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NOBLE INTERNATIONAL LTD
Form 10-Q
November 12, 2004

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

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

For the quarterly period ended SEPTEMBER 30, 2004

OR

TRANSITION REPORT PURSUANT SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-13581

NOBLE INTERNATIONAL, LTD.

(Exact name of registrant as specified in its charter)

| | |
|----------------------------------------------------------------------------|-----------------------------------------------------|
| Delaware | 38-3139487 |
| _____ (State or other jurisdiction of incorporation or organization) | _____ (I.R.S. Employer Identification Number) |

28213 Van Dyke Road, Warren, MI 48093

(Address of principal executive offices)
(Zip Code)

(586) 751-5600

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock, \$.001 par value, outstanding as of October 31, 2004 was 9,285,195.

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NOBLE INTERNATIONAL, LTD. FORM 10-Q INDEX

This report contains statements (including certain projections and business trends) accompanied by such phrases as "assumes," "anticipates," "believes," "expects," "estimates," "projects," "will" and other similar expressions, that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Statements regarding future operating performance, new programs expected to be launched and other future prospects and developments are based upon current expectations and involve certain risks and uncertainties that could cause actual results and developments to differ materially. Potential risks and uncertainties include such factors as demand for the company's products, pricing, the company's growth strategy, including its ability to consummate and successfully integrate future acquisitions, industry cyclicity and seasonality, the company's ability to continuously improve production technologies, activities of competitors and other risks detailed in the company's Annual Report on Form 10-K for the year ended December 31, 2003 and other filings with the Securities and Exchange Commission ("SEC"). These forward looking statements are made only as of the date hereof.

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PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

NOBLE INTERNATIONAL, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

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| | DECEMBER 31 2003 | UNAUDITED SEPTEMBER 30 2004 |
|------------------------------------------------------|---------------------|-----------------------------------|
| | ----- | ----- |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 715 | \$ 3,932 |
| Accounts receivable, trade, net | 34,030 | 64,742 |
| Note receivable | 2,799 | 1,000 |
| Inventories | 14,543 | 20,259 |
| Income taxes refundable | 5,920 | -- |
| Other current assets | 3,909 | 2,813 |
| | ----- | ----- |
| Total Current Assets | 61,916 | 92,746 |
| | | |
| Property, plant & equipment | 70,059 | 80,227 |
| Accumulated depreciation | (22,940) | (29,374) |
| | ----- | ----- |
| Property, Plant & Equipment, net | 47,119 | 50,853 |
| | | |
| Other Assets: | | |
| Goodwill | 11,839 | 20,200 |
| Other intangible assets, net | 183 | 2,003 |
| Other assets, net | 11,890 | 11,885 |
| | ----- | ----- |
| Total Other Assets | 23,912 | 34,088 |
| Assets Held for Sale | 10,036 | 3,760 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 142,983 | \$ 181,447 |
| | ===== | ===== |
| LIABILITIES & STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 29,517 | \$ 56,137 |
| Accrued liabilities | 4,967 | 4,106 |
| Income taxes payable | -- | 4,308 |
| Current maturities of long-term debt | 9,999 | 440 |
| Conversion option derivative liability | -- | 627 |
| Deferred income taxes | 54 | 54 |
| | ----- | ----- |
| Total Current Liabilities | 44,537 | 65,672 |
| | | |
| Long-Term Liabilities: | | |
| Deferred income taxes | 3,860 | 3,864 |
| Convertible subordinated debentures, net of discount | 7,026 | 37,045 |
| Long-term debt, excluding current maturities | 35,974 | 5 |
| | ----- | ----- |
| Total Long-Term Liabilities | 46,860 | 40,914 |
| Liabilities Held for Sale | 775 | -- |
| STOCKHOLDERS' EQUITY | | |
| Common stock | 9 | 9 |
| Additional paid-in capital | 38,161 | 51,908 |
| Retained earnings | 12,490 | 22,061 |
| Accumulated comprehensive income, net | 151 | 883 |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' EQUITY | 50,811 | 74,861 |
| | ----- | ----- |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | \$ 142,983 | \$ 181,447 |
| | ===== | ===== |

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS

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NOBLE INTERNATIONAL, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, in thousands, except share and per share data)

| | THREE MONTHS ENDED SEPTEMBER 30 | |
|----------------------------------------------------------------|------------------------------------|-----------|
| | 2003 | 2004 |
| | ----- | ----- |
| Net sales | \$ 48,041 | \$ 75,101 |
| Cost of sales | 41,358 | 67,324 |
| | ----- | ----- |
| Gross margin | 6,683 | 7,777 |
| Selling, general and administrative expenses | 2,785 | 3,520 |
| | ----- | ----- |
| Operating profit | 3,898 | 4,257 |
| Interest income | 140 | 99 |
| Interest expense | (740) | (787) |
| Change in fair value of conversion option derivative liability | -- | 2,323 |
| Other, net | 516 | (172) |
| | ----- | ----- |
| Earnings from continuing operations before income taxes | 3,814 | 5,720 |
| Income tax expense | 1,099 | 859 |
| | ----- | ----- |
| Earnings on common shares from continuing operations | 2,715 | 4,861 |
| Discontinued operations: | | |
| Gain (loss) from discontinued operations | 79 | -- |
| Gain (loss) on sale of discontinued operations | -- | -- |
| | ----- | ----- |
| Net earnings on common shares | \$ 2,794 | \$ 4,861 |
| | ===== | ===== |
| BASIC EARNINGS (LOSS) PER COMMON SHARE: | | |
| Earnings per share from continuing operations | \$ 0.35 | \$ 0.52 |
| Gain (loss) from discontinued operations | 0.01 | -- |
| Gain (loss) on sale of discontinued operations | -- | -- |
| | ----- | ----- |
| Basic earnings per common share | \$ 0.36 | \$ 0.52 |
| | ===== | ===== |
| DILUTED EARNINGS (LOSS) PER COMMON SHARE | | |
| Earnings per share from continuing operations | \$ 0.32 | \$ 0.30 |
| Gain (loss) from discontinued operations | 0.01 | -- |
| Gain (loss) on sale of discontinued operations | -- | -- |
| | ----- | ----- |
| Diluted earnings per common share | \$ 0.33 | \$ 0.30 |
| | ===== | ===== |
| Dividends declared and paid | \$ 0.08 | \$ 0.10 |
| | ===== | ===== |
| Basic weighted average common shares outstanding | 7,779,872 | 9,240,779 |

