Tower International, Inc.
Form 10-K
February 27, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended:	Commission file number:
December 31, 2018	001-34903

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

Delaware	27-3679414
(State of Incorporation)	(IRS Employer Identification Number)
17672 Laurel Park Drive North, Suite 400 E Livonia, Michigan (Address of Principal Executive Offices)	48152 (Zip Code)

Registrant’s telephone number, including area code: (248) 675-6000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15d of the Act. Yes No
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
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. (Check one):

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 12b-2 of the Exchange Act). Yes No
The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price of the common stock as of the closing of trading on June 30, 2018, was approximately $625,903,277.
There were 20,611,952 shares of the registrant's common stock outstanding at February 19, 2019.
DOCUMENTS INCORPORATED BY REFERENCE
Certain portions, as expressly described in this report, of the Registrant's Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

Item 1. Business

Our Company

We are a leading manufacturer of engineered automotive 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.

After giving effect to the pending sale of our European operations and the retention of our Brazilian operations, (see "Our History and Corporate Structure — Europe Discontinued Operations"), 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. We are a disciplined, process-driven company with an experienced management team that has a history of implementing sustainable operational improvements. For the year ended December 31, 2018, in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), we generated revenues of $1.6 billion and net income attributable to Tower International, Inc. (the "Company") of $48.9 million. In addition, we had Adjusted EBITDA of $177.7 million and an Adjusted EBITDA margin of 11.3% for the year ended December 31, 2018. (Item 7 of this Annual Report includes a discussion of Adjusted EBITDA as a non-GAAP measure).

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

Our History and Corporate Structure

Our Corporate History

On October 15, 2010, our common stock began trading on the New York Stock Exchange following our initial public offering ("IPO"). On July 31, 2013, Tower International Holdings, LLC, an affiliate of Cerberus, completed the sale of 7,888,122 shares of our common stock in a secondary public offering. Upon completion of the sale, Cerberus no longer controlled a majority of our outstanding common stock and therefore, we ceased being a "controlled company" within the meaning of the New York Stock Exchange corporate governance standards. On November 6, 2013, Tower International Holdings, LLC, completed the sale of 3,000,000 shares of our common stock in another secondary public offering. In addition, Tower International Holdings, LLC completed multiple transactions during the fourth quarter of 2013 whereby it sold additional shares of our common stock in the open market. As a result of these sales, Tower International Holdings, LLC and Cerberus held no shares of our common stock at December 31, 2013.

Europe Discontinued Operations

During the fourth quarter of 2018, our 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 these agreements, the Purchaser will acquire all of the stock of TA Holdings Europe B.V., our indirect wholly owned subsidiary, 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 our European operations for calendar year 2018 were less than €45 million. Approval of the transaction is subject to (i) the approval of the European Commission and (ii) the absence of a material breach in any of the seller parties' fundamental representations (e.g., title, authority and absence of insolvency). On February 13, 2019, we obtained the required approvals from the European Commission. During the first quarter of 2019, we expect to consummate the transaction and receive net sale proceeds of approximately $250 million after payment of transaction costs and the repayment of our cross currency swap.

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Our European operations are considered held for sale in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 360, Property, Plant, and Equipment, and have been presented as discontinued operations in our Consolidated Financial Statements in accordance with FASB ASC No. 205, Discontinued Operations. The anticipated purchase price less expected transaction related costs is less than the carrying value as of December 31, 2018; therefore, we recorded a fair value adjustment of $44 million during the fourth quarter of 2018. Included in the fair value adjustment is the required recognition of the cumulative translation adjustment that will be reclassified to earnings. During the year ended December 31, 2018, our European operations had revenues of $650.3 million.

Brazil Operations

During the second quarter of 2016, our Board of Directors approved a plan to sell our remaining business operations in Brazil, at which time we recorded a $15 million impairment charge upon classifying our Brazilian operations as held for sale. In prior filings, the Brazilian operations have been presented as discontinued operations in our Consolidated Financial Statements, in accordance with FASB ASC No. 205, Discontinued Operations. During the year ended December 31, 2018, our Brazilian operations had revenues of $53 million.

During the fourth quarter of 2018, we reclassified the Brazilian operations as held and used; therefore, the Brazilian operations are no longer presented as discontinued operations in accordance with FASB ASC No. 360, Property, Plant, and Equipment.

Sale of China Joint Ventures

In October of 2016, we entered into an agreement to sell our joint venture in Wuhu, China: Tower Automotive Company, Ltd. ("Wuhu"). The sale agreement provided for the purchase of our equity in the joint venture for approximately $21 million, net of tax. We received proceeds of $4.5 million in the fourth quarter of 2016. On May 9, 2017, we completed the sale of our equity interest in Wuhu. During the second quarter of 2017, we received total net proceeds of $15.9 million related to the sale, which resulted in a total sales price that was less than the carrying value of the net assets of Wuhu. In addition, we incurred certain transaction related costs; therefore, a net loss of $2.6 million was recorded in the second quarter of 2017.

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

Wuhu and Ningbo have been presented as discontinued operations in our Consolidated Financial Statements, in accordance with FASB ASC No. 205, Discontinued Operations.

Our Industry

We believe OEMs produce a majority of their structural metal components and assemblies internally. While OEM policies differ and may be especially impacted by their own capacity utilization, the capital expenditures associated with internal production of the types of parts and assemblies Tower manufactures can be substantial. As fuel efficiency and emissions regulations tighten globally, the continued lightweighting and electrification of vehicles is expected. Due to the capital investment and fixed cost requirements for the OEMs related to these trends, as well as the evolution toward autonomous vehicles, we believe that longer term, OEMs will outsource a greater proportion of their stamping requirements and we may benefit from this shift. We also believe that our products are relatively agnostic to vehicle autonomy because the stampings and assemblies we produce are critical to the structural integrity of a vehicle and not dependent upon the powertrain or how vehicles are driven. In addition, we believe OEMs will increasingly favor larger, more capable, financially strong regional suppliers. Given our manufacturing, engineering, and operational program management capabilities, we believe we are particularly well-positioned to take advantage of these potential opportunities.

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Our Strategy

We seek to:

- Execute a business model that generates sustainable ongoing free cash flow, providing flexibility for capital allocation and resilience during cyclical downturns;

- Achieve organic growth above industry levels through strong competitive capabilities in engineering, manufacturing, and program management that contribute to leading positions in cost and quality;

- Opportunistically pursue accretive acquisitions;

- Achieve and maintain appropriate net debt leverage of about 1 times Adjusted EBITDA, which we consider to be integral to a financially strong and capable automotive parts supplier;

- Return capital to shareholders through regular growing dividends, stock repurchases and, when appropriate, other actions; and

- Manage risk through financial discipline.

Execute Business Model Focused on Free Cash Flow

Free cash flow (defined as net cash provided by operating activities less cash disbursed for purchases of property, plant and equipment) is one of our most important financial metrics. Our focus on sustainable ongoing free cash flow keeps us disciplined regarding product pricing and margins, as well as determining and prioritizing affordable capital expenditures. To further our alignment with our business model, free cash flow is a major component of our annual bonus program for salaried and hourly colleagues. (Item 7 of this Annual Report includes a discussion of free cash flow as a non-GAAP measure).

Achieve Organic Growth Above Industry and Opportunistically Pursue Accretive Acquisitions

We have demonstrated the ability to win significant net new business from our customers from a combination of share gains from competitors via conquest wins and OEM outsourcing. In addition, the increased use of aluminum, higher strength steels and hot forming (i.e., “light weighting”) with complex joining technologies is providing us with higher value-add opportunities. We believe our ability to win new business at a return in excess of our cost of capital is a direct reflection of our core engineering strength, competitive cost and quality, and proven ability to manage complex new-model launches for OEM customers. We use processes such as Lean Six Sigma, labor best practices standardization, and advanced product quality planning (“APQP”) to drive productivity and quality while managing new programs on time and on budget.

We believe Tower is positioned for organic growth well above industry from 2019 through at least 2020 as a result of major new business awards primarily in North America that are anticipated to provide approximately $250 million of annual ongoing net revenue. We also believe there can be future upside growth opportunities from accretive acquisitions. Our projections regarding future performance constitute forward-looking statements. For information regarding the risks associated with forward looking statements, see “Disclosure Regarding Forward-Looking Statements.”

