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NOBLE INTERNATIONAL LTD
Form 10-Q
November 14, 2001

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, 2001

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)

20101 Hoover Road, Detroit, Michigan 48205

(Address of principal executive offices)
(Zip Code)

(313) 245-5600

(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 X No

The number of shares of the registrant's common stock, \$.001 par value,
outstanding as of September 30, 2001 was 6,587,551.

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NOBLE INTERNATIONAL, LTD. FORM 10-Q INDEX

This report contains "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and is subject to the safe harbor created by that section. 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 cyclicalities, fuel prices 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, 2000 and other filings with the Securities and Exchange Commission.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NOBLE INTERNATIONAL, LTD.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED, IN THOUSANDS)

ASSETS	SEPTEMBER 30, 2001	D
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 267	
Accounts receivable, trade	16,987	
Inventories	5,831	
Prepaid expenses and other assets	4,728	
Income taxes currently refundable	235	
Deferred income taxes	1,435	
	-----	-----
Total Current Assets	29,483	
PROPERTY, PLANT AND EQUIPMENT, NET	45,603	
OTHER ASSETS		
Goodwill - net	41,069	
Covenants not to compete	1,205	
Sundry	9,462	
	-----	-----
Total Other Assets	51,736	
	-----	-----
	\$ 126,822	=====
	=====	=====
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 47	
Accounts payable	13,099	
Accrued liabilities	7,832	
Income taxes payable		
	-----	-----
Total Current Liabilities	20,978	
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES	37,833	
CONVERTIBLE SUBORDINATED DEBENTURES	17,214	

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JUNIOR SUBORDINATED NOTES	3,359
DEFERRED INCOME TAXES	2,271
PUTABLE COMMON STOCK	1,203
REDEEMABLE PREFERRED STOCK	288
STOCKHOLDERS' EQUITY	
Preferred stock, \$100 par value, 10% cumulative, authorized 150,000 shares	
Paid-in capital - warrants, \$10 per common share exercise price, 90,000 warrants outstanding	121
Common stock, \$.001 par value, authorized 20,000,000 shares, issued and outstanding 6,609,019 and 6,902,629 shares in 2001 and 2000, respectively	21,716
Retained earnings	22,363
Accumulated comprehensive loss	(524)
	43,676
	\$ 126,822

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED, IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

	THREE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
Net Sales		
Products	\$ 19,380	\$ 16,778
Services	15,838	9,542
Total Sales	35,218	\$ 26,320
Cost of goods sold		
Products	15,341	20,331
Services	12,468	
Total Cost of Sales	27,809	20,331
Gross Profit	7,409	5,989
Selling, general and administrative expenses	6,524	4,640
Operating income	885	1,349

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(Loss) from unconsolidated affiliate	160	
Other Income (expense)		
Interest income	183	-
Interest expense	(1,141)	(764)
Sundry, net	1,132	153
	-----	-----
	174	(611)
	-----	-----
Earnings from continuing operations before income taxes and extraordinary item	1,219	738
Income tax expense (benefit)	(509)	305
	-----	-----
Earnings from continuing operations before extraordinary item	1,728	433
Preferred stock dividends	8	12
EARNINGS FROM CONTINUING OPERATIONS ON COMMON SHARES BEFORE EXTRAORDINARY ITEM	-----	-----
	1,720	421
LOSS FROM DISCONTINUED OPERATIONS		
GAIN (LOSS) ON SALE OF DISCONTINUED OPERATIONS		(1,158)
	-----	-----
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	\$ 1,720	\$ (737)
	=====	=====
EXTRAORDINARY ITEM - GAIN (LOSS) FROM EXTINGUISHMENT OF DEBT		\$ 90
	-----	-----
EARNINGS (LOSS) ON COMMON SHARES	\$ 1,720	\$ (647)
	=====	=====
BASIC EARNINGS PER COMMON SHARE:		
Earnings per common share from continuing operations before extraordinary item	\$ 0.26	\$ 0.06
	-----	-----
Earnings (loss) per common share - discontinued operations	-	(0.16)
	-----	-----
Extraordinary item - Gain (loss) from extinguishment of debt	-	0.01
	-----	-----
Earnings (loss) per common share	\$ 0.26	\$ (0.09)
	-----	-----
Dividends declared and paid	\$ 0.075	\$ 0.150
	-----	-----
EARNINGS ASSUMING DILUTION:		
Earnings from continuing operations before extraordinary item	\$ 1,720	\$ 421
Loss from discontinued operations	-	-
Gain (loss) on sale of discontinued operations	-	(1,158)
	-----	-----
Earnings (loss) before extraordinary item	1,720	(737)
Extraordinary item - Gain (loss) from extinguishment of debt	-	90
	-----	-----
Earnings (loss) on common shares assuming dilution	\$ 1,720	\$ (647)
	=====	=====

