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NOBLE INTERNATIONAL, LTD.

Form 10-Q

May 10, 2005

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 MARCH 31, 2005

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 April 29, 2005 was 9,302,954.

NOBLE INTERNATIONAL, LTD.  
FORM 10-Q INDEX

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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 cyclicality 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, 2004 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  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In thousands, except share and per share data)

	UNAUDITED	
DECEMBER 31	MARCH 31	
2004	2005	

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	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 17,551	\$ 10,742
Accounts receivable, trade, net	51,895	56,785
Note receivable	1,000	1,000
Inventories, net	20,588	19,758
Deferred income taxes	101	145
Prepaid expenses and other	3,973	3,954
	-----	-----
Total Current Assets	95,108	92,384
Property, plant & equipment	81,588	83,050
Accumulated depreciation	(31,829)	(33,561)
	-----	-----
Property, Plant & Equipment, net	49,759	49,489
Other Assets:		
Goodwill	20,287	23,064
Other intangible assets, net	1,967	1,922
Other assets, net	11,597	11,078
	-----	-----
Total Other Assets	33,851	36,064
Assets Held for Sale	3,760	3,760
	-----	-----
TOTAL ASSETS	\$ 182,478	\$ 181,697
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 52,736	\$ 47,529
Accrued liabilities	3,229	4,206
Income taxes payable	2,311	2,761
Current maturities of long-term debt	254	126
	-----	-----
Total Current Liabilities	58,530	54,622
Long-Term Liabilities:		
Deferred income taxes	5,994	5,865
Convertible subordinated debentures, net of discount	38,371	38,552
	-----	-----
Total Long-Term Liabilities	44,365	44,417
STOCKHOLDERS' EQUITY		
Common stock	9	9
Additional paid-in capital	53,782	53,979
Retained earnings	24,184	27,046
Accumulated other comprehensive income, net	1,608	1,624
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	79,583	82,658
	-----	-----
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 182,478	\$ 181,697
	=====	=====

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

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

	THREE MONTHS ENDED MARCH 31	
	2004	2005
	-----	-----
Net sales	\$ 81,604	\$ 86,750
Cost of sales	71,449	77,064
	-----	-----
Gross margin	10,155	9,686
Selling, general and administrative expenses	4,252	3,177
	-----	-----
Operating profit	5,903	6,509
Interest income	96	108
Interest expense	(1,117)	(678)
Other, net	128	294
	-----	-----
Earnings from continuing operations before income taxes	5,010	6,233
Income tax expense	1,702	2,441
	-----	-----
Earnings on common shares from continuing operations	3,308	3,792
Discontinued operations:		
(Loss) from discontinued operations	(121)	-
Gain on sale of discontinued operations	121	-
	-----	-----
Net earnings on common shares	\$ 3,308	\$ 3,792
	=====	=====
BASIC EARNINGS (LOSS) PER COMMON SHARE:		
Earnings per share from continuing operations	\$ 0.37	\$ 0.41
(Loss) from discontinued operations	(0.01)	-
Gain on sale of discontinued operations	0.01	-
	-----	-----
Basic earnings per common share	\$ 0.37	\$ 0.41
	=====	=====
DILUTED EARNINGS (LOSS) PER COMMON SHARE		
Earnings per share from continuing operations	\$ 0.36	\$ 0.41
(Loss) from discontinued operations	(0.01)	-
Gain on sale of discontinued operations	0.01	-
	-----	-----
Diluted earnings per common share	\$ 0.36	\$ 0.41
	=====	=====
Dividends declared and paid	\$ 0.10	\$ 0.10
	=====	=====
Basic weighted average common shares outstanding	8,915,350	9,262,927
Diluted weighted average common shares outstanding	9,491,177	9,357,849

