UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2019
OR

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

For the transition period from ____________________ to_____________________

Commission file number 001-34903

TOWER INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**27-3679414** (I.R.S. Employer Identification No.)
17672 Laurel Park Drive North Suite 400 E **Livonia, Michigan** (Address of principal executive offices)	**48152** (Zip Code)

(248) 675-6000
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	TOWR	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐	Accelerated Filer ☒	Non-Accelerated Filer ☐
Smaller Reporting Company ☐	Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ No ☒

As of July 22, 2019, there were 20,690,472 shares of the registrant's common stock, $0.01 par value per share, outstanding.

Tower International, Inc. and Subsidiaries
Form 10-Q

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EXPLANATORY NOTE

On July 12, 2019, Tower International, Inc. (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Autokiniton US Holdings, Inc., a Delaware corporation ("Parent"), and Tiger Merger Sub, Inc., a Delaware corporation and a direct, wholly owned subsidiary of Parent ("Merger Sub"). Pursuant to the terms of the Merger Agreement, Merger Sub will commence a cash tender offer (as it may be extended and amended from time to time as permitted under, or required by, the Merger Agreement, the " Offer"), no sooner than August 14, 2019 and no later than August 19, 2019, to purchase any and all of the outstanding shares of common stock of the Company, par value $0.01 per share (each, a "Share," and collectively, "Shares"), at a price per Share of $31.00 in cash, net of applicable withholding, without interest (such amount, or any other amount per share paid in the Offer in accordance with the Merger Agreement, the "Offer Price").

The consummation of the Offer is subject to, among other things, (1) there having been validly tendered and not validly withdrawn Shares that represent at least one more Share than 50% of the Shares outstanding as of the expiration of the Offer, (2) the expiration or termination of any applicable waiting period (or extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or receipt of any related affirmative governmental approval or clearance, (3) the absence of a material adverse effect on the Company and (4) other customary closing conditions contained in the Merger Agreement.

Assuming the Offer is consummated in accordance with the Merger Agreement, then, as soon as practicable following the consummation of the Offer, and subject to the satisfaction or waiver of the applicable conditions in the Merger Agreement, pursuant to Section 251(h) of the Delaware General Corporation Law, Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving the Merger as a direct, wholly owned subsidiary of Parent, without a meeting or vote of the Company's stockholders. As of the effective time of the Merger (the " Effective Time"), each Share issued and outstanding immediately prior to the Effective Time, other than cancelled shares (including shares owned directly by Parent or Merger Sub) and dissenting shares, will be converted into the right to receive an amount equal to $31.00 per share in cash, net of applicable tax withholding, without interest (the "Merger Consideration").

The Merger Agreement is more fully described in a Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission (the "SEC") prior to the opening of the market on July 12, 2019 (the "First July 12 8-K"). A copy of the Merger Agreement was filed by the Company as an exhibit to that Current Report. The descriptions herein of the Offer, the Merger and the Merger Agreement do not purport to be complete and are subject to, and qualified in their entirety by, the full text of the Merger Agreement filed with that Current Report. In a Current Report on Form 8-K filed by the Company with the SEC after the market closed on July 12, 2019 (the "Second July 12 8-K"), the Company also disclosed certain compensatory arrangements approved by the Company in connection with the execution of the Merger Agreement.

PART 1 — FINANCIAL INFORMATION

ITEM 1. Financial Statements.

TOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data - unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 155,722	$ 68,066
Accounts receivable, net of allowance of $486 and $823	140,789	113,128
Inventories (Note 4)	70,643	69,434
Assets held for sale (Note 5)	—	431,613
Prepaid tooling, notes receivable, and other	44,363	27,552
Total current assets	411,517	709,793
Property, plant, and equipment, net	546,554	347,803
Operating lease right-of-use assets (Note 9)	128,976	—
Goodwill (Note 7)	7,643	7,453
Deferred tax asset	85,772	82,832
Other assets, net	25,830	22,511
Total assets	$ 1,206,292	$ 1,170,392
LIABILITIES AND EQUITY		
Short-term debt and current maturities of finance lease liabilities (Notes 9 and 10)	$ 27,300	$ 4,148
Short-term operating lease liabilities (Note 9)	12,769	—
Accounts payable	181,630	188,760
Accrued liabilities	72,589	84,306
Liabilities held for sale (Note 5)	—	167,882
Total current liabilities	294,288	445,096
Long-term debt, net of current maturities (Note 10)	242,348	294,457
Finance lease liabilities , net of current maturities (Note 9)	138,481	—
Operating lease liabilities, net of current maturities (Note 9)	119,369	—
Pension liability (Note 13)	42,870	45,762
Other non-current liabilities	52,114	84,163
Total non-current liabilities	595,182	424,382
Total liabilities	889,470	869,478
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 authorized and 0 issued and outstanding	—	—
Common stock, $0.01 par value, 350,000,000 authorized, 22,517,718 issued and 20,690,472 outstanding at June 30, 2019, and 22,400,074 issued and 20,606,736 outstanding at December 31, 2 018	225	224
Additional paid in capital	351,423	347,816
Treasury stock, at cost, 1,827,246 and 1,793,338 shares as of June 30, 2019 and December 31, 2018	(37,743)	(36,882)
Retained earnings	64,182	64,676
Accumulated other comprehensive loss (Note 13)	(61,265)	(74,920)
Total stockholders' equity	316,822	300,914
Total liabilities and stockholders' equity	$ 1,206,292	$ 1,170,392

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

TOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share amounts - unaudited)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues (Note 3)	$ 345,446	$ 395,929	$ 724,184	$ 803,162
Cost of sales	308,971	345,107	650,942	704,156
Gross profit	36,475	50,822	73,242	99,006
Selling, general, and administrative expenses	17,584	22,927	42,770	46,272
Amortization expense (Note 7)	109	108	218	220
Restructuring and asset impairment charges, net (Note 8)	5,329	(199)	5,452	1,044
Operating income	13,453	27,986	24,802	51,470
Interest expense	5,636	4,907	11,276	9,583
Interest income	1,046	233	1,655	558
Net periodic benefit income (Note 13)	31	559	62	1,117
Other income / (expense) (Note 19)	—	(977)	4,540	(977)
Income before provision for income taxes and income / (loss) from discontinued operations	8,894	22,894	19,783	42,585
Provision for income taxes (Note 12)	3,083	4,616	6,300	7,852
Income from continuing operations	5,811	18,278	13,483	34,733
Income / (loss) from discontinued operations, net of tax (Note 5)	—	4,098	(12,740)	4,943
Net income	$ 5,811	$ 22,376	$ 743	$ 39,676
Weighted average basic shares outstanding	20,689,474	20,597,482	20,660,959	20,577,161
Weighted average diluted shares outstanding	20,998,849	20,986,122	21,030,890	20,969,142
Basic income / (loss) per share (Note 15):				
Income per share from continuing operations	$ 0.28	$ 0.89	$ 0.65	$ 1.69
Income / (loss) per share from discontinued operations	—	0.20	(0.62)	0.24
Income per share	0.28	1.09	0.03	1.93
Diluted income / (loss) per share (Note 15):				
Income per share from continuing operations	$ 0.28	$ 0.87	$ 0.64	$ 1.66
Income / (loss) per share from discontinued operations	—	0.20	(0.61)	0.24
Income per share	0.28	1.07	0.03	1.90

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

TOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands - unaudited)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net income	$ 5,811	$ 22,376	$ 743	$ 39,676
Other comprehensive income / (loss), net of tax				
Foreign currency translation adjustments, net of tax expense / (benefit) of $0 million, $2.5 million, $0.7 million, and $1.4 million	633	(16,442)	(2,734)	(13,251)
Unrealized gain / (loss) on qualifying cash flow hedge, net of tax expense / (benefit) of ($0.6) million, $0.5 million, ($1.1 million), and $1.9 million	(1,685)	1,608	(3,698)	4,989
Other comprehensive income / (loss), net of tax:	(1,052)	(14,834)	(6,432)	(8,262)
Comprehensive income / (loss)	$ 4,759	$ 7,542	$ (5,689)	$ 31,414

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

TOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands - unaudited)

	Six Months Ended June 30, 2019	2018
OPERATING ACTIVITIES:		
Net income	$ 743	$ 39,676
Less: Income / (loss) from discontinued operations, net of tax	(12,740)	4,943
Income from continuing operations	13,483	34,733
Adjustments required to reconcile income from continuing operations to net cash provided by / (used in) continuing operating activities:		
Deferred income tax provision	3,585	5,761
Depreciation and amortization	31,703	28,527
Non-cash share-based compensation	3,116	1,609
Pension income, net of contributions	(2,893)	(4,655)
Change in working capital and other operating items	(70,006)	(65,467)
Net cash provided by / (used in) continuing operating activities	$ (21,012)	$ 508
INVESTING ACTIVITIES:		
Cash disbursed for purchases of property, plant, and equipment, net	$ (69,854)	$ (37,332)
Proceeds from disposition of European operations, net	277,162	—
Proceeds from sale of China joint ventures, net	—	4,314
Net cash provided by / (used in) continuing investing activities	$ 207,308	$ (33,018)
FINANCING ACTIVITIES:		
Proceeds from borrowings	$ 44,500	$ 20,378
Repayments of borrowings	(52,248)	(18,704)
Repayment on Term Loan Credit Facility	(50,000)	—
Debt financing costs	(2,276)	—
Payments for termination of hedging instruments	(28,582)	—
Dividend payment to Tower stockholders	(5,369)	(4,937)
Proceeds from stock options exercised	180	219
Purchase of treasury stock	(861)	(474)
Net cash used in continuing financing activities	$ (94,656)	$ (3,518)
Discontinued operations:		
Net cash from discontinued operating activities	$ 7,142	$ 50,150
Net cash used in discontinued investing activities	(9,086)	(33,250)
Net used in discontinued financing activities	(1,787)	(16,687)
Net cash from / (used in) discontinued operations	$ (3,731)	$ 213
Effect of exchange rate changes on continuing cash and cash equivalents	$ (253)	$ (2,019)
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ 87,656	$ (37,834)
CASH AND CASH EQUIVALENTS:		
Beginning of period	$ 68,066	$ 96,313
End of period	$ 155,722	$ 58,479
Supplemental Cash Flow Information:		
Interest paid, net of amounts capitalized	$ 12,543	$ 10,079
Income taxes paid	1,228	3,781
Non-cash Investing Activities:		
Capital expenditures in liabilities for purchases of property, plant, and equipment	$ 9,096	$ 12,755

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

TOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Organization and Basis of Presentation

Tower International, Inc. and its subsidiaries (collectively referred to as the "Company" or "Tower International"), is a leading integrated manufacturer of engineered automotive structural metal components and assemblies, primarily serving original equipment manufacturers ("OEMs"), including Ford, Fiat-Chrysler, Nissan, Toyota, BMW, Volkswagen Group and Honda. Products include body structures, assemblies and other chassis structures, and lower vehicle systems and suspension components for small and large cars, crossovers, pickups, and sport utility vehicles ("SUVs"). The Company has strategically located production facilities in the United States, Mexico, and Brazil, supported by engineering and sales locations in the United States, Brazil, Japan, China and India.

The accompanying Condensed Consolidated Financial Statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The information furnished in the Condensed Consolidated Financial Statements includes normal recurring adjustments and reflects all adjustments which are, in the opinion of management, necessary for the fair presentation of such financial statements. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the SEC. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these Condensed Consolidated Financial Statements should be read in conjunction with the audited year-end financial statements and the notes thereto included in the most recent Annual Report on Form 10-K filed by the Company with the SEC. The interim results for the periods presented may not be indicative of the Company's actual annual results.

Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of the Company and all subsidiaries over which the Company exercises control. All intercompany transactions and balances have been eliminated upon consolidation.

Note 2. New Accounting Pronouncements

Recently Adopted

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-02, *Leases (Topic 842)*. This ASU introduces a lessee model that brings most leases on the balance sheet. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Under this standard, leases are classified as finance or operating, with balance sheet classification affecting the pattern and classification of expense recognition in the income statement. Subsequent to initial issuance of ASU No. 2016-02, the FASB has issued numerous ASU's that contain targeted improvements to the original standard.

The Company adopted the new standard effective January 1, 2019. The new standard allows for two different transition approaches that are required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the Consolidated Financial Statements. The Company utilized the transition method that allowed for application of the new lease standard at the adoption date (January 1, 2019). Upon adoption, the Company did not retrospectively adjust prior period financial information, but did recognize a cumulative-effect adjustment of $5.5 million and corresponding tax effect adjustment of $1.4 million to the opening balance of retained earnings.

The Company did not utilize the package of practical expedients provided under the new standard. The Company determined that it has certain manufacturing equipment leases previously classified as operating leases that are classified as finance leases under the new standard. In addition, there are certain considerations related to internal control over financial reporting that are associated with implementing the new guidance under Accounting Standards Codification ("ASC") No. 842 and the Company has implemented the necessary changes to its control framework. The Company has also included the new disclosure requirements required under ASC No. 842 (See Note 9 of the Condensed Consolidated Financial Statements).

Stock Compensation

On June 20, 2018, the FASB issued ASU No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*. This ASU simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees is aligned with the requirements for share-based payments granted to employees. The Company adopted the new standard effective January 1, 2019. Adoption of the ASU did not result in a material impact to the Company's Condensed Consolidated Financial Statements.

Pending Adoption

Fair Value Measurement

On August 28, 2018, the FASB issued ASU No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies the disclosure requirements on fair value measurements. This ASU is effective for annual and interim periods beginning after December 15, 2019 and early adoption is permitted. The Company does not expect a material financial statement impact related to the adoption of this ASU.

Retirement Benefits

On August 28, 2018, the FASB issued ASU No. 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*. This ASU modifies the disclosure requirements related to defined benefit pension or other postretirement benefit plans. This ASU is effective for annual and interim periods beginning after December 15, 2020 and early adoption is permitted. The Company does not expect a material financial statement impact related to the adoption of this ASU.

Note 3. Revenue

The Company enters into contracts with its customers that create enforceable rights and obligations. Each such contract requires the Company to supply products for specific vehicle programs. The Company has determined that each unit produced represents a separate performance obligation. The Company satisfies its performance obligations and recognizes revenue at a point in time when the customer has obtained control of the unit. Determining when control transfers requires management to make judgments that affect the timing of revenue recognized. The Company has determined that control has transferred when its products are shipped to its customers because the Company has a present right to payment at that time, legal title and risk of loss have passed to the customer and the customer is able to direct the use of, and obtain substantially all of the benefits from, the products. Invoices are generated upon shipment to the customer and are based on contractually agreed upon unit prices. The Company has payment terms with its customers that generally require payment within 30 to 60 days of invoice date. FASB ASC No. 606, *Revenue from Contracts with Customers*, provides a practical expedient that allows companies to exclude from the transaction price any amounts collected from customers for all sales (and other similar) taxes. The Company does not include sales and other taxes in its transaction price and thus does not recognize these amounts as revenue. Shipping and handling costs are accounted for as fulfilment costs and are included in cost of sales.

It is common for the Company to negotiate pricing with its customers on an annual basis which can result in price adjustments over the program lives or other variable consideration adjustments. Based on extensive historical experience, the Company has concluded its estimate of variable consideration is not constrained. Therefore, the Company accrues for these items using the most likely amount method in accordance with FASB ASC No. 606-10-32 and records adjustments to revenue throughout the year as negotiations progress and are finalized. In certain cases, the Company provides lump sum payments to its customers that are directly related to awarded programs. These payments are expected to be recovered over the life of the associated program; therefore, the Company capitalizes these payments and amortizes them into revenue over the life of the associated program.

The Company participates in certain of its customers' steel repurchase programs, under which it purchases steel directly from a customer's designated steel supplier, for use in manufacturing products for that customer. The Company takes delivery and title to such steel and bears the risk of loss and obsolescence. The Company invoices its customers based upon annually negotiated selling prices, which inherently include a component for steel under such repurchase programs. Under guidance provided in FASB ASC No. 606-10-55, *Principal versus Agent Considerations*, the Company has risks and rewards of a principal and therefore, for sales transactions in which the Company participates in a customer's steel resale program, revenue is recognized on a gross basis for the entire amount of the sales, including the component for purchases under that customer's steel resale program. The purchases through customer resale programs have buffered the impact of price swings associated with the procurement of these metals. The remainder of the Company's steel and aluminum purchasing requirements are met through contracts with mills, in which the Company negotiates its own price and seeks to pass through price increases and decreases to the Company's customers.

The Company enters into agreements to produce products for its customers at the beginning of a given vehicle program's life. Once such agreements are entered into by the Company, it is obligated to fulfil the customers' purchasing requirements for the entire production period of the vehicle programs, which range from three to ten years, and generally, the Company has no provisions to terminate such contracts. These contracts may be terminated by the Company's customers at any time. Historically, terminations of these contracts have been minimal.

The manufacture of certain products shipped to the Company's customers during the life of specific vehicle programs typically relies on dedicated property, plant, and equipment (production facilities, machinery, and equipment). The Company's customers issue purchase orders, and regular releases against these purchase orders, to determine the timing and delivery of these products to them. This dedicated property, plant, and equipment typically includes individual assets that are highly dependent on or interrelated with each other for purposes of producing products for the Company's customers. The embedded lease payments received from the Company's customers during the vehicle program life are considered variable under FASB ASC No. 842 as they are based on the quantity of products shipped. Therefore, the portion of customer payments allocated to the dedicated property, plant, and equipment is recognized at the same time as product revenue which typically occurs upon shipment to the customer.

The Company monitors the aging of uncollected billings and adjusts its accounts receivable allowance on a quarterly basis, as necessary, based upon its evaluation of the probability of collection. The adjustments made by the Company due to the write-off of uncollectible amounts have been immaterial for all periods presented. At June 30, 2019 and December 31, 2018, the Company's accounts receivable, net of allowances, were $140.8 million and $113.1 million, respectively. The Company did not have any material unbilled or deferred revenue recorded on the Condensed Consolidated Balance Sheets as of June 30, 2019, or December 31, 2018.

For the three and six months ended June 30, 2019 and 2018, revenue recognized from performance obligations related to prior periods (for example, due to changes in transaction price) was not material.

Revenue expected to be recognized in any future period related to remaining performance obligations, excluding revenue pertaining to contracts that have an original expected duration of one year or less or contracts where revenue is recognized as invoiced, is not material.