Achieve and Maintain Appropriate Leverage

Achieving and maintaining net debt leverage (defined as total debt less cash and cash equivalents divided by annual Adjusted EBITDA) at our target of 1 times Adjusted EBITDA is an important business priority for optimizing cost of capital and maintaining appropriate financial strength. As of December 31, 2018, our net debt was $230.5 million,

representing net debt leverage of 1.3 times, before application of the expected net proceeds from the sale of our European operations. (Item 7 of this Annual Report includes a discussion of net debt as a non-GAAP measure).
During the last two years, we have entered into operating leases to fund a portion of the capital expenditures necessary to achieve growth above industry average. We believe that these operating leases provide a diversified capital source for financing capital expenditures at competitive rates. These leasing arrangements bear a weighted average fixed interest rate of 5.6%. As of December 31, 2018, the effective interest rate on our Term Loan Credit Facility (the "Term Loan") was 5.2%.
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Beginning in 2019, FASB ASC No. 842, Leases, will change the financial reporting for leases. Certain of our manufacturing equipment leases currently classified as operating leases will be considered financing leases under the new standard. As a result, we will be required to record a right-of-use ("ROU") asset as additional property, plant, and equipment and the associated liability as lease debt.

As of December 31, 2018 and 2017, the associated liability from these leases would have been approximately $157 million and $72 million, respectively. Including our net debt of $230.5 million, our pro-forma net debt leverage including these leases would have been 2.2 times as of December 31, 2018, but would have been reduced to approximately 1.1 times including the expected net proceeds from the sale of our European operations.

In addition, we have numerous real estate and equipment leases currently classified as operating that we believe will continue to be classified as operating under the new standard. We estimate that the ROU assets and lease liabilities associated with these leases will be approximately $100 million, and is estimated to increase approximately $10 million during the first quarter of 2019 upon the extension of certain leases of production facilities.

Return Capital to Shareholders

With our long-term leverage target in sight, we have begun returning capital to shareholders. In the fourth quarter of 2018, we raised our regular quarterly dividend per common share for the third consecutive year. In addition, 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 (the "Repurchase Program"). As of December 31, 2018, we have returned approximately $50 million to shareholders, on a cumulative basis, including dividend payments and shares repurchased under the Repurchase Program.

Manage Risk

We consider risk management to be an important part of our ability to operate predictably and successfully in the cyclical automotive parts industry. Foremost in managing risk is financial discipline, beginning during the evaluation and approval of new programs to ensure sound assumptions and projected returns in excess of our cost of capital. During each year, we carefully monitor and manage all elements of cost, with an objective of achieving productivity and other savings that offset customer price reductions and labor and overhead inflation. Through our commercial agreements, we are largely shielded from changes in steel prices.

Composition of Revenues

Customers

The following table summarizes our customer mix as a percent of revenues for the year ended December 31, 2018 (excluding revenues from discontinued operations).

Customer	
Ford	47%
Fiat – Chrysler	22%
Nissan	12%
Toyota	8%
BMW	5%
Volkswagen Group	2%
Honda	2%
Other	2%
Total	100%

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Platforms

We believe we are well positioned in the North American market due to the continued shift away from passenger cars to light trucks (which includes SUVs, Pickups, Vans, and MPVs). Our percentage of revenue related to passenger cars only represents 12% of our 2018 revenue. In addition, based on 2018 production volumes, we supply products for approximately 75% of the top 20 platforms in the North American market. The following table summarizes our vehicle platform mix as a percent of revenues for the year ended December 31, 2018 (excluding revenues from discontinued operations).

Vehicle Platform	
SUV	53%
Pickup	27%
Van	4%
MPV	2%
Light trucks	86%
Large Car	7%
Small Car	5%
All Other	2%
Total	100%

IHS Automotive® ("IHS") Global Sales Sub-Segment and Global Production Segment include the following references:

- "SUV" refers to Global Sales Sub-Segment "SUV" (sport-utility vehicles);
- "Pickup" refers to Global Sales Sub-Segment "PUP" (pickup trucks);
- "Large car" refers to Global Sales Sub-Segment and Global Production Segment (D-E Segment);
- "Small car" refers to Global Sales Sub-Segment and Global Production Segment (A-C Segment);
- "Van" refers to Global Sales Sub-Segment "Van";
- "MPV" refers to Global Sales Sub-Segment "MPV" (multi-purpose vehicles); and
- "All Other" refers to Heavy truck, Non-Auto (Racks), Offload, Service, and Other (primarily Tier 2)

The reports prepared by IHS referred to in this Annual Report are subscription-based. All references in this report to historical industry production volumes, projections, estimates, or other data attributable to IHS, are based on data available from the IHS January 2019 forecast.

Our Products

We produce a broad range of structural components and assemblies, many of which are critical to the structural integrity of a vehicle. Images of some of the products we offer are presented below.

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Product Offerings

Body structures and assemblies

Body structures and assemblies form the basic upper body structure of the vehicle and include structural metal components such as body pillars, roof rails, and side sills. This category also includes Class A surfaces and assemblies, which are components of the "exterior skin" of the vehicle — body sides, hoods, doors, fenders, and pickup truck boxes. These components form the appearance of the vehicle, requiring flawless surface finishes.

Chassis and lower vehicle structures

Lower vehicle frames and structures include chassis structures that make up the "skeleton" of a vehicle and which are critical to overall performance, particularly in the areas of noise, vibration and harshness, handling, and crash management. These products include pickup truck and SUV full frames, automotive engine and rear suspension cradles, floor pan components, and cross members that form the basic lower body structure of the vehicle. These heavy gauge metal stampings carry the load of the vehicle, provide crash integrity, and are critical to the strength and safety of vehicles.

Complex body-in-white assemblies

Complex body-in-white assemblies are comprised of multiple components and sub-assemblies welded to form major portions of the vehicle's body structure. We refer to body-in-white as the manufacturing stage in which the vehicle body sheet metal has been assembled but before the components and trim have been added. Examples of complex assemblies include front and rear floor pan assemblies and door/pillar assemblies.

Product mix

The following table summarizes our product group mix as a percent of revenues for the year ended December 31, 2018 (excluding revenues from discontinued operations):

Product Group	
Body structures and assemblies	47%
Chassis and lower vehicle structures	36%
Complex body-in-white assemblies	17%
Total	100%

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The following table presents the major vehicle models for which we supply products:

OEM	Models	Product Type
North America		
Ford	Econoline	Frame Assembly
	Explorer	Complex Assembly
	Expedition/Navigator	Body Structures
	F-Series	Frame Assembly/Body Structures
	Taurus/MKS	Complex Assembly
	Escape	Body Structures & Complex Assembly
Chrysler	Caravan	Body Structures
	Grand Cherokee/Durango	Body Structures
	Wrangler	Frame Assembly
	Cherokee	Body Structures
	Ram Pickup	Body Structures
Nissan	Frontier	Body Structures & Frame Assembly
	NV Series	Frame Assembly
	Titan	Frame Assembly
	Altima	Body Structures
Toyota	Camry	Body Structures
	Corolla	Body Structures
	Tacoma	Body Structures
	Tundra	Body Structures
BMW	X3	Body Structures & Complex Assembly
	X4	Body Structures & Complex Assembly
	X5	Body Structures & Complex Assembly
	X6	Body Structures & Complex Assembly
Brazil		
VW	Gol	Body Structures
	Saveiro	Body Structures
	Fox	Body Structures
	Up!	Body Structures
Honda	Fit	Body Structures
	Vezel	Body Structures
	Civic	Body Structures
	City	Body Structures
PSA	Picasso	Body Structures

Manufacturing and Operations

Our manufacturing operations consist primarily of stamping and welding operations, system and modular assembly operations, cold and hot forming, coating, and other ancillary operations. Stamping involves passing metal through dies in a stamping press to form the metal into three-dimensional parts. We produce stamped parts using precision single-stage, progressive, and transfer presses, ranging in size from 100 to 4,500 tons, which perform multiple functions to convert raw material into finished products. We invest in our press technology to increase flexibility,

improve safety, and minimize die changeover time.

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We feed stampings into assembly operations that produce complex assemblies through the combination of multiple parts that are welded or fastened together. Our assembly operations are performed either on dedicated, high-volume welding/fastening machines or on flexible, cell-oriented robotic lines. The assembly machines attach additional parts, fixtures, or stampings to the original metal stampings. In addition to standard production capabilities, our assembly machines are also able to perform various statistical control functions and identify improper welds and attachments.

Our products use various grades and thicknesses of steel and aluminum, including high-strength, hot- andcold-rolled, galvanized, organically coated, stainless, and aluminized steel. Although changing steel prices affect our results, we seek to be neutral with respect to steel pricing over time, with the intention of neither making nor losing money as steel prices fluctuate. The pricing of our products includes a component for steel, which can increase as steel prices increase and decrease as steel prices decrease. For our North American customers and several of our other customers, we purchase steel through our customers' resale programs, where our customers actually negotiate the cost of steel for us. In other cases, we procure steel directly from the mills, negotiating our own price and seeking to pass through steel price increases and decreases to our customers.