THE ACCOMPANYING NOTES ARE INTEGRAL PART OF THESE  
 CONSOLIDATED FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED MARCH 31	
	2004	2005
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings on common shares from continuing operations	\$ 3,308	\$ 3,792
Adjustments to reconcile earnings to net cash provided by (used in) operations		
Interest expense	587	350
Depreciation of property, plant and equipment	2,307	2,488
Amortization of intangible assets	50	52
Deferred income taxes	(2)	297
Gain on sale of property and equipment	-	(19)
Stock compensation expense	18	107
Changes in assets and liabilities		
Increase in accounts receivable	(15,969)	(3,493)
(Increase) decrease in inventories	(3,540)	813
Decrease in prepaid expenses	2,572	412
Decrease in other operating assets	21	10
Increase (decrease) in accounts payable	16,320	(5,240)
Increase in income taxes payable	7,436	523
Decrease (increase) in accrued liabilities	(330)	6
	-----	-----
Net cash provided by continuing operations	12,778	98
Net cash (used in) discontinued operations	(567)	-
	-----	-----
Net cash provided by operating activities	12,211	98
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of discontinued operations	5,500	-
Purchases of property, plant and equipment	(1,253)	(1,792)
Proceeds from sale of property, plant and equipment	-	1,462
Proceeds from Notes Receivable on sale of discontinued operations	250	335
Acquisition of business, net of cash acquired	(13,605)	(5,864)
	-----	-----
Net cash (used in) investing activities	(9,108)	(5,859)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	893	90
Financing fees	(1,735)	-
Proceeds from issuance of convertible subordinated debentures	40,000	-
Dividends paid on common stock	(896)	(930)
Redemption of convertible subordinated debentures	(827)	-
Payments on long-term debt	(125)	(128)
Net payments on credit facility	(39,316)	-
	-----	-----
Net cash (used in) financing activities	(2,006)	(968)
Effect of exchange rate changes on cash	(42)	(80)
	-----	-----
Net (decrease) in cash	1,055	(6,809)
Cash and cash equivalents at beginning of period	715	17,551
	-----	-----
Cash and cash equivalents at end of period	\$ 1,770	\$ 10,742

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SUPPLEMENTAL CASH FLOW DISCLOSURE

Cash paid for:

Interest	\$ 737	\$ 392
Taxes	224	1,503
Fair value of assets acquired, including goodwill	20,112	6,998
Liabilities assumed	(6,507)	(1,134)
Cash paid, net	13,605	5,864

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

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

	THREE MONTHS ENDED MARCH 31	
	2004	2005
	-----	-----
Net earnings on common shares	\$ 3,308	\$ 3,792
Other comprehensive income (loss), equity adjustment from foreign currency translation, net of taxes	(77)	16
	-----	-----
Comprehensive income, net	\$ 3,231	\$ 3,808
	=====	=====

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

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NOBLE INTERNATIONAL, LTD. AND SUBSIDIARIES

NOTES TO CONDENSED 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 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.

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The December 31, 2004 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, 2004.

The accompanying consolidated financial statements as of March 31, 2005 and for the year ended December 31, 2004 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/Formed -----
Noble Silao de Mexico, S. de R.L. de C.V.	Formed - 2005
Noble Metal Processing de Mexico, S. de R.L. de C.V.	Formed - 2005
NMP Holding de Mexico, S. de R.L. de C.V.	Formed - 2005
Noble Metal Processing - Australia Pty.	Formed - 2004
Prototech Laser Welding, Inc. ("LWI")	Acquired - 2004
Noble Tubular Products, Inc. ("Prototube")	Acquired - 2003
Noble Metal Processing, Inc. ("NMP")	Acquired - 1997
Noble Land Holdings, Inc. ("Land Holdings")	Formed - 1997
Noble Manufacturing Group, Inc. (formerly Noble Technologies, Inc.) ("NMG")	Formed - 1998
Noble Metal Processing Canada, Inc. ("NMPC")	Acquired - 1997
Noble Metal Processing - Kentucky, LLC ("NMPK")	Formed - 2001
Peco Manufacturing, Inc. ("Peco")	Acquired - 2001
Pro Motorcar Products, Inc. ("PMP")	Acquired - 2000
Pro Motorcar Distribution, Inc. ("PMD")	Acquired - 2000
Monroe Engineering Products, Inc ("Monroe")	Acquired - 1996
Noble Logistic Services, Inc. (formerly Assured Transportation & Delivery, Inc. and Central Transportation & Delivery, Inc.) ("NLS-CA")	Acquired - 2000
Noble Logistic Services Holdings, Inc. (formerly Dedicated Services Holdings, Inc.) ("NLS-TX")	Acquired - 2000
Noble Construction Equipment, Inc. (formerly Construction Equipment Direct, Inc.) ("NCE")	Acquired - 2001
Noble Components & Systems, Inc.	Formed - 1998
Noble Logistics Services, Inc. ("NLS-MI")	Formed - 2000