The following table summarizes the Company's customer mix as a percent of revenues:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2019	**2018**	**2019**	**2018**
Ford	42%	48%	44%	48%
Fiat - Chrysler	21%	22%	21%	23%
Nissan	12%	12%	12%	12%
BMW	10%	5%	9%	4%
Toyota	9%	8%	9%	7%
Volkswagen Group	3%	2%	2%	2%
Honda	2%	2%	2%	2%
Other	1%	1%	1%	2%
Total	100%	100%	100%	100%

The following table summarizes the Company's vehicle platform mix as a percent of revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
SUV (sport-utility vehicles)	52%	53%	52%	53%
Pickup	30%	27%	29%	27%
Van	3%	4%	3%	4%
MPV (multi-purpose vehicles)	2%	2%	2%	2%
Light trucks	87%	86%	86%	86%
Large Car	6%	7%	7%	7%
Small Car	5%	5%	5%	6%
All Other	2%	2%	2%	1%
Total	100%	100%	100%	100%

Note 4. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Maintenance, repair, and non-productive inventory, which are considered consumables, are expensed when acquired and included in the Condensed Consolidated Statements of Operations as cost of sales. Inventories consist of the following (in thousands):

	June 30, 2019	December 31, 2018
Raw materials	$ 29,015	$ 29,752
Work in process	14,745	13,008
Finished goods	26,883	26,674
Total inventory	$ 70,643	$ 69,434

Note 5. Discontinued Operations and Assets Held for Sale

The following table discloses select financial information of the discontinued operations of the Company's European operations and Chinese joint ventures (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues	$ —	$ 173,844	$ 110,930	$ 345,462
Loss from sale of discontinued operations	—	—	(6,895)	—
Income / (loss) from discontinued operations:				
Income / (loss) before provision for income taxes	—	5,153	(9,906)	7,956
Provision for income taxes	—	1,055	2,834	3,013
Income / (loss) from discontinued operations	$ —	$ 4,098	$ (12,740)	$ 4,943

Europe Operations

During the fourth quarter of 2018, the Company's subsidiaries Tower Automotive Holdings III Cooperatie U.A. and Tower Automotive Holdings USA, LLC entered into a Memorandum of Understanding and Stock Purchase Agreement with Financière SNOP Dunois S.A. (the "Purchaser"). Pursuant to the agreement, the Purchaser acquired all of the stock of TA Holdings Europe B.V., an indirect wholly owned subsidiary of the Company, and an intercompany loan, for a purchase price of €255 million on a cash free, debt free basis, subject to working capital and other customary adjustments and a reduction to the extent that capital expenditures for the Company's European operations for calendar year 2018 were less than €45 million. The anticipated purchase price less expected transaction related costs was less than the carrying value as of December 31, 2018; therefore, the Company recorded a fair value adjustment of $44 million during the fourth quarter of 2018. During the first quarter of 2019, the Company completed the sale of its European operations, receiving net sale proceeds of $277.2 million after payment of transaction costs. The Company recorded an additional fair value adjustment of $6.9 million, which related primarily to the cumulative translation adjustment that was reclassified to earnings and the strengthening of the U.S. dollar against the Euro that resulted in a lower U.S. dollar purchase price.

The Company's European operations have been presented as discontinued operations in the Company's Condensed Consolidated Financial Statements in accordance with FASB ASC No. 205, *Discontinued Operations*.

China Joint Ventures

In October 2016, the Company entered into an agreement to sell its joint venture in Ningbo, China: Tower DIT Automotive Products Co., Ltd ("Ningbo"). The sale agreement provided for purchase of the Company's equity in the joint venture for approximately $4 million, net of tax. The Company completed the sale of Ningbo during the second quarter of 2018 and received proceeds of $4.3 million, net of tax.

Ningbo has been presented as discontinued operations in the Company's Consolidated Financial Statements, in accordance with FASB ASC No. 205, *Discontinued Operations*.

The following table summarizes assets and liabilities held for sale by category (in thousands):

		December 31, 2018
ASSETS		
Current assets	$	175,774
Property, plant, and equipment, net		239,023
Other assets, net		7,072
Goodwill		17,744
Fair value adjustment		(8,000)
Total assets held for sale	$	431,613
LIABILITIES		
Short-term debt	$	14,890
Accounts payable		142,638
Total current liabilities		157,528
Long-term debt, net of current maturities		—
Other non-current liabilities		10,354
Total non-current liabilities		10,354
Total liabilities held for sale	$	167,882

Note 6. Tooling

Tooling represents costs incurred by the Company in the development of new tooling used in the manufacture of the Company's products. All pre-production tooling costs incurred for tools that the Company will not own and that will be used in producing products supplied under long-term supply agreements are expensed as incurred, unless the supply agreement provides the Company with the noncancellable right to use the tools or the reimbursement of such costs is contractually guaranteed by the customer. Generally, the customer agrees to reimburse the Company for certain of its tooling costs at the time the customer awards a contract to the Company.

When the part for which tooling has been developed reaches a production-ready status, the Company is reimbursed by its customer for the cost of the tooling, at which time the tooling becomes the property of the customer. The Company has certain other tooling costs related to tools the Company has the contractual right to use during the life of the supply arrangement, which are capitalized and amortized over the life of the related product program. Customer-owned tooling is included in the Condensed Consolidated Balance Sheets in prepaid tooling, notes receivable, and other, while Company-owned and other tooling is included in other assets, net.

The components of capitalized tooling costs are as follows (in thousands):

		June 30, 2019		December 31, 2018
Customer-owned tooling, net	$	30,601	$	14,758
Company-owned tooling		631		507
Total tooling, net	$	31,232	$	15,265

Note 7. Goodwill and Other Intangible Assets

Goodwill

The change in the carrying amount of goodwill is set forth below (in thousands):

Balance at December 31, 2018	$	7,453
Currency translation adjustment		190
Balance at June 30, 2019	$	7,643

Intangibles

An intangible asset of $3.6 million related to customer relationships was recorded in 2015, as part of the acquisition of a facility in Mexico. This intangible asset has a definite life and will be amortized on a straight-line basis over seven years, the estimated life of the related asset, which approximates the recognition of related revenues.

The Company incurred amortization expense of $0.1 million and $0.2 million for the three and six months ended June 30, 2019, respectively. The Company incurred amortization expense of $0.1 million and $0.2 million for the three and six months ended June 30, 2018, respectively.

Note 8. Restructuring and Asset Impairment Charges

As of June 30, 2019, the Company has executed various restructuring plans and may execute additional plans in the future to realign manufacturing capacity to prevailing automotive production levels, and to improve the utilization of remaining facilities. Estimates of restructuring charges are based on information available at the time such charges are recorded. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially recorded. Accordingly, the Company may record revisions of previous estimates by adjusting previously established reserves.

Restructuring and Asset Impairment Charges

The following table sets forth the Company’s net restructuring and asset impairment charges by type for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Employee termination costs	$ 5,219	$ 105	$ 5,303	$ 961
Other exit costs	110	(304)	149	83
Total restructuring expense / (income)	$ 5,329	$ (199)	$ 5,452	$ 1,044

The charges incurred during the six months ended June 30, 2019 and 2018 related primarily to the following actions:

2019 Actions

During the three and six months ended June 30, 2019, the charges incurred related to severance charges and ongoing maintenance expense of facilities closed as a result of prior actions. During the second quarter of 2019, the Company took numerous actions to better align the management teams to the remaining footprint of the continuing operations. These actions included a shift in composition of the executive leadership team as well as certain changes within the corporate and regional management teams. All estimated costs related to these actions have been recorded during the second quarter of 2019; however, the separation agreement with Pär Malmhagen (the Company’s former President) will result in additional charges of approximately $3.5 million upon a change in control event (See Note 20).

2018 Actions

During the three and six months ended June 30, 2018, the charges incurred related to severance charges and ongoing maintenance expense of facilities closed as a result of prior actions. During the second quarter of 2018, the Company amended the lease agreements related to closed facilities which resulted in a $0.3 million adjustment to the liability previously recorded. As a result of these amendments, the Company will no longer record material restructuring expense related to such closed facilities.

Restructuring Reserve

The table below summarizes the activity in the restructuring reserve by segment, reflected in accrued liabilities and other non-current liabilities, for the above-mentioned actions through June 30, 2019 (in thousands):

Balance at December 31, 2018	$ 2,708
Payments	(2,558)
Increase in liability	3,928
Balance at June 30, 2019	$ 4,078

Except as disclosed in the table above, the Company does not anticipate incurring additional material cash charges associated with the actions described above. The changes in the restructuring reserve set forth in the table above do not agree with the restructuring charges for the period, as certain items are expensed as incurred related to the actions described.

The restructuring reserve increased during the six months ended June 30, 2019, reflecting primarily accruals for cash severance, offset partially by payments related to the 2019 actions and prior accruals. During the six months ended June 30, 2019, the Company incurred payments of $2.6 million related primarily to the 2019 actions and prior accruals.

Note 9. Leases

The Company leases office space, manufacturing space, and certain equipment under noncancellable lease agreements, which require the Company to pay maintenance, insurance, taxes, and other expenses, in addition to rental payments. In certain cases, the lease payments include both lease and nonlease components. The Company has not elected the practical expedient under which the lease component would not be separated from the nonlease components; however, the nonlease components in the Company's contracts are immaterial. Certain of the Company's real estate lease payments vary based on changes in the Consumer Price Index ("CPI"). While the lease liabilities are not remeasured as a result of changes to the CPI, these changes are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred.

The Company's leasing arrangements have lease terms that expire between the years 2019 and 2035. The Company has options to extend the terms of certain leases into future periods. For options that the Company is reasonably certain to exercise, the payments associated with these renewal periods have been included in the measurement of the lease liabilities and ROU assets. The Company does not record lease liabilities and ROU assets for leases with terms less than 12 months. In addition, for certain equipment leases, the Company has an obligation to return the equipment to the lessor at the end of the lease term. The estimated costs of returning the equipment to the lessor have been included in the measurement of the lease liability and ROU asset. The Company's leasing arrangements do not have residual value guarantees, covenant requirements, or place any other restrictions on the Company.

Future operating and finance lease payments, on an undiscounted basis, at June 30, 2019 are as follows (in thousands):

	1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years	Total
Operating lease payments	$ 20,025	$ 19,457	$ 18,960	$ 18,967	$ 18,999	$ 101,473	$ 197,881
Finance lease payments	32,337	33,916	33,916	33,916	30,484	27,187	191,756

The Company measures the lease liabilities and ROU assets associated with these payments using its incremental borrowing rate, as it is not typical for the rate implicit in the lease to be readily determinable. The Company uses estimated interest rates from third party banking institutions that would be applicable over a similar lease term.

The following table presents a reconciliation of the undiscounted cash flows to the operating lease liabilities and finance lease liabilities recognized in the Condensed Consolidated Balance Sheets as of June 30, 2019 (in thousands):

	Operating Leases	Finance Leases
Total undiscounted cash flows	$ 197,881	$ 191,756
Present value impact	(65,743)	(29,988)
Total lease liabilities	$ 132,138	$ 161,768
Short-term lease liabilities	$ 12,769	$ 23,287
Long-term lease liabilities	119,369	138,481
Total lease liabilities	$ 132,138	$ 161,768

As of June 30, 2019, the Company had finance lease ROU assets of $160.5 million that have been presented within property, plant, and equipment, net on the Condensed Consolidated Balance Sheets.

During the second quarter of 2019, the Company extended the lease for one of its manufacturing facilities which increased the operating lease liability and ROU asset by $13.5 million. Additionally, the Company's landlord completed a building expansion at another of the Company's manufacturing facilities. The lease for the expanded premises commenced during the second quarter of 2019 and increased the operating lease liability and ROU asset by $10 million.

The Company expects to lease additional equipment under finance leases during the third quarter of 2019 which will result in incremental finance lease liabilities and ROU assets of approximately $1 million.

The following table discloses the components of the total lease cost recognized (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Lease cost		
Finance lease cost:		
Amortization of right-of-use assets	$ 3,996	$ 7,436
Interest on lease liabilities	1,166	2,171
Total finance lease cost	5,162	9,607
Operating lease cost	4,959	9,962
Short-term lease cost	-	264
Variable lease cost	-	-
Total lease cost	$ 10,121	$ 19,833
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 1,166	$ 2,171
Operating cash flows from operating leases	4,863	9,891
Financing cash flows from finance leases	2,518	5,312
Right-of-use assets obtained in exchange for new finance lease liabilities	1,590	10,396
Right-of-use assets obtained in exchange for new operating lease liabilities	25,731	29,780
Weighted-average remaining lease term - finance leases	5.4 years	5.4 years
Weighted-average remaining lease term - operating leases	11 years	11 years
Weighted-average discount rate - finance leases	6.0%	6.0%
Weighted average discount rate - operating leases	6.2%	6.2%

Note 10. Debt

Short-Term Debt

Short-term debt consists of the following (in thousands):

	June 30, 2019	December 31, 2018
Current maturities of debt (excluding finance leases)	$ 4,013	$ 4,148
Current maturities of finance leases	23,287	—
Total short-term debt	$ 27,300	$ 4,148

Long-Term Debt

Long-term debt consists of the following (in thousands):

	June 30, 2019	December 31, 2018
Term Loan Credit Facility (net of discount of $1,249 and $1,653)	$ 252,117	$ 303,521
Amended Revolving Credit Facility	—	—
Other foreign subsidiary indebtedness	772	1,044
Debt issue costs	(6,528)	(5,960)
Total debt	246,361	298,605
Less: Current maturities of debt	(4,013)	(4,148)
Total long-term debt	$ 242,348	$ 294,457

Term Loan Credit Facility

On March 7, 2017, the Company amended the Term Loan Credit Agreement by entering into the Third Refinancing Term Loan Amendment and Restatement Agreement (“Third Term Loan Amendment”), pursuant to which, among other things, the outstanding term loans under the Term Loan Credit Agreement were refinanced in full. There were no additional borrowings associated with this refinancing. The aggregate principal amount of $358.9 million was outstanding under the Term Loan Credit Agreement upon amendment. The maturity date of the Term Loan Credit Facility is March 7, 2024 and the Term Loans bear interest at (i) the Alternate Base Rate plus a margin of 1.75% or (ii) the Adjusted LIBO Rate (calculated by multiplying the applicable LIBOR rate by a statutory reserve rate) plus a margin of 2.75%.

On December 14, 2018, the Company amended the Third Term Loan Amendment by entering into a Consent and Amendment (the “Term Loan Agreement”). Per the Term Loan Agreement, the Company was required to prepay outstanding Loans (as defined in the Term Loan Agreement) in an aggregate principal amount of $50 million substantially simultaneously with the consummation of the sale of the Company’s European operations.

The Term Loan Borrower’s obligations under the Term Loan Credit Facility are guaranteed by the Company on an unsecured basis and guaranteed by Term Loan Holdco and certain of the Company’s other direct and indirect domestic subsidiaries on a secured basis (the “Subsidiary Guarantors”). The Term Loan Credit Facility is secured by (i) a first priority security interest in certain assets of the Term Loan Borrower and the Subsidiary Guarantors, other than, inter alia, accounts, chattel paper, inventory, cash deposit accounts, securities accounts, machinery, equipment and real property and all contract rights, and records and proceeds relating to the foregoing and (ii) on a second priority basis to all other assets of the Term Loan Borrower and the Subsidiary Guarantor which have been pledged on a first priority basis to the agent for the benefit of the lenders under the Amended Revolving Credit Facility described below.

The Term Loan Credit Agreement includes customary covenants applicable to certain of the Company’s subsidiaries and includes customary events of default and amounts due thereunder may be accelerated upon the occurrence of an event of default.

On July 27, 2018, the Company made a $50 million voluntary repayment on its Term Loan Credit Facility. In connection with this prepayment, the Company accelerated the amortization of the original issue discount and the associated debt issue costs by $1 million.

On March 4, 2019, in connection with the sale of the Company’s European operations, the Company made the $50 million repayment required per the Term Loan Agreement. In connection with this payment, the Company incurred consent and arranger fees of $1.2 million. In addition, the Company accelerated the amortization of the original issue discount and the associated debt issue costs by $0.9 million.

As of June 30, 2019, the outstanding principal balance of the Term Loan Credit Facility was $252.1 million (net of a $1.2 million original issue discount) and the effective interest rate was 5.19% per annum.

Amended Revolving Credit Facility

On March 7, 2017, the Company entered into a Fourth Amended and Restated Revolving Credit and Guaranty Agreement ("Fourth Amended Revolving Credit Facility Agreement"), by and among Tower Automotive Holdings USA, LLC, the Company, Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, the subsidiary guarantors named therein, the financial institutions from time to time party thereto as Lenders, and JPMorgan Chase Bank, N.A. as Issuing Lender, as Swing Line Lender, and as Administrative Agent for the Lenders. The Fourth Amended Revolving Credit Facility Agreement amended and restated, in its entirety, the Third Amended Revolving Credit Facility Agreement, dated as of September 17, 2014, by and among Tower Automotive Holdings USA, LLC ("the Borrower"), its domestic affiliate and domestic subsidiary guarantors named therein, and the lenders party thereto, and the Agent.

The Fourth Amended Revolving Credit Facility Agreement provides for a cash flow revolving credit facility in the aggregate amount of up to $200 million. The Fourth Amended Revolving Credit Facility Agreement also provides for the issuance of letters of credit in an aggregate amount not to exceed $30 million, provided that the total amount of credit (inclusive of revolving loans and letters of credit) extended under the Fourth Amended Revolving Credit Facility Agreement is subject to an overall cap, on any date, of $200 million. The Company may request the issuance of Letters of Credit denominated in Dollars or Euros.

On December 14, 2018, the Company amended the Fourth Amended Revolving Credit Facility Agreement by entering into a Consent and Amendment (the "Revolver Amendment"), pursuant to which, among other things, substantially simultaneously with the consummation of the sale of the Company's European operations, the expiration date for the Fourth Amended Revolving Credit Facility Agreement was extended from March 7, 2022 to March 7, 2023. On March 1, 2019, the amendment was consummated upon the sale of the Company's European operations and the Company incurred consent and arranger fees of $1.1 million.