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Diluted weighted average common shares outstanding 9,056,065 10,649,086

THE ACCOMPANYING NOTES ARE INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS

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NOBLE INTERNATIONAL, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

| | NINE MONTHS ENDED SEPTEMBER 30 | |
|-----------------------------------------------------------------------------------|-----------------------------------|-----------|
| | 2003 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Earnings on common shares from continuing operations | \$ 7,062 | \$ 12,309 |
| Adjustments to reconcile earnings to net cash provided by (used in) operations | | |
| Interest expense | 421 | 1,505 |
| Depreciation of property, plant and equipment | 4,843 | 7,041 |
| Amortization of intangible assets | 150 | 216 |
| Deferred income taxes | (1,102) | -- |
| Loss on sale of property and equipment | 2 | 137 |
| Change in fair value of conversion option derivative liability | -- | (2,918) |
| Stock compensation expense | 62 | 205 |
| Changes in assets and liabilities | | |
| Increase in accounts receivable | (12,557) | (25,088) |
| Increase in inventories | (5,100) | (2,989) |
| Decrease (increase) in prepaid expenses | (2,129) | 1,362 |
| Decrease in other operating assets | 35 | 10 |
| Increase in accounts payable | 6,344 | 20,920 |
| Increase in income taxes payable | 2,725 | 10,210 |
| Increase (decrease) in accrued liabilities | 374 | (2,807) |
| | ----- | ----- |
| Net cash provided by continuing operations | 1,130 | 20,113 |
| Net cash (used in) provided by discontinued operations | (2,553) | 46 |
| | ----- | ----- |
| Net cash (used in) provided by operating activities | (1,423) | 20,159 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (7,734) | (7,490) |
| Proceeds from sale of discontinued operations | 5,677 | 5,455 |
| Acquisition of business, net of cash acquired | -- | (13,605) |
| Proceeds from Notes Receivable on sale of discontinued operations | -- | 2,549 |
| | ----- | ----- |
| Net cash used in investing activities | (2,057) | (13,091) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of common stock | 515 | 2,193 |
| Financing fees | (328) | (1,758) |
| Proceeds from issuance of convertible subordinated debentures | -- | 40,000 |
| Dividends paid on common stock | (1,864) | (2,738) |
| Redemption of convertible subordinated debentures | -- | (826) |
| Payments on long-term debt | (270) | (936) |
| Net borrowings (payments) on credit facility | 4,862 | (40,008) |
| | ----- | ----- |

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| | | |
|-----------------------------------------------------|----------|----------|
| Net cash provided by (used in) financing activities | 2,915 | (4,073) |
| Effect of exchange rate changes on cash | 218 | 222 |
| | ----- | ----- |
| Net increase (decrease) in cash | (347) | 3,217 |
| Cash and cash equivalents at beginning of period | 1,154 | 715 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 807 | \$ 3,932 |
| | ===== | ===== |
| SUPPLEMENTAL CASH FLOW DISCLOSURE | | |
| Cash paid for: | | |
| Interest | \$ 2,214 | \$ 1,721 |
| Taxes | \$ 1,561 | 642 |
| Fair value of assets acquired, including goodwill | -- | 21,399 |
| Liabilities assumed | -- | (7,794) |
| Cash paid, net | -- | 13,605 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS

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NOBLE INTERNATIONAL, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in thousands)

| | THREE MONTHS ENDED SEPTEMBER 30 | | NINE MONTHS SEPTEMBER |
|------------------------------------------------------------------------------------------------|------------------------------------|----------|--------------------------|
| | 2003 | 2004 | 2003 |
| | ----- | ----- | ----- |
| Net earnings on common shares | \$ 2,794 | \$ 4,861 | \$ 5,472 |
| Other comprehensive income (loss), equity adjustment from foreign currency translation, net | (66) | 793 | 600 |
| | ----- | ----- | ----- |
| Comprehensive income, net | \$ 2,728 | \$ 5,654 | \$ 6,072 |
| | ===== | ===== | ===== |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS

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NOBLE INTERNATIONAL, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim

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financial reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the financial statements for interim reporting do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and such adjustments are of a normal recurring nature. Results for interim periods should not be considered indicative of results for a full year. The December 31, 2003 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. For further information, refer to the consolidated financial statements and notes thereto included in the company's Annual Report on Form 10-K, as filed with the SEC for the period ended December 31, 2003.

Certain information for fiscal year 2003 related to discontinued operations has been reclassified to conform to the current year presentation. Discontinued operations include the Company's logistics and distribution businesses for the three and nine month periods ended September 30, 2003 and for the distribution business for the nine month period ended September 30, 2004. The accompanying consolidated financial statements as of September 30, 2004 and for the year ended December 31, 2003, include Noble International, Ltd. and its wholly-owned subsidiaries. The following chart outlines the wholly-owned subsidiaries of the Company and their current status.

WHOLLY-OWNED SUBSIDIARIES OF NOBLE INTERNATIONAL LTD.

| Subsidiary | Acquired/Formation |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Noble Metal Processing - Australia Pty. | Formed - 2003 |
| Prototech Laser Welding, Inc. ("LWI") | Acquired - 2003 |
| NMP Prototube, LLC ("Prototube") | Acquired - 2003 |
| Noble Metal Processing, Inc. ("NMP") | Acquired - 2003 |
| Noble Land Holdings, Inc. ("Land Holdings") | Formed - 2003 |
| Noble Manufacturing Group, Inc. (formerly Noble Technologies, Inc.) ("NMG") | Formed - 2003 |
| Noble Metal Processing Canada, Inc. ("NMPC") | Acquired - 2003 |
| Noble Metal Processing - Kentucky, LLC ("NMPK") | Formed - 2003 |
| Peco Manufacturing, Inc. ("Peco") | Acquired - 2003 |
| Pro Motorcar Products, Inc. ("PMP") | Acquired - 2003 |
| Pro Motorcar Distribution, Inc. ("PMD") | Acquired - 2003 |
| Monroe Engineering Products, Inc ("Monroe") | Acquired - 2003 |
| Noble Logistic Services, Inc. (formerly Assured Transportation & Delivery, Inc. and Central Transportation & Delivery, Inc.) ("NLS-CA") | Acquired - 2003 |
| Noble Logistic Services Holdings, Inc. (formerly Dedicated Services Holdings, Inc. ("NLS-TX")) | Acquired - 2003 |

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| | |
|-------------------------------------------|------------|
| Noble Components & Systems, Inc. | Formed - 1 |
| Noble Logistics Services, Inc. ("NLS-MI") | Formed - 2 |

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The Company's continuing operating subsidiaries are organized into a single reporting segment operating in the automotive supply business.

