject to Compromise:	
Current maturities of long-term debt and capital lease obligations	\$ 15,682
Accounts payable	114,896
Accrued liabilities	192,212
Total current liabilities	322,790
Liabilities subject to compromise	1,209,246
Non-Current Liabilities Not Subject to Compromise:	
Long-term debt, net of current maturities	43,774
DIP borrowings	533,286
Other noncurrent liabilities	184,540
Total noncurrent liabilities	761,600
Total stockholders deficit	(366,553)

Total liabilities and stockholders' deficit

\$ 1,927,083

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Debtors-in- Possession**

(Amounts in thousands unaudited)

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Revenues	\$ 557,522	\$ 1,135,139
Cost of sales	519,356	1,064,500
Gross profit	38,166	70,639
Selling, general and administrative expenses	25,277	54,059
Restructuring and asset impairment charges, net	37,538	69,433
Chapter 11 and related reorganization items	103,287	144,909
Operating loss	(127,936)	(197,762)
Interest expense, net	19,401	59,961
Inter-company interest income	(5,708)	(11,598)
Loss before provision for income taxes, equity in earnings of joint ventures and equity in earnings from non-Debtor subsidiaries	(141,629)	(246,125)
Provision for income taxes	4,964	8,215
Loss before equity in earnings of joint ventures and equity in earnings of non-Debtor subsidiaries	(146,593)	(254,340)
Equity in earnings of joint ventures, net of tax	89	
Equity in earnings of non-Debtor subsidiaries	12,854	21,892
Net loss	\$ (133,650)	\$ (232,448)

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

	Six Months Ended June 30, 2005
OPERATING ACTIVITIES:	
Net loss	\$ (232,448)
Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:	
Chapter 11 and related reorganization expenses	131,535
Non-cash restructuring and impairment	62,155
Depreciation	56,106
Equity in earnings of non-Debtor subsidiaries	(21,892)
Equity in loss of joint ventures, net	
Change in working capital and other operating items	(191,080)
Net cash used in operating activities	(195,624)
INVESTING ACTIVITIES:	
Capital expenditures	(11,920)
Net cash used for investing activities	(11,920)
FINANCING ACTIVITIES:	
Repayments of pre-petition borrowings	(428,941)
Proceeds from DIP borrowings	866,785
Repayments of DIP borrowings	(331,625)
Net cash provided by financing activities	106,219
NET CHANGE IN CASH AND CASH EQUIVALENTS	(101,325)
Cash and cash equivalents, beginning of period	107,081
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,756

3. Inventories

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

	June 30, 2005	December 31, 2004
Raw materials	\$ 65,166	\$ 91,220
Work in process	30,038	26,820
Finished goods	39,186	40,994

\$ 134,390 \$ 159,034

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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 \$425.0 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 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 June 30, 2005 amounted to \$30.7 million.

As discussed 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.

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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 June 30, 2005, \$190 million was available for borrowing under the revolving credit and letter of credit facility. For the period of February 2, 2005 through June 30, 2005, the weighted average interest rate associated with borrowings pertaining to the DIP Agreement was 6.34%.

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 \$15.8 million as of June 30, 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 \$15.7 million, respectively, are classified as liabilities not subject to compromise on the Company's Condensed Consolidated Balance Sheet at June 30, 2005. The Company's foreign subsidiary indebtedness amounting to \$200.3 million at June 30, 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 June 30, 2005, \$1.1 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 Facility

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. 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

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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 six months ended June 30, 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 and six months ended June 30, 2005, the Company recognized income tax expense of \$9.7 million and \$15.8 million, respectively, in relation to net losses of \$133.7 million and \$232.4 million, respectively. These income tax provisions resulted primarily from the recognition of foreign income taxes and state taxes. Full valuation allowances were provided for U.S. Federal income tax benefits generated during the 2005 periods.

During the six months ended June 30, 2004, the Company's effective tax rate was 29.5%. The relatively lower effective tax rate for the first six months of 2004 in comparison to the federal statutory rate was due to a high proportion of deductible items in relation to the pre-tax loss.

7. Stockholders Deficit**Earnings (Loss) Per Share**

Basic loss per share 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 and six months ended June 30, 2005, as the effect would be anti-dilutive. Diluted earnings per share for the six months ended June 30, 2004 was determined based on the assumption that stock options were exercised at the beginning of the period or at the time of issuance, if later, to the extent such options were dilutive. The effects of common stock equivalents have not been included in diluted loss per share for the three months ended June 30, 2004 as the effect would be anti-dilutive (in thousands, except per share data):

	Three Months Ended June		Six Months Ended June	
	2005	30, 2004	2005	30, 2004
Weighted average number of common shares outstanding	58,646	58,067	58,647	57,705
Dilutive effect of stock options				142
Dilutive effect of restricted stock				653
Weighted average number of diluted shares outstanding	58,646	58,067	58,647	58,500

Table of Contents**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):