Advances under the Amended Revolving Credit Facility bear interest at an alternate base rate plus a base rate margin or LIBOR plus a Eurodollar margin. The applicable margins are determined by the Company's Total Net Leverage Ratio (as defined in the Fourth Amended Revolving Credit Facility Agreement). As of June 30, 2019, the applicable margins were 2% per annum for LIBOR based borrowings and 1% per annum for base rate borrowings. The Company will pay a commitment fee at a rate equal to 0.50% per annum on the average daily unused total revolving credit commitment.

The Amended Revolving Credit Facility is guaranteed by the Company on an unsecured basis and is guaranteed by certain of the Company's other direct and indirect domestic subsidiaries on a secured basis. The Amended Revolving Credit Facility is secured (i) by a first priority security interest in certain assets of the Borrower and the Subsidiary Guarantors, including accounts, inventory, chattel paper, cash, deposit accounts, securities accounts, machinery, equipment and real property and all contract rights, and records and proceeds relating to the foregoing and (ii) on a second priority basis to all other assets of the Borrower and the Subsidiary Guarantors. The Borrower's and each Subsidiary Guarantor's pledge of such assets as security for the obligations under the Amended Revolving Credit Facility is evidenced by a Revolving Credit Security Agreement dated as of March 17, 2017, among the Borrower, the guarantors party thereto, and the Agent.

The Fourth Amended Revolving Credit Facility Agreement contains customary covenants applicable to certain of the Company's subsidiaries and includes customary events of default and amounts due there under may be accelerated upon the occurrence of an event of default.

As of June 30, 2019, there was $191.8 million of unutilized borrowing availability under the Amended Revolving Credit Facility. At that date, there were no borrowings and $8.2 million of letters of credit outstanding under the Amended Revolving Credit Facility.

Other Foreign Subsidiary Indebtedness

Generally, borrowings of foreign subsidiaries are made under credit agreements with commercial lenders and are used to fund working capital and other operating requirements.

As of June 30, 2019, the Company's Brazilian subsidiary had borrowings of $0.8 million (R$ 3 million), which have annual interest rates ranging from 5.50% to 8.70% and maturity dates ranging from November 2019 to July 2022. As of June 30, 2019, the weighted average interest rate on the borrowings in Brazil was 7.40% per annum. The loans are provided through bilateral agreements with two local banks and are secured by certain fixed and current assets. Periodic interest and principal payments are required.

Covenants

As of June 30, 2019, the Company was in compliance with the financial covenants that govern its credit agreements.

Debt Issue Costs

The Company had debt issuance costs, net of amortization, of $6.5 million and $6 million as of June 30, 2019 and December 31, 2018, respectively. These amounts are reflected in the Condensed Consolidated Balance Sheets as a direct deduction from long-term debt, net of current maturities.

The Company incurred interest expense related to the amortization of debt issue costs of $0.4 million and $1.4 million during the three and six months ended June 30, 2019, respectively. The Company incurred interest expense related to the amortization of debt issue costs of $0.4 million and $0.8 million during the three and six months ended June 30, 2018, respectively.

Note 11. Derivative Financial Instruments

The Company's derivative financial instruments include interest rate and cross currency swaps. The Company does not enter into derivative financial instruments for trading or speculative purposes. On an on-going basis, the Company monitors counterparty credit ratings. The Company considers credit non-performance risk to be low because the Company enters into agreements with commercial institutions that have at least an S&P, or equivalent, investment grade credit rating.

As of December 31, 2018, the Company had outstanding a $186.1 million variable to fixed interest rate swap with a fixed interest rate of 5.878% per annum and a €178 million cross currency swap based on the U.S. dollar / Euro exchange spot rate of $1.2733 which was the prevailing rate at the time of the transaction. The maturity date for both swap instruments was March 7, 2024.

During the first quarter of 2019, the Company paid $28.6 million to terminate its fixed interest rate and cross currency swaps. For the fixed interest rate swap, the balance within accumulated other comprehensive income ("AOCI") was frozen and will be recognized within interest expense over the remaining term of the hedged transaction. As of June 30, 2019, the Company had a cumulative balance of $2 million recorded in AOCI related to these interest rate swaps. During the three and six months ended June 30, 2019, the Company recognized $0.1 million and $0.3 million, respectively, within interest expense. During the three and six months ended June 30, 2018, the Company recognized $0.3 million and $0.6 million, respectively, within interest expense. The amount previously being recognized related to a swap modification that occurred in August 2017.

As the Company's European operations have been sold effective March 1, 2019, the entire accumulated gain within AOCI of $17.1 million, net of tax, related to the cross currency swap was recognized into earnings during the first quarter of 2019.

Also during the first quarter of 2019, the Company entered into a new $100 million variable rate to fixed rate interest rate swap for a portion of the Company's Term Loan. The fair value of the swap will fluctuate with changes in interest rates. The fixed interest rate is 5.35% per annum and the swap has a maturity date of March 7, 2024. The interest rate swap qualifies as a cash flow hedge and is accounted for under FASB ASC No. 815, *Derivatives and Hedging*.

At June 30, 2019 and December 31, 2018, the following amounts were recorded in the Condensed Consolidated Balance Sheets as being payable to counterparties under FASB ASC No. 815 (in thousands):

	Location	June 30, 2019	December 31, 2018
Cross currency swap	Other non-current liabilities	$ —	$ 19,903
Interest rate swap	Other non-current liabilities	4,042	5,034

All derivative instruments are recorded at fair value. Effectiveness for net investment and cash flow hedges is initially assessed at the inception of the hedging relationship and on a quarterly basis thereafter. The change in fair value of the hedging instruments are recorded in other comprehensive income. The earnings effect of the hedged items is recorded in the Condensed Consolidated Statements of Operations as interest expense when the hedged item affects earnings. The interest rate swap qualifies as a cash flow hedge of the interest payments related to the Company's Term Loan.

The following table presents the deferred gains / (losses) reported in AOCI at June 30, 2019 and December 31, 2018 (in thousands):

	Deferred gain in AOCI	
	June 30, 2019	December 31, 2018
Cross currency swap	$ —	$ 21,099
Interest rate swap	(6,033)	(1,546)
Total	$ (6,033)	$ 19,553

The following table presents the total amounts reported in interest expense in the Condensed Consolidated Statement of Operations and the effects of hedging on those line items:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest expense	$ 5,636	$ 4,907	$ 11,276	$ 9,583
Effect of hedging	36	(363)	(230)	(491)

Note 12. Income Taxes

During the three months ended June 30, 2019, the Company recorded income tax expense of $3.1 million on $8.9 million of pre-tax profit from continuing operations – for an effective tax rate of 34.9%. Included in the $3.1 million of consolidated tax expense was $2.5 million of tax expense attributable to U.S. operations.

During the three months ended June 30, 2018, the Company recorded income tax expense of $4.6 million on $22.9 million of pre-tax profit from continuing operations – for an effective tax rate of 20.1%. Included in the $4.6 million of consolidated tax expense was $3.3 million of tax expense attributable to U.S. operations.

During the six months ended June 30, 2019, the Company recorded income tax expense of $6.3 million on $19.8 million of pre-tax profit from continuing operations – for an effective tax rate of 31.8%. Included in the $6.3 million of consolidated tax expense was $3.5 million of tax expense attributable to U.S. operations.

During the six months ended June 30, 2018, the Company recorded income tax expense of $7.9 million on $42.6 million of pre-tax profit from continuing operations – for an effective tax rate of 18.6%. Included in the $7.9 million of consolidated tax expense was $6.2 million of tax expense attributable to U.S. operations.

Note 13. Retirement Plans

The Company sponsors a pension and various other postretirement benefit plans for its employees. Each plan serves a defined group of employees and has varying levels of Company contributions. The Company's contributions to certain plans may be required by the terms of the Company's collective bargaining agreements. The components of net periodic benefit cost are included within net periodic benefit income on the Condensed Consolidated Statement of Operations.

The following tables provide the components of net periodic pension benefit cost and other post-retirement benefit cost (in thousands):

	Pension Benefits		Other Benefits	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2019	2018	2019	2018
Service cost	$ 3	$ 5	$ 1	$ 2
Interest cost	2,000	1,835	138	128
Expected return on plan assets (a)	(2,182)	(2,537)	—	—
Amortization of prior service credit	(24)	(24)	33	32
Net periodic benefit cost / (income)	$ (203)	$ (721)	$ 172	$ 162

	Pension Benefits		Other Benefits	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Service cost	$ 6	$ 9	$ 2	$ 3
Interest cost	4,000	3,671	276	256
Expected return on plan assets (a)	(4,365)	(5,075)	—	—
Amortization of prior service credit	(47)	(47)	66	66
Net periodic benefit cost / (income)	$ (406)	$ (1,442)	$ 344	$ 325

(a) Expected rate of return on plan assets is 7.40% for 2019 and was 7.40% for 2018

The Company expects its minimum pension funding requirements to be $5.9 million during 2019. During the three and six months ended June 30, 2019, the Company made contributions of $1.3 million and $2.5 million, respectively. During the three and six months ended June 30, 2018, the Company made contributions of $1.7 million and $3.2 million, respectively.

Additionally, during the three and six months ended June 30, 2019, the Company contributed $1.7 million and $3.5 million, respectively, to its defined contribution retirement plans. During the three and six months ended June 30, 2018, the Company contributed $1.7 million and $3.3 million, respectively, to its defined contribution retirement plans.

Note 14. Stockholders' Equity and Noncontrolling Interests

The table below provides a reconciliation of the carrying amount of total stockholders' equity for the six months ended June 30, 2019 (dollars in thousands):

	Common Stock Units/Shares	Amount	Additional Paid in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at December 31, 2018	20,606,736	$ 224	$ 347,816	$ (36,882)	$ 64,676	$ (74,920)	$ 300,914
Net loss	-	-	-	-	(5,068)	-	(5,068)
Other comprehensive loss	-	-	-	-	-	(5,380)	(5,380)
Total comprehensive loss	-	-	-	-	-	-	(10,448)
Vesting of RSUs	102,856	1	(1)	-	-	-	-
Stock options exercised	13,041	-	160	-	-	-	160
Treasury stock	(33,908)	-	-	(861)	-	-	(861)
Share-based compensation expense	-	-	1,297	-	-	-	1,297
Dividend paid	-	-	-	-	(2,680)	-	(2,680)
Cumulative effect of the adoption of ASU No. 2016-02	-	-	-	-	4,132	-	4,132
Amounts reclassified from AOCI	-	-	-	-	-	19,980 **(a)**	19,980
Balance at March 31, 2019	20,688,725	$ 225	$ 349,272	$ (37,743)	$ 61,060	$ (60,320)	$ 312,494
Net income	-	-	-	-	5,811	-	5,811
Other comprehensive loss	-	-	-	-	-	(1,052)	(1,052)
Total comprehensive income	-	-	-	-	-	-	4,759
Vesting of RSUs	-	-	-	-	-	-	-
Stock options exercised	1,747	-	21	-	-	-	21
Treasury stock	-	-	-	-	-	-	-
Share-based compensation expense	-	-	2,130	-	-	-	2,130
Dividend paid	-	-	-	-	(2,689)	-	(2,689)
Amounts reclassified from AOCI	-	-	-	-	-	107	107
Balance at June 30, 2019	20,690,472	$ 225	$ 351,423	$ (37,743)	$ 64,182	$ (61,265)	$ 316,822

(a) Includes recognition of $36.8 million loss related to the sale of the Company's European operations and recognition of $17.1 million gain associated with the Company's net investment hedges that were terminated upon the sale of the Company's European operations.

The table below provides a reconciliation of the carrying amount of total stockholders' equity for the six months ended June 30, 2018 (dollars in thousands):

	Common Stock Units/Shares	Amount	Additional Paid in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at December 31, 2017	20,542,397	$ 223	$ 344,153	$ (36,408)	$ 29,712	$ (67,808)	$ 269,872
Net income	-	-	-	-	17,300	-	17,300
Other comprehensive income	-	-	-	-	-	6,572	6,572
Total comprehensive income	-	-	-	-	-	-	23,872
Vesting of RSUs	62,225	1	(1)	-	-	-	-
Stock options exercised	8,579	-	112	-	-	-	112
Treasury stock	(18,064)	-	-	(474)	-	-	(474)
Share-based compensation expense	-	-	703	-	-	-	703
Dividend paid	-	-	-	-	(2,465)	-	(2,465)
Cumulative effect of the adoption of ASU No. 2017-12	-	-	-	-	(3,848)	3,848	-
Balance at March 31, 2018	20,595,137	$ 224	$ 344,967	$ (36,882)	$ 40,699	$ (57,388)	$ 291,620
Net income	-	-	-	-	22,376	-	22,376
Other comprehensive loss	-	-	-	-	-	(14,834)	(14,834)
Total comprehensive income	-	-	-	-	-	-	7,542
Vesting of RSUs	-	-	-	-	-	-	-
Stock options exercised	8,887	-	107	-	-	-	107
Treasury stock	-	-	-	-	-	-	-
Share-based compensation expense	-	-	906	-	-	-	906
Dividend paid	-	-	-	-	(2,472)	-	(2,472)
Balance at June 30, 2018	20,604,024	$ 224	$ 345,980	$ (36,882)	$ 60,603	$ (72,222)	$ 297,703

On June 17, 2016, the Company announced its Board of Directors' authorization to repurchase up to $100 million of the Company's issued and outstanding common stock from time to time in the open market, or in privately negotiated transactions. The Company expects to fund such repurchases from cash flow from operations, cash on hand, asset dispositions, and borrowings under its revolving credit facility. Through June 30, 2019, the Company repurchased a total of 829,648 shares of common stock at an aggregate cost of $18.9 million under this repurchase program. During the six months ended June 30, 2019, no shares have been repurchased under this repurchase program.

The following table presents the components of accumulated other comprehensive loss (in thousands):

	As of June 30, 2019	As of December 31, 2018	Change
Foreign currency translation adjustments, net of tax expense of $0 million and $2.9 million	$ (19,509)	$ (36,531)	$ 17,022
Defined benefit plans, net of tax expense of $14.9 million and $14.9 million	(38,185)	(38,185)	—
Unrealized loss on qualifying cash flow hedge, net of tax benefit of $2.5 million and $1.3 million	(3,571)	(204)	(3,367)
Accumulated other comprehensive loss	$ (61,265)	$ (74,920)	$ 13,655

The following table presents the changes in accumulated other comprehensive loss by component (in thousands) for the three months ended June 30, 2019:

	Unrealized loss on Qualifying cash flow Hedge	Defined Benefit Plan	Foreign Currency Translation Adjustments	Total
Balance at March 31, 2019	$ (1,993)	$ (38,185)	$ (20,142)	$ (60,320)
Other comprehensive income / (loss) before reclassification	(1,685)	—	633	(1,052)
Amounts reclassified from accumulated other comprehensive loss	107	—	—	107
Net current-period other comprehensive income / (loss)	(1,578)	—	633	(945)
Balance at June 30, 2019	$ (3,571)	$ (38,185)	$ (19,509)	$ (61,265)

The following table presents the changes in accumulated other comprehensive loss by component (in thousands) for the three months ended June 30, 2018:

	Unrealized loss on Qualifying cash flow Hedge	Defined Benefit Plan	Foreign Currency Translation Adjustments	Total
Balance at March 31, 2018	$ (583)	$ (38,249)	$ (18,556)	$ (57,388)
Other comprehensive income / (loss) before reclassification	1,608	-	(16,442)	(14,834)
Net current-period other comprehensive income / (loss)	1,608	-	(16,442)	(14,834)
Balance at June 30, 2018	$ 1,025	$ (38,249)	$ (34,998)	$ (72,222)

The following table presents the changes in accumulated other comprehensive loss by component (in thousands) for the six months ended June 30, 2019:

	Unrealized loss on Qualifying cash flow Hedge	Defined Benefit Plan	Foreign Currency Translation Adjustments	Total
Balance at December 31, 2018	$ (204)	$ (38,185)	$ (36,531)	$ (74,920)
Other comprehensive loss before reclassification	(3,698)	—	(2,734)	(6,432)
Amounts reclassified from accumulated other comprehensive loss	331	—	19,756	20,087
Net current-period other comprehensive income / (loss)	(3,367)	—	17,022	13,655
Balance at June 30, 2019	$ (3,571)	$ (38,185)	$ (19,509)	$ (61,265)

The following table presents the changes in accumulated other comprehensive loss by component (in thousands) for the six months ended June 30, 2018:

	Unrealized loss on Qualifying cash flow Hedge	Defined Benefit Plan	Foreign Currency Translation Adjustments	Total
Balance at December 31, 2017	$ (4,698)	$ (38,249)	$ (24,861)	$ (67,808)
Other comprehensive income / (loss) before reclassification	4,989	-	(13,251)	(8,262)
Amounts reclassified from accumulated other comprehensive loss	734	-	3,114	3,848
Net current-period other comprehensive income / (loss)	5,723	-	(10,137)	(4,414)
Balance at June 30, 2018	$ 1,025	$ (38,249)	$ (34,998)	$ (72,222)

Note 15. Earnings per Share ("EPS")

Basic earnings / (loss) per share is calculated by dividing net income / (loss) by the weighted average number of common shares outstanding. The share count for diluted earnings / (loss) per share is computed on the basis of the weighted average number of common shares outstanding plus the effects of dilutive common stock equivalents ("CSEs") outstanding during the period. CSEs, which are securities that may entitle the holder to obtain common stock, include outstanding stock options and restricted stock units. When the average price of the common stock during the period exceeds the exercise price of a stock option, the options are considered potentially dilutive CSEs. When there is a loss from continuing operations, potentially dilutive shares are excluded from the computation of earnings per share, as their effect would be anti-dilutive.

The Company did not exclude any potentially anti-dilutive shares for the three and six months ended June 30, 2019 and 2018.

A summary of the information used to compute basic and diluted net income / (loss) per share is shown below (in thousands – except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Income from continuing operations	$ 5,811	$ 18,278	$ 13,483	$ 34,733
Income / (loss) from discontinued operations, net of tax	—	4,098	(12,740)	4,943
Net income	$ 5,811	$ 22,376	$ 743	$ 39,676
Basic income / (loss) per share:				
Continuing operations	$ 0.28	$ 0.89	$ 0.65	$ 1.69
Discontinued operations	—	0.20	(0.62)	0.24
Net income	0.28	1.09	0.03	1.93
Basic weighted average shares outstanding	20,689,474	20,597,482	20,660,959	20,577,161
Diluted income / (loss) per share:				
Continuing operations	$ 0.28	$ 0.87	$ 0.64	$ 1.66
Discontinued operations	—	0.20	(0.61)	0.24
Net income	0.28	1.07	0.03	1.90
Diluted weighted average shares outstanding	20,998,849	20,986,122	21,030,890	20,969,142

The following table presents information regarding the Company's quarterly dividends per common share.