In January 2004, the Company acquired Prototech Laser Welding, Inc. ("LWI") for approximately \$13.6 million in cash and the assumption of approximately \$0.7 million in subordinated debt. A contingency payment of up to an additional \$1.0 million is payable if certain new business is awarded to the Company by January 2006. Any payment made pursuant to this contingency will be recorded to Goodwill at the time of recognition. Results of operations for LWI are included in Noble financial statements beginning January 2004. The unaudited pro forma combined historical results for the nine months ended September 30, 2003, as if the Company had acquired LWI at the beginning of 2003, are estimated to be (in thousands, except per share amounts):

| PRO FORMA INFORMATION | NINE MONTHS ENDED SEPT 30, 2003 ----- |
|-------------------------------------------------------|------------------------------------------------|
| Net sales | \$ 144,639 |
| Earnings on common shares from continuing operations | \$ 6,500 |
| Basis earnings per share from continuing operations | \$ 0.64 |
| Diluted earnings per share from continuing operations | \$ 0.61 |

The pro forma information includes an adjustment for the effect of the amortization of the intangible asset recognized in the acquisition and other accounting adjustments recognized in recording the combination. This pro forma information is not necessarily indicative of future operating results.

As of September 30, 2004, the Company has completed the allocation of the purchase price for LWI pursuant to purchase accounting requirements. An intangible asset apart from Goodwill of \$2.1 million was recognized related to the fair value of the customer contracts acquired with LWI. The table below summarizes the purchase price allocation (in thousands of dollars):

| | |
|--------------------------------------|-----------|
| Current Assets | \$ 7,758 |
| Fixed Assets, net | 3,208 |
| Intangible Asset | 2,073 |
| Goodwill | 8,361 |
| Current Liabilities | (7,104) |
| Long-Term Liabilities | (691) |
| Purchase Price, net of cash acquired | \$ 13,605 |

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During the second quarter of 2004, the Company entered into an amendment to its Fourth Amended and Restated Credit Agreement ("Credit Facility") which provided, among other things, an extension of the maturity date for the Credit Facility to April 1, 2009, a reduction in the number of banks participating in the Credit Facility from three to one, as well as adjustments to several financial and other covenants. Subsequent to the amendment to the Credit Facility, the Company maintains a \$35 million revolving credit facility with Comerica Bank which had no outstanding borrowings as of September 30, 2004.

On March 26, 2004, the Company issued \$40 million in 4% unsecured convertible subordinated notes (the "Notes") in a private placement. The Notes have a three year term, maturing on March 31, 2007 and may be extended another three years at the holders' option. The Notes are convertible at the holders' option at anytime prior to maturity into shares of the Company's common stock at \$32 per share (subject to adjustment pursuant to the terms of the Note). The interest rate on the Notes is 4% and is fixed for the entire term. Proceeds from the Notes were used to reduce the Company's current bank borrowings, including paying off the term loan balance and reducing amounts outstanding under the \$35.0 million Credit Facility. The holders of the Notes have a right to participate in dividends declared and paid to the Company's common shareholders to the extent that such dividends exceed \$0.48 per share (in any twelve

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month period) within the initial three year term on the Notes. The holders' participation rights are only on the amount, if any, in excess of \$0.48 per share. The holders are not entitled to participate in any dividends after the initial three year term.

The terms of the conversion option were evaluated by the Company to determine if it gave rise to an embedded derivative instrument that would need to be accounted for separately in accordance with Statement of Financial Accounting Standards ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities" and Emerging Issues Task Force ("EITF") 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." The Company concluded that certain provisions which are contingent upon a change in control of the Company and allow for a net cash settlement of the conversion option qualified as an embedded derivative and did not meet the scope exceptions of SFAS 133. Therefore, the Company was required to bifurcate the conversion option and establish the fair value of the embedded derivative separate from the debt instrument and record it as a derivative liability. At issuance of the Notes, the holders' conversion right had an estimated initial fair value of \$3.5 million, which was recorded as a discount to the Notes and a derivative liability on the consolidated balance sheet. The discount on the Notes will be accreted to par value over the term of the Notes through quarterly non-cash charges to interest expense over the initial three year term. The derivative liability associated with the conversion option will be adjusted quarterly for changes in fair value over the term of the Notes with the corresponding charge or credit to other expense or income. The estimated fair value of the holder's conversion option was determined using a convertible bond valuation model which utilizes assumptions including: The historical stock price volatility; risk-free interest rate; credit spreads; remaining maturity; and the current stock price.

As a result of the participation right related to the Notes, in accordance with EITF 03-6: "Participating Securities and the Two Class Method under SFAS 128, Earnings Per Share" for purposes of calculating basic earnings per share, undistributed earnings are allocated to common stock and the Notes holders based upon the assumption that all of the earnings for the period are distributed. If earnings for a given period exceed \$0.48 per share, undistributed earnings in

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excess of \$0.48 per share are allocated to the Notes holders according to the terms of the Notes. Accordingly, for the three and nine month period ended September 30, 2004, basic earnings per share ("EPS") is computed based upon net earnings calculated as detailed in following schedule (in thousands of dollars):

| | THREE MONTHS ENDED SEPTEMBER 30, 2004 | EN |
|----------------------------------------------------------------------------|------------------------------------------|-------|
| Net earnings on common shares as reported | \$ 4,861 | --- |
| Net earnings allocated to participating securities | 51 | ----- |
| Net earnings on common shares after allocation to participating securities | \$ 4,810 | ===== |

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Calculation of diluted EPS assumes the exercise of common stock options and warrants, when dilutive, and the impact of restricted stock and the assumed conversion of convertible debt, when dilutive. The following tables reconcile the numerator and denominator to calculate basic and diluted EPS from continuing operations for the three and nine month periods ended September 30, 2003 and 2004 (in thousands, except share and per share amounts; per share amounts are subject to rounding).