	Three Months Ended June		Six Months Ended June	
	30, 2005	2004	30, 2005	2004
Net income (loss) as reported	\$ (133,650)	\$ (2,657)	\$ (232,448)	\$ 9,361
Add: Stock-based compensation included in reported net income (loss), net of related tax effects	237	273	511	572
Deduct: Stock-based employee compensation (expense) income determined under fair value based method for all awards, net of related tax effects	542	(541)	654	(1,136)
Pro Forma	\$ (132,871)	\$ (2,925)	\$ (231,283)	\$ 8,797

	Three Months Ended June		Six Months Ended June	
	30, 2005	2004	30, 2005	2004
Basic earnings (loss) per share as reported	\$ (2.28)	\$ (0.05)	\$ (3.96)	\$ 0.16
Pro Forma	(2.27)	(0.05)	(3.94)	0.15
Diluted earnings (loss) per share as reported	\$ (2.28)	\$ (0.05)	\$ (3.96)	\$ 0.16
Pro Forma	(2.27)	(0.05)	(3.94)	0.15

Stock-based employee compensation income for the three and six months ended June 30, 2005 resulted from total amounts relating to forfeitures exceeding stock-based compensation expense for those periods.

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 periods and a risk free interest rate of 4.33% and 3.92% in the 2004 periods; expected life of seven years for the 2005 and 2004 periods; expected volatility of 61.21% in the 2005 periods and 61.21% and 58.00% in the 2004 periods; 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 4. 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.

Table of Contents**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 six months ended June 30, 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 at the Milwaukee facility related to this program ceased in June 2005 (see Note 12). The Company recognized revenue associated with the Dodge Ram frame program in the amounts of \$42.2 million and \$59.0 million for the three months ended June 30, 2005 and 2004, respectively, and \$88.7 million and \$119.2 million, respectively, for the six months ended June 30, 2005 and 2004. 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 June 30, (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	3,229	1,495
Net periodic benefit cost	\$ 4,096	\$ 4,715	\$ 5,494	\$ 3,524

The following table provides the components of net periodic pension benefit cost and other post retirement benefit cost for the six months ended June 30, (in thousands):

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Service cost	\$ 3,440	\$ 4,280	\$ 400	\$ 189
Interest cost	7,580	7,252	4,130	3,869
Expected return on plan assets	(7,344)	(6,089)		
Amortization of transition assets		(2)		
Amortization of prior service cost	2,462	2,108		
Amortization of net losses	2,054	1,882	6,459	2,990
Net periodic benefit cost	\$ 8,192	\$ 9,431	\$ 10,989	\$ 7,048

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 and six months ended June 30, 2005, the Company made contributions of \$7.2 million and \$13.1 million, respectively to its

pension plans. The Company presently anticipates contributing an additional

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\$14.3 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 \$2.6 million and \$5.4 million, respectively, during the three and six months ended June 30, 2005 to its defined contribution employee savings plans.

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 and six months ended June 30, 2005, the Company made contributions of \$4.8 million and \$11.2 million, respectively, to its postretirement plans. The Company presently anticipates contributing an additional \$11.3 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 is as follows (in thousands):

	North America	International	Total
THREE MONTHS ENDED JUNE 30, 2005:			
Revenues	\$ 570,397	\$ 352,617	\$ 923,014
Operating income (loss)	(26,346)	27,024	678
Restructuring and asset impairment charge	(37,538)	(1,751)	(39,289)
Total assets	1,356,539	1,115,262	2,471,801
THREE MONTHS ENDED JUNE 30, 2004:			
Revenues	\$ 517,468	\$ 265,745	\$ 783,213
Operating income	13,553	19,716	33,269
Total assets	2,034,475	1,009,041	3,043,516
SIX MONTHS ENDED JUNE 30, 2005:			
Revenues	\$ 1,160,005	\$ 678,889	\$ 1,838,894
Operating income (loss)	(56,197)	46,565	(9,632)
Restructuring and asset impairment charge	(69,433)	(1,751)	(71,184)
Total assets	1,356,539	1,115,262	2,471,801
SIX MONTHS ENDED JUNE 30, 2004:			
Revenues	\$ 1,051,350	\$ 513,099	\$ 1,564,449
Operating income	28,910	36,457	65,367
Total assets	2,034,475	1,009,041	3,043,516

The change in the carrying amount of goodwill for the six months ended June 30, 2005, by operating segment follows (in thousands):

	International
Balance at December 31, 2004	\$ 174,563
Currency translation adjustment	(18,291)
Balance at June 30, 2005	\$ 156,272

Table of Contents**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. 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 restructuring initiatives are designed to reduce excess capacity and associated costs and improve overall efficiency.

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. 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.

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.

During the second quarter of 2005, the Company determined that certain property, plant and equipment in North America would not be utilized through the date originally estimated. Cash flow projections were prepared which indicated that there were not sufficient projected cash flows to support the carrying value of such property, plant and equipment, which resulted in an asset impairment charge of \$29.6 million included in restructuring and asset impairment charges in the accompanying statements of operations.