Declaration Date	Cash Amount	Record Date	Payment Date
2019			
April 18, 2019	$ 0.13	May 9, 2019	June 7, 2019
January 24, 2019	0.13	February 7, 2019	February 28, 2019
2018			
April 19, 2018	0.12	May 10, 2018	June 8, 2018
January 26, 2018	0.12	February 9, 2018	February 28, 2018

Note 16. Share-Based and Long-Term Compensation

Share-Based Compensation

2010 Equity Incentive Plan ("the Plan")

The Company adopted an equity incentive plan in connection with its 2010 initial public offering that allows for the grant of stock options, restricted stock awards, other equity-based awards, and certain cash-based awards to be made pursuant to the Plan. The eligibility requirements and terms governing the allocation of any common stock and the receipt of other consideration under the Plan are determined by the Board of Directors and/or its Compensation Committee.

At June 30, 2019, 445,257 shares were available for future grants of options and other types of awards under the Plan.

The following table summarizes the Company's award activity during the six months ended June 30, 2019:

	Options		Restricted Stock Units	
Outstanding at:	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Grant Date Fair Value**
December 31, 2018	341,344	$ 12.21	388,047	$ 26.33
Granted	—	—	179,453	25.28
Options exercised or RSUs vested	(14,788)	12.19	(102,856)	26.32
Forfeited	—	—	(5,515)	25.89
June 30, 2019	326,556	$ 12.21	459,128	$ 25.93

Stock Options

The exercise price of each stock option equals the market price of the Company's common stock on the grant date. Compensation expense is recorded at the grant date fair value and is recognized on a straight-line basis over the applicable vesting periods. The Company's stock options generally vest over three years, with a maximum term of ten years.

The Company calculates the weighted average grant date fair value of each option granted using a Black-Scholes valuation model. During the three and six months ended June 30, 2019 and 2018, the Company did not recognize any expense relating to the options as all of the expense associated with these options had been fully recognized in previous periods.

As of June 30, 2019, the Company had an aggregate of 326,556 stock options that had been granted, but had not yet been exercised. As of June 30, 2019, the remaining average contractual life for these options is approximately two years. During the six months ended June 30, 2019, 14,788 options were exercised, which had an aggregate intrinsic value of $0.2 million. As of June 30, 2019, 326,556 stock options were exercisable, which had an aggregate intrinsic value of $2.4 million. During the six months ended June 30, 2019, 2018, no options were forfeited and no options were granted.

Restricted Stock Units ("RSUs")

The grant date fair value of each RSU equals the market price of the Company's common stock on its date of grant. Compensation expense is recorded at the grant date fair value, less an estimated forfeiture amount, and is recognized on a straight-line basis over the applicable vesting periods. The Company's RSUs generally vest over a three year period.

During the three and six months ended June 30, 2019, the Company recognized expense relating to the RSUs of $0.8 million and $1.8 million, respectively. During the three and six months ended June 30, 2018, the Company recognized expense relating to the RSUs of $0.9 million and $1.6 million, respectively. As of June 30, 2019, the Company had $6.9 million of unrecognized compensation expense associated with these RSUs, which will be amortized on a straight-line basis over the next 17 months, on a weighted average basis.

As of June 30, 2019, the Company had an aggregate of 459,128 RSUs that had been granted, but had not yet vested. During the six months ended June 30, 2019, 179,453 RSUs were granted and 5,515 RSUs were forfeited.

During the first six months of 2019, a total of 102,856 RSUs vested, resulting in the issuance of 102,856 shares. The fair value of these shares was $2.6 million. This total was reduced by shares repurchased to provide payment for certain individuals' minimum statutory withholding tax. After offsets for withholding taxes, a total of 68,948 shares of common stock were issued. The Company paid $0.9 million to acquire 33,908 vested shares to cover the minimum statutory withholding taxes.

Long-Term Compensation

Performance Award Agreements

Under the provisions of the 2010 Equity Incentive Plan, the Company grants certain awards annually in March pursuant to Performance Award Agreements to approximately 80 executives. These awards are designed to provide the executives with an incentive to participate in the long-term success and growth of the Company. The Performance Award Agreements provide for cash-based awards that vest upon payment. Pursuant to meeting the performance conditions set forth in the Performance Award Agreements, each award will be paid three years after it is granted.

These awards are also subject to payment upon a change in control or termination of employment, if certain criteria are met. These awards represent unfunded, unsecured obligations of the Company.

2016 and 2017 Awards

One half of the awards granted in 2016 and 2017 will be based upon the Company's Adjusted EBIT Growth Rate, which is defined as the Company's cumulative Adjusted EBIT (earnings before interest and taxes) for the performance period of the awards, stated in terms of a percentage growth rate. The Company's EBIT will be adjusted to exclude the effect of extraordinary, unusual, and/or nonrecurring items and then will be divided by the number of fiscal years in the specified period, stated in terms of a percentage growth rate. The other half of the awards will be based upon the Company's percentile ranking of total shareholder return, compared to a peer group of companies, for the performance period.

Pursuant to meeting the performance conditions set forth in the Performance Award Agreements, the awards granted in 2016 were paid in the first quarter of 2019.

2018 and 2019 Awards

One half of the awards granted in 2018 and 2019 will be based upon the Company's Adjusted EBITDA Growth Rate, which is defined as the Company's cumulative Adjusted EBITDA for the performance period of the awards, stated in terms of a percentage growth rate. The other half of the awards will be based upon the Company's percentile ranking of total shareholder return, compared to a peer group of companies, for the performance period.

The performance period of the awards granted in 2017 is January 1, 2017 through December 31, 2019. The performance period of the awards granted in 2018 is January 1, 2018 through December 31, 2020. The performance period of the awards granted in 2019 is January 1, 2019 through December 31, 2021.

During the three and six months ended June 30, 2019, the Company recorded expense / (income) related to all performance awards of ($0.1 million) and $2.3 million, respectively. During the three and six months ended June 30, 2018, the Company recorded expense related to all performance awards of $0.8 million and $1.9 million, respectively. At June 30, 2019, the Company had a liability of $ 5.8 million related to these awards, of which $3.6 million is payable in March 2020 and is presented as other current liabilities in the Condensed Consolidated Balance Sheets, while the remaining $2.2 million is presented as other non-current liabilities in the Condensed Consolidated Balance Sheets.

Note 17. Segment Information

The Company defines its operating segments as components of its business where separate financial information is available. The Company's operating segments are routinely evaluated by management. The Company's chief operating decision maker ("CODM") is its Chief Executive Officer.

The Company produces engineered structural metal components and assemblies primarily serving the global automotive industry. The Company's operations have similar economic characteristics and share fundamental characteristics, including the nature of the products, production processes, margins, customers, and distribution channels. The Company's products include body structures stampings, chassis structures (including frames), and complex welded assemblies for small and large cars, crossovers, pickups, and SUVs. The Company is comprised of two operating segments: North America and Brazil. These operating segments are aggregated into one reportable segment.

The following is a summary of select data for the Company's reportable segment (in thousands):

		Total
Three Months Ended June 30, 2019:		
Revenues	$	345,446
Net Income		5,811
Capital Expenditures (a)		30,212
Total Assets		1,206,292
Three Months Ended June 30, 2018:		
Revenues	$	395,929
Net Income		22,376
Capital Expenditures (a)		25,257
Total Assets (b)		1,247,121
Six Months Ended June 30, 2019:		
Revenues	$	724,184
Net Income		743
Capital Expenditures		69,854
Six Months Ended June 30, 2018:		
Revenues	$	803,162
Net Income		39,676
Capital Expenditures		37,332

(a) Capital expenditures represent cash disbursed for purchases of property, plant, and equipment, as presented in the accompanying Condensed Consolidated Statements of Cash Flows.
(b) As of June 30, 2018, total assets include assets held for sale.

Inter-segment sales are not significant for any period presented.

Note 18. Fair Value of Financial Instruments

FASB ASC No. 820, *Fair Value Measurements,* defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants, at the measurement date under current market conditions (an exit price). The exit price is based upon the amount that the holder of the asset or liability would receive or need to pay in an actual transaction or in a hypothetical transaction if an actual transaction does not exist, at the measurement date. In some circumstances, the entry and exit price may be the same; however, they are conceptually different.

The Company generally determines fair value based upon quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, the Company uses valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value, the Company may make adjustments for risks and uncertainties, if a market participant would include such an adjustment in its pricing.

FASB ASC No. 820 establishes a fair value hierarchy that distinguishes between assumptions based upon market data, referred to as observable inputs, and the Company's assumptions, referred to as unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

Level 1: Quoted market prices in active markets for identical assets and liabilities;

Level 2: Inputs, other than Level 1 inputs, that are either directly or indirectly observable; and

Level 3: Unobservable inputs developed using estimates and assumptions that reflect those that market participants would use.

At June 30, 2019, the carrying value and estimated fair value of the Company's total debt was $252.9 million and $246.6 million, respectively. At December 31, 2018, the carrying value and estimated fair value of the Company's total debt was $304.6 million and $290.1 million, respectively. The majority of the Company's debt at June 30, 2019 and December 31, 2018 was comprised of the Term Loan Credit Facility, which can be traded between financial institutions. Accordingly, this debt has been classified as Level 2. The fair value was determined based upon quoted values. The remainder of the Company's debt, primarily consisting of foreign subsidiary indebtedness, is asset-backed and is classified as Level 3. As this debt carries variable rates and minimal credit risk, the book value approximates the fair values.

The Company has an interest rate swap that was measured at fair value on a recurring basis at June 30, 2019. The Company had foreign currency exchange hedges and an interest rate swap that were measured at fair value on a recurring basis at December 31, 2018. These instruments are recorded in other non-current liabilities in the Company's Condensed Consolidated Balance Sheets and the fair value is measured using Level 2 observable inputs such as foreign currency exchange rates, swap rates, cross currency basis swap spreads and interest rate spreads. At June 30, 2019, the interest rate swap had a liability fair value of $4 million. At December 31, 2018, the foreign currency exchange hedge (net investment hedge of the Company's European subsidiaries) and the interest rate swap had liability fair values of $19.9 million and $5 million, respectively.

The following table provides each major category of assets and liabilities measured at fair value on a nonrecurring basis during the six months ended June 30, 2019 (in millions):

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total gains / (losses)**
Long-lived assets held for sale	Not applicable	Not applicable	$ 256.8	$ (6.9)

In accordance with FASB ASC No. 360, *Property, Plant, & Equipment*, the long-lived assets held for sale related to the Company's European operations, with a carrying amount of $263.7 million were written down to their fair value of $256.8 million, resulting in a loss of $6.9 million, which was included in the Company's Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 as income/ (loss) from discontinued operations, net of tax. The fair value of the assets was determined based upon the actual net proceeds received compared to the carrying value of the European operations. The carrying value also included the cumulative translation adjustment that was reclassified into earnings.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments.

Note 19. Commitments and Contingencies

Environmental Matters

The Company owns properties which have been affected by environmental releases. The Company is actively involved in investigation and/or remediation at several of these locations.

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. The established liability for environmental matters is based upon management's best estimates, on an undiscounted basis, of expected investigation/remediation costs related to environmental contamination. It is possible that actual costs associated with these matters will exceed the environmental reserves established by the Company. Inherent uncertainties exist in the estimates, primarily due to unknown environmental conditions, changing governmental regulations, and legal standards regarding liability and evolving technologies for handling site remediation and restoration. At June 30, 2019 and December 31, 2018, the Company had $1.3 million accrued for environmental matters.

Contingent Matters

The Company will establish an accrual for matters in which losses are probable and can be reasonably estimated. These types of matters may involve additional claims that, if granted, could require the Company to pay penalties or make other expenditures in amounts that will not be estimable at the time of discovery of the matter. In these cases, a liability will be recorded at the low end of the range if no amount within the range is a better estimate in accordance with FASB ASC No. 450, *Accounting for Contingencies*.

In 2018, the Company received a favorable court ruling regarding the unconstitutionality of calculating Brazilian PIS and COFINS taxes. During the first quarter of 2019, the Company submitted a claim with the Brazilian government and received authorization to begin utilizing the credits to offset certain cash payments to the government. The Company has five years to utilize the credits. The Company will account for the utilization of these credits in accordance with FASB No. ASC 450, *Accounting for Contingencies*. The submission of the claim with the Brazilian government resulted in a one-time tax obligation, for which a portion of the tax credit will be utilized to offset. Therefore, the Company recognized a one-time benefit of $5.2 million during the first quarter of 2019 that has been presented within other income on the Condensed Consolidated Statements of Operations. Utilization of these credits subsequent to March 31, 2019 has been recorded within cost of sales.

Litigation

The Company is subject to various legal actions and claims incidental to its business, including potential lawsuits with customers or suppliers. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not probable or estimable. After discussions with counsel litigating these matters, it is the opinion of management that the outcome of such matters will not have a material impact on the Company's financial position, results of operations, or cash flows.

Note 20. Subsequent Events

As set forth in the Explanatory Note to this Quarterly Report on Form 10-Q, on July 12, 2019, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Autokiniton US Holdings, Inc. ("Parent") and Tiger Merger Sub, Inc., a direct, wholly owned subsidiary of Parent ("Merger Sub"). Pursuant to the terms of the Merger Agreement, Merger Sub will commence a cash tender offer (as it may be extended and amended from time to time as permitted under, or required by, the Merger Agreement, the "Offer"), no sooner than August 14, 2019 and no later than August 19, 2019, to purchase any and all of the outstanding shares of the Company's common stock (each, a "Share," and collectively, "Shares"), at a price per Share of $31.00 in cash, net of applicable withholding, without interest. Upon commencement of the Offer, Merger Sub will file an offer to purchase with the Securities and Exchange Commission (the "SEC") and the Company will file a Solicitation/Recommendation Statement on Schedule 14D-9 (the "14D-9") with the SEC.

The consummation of the Offer is subject to, among other things, (1) there having been validly tendered and not validly withdrawn Shares that represent at least one more Share than 50% of the Shares outstanding as of the expiration of the Offer, (2) the expiration or termination of any applicable waiting period (or extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or receipt of any related affirmative governmental approval or clearance, (3) the absence of a material adverse effect on the Company and (4) other customary closing conditions contained in the Merger Agreement.

Assuming the Offer is consummated in accordance with the Merger Agreement, then, as soon as practicable following the consummation of the Offer, and subject to the satisfaction or waiver of the applicable conditions in the Merger Agreement, pursuant to Section 251(h) of the Delaware General Corporation Law, Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving the Merger as a direct, wholly owned subsidiary of Parent, without a meeting or vote of the Company's stockholders. As of the effective time of the Merger (the "Effective Time"), each Share issued and outstanding immediately prior to the Effective Time, other than cancelled shares (including shares owned directly by Parent or Merger Sub) and dissenting shares, will be converted into the right to receive an amount equal to $31.00 per share in cash, net of applicable tax withholding, without interest.

The Merger Agreement contains customary representations and warranties by the Company and provides for the Company to make certain covenants that restrict the Company during the period between the execution of the Merger Agreement and the earlier of the closing of the transaction or the termination of the Merger Agreement. Among those covenants, the Company has agreed (subject to certain limited exceptions) not to repurchase its shares of common stock and has agreed not to pay cash dividends on its common stock during that period.

Assuming that all conditions to the consummation of the Offer and Merger are satisfied or, where permitted, waived, the Offer and Merger are expected to close in the third or fourth quarter of 2019. Upon consummation of these transactions, certain compensatory items, such as outstanding equity awards and performance awards, will accelerate and vest. The Company intends to include additional information regarding compensatory matters associated with the Offer and Merger in the 14D-9, including information regarding additional amounts (approximately $3.5 million) payable pursuant to the Company's separation agreement with Pär Malmhagen, the Company's former President, upon consummation of the Merger.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Company Overview

We are a leading integrated manufacturer of engineered structural metal components and assemblies primarily serving original equipment manufacturers ("OEMs"). We offer our automotive customers a broad product portfolio, supplying body-structure stampings, frame and other chassis structures, and complex welded assemblies, for small and large cars, crossovers, pickups, and sport utility vehicles. Our products are manufactured at 14 facilities strategically located near our customers in the United States, Mexico, and Brazil. We support our manufacturing operations through five engineering and sales locations around the world. Our products are offered on a diverse mix of vehicle platforms, reflecting the balanced portfolio approach of our business model and the breadth of our product capabilities.

We believe that our engineering, manufacturing, and program management capabilities, our competitive cost, our financial discipline, and our colleague engagement position us for long-term success.

Recent Developments

See the "Explanatory Note" set forth immediately prior to Item 1 of Part I of this Quarterly Report for information regarding the Company's execution of a Merger Agreement providing for the acquisition of the Company by Autokiniton US Holdings, Inc. pursuant to the Offer and Merger referenced in the Explanatory Note. Assuming that all conditions to the consummation of the Offer and Merger are satisfied or, where permitted, waived, the Offer and Merger are expected to close in the third or fourth quarter of 2019.

Recent Trends

Production Volumes

During the first six months of 2019, industry production volumes decreased from 2018 in North America and increased in Brazil. According to IHS Automotive ("IHS"), full year industry production in 2019 is projected to decrease in North America and increase in Brazil.

Factors Affecting our Industry, Revenues, and Expenses

For information regarding factors that affect our industry, revenues, and expenses, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2018.

Adjusted EBITDA

We use the term Adjusted EBITDA throughout this report. We define Adjusted EBITDA as net income / (loss) before interest, taxes, depreciation, amortization, restructuring items, and other adjustments described in the reconciliations provided in this report. Adjusted EBITDA is not a measure of performance defined in accordance with accounting principles generally accepted in the United States ("U.S. GAAP" or "GAAP"). We use Adjusted EBITDA as a supplement to our GAAP results in evaluating our business.