Our hot forming technology provides customers with ultra-high strength steels ("UHSS") for automotive body structures. Demand for UHSS is increasing to allow conformance to additional regulatory requirements for fuel economy — through mass reduction — while maintaining vehicle safety.

We focus on achieving superior product quality at the lowest operating costs possible and concentrate on improving our manufacturing processes to drive out inefficiencies. We seek to continually improve our processes through efforts to improve our cost competitiveness and achieve higher quality.

We are committed to sustaining Lean Six Sigma principles throughout our manufacturing processes and as of December 31, 2018, we employed 77 certified black belts. We utilize Lean Six Sigma principles to increase the efficiency of our operations and to reduce operating costs, thereby improving our cost competitiveness. We have accomplished efficiency improvements, while at the same time improving our quality.

Supply Base — Manufactured Components and Raw Materials

We purchase various manufactured components and raw materials for use in our manufacturing processes. All of these components and raw materials are available from numerous sources. We employ just-in-time manufacturing and sourcing systems, enabling us to meet customer requirements for faster deliveries, while minimizing our need to carry significant inventory levels. The primary raw material used to produce the majority of our products is steel. A portion of our steel is purchased from certain of our customers through various OEM resale programs. The remainder of our steel purchasing requirements are met through contracts with steel producers and market purchases. In addition, we procure small- and medium-sized stampings, fasteners, tubing, and rubber products.

Sales, Marketing, and Distribution

Our sales and marketing efforts are designed to create awareness of our engineering, program management, manufacturing and assembly expertise, and to translate our leadership position into contract wins. We have developed a sales team that consists of an integrated group of professionals, including skilled engineers and program managers, whom we believe provide the appropriate mix of operational and technical expertise needed to interface successfully with OEMs. We sell directly to OEMs through our sales and engineering teams at our technical centers, which are strategically located around the world. Bidding on automotive OEM platforms typically encompasses many months of engineering and business development activity. We integrate our sales force directly into our operating team and work closely with our customers throughout the process of developing and manufacturing a product. Our proximity to our customer base enables us to enjoy close relationships with our customers and positions us well to seek future business awards.

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Customers

We have developed long-standing business relationships with our automotive customers. We work together with our customers in various stages of production, including development, component sourcing, quality assurance, manufacturing, and delivery. With a diverse mix of products and facilities, we believe we are well-positioned to meet customer needs. We believe we have a strong, established reputation with customers for providing high-quality products at competitive prices, as well as for timely delivery and customer service. Given that the automotive OEM business involves long-term production contracts awarded on a platform-by-platform basis, we believe that we can leverage our strong customer relationships to obtain new platform awards. Contracts are typically sole-sourced to one supplier for individual platforms.

Customer Support

We have five engineering and sales locations around the world, including a 24-hour engineering support center in India. We believe that we provide effective customer solutions, products, and service to our customers. Our customer service group is organized into customer-dedicated teams within regions to provide more focused service to our customers.

Seasonality

Our customers in North America typically shut down vehicle production during portions of July – August and for one week in late December. Our quarterly results of operations, cash flows, and liquidity may be impacted by these seasonal practices. For example, working capital is typically a use of cash during the first quarter of the year and a source of cash generation in the fourth quarter. See Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion on working capital.

Competition

We principally compete for new business at the beginning of the development of new models and on the redesign of existing models. New-model development generally begins two to three years before the marketing of such models to the public. Once a supplier has been designated to supply parts for a new program, an OEM will usually continue to purchase those parts from the designated producer for the life of the program, although not necessarily for a major redesign. OEMs typically evaluate suppliers based on many criteria such as quality, price/cost competitiveness, system and product performance, reliability and timeliness of delivery, new product and technology development capability, excellence and flexibility in operations, location relative to the customer's assembly plant, effectiveness of customer service, and overall management capability.

We believe that we compete effectively with other leading suppliers in our sector. Our main tier one competitors include: Magna International, Inc. (Cosma division), Gestamp Automocion, Martinrea International, and Metalsa, S.A. de C.V. We compete with other competitors with respect to certain of our products. The number of our competitors has decreased in recent years and we believe that number will continue to decline due to supplier consolidation. In addition, most of our OEM customers manufacture similar products that compete with our products. We believe the recent trend has been for OEMs, on average, to increase outsourcing, and we expect that trend to continue, which may provide above-industry growth opportunities for key suppliers like Tower.

Joint Ventures

In the fourth quarter of 2016, we entered into agreements in principle to sell our two remaining joint ventures in China: Wuhu and Ningbo. We completed the sale of Wuhu during 2017 and the sale of Ningbo during the second quarter of 2018.

Employees

As of December 31, 2018, our continuing operations had approximately 5,700 employees worldwide, of whom approximately 3,500 were covered under collective bargaining agreements that expire at various times. Additionally, our discontinued European operations had approximately 2,300 employees, of whom approximately 1,600 were covered under collective bargaining agreements. We are not aware of any

significant work stoppages since the formation of Tower Automotive Inc., our predecessor (the "Predecessor Company"), in 1993. A prolonged strike or slow-down by one of our unions could have a material adverse effect on our business. We believe that our relations with our employees are satisfactory.

Environmental Matters

We are subject to various domestic and foreign Federal, state and local laws and regulations governing the protection of the environment and health and safety, including those regulating the following: soil, surface water, and groundwater contamination; the generation, storage, handling, use, disposal, and transportation of hazardous materials; the emission and discharge of materials, including greenhouse gases ("GHGs") into the environment; and the health and safety of our employees. We are also required to obtain environmental permits from governmental authorities for certain operations. We have taken steps to comply with the numerous and sometimes complex laws, regulations, and permits. We have also achieved ISO 14001 registration for substantially all of our facilities, which means we have implemented environmental management systems to improve our environmental performance. Compliance with environmental requirements has not had a material impact on our capital expenditures, earnings, or competitive position and we have made, and will continue to make, capital and other expenditures pursuant to such requirements. If we violate or fail to comply with these requirements, we could be subject to fines, penalties, enforcement actions, or lawsuits.

Environmental laws, regulations, and permits, and the enforcement thereof, change frequently and have become more stringent over time. In particular, more rigorous GHG emission requirements are in various stages of development. For example, the United States Environmental Protection Agency ("U.S. EPA") has promulgated the GHG Reporting Rule, which requires reporting of GHG data and other relevant information from large sources and suppliers in the United States and the GHG Tailoring Rule, which requires certain facilities with significant GHG emissions to obtain emissions permits under the authority of the Clean Air Act (typically limited to only the largest stationary sources of GHGs.) The United States Congress has also considered imposing additional restrictions on GHG emissions. Any additional regulation of GHG emissions by either the United States Congress and/or the U.S. EPA could include a cap-and-trade system, technology mandate, emissions tax, reporting requirement, or other program, and could subject us to significant costs, including those relating to emission credits, pollution control equipment, monitoring, and reporting, as well as increased energy and raw material prices. In addition, our OEM customers may seek price reductions from us to account for their increased costs resulting from GHG regulations. Further, growing pressure to reduce GHG emissions from mobile sources could reduce automobile sales, thereby reducing demand for our products, and ultimately our revenues. At this time, none of our facilities are required to report GHG emissions or participate in any cap-and-trade system programs under the existing regulatory scheme. However, there is still significant uncertainty surrounding the scope, timing, and effect of future GHG regulation, and any changes to the current laws or regulations could have a material adverse impact on our business, financial condition, results of operations, reputation, product demand, and liquidity.

We are also responsible for certain costs relating to contamination at our, or the Predecessor Company's, current or formerly owned or operated properties or third party waste disposal sites, even if we are not at fault. Certain locations have been impacted by environmental releases and soil or groundwater contamination is being addressed at certain of these sites. In addition to potentially significant investigation and remediation costs, contamination can give rise to third party claims, including fines or penalties, natural resource damages, personal injury, or property damage. Our costs and liabilities associated with environmental contamination could be substantial and may be material to our business, financial condition, results of operations, or cash flows. Refer to Note 14 to our Consolidated Financial Statements for information regarding our environmental liabilities.

Segment Overview

Refer to Note 13 to our Consolidated Financial Statements for information regarding our operating and reportable segments.

