NOBLE INTERNATIONAL LTD
Form 10-Q
November 14, 2003

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

[X] QUARTERLY REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended SEPTEMBER 30, 2003

OR

[ ] TRANSITION REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ____________________

Commission File Number: 001-13581

NOBLE INTERNATIONAL, LTD.
(Exact name of registrant as specified in its charter)

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

28213 Van Dyke Road, Warren, MI 48093
(Address of principal executive offices)
(Zip Code)

(586) 751-5600
(Registrant's telephone number, including area code)

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

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

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

The number of shares of the registrant's common stock, $.001 par value, outstanding as of November 5, 2003 was 7,824,540

NOBLE INTERNATIONAL, LTD.
FORM 10-Q INDEX

This report contains statements (including certain projections and business trends) accompanied by such phrases as "assumes," "anticipates," "believes," "expects," "estimates," "projects," "will" and other similar expressions, that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Statements regarding future operating performance, new programs expected to be launched and other future prospects and developments are based upon current expectations and involve certain risks and uncertainties that could cause actual results and developments to differ materially. Potential risks and uncertainties include such factors as demand for the company's products, pricing, the company's growth strategy, including its ability to consummate and successfully integrate future acquisitions, industry cyclicality and seasonality, the company's ability to continuously improve production technologies, activities of competitors and other risks detailed in the company's Annual Report on Form 10-K for the year ended December 31, 2002 and other filings with the Securities and Exchange Commission. These forward looking statements are made only as of the date hereof.

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PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

NOBLE INTERNATIONAL, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	SEPTEMBER 30, 2003 (unaudited)	DECEMBER 31, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 807	$ 1,154
Accounts receivable, trade - net	35,527	22,992
Note receivable, short term	1,842	-
Inventories	13,899	9,363
Deferred income taxes	7,342	6,217
Income taxes refundable	250	250
Prepaid and other	4,616	2,555
Total Current Assets	64,283	42,531
Property, Plant & Equipment, net	47,152	47,762
Other Assets:		
Goodwill, net	15,690	15,690
Covenants not to compete, net	233	383
Note receivable, long term	3,583	-
Other assets, net	10,391	10,487
Total Other Assets	29,897	26,560
Assets Held for Sale	4,658	13,098
TOTAL ASSETS	$ 145,990	$ 129,951
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 26,091	$ 19,830
Accrued liabilities	6,063	5,685
Current maturities of long-term debt	15,067	8,414
Income taxes payable	2,725	-
Total Current Liabilities	49,946	33,929
Long-Term Liabilities:		
Deferred income taxes	2,029	2,006
Convertible subordinated debentures	9,021	16,037
Long-term debt, excluding current maturities	38,210	33,234
Total Long-Term Liabilities	49,260	51,277
Liabilities Held for Sale	-	2,684
STOCKHOLDERS' EQUITY		
Common stock	9	9
Additional paid-in capital	33,389	32,874

Retained earnings	13,363	9,755
Accumulated comprehensive income (loss), net	23	(577)
TOTAL STOCKHOLDERS' EQUITY	46,784	42,061
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 145,990	$ 129,951

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

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

	THREE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
NET SALES	$ 49,231	$ 31,594
Cost of sales	41,933	26,056
Gross margin	7,298	5,538
Selling, general and administrative expenses	3,269	2,965
Operating profit	4,029	2,573
Interest income	140	271
Interest expense	(760)	(368)
Other, net	523	(37)
Earnings from continuing operations before income taxes	3,932	2,439
Income tax expense	1,138	443
Preferred stock dividends	-	-
EARNINGS ON COMMON SHARES FROM CONTINUING OPERATIONS	2,794	1,996
Discontinued operations:		
Earnings (loss) from discontinued operations	-	(358)
Extraordinary gain - gain on acquisition, net	-	315
Loss on sale of discontinued operations	-	-
Net earnings on common shares	$ 2,794	$ 1,953
BASIC EARNINGS PER COMMON SHARE:		
EARNINGS PER SHARE FROM CONTINUING OPERATIONS	$ 0.36	$ 0.29
Earnings (loss) from discontinued operations	-	(0.05)
Extraordinary gain	-	0.05
Loss on sale of discontinued operations	-	-
Basic earnings per common share	$ 0.36	$ 0.29

