

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

TOWER AUTOMOTIVE INC
Form 10-K
March 30, 2001

1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended: DECEMBER 31, 2000
Commission file number: 1-12733

TOWER AUTOMOTIVE, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State of Incorporation)

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

4508 IDS CENTER
MINNEAPOLIS, MINNESOTA
(Address of Principal
Executive Offices)

55402
(Zip Code)

Registrant's telephone number, including area code: (612) 342-2310

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, par value \$.01 per share

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

As of March 21, 2001, 43,605,157 shares of Common Stock of the Registrant were outstanding and the aggregate market value of the Common Stock of the Registrant (based upon the last reported sale price of the Common Stock at that date by the New York Stock Exchange), excluding shares owned

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

beneficially by affiliates, was approximately \$423,561,000.

Information required by Items 10, 11, 12 and 13 of Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the Registrant's Proxy Statement for its annual meeting to be held May 24, 2001 (the "2001 Proxy Statement").

2

TOWER AUTOMOTIVE, INC. ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

PART I

Item 1.	Business
Item 2.	Properties
Item 3.	Legal Proceedings
Item 4.	Submission of Matters to a Vote of Security Holders
Additional Item.	Executive Officers

PART II

Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters
Item 6.	Selected Financial Data
Item 7.	Management's Discussion and Analysis of Results of Operations and Financial Condition
Item 7A.	Quantitative and Qualitative Disclosure about Market Risk
Item 8.	Financial Statements and Supplementary Data
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

PART III

Item 10.	Directors and Executive Officers of the Registrant
Item 11.	Executive Compensation
Item 12.	Security Ownership of Certain Beneficial Owners and Management
Item 13.	Certain Relationships and Related Transactions

PART IV

Item 14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K
----------	--

-2-

3

PART I

ITEM 1. BUSINESS

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

(a) GENERAL DEVELOPMENT OF BUSINESS

Background of Company

Tower Automotive, Inc. and its subsidiaries (collectively referred to as the "Company" or "Tower Automotive") is a leading global designer and producer of structural components and assemblies used by every major automotive original equipment manufacturers ("OEMs"), including Ford, DaimlerChrysler, General Motors, Honda, Toyota, Nissan, Fiat, Kia, Hyundai, BMW, and Volkswagen. The Company's current products include automotive body structural stampings and assemblies including exposed sheet metal components, lower vehicle structural stampings and assemblies, as well as suspension components and suspension modules. The Company believes it is the largest independent global supplier of structural components and assemblies to the automotive market (based on net revenues).

Since its inception in April 1993, the Company's revenues have grown rapidly through a focused strategy of internal growth and a highly disciplined acquisition program. During the last six years, the Company has successfully completed 14 acquisitions and established joint ventures in China, Mexico, Korea, Japan and the United States. As a result of such acquisitions and internal growth, the Company's revenues have increased from approximately \$86 million in 1993 to approximately \$2.5 billion in 2000, representing a compound annual growth rate of approximately 58 percent. The Company's North American content per vehicle has increased from \$6.23 in 1993 to \$128.88 in 2000.

The Company operates in the large and highly fragmented structural segment of the automotive supply industry, which has continued to undergo significant consolidation. In order to lower costs and improve quality, OEMs are reducing their supplier base by awarding sole-source contracts to full-service suppliers who are able to supply larger portions of a vehicle on a global basis. OEMs' criteria for supplier selection include not only cost, quality and responsiveness, but also full-service design, engineering and program management capabilities. OEMs are increasingly seeking suppliers capable of providing complete systems or modules rather than suppliers who only provide separate component parts. In addition, OEMs are increasingly requiring their suppliers to have the capability to design and manufacture their products in multiple geographic markets. As a full-service supplier with strong OEM relationships, the Company expects to continue to benefit from these trends within the structural segment of the automotive supply industry.

The Company was formed to acquire R.J. Tower Corporation (the "Predecessor" or "R.J. Tower"), the acquisition of which was completed in April 1993 for an aggregate cost of approximately \$26 million. Since April 1993, the Company has successfully completed 14 strategic acquisitions and established six joint ventures.

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

Yorozu. In September 2000, the Company acquired a 17 percent equity interest in Yorozu Corporation ("Yorozu"), a supplier of suspension modules and structural parts to the Asian and North American automotive markets, from Nissan Motor Co. Ltd. ("Nissan"). Yorozu is based in Japan and is publicly traded on the first tier of the Tokyo Stock Exchange. Its principal customers include Nissan, Auto Alliance, General Motors, Ford, and Honda. The Company will pay Nissan approximately \$38 million over two and one half years for the 17 percent interest. In addition, the Company has an option to increase its holdings in

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Yorozu by 13.8 percent through the purchase of additional Yorozu shares. In February 2001, the Company exercised the right to purchase the additional equity interest and will pay Nissan approximately \$30 million over two and one half years for the additional 13.8 percent interest.

-3-

4

Caterina. In July 2000, the Company acquired the remaining 60 percent equity interest in Metalurgica Caterina S.A. ("Caterina") for approximately \$42 million. The initial 40 percent interest was acquired in March 1998 for approximately \$48 million. Caterina is a supplier of structural stampings and assemblies to the Brazilian automotive market. This investment (i) provided the Company with a substantial manufacturing presence in one of the fastest growing automotive markets in the world and (ii) added Volkswagen and Mercedes-Benz as new customers.

Algoods. In May 2000, the Company acquired all of the outstanding common stock of Algoods, Inc. ("Algoods") for total consideration of approximately \$33 million. Algoods manufactures aluminum heat shields and impact discs for the North American automotive industry from aluminum mini-mill and manufacturing operations located in Toronto, Canada. Its primary customer is DaimlerChrysler. The acquisition of Algoods represents a significant investment in processing technology for lightweight materials which complements the Company's existing heat shield capabilities and provides opportunities for application in other lightweight vehicle structural products. The acquisition was funded with proceeds from the Company's revolving credit facility.

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

Dr. Meleghy. In January 2000, the Company acquired all of the outstanding shares of Dr. Meleghy GmbH & Co. KG Werkzeugbau und Presswerk, Bergisch Gladbach ("Dr. Meleghy") for approximately \$86 million. Dr. Meleghy designs and produces structural stampings, exposed surface panels and modules for the European automotive industry. Dr. Meleghy had 1999 revenues of approximately \$100 million. Dr. Meleghy also designs and manufactures tools and dies for use in its production and for the external market. Dr. Meleghy operates three facilities in Germany and one facility in each of Hungary and Poland. Dr. Meleghy's principal customers include DaimlerChrysler, Audi, Volkswagen, Ford, Opel and BMW. Products offered by Dr. Meleghy include body side panels, floor pan assemblies, and miscellaneous structural stampings. The Company may pay an additional \$38 million for this acquisition if it achieves certain operating targets in 2000. The acquisition was financed with proceeds from the Company's revolving credit facility.

Seojin. In October 1999, the Company invested \$21 million for new shares representing a 49 percent equity interest in Seojin Industrial Company Limited ("Seojin"). Seojin is a supplier of frames, modules and structural components to the Korean automotive industry. Total consideration for the equity interest was

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

financed under the Company's revolving credit facility. In addition, the Company advanced \$19 million to Seojin in exchange for variable rate convertible bonds (the "Bonds") due October 30, 2009. The Bonds are unsecured and rank equally with all other present and future obligations of Seojin. Interest on the Bonds is payable annually beginning October 30, 2000 and each October 30 thereafter until maturity. The Company has the right to convert the Bonds into common stock of Seojin any time on or after October 30, 2000. The conversion rate is based upon a predetermined formula that would increase the Company's equity interest to approximately 66 percent. On October 31, 2000, the Company exercised its right to convert the bonds into 17 percent of the common stock of Seojin. Based upon the formula for conversion of the Seojin variable rate bonds, the Company paid \$1.2 million for the additional equity interest.

Active. In July 1999, the Company acquired all of the outstanding stock of Active Tool Corporation and Active Products Corporation (collectively, "Active") for total approximate consideration of \$315 million. Active, which has five facilities, designs and produces a variety of large unexposed structural stampings, exposed surface panels, and modules to the North American automotive industry. Active's main customers include DaimlerChrysler, Ford, General Motors, and Saturn. Products offered by Active include body sides, pick-up box sides, fenders, floor pan assemblies, door panels, pillars, and heat

-4-

5

shields. The acquisition of Active enhances the Company's ability to manufacture large and complex structures, as well as exposed surface panels. The acquisition was financed with proceeds from the Company's revolving credit facility.

IMAR and OSLAMT. In July 1998, the Company acquired IMAR s.r.l. ("IMAR") and OSLAMT S.p.A. ("OSLAMT"). IMAR designs and manufactures structural parts and assemblies from two facilities in Italy, primarily for Fiat. OSLAMT designs and manufactures tools and assemblies for the automotive market from its facility in Turin, Italy. The purchase price consisted of approximately \$32.5 million cash plus the assumption of approximately \$17 million of indebtedness with an additional amount of up to \$15 million payable if IMAR achieves certain operating targets.

Metalsa. In October 1997, the Company acquired a 40 percent equity interest in Metalsa S. de R.L. ("Metalsa"). In addition, the Company has entered into a technology sharing arrangement which will allow it to utilize the latest available product and process technology. Metalsa is the largest supplier of vehicle frames and structures in Mexico. The Company paid approximately \$120 million for its equity interest with an additional amount of up to \$45 million payable based upon Metalsa's future net earnings.

SIMES. In May 1997, the Company acquired Societa Industria Meccanica e Stampaggio S.p.A. ("SIMES"), an Italian automotive parts manufacturer, for approximately \$50.7 million in cash, plus up to an additional \$3.0 million if SIMES achieves certain operating targets following the acquisition. The acquisition of SIMES (i) significantly expanded the Company's global capabilities by providing the Company with a manufacturing presence in Europe, (ii) added Fiat as a new customer and (iii) enhanced the Company's design and engineering capabilities. SIMES generated revenues of approximately \$70.0 million during its last fiscal year, with Fiat representing substantially all of such revenues.

APC. In April 1997, the Company acquired Automotive Products Company ("APC") from A.O. Smith Corporation for approximately \$700 million in cash. APC

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

is a leading designer and producer of structural and suspension components for the automotive, light truck and heavy truck markets. The Company believes that the acquisition of APC provided it with several strategic benefits, including: (i) expanded product offerings and modular product opportunities; (ii) increased customer penetration within each of the three major North American OEMs and within certain foreign OEMs with manufacturing operations in North America ("Transplants"); (iii) increased penetration in the light truck segment and other key models; (iv) complementary new technology; (v) opportunities to reduce costs and improve operational efficiency; and (vi) an expanded presence in China, Japan and South America, which complemented the Company's current European initiatives to provide expanded global production capabilities for both North American and international OEMs. APC had revenues of \$863.0 million in 1996.

MSTI. In May 1996, the Company acquired MascoTech Stamping Technologies, Inc. ("MSTI") from MascoTech, Inc. ("MascoTech") for approximately \$79 million, plus additional earn-out payments if certain operating targets are achieved by the MSTI facilities in the first three years following the acquisition. The MSTI acquisition: (i) expanded the Company's product capabilities into chassis and suspension components; (ii) provided chassis and suspension technology as well as value-added processing technologies including assembling, painting and welding; and (iii) increased the Company's content per vehicle on key light truck and sport utility vehicles such as the Ford F-Series, Explorer and Windstar and the DaimlerChrysler Ram and Dakota as well as on high volume passenger cars such as the Ford Taurus/Sable. MSTI had revenues of \$152.9 million in 1995.

Trylon. In January 1996, the Company acquired Trylon Corporation ("Trylon") from MascoTech for approximately \$25 million in cash. The acquisition of Trylon: (i) broadened the Company's product offerings to include small, precision metal stampings and assemblies, which were previously outsourced to third parties; (ii) established a relationship between the Company and General Motors; and (iii) increased content on Ford models, primarily the Villager. Trylon generated \$47.9 million in revenues in 1995.

-5-

6

Kalamazoo. In June 1994, the Company acquired Kalamazoo Stamping and Die Company ("Kalamazoo"), a supplier of structural stampings and assemblies, for approximately \$12 million in cash. The acquisition of Kalamazoo added additional structural components to the Company's product offerings and increased model penetration with Ford.

Edgewood. In May 1994, the Company acquired Edgewood Tool and Manufacturing Company and its affiliate, Ann Arbor Assembly Corporation (collectively, "Edgewood") for approximately \$30 million in aggregate consideration. Edgewood is a leading supplier of hood and deck lid hinges as well as structural stampings and assemblies. The acquisition of Edgewood: (i) added engineered mechanical stampings, primarily hood and deck lid hinges, and additional structural components to the Company's product offerings; (ii) increased model penetration with the Company's existing customers; and (iii) provided the Company with a significant new customer, Mazda.