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Public Information

We maintain a website at http://www.towerinternational.com. We will make available on our website, free of charge, the proxy statements and reports on Forms 8-K, 10-K, and 10-Q that we file with the United States Securities and Exchange Commission ("SEC") as soon as reasonably practicable, after such material is electronically filed with, or furnished to, the SEC. Additionally, we have adopted and posted on our website a Code of Business Conduct and Ethics that applies to, among other people, our principal executive officer, principal financial officer, and principal accounting officer. We intend to disclose any waivers of the Code of Business Conduct and Ethics on our website. We will provide, free of charge, a copy of our Code of Business Conduct and Ethics to any person who requests a copy. All such requests should be directed to our Executive Director, Investor & External Relations, c/o Tower International, Inc., 17672 Laurel Park Drive North, Suite 400 E, Livonia, Michigan 48152. Except as otherwise stated, the information contained on our website or available by hyperlink from our website is not incorporated into this Annual Report on Form 10-K or other documents we file with, or furnish to, the SEC.

Disclosure Regarding Forward-Looking Statements

This Annual 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", as well as 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, adjusted 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 Annual Report, including the matters set forth under the captions entitled "Risk Factors" and "Quantitative and Qualitative Disclosures About Market Risk", could cause our actual results to differ materially from estimates or expectations reflected in such forward-looking statements:

- global 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 largest 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 non-U.S. operations, including foreign exchange risks and economic uncertainty in some regions;

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- risks associated with business divestitures including volatility in the capital markets, the capacity of potential bidders to finance transactions and the difficulty of predicting the outcome of negotiations; 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 Annual 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 Annual 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.

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Item 1A. Risk Factors

Our business is subject to a number of risks. In addition to the various risks described elsewhere in this Annual Report, the following risk factors should be considered. Unless otherwise expressly indicated, information with respect to discontinued operations has been excluded from the risk factor disclosures set forth below.

Risk Factors Relating to Our Industry and Our Business

A downturn in the North American economy could adversely affect demand for automobiles that are manufactured with our products and therefore, could adversely affect our business, financial condition, results of operations, and cash flows.

During the year ended December 31, 2018, approximately 97% of our revenues were derived from operations in North America. The level of demand for our products depends primarily upon the level of consumer demand for new vehicles that are manufactured with our products. An economic recession can have a significant adverse effect on our business, customers, and suppliers, and can contribute to delayed and reduced purchases of automobiles, including those manufactured with our products. If the North American economy were to undergo a significant downturn, depending upon its length, duration, and severity, our financial condition, results of operations, and cash flow could be materially adversely affected.

Demand for and pricing of our products is also subject to economic conditions and other factors (e.g., energy costs, fuel costs, climate change concerns, vehicle age, consumer spending and preferences, materials used in production, changing technology, etc.) present in the various markets in which our products are sold.

We are dependent upon large customers and specific customer programs for current and future revenues. The loss of any of these customers or programs, or the loss of market share by these customers or programs, could have a material adverse effect on us.

Our customers are major vehicle manufacturers. During 2018, our largest volume customers, Ford, Fiat-Chrysler, Nissan, Toyota, and BMW accounted for 47%, 22%, 12%, 8%, and 5% of our revenues, respectively. The loss of all or a substantial portion of our sales to any of our large-volume customers could have a material adverse effect on our business, financial condition, results of operations, and cash flows by reducing cash flows and limiting our ability to spread our fixed costs over a larger revenue base. A variety of reasons could lead to a reduction of sales to our customers, including, but not limited to:

- loss of awarded business;
- reduced or delayed customer requirements;
- OEMs’ choosing to insource business that has been traditionally outsourced to us;
- strikes or other work stoppages affecting customer production; or
- reduced demand for our customers’ products.

We may be unable to realize revenues represented by our awarded business, which could materially and adversely affect our business, financial condition, results of operations and cash flows.

The realization of future revenues from awarded business is inherently subject to a number of important risks and uncertainties, including the number of vehicles that our customers will actually produce, the timing of that production, and the mix of options that our customers may choose.

In addition to not having a commitment from our customers regarding the minimum number of products they must purchase from us if we obtain awarded business, the terms and conditions of the agreements with our customers typically provide that they have the contractual right to unilaterally terminate our contracts with them without notice

or with only limited notice. If such contracts are terminated by our customers, our ability to obtain compensation from our customers for such termination is generally limited to the direct out-of-pocket costs that we incurred for raw materials and work-in-progress, and in certain instances, un-depreciated capital expenditures.

We base a substantial part of our planning on the anticipated lifetime revenues of particular products. We calculate the lifetime revenues of a product by multiplying our expected price for a product by the forecasted production volume for that product during the length of time we expect the related vehicle to be in production. In addition to applying our experienced judgment to customer projections, we use IHS, a third-party forecasting service, to provide long-term forecasts, which allow us to determine how long a vehicle is expected to be in production. If we over-estimate the production units or if a customer reduces its level of anticipated purchases of a particular platform as a result of reduced demand, our actual revenues for that platform may be substantially less than the lifetime revenues we had anticipated for that platform.

Typically, it takes two to three years from the time a manufacturer awards a program until the program is launched and production begins. In many cases, we must commit substantial resources in preparation for production under awarded customer business well in advance of the customer's production start date. We cannot provide assurance that our results of operations will not be materially adversely affected in the future if we are unable to recover these types of pre-production costs related to our customers' cancellation of awarded business or if projected volumes are not attained.

The automobile industry is highly cyclical and a downturn would adversely affect our business, financial condition, results of operations, and cash flows.

Our business is directly related to the volume of automotive production. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including interest rates, consumer confidence, consumer preferences, patterns of consumer spending, fuel costs, and the automobile replacement cycle. Automotive production and sales may fluctuate significantly from year-to-year and such fluctuations may give rise to changes in demand for our products. Because we have significant fixed production costs, declines in our customers' production levels can have a significant adverse effect on our results of operations.

The highly cyclical nature of the automotive industry presents a risk that is outside our control and that cannot be accurately predicted. Moreover, a number of factors that we cannot reasonably predict could affect cyclicality in the automotive industry, and have affected cyclicality in the past. Decreases in demand for automobiles generally, or decreases in demand for our products in particular, could materially and adversely affect our business, financial condition, results of operations, and cash flows.

Any acquisitions or divestitures we make could disrupt our business and materially harm our financial condition, results of operations and cash flows.

We may, from time to time, consider certain acquisitions or divestitures. Acquisitions and divestitures involve numerous risks, including identifying attractive target acquisitions, undisclosed risks affecting the target, difficulties integrating acquired businesses, the assumption of unknown liabilities, potential adverse effects on existing business relationships with current customers and suppliers, the diversion of our management's attention from other business concerns, and decreased geographic or customer diversification.

During the fourth quarter of 2018, our 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 these agreements, the Purchaser will acquire all of the stock of TA Holdings Europe B.V., our indirect wholly owned subsidiary, 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 our European operations for calendar year 2018 were less than €45 million. Approval of the transaction is subject to (i) the approval of the European Commission and (ii) the absence of a material breach in any of the seller parties' fundamental representations (e.g., title, authority and absence of insolvency). On February 13, 2019, we obtained the required approvals from the European Commission. During the first quarter of 2019, we expect to consummate the transaction and receive net sale proceeds of approximately $250 million after payment of transaction costs and the repayment of our cross currency swap.

Pursuant to the agreement, the Company and its subsidiaries have made customary representations to the Purchaser, including representations regarding general corporate matters, due authorization, absence of

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insolvency, financial statements and other financial matters, compliance with law, employment matters, real property, litigation, taxes, material contracts and environmental matters. The agreement provides for indemnification by the Company and its subsidiaries with respect to its representations, subject, in general, to customary minimum and maximum thresholds. However, with respect to the environmental representations, the agreement provides for a layering of responsibilities over the applicable minimum threshold: (i) the Purchaser and Tower Automotive Holdings III Cooperatie U.A. will share in the first €5 million of damages, (ii) for damages between €5 million and €10 million, Tower Automotive Holdings III Cooperatie U.A. will have exclusive responsibility and (iii) for damages in excess of €10 million, the Purchaser will have exclusive responsibility.

We cannot provide assurance that the sale of our European operations will be consummated or, if consummated, that the closing will occur on schedule. We also cannot provide assurances that any acquisitions will perform as planned or that we will be able to successfully integrate any acquisitions that we undertake. In addition, we cannot provide assurances that any acquisitions or divestitures will prove to be beneficial to our operations and cash flow, or that we will be able to successfully integrate any acquisitions that we undertake. Any such failure could seriously harm our financial condition, results of operations and cash flows.