EARNINGS (LOSS) PER COMMON SHARE - ASSUMING DILUTION:		
Earnings per common share from continuing operations before extraordinary item	\$ 0.26	\$ 0.06
Earnings (loss) per common share - discontinued operations	-	(0.16)
Extraordinary item - Gain (loss) from extinguishment of debt	-	0.01
Earnings (loss) per common share	\$ 0.26	\$ (0.09)
Basic weighted average common shares outstanding	6,605,988	7,128,866
Diluted weighted average common shares and equivalents	6,652,323	7,223,501

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOBLE INTERNATIONAL, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED, IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES

Net earnings from continuing operations before preferred stock dividends and extraordinary items

\$

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Adjustments to reconcile net earnings to net cash provided by operations	
Interest paid in kind	
Loss from unconsolidated entity	
Depreciation of property, plant and equipment	
Amortization of goodwill	
Deferred income taxes	
Gain on Sale of Property	
Changes in operating assets and liabilities, net of business acquisition	
Increase in accounts receivable	
(Increase) decrease in inventories	
(Increase) decrease in prepaid expenses	
(Increase) decrease in other assets	
Increase (decrease) in accounts payable	
(Decrease) increase in income taxes payable	
Increase (decrease) in accrued liabilities	

Net cash provided by continuing operations	
Net cash used by discontinued operations	
Net cash from sale of discontinued operations	

Net cash provided by operations	
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of Building	
Purchase of property, plant and equipment	
Investment in S.E.T	
S.E.T Receivable	
Acquisitions of businesses	
Other Receivable	

Net cash provided by (used in) investing activities	
CASH FLOWS USED IN FINANCING ACTIVITIES	
Repayments of notes payable - related parties	
Capital lease payments	
Redemption of common stock	
Redemption of convertible subordinated debentures	
Dividends paid	
Redemption of preferred stock of subsidiary	
Payments on long-term debt	
Net repayments on note payable to bank	

Net cash used in financing activities	
Effect of exchange rate changes on cash	

	Net increase (decrease) in cash
Cash at beginning of period	

Cash at end of period	

	\$
	=====
SUPPLEMENTAL CASH FLOW DISCLOSURE	

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Cash paid for:

Interest

\$
=====

Taxes

\$
=====

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NOBLE INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED, IN THOUSANDS)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE
	2001	2000	
Net earnings (loss)	\$ 1,720	\$ (647)	
Other comprehensive income (loss), equity adjustment from foreign currency translation	\$ (111)	(48)	
Comprehensive income (loss)	\$ 1,609	\$ (695)	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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NOBLE INTERNATIONAL, LTD.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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NOTE A--BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the financial statements 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.