The table below summarizes the accrual for the Company's various restructuring actions for the six months ended June 30, 2005 (in thousands):

	Severance	Other Costs	Total
Balance at December 31, 2004	\$ 2,615	\$ 4,349	\$ 6,964
Provision	6,595		6,595
Cash usage	(970)		(970)
Non-cash charges and revisions of estimates	(1,089)	(4,349)	(5,438)
Balance at June 30, 2005	\$ 7,151	\$	\$ 7,151

Except as disclosed above, the Company does not anticipate incurring additional material cash charges associated with these actions.

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.

13. Comprehensive Income (Loss)

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

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net income (loss)	\$ (133,650)	\$ (2,657)	\$ (232,448)	\$ 9,361
Change in cumulative translation adjustment	(9,110)	(5,167)	(17,061)	(12,845)
Unrealized gain (loss) on qualifying cash flow hedges, net of tax of \$-, \$1,339, \$- and \$1,723, respectively	1,601	2,599	3,328	3,345
Comprehensive income (loss)	\$ (141,159)	\$ (5,225)	\$ (246,181)	\$ (139)

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 June 30, 2005 and December 31, 2004, the Company had accrued approximately \$11.7 million and \$16.3 million, respectively.

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 1). 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.

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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. All KERP Agreements were executed by April 15, 2005.

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 approximately \$ 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. Recently Issued Accounting Pronouncements

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 shall 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 pertaining 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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16. 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 June 30, 2005
(Amounts in thousands unaudited)

	R.J.		Non-Guarantor				
	Tower	Parent	Guarantor	Restricted	Unrestricted	Elimination	Consolidated
	Corporation	Guarantor	Companies	Companies	Companies		
Assets							
Current assets:							
Cash and cash equivalents	\$ 6,027	\$	\$ (271)	\$ 45,577	\$ 248	\$	\$ 51,581
Accounts receivable	4,543		299,881	211,558	18,261		534,243
Inventories			68,683	51,350	14,357		134,390
Prepaid tooling and other	4,107		39,729	75,584	28,806		148,226
Total current assets	14,677		408,022	384,069	61,672		868,440
Property, plant and equipment, net	767		593,164	297,635	195,753		1,087,319
Investments in and advances to (from) affiliates	825,213	24,536	(667,984)	(177,987)	(1,303)	215,492	217,967
Goodwill				156,272			156,272
Other assets, net	19,767		73,130	22,252	26,654		141,803
	\$ 860,424	\$ 24,536	\$ 406,332	\$ 682,241	\$ 282,776	\$ 215,492	\$ 2,471,801
Liabilities and Stockholders Investment (Deficit)							
Current liabilities:							
Current maturities of long-term debt and capital lease obligations							
	\$	\$	\$ 15,682	\$ 20,346	\$ 102,756	\$	\$ 138,784
Accounts payable	9,966		104,930	174,797	51,511		341,204
Accrued liabilities	58,231		129,253	82,358	10,978		280,820
Total current liabilities	68,197		249,865	277,501	165,245		760,808
Liabilities subject to compromise	559,017	391,089	242,777				1,192,883
Non-Current Liabilities Not Subject to Compromise:							
Long-term debt, net of current maturities			43,774	8,667	37,198		89,639
	533,286						533,286

Debtor-in-possession borrowings, net of current maturities							
Obligations under capital leases, net of current maturities				31,349			31,349
Other noncurrent liabilities	38,217		141,125	33,252	17,795		230,389
Total noncurrent liabilities	571,503		184,899	73,268	54,993		884,663
Stockholders investment (deficit)	(338,293)	(366,553)	(271,209)	331,472	62,538	215,492	(366,553)
	\$ 860,424	\$ 24,536	\$ 406,332	\$ 682,241	\$ 282,776	\$ 215,492	\$ 2,471,801

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statement of Operations for the Three Months Ended June 30, 2005**

(Amounts in thousands unaudited)

	R. J. Tower Corporation	Parent Guarantor	Guarantor Companies	Non-Guarantor Restricted Companies	Non-Guarantor Unrestricted Companies	Eliminations	Consolidated
Revenues	\$	\$	\$ 557,522	\$ 259,499	\$ 105,993	\$	\$ 923,014
Cost of sales	(1,799)		522,057	222,803	100,564		843,625
Gross profit	1,799		35,465	36,696	5,429		79,389
Selling, general and administrative expenses	(7,690)		32,968	10,881	3,263		39,422
Restructuring and asset impairment charge	398		37,140	1,751			39,289
Operating income (loss)	9,091		(34,643)	24,064	2,166		678
Interest expense, net	16,542		2,827	1,117	1,857		22,343
Chapter 11 and related reorganization items	103,287						103,287
Income (loss) before provision for income taxes, equity in earnings of joint ventures and minority interest	(110,738)		(37,470)	22,947	309		(124,952)
Provision (benefit) for income taxes			461	8,438	798		9,697
Income (loss) before equity in earnings of joint ventures and minority interest	(110,738)		(37,931)	14,509	(489)		(134,649)