The Trump Administration could make substantial changes to regulatory, fiscal, trade, and other policies that could adversely affect our business.

The Trump Administration has called for substantial changes to regulatory, fiscal and other policies, which may include significant changes to trade agreements currently in effect. We cannot predict the impact, if any, of these changes to our business. However, it is possible that these changes could adversely affect our business. It is likely that some policies adopted by the Administration will benefit us and others will negatively affect us. Until we know what new changes are enacted, we will not know whether in total we benefit from, or are negatively affected by such changes.

Deterioration in the United States and world economies could adversely affect our customers' and suppliers' ability to access the capital markets, which may affect our business, financial condition, results of operations, and cash flows.

The capital and credit markets provide companies with liquidity to help operate and grow their businesses, beyond that which is provided by operating cash flows. Disruptions in the capital and credit markets could adversely affect our customers by making it increasingly difficult for them to obtain financing for their businesses and for their customers to obtain financing for automobile purchases. Our OEM customers typically require significant financing for their respective businesses. In addition, our OEM customers typically have related finance companies that provide financing to their dealers and customers. These finance companies have historically been active participants in the securitization markets, which have experienced severe disruptions during global economic crises. Our suppliers, as well as the other suppliers to our customers, may face similar difficulties in obtaining financing for their businesses. If capital is not available to our customers or suppliers, or if the cost of capital is prohibitively high, their businesses would be adversely affected, which could result in their restructuring or even reorganization or liquidation under applicable bankruptcy laws. Any such adverse effect on our customers or suppliers could materially and adversely affect our Company, either through loss of revenues from any of our customers so affected, or due to our inability to meet our commitments without excess expense, as a result of disruptions in supply caused by the suppliers so affected.

Financial difficulties experienced by any of our major customers could have a material adverse effect on us if such customer were unable to pay for the products we provide or if we experienced a loss of, or material reduction in, business from such customer. As a result of such difficulties, we could experience lost revenues, significant write-offs of accounts receivable, significant impairment charges, or additional restructurings beyond the steps we have taken to date.

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We sponsor a defined benefit pension plan that is underfunded and requires annual cash payments. If the performance of the assets in our pension plan does not meet our expectations, or if other actuarial assumptions are modified, our required contributions may be higher than we expect.
We sponsor a defined benefit pension plan that is underfunded. While this plan is frozen as benefit accruals under the plan have ceased, the plan will require annual cash payments in order to meet our funding obligations, which adversely affects our cash flow.
Additionally, our earnings may be affected by the amount of income or expense recorded for our pension plan. GAAP requires that income or expense of a pension plan be calculated at the annual measurement date using actuarial assumptions, the most significant of which relate to the capital markets, interest rates, and other economic conditions. Changes in key economic indicators can change these assumptions. These assumptions, along with the actual value of assets at the measurement date, will impact the calculation of pension expense for the year. Although GAAP expense and pension contributions are not directly related, the key economic indicators that affect GAAP expense also affect the amount of cash that we would contribute to our pension plan. The investment portfolio of the pension plan has experienced volatility. Because the values of these pension plan assets have fluctuated, and will fluctuate in response to changing market conditions, the amount of gains or losses that will be recognized in subsequent periods, the impact on the funded status of the pension plan, and the future minimum required contributions, if any, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.
The decreasing number of automotive parts suppliers and pricing pressures from our automotive customers could make it more difficult for us to compete in the highly competitive automotive industry.
The automotive parts industry is highly competitive and bankruptcies and consolidation among automotive parts suppliers are reducing the number of competitors and resulting in larger competitors who benefit from purchasing and distribution economies of scale. Our inability to compete with these larger suppliers in the future could result in a reduction of, or inability to increase, revenues, which would materially adversely affect our business, financial condition, results of operations, and cash flows.
Although the overall number of competitors is decreasing due to ongoing industry consolidation, we face significant competition within each of our major product areas. The principal competitive factors include quality, global presence, service, cost, product performance, design and engineering capabilities, new product innovation, and timely delivery. We also face significant competitive pricing pressures from our automotive customers. Because of their purchasing size, our automotive customers can influence market participants to compete on price terms. If we are not able to offset pricing reductions resulting from these pressures by improving operating efficiencies and reducing expenditures, those pricing reductions may have a material adverse effect on our business.
We cannot provide assurance that we will be able to continue to compete in the highly competitive automotive industry or that increased competition will not have a material adverse effect on our business.
Disruptions in the automotive supply chain could have a material adverse effect on our business, financial condition, results of operations, and cash flows.
Automotive industry conditions could adversely affect the original equipment supply base. The automotive supply chain is subject to disruptions because, among other things, we, along with our customers and suppliers, attempt to maintain low inventory levels.
Disruptions could result from a multitude of potential problems, such as the closure of one of our or our suppliers' plants or critical manufacturing lines due to strikes, mechanical breakdowns, electrical outages, fires, explosions, or political upheaval. Disruptions could also result from logistical complications due to weather, earthquakes, or other natural or nuclear disasters, mechanical failures, technology disruptions, or delayed customs processing.
If we are the cause for a customer being forced to halt production, the customer may seek to recoup all or a substantial portion of its losses and expenses from us. Any disruptions affecting us or caused by us could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

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The volatility of steel prices may adversely affect our results of operations.

We utilize steel and various purchased steel products in virtually all of our products. 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 mills, and the change in our recovery of scrap steel (which we refer to as "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 for steel may occur in separate periods and if a change occurs, that change may have a disproportionate effect on our liquidity because of the time difference between our payment for steel and our collection of cash from customers. We tend to pay for replacement materials, which are more expensive when steel prices are rising, over a much shorter period. As a result, rising steel prices may cause us to draw greater than anticipated amounts from our credit lines to cover the cash flow cycle from our steel purchases to cash collection for related accounts receivable. This cash requirement for working capital is higher in periods when we are increasing our inventory quantities.

A by-product of our production process is the generation of offal. We typically sell offal in secondary markets, which are similar to the steel markets. We generally share our recoveries from sales of offal with our customers either through scrap sharing agreements, in cases in which we are participating in resale programs, or through product pricing, in cases in which we purchase steel directly from steel mills. In either situation, we may be affected by the fluctuation in scrap steel prices, either positively or negatively, in relation to our various customer agreements. As offal prices generally increase and decrease as steel prices increase and decrease, our sale of offal may mitigate the impact of the volatility of steel price increases, as well as limit the benefits reaped from steel price declines. Any volatility in offal and steel prices could materially adversely affect our business, financial condition, results of operations, and cash flows.

Our international operations make us vulnerable to risks associated with doing business in foreign countries.

Our international operations include manufacturing facilities in Mexico and Brazil. For the year ended December 31, 2018, approximately 6% of our revenues were derived from operations outside the United States. Our international operations are subject to various risks such as exposure to local economic and political conditions, local tax requirements and obligations, legal and regulatory concerns, controls on the repatriation of cash, and labor disruptions or operational shutdowns. The occurrence of any of these risks could have an adverse effect on our international operations and our business as a whole. In addition, the economic instability in Mexico and Brazil could adversely affect our business, financial condition, results of operations and cash flows, as well as adversely affect our access to, and cost of, capital.

The inability for us, our customers, or our suppliers to obtain and maintain sufficient credit insurance or capital financing, including working capital lines, may adversely affect the liquidity and financial condition of us, our customers, and our suppliers.

Our working capital requirements can vary significantly, depending, in part, on the level, variability and timing of our customers' vehicle production and the payment terms we have with our customers and suppliers. Our liquidity could also be adversely affected if our suppliers were to suspend normal trade credit terms and require payment in advance or payment on delivery. If our available cash flows from operations are not sufficient to fund our ongoing cash needs, we would be required to look to our cash balances and borrowing availability under our credit facilities to satisfy those needs, as well as look to potential sources of additional capital, which may not be available on satisfactory terms or in adequate amounts, if at all.

There can be no assurance that we, our customers, or our suppliers will continue to have the ability to maintain sufficient capital financing. This may increase the risk of not being able to produce our products or having to pay higher prices for our inputs that may not be recovered in our selling prices. Our suppliers often seek to obtain credit insurance based on our consolidated financial condition and strength, which may be less robust. If we were to experience liquidity issues, our suppliers may not be able to obtain credit insurance and, in turn, would likely not be able to offer us payment terms that we have historically received, which could have a material adverse effect on our liquidity.

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We may incur costs of a material nature related to plant closings, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

If we must close manufacturing locations because of lost business or consolidation of manufacturing facilities, the employee termination costs, asset retirements, and other exit costs associated with the closure of these facilities may be significant. In certain circumstances, we may close a manufacturing facility that is operated under a lease agreement and we may continue to incur material costs in accordance with the lease agreement. We attempt to align production capacity with demand; however, we cannot provide assurance that plants will not have to be closed.