Adjusted EBITDA is included in this Report because it is one of the principal factors upon which our management assesses performance. Our Chief Executive Officer measures the performance of our segments on the basis of Adjusted EBITDA. As an analytical tool, Adjusted EBITDA assists us in comparing our performance over various reporting periods on a consistent basis because it excludes items that we do not believe reflect our core operating performance.

We believe that Adjusted EBITDA is useful in evaluating our performance as it is a commonly used financial metric for measuring and comparing the operating performance of companies in our industry. We believe that the disclosure of Adjusted EBITDA offers an additional financial metric that, when coupled with the GAAP results and the reconciliation to GAAP results, provides a more complete understanding of our results of operations and the factors and trends affecting our business.

Adjusted EBITDA should not be considered as an alternative to net income / (loss) as an indicator of our performance, as an alternative to net cash provided by operating activities as a measure of liquidity, or as an alternative to any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted EBITDA. Although we believe that Adjusted EBITDA may make an evaluation of our operating performance more consistent because it removes items that do not reflect our core operations, other companies in our industry may define Adjusted EBITDA differently than we do and, as a result, it may not be comparable to similarly titled measures used by other companies in our industry, and Adjusted EBITDA excludes certain financial information that some may consider important in evaluating our performance.

We compensate for these limitations by providing disclosure of the differences between Adjusted EBITDA and GAAP results, including a reconciliation of Adjusted EBITDA to GAAP results, to enable investors to perform their own analysis of our operating results. For a reconciliation of consolidated Adjusted EBITDA to its most directly comparable GAAP measure, net income / (loss), see “Results of Operations” below.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of the income generated by our business or discretionary cash available to us to invest in the growth of our business. Our management compensates for these limitations by analyzing both our GAAP results and Adjusted EBITDA.

Results of Operations—Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

The following table presents production volumes in specified regions, according to the IHS July 2019 issue, for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 (in millions of units produced):

	North America	Brazil
Three Months Ended June 30, 2019	4.3	0.7
Three Months Ended June 30, 2018	4.4	0.7
Increase / (Decrease)	(0.1)	0.0
Percentage change	(2.1)%	5.2%

The following table presents select financial information for the three months ended June 30, 2019 and 2018 (in millions):

	Three Months Ended June 30, 2019	2018
Revenues	$ 345.4	$ 395.9
Cost of sales	309.0	345.1
Gross profit	36.4	50.8
Selling, general, and administrative expenses	17.6	22.9
Amortization expense	0.1	0.1
Restructuring and asset impairment charges, net	5.3	(0.2)
Operating income	13.5	28.0
Interest expense, net	4.6	4.7
Net periodic benefit income	—	0.6
Other income / (expense)	—	(1.0)
Provision for income taxes	3.1	4.6
Income from discontinued operations, net of tax	—	4.1
Net income	$ 5.8	$ 22.4

Comparison of Periods – GAAP Analysis of Consolidated Results

During the second quarter of 2019, revenues and profits were negatively impacted by the relatively slow ramp-up of production related to a customer's new model production change-over after the temporary closure of our Chicago facility during the first quarter of 2019. This closure allowed for the demolition and removal of old manufacturing equipment for the previous model and installation of new manufacturing equipment to support our customer's new model.

Revenues

Total revenues decreased during the three months ended June 30, 2019 by $50.5 million, or 12.8%, from the three months ended June 30, 2018, reflecting lower volume ($51.9 million), related primarily to the timing of certain vehicle launches, and unfavorable foreign exchange ($1.1 million), offset partially by favorable pricing ($2.5 million).

Gross Profit

When we analyze our total gross profit, we separately categorize external factors—volume, product mix, and foreign exchange—from all other factors that impact gross profit, which we refer to as "other factors". When we refer to "mix" we are referring to the relative composition of revenues and profitability of the products we sell in any given period. When we refer to "pricing and economics" we are referring to (i) the impact of adjustments in the pricing of particular products, which we refer to as product pricing; (ii) the impact of steel price changes, taking into account the component of our product pricing attributable to steel, the cost of steel included in our cost of sales, and the amounts recovered on the sale of offal, which in total we refer to as the net steel impact; and (iii) the impact of inflation and changes in operating costs, such as labor, utilities, and fuel, which we refer to as economics.

Total gross profit decreased by $14.4 million, or 28.3%, from the three months ended June 30, 2018 to the three months ended June 30, 2019, and our gross profit margin decreased from 12.8% during the 2018 period to 10.5% during the 2019 period. Gross profit was impacted by lower volume ($13.1 million), unfavorable mix ($7.6 million), and higher fixed costs to support new programs ($0.6 million), offset partially by favorable foreign exchange ($0.1 million). All other factors were net favorable ($6.8 million). Favorable recoveries from vendors that offset excess costs experienced in 2018 ($5.5 million), favorable efficiencies ($3.8 million), customer recoveries related to lower than anticipated volumes on certain platforms ($2.9 million), and lower launch costs ($2.1 million) were offset partially by unfavorable pricing and economics ($7.6 million). The decrease in gross profit margin was attributable primarily to lower volumes and higher fixed costs to support new programs.

In addition, gross profit was positively impacted $0.2 million for the net impact of the adoption of FASB ASC No. 842 and the change in depreciation expense. Upon adoption, the lease expenses that were previously recorded separately within costs of goods sold are now presented within depreciation and interest expense. The net improvement of $0.2 million within gross profit relates primarily to lower depreciation in 2019 due to the timing of certain vehicle launches.

Selling, General, and Administrative Expenses ("SG&A")

Total SG&A decreased $5.3 million, or 23.1%, from the three months ended June 30, 2018, reflecting primarily lower compensation expense related to our annual incentive compensation and long-term compensation programs due to lower payout expectations.

Restructuring and Asset Impairment Expense

Total restructuring expense increased $5.5 million from the three months ended June 30, 2018. During the second quarter of 2019, we took numerous actions to better align the management teams to the remaining footprint of the continuing operations. These actions included a shift in composition of the executive leadership team as well as certain changes within the corporate and regional management teams. During the second quarter of 2018, we amended the lease agreements related to closed facilities which resulted in a $0.3 million adjustment to the liability previously recorded.

Interest Expense, net

Interest expense, net, decreased $0.1 million from the three months ended June 30, 2018.

Net Periodic Benefit Income

Net periodic benefit income decreased $0.6 million from the three months ended June 30, 2018, reflecting primarily lower expected return on plan assets and higher interest cost.

OtherExpense

We recorded other expense of $1 million for the three months ended June 30, 2018, reflecting costs incurred to support the investigation of a potential acquisition that did not transpire.

Provision for Income Taxes

Income tax expense from continuing operations decreased $1.5 million from the three months ended June 30, 2018, primarily attributable to lower pretax income. Our overall effective tax rate increased from 20.1% to 34.9%. The increase in our effective tax rate is primarily due to lower generation of research credits during 2019 and the disallowance of executive restructuring costs pursuant to rules promulgated under the Tax Cuts and Jobs Act (the "TCJA").

The availability of U.S. net operating loss carryforwards generated in 2010-2013 has effectively eliminated our U.S. cash tax liability, except for immaterial payments for state income taxes. We do not expect to incur a material U.S. cash tax liability until at least 2022 due to the utilization of remaining net operating losses carryforwards and research credits, and by electing 100% expensing of machinery and equipment allowed under U.S. tax law.

Income from Discontinued Operations

As noted above, during the first quarter of 2019 we completed the sale of our European operations. We also completed the sale of our remaining Chinese business operations during the second quarter of 2018. Our European and Chinese business operations have been presented as discontinued operations in our Condensed Consolidated Financial Statements in accordance with FASB ASC No. 205, *Discontinued Operations*. We recorded income from discontinued operations, net of tax, of $4.1 million during the three months ended June 30, 2018.

Comparison of Periods—Non-GAAP Analysis of Adjusted EBITDA

A reconciliation of net income to Adjusted EBITDA for the periods presented is set forth below (in millions):

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Net income	$ 5.8	$ 22.4
Interest expense, net	4.6	4.7
Net periodic benefit income	—	0.6
Other income / (expense)	—	(1.0)
Provision for income taxes	3.1	4.6
Income from discontinued operations, net of tax	—	4.1
Operating income	13.5	28.0
Restructuring and asset impairment charges, net	5.3	(0.2)
Depreciation and amortization	16.3	14.0
Acquisition costs and other	—	0.1
Long-term compensation expense (a)	0.7	1.7
Lease expenses (b)	—	2.5
Adjusted EBITDA	$ 35.8	$ 46.1

(a) Represents the compensation expense related to stock options, restricted stock units, and accruals from certain compensation programs intended to benefit our long-term success and growth. The compensation charges are incurred during the applicable vesting periods of each program.

(b) Represents lease expense incurred related to certain manufacturing equipment that is being leased. Beginning in 2019, FASB ASC No. 842, *Leases*, changed the financial reporting for leases. Certain of our manufacturing equipment leases that were classified as operating leases under FASB ASC No. 840, *Leases*, are considered finance leases under the new standard which results in this expense being recorded within depreciation and interest expense.

The following table presents revenues (a GAAP measure) and Adjusted EBITDA (a non-GAAP measure) for the three months ended June 30, 2019 and 2018 (in millions), as well as an explanation of variances:

	Revenues	Adjusted EBITDA(c)
Three Months Ended June 30, 2019 results	$ 345.4	$ 35.8
Three Months Ended June 30, 2018 results	395.9	46.1
Variance	$ (50.5)	$ (10.3)
Variance attributable to:		
Volume and mix	$ (51.9)	$ (21.3)
Foreign exchange	(1.1)	0.1
Pricing and economics	2.5	(4.6)
Efficiencies	-	3.8
Selling, general, and administrative expenses and other items (d)	-	11.7
Total	$ (50.5)	$ (10.3)

(c) We have presented a reconciliation of net income to Adjusted EBITDA above.

(d) When we refer to "selling, general, and administrative expenses and other items", the "other items" refer to (i) savings which we generate after implementing restructuring actions, (ii) the costs associated with launching new products, and (iii) one-time items which may include reimbursement of costs.

Adjusted EBITDA

When we analyze Adjusted EBITDA, we separately categorize external factors—volume, product mix, and foreign exchange—and all other factors which impact Adjusted EBITDA, which we refer to as "other factors."

Adjusted EBITDA decreased by $10.3 million, or 22.4%, from the three months ended June 30, 2019, reflecting lower volume and mix ($21.3 million) offset partially by favorable foreign exchange ($0.1 million). Volume and mix consisted of lower volume ($13.1 million), unfavorable mix ($7.6 million), and higher fixed costs to support new programs ($0.6 million). All other factors were net favorable ($10.9 million). Favorable SG&A expense and other items ($11.7 million) and favorable efficiencies ($3.8 million) were offset partially by unfavorable pricing and economics ($4.6 million). SG&A expenses and other items reflected primarily favorable recoveries from vendors that offset excess costs experienced in 2018 ($5.5 million), customer recoveries related to lower than anticipated volumes on certain platforms ($2.9 million), lower launch costs ($2.1 million), and other favorable commercial and vendor settlements.

Results of Operations—Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

The following table presents production volumes in specified regions, according to the IHS July 2019 issue, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 (in millions of units produced):

	North America	Brazil
Six Months Ended June 30, 2019	8.5	1.4
Six Months Ended June 30, 2018	8.7	1.4
Increase / (Decrease)	(0.2)	0.0
Percentage change	(2.5)%	2.3%

The following table presents select financial information for the six months ended June 30, 2019 and 2018 (in millions):

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues	$ 724.2	$ 803.2
Cost of sales	650.9	704.2
Gross profit	73.2	99.0
Selling, general, and administrative expenses	42.8	46.3
Amortization expense	0.2	0.2
Restructuring and asset impairment charges, net	5.5	1.0
Operating income	24.8	51.5
Interest expense, net	9.6	9.0
Net periodic benefit income	0.1	1.1
Other income / (expense)	4.5	(1.0)
Provision for income taxes	6.3	7.9
Income / (loss) from discontinued operations, net of tax	(12.7)	4.9
Net income	$ 0.7	$ 39.7

Comparison of Periods – GAAP Analysis of Consolidated Results

During the first six months of 2019, revenues and profits were negatively impacted by the slow ramp-up of production related to our customer's new model production change-over after the temporary closure of our Chicago facility during the first quarter of 2019. This closure allowed for the demolition and removal of old manufacturing equipment for the previous model and installation of new manufacturing equipment to support our customer's new model.

Revenues

Total revenues decreased during the six months ended June 30, 2019 by $79 million, or 9.8%, from the six months ended June 30, 2018 reflecting lower volume ($78.5 million), related primarily to the timing of certain vehicle launches, and unfavorable foreign exchange ($3.5 million), offset partially by favorable pricing ($3 million).

Gross Profit

Total gross profit decreased by $25.8 million, or 26.1%, from the six months ended June 30, 2018 to the six months ended June 30, 2019 and our gross profit margin decreased from 12.3% during the 2018 period to 10.1% during the 2019 period. Gross profit was impacted by lower volume ($20.6 million), unfavorable mix ($11.8 million), higher fixed costs to support new programs ($1.8 million), and unfavorable foreign exchange ($0.3 million). All other factors were net favorable ($8.7 million). Lower launch costs ($7.7 million), favorable recoveries from vendors that offset excess costs in 2018 ($5.5 million), customer recoveries related to lower than anticipated volumes on certain platforms ($4.7 million), and favorable efficiencies ($4.1 million) were offset partially by unfavorable pricing and economics ($16.1 million). The decrease in gross profit margin was attributable primarily to lower volumes and higher fixed costs to support new programs.

In addition, gross profit was positively impacted $1.7 million for the net impact of the adoption of FASB ASC No. 842 and the change in depreciation expense. Upon adoption, the lease expenses that were previously recorded separately within costs of goods sold are now presented within depreciation and interest expense. The net improvement of $1.7 million within gross profit relates primarily to lower depreciation in 2019 due to the timing of certain vehicle launches.

Selling, General, and Administrative Expenses ("SG&A")

Total SG&A decreased $3.5 million, or 7.6%, from the six months ended June 30, 2018, reflecting primarily lower compensation expense related to our annual incentive compensation due to lower payout expectations.

Restructuring and Asset Impairment Expense

Total restructuring expense increased $4.5 million from the six months ended June 30, 2018. During the second quarter of 2019, we took numerous actions to better align the management teams to the remaining footprint of the continuing operations. These actions included a shift in composition of the executive leadership team as well as certain changes within the corporate and regional management teams. During the six months ended June 30, 2018, we recorded $1 million related primarily to severance charges to reduce fixed costs and the adjustment of a liability related to closed plants.

Interest Expense, net

Interest expense, net, increased $0.6 million from the six months ended June 30, 2018, reflecting primarily the interest expense associated with our finance leases upon the adoption of FASB ASC No. 842.

Net Periodic Benefit Income

Net periodic benefit income decreased $1.1 million from the six months ended June 30, 2019, reflecting primarily lower expected return on plan assets and higher interest cost.

Other Income / (expense)

We recorded other income of $4.5 million for the six months ended June 30, 2019, reflecting primarily $5.2 million of income related to the utilization of credits in Brazil (see Note 19 of our Condensed Consolidated Financial Statements), offset partially by fees of $0.7 million related to the termination of our interest rate swap. We recorded other expense of $1 million for the six months ended June 30, 2018, reflecting costs incurred during the six month period ended June 30, 2018 to support the investigation of a potential acquisition that did not transpire.

Provision for Income Taxes

Income tax expense from continuing operations decreased $1.6 million from the six months ended June 30, 2018, primarily attributable to lower pretax income. Our overall effective tax rate increased from 18.6% to 31.8%. The increase in our effective tax rate is primarily due to lower generation of research credits during 2019 and the disallowance of executive restructuring costs pursuant to rules promulgated under the TCJA.

The availability of U.S. net operating loss carryforwards generated in 2010-2013 has effectively eliminated our U.S. cash tax liability, except for immaterial payments for state income taxes. We do not expect to incur a material U.S. cash tax liability until at least 2022 due to the utilization of remaining net operating losses carryforwards, research credits, and by electing 100% expensing of machinery and equipment allowed under U.S. tax law.

Income from Discontinued Operations

As noted above, during the first quarter of 2019 we completed the sale of our European operations. We also completed the sale of our remaining Chinese business operations during the second quarter of 2018. Our European and Chinese business operations have been presented as discontinued operations in our Condensed Consolidated Financial Statements in accordance with FASB ASC No. 205, *Discontinued Operations*. We recorded a loss from discontinued operations, net of tax, of $12.7 million during the six months ended June 30, 2019, as compared with income of $4.9 million for the six months ended June 30, 2018. Included in the $12.7 million loss for the six months ended June 30, 2019 was a loss of $6.9 million on the sale of our European operations, which related primarily to the cumulative translation adjustment that was reclassified to earnings and the strengthening of the U.S. dollar against the Euro that resulted in a lower U.S. dollar purchase price.

Comparison of Periods—Non-GAAP Analysis of Adjusted EBITDA

A reconciliation of net income attributable to Tower International, Inc. to Adjusted EBITDA for the periods presented is set forth below (in millions):

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net income	$ 0.7	$ 39.7
Interest expense, net	9.6	9.0
Net periodic benefit income	0.1	1.1
Other income / (expense)	4.5	(1.0)
Provision for income taxes	6.3	7.9
Income / (loss) from discontinued operations, net of tax	(12.7)	4.9
Operating income	24.8	51.5
Restructuring and asset impairments	5.5	1.0
Depreciation and amortization	31.7	28.5
Acquisition costs and other	—	0.2
Long-term compensation expense (a)	4.2	3.0
Lease expenses (b)	—	4.9
Adjusted EBITDA	$ 66.2	$ 89.1

(a) Represents the compensation expense related to stock options, restricted stock units, and accruals from certain compensation programs intended to benefit our long-term success and growth. The compensation charges are incurred during the applicable vesting periods of each program.

(b) Represents lease expense incurred related to certain manufacturing equipment that is being leased. Beginning in 2019, FASB ASC No. 842, *Leases*, changed the financial reporting for leases. Certain of our manufacturing equipment leases that were classified as operating leases under FASB ASC No. 840, *Leases*, are considered finance leases under the new standard which results in this expense being recorded within depreciation and interest expense.