Pursuant to an amendment to the Notes entered into by the Company and the holders of the Notes during the fourth quarter of 2004, the holders of the Notes are no longer able to participate in dividends. In addition, there is a covenant restricting the Company from paying dividends or distributions on its common stock in excess of \$0.48 per share in any twelve month period until March 2007. This amendment eliminates the

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requirement to use the two class method for calculating basic earnings per share for future periods relating to the Notes.

| | THREE MONTHS ENDED SEPTEMBER | | | |
|------------------------------------------------------|------------------------------|-------------------------|----------------------|-----------------------------|
| | 2003 | | | |
| | Net Earnings (Numerator) | Shares (Denominator) | Per share Amounts | Net Earnings (Numerator) |
| Basic earnings per common share | | | | |
| Earnings on common shares from continuing operations | \$ 2,715 | 7,779,872 | \$ 0.35 | \$ 4,810 |
| Effect of dilutive securities: | | | | |
| Contingently issuable shares | -- | 28,737 | -- | -- |
| Convertible debentures | 181 | 1,120,489 | (0.02) | (1,663) |
| Net earnings allocated to participating securities | -- | -- | -- | 51 |

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| | | | | |
|------------------------------------------------------------------------|----------|-----------|---------|----------|
| Stock Options | -- | 126,967 | (0.01) | -- |
| | ----- | ----- | ----- | ----- |
| Earnings on common shares from continuing operations assuming dilution | \$ 2,896 | 9,056,065 | \$ 0.32 | \$ 3,198 |
| | ===== | ===== | ===== | ===== |

| | | | | |
|------------------------------------------------------------------------|-----------------------------|-------------------------|----------------------|-----------------------------|
| NINE MONTHS ENDED SEPTEMBER 30 | | | | |
| ----- | | | | |
| 2003 | | | | |
| ----- | | | | |
| | Net Earnings (Numerator) | Shares (Denominator) | Per share Amounts | Net Earnings (Numerator) |
| | ----- | ----- | ----- | ----- |
| Basic earnings per common share | | | | |
| Earnings on common shares from continuing operations | \$ 7,062 | 7,744,315 | \$ 0.92 | \$ 11,349 |
| Effect of dilutive securities: | | | | |
| Contingently issuable shares | -- | 24,368 | -- | -- |
| Convertible debentures | 540 | 1,120,489 | (0.06) | (1,509) |
| Net earnings allocated to participating securities | -- | -- | -- | 960 |
| Stock Options | -- | 74,281 | (0.01) | -- |
| | ----- | ----- | ----- | ----- |
| Earnings on common shares from continuing operations assuming dilution | \$ 7,602 | 8,963,453 | \$ 0.85 | \$ 10,800 |
| | ===== | ===== | ===== | ===== |

The diluted EPS net earnings adjustments related to convertible debentures are as follows:

| | | |
|----------------------------------------------------------|------------------------------------|-----------|
| | THREE MONTHS ENDED SEPTEMBER 30 | |
| | 2003 | 2004 |
| | ----- | ----- |
| Interest on convertible debentures, net of tax | \$ 181 | \$ 365 |
| Amortization of debt discount | -- | 295 |
| Gain on value of convertible option derivative liability | -- | (2,323) |
| | ----- | ----- |
| | \$ 181 | \$(1,663) |
| | ===== | ===== |

The Company has adopted the disclosure-only provisions of SFAS 123, "Accounting for Stock-Based Compensation," and SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." As allowed by SFAS 123, the Company has elected to continue to follow APB Opinion No. 25 in accounting for its stock option plans. Accordingly, no compensation cost has been recognized under the Company's stock-based compensation plan (the "Plan"). There were no options granted during the first nine months of 2004. Had compensation

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cost been determined based on the fair value at the grant dates for awards under the Plan utilizing the Black-Scholes option pricing model, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below for the three and nine month periods ended September 30, 2003 and 2004 (in thousands, except per share data):

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| | THREE MONTHS ENDED SEPTEMBER 30 | |
|---------------------------------------------------------------------------------------------------|------------------------------------|----------|
| | 2003 | 2004 |
| | ----- | ----- |
| Net earnings on common shares from continuing operations as reported | \$ 2,715 | \$ 4,861 |
| Less: Total employee stock option expense under the fair value method, net of related tax effects | 51 | 42 |
| | ----- | ----- |
| Pro forma | 2,664 | 4,819 |
| Basic earnings per share from continuing operations | | |
| As reported | \$ 0.35 | \$ 0.52 |
| Pro forma | 0.34 | 0.52 |
| Diluted earnings per share from continuing operations | | |
| As reported | \$ 0.32 | \$ 0.30 |
| Pro forma | 0.31 | 0.30 |

NOTE B -- GOODWILL AND OTHER INTANGIBLE ASSETS

| | NMP PURCHASE | PROTOTUBE PURCHASE | LWI PURCHASE |
|------------------------------|-----------------|-----------------------|-----------------|
| | ----- | ----- | ----- |
| Goodwill, December 31, 2003 | \$ 11,463 | \$ 376 | \$ -- |
| Purchase of LWI | -- | -- | 8,361 |
| | ----- | ----- | ----- |
| Goodwill, September 30, 2004 | \$ 11,463 | \$ 376 | 8,361 |
| | ===== | ===== | ===== |

Consistent with SFAS 141, "Business Combinations," in conjunction with the purchase of LWI, an intangible asset apart from Goodwill was recognized related to the fair value of the customer contracts acquired with the purchase of LWI. A fair value of \$2.1 million was determined for these contracts at the time of acquisition using a discounted cash flow model. This intangible asset is being amortized over ten years. Goodwill recognized pursuant to the LWI acquisition is amortized and deductible over fifteen years for tax purposes.

Total amortization expense for all intangible assets for the three month and nine month periods ending September 30, 2003 was \$0.05 million and \$0.15 million, respectively. Total amortization expense for all intangible assets for the three and nine month periods ended September 30, 2004 was \$0.1 million and \$0.25 million, respectively. Components of other intangible assets, net (in

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thousands) are as follows:

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| | DECEMBER 31, 2003 | | | |
|-----------------------------------------------|-------------------|----------------|-----------|----------------|
| | GROSS VALUE | ACCUM AMORT | NET VALUE | GROSS VALUE |
| Value of customer contracts - LWI acquisition | \$ -- | \$ -- | \$ -- | \$ 2,07 |
| Covenants not to compete | 1,400 | (1,217) | 183 | 1,40 |
| Other Intangible Assets, net | \$ 1,400 | \$ (1,217) | \$ 183 | \$ 3,47 |

NOTE C -- INVENTORIES

Inventories at December 31, 2003 and September 30, 2004 consisted of the following (in thousands):

| | DECEMBER 31 2003 | SEPTEMBER 30 2004 |
|-----------------|---------------------|----------------------|
| Raw materials | \$ 5,242 | \$ 7,548 |
| Work in process | 5,067 | 7,422 |
| Finished goods | 4,234 | 5,289 |
| Total Inventory | \$ 14,543 | \$ 20,259 |