DILUTED EARNINGS PER COMMON SHARE:		
EARNINGS PER SHARE FROM CONTINUING OPERATIONS	$ 0.33	$ 0.27
Earnings (loss) from discontinued operations	-	(0.04)
Extraordinary gain	-	0.04
Loss on sale of discontinued operations	-	-
Diluted earnings per common share	$ 0.33	$ 0.26
DIVIDENDS PER SHARE DECLARED AND PAID	$ 0.08	$ 0.08
Basic weighted average common shares outstanding	7,779,872	6,786,114
Diluted weighted average common shares outstanding	9,056,065	8,088,882

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

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

	NINE MONTHS ENDE SEPTEMBER 30,	
	2003	2
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings from continuing operations	$ 7,331	$
Adjustment to reconcile net earnings from continuing operations to net cash provided by (used in) operations		
Interest expense related to amortization of fees	421	
Depreciation of property, plant and equipment	4,923	
Amortization of intangible assets	198	
Deferred income taxes	(1,102)	
Loss (gain) on sale of property and equipment	2	
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	(12,535)	
Decrease (increase) in inventories	(4,536)	
Increase in prepaid expenses	(2,061)	(
Increase in other operating assets	(24)	
Increase in accounts payable	6,261	
Increase in income taxes payable	2,725	
Increase (decrease) in accrued liabilities	378	(
Net cash provided by continuing operations	1,981	1
Net cash used in discontinued operations	(3,316)	(
Net cash provided by (used in) operating activities	(1,335)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(7,822)	(1
Proceeds from sale of property, plant and equipment	-	
Net proceeds from sale of discontinued operations	5,677	

Investments	-	
Net cash used in investing activities	(2,145)	(
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of common stock	-	
Proceeds from issuance of common stock	515	
Financing fees	(328)	
Preferred dividends declared and paid	-	
Dividends on common stock declared and paid	(1,864)	(
Redemption of preferred stock of subsidiary	-	
Payments on non-bank debt	(270)	
Net borrowings on bank debt	4,862	
Net cash provided by financing activities	2,915	
Effect of exchange rate changes on cash	218	
Net decrease (increase) in cash	(347)	
Cash at beginning of period	1,154	
Cash at end of period	$ 807	$
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid for:		
Interest	$ 2,215	$
Taxes	1,561	

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

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

	THREE MONTHS ENDED SEPTEMBER 30,		NI
	2003	2002	2003
Net earnings on common shares	$ 2,794	$ 1,953	$ 5,47
Other comprehensive income, equity adjustment from foreign currency translation, net	(66)	(61)	60
Comprehensive income, net	$ 2,728	$ 1,892	$ 6,07

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

NOBLE INTERNATIONAL, LTD.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the financial statements for interim reporting do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and such adjustments are of a normal recurring nature.

Results for interim periods should not be considered indicative of results for a full year. The December 31, 2002 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. For further information, refer to the consolidated financial statements and notes thereto included in the company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the period ended December 31, 2002.

Certain information for fiscal year 2002 related to discontinued operations has been reclassified to conform to the current year presentation. Discontinued operations include the Company's logistics business for the three and nine-month periods ended September 30, 2003 and the Company's logistics and heavy equipment businesses for the three and nine-month periods ended September 30, 2002.

The accompanying consolidated financial statements as of September 30, 2003 and for the year ended December 31, 2002, include Noble International, Ltd. and its wholly-owned subsidiaries, Noble Component Technologies ("NCT"); Monroe Engineering Products, Inc. ("Monroe"), Noble Metal Processing, Inc. ("NMP"), Noble Land Holdings, Inc. ("Land Holdings"), Noble Manufacturing Group, Inc. ("NMG"), Noble Metal Processing Canada, Inc. ("NMPC"), Noble Metal Processing -- Kentucky, LLC ("NMPK"), Pro Motorcar Products, Inc. ("PMP"), Pro Motorcar Distribution, Inc. ("PMD"), Noble Logistic Services, Inc. ("NLS-CA" and "NLS-TX"), and Noble Construction Equipment, Inc. ("NCE"), (collectively, "Noble" or the "Company") from the date of acquisition to the date of disposition, if applicable.

On March 21, 2003, the Company completed the sale of its logistics group for approximately $11.1 million in cash and notes as well as the assumption of substantially all payables and liabilities. The transaction included cash of $2.0 million at closing, two short-term notes totaling approximately $5.1 million, a $1.5 million three-year amortizing note and a $2.5 million five-year amortizing note. The two long-term notes bear an annual interest rate of 4.5% and will be repaid in equal monthly installments. The notes are secured by the stock of the buyer in the entities purchased. On August 14, 2003 the Company and the issuer of the short-term notes amended the repayment terms of the remaining balance on the short-term notes. The amended terms provide for repayment of the short-term notes by July 31, 2004 and for payment of interest on the outstanding balance at an annual rate of 7%. As of

September 30, 2003 the company has received approximately $5.7 in proceeds from the sale of the logistics business, including $2.0 million at closing and $3.7 million in payments on the notes. As of September 30, 2003, the balance on the short-term and long term notes was $5.4 million.