The accompanying consolidated interim financial statements as of and for the nine months ended September 30, 2001 and for the year ended December 31, 2000, include Noble International, Ltd. (the "Company") and its wholly-owned subsidiaries Monroe Engineering Products, Inc. ("Monroe"), Skandy Corp. ("Skandy"), Utilase Production Process, Inc. ("UPP"), Noble Metal Forming, Inc. ("NMF"), Noble Metal Processing, Inc. ("NMP"), Noble Land Holdings, Inc. ("Land Holdings"), Noble Components & Systems, Inc. ("NCS"), Noble Technologies, Inc. ("NTI"), Noble Metal Processing Canada, Inc. ("NMPC"), Noble Metal Processing-Midwest, Inc. ("NMPM"), Noble Holdings, Ltd. ("NHL"), Noble Logistic Holdings, Inc. (NLH) (formerly known as DSI Holdings, Inc.), Assured Transportation & Delivery, Inc. ("ATD"), Central Transportation & Delivery, Inc. ("CTD"), and Noble Logistic Services, Inc. (NLS), (collectively, "Noble" or the "Company"). All significant inter-company balances and transactions have been eliminated in consolidation.

Discontinued operations include all of the companies previously classified as the Company's plastics and coatings industry segment (Noble Component Technologies, Inc., Cass River Coatings, Inc., Noble Canada, Inc., Noble Canada Holdings, Ltd., Noble Canada Holdings II, Ltd., Noble Canada II, Inc., Tiercon Coatings, Inc., and Tiercon Industries, Inc.). On December 24, 1999 the Company executed a definitive agreement to sell these operations and the sale was completed on January 11, 2000. Results of these operations are reported as discontinued operations in the Consolidated Financial Statements for the periods presented.

On February 16, 2001, the Company acquired a 49% interest in S.E.T. Steel, Inc. ("SET") for \$3.0 million, the ("SET Acquisition"). SET is a Qualified Minority Business Enterprise, providing automotive services to the original equipment manufacturers ("OEMs"). Contemporaneously with the SET acquisition, the Company, through its wholly owned subsidiary NTI, sold all of the capital stock of NMPM and NMF to SET for \$27.2 million (the "SET Sale"). On February 16, 2001, the Company received a note for \$27.2 million due June 14, 2001. On June 28, 2001, SET completed the financing of its purchase of NMF and MNPM. The Company received \$24.7 million in cash and a \$4.0 million, 12% subordinated note due in 2003, that is included in Sundry on the balance sheet. In addition, the Company is guarantor of \$10.0 million of SET's senior debt.

On March 12, 2001 the Company was awarded through binding arbitration, \$0.6 million in connection with its previous acquisition of all of the assets of H&H Steel Processing Company, Inc. and is included in Sundry income.

On June 8, 2001 the Company acquired a 51% interest in SCO Logistics, Inc. ("SCOL"). SCOL is a provider of logistics management services to the bulk chemical industry.

During the quarter ending September 30, 2001, SET repurchased the Company's 49% interest for \$3.0 million. The Company received a \$3.0 million, 12% subordinated note due in 2003, also included in Sundry on the balance sheet.

Results for interim periods should not be considered indicative of results for a full year. The December 31, 2000 consolidated balance sheet was derived from

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audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. For

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further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

NOTE B--INVENTORIES

Inventories at September 30, 2001 and December 31, 2000 consisted of the following (in thousands):

	SEPTEMBER 30, 2001 ----	DECEMBER 2000 ----
Raw materials and purchased parts	\$ 1,902	\$ 2,6
Work in process	765	6
Finished goods	2,976	3,4
Unbilled customer tooling	188	1,5
	-----	-----
	\$ 5,831	\$ 8,1
	=====	=====

NOTE C--INDUSTRY SEGMENTS

The Company classifies its operating subsidiaries into three industry segments based on types of products and services: automotive (NMP, NMPC, NMPM, NMF, UPP, Skandy and Land Holdings), distribution (Monroe) and logistics (ATD, CTD, DSI, NLS and SCOL). The automotive group provides a variety of laser welding, metal blanking, forming, slitting, cutting and die construction products and services utilizing proprietary laser weld and light die technology. The automotive group sells direct to automotive OEM's and Tier I suppliers. The distribution group distributes tooling components and paint gauges. The logistics group provides customized, time sensitive delivery services to a variety of retail, medical and service businesses, including automobile dealerships, pharmaceutical suppliers and reprographic service providers.