NOTE D -- GEOGRAPHIC INFORMATION

The Company classifies continuing operations into one industry segment. This segment is within the automotive industry. The following tables identify the breakdown of the Company's net sales by country (which are classified based upon country of production) and long-lived assets by country, which consist primarily of fixed assets and intangible assets including goodwill (in thousands):

| NET SALES | THREE MONTHS ENDED SEPTEMBER 30 | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---------------|------------------------------------|-----------|-----------------------------------|-----------|
| | 2003 | 2004 | 2003 | 2004 |
| United States | \$ 40,002 | \$ 53,267 | \$101,264 | \$186,075 |
| Canada | 8,039 | 21,720 | 26,438 | 57,718 |
| Australia | -- | 114 | -- | 304 |
| | \$ 48,041 | \$ 75,101 | \$127,702 | \$244,097 |

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| | DECEMBER 31 2003 | SEPTEMBER 30 2004 |
|-------------------|---------------------|----------------------|
| LONG-LIVED ASSETS | | |
| United States | \$ 55,225 | \$ 66,898 |
| Canada | 3,916 | 5,690 |
| Australia | -- | 468 |
| | \$ 59,141 | \$ 73,056 |

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NOTE E - DISCONTINUED OPERATIONS

On March 21, 2003, the Company completed the sale of its logistics group for approximately \$11.1 million in cash and notes as well as the assumption of substantially all payables and liabilities. The transaction included cash of \$2.0 million at closing, two short-term notes totaling approximately \$5.1 million, a \$1.5 million three-year amortizing note and a \$2.5 million five-year amortizing note. The short-term notes were repaid in full during the third quarter of 2004. The two long-term notes bear an annual interest rate of 4.5% and will be repaid in equal monthly installments. As of September 30, 2004 the Company has received approximately \$6.5 million in proceeds from the sale of the logistics business. As of September 30, 2004, the balance on the long term notes was \$2.6 million.

The results for the logistics group included in discontinued operations for the three and nine month periods ended September 30, 2003 and 2004 (in thousands) are as follows:

| | THREE MONTHS ENDED SEPTEMBER 30 | |
|-----------------------------------|------------------------------------|-------|
| | 2003 | 2004 |
| Revenue | \$ -- | \$ -- |
| (Loss) from operations, after-tax | \$ -- | \$ -- |
| (Loss) on sale, after-tax | \$ -- | \$ -- |

| | NINE MONTHS ENDED SEPTEMBER 30 | |
|-----------------------------------|-----------------------------------|----------|
| | 2003 | 2004 |
| Revenue | \$ 14,800 | \$ -- |
| (Loss) from operations, after-tax | \$ (1,182) | \$ (121) |
| (Loss) on sale, after-tax | \$ (677) | \$ -- |

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The Company made the decision to exit the distribution (Monroe, PMP, PMD and Peco) business in the fourth quarter of 2003 and classified this operation as discontinued. On January 28, 2004 the Company completed the sale of the distribution business to an entity in which the Company's Chairman and another officer have an interest for approximately \$5.5 million in cash. An independent committee of the board of directors of the Company was established to evaluate, negotiate and complete the transaction. In addition, an independent fairness opinion regarding the transaction was obtained.

The results for the distribution business included in discontinued operations for the three and nine month periods ended September 30, 2003 and 2004 (in thousands) are as follows:

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| | THREE MONTHS ENDED | |
|-------------------------------------|--------------------|-------|
| | SEPTEMBER 30 | |
| | 2003 | 2004 |
| | ----- | ----- |
| Revenue | \$ 1,191 | \$ -- |
| Earnings from operations, after-tax | \$ 79 | \$ -- |
| Gain on sale, after-tax | \$ -- | \$ -- |

| | NINE MONTHS ENDED | |
|-------------------------------------|-------------------|--------|
| | SEPTEMBER 30 | |
| | 2003 | 2004 |
| | ----- | ----- |
| Revenue | \$ 3,575 | \$ -- |
| Earnings from operations, after-tax | \$ 269 | \$ -- |
| Gain on sale, after-tax | \$ -- | \$ 121 |

NOTE F - COMMITMENTS AND CONTINGENCIES

The Company is not a party to any legal proceedings other than routine litigation incidental to its business, none of which would have a material adverse impact on the Company's financial position or results from operations.

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

GENERAL

Noble International Ltd., through its subsidiaries, is a full-service provider of tailored laser welded blanks for the automotive industry. In the fourth quarter of 2002 the Company made the strategic decision to exit the logistics business and has classified this segment as discontinued. The sale of the logistics segment was completed in March 2003 for approximately \$11.1 million in cash and notes. In the fourth quarter of 2003, the Company made the strategic decision to exit the distribution business and has classified this segment as discontinued. The sale of the distribution business was completed in

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January 2004 for approximately \$5.5 million in cash to a related party. In January 2004, the Company completed the acquisition of Prototech Laser Welding, Inc. ("LWI") for approximately \$13.6 million in cash and the assumption of approximately \$0.7 million in subordinated debt and up to an additional \$1.0 million payable if certain new business is awarded to the Company by January 2006. The Company has completed the allocation of the purchase price pursuant to purchase accounting requirements as of September 30, 2004. An intangible asset apart from Goodwill was recognized related to the value of the customer contracts acquired with the purchase of LWI in the amount of \$2.1 million. Goodwill recorded at September 30, 2004 related to the LWI acquisition was \$8.4 million.

RESULTS OF CONTINUING OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the MD&A section included in our Annual Report on Form 10-K, as filed with the SEC, for the year ended December 31, 2003.

Net Sales. Net sales for the three months ended September 30, 2004 were \$75.1 million, an increase of \$27.1 million or 56% compared to the same period in 2003. Net sales for the nine months ended September 30, 2004 were \$244.1 million, an increase of \$116.4 million or 91% compared to the same period in 2003. These increases in revenues are attributable primarily to higher production volumes on certain vehicles, higher steel content in sales, new product launches and sales from the acquisition of LWI.