The following table presents revenues (a GAAP measure) and Adjusted EBITDA (a non-GAAP measure) for the six months ended June 30, 2019 and 2018 (in millions), as well as an explanation of variances:

	Revenues	Adjusted EBITDA(c)
Six Months Ended June 30, 2019 results	$ 724.1	$ 66.2
Six Months Ended June 30, 2018 results	803.1	89.1
Variance	$ (79.0)	$ (22.9)
Variance attributable to:		
Volume and mix	$ (78.5)	$ (34.2)
Foreign exchange	(3.5)	(0.3)
Pricing and economics	3.0	(13.1)
Efficiencies	—	4.1
Selling, general, and administrative expenses and other items (d)	—	20.6
Total	$ (79.0)	$ (22.9)

(c) We have presented a reconciliation of net income to Adjusted EBITDA above.

(d) When we refer to “selling, general, and administrative expenses and other items”, the “other items” refer to (i) savings which we generate after implementing restructuring actions, (ii) the costs associated with launching new products, and (iii) one-time items which may include reimbursement of costs.

Adjusted EBITDA

Adjusted EBITDA decreased by $22.9 million, or 25.8%, from the six months ended June 30, 2018, reflecting lower volume and mix ($34.2 million) and unfavorable foreign exchange ($0.3 million). Volume and mix consisted of lower volume ($20.6 million), unfavorable mix ($11.8 million), and higher fixed costs to support new programs ($1.8 million). All other factors were net favorable ($11.6 million). Favorable SG&A expense and other items ($20.6 million) and favorable efficiencies ($4.1 million), which were negatively impacted by the timing of certain vehicle launches, were offset partially by unfavorable pricing and economics ($13.1 million). SG&A expenses and other items reflected primarily lower launch costs ($7.7 million), favorable recoveries from vendors that offset excess costs in 2018 ($5.5 million), customer recoveries related to lower than anticipated volumes on certain platforms ($4.7 million), and other favorable commercial and vendor settlements.

Restructuring

The following table sets forth our net restructuring and asset impairment charges by type for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Employee termination costs	$ 5.2	$ 0.1	$ 5.3	$ 1.0
Other exit costs	0.1	(0.3)	0.1	0.1
Total restructuring charges, net	$ 5.3	$ (0.2)	$ 5.4	$ 1.1

We restructure our global operations in an effort to align our capacity with demand and to reduce our costs. Restructuring costs include employee termination benefits and other incremental costs resulting from restructuring activities. These incremental costs principally include equipment and personnel relocation costs. Restructuring costs are recognized in our Condensed Consolidated Financial Statements in accordance with FASB ASC No. 420, *Exit or Disposal Obligations,* and are presented in our Condensed Consolidated Statement of Operations as restructuring and asset impairment charges, net. We believe the restructuring actions discussed below will help our efficiency and results of operations on a going forward basis.

The charges incurred during the three and six months ended June 30, 2019 related to severance charges and ongoing maintenance expense of facilities closed as a result of prior actions. During the second quarter of 2019, we took numerous actions to better align the management teams to the remaining footprint of the continuing operations. These actions included a shift in composition of the executive leadership team as well as certain changes within the corporate and regional management teams. During the second quarter of 2018, we amended certain lease agreements in the U.S. related to closed facilities which resulted in a $0.3 million adjustment to the liability previously recorded. As a result of these amendments, we will no longer record material restructuring expense related to such closed facilities.

Liquidity and Capital Resources

General

We generally expect to fund expenditures for operations, administrative expenses, capital expenditures, dividend payments, and debt service obligations with internally generated funds from operations and we generally expect to satisfy working capital needs from time-to-time with borrowings under our revolving credit facility or cash on hand. As of June 30, 2019, we had available liquidity of $347.5 million, which we believe is adequate to fund our working capital requirements for at least the next twelve months. We believe that we will be able to meet our debt service obligations and fund operating requirements for at least the next twelve months with cash flow from operations, cash on hand, potential operating lease arrangements, and borrowings under our revolving credit facility.

On June 17, 2016, we announced our Board of Directors' authorization to repurchase up to $100 million of the Company's issued and outstanding common stock from time to time in the open market, or in privately negotiated transactions. We expect to fund such repurchases from cash flow from operations, cash on hand, asset dispositions, and borrowings under our revolving credit facility. To date, the Company repurchased a total of 829,648 shares of common stock at an aggregate cost of $18.9 million, all of which repurchases occurred during the year ended December 31, 2016.

Cash Flows and Working Capital

The following table shows the components of our cash flows from continuing operations for the periods presented (in millions):

	Six Months Ended June 30,	
	2019	**2018**
Net cash provided by / (used in):		
Operating activities	$ (21.0)	$ 0.5
Investing activities	207.3	(33.0)
Financing activities	(94.7)	(3.5)

Net Cash Provided by / (Used in) Operating Activities

Net cash used in operating activities was $21 million during the six months ended June 30, 2019, compared to $0.5 million generated during the six months ended June 30, 2018. The $21.5 million increase of cash used was attributable primarily to lower earnings.

Net Cash Provided by / (Used in) Investing Activities

Net cash provided by investing activities was $207.3 million during the six months ended June 30, 2019, compared to $33 million used during the six months ended June 30, 2018. The $240.4 million increase in cash provided was attributable primarily to $277.2 million net proceeds received from the sale of our European operations offset partially by higher capital expenditures for new programs.

Net Cash Used in Financing Activities

Net cash used in financing activities was $94.7 million during the six months ended June 30, 2019, compared to $3.5 million used during the six months ended June 30, 2018. This $91.2 million increase in cash used was attributable primarily to the $50 million repayment of our Term Loan Credit Facility and payments for the termination of our hedging instruments.

Working Capital

We manage our working capital by monitoring key metrics principally associated with inventory, accounts receivable, and accounts payable. Our quarterly average inventory days on hand increased to 22 days during the second quarter of 2019 from 20 days during the fourth quarter of 2018 and our inventory levels increased from $69.4 million at December 31, 2018 to $70.6 million at June 30, 2019, primarily due to the ramp up of production on recently awarded business.

Our accounts receivable balance increased from $113.1 million as of December 31, 2018 to $140.8 million as of June 30, 2019. The increase reflects higher trade accounts receivable due to the timing of customer payments consistent with normal seasonality.

Our accounts payable balance decreased from $188.8 million as of December 31, 2018 to $181.6 million as of June 30, 2019. The change reflects primarily an increase of trade accounts payable, resulting from the matching of terms with our customers and vendors, which was more than offset by a decrease due to the timing of payments related to capital expenditures and customer-owned tooling.

Our working capital usage is seasonal in nature. During the first half of the year, production and sales typically increase substantially, which causes our working capital to increase because our accounts receivable and inventory increase. In addition, we make our annual incentive bonus plan payments during the second quarter. In the second half of the year, production and sales typically decline as a result of scheduled customer shutdowns. The lower production and sales generally result in a reduction of accounts receivables and inventory, which decreases our working capital.

Our working capital is also impacted by our net position in regard to tooling owned by our customers. Tooling costs represent costs incurred by us in the development of new tooling used in the manufacture of our products. Generally, when a customer awards a contract to us, the customer agrees to reimburse us for certain of our tooling costs. As the tooling is developed, we experience cash outflows because we bear the costs and we typically do not receive reimbursement from our customers until the manufacture of the particular program commences. This timing delay causes our working capital to fluctuate between periods due to the timing of the cash inflows and outflows. We define our net tooling position as tooling in progress (see Note 6) plus accounts receivable related to tooling less accounts payable related to tooling. During the first six months of 2019 our net tooling position increased by $6.1 million from $15 million at December 31, 2018 to $21.1 million at June 30, 2019.

On June 30, 2019 and December 31, 2018 we had working capital balances (excluding discontinued operations held for sale) of $117.2 million and $1 million, respectively.

Sources and Uses of Liquidity

Our available liquidity at June 30, 2019 was $347.5 million, which consisted of $155.7 million of cash on hand, and unutilized borrowing availability under our U.S. credit facilities of $191.8 million. A portion of our cash balance is located at foreign subsidiaries and is presently being used to fund operations at and investment in those locations. As of December 31, 2018 we had available liquidity of $259.9 million.

As of June 30, 2019, we had short-term debt, excluding finance leases, of $4 million, of which $3.6 million related to current maturities of our Term Loan Credit Facility and $0.4 million related to borrowings in Brazil. Historically, we have been successful in renewing the Brazil debt as it becomes due, but we cannot provide assurance that this debt will continue to be renewed or, if renewed, that this debt will continue to be renewed under the same terms.

We are currently experiencing organic growth well above industry average as a result of major new business awards primarily in North America. To fund this growth, we continue to incur significant capital investment requirements for the purchase and installation of the machinery and equipment necessary to manufacture the awarded products. We have entered into certain equipment leases to assist with a portion of the funding requirements for the related capital investments. We believe that these finance leases provide a diversified capital source for financing the capital investment requirements at competitive rates in relation to our existing debt arrangements and help to maintain our strong liquidity profile. These leasing arrangements bear a weighted average fixed interest rate of 5.6%. As of June 30, 2019, the short-term portion of these lease liabilities was $23.3 million.

Pursuant to the Board of Directors' declaration on October 16, 2015, we commenced payment of a quarterly dividend of $0.10 per common share. This dividend was raised to $0.11 per common share on October 21, 2016 $0.12 per common share on October 20, 2017, and $0.13 per common share on October 18, 2018. During the three and six months ended June 30, 2019, we paid dividends of $2.7 million and $5.4 million, respectively. During the three and six months ended June 30, 2018, we paid dividends of $2.5 million and $4.9 million, respectively.

As noted above, on June 17, 2016, we announced our Board of Directors' authorization to repurchase up to $100 million of our issued and outstanding common stock from time to time in the open market, or in privately negotiated transactions. As of June 30, 2019, 829,648 shares have been purchased under the Repurchase Program at an aggregate cost of $18.9 million with no additional shares being purchased under that program during the six months ended June 30, 2019.

The Merger Agreement referenced in the "Explanatory Note" herein prohibits the Company from paying cash dividends on its common stock, and prohibits the Company from repurchasing its common stock (subject to certain limited exceptions), in either case without the consent of the acquirer.

Free Cash Flow

Free cash flow is a non-GAAP measure. Free cash flow is defined as cash provided by continuing operating activities less cash disbursed for purchases of property, plant, and equipment. We believe this metric provides useful information to our investors because management regularly reviews this metric as an important indicator of how much cash is generated by our normal business operations, net of capital expenditures, and makes decisions based upon them. Management also views this metric as a measure of cash available to reduce debt and grow the business. Free cash flow is calculated as follows (in millions).

	Six Months Ended June 30, 2019	2018
Net cash provided by continuing operating activities	$ (21.0)	$ 0.5
Cash disbursed for purchases of property, plant, and equipment, net	(69.9)	(37.3)
Free cash flow [1]	$ (90.9)	$ (36.8)

(1) Net cash disbursed for customer-owned tooling is included in free cash flow. Net cash disbursed for customer-owned tooling during the six months ended June 30, 2019 was $6.1 million compared to net cash received of $7.9 million for customer-owned tooling during the six months ended June 30, 2018.

Free cash flow was negative $90.9 million during the six months ended June 30, 2019, compared to negative $36.8 million during the six months ended June 30, 2018. The decrease reflected primarily higher capital expenditures, lower Adjusted EBITDA, and an unfavorable net tooling position.

Debt

As of June 30, 2019, we had outstanding indebtedness, excluding finance lease obligations and net of debt issue costs, of approximately $246.4 million, which consisted of the following:

- $252.1 million (net of a $1.2 million original issue discount) indebtedness outstanding under our Term Loan Credit Facility
- $0 million indebtedness outstanding under our Amended Credit Revolving Facility
- $0.8 million of foreign subsidiary indebtedness
- Less $6.5 million of debt issue costs netted against our indebtedness

Term Loan Credit Facility

On March 7, 2017, we amended the Term Loan Credit Agreement by entering into the Third Refinancing Term Loan Amendment and Restatement Agreement ("Third Term Loan Amendment"), pursuant to which, among other things, the outstanding term loans under the Term Loan Credit Agreement were refinanced in full. There were no additional borrowings associated with this refinancing. The aggregate principal amount of $358.9 million was outstanding under the Term Loan Credit Agreement upon amendment. The maturity date of the Term Loan Credit Facility is March 7, 2024 and the Term Loans bear interest at (i) the Alternate Base Rate plus a margin of 1.75% or (ii) the Adjusted LIBO Rate (calculated by multiplying the applicable LIBOR rate by a statutory reserve rate) plus a margin of 2.75%.

On December 14, 2018, we amended the Third Term Loan Amendment by entering into a Consent and Amendment (the "Term Loan Agreement"). Per the Term Loan Agreement, we were required to prepay outstanding Loans (as defined in the Term Loan Agreement) in an aggregate principal amount of $50 million substantially simultaneously with the consummation of the sale of our European operations. On March 4, 2019, we made the $50 million repayment. In connection with this payment, we paid debt issue costs of $1.2 million and accelerated the amortization of the original issue discount and the associated debt issue costs by $0.9 million.

Our Term Loan Credit Facility contains customary covenants applicable to certain of our subsidiaries, including a financial covenant (the "Total Net Leverage Ratio") based on the ratio of Total Net Debt to Consolidated EBITDA (each as defined in the Term Loan Credit Agreement). As of the last day of each fiscal quarter, we are required to maintain a Total Net Leverage Ratio of not more than 3.75 to 1.00 on a rolling four quarter basis. Our financial condition and liquidity would be adversely impacted by the violation of any of our covenants.

Amended Revolving Credit Facility

On March 7, 2017, we entered into a Fourth Amended and Restated Revolving Credit and Guaranty Agreement ("Fourth Amended Revolving Credit Facility Agreement"), by and among Tower Automotive Holdings USA, LLC, the Company, Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, the subsidiary guarantors named therein, the financial institutions from time to time party thereto as Lenders, and JPMorgan Chase Bank, N.A. as Issuing Lender, as Swing Line Lender, and as Administrative Agent for the Lenders.

The Fourth Amended Revolving Credit Facility Agreement amended and restated, in its entirety, the Third Amended Revolving Credit Facility Agreement, dated as of September 17, 2014, by and among the Borrower, its domestic affiliate and domestic subsidiary guarantors named therein, and the lenders party thereto, and the Agent. The Fourth Amended Revolving Credit Facility Agreement provides for a cash flow revolving credit facility (the "Amended Revolving Credit Facility") in the aggregate amount of up to $200 million. The Fourth Amended Revolving Credit Facility Agreement also provides for the issuance of letters of credit in an aggregate amount not to exceed $30 million, provided that the total amount of credit (inclusive of revolving loans and letters of credit) extended under the Fourth Amended Revolving Credit Facility Agreement is subject to an overall cap, on any date, of $200 million. We may request the issuance of Letters of Credit denominated in Dollars or Euros.

On December 14, 2018, we amended the Fourth Amended Revolving Credit Facility Agreement by entering into a Consent and Amendment (the "Revolver Amendment"), pursuant to which, among other things, substantially simultaneously with the consummation of the sale of our European operations, the expiration date for the Fourth Amended Revolving Credit Facility Agreement was extended to March 7, 2023.

As of June 30, 2019, we had no borrowings outstanding under our Amended Revolving Credit Facility and $8.2 million of letters of credit outstanding under the Fourth Amended Revolving Credit Facility Agreement. Thus, we could have borrowed an additional $191.8 million under the Fourth Amended Revolving Credit Facility Agreement as of June 30, 2019, calculated as follows (in millions):

Total Revolving Credit Commitment	$	200.0
Borrowings on Amended Revolving Credit Facility		—
Letter of credit outstanding		(8.2)
Availability on Fourth Amended Revolving Credit Facility Agreement	$	191.8

Advances under the Amended Revolving Credit Facility bear interest at an alternate base rate plus a base rate margin or LIBOR plus a Eurodollar margin. The applicable margins are determined by our Total Net Leverage Ratio (as defined in the Fourth Amended Revolving Credit Facility Agreement). As of June 30, 2019, the applicable margins were 1% per annum and 2% per annum for base rate and LIBOR based borrowings, respectively. Borrowings outstanding under our Amended Revolving Credit Facility may vary significantly from time to time, depending on our cash needs at any given time. Our Amended Revolving Credit Facility matures on March 7, 2023.

Our Amended Revolving Credit Facility Agreement contains customary covenants applicable to certain of our subsidiaries, including financial maintenance covenant ratios requiring the Borrower and the Guarantors to maintain a ratio, as of the last day of any fiscal quarter, of (i) consolidated adjusted EBITDA to consolidated interest charges of not less than 2.75 to 1.00 on a rolling four quarter basis; and (ii) total net debt to consolidated adjusted EBITDA not to exceed 3.50 to 1.00 on a rolling four quarter basis.

As of June 30, 2019, we were in compliance with the financial covenants that govern our credit agreements.

Foreign Subsidiary Indebtedness

Our foreign subsidiary indebtedness consists of borrowings in Brazil.

Finance and Operating Leases

We maintain finance leases for certain manufacturing equipment. We have several operating leases, including leases for office and manufacturing facilities, as well as certain equipment, with lease terms expiring between the years 2019 and 2035. As of June 30, 2019, our total future finance lease payments amounted to $191.8 million and our total future operating lease payments amounted to $197.9 million.

On January 1, 2019, we adopted FASB ASC No. 842, *Leases*, which changed the financial reporting for leases. Certain of our manufacturing equipment leases previously classified as operating leases are considered finance leases under the new standard which requires us to record a right-of-use ("ROU") asset as additional property, plant, and equipment and the associated liability as lease debt. As of June 30, 2019, the ROU assets associated with these leases were $160.5 million and the finance lease liabilities associated with these leases were $161.8 million. This is based upon the present value of the remaining minimum lease payments for equipment that is subject to lease agreements as of June 30, 2019.

In addition, we have numerous real estate and equipment leases that will continue to be classified as operating under the new standard. As of June 30, 2019, the ROU assets associated with these leases were $129 million and the operating lease liabilities associated with these leases were $132.1 million.

Off-Balance Sheet Obligations

In addition to the operating leases described above, our off-balance sheet obligations consist of obligations under our Fourth Amended Revolving Credit Facility. As of June 30, 2019, letters of credit outstanding were $8.2 million under the Fourth Amended Revolving Credit Facility.