We are subject to environmental risks and requirements and we may incur significant costs, liabilities, and obligations associated with those risks and requirements.

We are subject to a variety of environmental and pollution control laws, regulations, and permits that govern, among other things, soil, surface water, and groundwater contamination; the generation, storage, handling, use, disposal, and transportation of hazardous materials; the emission and discharge of materials, including GHGs, into the environment; and health and safety. If we fail to comply with these laws, regulations, or permits, we could be fined or otherwise sanctioned by regulators or become subject to litigation. Environmental and pollution control laws, regulations, and permits, and the enforcement thereof, change frequently, have tended to become more stringent over time, and may necessitate substantial capital expenditures or operating costs.

Under certain environmental requirements, we could be responsible for costs relating to any contamination at our, or the Predecessor Company's, currently or formerly owned or operated properties or third-party waste-disposal sites, even if we were not at fault. Soil and groundwater contamination is being addressed at certain of these locations. In addition to potentially significant investigation and cleanup costs, contamination can give rise to third-party claims for fines or penalties, natural resource damages, personal injury, or property damage.

We cannot provide assurance that our costs, liabilities, and obligations relating to environmental matters will not have a material adverse effect on our business, financial condition, results of operations, and cash flows.

A disruption in our information technology systems, including a disruption related to cybersecurity, could adversely affect our financial performance.

We rely on the accuracy, capacity and security of our information technology systems. Despite the security measures that we have implemented, including those measures related to cybersecurity, our systems could be breached or damaged by computer viruses, natural or man-made incidents or disasters or unauthorized physical or electronic access. A breach could result in business disruption, theft of our intellectual property, trade secrets or customer information and unauthorized access to personnel information. To the extent that our business is interrupted or data is lost, destroyed or inappropriately used or disclosed, such disruptions could materially and adversely affect our competitive position, relationships with our customers, financial condition, operating results and cash flows. In addition, we may be required to incur significant costs to protect against the damage caused by these disruptions or security breaches in the future.

Risk Factors Relating to Our Indebtedness

We have a substantial amount of indebtedness, which could have a material adverse effect on our financial health and our ability to fund our operations, obtain financing in the future, and react to changes in our business.

As of December 31, 2018, our total debt, net of debt issue costs, was $298.6 million. That indebtedness could:

- adversely affect our stock price;
- make it more difficult for us to satisfy our obligations under our financing arrangements;

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- increase our vulnerability to adverse economic and general industry conditions, including interest rate fluctuations, because a portion of our borrowings have, and will continue to have, variable interest rates;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce the availability of our cash flow from operations to fund working capital, capital expenditures or other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- place us at a disadvantage compared to competitors that may have proportionately less debt;
- limit our ability to obtain additional debt or equity financing due to financial and restrictive covenants included in our debt agreements; and
- increase our cost of borrowing.

Our primary debt instrument is the Term Loan Credit Facility which bears 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 by a statutory reserve rate, with a floor of 1.00%) plus a margin of 2.75%. As of December 31, 2018, the balance on the term loan was $303.5 million (net of a $1.7 million discount). If the LIBOR rates increase in excess of 1%, we will incur higher debt service requirements, which could adversely affect our cash flow and operating results. While we periodically enter into agreements designed to limit our exposure to higher interest rates, any such agreements do not offer complete protection from this risk.

We may not be able to refinance our debt on commercially reasonable terms, if at all.

We cannot provide assurance that we will be able to refinance, extend the maturity of, or otherwise amend the terms of our existing indebtedness, or that any refinancing, extension, or amendment will be on commercially reasonable terms. The indebtedness issued in any refinancing of our existing indebtedness could have a significantly higher rate of interest and greater costs than our existing indebtedness. There can be no assurance that the financial terms or covenants of any new credit facility or other indebtedness issued to refinance our existing indebtedness will be the same or as favorable as those under our existing indebtedness.

Our ability to complete a refinancing of our existing indebtedness prior to their respective maturities is subject to a number of conditions beyond our control. For example, if a disruption in the financial markets were to occur at the time that we intended to refinance this indebtedness, we might be restricted in our ability to access the financial markets. Also, if we were unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as:

- sales of assets;
- sales of equity; or
- negotiations with lenders and their respective agents to restructure the applicable debt.

Our debt instruments may restrict, and market or business conditions may limit, our ability to employ some of our options.

In addition, under our credit agreements, a change in control may lead the lenders to exercise remedies such as acceleration of the loan, termination of their obligations to fund additional advances and collection against the collateral securing such loan.

We may be unable to generate sufficient cash to service all of our indebtedness and we may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations, certain of which have short-term maturities, depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions, as well as financial, business, and other factors beyond our control. We cannot provide assurance that we will maintain a level of cash flows from operating activities sufficient to permit us to pay or refinance our indebtedness.

Our debt instruments restrict our current and future operations.

The financing agreements governing our indebtedness impose significant operating and financial restrictions on us. These restrictions limit our ability and the ability of our subsidiaries to, among other things:

- incur or guarantee additional debt, incur liens, or issue certain equity;
- declare or make distributions to our stockholders, repurchase equity, or prepay certain debt;
- make loans or certain investments;
- make certain acquisitions of equity or assets;
- enter into certain transactions with affiliates;
- enter into mergers, acquisitions, or other business combinations;
- consolidate, transfer, sell, or otherwise dispose of certain assets;
- use the proceeds from sales of assets and stock;
- enter into sale and leaseback transactions;
- enter into restrictive agreements;
- make capital expenditures;
- change our fiscal year;
- amend or modify organizational documents; and
- engage in businesses other than the businesses we currently conduct.

In addition to the restrictions and covenants listed above, certain of our financing documents require us, under certain circumstances, to comply with specified financial maintenance covenants. Any of these restrictions or covenants could limit our ability to plan for or react to market conditions or meet certain capital needs and could otherwise restrict our corporate activities.

Substantially all of our subsidiaries’ assets are pledged as collateral under our secured financing arrangements.

As of December 31, 2018, we had $298.6 million (net of a $1.7 million discount and $6 million of debt issue costs) of secured debt. Substantially all of our subsidiaries' assets are pledged as collateral for our borrowings under our secured financing arrangements. Most of our domestic subsidiaries are either primary obligors or guarantors under a secured financing arrangement. Substantially all of our domestic subsidiaries' assets are pledged as collateral for these obligations. If we are unable to repay all secured borrowings when due, whether at maturity or if declared due and payable following a default, the agent or the lenders, as applicable, would have the right to proceed against the collateral pledged to secure the indebtedness and may sell the assets pledged as collateral in order to repay those borrowings, which could have a material adverse effect on our businesses, financial condition, results of operations, and cash flows.

Risk Factors Relating to Our Common Stock

The price of our common stock may be volatile.

The price at which our common stock trades may be volatile due to a number of factors, including:

- actual or anticipated fluctuations in our financial condition or annual or quarterly results of operations;

- changes in investors' or financial analysts' perception of our business risks or condition of our business;

- changes in, or our failure to meet, earnings estimates or other performance expectations of investors or financial analysts;

- unfavorable commentary or downgrades of our stock by equity research analysts;
- our success or failure in implementing our growth plans;
- changes in the market valuations of companies viewed as similar to us;
- changes or proposed changes in governmental regulations affecting our business;
- changes in key personnel;
- volume of our common stock trading in the market;
- failure of securities analysts to cover our common stock;
- future sales of our common stock; and
- the granting or exercise of employee stock options or other equity awards.

Broad market fluctuations may result in a material decline in the market price of our common stock and you may not be able to sell your shares at prices you deem acceptable. In the past, following periods of volatility in the equity markets, securities class action lawsuits have been instituted against public companies. Such litigation, if instituted against us, could result in substantial cost and the diversion of management attention.

Shares eligible for future sale may cause the market price of our common stock to decline, even if our business is doing well.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales may occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Our certificate of incorporation authorizes us to issue up to 350,000,000 shares of common stock and as of February 19, 2019 we had 20,611,952 shares of common stock outstanding.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We are headquartered in Livonia, Michigan in a 76,000 square foot facility, which we lease. This facility is utilized for management offices, as well as certain accounting, customer service, engineering, human resources, information technology, finance, purchasing, and treasury functions. We believe that this facility is suitable for the activities conducted there.

The disclosures below in this Item 2 exclude discontinued operations.