Cost of Sales. Cost of sales for the three month period ended September 30, 2004 increased by \$26.0 million to \$67.3 million, an increase of 63% compared to the same period in 2003. Cost of sales for the nine month period ended September 30, 2004 increased by \$107.9 million to \$216.4 million, an increase of 100% compared to the same period in 2003. These increases were primarily the result of increased sales, including increased steel content in sales. Cost of sales as a percentage of sales increased to 89.6% in the three month period ended September 30, 2004 from 86.1% in the same period in 2003. Cost of sales as a percentage of sales increased to 88.6% in the nine month period ended September 30, 2004 from 84.9% in the same period in 2003. This increase in cost of sales as a percentage of net sales is primarily the result of higher steel content in cost of sales for the first nine months of 2004 compared to the first nine months of 2003.

Gross Margin. Gross margin increased by \$1.1 million, or 16%, to \$7.8 million for the three months ended September 30, 2004, from \$6.7 million for the comparable period in 2003. Gross margin increased by \$8.5 million, or 44%, to \$27.7 million for the nine months ended September 30, 2004, from \$19.3 million for the comparable period in 2003. The increase in gross margin was primarily the result of increased sales. For the three and nine month periods ended September 30, 2004, gross margin as a percentage of sales (10.3% and 11.3%, respectively) decreased compared to the three and nine month periods ended September 30, 2003 (13.9% and 15.1%, respectively). Gross margin as a percentage of sales has decreased primarily as a result of the increased steel content in sales and cost of sales compared to total sales for the same periods in 2003.

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Selling, General and Administrative Expenses. Selling, general and administrative expenses (SG&A) increased by \$0.7 million to \$3.5 million for the three-month period ended September 30, 2004 as compared to \$2.8 million in the comparable period in 2003. SG&A increased by \$3.0 million to \$11.4 million for the nine month period ended September 30, 2004 as compared to \$8.4 million in the comparable period in 2003. For the three and nine month periods ended

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September 30, 2004, SG&A as a percentage of sales (4.7% and 4.7%, respectively) decreased compared to the three and nine month periods ended September 30, 2003 (5.8% and 6.6%, respectively). The dollar value increase in SG&A is driven primarily by the increase in sales and production activities of the Company. Included in SG&A in the first nine months of 2004 is bad debt expense of \$0.3 million primarily related to the bankruptcy of a Canadian steel company. Included in SG&A for the nine month period ended September 30, 2003 is a restructuring charge of \$0.65 million.

Operating Profit. As a result of the foregoing factors, operating profit increased \$0.4 million, or 9%, to \$4.3 million for the three month period ended September 30, 2004 from \$3.9 million for the same period in 2003. Operating profit increased \$5.5 million, or 51%, to \$16.3 million for the nine month period ended September 30, 2004 from \$10.8 million for the same period in 2003. For the three and nine month periods ended September 30, 2004, operating profit as a percentage of net sales (5.7% and 6.7%, respectively) decreased compared to the three and nine month periods ended September 30, 2003 (8.1% and 8.5%, respectively). The decrease as a percentage of net sales is driven primarily by the increased steel content in sales for the first nine months of 2004 compared to the first nine months of 2003.

Interest Income. Interest income was \$0.1 million for both three-month periods ended September 30, 2003 and 2004. Interest income decreased by \$0.2 million, or 48% to \$0.3 million for the nine month period ended September 30, 2004 from \$0.5 million for the same period in 2004. The decrease in interest income was primarily due to lower balances on interest bearing assets.

Interest Expense. Interest expense increased by \$0.1 million to \$0.8 million for the three month period ended September 30, 2004 from \$0.7 million for the comparable period of 2003. Interest expense increased \$1.1 million to \$2.8 million for the nine month period ended September 30, 2004 from \$1.7 million for the comparable period of 2003. During the first quarter of 2004, the Company recorded an expense of \$0.4 million as a result of the write-off of deferred financing fees related to the repayment of the term loan portion of the Company's credit facility. During the second and third quarters of 2004, the Company recorded expenses of \$0.6 million related to the amortization of the debt discount associated with the convertible subordinated notes. For the first quarter of 2003, a portion of interest expense was allocated to discontinued operations.

Other, net. Other, net of \$0.5 million and \$0.8 million for the three and nine months ended September 30, 2003, respectively, includes the receipt of insurance proceeds, the recovery of costs previously expensed, the recording of an investment in stock, the write-down of an investment and dividend income. Other, net expense of \$0.2 million and income of \$0.2 million for the three and nine months ended September 30, 2004, respectively, includes dividend income offset by a loss for the disposal of fixed assets and the write-down of assets held for sale.

Change in Fair Value of Conversion Option Derivative Liability. Pursuant to SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," the Company has bifurcated the conversion option and established the fair value of the embedded derivative separate from the debt instrument and recorded it as a derivative liability. At issuance of the convertible subordinated notes, the estimated initial fair value of embedded derivative liability was \$3.5 million, which was recorded as a discount to the convertible subordinated notes and a derivative liability on the consolidated balance sheet. This derivative liability is adjusted quarterly for changes in fair value with the corresponding charge or credit to other expense or income. During the three month period ended September 30, 2004, the Company recognized a \$2.3 million gain based upon the change in the fair value of the embedded derivative liability. During the nine month period ended September 30, 2004, the Company recognized a \$2.9 million

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gain based upon the change in the fair value of the embedded derivative liability.

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Income Tax Expense. Income tax expense for the three month period ended September 30, 2004 was \$0.9 million for an effective tax rate of 15.0%. Income tax expense for the nine month period ended September 30, 2004 was \$4.5 million for an effective tax rate of 27.0%. The effective tax rates for the periods ended September 30, 2004 are lower than the statutory tax rate of 34% due primarily to the determination that any gains on the change in value of the embedded derivative liability are not taxable and the associated debt discount amortization expense is not deductible for tax purposes.

Earnings on Common Shares from Continuing Operations. As a result of the foregoing factors, earnings on common shares from continuing operations increased for the three month period ended September 30, 2004 to \$4.9 million from \$2.7 million for the comparable period of the prior year, an increase of 79%. Earnings on common shares from continuing operations increased for the nine month period ended September 30, 2004 to \$12.3 million from \$7.1 million for the comparable period of the prior year, an increase of 74%.

Net Earnings on Common Shares. Net earnings on common shares increased by \$2.1 million to \$4.9 million for the three month period ended September 30, 2004 compared to the same period in 2003. Included in discontinued operations in the third quarter of 2003 are earnings of \$0.1 million from the distribution business. Net earnings on common shares increased by \$6.8 million to \$12.3 million for the nine month period ended September 30, 2004 compared to the same period in 2003. Included in discontinued operations for the first nine months of 2003 is a \$1.9 million loss from the logistics business offset by earnings of \$0.3 million from the distribution business.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements have historically been satisfied through a combination of cash flow from operations, equity and debt financings. Working capital needs and capital equipment requirements in the continuing operations have increased as a result of the growth of the Company and are expected to continue to increase. Anticipated increases in required working capital and capital equipment expenditures are expected to be met from cash flow from operations and borrowings under the Company's credit facility. As of September 30, 2004, the Company had a working capital surplus of \$26.1 million. Availability under the Company's revolving credit facility was approximately \$34.7 million as of September 30, 2004.