Equity earnings in joint ventures and subsidiaries, net	(22,912)	(133,650)				158,784	2,222
Minority interest, net			(1,223)				(1,223)
Net income (loss)	\$ (133,650)	\$ (133,650)	\$ (37,931)	\$ 13,286	\$ (489)	\$ 158,784	\$ (133,650)

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statement of Operations for the Six Months Ended June 30, 2005**

(Amounts in thousands unaudited)

			Non-Guarantor			
	R.J. Tower Corporation	Parent Guarantor	Guarantor Companies	Restricted Companies	Unrestricted Companies	Eliminations Consolidated
Revenues	\$	\$	\$ 1,135,138	\$ 502,323	\$ 201,433	\$ 1,838,894
Cost of sales	(3,341)		1,069,634	438,573	189,848	1,694,714
Gross profit	3,341		65,504	63,750	11,585	144,180
Selling, general and administrative expenses	(11,902)		65,962	22,468	6,100	82,628
Restructuring and asset impairment charge	503		68,930	1,751		71,184
Operating income (loss)	14,740		(69,388)	39,531	5,485	(9,632)
Interest expense, net	52,918	2,221	4,787	2,485	3,602	66,013
Chapter 11 and related reorganization items	144,909					144,909
Income (loss) before provision for income taxes, equity in earnings of joint ventures and minority interest	(183,087)	(2,221)	(74,175)	37,046	1,883	(220,554)
Provision (benefit) for income taxes			1,758	12,778	1,286	15,822
Income (loss) before equity in earnings of joint ventures and	(183,087)	(2,221)	(75,933)	24,268	597	(236,376)

minority interest

Equity earnings in
joint ventures and
subsidiaries, net

(47,140) (230,227) 283,852 6,485

Minority interest,
net

(2,557) (2,557)

Net income (loss) \$ (230,227) \$ \$(232,448) \$ (75,933) \$ 21,711 \$ 597 \$ \$283,852 \$ (232,448)

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statements of Cash Flows for the Six Months Ended June 30, 2005**

(Amounts in thousands unaudited)

	Non-Guarantor		Non-Guarantor				
	R. J. Tower Corporation	Parent Guarantor	Guarantor Companies	Restricted Companies	Unrestricted Companies	Eliminations	Consolidated
OPERATING ACTIVITIES:							
Net income (loss)	\$ (230,227)	\$ (232,448)	\$ (75,933)	\$ 21,711	\$ 597	\$ \$283,852	\$ \$(232,448)
Adjustments required to reconcile net income to net cash provided by (used in) operating activities Chapter 11 and related reorganization expenses, net	131,535						131,535
Non-cash restructuring charge			63,722				63,722
Depreciation	166		55,940	22,054	11,771		89,931
Deferred income tax provision (benefit)			(281)	12,722	270		12,711
Equity in earnings of joint ventures, net	(6,485)						(6,485)
Changes in working capital and other operating items	123,282	2,445	(27,342)	(20,398)	(2,825)	(283,852)	(208,690)
Net cash provided by (used in) operating activities	18,271	(230,003)	16,106	36,089	9,813		(149,724)
INVESTING ACTIVITIES:							
Capital expenditures, net			(11,919)	(26,721)	(12,897)		(51,537)
Other, net	(230,003)	230,003					
Net cash provided by (used in) investing activities	(230,003)	230,003	(11,919)	(26,721)	(12,897)		(51,537)
FINANCING ACTIVITIES:							
Proceeds from pre-petition borrowings				5,887	12,565		18,452

Repayments of pre-petition borrowings	(425,000)	(3,941)	(11,626)	(9,304)	(449,871)
Proceeds from DIP credit facility	866,785				866,785
Repayments of DIP credit facility borrowings	(331,625)				(331,625)
Net cash provided by (used for) financing activities	110,160	(3,941)	(5,739)	3,261	103,741
NET CHANGE IN CASH AND CASH EQUIVALENTS	(101,572)	246	3,629	177	(97,520)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	107,599	(517)	41,948	71	149,101
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,027	\$ (271)	\$ 45,577	\$ 248	\$ 51,581

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

	R.J.		Non-Guarantor		Non-Guarantor		
	Tower	Parent	Guarantor	Restricted	Unrestricted	Eliminations	Consolidated
	Corporation	Guarantor	Companies	Companies	Companies		
Assets							
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

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:

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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

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statement of Operations for the Three Months Ended June 30, 2004**

(Amounts in thousands unaudited)