J.L. French. In October 1999, the Company loaned \$30.0 million to J. L. French Automotive Castings, Inc., ("J.L. French") in exchange for a convertible subordinated promissory note due October 14, 2009. The note bears interest at 7.5 percent annually with interest payable on the last day of each calendar quarter beginning December 31, 1999. The Company can convert, at its option, any

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

portion of the outstanding principal of the note into Class A Common Stock of J.L. French at a preset agreed upon conversion price. In November 2000, the Company exercised its option to convert the note into 7,124 shares of Class A "1" Common Stock of J.L. French, which has a 7.5 percent pay-in-kind dividend right. Additionally, in November 2000, the Company invested \$2.9 million in J.L. French through the purchase of Class P Common Stock, which has an 8 percent pay-in-kind dividend right. In May 2000, the Company invested \$11.0 million in J. L. French through the purchase of Class A Common Stock. At December 31, 2000, the Company has an ownership interest of approximately 16 percent in J. L. French.

Roanoke Heavy Truck Business. In December 2000, the Company sold its Roanoke, Virginia heavy truck rail manufacturing business (the "Roanoke Heavy Truck Business") to its joint venture partner, Metalsa, for net proceeds of approximately \$55 million, which approximated the book value of the net assets sold, plus an earnout of up to \$30 million based on achieving certain profit levels over the next three years. The net proceeds were used to repay outstanding indebtedness under the revolving credit facility.

Hinge Business. In August 1998, the Company sold its hinge business to Dura Automotive Systems, Inc. for net proceeds of approximately \$36.9 million which approximated the book value of the net assets sold. The net proceeds were used to repay outstanding indebtedness under the revolving credit facility.

The Company completed an initial public offering (the "IPO") of its Common Stock in August 1994, the sale of an additional 4,465,800 shares in June 1996 and an additional 17,000,000 shares in April 1997. The Company's principal executive offices are located at 4508 IDS Center, Minneapolis, Minnesota 55402, and its telephone number is (612) 342-2310.

Business Strategy

The Company's business objective is to capitalize upon the consolidation, globalization and system/modular sourcing trends in the automotive supply industry in order to be the leading provider of structural and suspension components to OEMs on a worldwide basis. Where appropriate, the Company outsources the production of commodity components to Tier II and Tier III manufacturers, as well as seeks to provide program management and administrative services to these manufacturers to maximize supply chain efficiency. This also allows the Company to optimize the use and return on capital employed in its operations. In addition, the Company has implemented an economic value added management system to aid in guiding its investment decisions, rewarding its colleagues and measuring its performance. Key elements of the Company's operating and growth strategies are outlined below:

-6-

7

OPERATING STRATEGY:

Full-Service Technical Design, Engineering and Program Management Capabilities. The Company strives to maintain a competitive advantage through investment in research and product development, advanced engineering and program management. The Company works with OEMs throughout the product development process from concept vehicle and prototype development through the design and implementation of manufacturing processes to provide full-service capabilities to its customers. In some cases, the Company places design engineers at customer facilities to coordinate its product design efforts with those of its OEM customers. During 1999, the Company added a technical and customer service

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

center in Hyderabad, India to enable around-the-clock product development across several time zones.

Efficient Manufacturing/Continuous Improvement Programs. In response to OEMs' increasingly stringent demands, the Company has implemented manufacturing practices designed to maximize product quality and timeliness of delivery and eliminate waste and inefficiency. The Company has continued to upgrade its manufacturing equipment and processes through substantial investment in new equipment, maintenance of existing equipment and utilization of manufacturing engineering personnel. The Company employs flexible manufacturing processes that allow it to maximize equipment utilization in meeting its customers' expectations for product quality and timely delivery.

Global Presence. The Company strives to offer manufacturing and support services to its customers on a global basis through a combination of international wholly owned facilities and by entering into joint ventures and partnerships with foreign suppliers. The Company has technical/customer service centers in Yokohama, Japan, Turin, Italy, Hyderabad, India, Bergisch-Gladbach, Germany, and Sao Paulo, Brazil. The Company also has relocated certain technical personnel resources to locations where OEMs are developing "world cars."

Decentralized, Participative Culture. The Company's decentralized approach to managing its manufacturing facilities encourages decision making and employee participation in areas such as manufacturing processes and customer service. The Company's leadership team meets frequently at various Company locations in order to maintain a unified Company culture. To increase employee productivity, the Company utilizes incentive programs for all salaried and hourly employees and provides incentives for employees who take advantage of its continuous improvement programs and who provide cost savings ideas.

GROWTH STRATEGY:

Strategic Acquisitions. The Company continues to believe that consolidation in the automotive supply industry will provide further attractive opportunities to acquire high-quality companies that complement its existing business. The Company seeks to make acquisitions that (i) provide additional product, manufacturing and technical capabilities; (ii) broaden the Company's geographic coverage domestically and strengthen its ability to supply products on a global basis; (iii) increase the number of models for which the Company supplies products and the content supplied for existing models; (iv) add new customers; and (v) provide a minimum targeted return on invested capital. The Company intends to seek future acquisitions or develop strategic alliances that will strengthen the Company's ability to supply its products on a global basis.

Modular Product Opportunities. The Company has capitalized on the system/modular sourcing trend among OEMs by offering customers higher value-added supply capabilities through an increasing focus on the production of assemblies consisting of multiple component parts that are welded or otherwise fastened together by the Company. The Company has the ability to supply OEMs with modules consisting of integrated assemblies and component parts that can be installed as a unit in a vehicle at the OEM assembly plant.

Increase Vehicle Penetration. The Company has developed strong relationships with certain OEM engineering and purchasing personnel which allow it to identify business opportunities and to react to customer needs in the early stages of vehicle design. The Company believes that these relationships give

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

it a competitive advantage over smaller and less capable suppliers in marketing its broad range of products and in developing new product concepts, such as expanded use of modules, that complement its existing product lines.

Pursuit of "World Car" Opportunities. The Company has been working closely with certain customers on the development of "world cars," which are designed by OEMs in one vehicle center to a single global standard but produced and sold in different geographic markets. Suppliers for a specific "world car" are often required to provide their products on a worldwide basis. The Company believes that it has a competitive advantage in potentially supplying certain world cars given its international presence, full-service capabilities and existing position as a leading supplier on the Ford Focus and Lincoln LS/Jaguar S-Type platforms, as well as on other existing vehicle platforms which may eventually evolve into world cars.

Industry Trends

The Company's performance and growth is directly related to certain trends within the automotive market, including the consolidation of the component supply industry, the increase in global sourcing and the growth of system/modular sourcing.

Supplier Consolidation. The automotive supply industry has been undergoing significant consolidation. In order to lower costs and improve quality, OEMs are reducing their supplier base by awarding sole-source contracts to full-service suppliers who are able to supply larger segments of a vehicle. OEMs' criteria for supplier selection include not only cost, quality and responsiveness, but also full-service design, engineering and program management capabilities. For full-service suppliers such as the Company, this environment provides an opportunity to grow by obtaining business previously provided by other non-full service suppliers and by acquiring suppliers that further enhance product, manufacturing and service capabilities. OEMs rigorously evaluate suppliers on the basis of product quality, cost control, reliability of delivery, product design capability, financial strength, new technology implementation, quality and condition of facilities and overall management. Suppliers that obtain superior ratings are considered for sourcing new business. Although these new supplier policies have already resulted in significant consolidation of component suppliers in certain segments, the Company believes that consolidation within the structural and suspension component segments of the automotive industry will continue to provide attractive opportunities to acquire high-quality companies that complement its existing business.

Global Sourcing. Regions such as Asia, Latin America, Mexico and Eastern Europe are expected to experience significant growth in vehicle demand over the next ten years. OEMs are positioning themselves to reach these emerging markets in a cost-effective manner by seeking to design and produce "world cars" which can be designed in one vehicle center to a single global standard but produced and sold in different geographic markets, thereby allowing OEMs to reduce design costs, take advantage of low-cost manufacturing locations and improve product quality and consistency. OEMs increasingly are requiring their suppliers to have the capability to design and manufacture their products in multiple geographic markets.

System/Modular Sourcing. OEMs are increasingly seeking suppliers capable of providing complete systems or modules rather than suppliers who only provide separate component parts. A system is a group of component parts which operate together to provide a specific engineering driven functionality whereas a module is a group of systems and/or component parts which are assembled and shipped to the OEM for installation in a vehicle as a unit. By outsourcing complete systems or modules, OEMs are able to reduce their costs associated with the design and

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

integration of different components and improve quality by enabling their suppliers to assemble and test major portions of the vehicle prior to beginning production.

Products

The Company produces a broad range of structural components and assemblies, many of which are critical to the structural integrity of a vehicle. Many of the Company's stamped, formed and welded

-8-

9

components and assemblies are attached directly to the frame of an automobile at the OEM assembly plant and comprise the major structure of a vehicle. The Company's products generally can be classified into the following categories: lower vehicle structures; body structures and assemblies; suspension components, modules and systems; and Class A surfaces and modules.

Lower Vehicle Structures. The Company's lower vehicle structures include products that form the basic lower body structure of the vehicle and include large metal stampings such as light truck frames, automotive engine cradles, floor pan components and cross members. Critical to the strength and safety of vehicles, these products carry the load of the vehicle and provide crash integrity.

Body Structures and Assemblies. The Company's body structures include products that form the basic upper body structure of the vehicle and include large metal stampings such as body pillars, roof rails, side sills, parcel shelves and intrusion beams. The Company's current assemblies include a broad array of highly engineered parts such as brake components and fuel filler assemblies. Such engineered assemblies are a natural extension to the Company's other products in that they are attached to both lower vehicle and body structures.

Suspension Components, Modules and Systems. The Company's current suspension component products include stamped, formed and welded products such as control arms, suspension links, track bars, spring and shock towers and trailing axles. Critical to the ride, handling and noise characteristics of a vehicle, suspension components are a natural extension of the Company's larger structural components.

Class A Surfaces and Modules. The Company's current Class A surfaces include exposed sheet metal components such as body sides, pick-up box sides, door panels and fenders. The capability to produce these types of components complements the Company's substantial presence in lower vehicle and body structures and allows for the combination of these offerings into modules for supply to customers.

Other. The Company manufactures a variety of other products, including heat shields and other precision stampings, for its OEM customers.

The Company produces value-added assemblies and systems comprised of components that it manufactures as well as those produced by other manufacturers. Assemblies are groups of components that are grouped according to their relative location, while systems are components that are grouped based upon providing functionality. The Company sells these products to OEMs who have been increasingly outsourcing assemblies and systems in order to reduce their production and inventory management costs. The Company currently produces axle

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

assemblies, which consist of stamped metal trailing axles, assembled brake shoes, hoses and tie rods and front and rear structural suspension systems, which consist of control arms and suspension links.

Customers and Marketing

The North American automotive market is dominated by General Motors, Ford and DaimlerChrysler, with Transplants representing approximately 21 percent of this market in 2000. The Company currently supplies its products primarily to Ford, DaimlerChrysler, General Motors, Honda, Toyota, Nissan, Fiat, BMW and Volkswagen.

OEMs typically award contracts that cover parts to be supplied for a particular car model. Such contracts range from one year to over the life of the model, which is generally three to ten years and do not require the purchase by the customer of any minimum number of parts. The Company also competes for new business to supply parts for successor models and therefore is subject to the risk that the OEM will not select the Company to produce parts on a successor model. The Company supplies parts for a broad cross-section of both new and mature models, thereby reducing its reliance on any particular model. For example, the Company supplies parts for substantially all models produced by Ford, Honda and Toyota in North America and also currently supplies DaimlerChrysler with substantially all of its full frame requirements. The following table presents an overview of the major models for which the Company supplies products:

-9-

10

CUSTOMER	CAR MODELS	TRUCKS
Ford	Taurus/Sable, Mustang, Escort, Crown Victoria, Grand Marquis, Fiesta, Continental, Focus, LS/Jaguar S-Type, Cougar, Thunderbird, Towncar, Mondeo	Explorer, Ranger, Villager, Wind Expedition/Nav
DaimlerChrysler	Concorde/Intrepid, Neon, Viper, Avenger, Stratus/Cirrus/Breeze, 300m, Sebring	Ram Pick-up, Dodge Voyager, Sprinter, Wrangler, Durango
General Motors	Cavalier, Sunfire, Grand Am, Lumina, Grand Prix	Silverado, Sierra, Astro, Safari
Saturn	LS, LS/LW	
Honda	Accord, Civic, Acura Integra	Odyssey
Mazda	626, MX6	
Toyota	Avalon, Camry, Solara	Sienna, Tacoma
Nissan	Sentra, Altima	Quest, Xterra, Rodeo, Amigo
Isuzu		
Fiat	Marea, Punto, Bravo	
Audi/Volkswagen	Passat, Audi A4, Audi A6	
BMW	3 Series, 5 Series	
Opel	Omega, Astra, Agila	

Most of the parts the Company produces have a lead time of two to five years from product development to production. See "Design and Engineering

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Support." The selling prices of these products are generally negotiated between the Company and its customers and are typically not subject to a competitive bid process.