On March 26, 2004, the Company issued \$40.0 million in 4% unsecured convertible subordinated notes (the "Notes") in a private placement. The Notes have a three year term, maturing on March 31, 2007 and may be extended another three years at the holders' option. The Notes are convertible at the holders' option at anytime prior to maturity into shares of the Company's common stock at \$32 per share (subject to adjustment pursuant to the terms of the Note). The interest rate on the Notes is 4% and is fixed for the entire term. Proceeds from the Notes were used to reduce the Company's current bank borrowings, including paying off the term loan balance and reducing amounts outstanding under the \$35.0 million revolving credit facility. The holders of the Notes have a right to participate in dividends declared and paid to the Company's common shareholders to the extent that such dividends exceed \$0.48 per share (in any twelve month period) within the initial three year term on the Notes. The holders' participation rights are only on the amount, if any, in excess of \$0.48 per share. The holders are not entitled to participate in any dividends after the initial three year term. Pursuant to an amendment to the Notes entered into

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by the Company and the holders of the Notes, the holders of the Notes are no longer able to participate in dividends. In addition, there is a covenant restricting the Company from paying dividends or distributions on its common stock in excess of \$0.48 per share in any twelve month period until March 2007. This amendment eliminates the requirement to use the two class method for calculating basic earnings per share for future periods relating to the Notes.

The terms of the Notes include a right of the holders of the Notes to convert the Notes into the Company's common stock at \$32 per share. This right was evaluated by the Company to determine if it

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gave rise to an embedded derivative instrument that would need to be accounted for separately in accordance with Statement of Financial Accounting Standards ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities" and Emerging Issues Task Force ("EITF") 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." The Company concluded that certain provisions which are contingent upon a change in control of the Company and allow for a net cash settlement of the conversion option qualified as an embedded derivative and did not meet the scope exceptions of SFAS 133. Therefore, the Company was required to bifurcate the conversion option and establish the fair value of the embedded derivative separate from the debt instrument and record it as a derivative liability. At issuance of the Notes, the holders' conversion right had an estimated initial fair value of \$3.5 million, which was recorded as a discount to the Notes and a derivative liability on the consolidated balance sheet. The discount on the Notes will be accreted to par value over the term of the Notes through quarterly non-cash charges to interest expense over the initial three year term. The derivative liability associated with the conversion option will be adjusted quarterly for changes in fair value over the term of the Notes with the corresponding charge or credit to other expense or income. The estimated fair value of the holder's conversion option was determined using a convertible bond valuation model which utilizes assumptions including: The historical stock price volatility; risk-free interest rate; credit spreads; remaining maturity; and the current stock price.

During the first nine months of 2004, holders of approximately \$11.5 million in the Company's 1998 6% subordinated debentures ("1998 Debentures") exercised their option to convert their 1998 Debentures into the Company's common stock. On February 2, 2004 the Company made a mandatory retirement payment pursuant to the terms of the 1998 Debentures of \$0.8 million. The balance of 1998 Debentures outstanding after the conversions and the mandatory retirement payment is approximately \$0.2 million at September 30, 2004. The Company called the remaining balance of the 1998 Debentures and expects the remaining balance will be redeemed in the fourth quarter of 2004.

The Company generated cash from continuing operations of \$20.1 million for the nine month period ended September 30, 2004. Net cash generated by continuing operating activities was primarily the result of net earnings less non-cash income related to the change in value of the embedded derivative liability, plus non-cash expenses such as depreciation expense and non-cash interest expense, increases in accounts payable and income taxes payable, and decreases in prepaid expenses. This cash generated was partially offset by increases in accounts receivable and inventories, and the decrease in accrued liabilities. The increases in accounts receivable, inventory and accounts payable of \$25.1 million, \$3.0 million, and \$20.9 million, respectively, for the nine month period ended September 30, 2004, are related primarily to the newly launched production programs as well as increased volume in current programs and the acquisition in January 2004 of LWI. During the first nine months of 2004, income tax payable increased \$10.2 million due the receipt of cash related to a tax refund of \$6.1 million as well as by additional accrued income taxes.

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The Company used cash in investing activities of \$13.1 million for the nine month period ended September 30, 2004. This was primarily the result of the purchase of fixed assets of \$7.5 million, the acquisition of LWI for \$13.6 million offset by \$5.5 million received in cash from the sale of the distribution business and \$2.5 million received from notes receivable related to the sale of the logistics business.

The Company used \$4.1 million in cash flow from financing activities for the nine month period ended September 30, 2004, primarily from the payment of financing fees (\$1.8 million), the mandatory retirement payment on the 1998 Debentures (\$0.8 million), and the payment of cash dividends (\$2.7 million) offset by the receipt of cash related to the issuance of common stock (\$2.2 million), primarily pursuant to the exercise of stock options.

As of September 30, 2004 the Company maintained a \$35.0 million secured credit facility with Comerica Bank N.A. ("Comerica") with a maturity date of April 2009 ("Credit Facility"). During the second quarter of 2004 the Credit Facility was amended to, among other things, extend the maturity to April 2009, reduce the number of participating banks from three to one, and adjust several financial and other covenants. The Credit Facility consists of a \$35.0 million revolving loan with no borrowing base

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formula. The term loan portion of the Credit Facility was paid off using the proceeds from the issuance of the \$40.0 million 4% convertible subordinated notes. There were no outstanding borrowings on the revolving loan at September 30, 2004. Availability under the Credit Facility was approximately \$34.7 million, net of approximately \$0.3 million in outstanding letters of credit at September 30, 2004. The Credit Facility is secured by assets of the Company and its subsidiaries and provides for the issuance of up to \$5 million in standby or documentary letters of credit. The Credit Facility may be utilized for general corporate purposes, including working capital and acquisition financing and provides the Company with borrowing options for multi-currency loans. Borrowing options include a Eurocurrency rate, or a base rate. Advances under the Credit Facility bore interest at an average effective rate of 4.4% for the nine month period ended September 30, 2004. These borrowings were primarily in the first quarter of 2004 as the Company had no outstanding borrowings under the Credit Facility at September 30, 2004. As a result of the repayment of the term loan portion of the credit facility, the Company recorded a write-off of approximately \$0.4 million in deferred financing fees in the first quarter of 2004. The unamortized balance of origination costs is \$0.5 million at September 30, 2004 and is included in other assets. The Credit Facility is subject to customary financial and other covenants including, but not limited to, limitations on consolidations, mergers, and sales of assets, and bank approval on acquisitions over \$15.0 million

The Company has from time to time in prior years been in violation of certain of its financial debt ratio covenants and covenants relating to the issuance of preferred stock and the payment of preferred and common stock dividends, requiring it to obtain waivers of default from its lenders. At September 30, 2004, the Company was in compliance with all of its financial covenants under the Credit Facility.