The results for the logistics group included in discontinued operations for the nine-month periods ended September 30, 2003 and 2002 (in thousands) are as follows:

	2003	2002
Revenue	$ 14,800	$ 49,499
Pre tax loss	(1,784)	(920)

The results for the nine-month period ended September 30, 2003 reflects the results of the the Company's logistics business through disposition date as well as subsequent trailing expenses. In addition to the amounts in the table above, the nine-month period ended September 30, 2002 for discontinued operations includes the results from the Company's heavy equipment group which had revenue of $34.1 million and pretax profit of $1.1 million.

On July 31, 2003, the Company entered into a Fourth Amended and Restated Credit Agreement with Comerica Bank. Pursuant to the amendment, the expiration of the credit facility was extended to July 2006, the facility was increased to $55.0 million from $48.0 million and two participating banks were added. The amended credit facility is comprised of a $25.0 million revolving line of credit with no borrowing base formula and a $30.0 million term loan. The term loan requires quarterly principal payments of $1.1 million. The credit facility is subject to customary financial and other covenants including, but not limited to, limitations on consolidations, mergers and sales of assets, and bank approval on acquisitions by the Company over $15.0 million. All other terms remain substantially the same.

On August 1, 2003 SET Enterprises, Inc. ("SET") completed its acquisition of Michigan Steel Processing, Inc. ("MSP"), a subsidiary of Sumitomo Corporation of America ("SCOA"). As part of the transaction, SCOA contributed 100% of the common stock of MSP in exchange for 45% of the common stock of SET. In addition, the Company reduced its guarantee of SET's senior debt from $10.0 million to $3.0 million for a period of one year, after which the guarantee will be eliminated, provided SET is in compliance with the terms of its credit facility. The Company exchanged its $7.6 million non-convertible, non-voting preferred stock investment in SET for $7.6 million in Series A non-convertible, non-voting preferred stock which provides an 8% annual dividend, and is non-redeemable by the Company. The preferred stock is redeemable by the issuer at its option. In connection with the transaction, the Company was issued 4% of the outstanding common stock of SET Enterprises for which it paid no consideration. The receipt of the 4% common stock was recorded on the Company's books based upon management estimates and analysis of its fair value.

During the three month period ended September 30, 2003 the Company reclassified certain real estate property with a book value of $3.9 million into "Assets Held For Sale" on the consolidated balance sheet. The properties were valued at the anticipated sales price less costs to dispose. As of September 30, 2003, real estate held for sale had a book value, net of accumulated depreciation, of $4.7 million.

Basic earnings per share ("EPS") is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Calculation of diluted EPS assumes the exercise of common stock options and warrants, when dilutive, and the impact of restricted stock and the assumed conversion of convertible debt, when dilutive. The following tables, required by SFAS 128, reconcile the numerator and denominator to calculate basic and diluted EPS from continuing operations for the three and nine-month periods ended September 30, 2003 and 2002 (in thousands, except share and per share amounts; per share amounts are subject to rounding).

	Three months ended Septe			
	2003			
	Net Earnings (Numerator)	Shares (Denominator)	Per share Amounts	Net Ea (Nume
Basic earnings per common share				
Earnings on common shares from continuing operations	$ 2,794	7,779,872	$ 0.36	$ 1
Effect of dilutive securities:				
Contingently issuable shares		28,737	-	
Convertible debentures	181	1,120,489	(0.02)	
Warrants		-	-	
Stock Options	-	126,967	(0.01)	
Earnings on common shares from continuing operations assuming dilution	$ 2,975	9,056,065	$ 0.33	$ 2

	Nine months ended Septem			
	2003			
	Net Earnings (Numerator)	Shares (Denominator)	Per share Amounts	Net E (Nume

Basic earnings per common share				
Earnings on common shares from continuing operations	$ 7,331	7,744,315	$ 0.95	$ 5
Effect of dilutive securities:				
Contingently issuable shares		24,368	-	
Convertible debentures	540	1,120,489	(0.06)	
Warrants		-	-	
Stock Options	-	74,281	(0.01)	
Earnings from continuing operations per common share assuming dilution	$ 7,871	8,963,453	$ 0.88	$ 5