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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 2005, the Company completed the acquisition of the assets of Oxford Automotive Inc.'s steel processing facility ("Mexico") in Silao, Mexico for \$5.9 million plus the assumption of certain operating liabilities of approximately \$1.1 million. The facility supplies component blanks on a toll processing basis to the Mexican automotive industry. Results of operations for Mexico are included in the Company's financial statements beginning January 2005. The Company intends to sell a minority interest in this business by entering into a joint venture with an international steel processing company with operations in Mexico. The Company anticipates that the joint venture will operate the Silao facility with the Company retaining a majority interest in the

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venture. Management expects to reach a definitive agreement with its prospective joint venture partner in the second quarter 2005. The unaudited pro forma combined historical results for the three months ended March 31, 2004, as if the Company had acquired Mexico at the beginning of 2004, are estimated to be (in thousands, except per share amounts):

### PRO FORMA INFORMATION

		FIRST QUARTER 2004
Net Sales	\$	83,495
Earnings on common shares from continuing operations		4,050
Basic earnings per share of continuing operations		0.45
Diluted earnings per share from continuing operations		0.44

This pro forma information is not necessarily indicative of future operating results.

As of March 31, 2005, the Company has not completed the allocation of the purchase price for Mexico pursuant to purchase accounting requirements. The table below summarizes the preliminary purchase price allocation as of March 31, 2005 (in thousands):

Current Assets	\$	1,878
Fixed Assets, net		1,881
Goodwill		3,239
Current Liabilities		(1,134)
Purchase Price, net of cash acquired	\$	5,864

Basic earnings per share exclude dilution and are computed by dividing income available to common stockholders by the weighted-average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The following table reconciles the numerator and denominator to calculate basic and diluted earnings on common shares before extraordinary items and discontinued operations for the three months ended March 31, 2004 and 2005 (in thousands, except share and per share amounts). The impact of the convertible debentures (1,250,000 shares) was excluded in the calculation of diluted earnings per share in the first quarter 2005 because their inclusion was anti-dilutive.

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THREE MONTHS ENDED MARCH			
2004			
Net Earnings	Shares	Per share	Net Ea



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	(Numerator)	(Denominator)	Amounts	(Numer
	-----	-----	-----	-----
Basic earnings per common share				
Earnings on common shares from continuing operations	\$ 3,308	8,915,350	\$ 0.37	\$
Effect of dilutive securities:				
Contingently issuable shares	-	17,686	-	
Convertible debentures	78	409,573	(0.01)	
Stock Options	-	148,568	-	
	-----	-----	-----	-----
Earnings on common shares from continuing operations assuming dilution	\$ 3,386	9,491,177	\$ 0.36	\$
	=====	=====	=====	=====

In December 2004, the FASB issued SFAS 123R (revised 2004), "Share-Based Payment" ("SFAS 123R") which revises SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123R also supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS 95, "Statement of Cash Flows." Under SFAS 123 companies could either recognize the fair value of stock options as a period expense or disclose the pro forma impact of the fair value of stock options in the notes to the financial statements. Under SFAS 123, the Company has disclosed the pro forma impact of the fair value of stock options. SFAS 123R requires that the fair value of all share-based payments to employees, including the fair value of grants of employee stock options, to be recognized as a period expense, generally over the option vesting period. SFAS 123R will be effective for the Company beginning in the first quarter of 2006. The Company is currently evaluating its transition alternatives and the effect of this Statement on the Company, which will be dependent in large part upon future equity-based grants.