Transactions between the automotive, distribution and logistics segments are not significant and have been eliminated. Interest expense is allocated to each segment based on the segments actual borrowings from the corporate headquarters, together with a partial allocation of corporate general and administrative expenses. Revenues from external customers are identified geographically based on the customer's shipping destination.

The Company's operations by business segment for the three months ended

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September 30, 2001 follows (in thousands):

	AUTOMOTIVE -----	DISTRIBUTION -----	LOGISTICS -----	SE TO ---
Revenues from external customers	\$ 18,365	\$ 1,015	\$ 15,838	\$
Interest income	-	-	-	
Interest expense	466	26	577	
Depreciation and amortization	1,277	87	399	
Segment profit (loss) pre tax	1,426	102	(424)	
Segment assets	67,124	7,507	32,509	1
Expenditures for segment assets	1,048	13	21	

RECONCILIATION TO CONSOLIDATED AMOUNTS

EARNINGS

Total earnings for reportable segments	\$ 1,104
Unallocated corporate headquarters expense	115

Earnings from continuing operations before income taxes and extraordinary item	\$ 1,219 =====

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ASSETS

Total assets for reportable segments	\$ 107,1
Corporate headquarters	19,6

Total consolidated assets	\$ 126,8 =====

OTHER SIGNIFICANT ITEMS

SEGMENT TOTALS	ADJUSTMENTS	CONSOLIDATED TOTALS
-------------------	-------------	------------------------

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	-----	-----	-----
Interest expense	\$ 1,069	\$ 72	\$ 1,141
Expenditures for segment assets	1,082	(194)	888
Depreciation and amortization	1,763	61	1,824

GEOGRAPHIC INFORMATION

	REVENUES	LONG-LIVED ASSETS
	-----	-----
United States	\$ 31,067	\$ 86,338
Canada	4,144	1,539
Mexico	2	-
Other	5	-
	-----	-----
Total	\$ 35,218	\$ 87,877
	=====	=====

The Company's operations by business segment for the nine months ended September 30, 2001 follows (in thousands):

	AUTOMOTIVE	DISTRIBUTION	LOGISTICS	SE
	-----	-----	-----	TO
Revenues from external customers	\$ 46,443	\$ 3,399	\$ 45,471	\$
Interest income	-	-	-	
Interest expense	1,825	101	1,823	
Depreciation and amortization	3,786	277	1,198	
Segment profit (loss) pre tax	3,737	368	(1,829)	
Segment assets	67,124	7,507	32,509	1
Expenditures for segment assets	5,337	71	59	

RECONCILIATION TO CONSOLIDATED AMOUNTS

EARNINGS

Total earnings for reportable segments	\$ 2,276
Unallocated corporate headquarters expense	2,239

Earnings from continuing operations before income taxes and extraordinary item	\$ 4,515
	=====

ASSETS

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Total assets for reportable segments	\$ 107,140
Corporate headquarters	19,682

Total consolidated assets	\$ 126,822
	=====

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OTHER SIGNIFICANT ITEMS

	SEGMENT TOTALS	ADJUSTMENTS	CONSOLIDATED TOTALS
	-----	-----	-----
Interest expense	\$ 3,749	\$ 12	\$ 3,761
Expenditures for segment assets	5,467	(189)	5,278
Depreciation and amortization	5,261	186	5,447

GEOGRAPHIC INFORMATION

	REVENUES	LONG-LIVED ASSETS
	-----	-----
United States	\$ 86,055	\$ 86,338
Canada	9,190	1,539
Mexico	11	-
Other	57	-
	-----	-----
Total	\$ 95,313	\$ 87,877
	=====	=====

The Company's operations by business segment for the three months ended September 30, 2000 follows (in thousands):

	AUTOMOTIVE	DISTRIBUTION	LOGISTICS	SE TO
	-----	-----	-----	-----
Revenues from external customers	\$ 17,894	\$ 1,023	\$ 7,403	\$
Interest income	-	-	-	
Interest expense	1,472	22	424	