Sales of the Company's products to OEMs are made directly by the Company's sales and engineering forces, located at its technical/customer service centers in Novi, Michigan, Rochester Hills, Michigan, Yokohama, Japan, Turin, Italy, Bergisch-Gladbach, Germany, Sao Paulo, Brazil and Hyderabad, India. Through its technical centers, the Company services its OEM customers and manages its continuing programs of product design improvement and development. The Company periodically places engineering staff at various customer facilities to facilitate the development of new programs.

Design and Engineering Support

The Company strives to maintain a technological advantage through investment in product development and advanced engineering capabilities. The Company's manufacturing engineering capabilities enable it to design and build high-quality and efficient manufacturing systems, processes and equipment and to continually improve its production processes and equipment. The Company's manufacturing engineers are located at each of its manufacturing facilities. The Company's engineering staff currently consists of approximately 400 full-time engineers, whose responsibilities range from research and development, advanced product development, product design, testing and initial prototype development to the design and implementation of manufacturing processes.

Because assembled parts must be designed at an early stage in the development of new vehicles or model revisions, the Company is increasingly given the opportunity to utilize its product engineering resources early in the planning process. Advanced development engineering resources create original engineering designs, computer-aided designs, feasibility studies, working prototypes and testing programs to meet customer specifications. The Company also has full-service design capability for chassis components.

Global Initiatives

The Company has formed, or is in the process of forming, strategic alliances with other suppliers throughout the world, including those located in Europe, Asia and South America. As part of its acquisition of APC, the Company acquired a 60 percent equity interest in a joint venture, Tower Golden Ring, that manufactures structural components in China. The Company also has equity interests in Mexico

-10-

11

through its 40 percent interest in Metalsa, Japan through its 30.8 percent interest in Yorozu and Korea through its 66 percent interest in Seojin. A current focus of the Company's acquisition strategy is to continue to acquire foreign suppliers that would provide the Company with a manufacturing presence in new geographic areas and afford the Company access to new customer opportunities.

Manufacturing

The Company's manufacturing operations consist primarily of stamping operations, system and modular assembly operations, roll-forming and hydroforming operations and associated coating and other ancillary operations.

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Stamping involves passing metal through dies in a stamping press to form the metal into three-dimensional parts. The Company produces stamped parts using over 640 precision single-stage, progressive and transfer presses, ranging in size from 150 to 4,000 tons, which perform multiple functions as raw material proceeds through the press and is converted into a finished product. The Company continually invests in its press technology to increase flexibility, improve safety and minimize die changeover time.

After forming is completed, stampings that are to be used in assemblies are placed in work-in-progress staging areas from which they are fed into cell-oriented assembly operations that produce complex, value-added assemblies through the combination of multiple parts that are welded or fastened together. The Company's assembly operations are performed on either dedicated, high-volume welding/fastening machines or on flexible-cell oriented robotic lines for units with lower volume production runs. The assembly machines attach additional parts, fixtures or stampings to the original metal stampings. In addition to standard production capabilities, the Company's assembly machines are also able to perform various statistical control functions and identify improper welds and attachments. The Company continually works with manufacturers of fixed/robotic welding systems to develop faster, more flexible machinery. Several of the Company's welding systems were designed by the Company.

The products manufactured by the Company use various grades and thicknesses of steel and aluminum, including hot and cold rolled, galvanized, organically coated, stainless and aluminized steel. The Company also produces exposed sheet metal components, such as exterior body panels. See "Suppliers and Raw Materials."

OEMs have established quality rating systems involving rigorous inspections of suppliers' facilities and operations. OEMs' factory rating programs provide a quantitative measure of a company's success in improving the quality of its operations. The Company has received quality awards from Ford (Q1) and DaimlerChrysler (Pentastar). The automotive industry adopted a quality rating system known as QS-9000. The Company has received QS-9000 certification in compliance with the automotive industry requirements.

Competition

The Company operates in a highly competitive, fragmented market segment of the automotive supply industry, with a limited number of competitors generating revenues in excess of \$200 million. The number of the Company's competitors has decreased in recent years and is expected to continue to decrease due to the supplier consolidation resulting from changing OEM policies. The Company's largest competitors include The Budd Company, a subsidiary of Krupp-Thyssen AG ("Budd"), Magna International, Inc. ("Magna"), Dana Corporation, Midway Products Corp., Modern Tool & Die Co., Midland Corporation and divisions of OEMs with internal stamping and assembly operations, all of which have substantial financial resources. The Company competes with Magna across most of the Company's product lines, and with its other significant competitors in various segments of its product lines. For example, the Company competes with Budd for large stampings, while it competes with Trianon North America, AG Simpson Ltd., and Oxford Automotive, Inc. for medium-size structural stampings.

The Company principally competes for new business both at the beginning of the development of new models and upon the redesign of existing models. New

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

model development generally begins two to five years before the marketing of such models to the public. Once a producer has been designated to supply parts for a new program, an OEM usually will continue to purchase those parts from the designated producer for the life of the program, although not necessarily for a redesign. Competitive factors in the market for the Company's products include product quality and reliability, cost and timely delivery, technical expertise and development capability, new product innovation and customer service.

Suppliers and Raw Materials

The primary raw material used to produce the majority of the Company's products is steel. The Company purchases hot and cold rolled, galvanized, organically coated, stainless and aluminized steel from a variety of suppliers. The Company employs just-in-time manufacturing and sourcing systems enabling it to meet customer requirements for faster deliveries while minimizing its need to carry significant inventory levels. The Company has not experienced any significant shortages of raw materials and normally does not carry inventories of raw materials or finished products in excess of those reasonably required to meet production and shipping schedules. Raw material costs represented approximately 53 percent of the Company's revenues in 2000.

Ford, Honda and DaimlerChrysler currently purchase all of the steel used by the Company for their models directly from steel producers. As a result, the Company has minimal exposure to changes in steel prices for parts supplied to Ford, Honda and DaimlerChrysler, which collectively represented 72 percent of the Company's revenues in 2000.

The Company expects that the content level of metal in cars and light trucks will remain constant or increase slightly due to the trend toward increased vehicle size and a greater emphasis on metal recycling. Although the search for improved fuel economy and weight reduction has resulted in attempts to reduce the sheet metal content of light vehicles, an efficient, cost-effective substitute for steel used in the Company's structural products has not been found. While various polymers have been used recently for fenders, hoods and decks, such products do not have the inherent strength or structural integrity on a cost-effective basis to be used for structural components. The Company is involved in ongoing evaluations of the potential for the use of aluminum and of specialty steel in its products.

Other raw materials purchased by the Company include dies, fasteners, tubing, springs, rivets and rubber products, all of which are available from numerous sources.

Employees

As of December 31, 2000, the Company had approximately 16,000 employees worldwide, of whom approximately 6,200 are covered under collective bargaining agreements. These collective bargaining agreements expire between 2002 and 2005. The Company believes that its future success will depend in part on its ability to continue to recruit, retain and motivate qualified personnel at all levels of the Company. The Company has instituted a large number of employee incentive programs to increase employee morale and expand the employees' participation in the Company's business. The Company has not experienced any work stoppages and considers its relations with its employees to be good.

(b) DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this Form 10-K or incorporated by reference herein, including without limitation the statements under "Business" are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

When used in this Form 10-K, the words "anticipate," "believe," "estimate," "expect," "intends" and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by and information currently available to the Company at the time such statements were made. Various economic and competitive factors could cause actual results to differ materially from those discussed in such forward-

-12-

13

looking statements, including factors which are outside the control of the Company, such as risks relating to: (i) the degree to which the Company is leveraged; (ii) the Company's reliance on major customers and selected models; (iii) the cyclical nature and seasonality of the automotive market; (iv) the failure to realize the benefits of recent acquisitions and joint ventures; (v) obtaining new business on new and redesigned models; (vi) the Company's ability to continue to implement its acquisition strategy; (vii) the highly competitive nature of the automotive supply industry; and (viii) such other factors noted in this Form 10-K with respect to the Company's businesses. 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 2. PROPERTIES

Facilities

The following table provides information regarding Tower Automotive's principal facilities. The Company maintains several manufacturing facilities located in close proximity to many of the high-volume vehicle assembly plants of its customers. The Company's facilities are geographically located in such a way as to enable the Company to optimize its management and logistical capabilities on a regional basis.

-13-

14

LOCATION	SQUARE FOOTAGE	TYPE OF INTEREST	DESCRIP
Milwaukee, Wisconsin	3,465,000	Owned	Manufacturing
Elkton, Michigan	1,100,000	Owned	Manufacturing
Caserta, Italy (2 locations)	751,000	Owned	Manufacturing
Milan, Tennessee	531,000	Owned	Manufacturing
Turin, Italy (4 locations)	512,000	Mixed	Manufacturing/O
Granite City, Illinois	458,000	Owned	Manufacturing
Malacky, Slovakia	453,600	Owned	Manufacturing
Zwickau, Germany	409,000	Owned	Manufacturing
Clinton Township, Michigan	385,000	Owned	Manufacturing
Sebewaing, Michigan	366,000	Owned	Manufacturing
Toronto, Ontario	329,400	Owned	Manufacturing/O

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Bardstown, Kentucky	300,000	Owned	Manufacturing
Plymouth, Michigan	294,000	Leased	Manufacturing
Corydon, Indiana	290,000	Leased	Manufacturing
Kalamazoo, Michigan (2 locations)	220,000	Mixed	Manufacturing/W
Sao Paulo, Brazil	171,000	Owned	Manufacturing/O
Traverse City, Michigan	170,000	Owned	Manufacturing
Greenville, Michigan	156,000	Owned	Manufacturing/O
Changchun, China	140,500	Leased (1)	Manufacturing
Auburn, Indiana	132,000	Owned	Manufacturing/O
Kendallville, Indiana	131,000	Owned	Manufacturing
Bellevue, Ohio	126,000	Owned	Manufacturing
Bluffton, Ohio	102,000	Owned	Manufacturing
Bergisch-Gladbach, Germany	102,000	Owned	Manufacturing/E
Rochester Hills, Michigan	89,000	Leased	Office/Engineer
Barrie, Ontario	72,000	Leased	Manufacturing
Belcamp, Maryland	70,000	Owned	Manufacturing
Minas Gerais, Brazil	60,000	Owned	Manufacturing
Upper Sandusky, Ohio	56,000	Owned	Manufacturing
Buchholz, Germany	54,000	Owned	Manufacturing
Opole, Poland	54,000	Owned	Manufacturing
Novi, Michigan	47,000	Leased	Engineering/Des
Bowling Green, Kentucky	46,000	Owned	Manufacturing
Fenton, Missouri	41,000	Leased	Warehouse
Tokod, Hungary	22,000	Owned	Manufacturing
Roseville, Michigan	21,000	Owned	Office/Engineer
Grand Rapids, Michigan	11,000	Leased	Operating Headq
Minneapolis, Minnesota	5,700	Leased	Corporate Headq
Hyderabad, India	2,800	Leased	Engineering/Des
Yokohama, Japan	1,000	Leased	Sales

-
- (1) Facility is leased by a joint venture in which the Company holds a 60 percent equity interest.

-14-

15

Management believes that substantially all of the Company's property and equipment is in good condition. In order to increase efficiency, the Company expects to continue to make capital expenditures for equipment upgrades at its facilities as necessary.

The Company believes that its existing facilities will be adequate to meet its production demands for the foreseeable future. The Company's facilities were specifically designed for the manufacturing of the Company's products. The utilization and capacity of such facilities are dependent upon the mix of products being produced by the Company.

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently involved in any material lawsuits. The Company believes it maintains adequate insurance, including product liability coverage. The Company historically has not been required to pay any material liability claims.