Our manufacturing is conducted in 14 manufacturing facilities strategically located throughout the United States, Mexico, and Brazil. Our manufacturing facilities are supported by five engineering and sales locations throughout the world.

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The following table sets forth selected information regarding each of our facilities:

Facility	Country	Description of Use	Square Feet	Ownership
U.S. Locations				
Auburn, Indiana	United States	Manufacturing	162,800	Leased
Bardstown, Kentucky (2 locations)	United States	Manufacturing	519,000	Owned/Leased(1)
Bellevue, Ohio (2 locations)	United States	Manufacturing	377,450	Leased
Bluffton, Ohio	United States	Manufacturing	196,200	Leased
Chicago, Illinois	United States	Manufacturing	418,200	Leased
Clinton Township, Michigan	United States	Manufacturing	392,300	Leased
Elkton, Michigan	United States	Manufacturing	1,100,000	Owned
Grand Rapids, Michigan	United States	Office	5,900	Leased
Fountain Inn, South Carolina	United States	Manufacturing	274,385	Leased
Livonia, Michigan	United States	Corporate Office/Technical Center	76,300	Leased
Madison, Mississippi	United States	Manufacturing	270,000	Leased
Meridian, Mississippi	United States	Manufacturing	420,000	Leased
Plymouth, Michigan	United States	Manufacturing	315,133	Leased
Shepherdsville, Kentucky	United States	Manufacturing	311,878	Leased
Non-U.S. Locations				
Mexico City (4 locations)	Mexico	Manufacturing	192,663	Leased
Shanghai	China	Corporate Office/Technical Center	475	Leased
Hyderabad	India	Technical Center	8,700	Leased
Yokohama	Japan	Technical Center	2,500	Leased
Aruja	Brazil	Manufacturing/ Technical Center	334,880	Owned

(1)
Facility consists of two buildings — one building is leased and one building is owned.

Item 3. Legal Proceedings

From time to time, we are involved in legal proceedings, claims, or investigations that are incidental to the conduct of our business. We vigorously defend ourselves against such claims. In future periods, we could be subject to cash costs or non-cash charges to earnings if a matter is resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on current information, including our assessment of the merits of the particular claims, we do not expect that our pending legal proceedings or claims will have a material impact on our future consolidated financial condition, results of operations, or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5.

Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Market Information — Our common stock trades on the New York Stock Exchange under the symbol "TOWR". As of February 19, 2019, we had 20,611,952 shares of common stock ($0.01 par value) outstanding, 4,351 beneficial shareholders, and three holders of record of our common stock. The transfer agent and registrar for our common stock is Broadridge Financial Solutions, Inc.

The following table presents the reported high and low closing prices per share of our common stock during 2018 and 2017:

	2018		2017	
High and Low Closing Prices per Share	High Price	Low Price	High Price	Low Price
Fourth Quarter	$ 31.31	$ 23.77	$ 33.05	$ 27.45
Third Quarter	35.45	30.25	27.45	21.55
Second Quarter	34.30	26.50	27.90	21.10
First Quarter	32.45	25.30	28.75	24.75

Performance Graph — The following chart shows the cumulative total stockholder return for our common stock from December 31, 2013 to December 31, 2018. The graph also shows the cumulative returns of the S&P 500 Index and the S&P Supercomposite Auto Parts and Equipment Index. The comparison assumes $100 was invested on December 31, 2013. Each of the indices shown assumes that all dividends paid were reinvested.

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Tower International, Inc.	$ 100.00	$ 119.39	$ 133.99	$ 135.41	$ 142.76	$ 111.21
S&P 500	100.00	111.39	120.39	134.78	144.65	135.63
S&P 500 Supercomposite Auto Parts and Equipment Index	100.00	102.01	100.09	105.59	126.23	85.59

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Dividends

Declaration Date	Cash Amount	Record Date	Payment Date
2018			
October 18, 2018	$ 0.13	November 8, 2018	December 7, 2018
July 17, 2018	0.12	August 9, 2018	September 7, 2018
April 19, 2018	0.12	May 10, 2018	June 8, 2018
January 26, 2018	0.12	February 9, 2018	February 28, 2018
2017			
October 20, 2017	$ 0.12	November 10, 2017	December 8, 2017
July 21, 2017	0.11	August 10, 2017	September 8, 2017
April 21, 2017	0.11	May 10, 2017	June 9, 2017
January 27, 2017	0.11	February 10, 2017	February 28, 2017
2016			
October 21, 2016	$ 0.11	November 10, 2016	December 9, 2016
July 22, 2016	0.10	August 10, 2016	September 9, 2016
April 22, 2016	0.10	May 10, 2016	June 10, 2016
January 29, 2016	0.10	February 10, 2016	February 29, 2016

The payment of future quarterly dividends is subject to the discretion of our Board of Directors and depends on various factors, including our net earnings, financial condition, cash requirements, future prospects, and other factors that our Board of Directors deems relevant to its analysis and decision making.

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 the fourth quarter of 2018.

Period	Total Number of Shares (or Units) Purchased	Weighted Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as of Publicly Announced Plan or Program	Dollar Value of Shares that May Yet Be Purchased Under Plan or Program(1)
October 1 to October 31, 2018	—	$ —	—	$ 81,056,732
November 1 to November 30, 2018	—	$ —	—	$ 81,056,732
December 1 to December 31, 2018	—	$ —	—	$ 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.

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Item 6. Selected Financial Data

The following tables set forth selected consolidated balance sheet data as of December 31, 2018 and 2017 and selected consolidated statement of operations data for the years ended December 31, 2018, 2017, and 2016, which have been derived from our audited Consolidated Financial Statements and related notes that are included in this Annual Report. The selected consolidated balance sheet data as of December 31, 2016, 2015, and 2014 and the selected consolidated statement of operations data for the years ended December 2014 and 2013 set forth below, have been derived from previously filed audited consolidated financial statements that are not presented in this Annual Report. As with our Consolidated Financial Statements for the years ended December 31, 2018, 2017, and 2016, we adjusted the information in the consolidated financial statements for the years ended December 31, 2015 and 2014, where appropriate, to account for discontinued operations.

You should read the following selected historical consolidated financial data in conjunction with the more detailed information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and the related notes that we have presented elsewhere in this Annual Report.

	2018	2017	2016	2015	2014
	(in millions except share and per share data)				
Statements of Operations Data:					
Revenues	$ 1,571.9	$ 1,382.5	$ 1,319.0	$ 1,230.8	$ 1,225.6
Cost of sales	1,378.0	1,193.3	1,144.9	1,083.4	1,073.3
Gross profit	193.9	189.2	174.1	147.4	152.3
Gross profit margin	12.3%	13.7%	13.2%	12.0%	12.4%
Selling, general, and administrative expenses	$ 89.5	$ 87.8	$ 102.1	$ 100.7	$ 98.8
Amortization expense	0.4	0.4	0.4	0.2	0.4
Restructuring and asset impairment charges, net(a)	3.4	9.1	20.9	8.5	10.3
Operating income	100.6	91.9	50.7	38.0	42.8
Operating income margin	6.4%	6.6%	3.8%	3.1%	3.5%
Interest expense, net	$ 18.8	$ 9.7	$ 17.2	$ 19.9	$ 30.0
Net periodic benefit income/(expense)(b)	(2.4)	2.2	(6.3)	(5.2)	(2.8)
Other expense	1.0	0.6	4.8	—	0.1
Income before provision for income taxes	78.4	83.8	22.5	12.8	9.8
Provision/(benefit) for income taxes(c)(d)(e)	1.3	44.1	8.8	(131.8)	(7.3)
Income from continuing operations	77.1	39.7	13.7	144.6	17.1
Income/(loss) from discontinued operations, net of tax(f)	(28.2)	8.0	25.6	51.2	10.0
Net income	48.9	47.7	39.3	195.8	27.1
Net income attributable to the noncontrolling interests	—	0.1	0.7	1.7	5.6
Net income attributable to Tower International, Inc.	$ 48.9	$ 47.6	$ 38.6	$ 194.1	$ 21.5
Basic income/(loss) per share:					
Income per share from continuing operations	$ 3.75	$ 1.93	$ 0.62	$ 6.77	$ 0.56
Income/(loss) per share from discontinued operations	(1.38)	0.39	1.23	2.43	0.48

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	2018	2017	2016	2015	2014
	(in millions except share and per share data)				
Net income attributable to Tower International, Inc. per share	2.37	2.32	1.85	9.20	1.04
Weighted average basic shares outstanding (in thousands)	20,592	20,499	20,864	21,093	20,662
Diluted income/(loss) per share:					
Income per share from continuing operations	$ 3.67	$ 1.90	$ 0.61	$ 6.67	$ 0.54
Income/(loss) per share from discontinued operations	(1.34)	0.39	1.21	2.39	0.47
Net income attributable to Tower International, Inc. per share	2.33	2.29	1.82	9.06	1.01
Weighted average diluted shares outstanding (in thousands)	20,996	20,829	21,222	21,408	21,391
Balance Sheets Data:					
Cash and cash equivalents	$ 68.1	$ 96.3	$ 49.0	$ 93.2	$ 104.8
Total assets(g)	1,170.4	1,260.9	1,162.5	1,215.5	1,165.2
Total debt(g)(h)	298.6	350.8	359.8	411.6	441.9
Total stockholders’ equity	300.9	269.9	213.9	206.7	99.8

(a)
Included in 2016 is a $15 million fair value adjustment related to the planned sale of our Brazilian operations. During 2018, we reclassified the Brazilian operations as held and used.