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Depreciation and amortization	1,711	78	266
Segment profit (loss) pre tax	87	215	(132)
Segment assets	2,039	60	32,019
Expenditures for segment assets	1,742	6	(7)

RECONCILIATION TO CONSOLIDATED AMOUNTS

EARNINGS

Total earnings for reportable segments	\$ 170
Unallocated corporate headquarters expense	568

Earnings from continuing operations before income taxes and extraordinary item	\$ 738
	=====

ASSETS

Total assets for reportable segments	\$ 141,401
Corporate headquarters	2,268

Total consolidated assets	\$ 143,669
	=====

OTHER SIGNIFICANT ITEMS

	SEGMENT TOTALS	ADJUSTMENTS	CONSOLIDATED TOTALS
	-----	-----	-----
Interest expense	\$ 1,918	\$ (1,154)	\$ 764
Expenditures for segment assets	1,741	(1)	1,740
Depreciation and amortization	2,055	(246)	1,809

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GEOGRAPHIC INFORMATION

	REVENUES	LONG-LIVED ASSETS
	-----	-----
United States	\$ (6,795)	\$ 106,211

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Canada	2,580	3,197
Mexico	30,535	-
Other	-	-
Total	<u>\$ 26,320</u>	<u>\$ 109,408</u>

The Company's operations by business segment for the nine months ended September 30, 2000 follows (in thousands):

	AUTOMOTIVE	DISTRIBUTION	LOGISTICS	SE
	-----	-----	-----	-----
Revenues from external customers	\$ 64,056	\$ 3,196	\$ 7,403	\$
Interest income	-	-	-	
Interest expense	4,396	83	424	
Depreciation and amortization	5,042	224	266	
Segment profit (loss) pre tax	5,191	719	(132)	
Segment assets	102,871	6,511	32,019	1
Expenditures for segment assets	8,795	35	(7)	

RECONCILIATION TO CONSOLIDATED AMOUNTS

EARNINGS	
Total earnings for reportable segments	\$ 5,778
Unallocated corporate headquarters expense	1,464

Earnings from continuing operations before income taxes and extraordinary item	\$ 7,242
	=====

ASSETS	
Total assets for reportable segments	\$ 141,401
Corporate headquarters	2,268

Total consolidated assets	\$ 143,669
	=====

OTHER SIGNIFICANT ITEMS

SEGMENT		CONSOLIDATED
TOTALS	ADJUSTMENTS	TOTALS
-----	-----	-----

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Interest expense	\$ 4,903	\$ (3,212)	\$ 1,691
Expenditures for segment assets	8,823	(30)	8,793
Depreciation and amortization	5,532	46	5,578

GEOGRAPHIC INFORMATION

	REVENUES -----	LONG-LIVED ASSETS -----
United States	\$ 32,369	\$ 106,211
Canada	11,703	3,197
Mexico	30,583	-
Other	-----	-----
Total	\$ 74,655 =====	\$ 109,408 =====

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NOTE D - RESTRUCTURING RESERVE

The restructuring reserve of \$3.9 million recorded in December 2000 was reduced by \$0.5 million in the first quarter due primarily to a change in estimate regarding the holding period and carrying costs of some of the Company's real estate. In the second quarter, the reserve was reduced an additional \$0.27 million due to a change in estimate related to the loss anticipated in connection with the imminent disposition of real estate. There were no changes in estimate for the three-month period ending September 30, 2001.

NOTE E - ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued two new pronouncements: Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 141 is effective as follows: a) use of the pooling-of-interest method is prohibited for business combinations initiated after June 30, 2001; and b) the provisions of SFAS 141 apply to all business combinations accounted for by the purchase method that are completed after June 30, 2001 (that is, the date of the acquisition is July 2001 or later). There are also transition provisions that apply to business combinations completed before July 1, 2001, that were accounted for by the purchase method. SFAS 142 is effective for fiscal years beginning after December 15, 2001 and applies to all goodwill and other intangible assets recognized in an entity's statement of financial position at that date, regardless of when those assets were initially recognized. The Company is currently evaluating the effects of these statements, however, the Company has recorded amortization related to its goodwill and identifiable intangible assets of \$2.0 million for the nine months ended September 30, 2001.