Net Debt

Net debt is a non-GAAP financial measure that represents total debt less cash and cash equivalents. We believe that the presentation of net debt provides useful information because we understand that our investors perceive net debt as part of the management of our overall liquidity, financial flexibility, capital structure and leverage. Furthermore, certain debt rating agencies, creditors and credit analysts monitor our net debt as part of their assessments of our business. Net debt is used by management to help assess our exposure to its funding sources and to evaluate future needs for additional liquidity. Our use of the term “net debt” should not be understood to mean that we will use any cash on hand to repay debt. Net debt is calculated as follows (in millions):

	As of June 30, 2019	As of December 31, 2018
Total debt, net of debt issue costs	$ 246.4	$ 298.6
Total finance leases	161.8	—
Less: Cash and cash equivalents	(155.7)	(68.1)
Net debt	$ 252.5	$ 230.5

As of June 30, 2019, our net debt was $252.5 million, compared to $230.5 million as of December 31, 2018. The $22 million change reflects primarily finance leases due to the adoption of FASB ASC No. 842 and negative free cash flow for the period, offset partially by the net proceeds received from the sale of our European operations.

Disclosure Regarding Forward-Looking Statements

This report contains statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements relating to trends in the operations, financial results, business and products of our Company, and anticipated production trends. The forward-looking statements can be identified by words such as “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “project”, and other similar expressions and statements regarding our intent, belief, current plans, or expectations. Our forward looking statements also include, without limitation, statements regarding our anticipated future financial condition, operating results, free cash flows, net debt leverage, Adjusted EBITDA, and business and financing plans and models. Forward-looking statements are made as of the date of this report and are based upon management’s current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance. The following important factors, as well as those important factors described elsewhere in this report or in our Annual Report on Form 10-K for the year ended December 31, 2018, could cause our actual results to differ materially from estimates or expectations reflected in such forward-looking statements:

- risks relating to the Offer, Merger and Merger Agreement, including:
  - risks related to the satisfaction of the conditions to closing the proposed acquisition in the anticipated timeframe or at all, including uncertainties as to how many shares of the Company’s common stock will be tendered in the Offer and the possibility that the acquisition does not close;
  - the possibility that alternative acquisition proposals will be made;
  - the possibility that the Company will terminate the Merger Agreement to enter into an alternative business combination;
  - the possibility that various closing conditions may not be satisfied and required regulatory approvals may not be obtained;
  - the risk that the Merger Agreement may be terminated in circumstances requiring the Company to pay a termination fee;
  - the risk of litigation and regulatory actions related to the proposed acquisition, which may delay the proposed acquisition;
  - risks regarding the failure to obtain the necessary financing to complete the proposed acquisition; and
  - risks associated with the impact of the announcement of the proposed acquisition on the Company’s customers, employees and suppliers.
- automobile production volumes;

- the financial condition of our customers and suppliers
- our ability to make scheduled payments of principal or interest on our indebtedness and comply with the covenants and restrictions contained in the instruments governing our indebtedness;
- our ability to refinance our indebtedness;
- any increase in the expense and funding requirements of our pension and postretirement benefits;
- our customers' ability to obtain equity and debt financing for their businesses;
- our dependence on our large customers;
- pricing pressure from our customers;
- changes to U.S. or international trade and tariff policies and the reaction of other countries thereto;
- our ability to integrate acquired businesses;
- our ability to take advantage of emerging secular trends relating to lightweighting; outsourcing, replacement, electrification and autonomous vehicles;
- risks associated with business divestitures; and
- costs or liabilities related to environmental and safety regulations.

Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

This report also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified the statistical and other industry data generated by independent parties that are contained in this report and, accordingly, we cannot assure you of the accuracy or completeness of such data. In addition, projections, assumptions, and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Market risk is the potential loss arising from adverse changes in market rates and prices. We are exposed to market risk throughout the normal course of our business operations due to our purchases of steel, our sales of scrap steel, our ongoing investing and financing activities, and our exposure to foreign currency exchange rates. We have established policies and procedures to govern our management of market risks.

Commodity Pricing Risk

Steel is the primary raw material that we use. We purchase a portion of our steel from certain of our customers through various OEM resale programs. The purchases through customer resale programs have buffered the impact of price swings associated with the procurement of steel. The remainder of our steel purchasing requirements are met through contracts with steel mills. At times, we may be unable to either avoid increases in steel prices or pass through any price increases to our customers. We refer to the "net steel impact" as the combination of the change in steel prices that are reflected in the price of our products, the change in the cost to procure steel from the mill, and the change in our recovery of offal. Our strategy is to be economically neutral to steel pricing by having these factors offset each other. While we strive to achieve a neutral net steel impact, we are not always successful in achieving that goal, in large part due to timing differences. The timing of a change in the price of steel may occur in separate periods and if a change occurs, that change may have a disproportionate effect, within any fiscal period, on our product pricing. Depending upon when a steel price change or offal price change occurs, that change may have a disproportionate effect, within any particular fiscal period, on our product pricing, our steel costs and the results of our sales of offal. Net imbalances in any one particular fiscal period may be reversed in a subsequent fiscal period, although we cannot provide assurances that, or when, these reversals will occur. Over the past several years, we have not experienced a material net impact from these factors.

Interest Rate Risk

At June 30, 2019, we had total debt, excluding finance leases, of $246.4 million (net of a $1.2 million discount and $6.5 million of debt issue costs), consisting of variable rate debt of $145.6 million (59%) and fixed rate debt of $100.8 million (41%), after taking into account our $100 million variable rate to fixed rate swap. Assuming no changes in the monthly average variable rate debt levels of $173.2 million for the six months ended June 30, 2019, we estimate that a hypothetical change of 100 basis points in the LIBOR and alternative base rate would not have a significant impact on interest expense due to the LIBOR floor in our Term Loan.

In addition, we have certain manufacturing equipment leases that are classified as finance leases under FASB ASC No. 842, *Leases*. As of June 30, 2019, the associated lease debt from these leases was $161.8 million. Including this amount, our fixed rate debt is approximately 64% and our variable rate debt is approximately 36%.

Foreign Exchange Risk

A portion of our revenues is derived from manufacturing operations in Mexico and Brazil. The results of operations and financial condition of our non-United States businesses are principally measured in their respective local currency and translated into U.S. dollars. The effects of foreign currency fluctuations in Mexico and Brazil are mitigated by the fact that expenses are generally incurred in the same currency in which revenues are generated, as we strive to manufacture our products in close proximity to our customers. Nevertheless, the reported income of our foreign subsidiaries will be higher or lower depending on a weakening or strengthening of the U.S. dollar against the respective foreign currencies.

Assets located in our foreign facilities are translated into U.S. dollars at foreign currency exchange rates in effect as of the end of each reporting period. The effect of such translations is reflected as a separate component of consolidated stockholders' equity. As a result, our consolidated stockholders' equity will fluctuate, depending upon the weakening or strengthening of the U.S. dollar against the respective foreign currencies.

Our strategy for managing currency risk relies primarily upon conducting business in a foreign country in that country's currency. We may, from time to time, also participate in hedging programs intended to reduce our exposure to currency fluctuations. We believe that the effect of a 100 basis point movement in foreign currency rates against the U.S. dollar would not have materially impacted the results of our operations, our cash flows, or our stockholders' equity for the six months ended June 30, 2019.

Inflation

Over time, we may experience a rise in inflationary pressures impacting certain commodities, such as petroleum-based products, ferrous metals, base metals, and certain chemicals. Additionally, because we purchase various types of equipment, raw materials, and component parts from our suppliers, we may be adversely impacted by their inability to adequately mitigate inflationary, industry, or economic pressures. The overall condition of our supply base may possibly lead to delivery delays, production issues, or delivery of non-conforming products by our suppliers in the future. As such, we continue to monitor our vendor base for the best sources of supply and we continue to work with those vendors and customers to mitigate the impact of inflationary pressures.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2019. Based upon that evaluation, the CEO and the CFO have concluded that, as of June 30, 2019, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1A. Risk Factors.

Except as set forth below, there have been no material changes in our risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018. Reference is made to the “Explanatory Note” set forth immediately prior to Item 1 of Part I of this Quarterly Report for certain information, and for references to certain defined terms, that have a bearing on the risk factors set forth below.

The proposed Offer and Merger providing for the acquisition of our company are subject to various closing conditions and uncertainties, and there can be no assurances as to whether and when the Offer and Merger may be completed.

Completion of the Offer and Merger are subject to a number of conditions, some of which are outside of the parties’ control, that may prevent, delay, or otherwise materially adversely affect their completion. The consummation of the Offer is subject to, among other things, (1) there having been validly tendered and not validly withdrawn Shares that represent at least one more Share than 50% of the Shares outstanding as of the expiration of the Offer, (2) the expiration or termination of any applicable waiting period (or extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or receipt of any related affirmative governmental approval or clearance, (3) the absence of a material adverse effect on the Company; (4) the absence of enumerated legal restraints (whether temporary, preliminary or permanent) that prohibit, restrain or enjoin the consummation of the Offer or the Merger; (5) the accuracy of our representations and warranties contained in the Merger Agreement (subject to customary qualifiers); (6) our performance of our obligations under the Merger Agreement in all material respects; (7) the completion of a specified marketing period for the debt financing being obtained by Parent in connection with the transaction and (8) other customary closing conditions contained in the Merger Agreement. The Merger is conditioned on Merger Sub’s accepting for payment the Shares that are tendered and the absence of enumerated legal restraints (whether temporary, preliminary or permanent) that prohibit, restrain or enjoin the consummation of the Merger. If any of these conditions are not satisfied or waived, it is possible that the Offer and Merger will not be consummated in the expected time frame or that the Merger Agreement may be terminated. If the proposed sale or a similar transaction is not completed, the market price of our common stock will likely decline, as we believe that our market price reflects an assumption that the proposed acquisition will be completed. For example, on July 11, 2019, the last full trading day prior to the public announcement of the proposed acquisition, our common stock closed at $18.27 per share, and, on the next trading day, following the announcement of our entering into the Merger Agreement, our stock price closed at $30.99 per share.

If the proposed Offer and Merger are not consummated, there may be additional material adverse consequences beyond the anticipated decline in our market price.

Other than specific performance if and when it is available to us under the Merger Agreement, our recourse against Parent is generally limited to an amount equal to the reverse termination fee of $ 46,320,000. In addition, under circumstances defined in the Merger Agreement, we may be required to pay a termination fee of $19,850,000 or $13,235,000 to Parent. In addition, in certain circumstances defined in the Merger agreement, we may be required to reimburse up to $5,000,000 of expenses incurred by or on behalf of Parent or Merger Sub (or their respective affiliates) in connection with the transactions contemplated by the Merger Agreement. Further, a failed transaction may result in negative publicity and a negative impression of us in the investment community. Finally, any disruption to our business resulting from the announcement and pendency of the transaction and from intensifying competition from our competitors, including any adverse changes in our relationships with our customers, employees or suppliers, could continue or accelerate in the event of a failed transaction. There can be no assurance that our business, these relationships or our financial condition will not be materially adversely affected, as compared to the Company’s condition prior to the announcement of the transaction, if the transaction is not consummated.

While the proposed Offer and Merger are pending, we are subject to business uncertainties that could materially adversely affect our operating results, financial position and/or cash flows or result in a loss of employees, customers or suppliers.

The Offer will be completed and the Merger consummated only if stated conditions are met; accordingly, there may be uncertainty regarding the completion of the Offer and the consummation of the Merger. This uncertainty may cause customers or suppliers to refrain from doing business with us or to change the terms under which they do business with us, which could materially adversely affect our business, results of operations and financial condition. Due to this uncertainty, there can be no assurance that our employees, including key personnel, can be retained during the pendency of the proposed transaction to the same extent that we have previously been able to attract and retain employees. Any loss or distraction of such employees could materially adversely affect our business and operations. In addition, we have diverted, and will continue to divert, significant management resources toward the completion of the transaction, which could materially adversely affect our business and operations.

While the proposed Offer and Merger are pending, we are subject to contractual restrictions and other factors that could materially adversely affect our operations and the future of our business or result in a loss of employees.

The Merger Agreement includes customary restrictions on the conduct of our business prior to the completion of the Merger, generally requiring us to conduct our businesses in the ordinary course, consistent with past practice, and subjecting us to a variety of specified limitations unless we obtain Parent's prior written consent, which they may not unreasonably withhold. We may find that these and other contractual arrangements in the Merger Agreement may delay, prevent or otherwise limit us from responding effectively to changes in our business, industry developments and future business opportunities that may arise prior to closing. In addition, whether or not the Offer and Merger are consummated, while they are pending we will continue to incur costs, fees, expenses and charges related to the proposed transactions, which may materially adversely affect our business, results of operations and financial condition. Furthermore, lawsuits may be filed against the Company and our Board of Directors challenging the proposed transaction An adverse ruling in any such lawsuit may have a material adverse financial impact on the Company and/or prevent the proposed transactions from being completed. Even if we are successful in any such litigation, such proceedings could result in significant costs of defense, indemnification and liability.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities

The following table presents information regarding shares of our common stock repurchased during each month in the quarter ended June 30, 2019.

Period	Total Number of Shares (or Units) Purchased	Weighted Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plan or Program	Dollar Value of Shares that May Yet Be Purchased Under Plan or Program (1)
April 1 to April 30, 2019	-	$ -	-	$ 81,056,732
May 1 to May 31, 2019	-	-	-	81,056,732
June 1 to June 30, 2019	-	-	-	81,056,732
Total	-	$ -	-	

(1) This column includes the approximate dollar value of shares that remain authorized for repurchase under the Company's Repurchase Program announced on June 17, 2016. Subject to applicable legal restrictions, shares may be repurchased in open market transactions, privately negotiated transactions, or in such other manner as shall be determined by the Chief Executive Officer, the Chief Financial Officer (the "Proper Officers"), or their designee. The timing, manner, price, and amount of repurchases will be determined at the Proper Officer's discretion and the Repurchase Program shall terminate on the earlier of (i) the first date on which a total of $100 million of the Company's shares of common stock shall have been purchased and (ii) such other date as shall be determined by the Company's Board of Directors. The Merger Agreement referenced in the "Explanatory Note" herein prohibits the Company from repurchasing its common stock (subject to certain limited exceptions) without the consent of the acquirer.

Item 6. Exhibits.

2.1	Agreement and Plan of Merger, dated as of July 12, 2019, by and among Tower International, Inc., Autokiniton US Holdings, Inc. and Tiger Merger Sub, Inc. (filed as exhibit 2.1 to the Registrant's Current Report on Form 8-K dated July 12, 2019 (the "First July 12 8-K") and incorporated herein by reference.)
10.1†	Employment Agreement, dated as of May 31, 2019, between Reid Southby and Tower Automotive Operations USA I, LLC (filed as exhibit 10.1 to the Registrant's Current Report on Form 8-K dated June 17, 2019 and incorporated herein by reference.)
10.2	Amendment to the Bylaws (filed as exhibit 3.1 to the Registrant's Current Report on Form 8-K dated July 12, 2019 (the First July 12 8-K) and incorporated herein by reference.)
10.3†	Amendatory Agreement, dated as of July 12, 2019, to the Second Amended and Restated Employment Agreement, dated as of August 31, 2016, between Tower Automotive Operations USA I, LLC and James C. Gouin (filed as exhibit 10.1 to the Registrant's Current Report on Form 8-K dated July 12, 2019 (the "Second July 12 8-K") and incorporated herein by reference.)
10.4†	Amendatory Agreement, dated as of July 12, 2019, to the Amended and Restated Employment Agreement, dated as of August 31, 2016, between Tower Automotive Operations USA I, LLC and Jeffrey Kersten (filed as exhibit 10.2 to the Registrant's Current Report on Form 8-K dated July 12, 2019 (the Second July 12 8-K) and incorporated herein by reference.)
10.5†	Amendatory Agreement, dated as of July 12, 2019, to the Amended and Restated Employment Agreement, dated as of December 18, 2018, between Tower Automotive Operations USA I, LLC and Nanette Dudek. (filed as exhibit 10.3 to the Registrant's Current Report on Form 8-K dated July 12, 2019 (the Second July 12 8-K) and incorporated herein by reference.)
99.1†	Separation and General Release Agreement between Pär Malmhagen and Tower Automotive Operations USA I, LLC, entered into on July 10, 2019.
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer
32.1*	Section 1350 Certification of the Chief Executive Officer
32.2*	Section 1350 Certification of the Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Scheme Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished, not filed.
† Management contract or compensatory plan or arrangement.

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.

Tower International, Inc.

Date: July 25, 2019

/s/ Jeffrey Kersten
Jeffrey Kersten
Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, James C. Gouin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the six months ended June 30, 2019 of Tower International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2019

/s/James C. Gouin

James C. Gouin
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Jeffrey L. Kersten, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the six months ended June 30, 2019 of Tower International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2019

/s/ Jeffrey L. Kersten

Jeffrey L. Kersten
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the six months ended June 30, 2019 of Tower International, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James C. Gouin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 25, 2019

/s/James C. Gouin

James C. Gouin
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the six months ended June 30, 2019 of Tower International, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey L. Kersten, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 25, 2019

/s/ Jeffrey L. Kersten
Jeffrey L. Kersten
Chief Financial Officer

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Exhibit 99.1

SEPARATION AND GENERAL RELEASE AGREEMENT

THIS SEPARATION AND GENERAL RELEASE AGREEMENT (this "Separation Agreement") is entered into between Pär Malmhagen ("Employee") and Tower Automotive Operations USA I, LLC (the "Employer"). For purposes of this Separation Agreement, "Company Group" means the Employer and its "Affiliates" which shall include any entity that directly or indirectly controls, is controlled by, or is under common control with the Employer and provided that, for purposes of this Release, Affiliate shall include Tower International, Inc. and any entity owned or controlled, directly or indirectly, by Tower International, Inc.

1. Separation of Employment. Employee acknowledges and understands that his last day of employment with Employer and/or the Company Group is June 30, 2019 (the "Separation Date") and that Employee ceased to be President of Tower International, Inc. effective as of the Separation Date. Effective as of the Separation Date, Employee hereby resigns from all positions (including any board seats) that he holds with the Company Group effective as of the Separation Date and agrees to take all actions that may be necessary or appropriate to effectuate such resignations.