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standard ("SFAS") 123, Accounting for Stock-Based Compensation, and SFAS 148, Accounting for Stock-Based Compensation -- Transition and Disclosure. As allowed by SFAS 123, the Company has elected to continue to follow APB Opinion No. 25 in accounting for its stock option plans. Accordingly, no compensation cost has been recognized under the Company's stock-based compensation plan (the "Plan"). Had compensation cost been determined based on the fair value at the grant dates for awards under the Plan utilizing the Black-Scholes option pricing model, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below for the three and nine-month periods ended September 30, 2003 and 2002 (in thousands, except per share data):

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	THREE MONTHS ENDED SEPTEMBER 30, 2003	2002
Net earnings on common shares from continuing operations		
As reported	$ 2,794	$ 1,996
Less: Total employee stock option expense under the fair value method, net of related tax effects	51	79
Pro forma	2,743	1,917
Basic earnings per share from continuing operations		
As reported	$ 0.36	$ 0.29
Pro forma	0.35	0.28
Diluted earnings per share from continuing operations		
As reported	$ 0.33	$ 0.27
Pro forma	0.32	0.26

NOTE B-INVENTORIES

Inventories as of September 30, 2003 and December 31, 2002 consisted of the following (in thousands):

	September 30, 2003	December 31, 2002
Raw materials and purchased parts	$ 5,632	$ 3,925
Work in process	3,960	2,346
Finished goods	4,300	3,011
	7	81
Other		
Total Inventory	$13,899	$ 9,363

NOTE C-INDUSTRY SEGMENTS

The Company classifies its continuing operations into two industry segments based on product type: automotive and distribution. In its automotive segment, as a Tier I and Tier II supplier, the Company provides prototype design, engineering, laser welding of tailored blanks and other laser welding and cutting services of automotive components for major OEMs and Tier I automotive suppliers. The Company's automotive manufacturing facilities have been awarded both QS-9000 and ISO-14001 certifications. The distribution segment distributes tooling components, including adjustable handles, hand wheels, plastic knobs, levers, handles, hydraulic clamps, drills, jigs, paint measurement and tint meter gauges, quick drying UV lamps, and other products directly to customers as well as through a network of distributors.

Transactions between the automotive and distribution segments, as well as with corporate headquarters, have been eliminated in the consolidated financial statements. There are no inter-segment sales. Interest expense is allocated to each operating segment based on the segment's actual borrowings from the Company, together with a partial allocation of corporate general and administrative expenses. Revenues from external customers are identified geographically based on the customer's shipping destination.

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Selected information regarding the Company's operations by business segment and geography for the three months and nine months ended September 30, 2003 and September 30, 2002 follow (in thousands):

	SEPTEMBER 30, 2003			SEPTEMBER	
	Automotive	Distribution	Segment Totals	Automotive	Distr

FOR THE THREE MONTHS ENDED:					
Revenues from external customers	$ 48,041	$ 1,190	$ 49,231	$ 30,559	$ 1,
Interest expense	403	20	423	464	
Depreciation and amortization	1,674	52	1,726	1,437	
Segment profit pre-tax	4,566	119	4,685	2,188	
Segment assets	107,896	7,665	115,561	84,146	7,
Expenditure for segment assets	1,275	19	1,294	2,417	
FOR THE NINE MONTHS ENDED:					
Revenues from external customers	$ 127,702	$ 3,574	$ 131,276	$ 86,840	$ 3,
Interest expense	1,205	67	1,272	1,195	
Depreciation and amortization	4,877	127	5,004	4,028	
Segment profit pre-tax	13,082	407	13,489	6,519	
Segment assets	107,896	7,665	115,561	84,146	7,
Expenditure for segment assets	7,710	88	7,798	11,340	

RECONCILIATION TO CONSOLIDATED AMOUNTS

	THREE MONTHS ENDED:		NI
	9/30/03	9/30/02	9/3
EARNINGS			
Total earnings from reportable segments	$ 4,685	$ 2,336	$ 1
Unallocated corporate headquarters expense	(753)	103	(
Earnings from continuing operations before income taxes	$ 3,932	$ 2,439	$ 1
ASSETS			
Total assets for reportable segments	$ 115,561	$ 92,047	$ 11
Corporate headquarters	25,771	21,132	2
Assets held for sale	4,658	52,356	
Total consolidated assets	$ 145,990	$ 165,535	$ 14