As permitted under SFAS 123, the Company accounts for its Stock Option and Stock Incentive Plans (the "Plans") under APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, no compensation cost has been recognized under the Plans. No stock options were granted by the Company in the first quarter of 2005. Had compensation cost been determined based on the fair value at the grant dates for awards under the Plan consistent with the method of SFAS 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated in the following table for the three months ended March 31, 2004 and 2005 (in thousands, except per share data):

	THREE MONTHS ENDED MARCH 31	
	2004	2005
	-----	-----
Net earnings on common shares from continuing operations as reported	\$ 3,308	\$ 3,792
Less: Total employee stock option expense under the fair value method, net of related tax effects	42	29
	-----	-----
Pro forma	3,266	3,763
Basic earnings per share from continuing operations		
As reported	\$ 0.37	\$ 0.41
Pro forma	0.37	0.41

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Diluted earnings per share from continuing operations			
As reported	\$	0.36	\$ 0.41
Pro forma		0.35	0.40

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### NOTE B -- GOODWILL AND OTHER INTANGIBLE ASSETS

Components of Goodwill at December 31, 2004 and March 31, 2005 are as follows (in thousands):

	NMP PURCHASE	PROTOTUBE PURCHASE	LWI PURCHASE	MEXICO PURCHASE	T GO
	-----	-----	-----	-----	-----
Goodwill, December 31, 2004	\$ 11,463	\$ 376	\$ 8,448	\$ -	\$
Purchase of Mexico	-	-	-	3,245	
LWI Purchase Allocation Adjustment	-	-	(468)	-	
	-----	-----	-----	-----	-----
Goodwill, March 31, 2005	\$ 11,463	\$ 376	\$ 7,980	\$ 3,245	\$
	=====	=====	=====	=====	=====

The adjustment to Goodwill in the first quarter of 2005 was related to a reversal of a valuation allowance and the recognition of a deferred tax asset pursuant to the completion of tax planning related to acquisition of LWI. 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. 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 based upon the lives of the acquired contracts and follow-on contracts expected to be awarded on the same business. Accordingly, annual amortization expense is expected to be \$0.2 million. This amortization is not deductible for tax purposes unless the entity is sold.

Total amortization expense for all intangible assets was \$0.05 million for each of the three month periods ending March 31, 2004 and 2005. Components of other intangible assets, net (in thousands) are as follows:

	DECEMBER 31, 2004			MARCH 31,	
	GROSS VALUE	ACCUM AMORT	NET VALUE	GROSS VALUE	ACCUM AMORT
	-----	-----	-----	-----	-----
Value of customer contracts - LWI acquisition	\$2,073	\$ (155)	\$ 1,918	\$2,073	\$ (207)
Legal costs related to patent filing	49	-	49	56	-
	-----	-----	-----	-----	-----
Other Intangible Assets, net	\$2,122	\$ (155)	\$ 1,967	\$2,129	\$ (207)
	=====	=====	=====	=====	=====

### NOTE C -- INVENTORIES, NET

The major components of inventories are as follows (in thousands):

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	DEC 31 2004	MAR 31 2005
	-----	-----
Raw materials	\$ 6,621	\$ 6,045
Work in process	8,668	8,585
Finished goods	5,416	5,173
Reserve for obsolete inventory	(117)	(45)
	-----	-----
Total Inventories, net	\$ 20,588	\$ 19,758
	=====	=====

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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):

	THREE MONTHS ENDED MARCH 31	
	2004	2005
NET SALES	-----	-----
-----		
United States	\$ 66,668	\$ 60,648
Canada	14,864	24,845
Australia	72	112
Mexico	-	1,145
	-----	-----
	\$ 81,604	\$ 86,750
	=====	=====

	DECEMBER 31 2004	MARCH 31 2005
	-----	-----
LONG-LIVED ASSETS		
-----		
United States	\$ 67,085	\$ 64,870
Canada	4,445	4,533
Australia	483	508
Mexico	-	5,072
	-----	-----
	\$ 72,013	\$ 74,475
	=====	=====

NOTE E - - COMMITMENTS AND CONTINGENCIES

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The Company is not a party to any legal proceedings other than routine litigation incidental to its business, none of which is likely to 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. ("Noble" or the "Company"), through its subsidiaries, is a full-service provider of tailored laser welded blanks and tubes for the automotive industry. Noble's laser-welded blanks are manufactured from two or more blanks of varying thickness and sizes welded together utilizing automated laser assemblies, and are used by original equipment manufacturers ("OEMs") or their suppliers in automobile body components such as doors, fenders, body side panels, and pillars.

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 Noble within the twenty-four month period following the acquisition. LWI, based in Clinton Township, Michigan, was a supplier of laser-welded blanks to General Motors.