	Non-Guarantor						
	R.J. Tower Corporation	Parent Guarantor	Guarantor Companies	Restricted Companies	Unrestricted Companies	Eliminations	Consolidated
Revenues	\$	\$	\$ 507,904	\$ 204,873	\$ 70,436	\$	\$ 783,213
Cost of sales	(1,509)		472,061	178,262	65,685		714,499
Gross profit	1,509		35,843	26,611	4,751		68,714
Selling, general and administrative expenses	(7,345)		30,417	9,679	2,390		35,141
Restructuring and asset impairment charge	227		77				304
Operating income	8,627		5,349	16,932	2,361		33,269
Interest expense (income), net	26,639	9,461	(1,387)	1,317	1,848		37,878
Unrealized loss on derivative		1,850					1,850
Income (loss) before provision for income taxes, equity in earnings of joint ventures and minority interest	(18,012)	(11,311)	6,736	15,615	513		(6,459)
Provision (benefit) for income taxes	(6,124)	(3,846)	2,292	5,308	174		(2,196)
Income (loss) before equity in earnings of joint ventures and minority interest	(11,888)	(7,465)	4,444	10,307	339		(4,263)
Equity earnings in joint ventures and subsidiaries, net	16,696	4,808				(17,982)	3,522

Minority interest, net				(1,916)				(1,916)						
Net income (loss)	\$	4,808	\$	(2,657)	\$	4,444	\$	8,391	\$	339	\$	(17,982)	\$	(2,657)

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statement of Operations for the Six Months Ended June 30, 2004**

(Amounts in thousands unaudited)

			Non-Guarantor			
	R.J. Tower Corporation	Parent Guarantor	Guarantor Companies	Restricted Companies	Unrestricted Companies	Eliminations Consolidated
Revenues	\$	\$	\$ 1,032,727	\$ 393,998	\$ 137,724	\$ 1,564,449
Cost of sales	(4,248)		967,438	344,765	127,135	1,435,090
Gross profit	4,248		65,289	49,233	10,589	129,359
Selling, general and administrative expenses	(15,760)		60,799	19,274	4,982	69,295
Restructuring and asset impairment charge	444		(5,747)			(5,303)
Operating income	19,564		10,237	29,959	5,607	65,367
Interest expense (income), net	47,889	16,652	(1,906)	2,898	3,815	69,348
Unrealized loss on derivative		1,850				1,850
Income (loss) before provision for income taxes, equity in earnings of joint ventures and minority interest	(28,325)	(18,502)	12,143	27,061	1,792	(5,831)
Provision (benefit) for income taxes	(9,366)	(6,291)	4,130	9,200	609	(1,718)
Income (loss) before equity in earnings of joint ventures and minority interest	(18,959)	(12,211)	8,013	17,861	1,183	(4,113)

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Equity earnings in joint ventures and subsidiaries, net	30,799	21,572				(45,402)	6,969
Gain on sale of joint venture investment, net	9,732						9,732
Minority interest, net				(3,227)			(3,227)
Net income (loss)	\$ 21,572	\$ 9,361	\$ 8,013	\$ 14,634	\$ 1,183	\$ (45,402)	\$ 9,361

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statements of Cash Flows for the Six Months Ended June 30, 2004**

(Amounts in thousands unaudited)

	Non-Guarantor						
	R. J. Tower Corporation	Parent Guarantor	Guarantor Companies	Restricted Companies	Unrestricted Companies	Eliminations	Consolidated
OPERATING ACTIVITIES:							
Net income	\$ 21,572	\$ 9,361	\$ 8,013	\$ 14,634	\$ 1,183	\$ (45,402)	\$ 9,361
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	130		47,497	20,182	8,544		76,353
Deferred income tax provision (benefit)	(7,855)		(243)	(2,053)	499		(9,652)
Gain on sale of joint venture investment	(9,732)						(9,732)
Equity in earnings of joint ventures, net	(6,969)						(6,969)
Changes in working capital and other operating items	(47,859)	(1,099)	(68,896)	39,916	9,900	45,402	(22,636)
Net cash provided by (used in) operating activities	(50,713)	8,262	(19,905)	72,679	20,126		30,449
INVESTING ACTIVITIES:							
Capital expenditures, net	(1,132)		(96,446)	(25,173)	(8,276)		(131,027)
Divestitures and other Acquisitions	(14,957)	66,657					51,700
					(21,299)		(21,299)
Net cash provided by (used in) investing activities	(16,089)	66,657	(96,446)	(25,173)	(29,575)		(100,626)
FINANCING ACTIVITIES:							
Proceeds from borrowings	421,509	125,000		3,608	26,374		576,491

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Repayment of debt	(239,509)	(199,984)	(1,782)	(14,355)	(18,763)	(474,393)
Net proceeds from issuance of stock		65				65
Net cash provided by (used for) financing activities	182,000	(74,919)	(1,782)	(10,747)	7,611	102,163
NET CHANGE IN CASH AND CASH EQUIVALENTS	115,198		(118,133)	36,759	(1,838)	31,986
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD			118,352	40,419	2,128	160,899
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 115,198	\$	\$ 219	\$ 77,178	\$ 290	\$ 192,885

Table of Contents**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 and six months ended June 30, 2005 reduced gross margin by \$21.8 million and \$44.0 million, respectively, as compared to the comparable periods in 2004. 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 and six months ended June 30, 2005, the Company realized approximately \$14.5 million and \$27.3 million, respectively, in steel price recoveries from certain customers.