OTHER SIGNIFICANT ITEMS

	SEPTEMBER 30, 2003			SEPTEM
	SEGMENT TOTALS	ADJUSTMENTS	CONSOLIDATED TOTALS	SEGMENT TOTALS

FOR THE THREE MONTHS ENDED:				
Interest expense	$ 423	$ 337	$ 760	$ 485
Expenditure for segment assets	1,294	1	1,295	2,424
Depreciation and amortization	1,726	25	1,751	1,463
FOR THE NINE MONTHS ENDED:				
Interest expense	$ 1,272	$ 531	$ 1,803	$ 1,267
Expenditure for segment assets	7,798	24	7,822	11,363
Depreciation and amortization	5,004	117	5,121	4,097

GEOGRAPHIC INFORMATION

	SEPTEMBER 30, 2003		SEPTEMBER 30, 2002	
	REVENUES	LONG-LIVED ASSETS	REVENUES	LONG-LIVED ASSETS
FOR THE THREE MONTHS ENDED:				
United States	$ 41,133	$ 59,676	$ 24,161	$ 61,964
Canada	8,088	3,399	7,425	1,447
Other	10	-	8	-
Total	$ 49,231	$ 63,075	$ 31,594	$ 63,411
FOR THE NINE MONTHS ENDED:				
United States	$104,628	$ 59,676	$ 67,766	$ 61,964
Canada	26,578	3,399	22,303	1,447
Other	70	-	40	-
Total	$131,276	$ 63,075	$ 90,109	$ 63,411

NOTE D - RESTRUCTURING RESERVE

The Company adopted SFAS 146 on January 1, 2003. SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, requires a company to record a liability for costs associated with an exit activity, at fair value, only when a liability is incurred. Accordingly, the Company recorded as an expense in selling, general and administrative and in accrued liabilities a pre-tax restructuring charge of $0.65 million in March 2003 related to organizational changes and headcount reductions. As of September 30, 2003 payments related to the reserve totaled $0.36 million; an adjustment to the accrual was made in the amount of $0.09 million; and as of September 30, 2003 the outstanding balance of the restructuring reserve was $0.2 million. The Company expects to complete payment of the reserve by May 31, 2004.

NOTE E - ACCOUNTING PRONOUNCEMENTS

In November 2002, FASB issued Interpretation 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN 45 also requires additional disclosure by a guarantor in its interim and annual financial statements about its obligations under certain guarantees. The initial recognition and measurement provisions of FIN 45 are applicable for guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ended after December 15, 2002. The Company guarantees senior bank

indebtedness of SET Enterprises, Inc. in the amount of $3.0 million. The Company would be required to perform under the guarantee if SET was unable to repay or renegotiate its credit facility. The maximum amount the Company would be required to pay is $3.0 million. The Company does not currently carry a liability for this guarantee. The guarantee is unsecured and the Company would be entitled to the proceeds from any liquidation after the senior debt lender had been paid in full.

In January 2003, FASB issued Interpretation 46 (FIN 46), Consolidation of Variable Interest Entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual return or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after September 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not believe FIN 46 has any material impact on its financial statements.

In April 2003, FASB issued SFAS 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133. The Company does not believe that adoption of SFAS 149 has any material impact on its financial statements.

In June 2003, FASB issued SFAS 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS 150 requires that an issuer classify and measure a financial instrument, with characteristics of both a liability and equity, as a liability (or an asset in some circumstances). The Company does not believe that adoption of SFAS 150 has any material impact on its financial statements.

NOTE F -- SUBSEQUENT EVENTS

On October 17, 2003, the Company acquired substantially all of the assets of Prototube, LLC ("Prototube") from Weil Engineering GmbH ("Weil") and Global Business Support, LLC ("GBS") for $0.1 million in cash plus the assumption of $1.2 million in liabilities. Prototube manufactures a variety of products with applications in the aerospace, automotive, housing, oil and other industries. Its products are roll formed or stamped from flat steel or a laser welded blank, then, utilizing a proprietary technology, they are formed into a tube and laser welded. Prototube's production process allows parts to be produced in several different shapes including round, rectangular and oval from various types and thicknesses of steel, as well as aluminum. In addition to multiple thicknesses of metal, Prototube can create multi-diameter products and join curved surfaces together by adjusting the output power of the laser.

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

RESULTS OF CONTINUING OPERATIONS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with the MD&A section included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, for the year ended December 31, 2002.

Net Sales. Net sales for the three months ended September 30, 2003 were $49.2 million, an increase of $17.6 million, or 55.8%, compared to the same period in 2002. For the nine month period

ended September 30, 2003 net sales increased by $41.2 million, or 45.7%, to $131.3 million from $90.1 million in the same period in 2002. The increase in revenues is attributable primarily to higher production volumes on certain vehicles, higher steel sales and sales from new product launches in the automotive business.