In January 2005, the Company completed the acquisition of the assets of Oxford Automotive Inc.'s steel processing facility in Silao, Mexico for approximately \$5.9 million plus the assumption of approximately \$1.1 million in certain operating liabilities. The facility supplies component blanks on a toll processing basis to the Mexican automotive industry. The Company intends to begin laser welding at the facility in the latter half of 2005. The Company intends to sell a minority interest in this business by entering into a joint venture with an international steel processing company with operations in Mexico. The Company anticipates that the joint venture will operate the Silao facility with the Company retaining a majority interest in the venture. Management expects to reach a definitive agreement with its prospective joint venture partner in the second quarter 2005.

#### 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, 2004.

**Net Sales.** Net sales for the first quarter of 2005 were \$86.8 million, an increase of \$5.2 million or 6% compared to the first quarter of 2004. This increase is attributable primarily to increased steel content in sales as a percentage of total sales as well as sales from new programs launched, offset by lower production volumes, particularly on certain older vehicle lines.

**Cost of Sales.** Cost of sales for the first quarter of 2005 was \$77.1 million, an increase of \$5.6 million or 8% compared to the first quarter of 2004. Cost of sales as a percentage of sales increased to 88.8% in the first quarter of 2005 from 87.6% in the first quarter of 2004. This increase is

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consistent with the increased sales, including increased steel content in cost of sales as well as additional costs in the first quarter of 2005 compared to the first quarter of 2004 to support future sales growth.

**Gross Margin.** Gross margin for the first quarter of 2005 was \$9.7 million, a decrease of \$0.5 million or 5% compared to the first quarter of 2004. Gross margin as a percentage of sales in the first quarter of 2005 was 11.2% compared to 12.4% in the first quarter of 2004. This decrease in gross margin as a percentage of sales was primarily the result of the increase in the purchase of steel as a percentage of overall cost of sales, lower production volume on certain older vehicle lines and additional costs to support future sales growth.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses ("SG&A") for the first quarter of 2005 were \$3.2 million, a decrease of \$1.1 million or 25% compared to

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the first quarter of 2004. SG&A as a percentage of sales in the first quarter of 2005 was 3.7% compared to 5.2% in the first quarter of 2004. The decrease was driven by a reduction in professional fees related to the implementation of Sarbanes-Oxley as well as the recovery of \$0.3 million in the first quarter of 2005 of a receivable previously written off compared to bad debt expense of \$0.3 million in the first quarter of 2004.

**Operating Profit.** As a result of the foregoing factors, operating profit for the first quarter of 2005 was \$6.5 million, an increase of \$0.6 million or 10% compared to the first quarter of 2004. Operating profit as a percentage of sales in the first quarter of 2005 was 7.5% compared to 7.2% in the first quarter of 2004.

**Interest Income.** Interest income for the first quarter of 2005 and 2004 was approximately \$0.1 million.

**Interest Expense.** Interest expense for the first quarter of 2005 was \$0.7 million, a decrease of \$0.4 million compared to the first quarter of 2004. 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.

**Other, net.** Other, net for the first quarter of 2005 was \$0.3 million. Other, net for the first quarter of 2004 was \$0.1 million. Included in Other, net for the first quarter of 2005 was \$0.2 million of dividend income and \$0.1 million for the recovery of assets previously written-off. Included in Other, net for the first quarter of 2004 was \$0.2 million of dividend income offset by a \$0.1 million loss on disposal of assets.

**Income Tax Expense.** Income tax expense for the first quarter of 2005 was \$2.4 million, an increase of \$0.7 million compared to the first quarter of 2004. The effective tax rate for the first quarter of 2005 was 39% compared to 34% for the first quarter of 2004. The higher effective tax rate in the first quarter of 2005 was driven primarily by a change in state tax law in Kentucky during the first quarter of 2005. The Company expects its full year effective tax rate to be approximately 36.5% based upon this change.

**Earnings on Common Shares from Continuing Operations.** As a result of the foregoing factors, earnings on common shares from continuing operations for the first quarter of 2005 was \$3.8 million, an increase of \$0.5 million or 15% compared to \$3.3 million in the first quarter of 2004.

LIQUIDITY AND CAPITAL RESOURCES

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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 March 31, 2005, the Company had net working capital of \$37.8 million. Availability under the Company's revolving credit facility was approximately \$34.9 million as of March 31, 2005.