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Environmental Matters

The Company believes it conducts its operations in substantial compliance with applicable environmental and occupational health and safety laws. The Company does not expect to incur material capital expenditures for environmental compliance during its current or succeeding fiscal year. However, as is the case with manufacturers in general, if a release of hazardous substances occurs on or from the Company's properties or at any associated offsite disposal location, if contamination from prior activities is discovered at any of the Company's properties or if non-compliance with environmental regulations or permits is discovered, the Company may be held liable and the amount of such liability could be material. In connection with the acquisition of Trylon, MascoTech agreed to indemnify the Company for all losses (including reasonable legal expenses) resulting from: (i) a breach of its representation set forth in the acquisition agreement relating to environmental and safety matters (to the extent that such breach results in a claim being made within five years after the acquisition and subject to a \$500,000 cap); and (ii) each known environmental condition identified on a schedule to the acquisition agreement, including the replacement of underground storage tanks at the Traverse City facilities. In connection with the acquisition of MSTI, MascoTech agreed to indemnify the Company for all losses (including reasonable legal expenses) resulting from: (i) a breach of its representation set forth in the acquisition agreement relating to environmental and safety matters (to the extent that such breach results in a claim being made within five years after the acquisition and subject to a \$1.5 million threshold for all losses resulting from breaches of representation and warranties contained in the acquisition agreement); (ii) MSTI's non-compliance with applicable federal, state, local and foreign statutes, regulations, ordinances and similar provisions that have the force or effect of law, judicial orders and common law concerning public health and safety, worker health and safety and pollution or protection of the environment prior to the acquisition; and (iii) any remediation that may be required at the Kendallville facility.

In connection with the acquisition of APC, A.O. Smith agreed, subject to certain limitations, to indemnify the Company for environmental matters relating to APC arising from events occurring, or conditions arising, prior to the closing date of the acquisition of APC. This indemnification obligation applies to claims to the extent exceeding \$250,000 submitted by the Company within three years of the acquisition date. To the extent that such claims exceed \$5.0 million in the aggregate, A.O. Smith will indemnify 70 percent of such losses, up to A.O. Smith's maximum \$75.0 million indemnification obligation under the purchase agreement. In addition, A.O. Smith has agreed to retain certain environmental liabilities for, among other things, offsite disposal of hazardous substances prior to the acquisition of APC.

In connection with the acquisition of Active, the Company will be indemnified, subject to certain limitations, for all losses (including reasonable legal fees and expenses) resulting from claims arising under environmental laws relating to pre-closing environmental matters. This indemnification obligation applies to certain claims submitted by the Company within two years after the closing date of the merger agreement. To the extent that indemnification claims exceed \$1.0 million in the aggregate, this indemnification obligation will be satisfied only out of escrowed funds held pursuant to an escrow agreement, up to a maximum indemnification obligation of \$15.0 million under the merger agreement.

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of Stockholders during the fourth quarter of 2000.

ADDITIONAL ITEM - EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the Company's executive officers as of December 31, 2000:

Name ----	Age ---	Position -----
S.A. Johnson.....	60	Chairman and Director
Dugald K. Campbell.....	54	President, Chief Executive Officer and Director
James W. Arnold.....	48	Vice President
Anthony A. Barone.....	51	Vice President and Chief Financial Officer
Richard S. Burgess.....	46	Vice President
Kathy J. Johnston.....	43	Vice President
David D. Krohn.....	49	Vice President
Roland J. Loup.....	58	Vice President
Tommy G. Pitser.....	53	Vice President
Scott D. Rued.....	44	Vice President, Corporate Development and Di
Antonio R. Zarate.....	56	Vice President

S.A. (TONY) JOHNSON has served as Chairman and a Director of the Company since April 1993. Mr. Johnson is the founder, Chief Executive Officer and President of Hidden Creek Industries ("Hidden Creek"), a private industrial management company based in Minneapolis which has provided certain management and other services to the Company. Mr. Johnson is also the managing partner of J2R Partners ("J2R"), an investment partnership that participated in the acquisition of R.J. Tower. Prior to forming Hidden Creek, Mr. Johnson served from 1985 to 1989 as Chief Operating Officer of Pentair, Inc., a diversified industrial company. From 1981 to 1985, Mr. Johnson was President and Chief Executive Officer of Onan Corp., a diversified manufacturer of electrical generating equipment and engines for commercial, defense and industrial markets. Mr. Johnson currently serves as Chairman and a director of Dura Automotive Systems, Inc., a manufacturer of mechanical assemblies and integrated systems for the automotive industry, and served as Chairman and a director of Automotive Industries Holding, Inc., a supplier of automotive interior trim components, from May 1990 until its sale to Lear Corporation in August 1995.

DUGALD K. CAMPBELL has served as President, Chief Executive Officer and a Director of the Company since December 1993. From 1991 to 1993, Mr. Campbell served as a consultant to Hidden Creek. From 1988 to 1991, he served as Vice President and General Manager of the Sensor Systems Division of Siemens Automotive, a manufacturer of engine management systems and components. From 1972 to 1988, he held various executive, engineering and marketing positions with Allied Automotive, a manufacturer of vehicle systems and components and a subsidiary of AlliedSignal, Inc.

JAMES W. ARNOLD has served as Vice President of the Company since 1999, with current responsibility for the Company's Asian strategy. Mr. Arnold joined the Company in 1998. From 1977 to 1998, Mr. Arnold held a variety of manufacturing, sales, marketing and Asian general management positions at AlliedSignal.

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

ANTHONY A. BARONE has served as Vice President and Chief Financial Officer of the Company since May 1995. From 1984 to 1995, Mr. Barone served as Chief Financial Officer of O'Sullivan Corporation, a manufacturer of interior trim components for the automotive industry.

-16-

17

RICHARD S. BURGESS has served as Vice President of the Company with responsibility for colleague growth and development since January 1996. From June 1994 to January 1996, Mr. Burgess served as the colleague growth and development leader during the start-up of the Bardstown, Kentucky operation. From October 1991 to June 1994, Mr. Burgess filled various roles in colleague growth and development of R.J. Tower Corporation.

KATHY J. JOHNSTON has served as Vice President of the Company since June 2000 with responsibility for business development. From 1997 to 2000, Ms. Johnston served as Vice President Planning and Business Development at TRW Automotive in Cleveland, Ohio. From 1981 to 1997, Ms. Johnston served in finance, sales and marketing, purchasing, operations and strategic planning roles at TRW's vehicle safety systems group in Detroit, Michigan.

DAVID D. KROHN has served as Vice President of the Company since December 2000 with responsibility for the Company's strategy in the United States and Canada. From 1999 to 2000, Mr. Krohn served as Senior Vice President for Federal-Mogul Corporation's Brake, Chassis, Ignition and Fuel division and the Asia-Pacific region. From 1990 to 1998, Mr. Krohn served as President and Chief Executive Officer of AE Goetze, Inc.

ROLAND J. LOUP has served as Vice President of the Company since May 2000 with responsibility for constructing systems, processes and procedures to facilitate the exchange of information throughout Tower Automotive. From 1986 to 2000, Mr. Loup was a partner in Dannemiller Tyson Associates, a consulting firm.

TOMMY G. PITSER has served as Vice President since 1996, with current responsibility for the Company's European strategy. Mr. Pitser previously had responsibility for the Company's South American strategy and its joint venture investment in China and operations in Barrie, Ontario; Plymouth, Michigan; Yokohama, Japan; Romulus, Michigan; Manchester, Michigan and Novi, Michigan, since May 1996. Prior to joining the Company, Mr. Pitser served in various sales and marketing capacities at MSTI. Prior to joining MSTI, Mr. Pitser served as Market Director-Automotive at AE Goetze North America. From 1969 to 1992, Mr. Pitser was an employee of Borg-Warner Corporation, most recently as General Manager-Marine & Industrial Transmissions.

SCOTT D. RUED has served as Vice President, Corporate Development, and a Director of the Company since April 1993. Mr. Rued served as Vice President, Chief Financial Officer and a director of Automotive Industries Holding, Inc. from April 1990 until its sale to Lear Corporation in August 1995. Mr. Rued, a partner of J2R, has also served as Executive Vice President and Chief Financial Officer of Hidden Creek since January 1994 and served as its Vice President - Finance and Corporate Development from June 1989 through 1993. Mr. Rued is also a director of The Rottlund Company, Inc., a corporation engaged in the development and sale of residential real estate.

ANTONIO R. ZARATE has served as Vice President of the Company since May 2000 with responsibility for the Company's strategy in Mexico and South America. From 1994 to 2000, Mr. Zarate served as President of the Automotive Division of Proeza, S.A. de C.V., a diversified international company that has operations

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

primarily in the automotive and citrus juice processing industries.

There are no family relationships between or among the above-named executive officers. There are no arrangements or understandings between any of these officers pursuant to which any of them served as an officer.

-17-

18

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock is traded on the New York Stock Exchange under the symbol TWR. As of March 21, 2001, there were approximately 2,951 stockholders of record of the Company's stock. The following table sets forth, for the periods indicated, the low and high closing sale prices for Common Stock as reported on the New York Stock Exchange:

	Low ---	High ----
1999 ----		
First Quarter	\$ 17	\$ 26 1/2
Second Quarter	17 5/8	26 1/8
Third Quarter	17 13/16	28 1/4
Fourth Quarter	13 1/2	20 5/8
2000 ----		
First Quarter	\$ 11 5/8	\$ 17 1/2
Second Quarter	11 5/8	17 5/8
Third Quarter	9 1/8	13 9/16
Fourth Quarter	7 1/8	11

During the last two years, the Company has not paid any cash dividends. The Company has no current intention of paying any cash dividends in 2001. The Company's ability to pay cash dividends on its Common Stock is dependent upon the receipt of dividends or other payments from its operating subsidiaries. The payment of cash dividends to the Company by such operating subsidiaries for the purpose of paying cash dividends on the Common Stock is limited by the terms of the \$1.15 billion senior unsecured credit agreement.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data for Tower Automotive presented below for and as of the end of each of the years in the five-year period ended December 31, 2000, is derived from Tower Automotive, Inc.'s Consolidated Financial Statements which have been audited by Arthur Andersen LLP, independent public accountants. The consolidated financial statements at December 31, 1999 and 2000 and for each of the three years in the period ended December 31, 2000 and the report of independent public accountants thereon are included elsewhere in this report. The consolidated financial statements at and for the years ended December 31, 1995, 1996 and 1997 are not included herein. This selected

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Tower Automotive's Consolidated Financial Statements and Notes to Consolidated Financial Statements, included elsewhere in this report.

	YEARS ENDED DECEMBER 31,				
	1996	1997	1998	1999	
	----	----	----	----	
INCOME STATEMENT DATA:					
Revenues	\$ 399,925	\$1,235,829	\$1,836,479	\$2,170,003	\$2
Cost of sales	338,290	1,058,720	1,562,167	1,823,103	2
S,G & A expense	20,004	57,869	85,169	105,950	
Amortization expense	2,191	9,537	13,472	15,803	
Restructuring and asset impairment charge	--	--	--	--	
Operating income	39,440	109,703	175,671	225,147	
Interest expense, net	5,103	28,962	40,318	37,981	
Provision for income taxes	13,700	32,290	54,143	74,866	
Net income	20,637	46,244	88,040	117,088	
<hr/>					
Basic earnings per share	\$ 0.81	\$ 1.14	\$ 1.91	\$ 2.50	\$
Diluted earnings per share	\$ 0.77	\$ 1.09	\$ 1.68	\$ 2.10	\$

-18-

19

	DEC. 31,	DEC. 31,	DEC. 31,	DEC. 31,
	1996	1997	1998	1999
	----	----	----	----
BALANCE SHEET DATA:				
Working capital	\$ 85,523	\$ 140,592	\$ 106,936	\$ 126,940
Total assets	402,595	1,680,088	1,936,167	2,552,550
Long-term debt	113,460	743,934	542,349	921,221
Stockholders' investment	181,877	515,279	606,796	727,135

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RECENT TRANSACTIONS

In December 2000, the Company sold its Roanoke Heavy Truck Business to its joint venture partner, Metalsa, for net proceeds of approximately \$55 million, which approximated the book value of the net assets sold, plus an earnout of up to \$30 million based on achieving certain profit levels over the next three years. The net proceeds were used to repay outstanding indebtedness under the revolving credit facility.

In November 2000, the Company completed the acquisition of Presskam, a manufacturer of upper body structural assemblies for Volkswagen, Porsche and

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Skoda, located near Bratislava, Slovakia. The Company paid total consideration of approximately \$10 million for Presskam and intends to use the investment to further support Volkswagen's Bratislava assembly operation.

In September 2000, the Company acquired a 17 percent equity interest in Yorozu, a supplier of suspension modules and structural parts to the Asian and North American automotive markets, from Nissan. Yorozu is based in Japan and is publicly traded on the first tier of the Tokyo Stock Exchange. Its principal customers include Nissan, Auto Alliance, General Motors, Ford, and Honda. The Company will pay Nissan approximately \$38 million over two and one half years for the 17 percent interest. In addition, the Company has an option to increase its holdings in Yorozu by 13.8 percent through the purchase of additional Yorozu shares. In February 2001, the Company exercised the right to purchase the additional equity interest and will pay Nissan approximately \$30 million over two and one half years for the additional 13.8 percent interest.