Cost of Sales. Cost of sales for the three-month period ended September 30, 2003 increased by $15.9 million to $41.9 million, an increase of 60.9% compared to the same period in 2002. For the nine-month period ended September 30, 2003 cost of sales increased by $35.7 million to $110.2 million, or 48.0%, from $74.5 million in the same period of 2002. These increases were primarily the result of increased sales, including increased steel sales. Cost of sales as a percentage of sales increased to 85.2% in the three-month period ended September 30, 2003 from 82.5% in the same period in 2002 and to 83.9% from 82.6% for the nine-month period ended September 30, 2003 compared to the same period in 2002. This increase in cost of sales as a percentage of net sales is primarily the result of greater steel purchases in the automotive sector.

Gross Margin. Gross margin increased by $1.8 million, or 31.8%, to $7.3 million for the three months ended September 30, 2003, from $5.5 million for the comparable period in 2002. For the nine-month period ended September 30, 2003 gross margin increased by $5.4 million, or 34.8%, to $21.1 million from $15.6 million in the same period in 2002. The increase in gross margin was primarily the result of higher sales in the automotive segment. Gross margin as a percentage of sales decreased from 17.5% to 14.8% for the three month period and from 17.4% to 16.1% for the nine month period ended September 30, 2003, primarily as a result of the increased mix of steel sales to total sales compared to the same period last year.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (SG&A) increased by $0.3 million, or 10.3%, to $3.3 million for the three-month period ended September 30, 2003 as compared to $3.0 million in the comparable period of 2002. For the nine-month period ended September 30, 2003 selling, general and administrative expenses increased by $1.6 million, or 18.8%, to $9.8 million from $8.2 million in the same period in 2002. As a percentage of net sales, selling, general and administrative expenses decreased to 6.6% for the three months ended September 30, 2003 from 9.4% for the same period in 2002; and to 7.4% from 9.1% for the nine months ended September 30, 2003 compared to the same period in 2002. A major component of the increase for the nine month period ended September 30, 2003 was the $0.56 million (net of accrual adjustment) restructuring charge incurred in March 2003.

Operating Profit. As a result of the foregoing factors, operating profit increased $1.4 million, or 56.6%, to $4.0 million for the three-month period ended September 30, 2003 from $2.6 million for the same period in 2002. For the nine-month period ended September 30, 2003 operating profit increased by $3.9 million, or 52.4%, to $11.3 million from $7.4 million in the same period of 2002. Operating profit as a percentage of net sales increased to 8.2% for the three month period ended September 30, 2003 from 8.1% in the same period of 2002 and increased to 8.6% for the nine month period ended September 30, 2003 from 8.2% in the same period of 2002.

Interest Income. Interest income decreased by $0.1 million, or 48.3% to $0.1 million for the three-month period ended September 30, 2003 from $0.3 million for the same period in 2002. For the nine-month period ended September 30, 2003 interest income decreased by $0.2 million, or 32.7%, to $0.5 million from $0.7 million in the same period in 2002. The decrease in interest income was due to lower balances on interest bearing assets.

Interest Expense. Interest expense increased by $0.4 million to $0.8 million for the three months ended September 30, 2003 from $0.4 million for the comparable period of 2002. For the nine-month period ended September 30, 2003 interest expense increased by $1.0 million to $1.8 million from $0.8 million in the same period of 2002. The increase is due to increased borrowing primarily related to steel purchases and capital expenditures in the automotive group as well as lower interest expense attributable

to discontinued operations in the nine-month period ended September 30, 2003 compared to the same period in 2002.

Other, net. Other, net for the three month period ended September 30, 2003 increased $0.6 million compared to the three month period ended September 30, 2002, and increased $0.8 million for the nine month period ended September 30, 2003 compared to the same period last year. The increase is primarily the result of insurance proceeds, recovery of costs previously expensed, the recording of investment in stock, the write down of investment, and dividend income.

Income Tax Expense. Income tax expense for the three month period ended September 30, 2003 increased 156.9%, or $0.7 million, to $1.1 million, an effective tax rate of 29.0%, from $0.4 million, an effective tax rate of 18.2%, for the comparable period in 2002. For the nine month period ended September 30, 2003 income tax expense increased by 54.9%, or $1.2 million, to $3.5 million, an effective tax rate of 32.1%, from $2.2 million, and effective tax rate of 30% in the same period of 2002. The increase in income tax expense is due primarily to increased earnings.