2. Employee General Release of the Released Parties. In consideration of the payments to be made and the benefits to be received by Employee pursuant to Section 4 and/or Section 5 of this Separation Agreement, subject to Employee's execution of this Separation Agreement in accordance with Section 13 hereof, and provided Employee does not revoke this Separation Agreement within the period of time permitted for revocation under Section 13(B) of this Separation Agreement, Employee, on his own behalf and for Employee's spouse, heirs, successors, assigns, executors and representatives of any kind (collectively, "Releasors") hereby irrevocably and unconditionally releases and forever discharges the Employer, the Company Group, and their respective successors and assigns (collectively "Tower") and each of their respective present and former employees, directors, officers, agents, partners, shareholders, and insurers, including without limitation all persons acting by, through, under or in concert with any of them (collectively, "Releasees"), from any and all claims, actions, demands, causes of action, costs, expenses, attorney fees, and all liabilities whatsoever of any kind or nature, known or unknown, fixed or contingent, which Employee has, had, or may ever have against the Releasees relating to or arising or having arisen out of or in connection with Employee's employment or separation from employment with Tower, from the beginning of time up to and including the date Employee executes this Release, excepting only claims or rights that, as a matter of law cannot be released.

This release includes, without limitation, (a) law or equity claims; (b) contract (express or implied), breach of contract, or tort claims; (c) claims for wrongful discharge, retaliatory discharge, whistle blowing, libel, slander, defamation, unpaid compensation, wage and hour violations, intentional infliction of emotional distress, fraud, public policy contract or tort, and implied covenant of good faith and fair dealing, whether based in common law or any federal, state or local statute; (d) claims under or associated with any of the Employer's or Company Group's equity compensation plans or arrangements, including without limitation stock options, expenses, salary, bonuses, profit sharing or fringe benefits; (e) claims arising under any federal, state, or local laws of any jurisdiction that prohibit age, sex, race, national origin, color, disability, religion, veteran, military status, sexual orientation, or any other form of discrimination, harassment, or retaliation (including without limitation under Title VII of the Civil Rights Act of 1964; the Civil Rights Action of 1991; the Rehabilitation Act; the Americans with Disabilities Action of 1990; the Equal Pay Act; the Fair Labor Standards Act, except as prohibited by law; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act, except as prohibited by law; the Sarbanes-Oxley Act; the Uniformed Services Employment and Reemployment Rights Act of 1994, the Lilly Ledbetter Fair Pay Act or any other foreign, federal, state or local law or judicial decision); (f) claims arising under the Employee Retirement Income Security Act of 1974, as amended; and (g) any other statutory or common law claims related to Employee's employment or the separation of Employee's employment. Employee understands and agrees that this release is intended to waive all claims of every kind and nature, whether known or unknown, actual or contingent, asserted or unasserted, arising under common law, statutory law or otherwise; no claim of any sort is reserved. Employee also waives any claim to reinstatement or re-employment with the Employer or any member of the Company Group following the Separation Date.

Without limiting the foregoing paragraph, Employee understands and acknowledges that the release set forth above specifically releases and waives any claims of age discrimination, known or unknown, and any rights he may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended by the Older Workers Benefit Protection Act ("OWBPA") arising prior to the effective date of this Separation Agreement, and that this waiver and release is knowing and voluntary.

Notwithstanding anything contained herein to the contrary, this Separation Agreement does not release any indemnification or other rights Employee may have in accordance with the governing instruments of the Company Group or under any director and officer liability insurance maintained by the Company Group with respect to liabilities arising as a result of Employee's service as an officer or director of the Company or an Affiliate.

Employee represents that Employee is not aware of and has not engaged in any activity that would constitute wrongful conduct including, but not limited to, fraud, misrepresentation, or any conduct contrary to existing policies of the Employer or the Company Group.

3. Representations; Covenant Not to Sue. Employee hereby represents and warrants that (A) Employee has not filed, caused or permitted to be filed any pending proceeding (nor has Employee lodged a complaint with any governmental or quasi-governmental authority) against any of the Releasees, nor has Employee agreed to do any of the foregoing, (B) Employee has not assigned, transferred, sold, encumbered, pledged, hypothecated, mortgaged, distributed, or otherwise disposed of or conveyed to any third party any right or claim against any of the Releasees which has been released in this Separation Agreement, and (C) Employee has not directly or indirectly assisted any third party in filing, causing or assisting to be filed, any claim against any of the Releasees. Except as set forth in Section 10 below, Employee covenants and agrees that Employee shall not encourage or solicit or voluntarily assist or participate in any way in the filing, reporting or prosecution by himself or any third party of a proceeding or claim against any of the Releasees based upon or relating to any claim released by Employee in this Separation Agreement.

4. Payments, Benefits. As good consideration for Employee's execution, delivery and non-revocation of this Separation Agreement, and subject to Employee's compliance with the provisions of Section 7 of this Separation Agreement, Employer shall, subject to Section 5 below, provide Employee (or Employee's estate in the event of Employee's death) with the following:

(a) Severance in the cumulative amount of $675,000, which shall be in full payment of the "Base Severance Amount" pursuant to Section 5.2(b)(i)(A) of the Employment Agreement, dated as of January 19, 2017, by and between Employee and Employer, as amended (the "Employment Agreement"), and which will be paid, less applicable tax withholdings, for a period of twelve (12) months following the Separation Date.

(b) An additional severance payment, which shall be in full payment of the "Bonus Severance Amount" pursuant to Section 5.2(b)(i)(B) of the Employment Agreement, payable in a lump sum (less applicable tax withholdings) between January 1, 2020 and March 15, 2020 in an aggregate amount equal to (i) $560,118, plus (ii) an amount equal to fifty percent (50%) of the bonus, if any, that may have been earned by Employee for 2019. The bonus amount for 2019, if any, will be based on the level of achievement of performance for bonuses paid to active employees for 2019.

(c) Employee's outstanding restricted stock units granted prior to January 1, 2019 (70,301 units) shall continue to vest in accordance with the regularly scheduled vesting schedule applicable to such units, i.e. without acceleration of the regular vesting schedule.

(d) The Employer shall pay Employee a total of $1,212,975 in respect of Employee's Performance Awards for 2017 and 2018. Such amount shall be payable in cash (less applicable tax withholdings) between January 1, 2020 and March 15, 2020. No further payments in respect of such Performance Awards, or any other Performance Awards, will thereafter be due or payable.

(e) The Employer shall pay Employee $100,000 (the "Repatriation Assistance Amount"), less applicable tax withholdings, on the first payroll date following the six-month anniversary of the Separation Date for the purpose of providing Employee with repatriation assistance (such as relocation fees, shipment of household goods and personal effects, temporary housing and professional fees); provided, however, that none of such Repatriation Assistance Amount shall be payable if Employee's application for a Permanent Resident Card (commonly referred to as a "green card") is approved before Employee is required to leave the United States. If Employee's green card is approved after payment of the Repatriation Assistance Amount but before Employee leaves the United States, Employee agrees to immediately repay the Repatriation Assistance Amount to the Company upon approval of the green card.

(f) Subject to Employee's (or Employee's covered dependents') timely election of, and continued eligibility for, continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA Coverage") under the Employer's group health plan(s) which cover Employee as of the date of the Separation Date, the Employer shall, in full satisfaction of Section 5.2(b)(ii) of the Employment Agreement, waive (or reimburse the Employee on a monthly basis for) the cost of such COBRA Coverage to the extent that that such cost exceeds the cost that the Employer charges active employees for similar coverage until the earlier of (x) the date that such COBRA Coverage terminates (but for not longer than twelve (12) months of COBRA Coverage), or (y) the date that the Employee is covered under another group health plan.

(g) The Employer will reimburse Employee for reasonable income tax preparation fees for 2019 income taxes, consistent with similar reimbursements for prior years.

For purposes of this Separation Agreement, the payments and benefits under this Section 4 (and Section 5 if applicable) are referred to collectively as the "Separation Payments". Employee acknowledges that Employee is not otherwise entitled to receive the Separation Payments. Employee further acknowledges that nothing in this Separation Agreement shall be deemed to be an admission of liability on the part of any of the Releasees. Employee agrees that Employee will not seek anything further from any of the Releasees.

5. Change in Control Enhancements. Notwithstanding anything contained herein to the contrary, in the event that a "Change in Control" (as defined in the Employment Agreement) occurs on or before December 31, 2019, then:

- In addition to the severance set forth in Section 4(a) above, Employee will be paid severance in the cumulative amount of $675,000, less applicable tax withholdings, in substantially equal installments over a period of twelve (12) months commencing on the first anniversary of the Separation Date;
- The amount set forth in clause (i) of Section 4(b) above shall be increased to 1,485,000;
- All of Employee's restricted stock units granted prior to the Separation Date shall thereupon become fully vested;

- In lieu of Section 4(d) above, the Employee shall be entitled to payment in respect of each of Employee's 2017, 2018 and 2019 Performance Awards equal to the amounts, determined in accordance with Section 4.7 of the Employment Agreement, that would have been payable in respect of such Performance Awards had Employee continued to be employed by the Company through the date of the Change in Control; provided, however, that the amount of such Performance Awards shall be determined in the same manner as 2017, 2018 and 2019 Performance Awards, respectively, of the Company's Chief Executive Officer are determined if different than as set forth in Section 4.7 of the Employment Agreement. The amounts payable in respect of the 2017, 2018 and 2019 Performance Awards shall be paid between January 1, 2020 and March 15, 2020, provided that the Company reserves the right to pay such amounts at any earlier time;

- For purposes of Section 4(f) above, "eighteen (18) months" shall be substituted for "twelve (12) months" where the latter appears therein;

provided, however, that if this Section 5 applies, unless the Company takes action to nullify the possible impact of Section 4999 of the Internal Revenue Code of 1986, as amended, with respect to all other executives of the Company who have employment agreements similar to the Employment Agreement, all payments and benefits under Section 4 and/or this Section 5 shall be subject to reduction to the extent required by Section 5.3(e) of the Employment Agreement (assuming for such purpose that all payments and benefits under Sections 4 and/or 5 hereof are payable as a result of Employee's involuntary termination of employment with the Company immediately following consummation of the Change in Control).

6. Final Pay Check. Employee will receive his final pay check on the regular pay date on or next following the Separation Date. The final pay check will include payment for all earned, but unpaid, base salary through and including the Separation Date, together with payment of any unused accrued vacation time that Employee had as of the Separation Date (in each case, less applicable tax withholdings).

7. Survival of Employment Agreement Covenants. Employee represents and warrants that he has complied with the Employment Agreement and shall continue to be bound by the terms of the provisions thereof that survive the termination of Employee's employment with the Employer (the "Surviving Covenants"). Without limiting the foregoing, Employee acknowledges and agrees that all of the provisions of Section 6 of the Employment Agreement shall survive the termination of the Employee's employment and be considered Surviving Covenants. If requested, Employee also agrees to timely and properly complete Tower's D&O Questionnaire for purposes of assisting Tower prepare its next proxy statement. For avoidance of doubt, for purposes of Section 6.2 and Section 6.3 of the Employment Agreement, the Employee's employment shall be deemed to have terminated pursuant to Section 5.2 of the Employment Agreement; *provided, however*, that if Employee becomes entitled to any of the payments and benefits under Section 5 of this Separation Agreement, then for purposes of Section 6.2 and Section 6.3 of the Employment Agreement, the Employee's employment shall be deemed to have terminated pursuant to Section 5.3 of the Employment Agreement. In the event of a breach by the Employee of any of the provisions of Section 6 of the Employment Agreement, as amended above, the Employer shall have the remedies and relief set forth in Section 6.7 of the Employment Agreement. Nothing in this Section 7 is intended to, nor shall interfere with Employee's exercise of his preserved rights described in Section 10 of this Separation Agreement.

8. Company Property. Employee represents that he has returned to Employer all of Employer's and its affiliates' property in Employee's possession, custody and/or control, including, but not limited to, all equipment, vehicles, computers, personal digital assistants, pass codes, keys, swipe cards, credit cards, documents or other materials, in whatever form or format, that Employee received, prepared, or helped prepare. Employee further represents that Employee has not retained any copies, duplicates, reproductions, computer disks, or excerpts thereof of Employer's or its affiliates' documents. Employee agrees to disclose to the Employer all passwords necessary or desirable to enable the Employer to access all information which Employee has password-protected on any of its computer equipment or on its computer network or system.

9. Construction of Agreement. In the event that one or more of the provisions contained in this Separation Agreement shall for any reason be held unenforceable in any respect under the law of any state of the United States or the United States, such unenforceability shall not affect any other provision of this Separation Agreement, but this Separation Agreement shall then be construed as if such unenforceable provision or provisions had never been contained herein *provided, however*, that if any court were to find that the waiver and release of claims set forth in Section 2 of this Separation Agreement is unlawful or unenforceable, or was not entered into knowingly or voluntarily, Employee agrees to execute a waiver and release of claims in a form satisfactory to Employer that is lawful and enforceable. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, such restriction shall be enforced to the maximum extent permitted by applicable law. This Separation Agreement and any and all matters arising directly or indirectly herefrom shall be governed under the laws of the State of Michigan without reference to choice of law rules. Employer and Employee consent to the sole jurisdiction of the federal and state courts of Michigan. **EMPLOYER AND EMPLOYEE HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY IN ANY ACTION CONCERNING THIS SEPARATION AGREEMENT OR ANY AND ALL MATTERS ARISING DIRECTLY OR INDIRECTLY HEREFROM, AND REPRESENT THAT THEY HAVE CONSULTED WITH COUNSEL OF THEIR CHOICE OR HAVE CHOSEN VOLUNTARILY NOT TO DO SO SPECIFICALLY WITH RESPECT TO THIS WAIVER.**

10. Acknowledgments. Employer and Employee acknowledge and agree that:

(A) By entering in this Separation Agreement, Employee does not waive any rights or claims that may arise after the date that Employee executes and delivers this Separation Agreement to Employer in accordance with Section 13 hereof;

(B) This Agreement is not intended to, and shall not in any way prohibit, limit or otherwise interfere with your protected rights under federal, state or local law to without notice to the Employer: (i) communicate or file a charge with a government regulator; (ii) participate in an investigation or proceeding conducted by a government regulator; or (iii) receive an award paid by a government regulator for providing information;

(C) Notwithstanding anything set forth in this Separation Agreement to the contrary, nothing in this Separation Agreement shall affect or be used to interfere with Employee's protected right to test in any court, under the OWBPA, or like statute or regulation, the validity of the waiver of rights under ADEA set forth in this Separation Agreement; and

(D) Nothing in this Separation Agreement shall preclude Employee from exercising Employee's rights, if any (i) under Section 601-608 of the Employee Retirement Income Security Act of 1974, as amended, popularly known as COBRA, (ii) under the Employer's 401(k) plan, or (iii) to exercise vested stock options granted under the Employer's 2010 Equity Incentive Plan, to the extent exercisable as of the Separation Date (and to the extent such options may be exercised under such 2010 Equity Incentive Plan and the related option grant agreements).

11. Bar. Employee acknowledges and agrees that if Employee makes any claim or demand or commence or threaten to commence any action, claim or proceeding against the Releasees with respect to any cause, matter or thing which is the subject of this Separation Agreement, this Separation Agreement may be raised as a complete bar to any such action, claim or proceeding, and the applicable Releasee may recover from Employee all costs incurred in connection with such action, claim or proceeding, including attorneys' fees, along with the consideration.

12. Miscellaneous. This Separation Agreement constitutes the entire agreement and understanding between Employee and Employer concerning the subject matter of this Separation Agreement and, except as provided by Section 7 hereof, all prior and contemporaneous representations, understandings, and agreements concerning the subject matter of this Separation Agreement have been superseded by the terms of this Separation Agreement. This Separation Agreement shall inure to the benefit of, and shall be binding upon, the Employee and the Employer, and their respective successors, assigns, heirs and legal representatives, including any entity with which the Employer may merge or consolidate or to which all or substantially all of its assets may be transferred.

13. Opportunity For Review.

(A) **Employee is hereby advised and encouraged by Employer to consult with his own independent counsel before signing this Agreement**. Employee represents and warrants that Employee (i) has had sufficient opportunity to consider this Separation Agreement, (ii) has read this Separation Agreement, (iii) understands all the terms and conditions hereof, (iv) is not incompetent or had a guardian, conservator or trustee appointed for Employee, (v) has entered into this Separation Agreement of Employee's own free will and volition, (vi) has duly executed and delivered this Separation Agreement, (vii) understands that Employee is responsible for Employee's own attorneys' fees and costs, (viii) has been advised and encouraged by Employer to consult with Employee's own independent counsel before signing this Separation Agreement (ix) has had the opportunity to review this Separation Agreement with counsel of his choice or has chosen voluntarily not to do so, (x) understands that Employee has been given twenty-one (21) days to review this Separation Agreement before signing this Separation Agreement, and understands that he is free to use as much or as little of the 21-day period as Employee wishes or considers necessary before deciding to sign this Separation Agreement, (xi) understands that if Employee does not sign and return this Separation Agreement to Employer (attention: Mark Flynn) within 21-days after the Separation Date, Employee shall not be entitled to receive the payments and benefits provided for under Section 4 or Section 5 of this Separation Agreement, and the Separation Date shall be unaltered, and (xii) understands that this Separation Agreement is valid, binding, and enforceable against the parties hereto in accordance with its terms.

(B) The parties hereto understand and agree that Employee may revoke this Separation Agreement after having executed it by delivering a written notice of revocation to Employer (attention: Mark Flynn) by no later than 11:59 p.m. on the seventh (7th) day after Employee's execution of this Separation Agreement. If Employee revokes this Separation Agreement, it shall not be effective or enforceable, Employee shall not be entitled to receive the payments and benefits provided for under Section 4 or Section 5 of this Separation Agreement, and the Separation Date shall be unaltered. If Employee does not revoke this Separation Agreement within the foregoing time period, this Separation Agreement shall be effective and enforceable on the eighth (8th) day after execution and delivery to Employer (Attn: Mark Flynn) by Employee.

[signature page follows]

Agreed to and accepted on this 10th day of July, 2019.

Witness: EMPLOYEE:

/s/ Mark R. Flynn /s/ Pär Malmhagen
Pär Malmhagen

Agreed to and accepted on this 10th day of July, 2019.

EMPLOYER:

TOWER AUTOMOTIVE OPERATIONS USA I, LLC

BY: /s/ Mark R. Flynn