The Company generated cash from continuing operations of \$0.1 million for the three month period ended March 31, 2005. The cash required for working capital in the first quarter was driven by an increase in accounts receivables of \$3.5 million related to an increase in sales and a decrease in accounts payable of \$5.2 million, primarily due to the timing of payments at March 2005 and December 2004. These cash requirements were offset by positive cash flow driven by a reduction in inventory of \$0.8 million, a reduction of prepaid expenses of \$0.4 million and an increase in taxes payable of \$0.5 million.

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The Company used cash in investing activities of \$5.9 million for the three month period ended March 31, 2005. This use of cash was primarily the result of the purchase of fixed assets of \$1.8 million, the acquisition of the Silao, Mexico facility of approximately \$5.9 million, offset by the sale of fixed assets of \$1.5 million and cash received from notes receivable related to the sale of the logistics business of \$0.3 million.

The Company used cash for financing activities of \$1.0 million for the three month period ended March 31, 2005, primarily for the payment of cash dividends of \$0.9 million and payments of long-term debt of \$0.1 million, offset by the receipt of cash related to the issuance of common stock of \$0.1 million, primarily pursuant to the exercise of stock options.

In March 2004, the Company issued \$40 million in 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 holder's option. The Notes are convertible at the holder's option 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 Notes). The interest rate on the Notes is 4% and is fixed for the entire term. 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.

As of March 31, 2005 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"). The Credit Facility consists of a \$35.0 million revolving loan with no borrowing base formula. There were no outstanding borrowings on the revolving loan at March 31, 2005. Availability under the Credit Facility was approximately \$34.9 million, net of approximately \$0.1 million in outstanding letters of credit at March 31, 2005. The Credit Facility is secured by assets of the Company and its subsidiaries and provides for the issuance of up to \$5.0 million in standby or documentary letters of credit.

At March 31, 2005 the Company is in compliance with all of its financial debt covenants under the Credit Facility.

The liquidity provided by the Company's existing and anticipated credit facilities, combined with cash flow from continuing operations is expected to be sufficient to meet currently anticipated working capital and capital expenditure

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needs and for existing debt service 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 twelve-month period. In addition, the Company continues to evaluate, as part of its business strategy, and may pursue future growth through opportunistic acquisitions of assets or companies which 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.

As of March 31, 2005, 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 March 31, 2005, the Company had not been notified by SET or SET's lender of any default that would require performance under the guarantee.

### INFLATION

Inflation generally affects the Company by increasing the interest expense of floating rate indebtedness and by increasing the cost of labor, fuel, 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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### 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 30% of total revenues from continuing operations for fiscal 2004. The Company's primary foreign currency exposures are the Canadian Dollar, Australian Dollar and Mexican Peso. 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 matching revenues with expenses in the same currency to the extent possible; as such, certain exposures are naturally offset.

The Company's financial results are affected by changes in U.S. and foreign interest rates due primarily to the Company's Credit Facility containing a variable interest rate when it borrows under the credit facility. The Company invests its excess cash balances in overnight and other short term investments which may be impacted by changes in interest rates. The Company does not hold any other financial instruments that are subject to market risk (interest rate risk and foreign exchange rate risk).

### 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 SEC 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

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and procedures, as defined in the Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as of March 31, 2005, and have concluded that as of March 31, 2005, 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, as amended 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 March 31, 2005 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: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Pursuant to the terms of the Company's \$40.0 million 4% Convertible Subordinated Notes entered into in November 2004, the Company is restricted from paying dividends in excess of \$0.48 per share in any twelve month period until March 2007.

#### ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

#### ITEM 5: OTHER INFORMATION

Not applicable.

#### ITEM 6: EXHIBITS

(a) Exhibits

Exhibit No. -----	Description -----
31.1	Certification by the President and Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(d) of the Securities and Exchange Act of 1934, as amended.
31.2	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(d) 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



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pursuant to 18 USC Section 1350, as created by Section 906 of Sarbanes-Oxley Act of 2002.

### 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: May 6, 2005

By: /s/ Jay J. Hansen

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Jay J. Hansen,  
Chief Financial Officer

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### Exhibit Index

Exhibit No. -----	Description -----
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31.2	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(d) 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.