Earnings on Common Shares from Continuing Operations. As a result of the foregoing factors, earnings on common shares from continuing operations increased for the three-month period ended September 30, 2003 to $2.8 million from $2.0 million for the comparable period of the prior year, an increase of 40.0%. For the nine-month period ended September 30, 2003 earnings on common shares from continuing operations increased 43.0% to $7.3 million from $5.1 million in the same period in 2002.

Net Earnings. Net earnings on common shares increased by $0.8 million, or 43.1%, to $2.8 million for the three month period ended September 30, 2003 compared to the same period in 2002. The 2002 quarter net earnings included a loss from discontinued operations related to the logistics business of $0.4 million, offset by $0.3 million extraordinary gain on acquisition of the heavy equipment business. For the nine-month period ended September 30, 2003 net earnings on common shares decreased by 0.8%, or $0.05 million compared to the same period in 2002. The decrease was primarily due to a $1.2 million loss from the discontinued operations and a $0.7 million loss on the sale of discontinued operations in 2003 as compared to $0.1 million of income from discontinued operations and an extraordinary income of $0.3 million in the same period in 2002.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements have historically been satisfied through a combination of cash flow from operations, equity and debt financings and loans from stockholders. Working capital needs and capital equipment requirements in the continuing operations have increased as a result of the growth of the Company and are expected to continue to increase. Anticipated increases in required working capital and capital equipment expenditures are expected to be met from cash flow from operations, equipment financing and borrowings under the Company's credit facility. As of September 30, 2003, the Company had a working capital surplus of approximately $14.3 million. The Company completed the sale of its logistics business in March 2003 which resulted in cash received of $2.0 million at closing and receipt of $3.7 million subsequent to closing pursuant to notes receivable. Availability under the Company's revolving credit facility was approximately $12.3 million as of September 30, 2003.

The Company generated cash from continuing operations of $1.9 million for the nine months ended September 30, 2003. Net cash generated by continuing operating activities was primarily the result of net earnings, plus non-cash expenses such as depreciation expense and increases in accounts payable and income taxes payable, offset by increases in accounts receivable, inventories and prepaid expenses. The increase in accounts receivable of $12.5 million for the nine months ended September 30, 2003, is related to the start of new production programs in the automotive segment as well as increased volume in current programs.

The Company used cash in investing activities of $2.1 million for the nine months ended September 30, 2003. This was primarily the result of the purchase of fixed assets of $7.8 million offset by $2.0 million received in cash from the sale of logistics business and the $3.7 million received in cash as of September 30, 2003 on the notes receivable.

The Company generated $2.9 million in cash flow from financing activities for the nine months ended September 30, 2003, primarily from borrowings under the Credit Facility. The Company paid dividends of $1.9 million during the nine months ended September 30, 2003.

As of September 30, 2003 the Company maintained a $55.0 million secured Credit Facility with Comerica Bank N.A. and two other banks with an expiration date of January 2006. As of September 30, 2003 the Credit Facility had a balance of $42.2 million. The Credit Facility consists of a term loan and a revolving line of credit. The revolving line of credit is a $25.0 million revolving loan with no borrowing base formula. The balance at September 30, 2003 was $12.2 million and availability under the line of credit was approximately $12.3 million, net of approximately $0.5 million in outstanding letters of credit. The term loan had a balance of $30.0 million. The Company made monthly principal payments of $0.389 million on the previous term loan until the term loan was amended on July 31, 2003. The current term loan requires quarterly principal payments of $1.1 million starting in the fourth quarter of 2003.

The Credit Facility is secured by assets of the Company and its subsidiaries and provides for the issuance of up to $5 million in standby or documentary letters of credit. The Credit Facility may be utilized for general corporate purposes, including working capital and acquisition financing, and provides the Company with borrowing options for multi-currency loans. Borrowing options include a Eurocurrency rate, or a base rate. Advances under the facility bore interest at an effective rate of 4.42% for the nine months ended September 30, 2003. Costs of originating the Credit Facility of $1.0 million are being amortized over three years. On July 31, 2003 the Company renegotiated the Credit Facility and incurred additional origination costs of $0.3 million. The amortization expense for the third quarter and and nine months ended September 30, 2003 was $0.1 and $0.3 million, respectively. The unamortized balance of origination costs is $1.1 million at September 30, 2003 and is included in other assets. The Credit Facility is subject to customary financial and other covenants including, but not limited to, limitations on consolidations, mergers, and sales of assets, and bank approval on acquisitions over $15.0 million.