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

In May 2000, the Company acquired all of the outstanding common stock of Algoods for total consideration of approximately \$33 million. Algoods manufactures aluminum heat shields and impact discs for the North American automotive industry from aluminum mini-mill and manufacturing operations located in Toronto, Canada. Its primary customer is DaimlerChrysler. The acquisition of Algoods represents a significant investment in processing technology for lightweight materials which complements the Company's existing heat shield capabilities and provides opportunities for application in other lightweight vehicle structural products. The acquisition was funded with proceeds from the Company's revolving credit facility.

-19-

20

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

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

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

proceeds from the Company's revolving credit facility.

In October 1999, the Company invested \$21 million for new shares representing a 49 percent equity interest in Seojin, a supplier of frames, modules and structural components to the Korean automotive industry. Total consideration for the equity interest was financed under the Company's revolving credit facility. In addition, the Company advanced \$19 million to Seojin in exchange for variable rate convertible bonds (the "Bonds") due October 30, 2009. The conversion rate is based upon a predetermined formula that would increase the Company's equity interest to 66 percent. On October 31, 2000, the Company exercised its right to convert the bonds into 17 percent of the common stock of Seojin. Based upon the formula for conversion of the Seojin bonds, the Company paid an additional \$1.2 million for the 17 percent equity interest.

In October 1999, the Company loaned \$30.0 million to J. L. French in exchange for a convertible subordinated promissory note due October 14, 2009. The note bears interest at 7.5 percent annually with interest payable on the last day of each calendar quarter beginning December 31, 1999. In November 2000, the Company exercised its option to convert the note into 7,124 shares of Class A "1" Common Stock of J.L. French, which has a 7.5 percent pay-in-kind dividend right. Additionally, in November 2000, the Company invested \$2.9 million in J.L. French through the purchase of Class P Common Stock, which has an 8 percent pay-in-kind dividend right. In May 2000, the Company invested \$11.0 million in J. L. French through the purchase of Class A Common Stock. At December 31, 2000, the Company has an ownership interest of approximately 16 percent in J. L. French.

In July 1999, the Company acquired all of the outstanding stock of Active for total approximate consideration of \$315 million. Active, which has five facilities, designs and produces a variety of large unexposed structural stampings, exposed surface panels, and modules to the North American automotive industry. Active's main customers include DaimlerChrysler, Ford, General Motors, and Saturn. Products offered by Active include body sides, pickup box sides, fenders, floor pan assemblies, door panels, pillars, and heat shields. The acquisition of Active enhances the Company's ability to manufacture large and complex structures, as well as exposed surface panels. The acquisition was financed with proceeds from the Company's revolving credit facility.

In conjunction with its acquisitions, the Company has established reserves for certain costs associated with facility shutdown and consolidation activities and for general and payroll related costs primarily for planned employee termination activities. As of December 31, 1999, approximately \$13.8 million and \$6.4 million were recorded for facility shutdown and payroll related costs, respectively. Additional reserves of \$1.0 million related to facility shutdown costs were recorded for the year ended December 31, 2000. Costs incurred and charged to such reserves amounted to \$7.5 million for facility shutdown costs and \$2.5 million for payroll related termination costs during the year ended December 31,

-20-

21

2000. At December 31, 2000, liabilities of approximately \$7.3 million for costs associated with facility shutdown and consolidation and \$3.9 million of costs for planned employee termination activities remained. The timing of facility shutdown and consolidation activities has been adjusted to reflect customer concerns with supply interruption. These reserves have been utilized as originally intended and management believes the liabilities recorded for shutdown and consolidation activities are adequate but not excessive as of

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

December 31, 2000.

In certain instances, the Company is committed under existing agreements to supply product to its customers at selling prices that are not sufficient to cover the direct costs to produce such parts. The Company is obligated to supply these products to its customers for the life of the related vehicles, three to ten years. Accordingly, the Company recognizes losses at the time these losses are probable and reasonably estimable at an amount equal to the minimum amount necessary to fulfill its obligations to its customers. The reserves established in connection with these recognized losses are reversed as the product is shipped to the customers. Such amounts reversed during the years ended December 31, 2000, 1999 and 1998 were \$8.4 million, \$16.8 million, and \$9.7 million, respectively.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2000 TO THE YEAR ENDED DECEMBER 31, 1999

Revenues. Revenues for the year ended December 31, 2000 were \$2.5 billion, a 16.7 percent increase, compared to \$2.2 billion for the year ended December 31, 1999. The increase was primarily due to \$506.0 million related to the acquisitions of Active in July 1999, Dr. Meleghy effective January 2000, Algoods in May 2000, Caterina in July 2000, Seojin in November 2000, and Presskam in November 2000. These increases were offset by declines in GM truck programs of \$114.0 million and heavy truck rail manufacturing sales of \$56.6 million. Overall net increases on all other platforms, including the Ford Focus, Taurus, Explorer, Expedition, Excursion, and Lincoln LS/Jaguar S-Type, Nissan Xterra and Dodge Dakota, of \$26.6 million composed the balance of the revenue change.

The automotive market is highly cyclical and is dependent on consumer spending. During the third and fourth quarters of 2000, the automotive market began experiencing a decline in production levels. This decline is anticipated to continue through the first, and possibly the second, quarter of 2001. Due to the relatively long lead times required for many of the Company's complex structural components, it may be difficult, in the short term, for the Company to obtain new sales to replace any decline in the sales of existing products. As a result, the Company has been actively pursuing the actions necessary to mitigate the effects of this production downturn, focusing on reducing costs, maximizing its cash return on invested capital, reducing debt balances and matching capital expenditures with operating cash flow.

Cost of Sales. Cost of sales as a percent of revenues for the year ended December 31, 2000 was 85.3 percent compared to 84.0 percent for the year ended December 31, 1999. The decrease in gross margins was due to significant launch activity on the new Ford Explorer program, the effects of volume declines in the GM truck sales and heavy truck rail sales, the DaimlerChrysler plant shutdowns, production slowdowns at Ford due to the Firestone tire recall and increasing lower margin foreign sales in 2000 as compared to 1999.

S, G & A Expenses. Selling, general and administrative expenses increased to \$137.0 million, or 5.4 percent of revenues, for the year ended December 31, 2000 compared to \$106.0 million, or 4.9 percent of revenues, for the year ended December 31, 1999. The increased expense was due to incremental costs associated with the Company's acquisitions of Active, Dr. Meleghy, Algoods, Caterina, Seojin and Presskam of \$20.5 million and increased engineering, program development, and launch costs related to new business of approximately \$8.6 million. The realization of gains on the cash settlement of amounts due under the interest rate swap and lock agreements during 1999, had the effect of reducing the 1999 expense by \$1.9 million.

Amortization Expense. Amortization expense for the year ended December 31, 2000 was \$21.5 million compared to \$15.8 million for the year ended December

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

31, 1999. The increase was due to the incremental goodwill amortization related to the acquisitions of Active in 1999 and Dr. Meleghy, Algoods, Caterina, and Presskam in 2000.

-21-

22

Interest Expense. Interest expense for the year ended December 31, 2000 was \$64.7 million compared to \$38.0 million for the year ended December 31, 1999. Interest expense increased due to (i) increased borrowings incurred to fund the Company's acquisitions of Active, Dr. Meleghy, Algoods, Caterina and Presskam of \$23.0 million, (ii) increased borrowings to fund the Company's joint venture interest in Yorozu of \$0.6 million, (iii) increased interest rates and spreads associated with the new credit agreement of \$8.7 million, and (iv) the issuance of the senior Euro notes of \$5.3 million. These increases were offset by increased interest income from the convertible notes in J.L. French and Seojin of \$4.9 million and increased capitalized interest on construction projects of \$6.0 million.

Income Taxes. The effective income tax rate was 37.2 percent for the year ended December 31, 2000 and 40 percent for the year ended December 31, 1999. The decrease in the effective rates in 2000 is due primarily as a result of increased income in lower tax jurisdictions.

Equity in Earnings of Joint Ventures. Equity in earnings of joint ventures net of tax was \$22.5 million and \$15.3 million for the years ended December 31, 2000 and 1999, respectively. These amounts represent the Company's share of the earnings from its joint venture interests in Metalsa, Caterina, Tower Golden Ring and Seojin. The increase in 2000 was due primarily to the full year impact of earnings related to the Seojin joint venture.

Minority Interest. Minority interest for the years ended December 31, 2000 and 1999 represents dividends, net of income tax benefits, on the Preferred Securities.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1999 TO THE YEAR ENDED DECEMBER 31, 1998

Revenues. Revenues for the year ended December 31, 1999 were \$2.2 billion, an 18.2 percent increase, compared to \$1.8 billion for the year ended December 31, 1998. The increase was partially due to net new business of approximately \$157.3 million. The new business related primarily to the Ford Explorer, F-Series pick-up, Ranger, Excursion and Lincoln LS/Jaguar S Type, Dodge Durango and Dakota, Chrysler LH, and Fiat. Additional increases of \$190.5 million related to the acquisitions of IMAR and OSLAMT in July 1998, and Active in July 1999 were offset by \$39.0 million related to the sale of the Company's Hinge Business in August 1998. The General Motors strike had the effect of reducing revenues in the 1998 period by approximately \$24.7 million.

Cost of Sales. Cost of sales as a percent of revenues for the year ended December 31, 1999 was 84.0 percent compared to 85.1 percent for the year ended December 31, 1998. Improvement in gross profit was due to increased production volumes and product mix on light truck, sport utility and other models served by the Company. The improvement from increased production was partially offset by inefficiencies caused by customer demand exceeding planned capacity at certain locations, resulting in weekend overtime to meet production, and inefficiencies due to significant launch activity.

S, G & A Expenses. Selling, general and administrative expenses

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

increased to \$106.0 million, or 4.9 percent of revenues, for the year ended December 31, 1999 compared to \$85.2 million, or 4.6 percent of revenues, for the year ended December 31, 1998. The increased expense was due to incremental costs associated with the Company's acquisitions of IMAR, OSLAMT, and Active of \$11.9 million and increased engineering, program development, and launch costs related to new business of approximately \$9.1 million. Additionally, the Company wrote off certain expenses of approximately \$1.7 million relating to unsuccessful acquisition efforts. This increase was offset partially by the realization of gains totaling \$1.9 million on the cash settlement of amounts due under the interest rate swap and lock agreements during 1999.

Amortization Expense. Amortization expense for the year ended December 31, 1999 was \$15.8 million compared to \$13.5 million for the year ended December 31, 1998. The increase was due to amortization related to the costs associated with the Preferred Securities, incremental goodwill amortization related to the acquisitions of IMAR and OSLAMT including performance payments, and the goodwill amortization associated with the Active acquisition.

-22-

23

Interest Expense. Interest expense for the year ended December 31, 1999 was \$38.0 million compared to \$40.3 million for the year ended December 31, 1998. Interest expense was affected by (i) increased borrowings incurred to fund the Company's joint venture interest in Caterina in March 1998, (ii) increased borrowings to fund the Company's acquisition of IMAR and OSLAMT in July 1998, (iii) increased borrowings to fund the Company's acquisition of Active in July 1999, (iv) the proceeds from the June 1998 offering of Preferred Securities, which were used to reduce borrowings under the Company's revolving credit facility, and (v) increased capitalized interest on construction projects.

Income Taxes. The effective income tax rate was 40 percent for the years ended December 31, 1999 and 1998. The effective rates differed from the statutory rates primarily as a result of state taxes and non-deductible goodwill amortization.

Equity in Earnings of Joint Ventures. Equity in earnings of joint ventures net of tax was \$15.3 million and \$12.7 million for the years ended December 31, 1999 and 1998, respectively. These amounts represent the Company's share of the earnings from its joint venture interests in Metalsa, Caterina, Tower Golden Ring and Seojin.

Minority Interest. Minority interest for the years ended December 31, 1999 and 1998 represents dividends, net of income tax benefits, on the Preferred Securities.

RESTRUCTURING AND ASSET IMPAIRMENT CHARGE

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

The charge includes costs associated with asset impairments, severance

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

and outplacement costs related to employee terminations, loss contract provisions and certain other exit costs. These activities are anticipated to result in a reduction of more than 800 employees. Through December 31, 2000, the Company had eliminated approximately 200 employees pursuant to the Plan. The estimated realignment charge does not cover certain aspects of the Plan, including movement of equipment and employee relocation and training. These costs will be recognized in future periods as incurred.

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

Based on the current plan, the Company anticipates this charge will require cash payments of approximately \$37.6 million combined with the write-off of assets having a book value of approximately \$103.7 million.