Despite approximate 1.0% and 3.0% declines in North American vehicle production during the three and six months ended June 30, 2005 in comparison to the corresponding periods of 2004, volume and product mix increased the Company's revenues and gross profit by \$94.6 million and \$13.5 million, respectively for the 2005 three-month period and by \$189.3 million and \$26.9 million, respectively, for the first six months of 2005. 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.

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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. 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. Product pricing increased gross profit by \$4.9 million and \$6.2 million, respectively, in the three and six months ended June 30, 2005 in comparison to the corresponding periods 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 three and six months ended June 30, 2005 by approximately \$12.3 million and \$25.0 million, respectively.

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 and six months ended June 30, 2005, the Company incurred \$103.3 million and \$144.9 million in costs in relation 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.

Table of Contents**Three Months Ended June 30, 2005 Compared to the Three Months Ended June 30, 2004**

Revenues. Revenues increased by \$139.8 million, or 17.8%, during the three months ended June 30, 2005 to \$923.0 million from \$783.2 million during the three months ended June 30, 2004. Higher volume including product mix and favorable foreign exchange effects increased revenues by \$94.6 million and \$25.8 million, respectively, during the 2005 period. In addition, the effects of favorable product pricing and steel price recoveries from certain customers increased revenues by \$4.9 million and \$14.5 million, respectively for the 2005 period.

Gross Profit and Gross Margin. Gross margin for the quarter ended June 30, 2005 was 8.6% compared to 8.8% for the comparable period of 2004. Gross profit increased by \$10.7 million, or 15.5%, to \$79.4 million during the 2005 period compared to \$68.7 million during the 2004 period. The increase in gross profit resulted primarily from the positive impacts of volume, pricing, steel price increase recoveries from certain customers and declines in launch costs in the amounts of \$13.5 million, \$4.9 million, \$14.5 million and \$12.3 million, respectively. These positive impacts were partially offset by increases in steel prices, operating inefficiencies and general economic conditions (i.e. general labor rate increases, higher energy costs, etc.) in the amounts of \$21.8 million, \$1.9 million and \$10.8 million, respectively. The slight decrease in gross margin was primarily attributable to changes in product mix.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$4.3 million, or 12.2%, to \$39.4 million during the three months ended June 30, 2005 from \$35.1 million for the corresponding period of 2004. Selling, general and administrative expenses represented 4.3% of revenues during the 2005 period in comparison to 4.5% in the 2004 period.

Interest Expense, Net. Interest expense, net decreased by \$15.5 million, or 41.0%, to \$22.3 million during the 2005 period in comparison to \$37.9 million in the 2004 period. The decline was attributable to: (i) \$17.1 million related to debt that has been classified as subject to compromise on which no interest is being accrued in the Company's financial statements effective February 2, 2005; (ii) \$3.8 million related to interest savings associated with the repayment of 5.0% convertible subordinated notes in May 2004; and (iii) lower amortization expense of \$2.6 million in relation to deferred financing costs. These declines were partially offset by: (i) increased interest of \$4.8 million related to the Company's DIP financing facilities; (ii) \$2.7 million related to a decrease in capitalized interest during the 2005 period; and (iii) an increase of \$0.5 million in relation to interest expense associated with miscellaneous items. In accordance with SOP 90-7, Reorganization Under the Bankruptcy Code, interest expense for the 2005 period 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 June 30, 2005 by \$18.4 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 June 30, 2005, Chapter 11 and related reorganization costs amounted to \$103.3 million. These costs primarily related to professional fees and lease rejection costs related to the Company's bankruptcy proceedings. See Note 2 to the Condensed Consolidated Financial Statements.

Unrealized Loss on Derivative. The Company recognized an unrealized loss on derivative of \$1.8 million in the quarter ended June 30, 2004. The embedded conversion option associated with the 5.75% Convertible Senior Debentures, issued in May 2004, was bifurcated from the host debt contract. This bifurcated derivative was being marked to market during the period of May 24, 2004 through September 19, 2004. On September 20, 2004, the required additional number of shares of common stock associated with the conversion feature were approved for authorization by the Company's stockholders.

Provision for Income Taxes. The Company recognized income tax expense of \$9.7 million, despite a \$125.0 million pre-tax loss, during the three months ended June 30, 2005 in comparison to an income tax benefit of \$2.2 million on a pre-tax loss of \$6.5 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. U.S. Federal income tax benefits have not been recognized in the 2005 period.

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Equity in Earnings of Joint Ventures, Net of Tax. Equity in earnings of joint ventures, net of tax decreased by \$1.3 million, or 36.9%, from \$3.5 million during the three months ended June 30, 2004 to \$2.2 million during the three months ended June 30, 2005. The decrease resulted from a decline in the Company's share of earnings from its joint venture interest in Metalsa.