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

RESULTS OF OPERATIONS

NET SALES. Net sales for the three months ended September 30, 2001 increased 33.8% to \$35.2 million from \$26.3 million for the comparable quarter of 2000. The increase was due primarily to increased volumes and steel sales in the Company's automotive group and the inclusion of revenue due to the acquisition of the Company's logistics group during the third quarter of 2000. The automotive group experienced higher value-added sales due to increased volumes resulting from additional platforms utilizing the groups laser-welding technology. The automotive group has experienced increased steel sales. When adjusted for the sales of NMF and NMPM earlier this year, net sales for the automotive and distribution groups increased 123.8% to \$19.4 million from \$8.7 million for the same period in 2000. Without adjusting for the sales of NMF and NMPM, the automotive and distribution groups net sales for the period increased 2.6% to \$19.4 million as compared to \$18.9 million in the same period in 2000. The logistics group net sales for the period were \$15.8 million as compared to \$7.4 million for the same period in 2000.

Net sales for the nine months ending September 30, 2001 increased 27.6% to \$95.3 million from \$74.7 million for the same period in 2000. The increase in sales was primarily due to the acquisition of the Company's logistics group in the third quarter of 2000 and, when adjusted for the sale of NMF and NMPM earlier this year, to increased volumes and steel sales within the Company's automotive group. The increased volumes and steel sales within the automotive group were attributable to the increased penetration and acceptance of the group's laser welding technology on additional platforms. When adjusted for the sale of NMF and NMPM earlier this year net sales in the automotive and distribution groups increased 55.3% to \$46.5 million from \$29.4 million during the same period in 2000. Without adjusting for the sale of NMF and NMPM the automotive and distribution group's sales decreased 23.7% to \$48.9 million from \$64.1 million for the same period in 2000. The logistics group revenue for the period was \$45.5 million as compared to \$7.4 million for the same period in 2000.

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COST OF GOODS SOLD. As a percent of net sales, cost of goods sold for the three-month period ended September 30, 2001 increased to 79.0% as compared with 77.3% for the same period in 2000. The increase in cost of goods sold as a percent of net sales was primarily due to the inclusion of the logistics group as this business has higher cost of goods sold and an increase in steel sales in the automotive group. When adjusted for the sales of NMF and NMPM earlier this year, the cost of goods sold for the automotive and distribution groups, as a percentage of sales, increased to 79.2% from 75.1%. This was primarily due to increased steel sales that have higher cost of goods sold than value added revenue. Without adjusting for the sale of NMF and NMPM, the cost of goods sold, as a percentage of sales, for the automotive and distribution groups increased to 79.2% from 77.7%. The logistics group had cost of sales of 78.7% as compared to 76.1% for the same period in 2000.

For the nine-months ended September 30, 2001, cost of goods sold increased to 76.5% from 71.6% for the same period in 2000. This increase was primarily the result of the inclusion of the logistics group as this business has higher cost of goods sold and to an increase in steel sales in the automotive group. When adjusted for the sale of NMF and NMPM earlier this year, cost of goods sold for the automotive and distribution groups increased to 73.8% from, 61.8% for the

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same period in 2000. This change was primarily due to increased steel sales that have higher cost of good sold than value added revenue. Without adjusting for the sale of NMF and NMPM earlier this year, cost of goods sold in the automotive and distribution groups, as a percentage of net sales, increased to 73.8% from 71.1% for the same period in 2000. The logistics group's cost of sales, as percent of net sales, was 78.4% as compared to 76.1% for the same period in 2000.

GROSS PROFIT. The Company's gross profit increased 23.7% to \$7.4 million for the three months ended September 30, 2001 from \$6.0 million for the comparable period of 2000. The increase was primarily the result of the acquisition of the logistics group in 2000 and increased volumes within the automotive group. When adjusted for the sale of NMF and NMPM earlier this year, gross profit in the automotive and distribution groups increased 87.3% to \$4.0 million from \$2.2 million for the same period in 2000. Without adjusting for the sale of NMF and NMPM earlier this year, gross profit decreased 10.7% to \$4.0 million from \$4.5 million for the same period in 2000. The logistic group's gross profit was \$3.4 million in the period as compared to \$1.8 million for the same period in 2000.