-23-

24

The accrual for operational realignment and other costs is included in accrued liabilities in the accompanying consolidated balance sheet as of December 31, 2000. The table below summarizes the accrued operational realignment and other charges through December 31, 2000 (in millions):

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

The following table summarizes the major components of the asset impairment charge for the year ended December 31, 2000 (in millions):

CARRYING
AMOUNT

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Milwaukee Heavy Truck Rail Manufacturing	\$ 47.3
Milwaukee Press Operations Machinery & Equipment	7.9
Milwaukee Shared Services Land & Equipment	19.8
Milwaukee Prototype & Technical Center Building, Machinery & Equipment	14.0
Kalamazoo Stamping Operations Land, Building & Equipment	5.7
Granite City Stamping Operations Machinery & Equipment	4.6
Related Stamping & Assembly Machinery & Equipment	4.4

 TOTAL	 \$ 103.7 =====

The triggering event for each major component's asset impairment charge was the decision to exit the activities, which was made by the Company's board of directors on October 2, 2000. The assets will be abandoned or disposed of upon the exit of the activity, with expected completion during the first nine months of 2001.

LIQUIDITY AND CAPITAL RESOURCES

In July 2000, the Company replaced its existing \$750 million amortizing credit agreement with a new six-year \$1.15 billion senior unsecured credit agreement. The new credit agreement includes a non-amortizing revolving facility of \$825 million along with an amortizing term loan of \$325 million. The new facility also includes a multi-currency borrowing feature that allows the Company to borrow up to \$500 million in certain freely tradable offshore currencies, and letter of credit sublimits of \$100 million. As of December 31, 2000, approximately \$8.2 million of the outstanding borrowings are denominated in Japanese yen and \$63.7 million of the outstanding borrowings are denominated in Euro. Interest on the new credit facility is at the financial institutions' reference rate, LIBOR, or the Eurodollar rate plus a margin ranging from 0 to 200 basis points depending on the ratio of the consolidated funded debt for restricted subsidiaries of the Company to its total EBITDA. The weighted average interest rate for such borrowings was 5.9 percent for year ended December 31, 2000. The new credit agreement has a final maturity of 2006. As a result of the debt replacement, the Company recorded an extraordinary loss, net of tax, of \$3.0 million during the third quarter of 2000.

The Credit Agreement requires the Company to meet certain financial tests, including but not limited to a minimum interest coverage and maximum leverage ratio. As of December 31, 2000, the Company was in compliance with all debt covenants.

In July 2000, R. J. Tower (the "Issuer"), a wholly-owned subsidiary of the Company, issued Euro-denominated senior unsecured notes in the amount of E150 million (approximately \$141.3 million at

December 31, 2000). The notes bear interest at a rate of 9.25 percent, payable semi-annually. The notes rank equally with all of the Company's other unsecured and unsubordinated debt. The net proceeds after issuance costs were used to repay a portion of the Company's existing Euro-denominated indebtedness under its existing credit facility. The notes mature on August 1, 2010.

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

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

For the periods presented through July 2000, the Company's Credit Agreement included an amortizing revolving credit facility that provided for borrowings of up to \$750 million on an unsecured basis with a letter of credit sublimit of \$75 million. In addition, under the terms of the revolving credit facility, the equivalent of up to \$85 million in borrowings could be denominated in Italian lira. The amount available under the revolving credit facility reduced to \$675 million in April 2000, \$600 million in April 2001 and \$500 million in April 2002. The Credit Agreement had a final maturity of April 2003. Interest on the credit facility is at the prime rate or LIBOR plus a margin ranging from 17 to 50 basis points depending upon the ratio of the consolidated indebtedness of the Company to its total capitalization.

In August 1999, the Company amended and restated its Credit Agreement to include a term loan add on facility of \$325 million. The weighted average interest rate for the term loan facility was 7.4 percent for the year ended December 31, 1999. The proceeds from the term facility were used to repay outstanding indebtedness under the revolving facility incurred in connection with the acquisition of Active in July 1999. The term loan facility was replaced in July 2000 by the amortizing term loan under the new \$1.15 billion senior unsecured credit agreement.

During 1997, the Company entered into interest rate swap contracts to hedge against interest rate exposures on certain floating-rate indebtedness under its \$750 million amortizing revolving credit facility. These contracts, which were to expire in November 2002, had the effect of converting the floating-rate interest related to a notional amount of \$300 million of borrowings outstanding under the revolving credit facility into a fixed-rate of approximately 6.75 percent. The interest rate swap contract was executed to balance the Company's fixed-rate and floating-rate debt portfolios. During June 1999, the Company terminated its position in the interest rate swap contracts resulting in a gain of \$0.5 million.

During 1997, the Company entered into an interest rate contract in a notional amount of \$75 million in anticipation of financing that did not materialize. Accordingly, the Company adjusted the interest rate contract to market as of December 31, 1998 and 1997. The write-down to fair value of approximately \$6.4 million and \$2.0 million, respectively, was recorded as expense in the consolidated statements of operations. During the first quarter of 1999, the Company settled the \$75 million contract with a cash payment of approximately \$7.0 million.

During the year ended December 31, 2000, the Company generated \$203.3 million of cash from operations. This compares with \$227.3 million provided during the same period in 1999. Cash provided by net income before depreciation and amortization was \$158.2 million and \$228.7 million for 2000 and 1999, respectively. During 2000, operating cash included a restructuring and asset impairment charge of \$141.3 million, offset by cash restructuring payments of \$11.5 million and an extraordinary loss on the early extinguishments of debt of \$3.0 million. Other operating items and working capital requirements relating to customer tooling development and related receivables during pre-launch phase decreased operating cash flow by approximately \$87.7 million and \$1.4 million during the 2000 and 1999 periods, respectively.

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Net cash used in investing activities was \$377.4 million during the year ended December 31, 2000 as compared to \$599.2 million in the prior period. Net capital expenditures totaled \$181.8 million and \$197.3 million for the comparable 2000 and 1999 periods, respectively. Acquisitions and investments in joint ventures were approximately \$251.0 million and \$401.9 million for the 2000 and 1999 periods,

-25-

26

respectively. The sale of the Roanoke Heavy Truck Business contributed \$55.4 million during the 2000 period.

Net cash provided by financing activities totaled \$173.9 million for the year ended December 31, 2000 compared with \$372.1 million in the prior period. Net proceeds from borrowings were \$207.3 million in 2000, with net proceeds of \$367.5 million in 1999. The issuance of stock from the Company's employee stock purchase plan and option plan contributed \$6.8 million and \$4.6 million to cash flow for 2000 and 1999, respectively. During 2000, the Company used cash of \$40.2 million to repurchase common stock.

At December 31, 2000, the Company had unused borrowing capacity of approximately \$326 million, under its most restrictive debt covenant. The Company believes the borrowing availability under its credit agreement, together with funds generated by operations, should provide liquidity and capital resources to pursue its business strategy for the foreseeable future, with respect to working capital, capital expenditures, and other operating needs. The Company estimates its 2001 capital expenditures will approximate \$225 million. Under present conditions, management does not believe access to funds will restrict its ability to pursue its business strategy.

EFFECTS OF INFLATION

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

MARKET RISK

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

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

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

but do impact future earnings and cash flows, assuming other factors are held constant.

At December 31, 2000, Tower Automotive had total debt and obligations under capital leases of \$1.3 billion. The debt is comprised of fixed rate debt of \$501.3 million and floating rate debt of \$789.7 million. The pre-tax earnings and cash flows impact for the next year resulting from a one percentage point increase in interest rates on variable rate debt would be approximately \$7.9 million, holding other variables constant. A one percentage point increase in interest rates would not materially impact the fair value of the fixed rate debt.

A portion of Tower Automotive's 2000 and 1999 revenues were derived from manufacturing operations in Europe, Asia and South America. The results of operations and financial position of the Company's foreign operations are principally measured in its respective currency and translated into U.S. dollars. The effects of foreign currency fluctuations in Europe, Asia and South America are somewhat mitigated by the fact that expenses are generally incurred in the same currency in which revenues are generated. The reported income of these subsidiaries will be higher or lower depending on a weakening or strengthening of the U.S. dollar against the respective foreign currency.

-26-

27

A portion of Tower Automotive's assets at December 31, 2000 and 1999 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. Accordingly, the Company's consolidated stockholders' investment will fluctuate depending upon the weakening or strengthening of the U.S. dollar against the respective foreign currency.

The Company's strategy for management of currency risk relies primarily upon conducting its operations in a country's respective currency and may, from time to time, engage in hedging programs intended to reduce the Company's exposure to currency fluctuations. As of December 31, 2000, the Company held no foreign currency hedge positions. Management believes the effect of a one percent appreciation or depreciation in foreign currency rates would not materially affect the Company's financial position or results of operations for the years ended December 31, 2000 and 1999.

YEAR 2000

The Company completed its effort in resolving the impact of the year 2000 ("Y2K") on the processing of date-sensitive information by the Company's computerized and embedded systems. The Company experienced no significant business interruption as a result of Y2K, either internally or externally from suppliers. The Company does not anticipate any further impact relating to date-sensitive information processing capabilities. The Company spent approximately \$2.0 million during the year ended December 31, 1999 on Y2K readiness activities.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," becomes effective for years beginning after June 15, 2000. The Company adopted SFAS No. 133 effective January 1, 2001. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

currently in earnings unless specific hedge criteria are met, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The adoption of SFAS No. 133 did not have a material impact on the Company's financial position or its results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Market Risk" section of Item 7.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of Tower Automotive are hereby incorporated by reference to Exhibit 99.1.

Management of the Company is responsible for the financial information and representations contained in the consolidated financial statements and other sections of the 2000 Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and therefore include certain amounts based on management's best estimates and judgments. The financial information contained elsewhere in the 2000 Annual Report is consistent with that in the consolidated financial statements.

The Company maintains internal accounting control systems which management believes provide reasonable assurance that the Company's assets are properly safeguarded and accounted for, that the Company's books and records properly reflect all transactions, and that the Company's policies and procedures are implemented by qualified personnel. Reasonable assurance is based upon the recognition that the cost of an internal control system should not exceed the related benefits.

-27-

28

The Audit Committee of the Board of Directors meets with representatives of management and Arthur Andersen LLP, the Company's independent public accountants, on financial reporting matters and the evaluation of internal accounting controls. The independent public accountants have free access to meet with the Audit Committee, without the presence of management, to discuss any appropriate matters.

Arthur Andersen LLP is engaged to express an opinion as to whether the consolidated financial statements present fairly, in all material respects and in accordance with generally accepted accounting principles, the financial position, results of operations and cash flows of the Company. Solely for purposes of planning and performing their audit of the Company's 2000 financial statements, Arthur Andersen LLP obtained an understanding of, and selectively tested, certain aspects of the Company's system of internal controls.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A. DIRECTORS OF THE REGISTRANT

The information required by Item 10 with respect to the directors and

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

director nominees is incorporated herein by reference to the section labeled "Election of Directors" which appears in the Company's 2001 Proxy Statement.

B. EXECUTIVE OFFICERS

See "Additional Item - Executive Officers" in Part I.

C. SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The information required by Item 10 with respect to compliance with reporting requirements is incorporated herein by reference to the section labeled "Section 16(a) Beneficial Ownership Reporting Compliance" which appears in the Company's 2001 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the sections labeled "Compensation of Directors" and "Executive Compensation" which appear in the Company's 2001 Proxy Statement, excluding information under the headings "Compensation Committee Report on Executive Compensation" and "Performance Graph."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is incorporated herein by reference to the section labeled "Security Ownership" which appears in the Company's 2001 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated herein by reference to the sections labeled "Other Compensatory Agreements" and "Certain Relationships and Related Transactions" which appears in the Company's 2001 Proxy Statement.

-28-

29

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS REPORT

(1) Financial Statements:

- Report of Independent Public Accountants
- Consolidated Balance Sheets as of December 31, 2000 and 1999
- Consolidated Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998
- Consolidated Statements of Stockholders' Investment for the Years Ended December 31, 2000, 1999 and 1998
- Consolidated Statement of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998 -
- Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

- Report of Independent Public Accountants - S-1

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

- Financial Statement Schedule I - Condensed Financial Information of Registrant - S-2
- Financial Statement Schedule II - Valuation and Qualifying Accounts of Registrant

(3) Exhibits: See "Exhibit Index" beginning on page 31.

(b) REPORTS ON FORM 8-K

(1) During the fourth quarter of 2000, the Company filed the following Form 8-K Current Reports with the Securities and Exchange Commission:

- The Company's Current Report on Form 8-K, dated October 2, 2000 (Commission File No. 1-12733), under Items 5 and 7.
- The Company's Current Report on Form 8-K, dated October 23, 2000 (Commission File No. 1-12733), under Items 5 and 7.

-29-

30

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TOWER AUTOMOTIVE, INC.