Minority Interest, Net of Tax. Minority interest, net of tax decreased by \$0.7 million, or 36.2%, to \$1.2 million during the three months ended June 30, 2005 from \$1.9 million during the corresponding period of 2004. Lower earnings at the Company's consolidated joint ventures resulted in the decline.

Net Loss. The Company recognized a net loss of \$133.7 million (\$2.28 per basic and diluted share) during the three months ended June 30, 2005 compared to a net loss of \$2.7 million (\$0.05 per basic and diluted share) during the three months ended June 30, 2004. The \$131.0 million increase in the net loss for the 2005 period was primarily attributable to the Chapter 11 and related reorganization items and a decline in operating income. The decrease in operating income was caused by increases in selling, general and administrative expenses and restructuring and asset impairment charges, net.

Six Months Ended June 30, 2005 Compared to the Six Months Ended June 30, 2004

Revenues. Revenues increased by \$274.4 million, or 17.5%, during the six months ended June 30, 2005 to \$1.8 billion from \$1.6 billion during the six months ended June 30, 2004. Higher volume including product mix and favorable exchange effects increased revenues by \$189.3 million and \$54.2 million, respectively, during the 2005 period. In addition, the effects of favorable product pricing and steel price recoveries from certain customers increased revenues by \$4.9 million and \$26.0 million, respectively, for the 2005 period.

Gross Profit and Gross Margin. Gross margin for the six months ended June 30, 2005 was 7.8% compared to 8.3% for the comparable period of 2004. Gross profit increased by \$14.8 million, or 11.5%, to \$144.2 million during the 2005 period compared to \$129.4 million during the 2004 period. The increase in gross profit resulted primarily from the positive impacts of volume, pricing, steel price increase recoveries from certain customers and declines in launch costs in the amounts of \$26.9 million, \$6.2 million, \$27.3 million and \$25.0 million, respectively. These positive impacts were partially offset by increases in steel prices, operating inefficiencies and general economic conditions (i.e. general labor rate increases, higher energy costs, etc.) in the amounts of \$44.0 million, \$9.5 million and \$17.1 million, respectively. The decrease in gross margin was primarily attributable to changes in product mix.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$13.3 million, or 19.2%, to \$82.6 million during the six months ended June 30, 2005 from \$69.3 million for the corresponding period of 2004. Selling, general and administrative expenses represented 4.5% of revenues during the 2005 period in comparison to 4.4% in the 2004 period.

Interest Expense, Net. Interest expense, net decreased by \$3.3 million, or 4.8%, to \$66.0 million during the 2005 period in comparison to \$69.3 million in the 2004 period. The decline was attributable to: (i) \$28.0 million related to debt that has been classified as subject to compromise for which no interest is being accrued in the Company's financial statements effective February 2, 2005; (ii) \$6.3 million related to interest savings associated with the repayment of 5.0% convertible subordinated notes in May 2004; and (iii) interest savings of \$1.4 million in association with an interest rate swap contract. These declines were partially offset by: (i) increased interest of \$10.2 million related to the Company's DIP financing facilities; (ii) \$5.3 million related to a decrease in capitalized interest during the 2005 period; (iii) an increase of \$3.2 million in relation to interest expense associated with miscellaneous items; and (v) higher expenses of \$13.7 million in relation to the amortization of deferred financing costs. 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 June 30, 2005 by \$30.7 million.

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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 six months ended June 30, 2005, Chapter 11 and related reorganization costs amounted to \$144.9 million. These costs primarily related to professional fees and lease rejection costs related to the Company's bankruptcy proceedings. See Note 2 to the Condensed Consolidated Financial Statements.

Unrealized Loss on Derivative. The Company recognized an unrealized loss on derivative of \$1.8 million in the six months ended June 30, 2004. The embedded conversion option associated with the 5.75% Convertible Senior Debentures, issued in May 2004, was bifurcated from the host debt contract. This bifurcated derivative was being marked to market during the period of May 24, 2004 through September 19, 2004. On September 20, 2004, the required additional number of shares of common stock associated with the conversion feature were approved for authorization by the Company's stockholders.

Provision for Income Taxes. The Company recognized income tax expense of \$15.8 million, despite a \$220.6 million pre-tax loss, during the six months ended June 30, 2005 in comparison to an income tax benefit of \$1.7 million on a pre-tax loss of \$5.8 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. U.S. Federal income tax benefits have not been recognized in the 2005 period.

Equity in Earnings of Joint Ventures, Net of Tax. Equity in earnings of joint ventures, net of tax decreased by \$0.5 million, or 6.9%, from \$7.0 million during the six months ended June 30, 2004 to \$6.5 million during the six months ended June 30, 2005. The decrease resulted from the elimination of earnings from the Company's interest in Yorozu Corporation, which was sold in March 2004, offset by an increase in the Company's share of earnings from its joint venture interest in Metalsa of \$1.1 million.