For the nine month period ended September 30, 2001 gross profit increased 5.6% to \$22.4 million from \$21.2 million for the same period in 2000. The increase was primarily the result of the inclusion of the logistics group, offset by lower volumes within the automotive group earlier this year and the sale of NMF and NMPM. When adjusted for the sale of NMF and NMPM earlier this year, gross profit in the automotive and distribution groups decreased 0.7% to \$12.5 million from \$12.6 million. Without adjusting for the sale of NMF and NMPM earlier this year, gross profit in the automotive and distribution groups decreased 35.5 % to \$12.5 million from \$19.4 million. The logistics group's gross profit was \$9.8 million as compared to \$1.8 million for the same period in 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased by \$1.9 million, or 41.1% to \$6.5 million for the three-month period ended September 30, 2001 as compared to the comparable period of 2000. For the nine-month period ended September 30, 2001, selling, general and administrative expenses increased \$4.8 million to \$17.2 million from \$12.4 million. The increase in selling, general and administrative expenses for the three and nine month periods was due primarily to the inclusion of the Company's logistics group that was acquired in the third quarter of 2000, partially offset by a reduction in expenses due to the sale of NMF and NMPM in February 2001 and a second quarter change in estimate for local taxes totaling \$0.4 million.

OPERATING INCOME. As a result of the foregoing factors, operating income decreased \$0.5 million for the three-month period ended September 30, 2001 to \$0.9 million from \$1.3 million for the same period in 2000, a decrease of 36.2%. For the nine-month period, operating income decreased \$3.6 million to \$5.2 million from \$8.8 million for the comparative nine-month period in 2000, a decrease of 41.1%.

INTEREST EXPENSE. Interest expense increased 49.3% to \$1.1 million for the three months ended September 30, 2001 from \$0.8 million for the comparable quarter of the prior year. For the nine month

period ended September 30, 2001, interest expense increased 122.4% to \$3.8 million from \$1.7 million for the same period in 2000. The increase for the

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three month and nine month periods was primarily the result of increased borrowings due to the acquisition of the logistics group during the third quarter of 2000, the temporary financing of the sale of NMPM and NMF during the first and second quarters and investments in property, plant and equipment.

OTHER INCOME. During the three month period ending September 30, 2000 the Company recorded \$1.0 million of income related to the arrangement of financing for SET in connection with its purchase of NMF and NMPM earlier this year.

INCOME TAX EXPENSE. During the three-month period ended September 30, 2001 the Company recorded an income tax benefit of \$0.5 million as compared to an income tax expense of \$0.3 million for the same period in 2000. The benefit was the result of tax strategies implemented during the period that resulted in a \$1.1 million benefit for 2001. Without this benefit income tax expense would have been \$1.6 million. Income tax expense for the nine months ended September 30, 2001 decreased \$0.9 million to \$1.8 million from \$2.8 million for the same period in the prior year. The nine-month period in 2001 includes a one-time income tax expense of \$1.1 million due to the difference between the book and tax basis resulting from the sale of NMF and NMPM in February 2001. This was offset by the tax strategies implemented in the third quarter of 2001 that reduced tax expense by \$1.1 million.

NET EARNINGS. As a result of the foregoing factors, net earnings from continuing operations for the three-month period ended September 30, 2001 increased \$1.3 million to \$1.7 million from \$0.4 million for the comparable period of the prior year. Net earnings for the nine-month period ended September 30, 2001 decreased \$1.8 million to \$2.6 million from \$4.5 million for the same period in 2000.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements have historically been satisfied through a combination of cash flow from operations, equipment financing, bank financing and loans from stockholders. The Company's working capital needs and capital equipment requirements have increased as a result of the growth of the Company and are expected to continue to increase as a result of anticipated growth. The anticipated increase in required working capital and capital equipment requirements are expected to be met from cash flow from operations, equipment financing and revolving credit borrowings. As of September 30, 2001, the Company had working capital of approximately \$8.5 million.