Date: March 21, 2001

By/s/ S.A. Johnson

S.A. Johnson, Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
-----	-----	----
/s/ S.A. Johnson ----- S.A. Johnson	Chairman and Director	March 21, 2001
/s/ Dugald K. Campbell ----- Dugald K. Campbell	President, Chief Executive Officer (Principal Executive Officer) and Director	March 21, 2001
/s/ James R. Lozelle ----- James R. Lozelle	Director	March 21, 2001

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

/s/ Scott D. Rued ----- Scott D. Rued	Vice President, Corporate Development and Director	March 21, 2001
/s/ F.J. Loughrey ----- F.J. Loughrey	Director	March 21, 2001
/s/ Kim B. Clark ----- Kim B. Clark	Director	March 21, 2001
/s/ Enrique Zambrano ----- Enrique Zambrano	Director	March 21, 2001
/s/ Jurgen M. Geissinger ----- Jurgen M. Geissinger	Director	March 21, 2001
/s/ Ali Jenab ----- Ali Jenab	Director	March 21, 2001
/s/ Anthony A. Barone ----- Anthony A. Barone	Vice President and Chief Financial Officer (Principal Accounting Officer)	March 21, 2001

-30-

31

TOWER AUTOMOTIVE, INC.
EXHIBIT INDEX TO ANNUAL REPORT
ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

Exhibit -----		Page Number in Sequential Numbering of all Form 10- and Exhibit Pag -----
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended by the Certificate of Amendment to Certificate of Incorporated, dated June 2, 1997, incorporated by reference to the Registrant's Form S-3 Registration Statement (Registration No. 333-38827), filed under the Securities Act of 1933 (the "S-3").	*
3.2	Amended and Restated By-laws of the Registrant, incorporated by reference to Exhibit 3.2 of the Company's Form S-1 Registration Statement (Registration No. 33-80320) (the "S-1").	*
4.1	Form of Common Stock Certificate, incorporated by reference to Exhibit 4.1 of the S-1.	*
4.2	Euro Indenture, dated July 25, 2000, by and among R.J. Tower	*

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Corporation, certain of its affiliates and United States Trust Company of New York, as trustee (including the form of notes), incorporated by reference to Exhibit 4.1 of the Registrant's Form S-4 Registration Statement (Reg. No. 333-45528), as filed with the SEC on December 21, 2000 (the "S-4")

- 4.3 Exchange and Registration Rights Agreement, dated July 25, 2000, by and among R.J. Tower Corporation, certain of its affiliates and Chase Manhattan International Limited, Bank of American International Limited, ABN AMRO Incorporated, Donaldson, Lufkin & Jennrette International, First Chicago Limited and Scotia Capital (USA) Inc. (collectively, the "Initial Purchasers"), incorporated by reference to Exhibit 4.2 of the S-4. *
- 4.4 Deposit Agreement, dated July 25, 2000, among R.J. Tower Corporation, Deutsche Bank Luxembourg S.A., and the Trustee, incorporated by reference to Exhibit 4.3 of the S-4. *
- 4.5 Indenture, dated as of July 28, 1997, by and between the Registrant and Bank of New York, as trustee (including form of 5% Convertible Subordinated Note due 2004) incorporated by reference to Exhibit 4.5 of the S-3. *
- 10.1 Registration Agreement dated as of April 15, 1993 between the Registrant and certain investors; and First Amendment to Registration Agreement dated as of May 4, 1994 by and among the Registrant and certain investors, incorporated by reference to Exhibit 10.4 of the S-1. *
- 10.2 Form of Convertible Promissory Note dated as of May 4, 1994 of the Registrant, incorporated by reference to Exhibit 10.12 of the S-1. *
- 10.3** Stock Option Agreement dated May 4, 1994 by and between the Registrant and James R. Lozelle incorporated by reference to Exhibit 10.14 of the S-1. *
- 10.4** 1994 Key Employee Stock Option Plan, incorporated by reference to Exhibit 10.18 of the S-1. *
- 10.5 Registration Rights and Voting Agreement dated as of May 31, 1996, between Tower Automotive, Inc. and MascoTech, Inc., incorporated by reference to Exhibit 4.17 of the May 8-K. *
- 10.6** Tower Automotive, Inc. Independent Director Stock Option Plan, incorporated by reference to Exhibit 4.3 of the Registrant's Form S-8 dated December 5, 1996, filed under the Securities Act of 1933. *

-31-

32

- 10.7 Joint Venture Agreement by and among Promotora de Empresas Zano, S.A. de C.V., Metalsa, S.A. de C.V. and R.J. Tower Corporation dated as of September 26, 1997, incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K dated October 23, 1997, filed under the Securities Exchange Act of 1934. *
- 10.8 Certificate of Trust of Tower Automotive Capital Trust, incorporated by reference to Exhibit 4.1 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, filed under the Securities Exchange Act of 1934. *

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

- 10.9 Amended and Restated Declaration of Trust of Tower Automotive Capital Trust, dated June 9, 1998, incorporated by reference to Exhibit 4.2 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, filed under the Securities Exchange Act of 1934. *
- 10.10 Junior Convertible Subordinated Indenture for the 6 3/4% Convertible Subordinated Debentures, between Tower Automotive, Inc. and the First National Bank of Chicago, as Subordinated Debt Trustee, dated as of June 9, 1998, incorporated by reference to Exhibit 4.3 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, filed under the Securities Exchange Act of 1934. *
- 10.11 Form of 6 3/4% Preferred Securities, incorporated by reference to Exhibit 4.4 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, filed under the Securities Exchange Act of 1934. *
- 10.12 Form of 6 3/4% Junior Convertible Subordinated Debentures, incorporated by reference to Exhibit 4.5 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, filed under the Securities Exchange Act of 1934. *
- 10.13 Guarantee Agreement, dated as of June 9, 1998, between Tower Automotive, Inc., as Guarantor, and the First National Bank of Chicago, as Guarantee Trustee, incorporated by reference to Exhibit 4.6 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, filed under the Securities Exchange Act of 1934. *
- 10.14 Amended and Restated Credit Agreement among R.J. Tower Corporation, Tower Italia, S.r.L., Bank of America National Trust and Savings Association, as agent, and the other financial institutions named therein, dated August 23, 1999, incorporated by reference to Exhibit 10.43 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed under the Securities Exchange Act of 1934. *
- 10.15 Asset Purchase Agreement, dated October 2, 2000, between Metalsa-Roanoke, Inc. and Tower Automotive Products Company, Inc., incorporated by reference to Exhibit 2.1 of the S-4. *
- 10.16 Purchase Agreement, dated July 19, 2000, among R.J. Tower Corporation ("Issuer"), Tower Automotive, Inc. ("Parent"), those subsidiaries of the Issuer named therein (the "Subsidiary Guarantors", and together with Parent, the "Guarantors") and the Initial Purchasers, incorporated by reference to Exhibit 1.1 of the S-4. *
- 10.17** Tower Automotive, Inc. Long-Term Incentive Plan, incorporated by reference to Appendix A to Parent's Proxy Statement, dated April 12, 1999. *
- 10.18** Tower Automotive, Inc. Director Deferred Stock Purchase Plan, incorporated by reference to Appendix A to Parent's Proxy Statement, dated April 10, 2000. *
- 10.19** Tower Automotive, Inc. Key Leadership Deferred Income Stock Purchase Plan, incorporated by reference to Appendix B to Parent's Proxy Statement, dated April 12, 1999. *
- 10.20** Tower Automotive, Inc. Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.19 of the S-1. *

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

10.21 Credit Agreement, dated as of July 25, 2000, among the Issuer, certain direct and indirect wholly-owned subsidiaries of the Issuer and Bank of America, N.A., as administrative agent, and The Chase Manhattan Bank, as syndication agent, and the other lenders named therein, incorporated by reference to Exhibit 10.1 of the S-4. *

-32-

33

12.1 Statement and Computation of Ratio of Earnings to Fixed Charges filed herewith. --
21.1 List of Subsidiaries filed herewith. --
23.1 Consent of Independent Public Accountants filed herewith.
99.1 Consolidated Financial Statements of Tower Automotive, Inc. for the Year Ended December 31, 2000 together with Report of Independent Public Accountants filed herewith. --

* Incorporated by reference.
** Indicates compensatory arrangement.

-33-

34

SCHEDULE I

TOWER AUTOMOTIVE, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in the Tower Automotive, Inc. and Subsidiaries' annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 26, 2001.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule I - Condensed Financial Information of Registrant and Schedule II - Valuation and Qualifying Accounts of Registrant are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Minneapolis, Minnesota,
January 26, 2001

S-1

35

SCHEDULE I

TOWER AUTOMOTIVE, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

TOWER AUTOMOTIVE, INC. (PARENT COMPANY)
CONDENSED BALANCE SHEETS
AS OF DECEMBER 31, 2000 AND 1999

(Amounts in thousands, except share amounts)

	2000 ----	1999 ----
ASSETS		
Investment in consolidated subsidiaries	\$1,107,718	\$1,147,746
Interest receivable	381	--
Investment in J. L. French	43,912	30,000
Debt issue costs, net of accumulated amortization of \$4,059 and \$2,754	11,001	12,306
	-----	-----
	\$1,163,012	\$1,190,052
	-----	-----
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Accrued liabilities	\$ 4,167	\$ 4,167
Convertible subordinated notes	200,000	200,000
6 3/4% convertible subordinated debentures payable to trust subsidiary	258,750	258,750
	-----	-----
Commitments and contingencies		
Stockholders' investment:		
Preferred stock, par value \$1; 5,000,000 shares authorized; no shares issued or outstanding	--	--
Common stock, par value \$.01; 200,000,000 shares authorized; 47,584,391 and 46,879,454 shares issued and outstanding	476	469
Warrants to acquire common stock	--	2,000
Additional paid-in capital	450,455	437,210
Retained earnings	307,956	294,522
Deferred Income Stock Plan	(8,942)	(4,484)
Accumulated other comprehensive loss - cumulative translation adjustment	(9,672)	(2,582)
Treasury stock, at cost: 4,112,100 shares	(40,178)	--

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Total stockholders' investment

700,095	727,135
\$1,163,012	\$1,190,052

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

S-2

36

SCHEDULE I

TOWER AUTOMOTIVE, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

TOWER AUTOMOTIVE, INC. (PARENT COMPANY)
CONDENSED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(in thousands)

	2000	1999	1998
	----	----	----
Amortization expense	\$ 1,305	\$ 1,304	\$ 1,106
	-----	-----	-----
Operating loss	(1,305)	(1,304)	(1,106)
Interest expense	27,466	27,466	19,769
Interest income	(2,094)	(488)	--
	-----	-----	-----
Loss before income taxes and equity in earnings of consolidated subsidiaries	(26,677)	(28,282)	(20,875)
Income tax benefit	10,671	11,313	8,354
Equity in earnings of consolidated subsidiaries	29,440	134,057	100,561
	-----	-----	-----
Net income	\$ 13,434	\$ 117,088	\$ 88,040
	=====	=====	=====

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

S-3

37

SCHEDULE I

TOWER AUTOMOTIVE, INC.

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

TOWER AUTOMOTIVE, INC. (PARENT COMPANY) CONDENSED STATEMENTS OF STOCKHOLDERS' INVESTMENT (Amounts in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Warr A Com
	Shares	Amount			
BALANCE, DECEMBER 31, 1997	45,975,490	\$ 460	\$ 423,403	\$ 89,394	\$
Conversion of Edgewood notes	62,000	1	188	--	
Exercise of options	112,300	1	467	--	
Sales of stock under Employee Stock Discount Purchase Plan	132,090	1	2,344	--	
Collection of common stock subscriptions receivable	--	--	69	--	
Net income	--	--	--	88,040	
Other comprehensive income - foreign currency translation adjustment	--	--	--	--	
Total comprehensive income	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1998	46,281,880	463	426,471	177,434	
Conversion of Edgewood notes	250,000	3	755	--	
Exercise of options	125,000	1	996	--	
Sales of stock under Employee Discount Purchase Plan	222,574	2	3,579	--	
Deferred Income Stock Plan	--	--	4,484	--	
Non-employee options grant	--	--	897	--	
Collection of common stock subscriptions receivable	--	--	28	--	
Net income	--	--	--	117,088	
Other comprehensive income - foreign currency translation adjustment	--	--	--	--	
Total comprehensive income	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1999	46,879,454	469	437,210	294,522	
Conversion of warrants	400,000	4	5,596	--	
Exercise of options	56,000	1	348	--	
Sales under the Employee Stock Discount Purchase Plan	224,342	2	2,843	--	
Deferred Income Stock Plan	24,595	--	4,458	--	
Common share repurchase	--	--	--	--	
Net income	--	--	--	13,434	
Other comprehensive income - foreign translation adjustment	--	--	--	--	
Total comprehensive income	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 2000	\$47,584,391	\$ 476	\$ 450,455	\$ 307,956	\$

Treasury Stock

Accumulated
Other

Total

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

	Shares	Amount	Comprehensive Income	Stockholders Investment
BALANCE, DECEMBER 31, 1997	--	\$ --	\$ 22	\$ 515,279
Conversion of Edgewood notes	--	--	--	189
Exercise of options	--	--	--	468
Sales of stock under Employee Stock Discount Purchase Plan	--	--	--	2,345
Collection of common stock subscriptions receivable	--	--	--	69
Net income	--	--	--	
Other comprehensive income - foreign currency translation adjustment	--	--	406	
Total comprehensive income				88,446
BALANCE, DECEMBER 31, 1998	--	--	428	606,796
Conversion of Edgewood notes	--	--	--	758
Exercise of options	--	--	--	997
Sales of stock under Employee Discount Purchase Plan	--	--	--	3,581
Deferred Income Stock Plan	--	--	--	--
Non-employee options grant	--	--	--	897
Collection of common stock subscriptions receivable	--	--	--	28
Net income	--	--	--	
Other comprehensive income - foreign currency translation adjustment	--	--	(3,010)	
Total comprehensive income				114,078
BALANCE, DECEMBER 31, 1999	--	--	(2,582)	727,135
Conversion of warrants	--	--	--	3,600
Exercise of options	--	--	--	349
Sales under the Employee Stock Discount Purchase Plan	--	--	--	2,845
Deferred Income Stock Plan	--	--	--	--
Common share repurchase	(4,112,100)	(40,178)	--	(40,178)
Net income	--	--	--	
Other comprehensive income - foreign translation adjustment	--	--	(7,090)	
Total comprehensive income				6,344
BALANCE, DECEMBER 31, 2000	(4,112,100)	\$ (40,178)	\$ (9,672)	\$ 700,095

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

S-4

38

SCHEDULE I

TOWER AUTOMOTIVE, INC.