Minority Interest, Net of Tax. Minority interest, net of tax decreased by \$0.7 million, or 20.8%, to \$2.6 million during the six months ended June 30, 2005 from \$3.2 million during the corresponding period of 2004. Lower earnings at the Company's joint venture in China, Tower Golden Ring, resulted in the decrease.

Gain on Sale of Joint Venture, Net of Tax. The gain on sale of joint venture of \$9.7 million for the six months ended June 30, 2004 represents the Company's sale of its 30.76% ownership interest in Yorozu in March 2004. See Note 9 to the Condensed Consolidated Financial Statements.

Net Income (Loss). The Company incurred a net loss of \$232.4 million (\$3.96 per basic and diluted share) during the six months ended June 30, 2005 compared to net income of \$9.3 million (\$0.16 per basic and diluted share) for the six months ended June 30, 2004. The net loss for the 2005 period primarily resulted from Chapter 11 and reorganization items, and increases in restructuring and asset impairment charges, net and selling, general and administrative expenses.

Restructuring and Asset Impairment

During the three and six months ended June 30, 2005, the Company recognized restructuring and asset impairment charges, net of \$39.3 million and \$71.2 million, respectively. During the six months ended June 30, 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 in the Condensed Consolidated Statement of Operations for that period.

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 12 to the Condensed Consolidated Financial Statements).

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Liquidity and Capital Resources

During the first six 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 June 30, 2005, the Company had available liquidity in the amount of \$241.6 million, which consisted of \$51.6 million of cash on hand and \$190.0 million available for borrowing under the DIP Financing.

Net cash used in operating activities was \$149.7 million during the six months ended June 30, 2005 compared to net cash provided by operating activities of \$30.4 million during the six months ended June 30, 2004. The net cash utilized in the 2005 period resulted primarily from an increase in accounts receivable of \$188.2 million and a decrease in accounts payable of \$296.9 million. These utilization amounts were partially offset by net provisions of cash from other operating accounts in the amount of \$335.4 million.

Net cash utilized in investing activities was \$51.5 million during the first six months of 2005 compared to net cash utilized of \$100.6 million in the corresponding period of 2004. The utilization for the 2005 period resulted from capital expenditures of \$51.5 million.

Net cash provided by financing activities was \$103.7 million during the six months ended June 30, 2005 compared to net cash provided of \$102.2 million during the comparable period of 2004. During the first six months of 2005, borrowings related to the DIP financing facility more than offset repayments pertaining to that facility in the amount of \$535.2 million. The effect of this provision of cash was partially offset in the amount of \$431.4 million resulting from repayments of the Company's non-DIP debt exceeding borrowings associated with that debt.

At June 30, 2005, the Company's balance sheet reflected working capital of \$107.6 million. However, the Company classified approximately \$369.6 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 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 and General Motors are major customers of the Company, representing approximately 48% 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 in 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.

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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.

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 \$425.0 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 amounts 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,

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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.

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 June 30, 2005, the Company had total debt not subject to compromise in the bankruptcy proceedings of \$793.0 million. The debt is composed of fixed rate debt of \$142.0 million and floating rate debt of \$651.0 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 \$6.5 million, holding other variables constant. A one-percentage point increase in interest rates would not materially impact the fair value of the fixed rate debt 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.

Table of Contents**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 expressions 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 cyclicity 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 June 30, 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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In connection with the preparation of the information included as part of this Quarterly Report on Form 10-Q and as a result of a review of the related financial statements by the Company's independent registered public accounting firm, an additional material weakness was identified by management in the Company's internal controls. As a result of this material weakness material adjustments to the recorded amount of reorganization expense were necessary to present the financial statements for the quarter ended June 30, 2005 in accordance with generally accepted accounting principles. This material weakness arose during the second quarter of 2005 and is separate and unrelated to the material weaknesses in internal controls disclosed in Item 9A of the Company's Annual Report on Form 10-K for the year ended December 31, 2004. This material weakness involved controls and procedures which were not performed or not adequately performed related to the calculation of estimated contract rejection damages included in reorganization expense for the quarter ended June 30, 2005. The principal factors contributing to the material weakness in estimating contract rejection damages were:

Insufficient independent verification of calculations performed to verify key contract terms were correct;

Insufficient consideration of amounts recorded in other accounts related to rejected contracts; and

Insufficient review of calculations.

To address this material weakness, the Company is implementing enhancements to its internal control over financial reporting. These steps include:

Independent verification requirements for manual calculations;

Procedures to ensure all appropriate amounts are included in analysis; and

Review and approval protocols prior to recognition of related amounts in the interim financial statements.

If not remediated, this material weakness could result in a material misstatement of reorganization expense that would result in a material misstatement to annual or interim financial statements that might not be prevented or detected.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING. There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

A description of the Company's proceedings under Chapter 11 of the United States Bankruptcy Code is described in Part II, Item 1 of the Company's Form 10-Q for the quarter ended March 31, 2005, which is incorporated herein by reference.

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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