The Company has from time to time in prior years been in violation of certain of its financial debt ratio covenants and covenants relating to the issuance of preferred stock and the payment of preferred and common stock dividends, requiring it to obtain waivers of default from its lenders. At September 30, 2003 the Company was in compliance with all of its financial covenants under the Credit Facility.

The liquidity provided by the Company's Credit Facility combined with cash flow from continuing operations is expected to be sufficient to meet currently anticipated working capital and capital expenditure needs and for existing debt service for at least 12 months. There can be no assurance, however, that the funds will not be expended due to changes in economic conditions or other unforeseen circumstances, requiring the Company to obtain additional financing prior to the end of such twelve-month period. In addition, as part of its business strategy, the Company continues to evaluate and may pursue future growth through opportunistic acquisitions of assets or companies involved in the automotive component supply and distribution industries, which acquisitions may involve the expenditure of significant funds. Depending upon the nature, size and timing of future acquisitions, the Company may be required to obtain additional debt or equity financing. There can be no assurance, however, that additional financing will be available to the Company, when and if needed, on acceptable terms or at all.

For the period ended September 30, 2003, the Company guaranteed $3.0 million of SET's senior debt in connection with its sale of businesses to SET. On July 31, 2003 SET acquired MSP, a division of SCOA. As a result of the transaction, the Company reduced its previous guarantee of SET's $10.0 million senior debt to $3.0 million for a period of one year, after which the guarantee will be eliminated provided SET is in compliance with its credit agreement. The Company would be required to perform under the guarantee if SET was unable to repay or renegotiate its credit facility. The maximum amount

the Company would be required to pay is $3.0 million. The Company does not currently carry a liability for this guarantee. The guarantee is unsecured and the Company would be entitled to the proceeds from any liquidation after the senior debt lender had been paid in full.

As of September 30, 2003, the Company had not been notified by SET or SET's lender of any default that would require performance under the guarantee.

INFLATION

Inflation generally affects the Company by increasing the interest expense of floating rate indebtedness and by increasing the cost of labor, equipment and raw materials. The Company does not believe that inflation has had a material effect on its business over the past two years.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to the impact of foreign currency fluctuations. International revenues from the Company's foreign subsidiaries were approximately 16.4% and 20.3% of total revenues for the three months and nine months ended September 30, 2003, respectively. The Company's primary foreign currency exposure is to the Canadian Dollar. The Company manages its exposure to foreign currency assets and earnings primarily by funding certain foreign currency denominated assets with liabilities in the same currency and, as such, certain exposures are naturally offset.

As of September 30, 2003 only 5.4% of the Company's long-lived assets were based in its foreign subsidiaries. These assets are translated into U.S. dollars at foreign currency exchange rates in effect as of the end of each period, with the effect of such translation reflected as a separate component of stockholders' equity. Accordingly, the Company's consolidated stockholders' equity will fluctuate depending on the weakening or strengthening of the U.S. dollar against the respective foreign currency.

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

31, 2002.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. The Company's President and Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures, as defined in the Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as of September 30, 2003, have concluded that as of September 30, 2003, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its subsidiaries required to be disclosed by the Company in the reports it files with the SEC under the Securities Exchange Act of 1934 would be made known to them by others within the Company, particularly during the period in which this Form 10-Q Quarterly Report was being prepared.

Changes in Internal Controls over Financial Reporting. There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

Not applicable.

ITEM 2: CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5: OTHER INFORMATION

Not applicable.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit No. Description

31.1	Certification by the President and Chief Executive Officer pursuant to Rule 13a-14 (a) of the Securities and Exchange Act of 1934, as amended.
31.2	Certification by the Chief Financial Officer pursuant to Rule 13a-14 (a) of the Securities and Exchange Act of 1934, as amended.
32.1	Certification of Periodic Financial Report by the President and Chief Executive Officer and the Chief Financial Officer pursuant to 18 USC Section 1350, as created by Section 906 of Sarbanes-Oxley Act of 2002.

(b) The following reports on Form 8-K were filed during the three month period ended September 30, 2003:

(i) Report on Form 8-K filed on July 23, 2003, concerning the financial results for the three and six months ended June 30, 2003.

(ii) Report on Form 8-K filed on August 14, 2003, concerning Noble Manufacturing Group Ltd.'s acquisition of four percent of the common stock of SET Enterprises Inc.

(iii) Report on Form 8-K filed on September 18, 2003, concerning the third quarter and full year earnings estimates.

SIGNATURES

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

NOBLE INTERNATIONAL, LTD.

Dated: November 14, 2003

By: /s/ Jay J. Hansen

Jay J. Hansen,
Chief Financial Officer

Exhibit Index

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