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

TOWER AUTOMOTIVE, INC. (PARENT COMPANY) CONDENSED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(Amounts in thousands)

	2000 ----	1999 ----	1998 ----
Operating Activities:			
Net income	\$ 13,434	\$117,088	\$ 88,040
Amortization expense	1,305	1,304	1,106
Equity in earnings of consolidated subsidiaries	(29,440)	(134,057)	(100,561)
Change in current operating items - interest receivable	(381)	--	--
Change in current operating items - accrued liabilities	--	9	(92)
	-----	-----	-----
Net cash provided by (used in) operating activities	(15,082)	(15,656)	(11,507)
	-----	-----	-----
Investing Activities:			
Dividends received from consolidated subsidiaries	27,466	27,466	19,861
Additional investment in consolidated subsidiaries	21,000	(16,446)	(260,950)
	-----	-----	-----
Net cash provided by (used in) investing activities	48,466	11,020	(241,089)
	-----	-----	-----
Financing Activities:			
Net proceeds from issuance of common stock	6,794	4,636	2,883
Payments for repurchase of common shares	(40,178)	--	--
Net proceeds from 6 3/4% convertible subordinated debentures payable to trust subsidiary	--	--	249,713
	-----	-----	-----
Net cash provided by (used for) financing activities	(33,384)	4,636	252,596
	-----	-----	-----
Net change in cash and cash equivalents	--	--	--
Cash and cash equivalents:			
Beginning of period	--	--	--
	-----	-----	-----
End of period	\$ --	\$ --	\$ --
	-----	-----	-----
Supplemental Cash Flow Information:			
Cash paid for - Interest	\$ 27,466	\$ 27,466	\$ 19,861
	-----	-----	-----

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

Income taxes \$ -- \$ -- \$ --

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

S-5

39

SCHEDULE I

TOWER AUTOMOTIVE, INC. CONDENSED FINANCIAL INFORMATION OF REGISTRANT

TOWER AUTOMOTIVE, INC. (PARENT COMPANY) NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND OPERATIONS

Tower Automotive, Inc. (the "Parent Company") and its consolidated subsidiaries (the "Subsidiaries"), collectively "the Company", produces a broad range of assemblies and modules for vehicle frames, upper body structures and suspension systems for the global automotive industry. The Company has facilities in the United States, Canada, Italy and Japan, in China through its joint venture investment in Tower Golden Ring, Germany, Hungary, Poland, Brazil, India, Slovakia, Korea, and in Mexico through its joint venture investment in Metalsa.

The Notes to Consolidated Financial Statements of Tower Automotive, Inc. and Subsidiaries should be read in conjunction with this Schedule I.

NOTE 2. CONVERTIBLE SUBORDINATED NOTES

In July 1997, the Parent Company completed the offering of \$200 million of Convertible Subordinated Notes (the "Notes"). The net proceeds from the Notes, \$194.1 million, were contributed as an additional investment in the Subsidiaries. The Notes bear interest at 5%, are unsecured, are due on August 1, 2004 and are convertible into Common Stock of the Parent Company at a conversion price of \$25.88 per share. The Parent Company may make optional redemptions of the Notes after August 1, 2000 at amounts ranging from 102.857% to 100.714% of face value. In the event of a change in control (as defined), the holders of the Notes may require the Parent Company to redeem the Notes at face value plus accrued interest.

NOTE 3. STOCKHOLDERS' INVESTMENT

On May 19, 1998, the Parent Company's Board of Directors approved a two-for-one stock split, which was effected as a stock dividend. On July 15, 1998, stockholders were issued one additional share of Common Stock for each share of Common Stock held on the record date of June 30, 1998. All references to the number of common shares and per share amounts have been adjusted to reflect the stock split on a retroactive basis.

NOTE 4. 6 3/4% CONVERTIBLE SUBORDINATED DEBENTURES

On June 9, 1998, Tower Automotive Capital Trust (the "Preferred Issuer"), a wholly owned statutory business trust of the Parent Company,

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

completed the offering of \$258.8 million of its 6 3/4% Trust Convertible Preferred Securities ("Preferred Securities"), resulting in net proceeds of approximately \$249.7 million. The Preferred Securities are redeemable, in whole or in part, on or after June 30, 2001 and all Preferred Securities must be redeemed no later than June 30, 2018. The Preferred Securities are convertible, at the option of the holder, into Common Stock of the Parent Company at a rate of 1.6280 shares of Common Stock for each Preferred Security, which is equivalent to a conversion price of \$30.713 per share. The obligations of the Preferred Issuer under the Preferred Securities are fully and unconditionally guaranteed by the Parent Company. Concurrently with the issuance of the Preferred Securities, the Preferred Issuer acquired \$258.8 million of the Parent Company's 6 3/4% Convertible Subordinated Debentures ("Debentures") for net proceeds of \$249.7 million. Interest is payable quarterly and the notes mature on June 30, 2018. The net proceeds received from the issuance of the Debentures by the Parent Company were contributed as an additional investment in the Subsidiaries.

S-6

40

SCHEDULE I

TOWER AUTOMOTIVE, INC. CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTE 5. INVESTMENT IN J.L. FRENCH

On October 14, 1999, the Company loaned \$30.0 million to J.L. French Automotive Castings, Inc. ("J.L. French") in exchange for a convertible subordinated promissory note due October 14, 2009. The note bears interest at 7.5% annually with interest payable on the last day of each calendar quarter beginning December 31, 1999. On November 30, 2000, the Company exercised its option to convert the note into 7,124 shares of Class A "1" Common Stock of J. L. French, which has a 7.5% pay-in-kind dividend right. Additionally, on November 30, 2000, the Company invested \$2.9 million in J. L. French through the purchase of Class P Common Stock, which has an 8% pay-in-kind dividend right. On May 24, 2000, the Company invested \$11.0 million in J. L. French through the purchase of Class A Common Stock. At December 31, 2000, the Company has an ownership interest of approximately 16% in J. L. French.

NOTE 6. GUARANTEES AND RESTRICTIONS

Guarantee of Subsidiaries' Debt

In July 2000, the Subsidiaries replaced the existing \$750 million amortizing credit agreement with a new six-year \$1.15 billion senior unsecured credit agreement. The new credit agreement includes a non-amortizing revolving facility of \$825 million along with an amortizing term loan of \$325 million. The new facility also includes a multi-currency borrowing feature that allows the Company to borrow up to \$500 million in certain freely tradable offshore currencies, and letter of credit sublimits of \$100 million. The Parent Company provided a guarantee for this debt. As of December 31, 2000, approximately \$8.2 million of the outstanding borrowings are denominated in Japanese yen and \$63.7 million of the outstanding borrowings are denominated in Euro. Interest on the new credit facility is at the financial institutions' reference rate, LIBOR, or the Eurodollar rate plus a margin ranging from 0 to 200 basis points depending on the ratio of the consolidated funded debt for restricted subsidiaries of the Company to its total EBITDA. The weighted average interest rate for such borrowings was 5.9 percent for

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

year ended December 31, 2000. The new credit agreement has a final maturity of 2006. As a result of the debt replacement, the Subsidiaries recorded an extraordinary loss, net of tax, of \$3.0 million during the third quarter of 2000.

In July 2000, R.J. Tower (the "Issuer"), a wholly-owned subsidiary of the Parent Company, issued Euro-denominated senior unsecured notes in the amount of (Euro) 150 million (approximately \$141.3 million at December 31, 2000). The notes bear interest at a rate of 9.25 percent, payable semi-annually. The notes rank equally with all of the Company's other unsecured and unsubordinated debt. The net proceeds after issuance costs were used to repay a portion of the Company's existing Euro-denominated indebtedness under its existing credit facility. The notes mature on August 1, 2010.

In April 1997, the Subsidiaries entered into a revolving credit facility that provided for borrowings of up to \$750 million on an unsecured basis with a letter of credit sublimit of \$75 million. The Parent Company provided a guarantee for this debt. Under the terms of the credit facility, the equivalent of up to \$85 million in borrowings could be denominated in foreign currency. The amount available under the revolving credit facility reduced to \$675 million in April 2000, \$600 million in April 2001 and \$500 million in April 2002. The Credit Agreement had a final maturity of April 2003. Interest on the credit facility is at the prime rate or LIBOR plus a margin ranging from 17 to 50 basis points depending upon the ratio of the consolidated indebtedness of the Company to its total capitalization.

In August 1999, the Company amended and restated its Credit Agreement to include a term loan add on facility of \$325 million. The weighted average interest rate for the term loan facility was 7.4 percent for the year ended December 31, 1999. The proceeds from the term facility were used to repay outstanding indebtedness under the revolving facility incurred in connection with the acquisition of Active in July 1999. The term loan facility was replaced in July 2000 by the amortizing term loan under the new \$1.15 billion senior unsecured credit agreement.

S-7

41

SCHEDULE I

TOWER AUTOMOTIVE, INC. CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Restrictions on Subsidiaries to Make Distributions to the Parent Company

Under the terms of the \$1.15 billion senior unsecured credit agreement described above, the Subsidiaries are restricted in their ability to dividend, loan or otherwise distribute assets, properties, cash, rights, obligations or securities to the Parent Company. These restrictions are subject to a number of important exceptions, including the ability of the Subsidiaries to: (i) purchase shares of the capital stock of the Parent Company and declare or pay cash dividends to the Parent Company in an aggregate amount equal to \$125,000,000 (provided that no event of default exists after giving effect to such action); (ii) declare and pay dividends to the Parent Company to be used to pay taxes and other expenses of the Parent Company and the Subsidiaries on a consolidated basis; and (iii) declare and pay dividends to the Parent Company to enable the Parent Company to make regularly scheduled interest payments

Edgar Filing: TOWER AUTOMOTIVE INC - Form 10-K

or the payment of principal at maturity of any unsecured indebtedness issued by the Parent Company (including the Notes and the Debentures (see Note 3)), the proceeds of which are applied to the prepayment of the revolving loans, in each case (a) has no scheduled principal payments before July 25, 2006; (b) has no guaranty obligation by the borrower under the revolving credit facility; and (c) has terms and conditions which are acceptable to the principal lender under the revolving credit facility. As of December 31, 2000, the Subsidiaries could have paid up to approximately \$125.0 million to the Parent Company under the exception described in item (i) above.

S-8

42

SCHEDULE II

TOWER AUTOMOTIVE, INC.
VALUATION AND QUALIFYING ACCOUNTS OF REGISTRANT
(DOLLARS IN THOUSANDS)

DESCRIPTION	EMPLOYEE COST	FACILITY COST	RESTRUCTURING
			AND ASSET IMPAIRMENT COST
Balance, December 31, 1997	\$ 9,036	\$ 22,666	\$ --
Utilization	(5,402)	(1,485)	--
Additional Provision	--	--	--
Change in Estimate	(10)	(69)	--
Balance, December 31, 1998	3,624	21,112	--
Utilization	(5,229)	(2,523)	--
Additional Provision	8,732	5,439	--
Change in Estimate	(760)	(10,226)	--
Balance, December 31, 1999	6,367	13,802	--
Utilization	(2,509)	(7,539)	(84,565)
Additional Provision	--	1,000	141,326
Change in Estimate	--	--	--
Balance, December 31, 2000	\$ 3,858	\$ 7,263	\$ 56,761