The Company generated cash from continuing operations of \$2.4 million for the nine months ended September 30, 2001. Net cash provided by continuing operations was primarily the result of net income, increased accounts payable, depreciation, amortization, interest paid in kind and decreased income taxes payable, partially offset by deferred income taxes and accrued liabilities, and increased accounts receivable, inventories, prepaid expenses. Cash provided by investing activities of \$20.6 million for the nine months ended September 30, 2001 was primarily due to the receipt of \$24.7 million related to the sale of NMF and NMPM to SET earlier in the year. This was partially offset by the purchase of property, plant and equipment and the Company's loans to SET. The Company used cash in financing activities of \$23.6 million for the nine months ended September 30, 2001 primarily for the reduction of senior debt.

The amount of the Company's revolving credit facility with Comerica Bank (the "Credit Facility") was \$55 million at December 31, 2000, subsequently amended to a \$75 million facility. On June 30, 2001, the Credit Facility was reduced to \$50.0 million in connection with the collection of \$24.7 million related to the sale of NMF and NMPM earlier in the year. The Credit Facility expires in May 2002, is secured by the assets of Noble and its subsidiaries and provides for the issuance of up to \$5 million in standby or documentary letters

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of credit. Management believes the Credit Facility will be renewed on substantially the same terms and therefore, continues to classify this obligation as long-term debt. 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 euro-currency rate or a base rate. Advances under the Credit Facility during

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the nine months ended September 2001 bore interest at the rate of approximately 6.19% per annum. The Credit Facility is subject to customary financial and other covenants including, but not limited to, limitations on payment of dividends, limitations on consolidations, mergers, and sales of assets, and bank approval on acquisitions over \$25 million. The Company is in compliance with the terms of the Credit Facility.

On February 16, 2001, the Company received a \$27.2 million note in connection with the SET Sale, due June 14, 2001. On June 28, 2001, the Company received \$24.7 million in cash and a \$4.0 million, 12% subordinated note due in 2003. During the third quarter, SET repurchased the Company's 49% interest for \$3.0 million. The Company received a \$3.0 million, 12% subordinated note due 2003. In addition, the Company is guarantor of \$10.0 million of the SET's senior debt obligations. The subordinated notes are classified in Sundry on the Company's balance sheet.

The liquidity provided by the Company's credit facilities is expected to be sufficient to meet the Company's currently anticipated working capital and capital expenditure needs for at least 12 months. There can be no assurance, however, that such funds will not be expended prior thereto due to changes in economic conditions or other unforeseen circumstances, requiring the Company to obtain additional financing prior to the end of such 12 month period. In addition, the Company regularly reviews, as part of its business strategy, future growth through opportunistic acquisitions which may involve the expenditure of significant funds. Depending upon the nature, size and timing of future acquisitions, if any, the Company may be required to obtain additional debt or equity financing in connection with such future acquisitions. 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.

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.

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 9.7% of the total revenues for the nine months ended September 30 2001. The Company's primary foreign currency exposure is the Canadian Dollar. The Company manages its exposures to foreign currency assets and earnings primarily by funding certain foreign currency denominated assets with liabilities in the same currency and, as such, certain exposures are naturally offset.

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A portion of the Company's assets are based in its foreign operations and are translated into U.S. Dollars at foreign currency exchange rates in effect as of the end of each period, with the effect of such translation reflected as a separate component of stockholders' 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).

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Inapplicable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Inapplicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Inapplicable.

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

Inapplicable.

ITEM 5. OTHER INFORMATION

Inapplicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports of Form 8-K.

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934,

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the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NOBLE INTERNATIONAL, LTD.

Dated: November 14, 2001

By: /s/ David V. Harper

David V. Harper,
Chief Financial Officer