The liquidity provided by the Company's Credit Facility combined with cash flow from continuing operations is expected to be sufficient to meet currently anticipated working capital and capital expenditure needs and for existing debt service for at least 12 months. There can be no assurance, however, that the funds will not be expended due to changes in economic conditions or other unforeseen circumstances, requiring the Company to obtain additional financing

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prior to the end of such twelve-month period. In addition, as part of its business strategy, the Company continues to evaluate and may pursue future growth through opportunistic acquisitions of assets or companies involved in the automotive component industry, which acquisitions may involve the expenditure of significant funds. Depending upon the nature, size, and timing of future acquisitions, the Company may be required to obtain additional debt or equity financing. There can be no assurance, however, that additional financing will be available to the Company, when and if needed, on acceptable terms or at all.

For the nine month period ended September 30, 2004, the Company guaranteed \$3.0 million of SET Enterprises, Inc. ("SET") senior debt in connection with its sale of businesses to SET. During the third quarter of 2004, the Company agreed to extend its guarantee for one year. The Company would be required to perform under the guarantee if SET was unable to repay or renegotiate its credit facility. The maximum amount the Company would be required to pay is \$3.0 million. The Company does not currently carry a liability for this guarantee. The guarantee is unsecured and the Company would be entitled to the proceeds from any liquidation after the senior debt lender had been paid in full. As of September 30, 2004, the Company had not been notified by SET or SET's lender of any default that would require performance under the guarantee. As of September 30, 2004, SET was in violation of certain of its financial covenants pursuant to its credit agreement. SET and its lender have negotiated a renewal of SET's credit facility, including the establishment of new financial covenants.

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. The Company does not believe that inflation has had a material effect on its business over the past two years.

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SARBANES-OXLEY COMPLIANCE

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2004, the Company will be required to furnish a report by management on the Company's internal control over financial reporting. On October 29, 2004, the Company, through its audit committee, received a letter from its independent auditor stating that there is a risk that the Company may not be able to complete its internal control assessment in a manner that allows sufficient time to remediate any control deficiencies identified as a result of their audit. Management believes that the Company will timely complete the requirements of Section 404 as of December 31, 2004 and that the Company's internal controls over financial reporting is effective, but timely completion is not guaranteed nor is there any assurance at the date of this report that unremediated deficiencies or weaknesses will not be identified upon audit.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to the impact of foreign currency fluctuations. International revenues from the Company's foreign subsidiaries were approximately 23.8% of total revenues for the nine-month period ended September 30, 2004. The Company's primary foreign currency exposure is to the Canadian Dollar. During the first quarter of 2004, the Company started an operation in Australia. The Company manages its exposure to foreign currency assets and earnings primarily by funding certain foreign currency denominated assets with liabilities in the same currency and, as such, certain balance sheet exposures are naturally offset.

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As of September 30, 2004 8.4% of the Company's long-lived assets were based in its foreign subsidiaries. These assets 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' equity. Accordingly, the Company's consolidated stockholders' equity will fluctuate depending on the weakening or strengthening of the U.S. dollar against the respective foreign currency.

The Company's financial results are affected by changes in U.S. and foreign interest rates. The Company does not hold financial instruments that are subject to market risk (interest rate risk and foreign exchange risk). There has been no material change to the Company's exposure to market risk since December 31, 2003.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. The Company maintains disclosure controls and procedures designed to ensure that information that is required to be disclosed in its filings with the Securities and Exchange Commission is recorded, processed, summarized and reported on a timely basis. The Company's management, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in the Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as of September 30, 2004, and have concluded that as of September 30, 2004, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its subsidiaries required to be disclosed by the Company in the reports it files with the SEC under the Securities Exchange Act of 1934 would be made known to them by others within the Company, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

Changes in Internal Controls over Financial Reporting. There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

Not applicable.

ITEM 2: CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

During the fourth quarter of 2004, the Company and holders of its \$40 million convertible subordinated notes entered into an amendment pursuant to which the holders of the Notes are no longer able to participate in dividends. In addition, there is a covenant restricting the Company from paying dividends or distributions on its common stock in excess of \$0.48 per share in any twelve month period until March 2007. This amendment eliminates the requirement to use the two class method for calculating basic earnings per share for future periods relating to the Notes.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5: OTHER INFORMATION

Not applicable.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

| Exhibit No. ----- | Description ----- |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.1 | Letter Amendment to \$40 million Convertible Subordinated Notes. |
| 31.1 | Certification by the President and Chief Executive Officer pursuant to Rule 13a-14 (a) of the Securities and Exchange Act of 1934, as amended. |
| 31.2 | Certification by the Chief Financial Officer pursuant to Rule 13a-14 (a) of the Securities and Exchange Act of 1934, as amended. |
| 32.1 | Certification of Periodic Financial Report by the President and Chief Executive Officer and the Chief Financial Officer pursuant to 18 USC Section 1350, as created by Section 906 of Sarbanes-Oxley Act of 2002. |

(b) The following reports on Form 8-K were filed during the three month period ended September 30, 2004:

- (i) Report on Form 8-K filed on July 27, 2004, concerning the financial results of the Company for the quarter ended June 30, 2004.

SIGNATURES

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

NOBLE INTERNATIONAL, LTD.

Dated: November 10, 2004

By: /s/ Jay J. Hansen

Jay J. Hansen,
Chief Financial Officer

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EXHIBIT INDEX

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| Exhibit No. ----- | Description ----- |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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| 32.1 | Certification of Periodic Financial Report by the President and Chief Executive Officer and the Chief Financial Officer pursuant to 18 USC Section 1350, as created by Section 906 of Sarbanes-Oxley Act of 2002. |