(b)
During the years ended December 31, 2018, 2016, 2015 and 2014, non-cash actuarial pension losses of $5.2 million, $8.3 million, $9.1 million and $4.2 million, respectively, were recorded.

(c)
During the year ended December 31, 2015, included a $131 million deferred tax benefit primarily due to the release of the valuation allowance in the United States and Italy. Refer to Note 8 of our Consolidated Financial Statements for further information regarding our valuation allowances.

(d)
During the year ended December 31, 2017, included $27.2 million of deferred tax expense related to the revaluation of our U.S. deferred tax assets due to a reduction in the federal income tax rate as a result of U.S. Tax Reform and $2.4 million deferred tax expense to establish a valuation allowance on certain European deferred tax assets. Refer to Note 8 of our Consolidated Financial Statements for further discussion.

(e)
During the year ended December 31, 2018, included a $14.4 million deferred tax benefit due to the release of the valuation allowance in Brazil. Refer to Note 8 of our Consolidated Financial Statements for further discussion regarding our valuation allowances.

(f)
During the years ended December 31, 2018, 2016 and 2014, the Company recorded a loss in discontinued operations

(net of tax) of $44 million, $3.1 million and $22.9 million, respectively, related to the sale of discontinued operations.

(g)
For all years presented, total assets and total debt have been adjusted to reflect the adoption of FASB ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which changed the presentation of debt issuance costs from an asset to a direct deduction from long-term debt, and FASB ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes, which changed the classification of all deferred tax assets and liabilities, along with any related valuation allowance, to noncurrent, rather than current.

(h)
Consists of short-term and long-term debt (net of debt issue costs), current portion of long-term debt, and capital lease obligations.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise expressly indicated, information with respect to discontinued operations has been excluded from the disclosures set forth in this Item 7.

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, as well as 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.

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.

Factors Affecting Our Industry

Our business and our revenues are primarily driven by the strength of the automotive industry, which tends to be cyclical and highly correlated to general macroeconomic conditions. The strength of the automotive market dictates the volume of purchases of our products by our OEM customers to ultimately satisfy consumer demand. We manufacture products pursuant to written agreements with each of our OEM customers. However, those agreements do not dictate the volume requirements of our customers; instead, OEMs monitor their inventory and the inventory levels of their dealers and adjust the volume of their purchases from us based on consumer demand for their products. During 2018, industry production volumes decreased slightly from 2017 in the North American market, but increased in the Brazilian market. According to IHS, industry production is projected to remain relatively consistent in 2019 in the North American market and increase in the Brazilian market. Any such changes may be offset by changes in production levels for our customers' products.

Factors Affecting Our Revenues

While overall production volumes are largely driven by economic factors outside of our direct control, we believe that the following elements of our business also impact our revenues:

- Life cycle of our agreements: Agreements for new models of vehicles normally cover the lifetime of the platform, often awarded two to three years before these models are marketed to the public, while agreements covering design improvements to existing automobiles have shorter expected life cycles, typically with shorter pre-production and development periods. Typically, once a supplier has been designated to supply components for a new platform, an OEM will continue to purchase those parts from the designated manufacturer for the life of the program. For any given agreement, our revenues depend, in part, upon the life cycle status of the applicable product platform.

- Product pricing: Generally, our customers negotiate annual price reductions with us during the term of their contracts. When negotiated price reductions are expected to be retroactive, we accrue for such amounts as a reduction of revenues as products are shipped. The extent of our price reductions negatively affects our revenues. We have also been able to negotiate year-over-year price increases in select circumstances.

- Steel pricing: We require significant quantities of steel and aluminum in the manufacture of our products. The pricing of our products includes a component for these metals which increases as prices for these metals increase and decreases as prices for these metals decrease. Depending upon when a price change occurs, that change may have a disproportionate effect on our revenues within any particular fiscal period. We purchase a portion of our steel and aluminum from certain of our customers through various OEM resale programs, where our customers actually negotiate the cost for us. The purchases through customer resale programs have buffered the impact of price

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swings associated with the procurement of these metals. The remainder of our steel and aluminum purchasing requirements are met through contracts with mills, in which we negotiate our own price and seek to pass through price increases and decreases to our customers.

- Foreign exchange: Our foreign exchange transaction risk is limited because we generally purchase materials and produce products in the same currency in which we sell those products to our final customers. However, the translation of foreign currencies, primarily the Mexican Peso and Brazilian Real, back to U.S. dollars may have an impact on our revenues, results of operations, cash flows, or stockholders' equity. Foreign exchange has an unfavorable impact on revenues when the U.S. dollar is relatively strong when compared to foreign currencies and a favorable impact on revenues when the U.S. dollar is relatively weak when compared to foreign currencies. The results of operations and financial condition of our businesses outside of the U.S. are principally measured in their respective local currency and translated into U.S. dollars. Assets and liabilities of our foreign operations are translated into U.S. dollars at foreign currency exchange rates in effect as of the end of each reporting period. Results of operations are translated at applicable average rates prevailing throughout the period. Translation gains or losses are reported as a separate component of accumulated other comprehensive income/(loss) in our Consolidated Statements of Equity/(Deficit). Gains and losses resulting from foreign currency transactions, the amounts of which were not material in any of the periods presented in this Annual Report, are included in net income.

Factors Affecting Our Expenses

Our largest expense is steel material, which is driven by the following factors:

- Cost of steel: We utilize steel and various purchased steel products in virtually all of our products. 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 mills, 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 for steel may occur in separate periods and if a 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.

- Purchase of steel: As noted above, we purchase a portion of our steel from certain of our customers through various OEM resale programs and the remaining portion of our steel directly from steel mills. Whether our customer negotiates the cost of steel for us in a customer resale program or we negotiate the cost of steel with the mills, the price we pay is charged directly to our cost of sales, just as the component of product pricing relating to steel is included within our revenues.

- Sale of offal: A by-product of our production process is the generation of offal. We typically sell offal in secondary markets, which are influenced by similar market forces. We generally share our recoveries from sales of offal with our customers either through scrap sharing agreements, in cases in which we are participating in resale programs, or through product pricing, in cases in which we purchase steel directly from steel mills. In either situation, we may be affected by the fluctuation in scrap steel prices, either positively or negatively, in relation to our various customer agreements. As offal prices generally increase or decrease as steel prices increase or decrease, our sale of offal may mitigate the impact of the volatility of steel price increases, as well as limit the benefits reaped from steel price declines. Recoveries related to the sales of offal reduce cost of sales.

Adjusted EBITDA

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

Adjusted EBITDA is included in this Annual 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.

Our Segments

Our management reviews our operating results and makes decisions based upon two operating segments, North America and Brazil, which we aggregate into one reportable segment. Refer to Note 13 to our Consolidated Financial Statements for further information regarding our operating and reportable segments.

Results of Operations — Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

Automobile production volumes remained consistent in our major market during the year ended December 31, 2018 compared to the year ended December 31, 2017. The following table presents production volumes in specified regions according to IHS for the year ended December 31, 2018 compared to the year ended December 31, 2017 (in millions of units produced):

	North America	Brazil
2018 production volumes	17.0	2.7
2017 production volumes	17.1	2.6
Increase/(decrease)	(0.1)	0.1
Percentage change	(0.6)%	4.0%

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The following table presents selected financial information for the years ended December 31, 2018 and 2017 (in millions).

	Year Ended December 31,	
	2018	2017
Revenues	$ 1,571.9	$ 1,382.5
Cost of sales	1,378.0	1,193.3
Gross profit	193.9	189.2
Selling, general, and administrative expenses	89.5	87.8
Amortization expense	0.4	0.4
Restructuring and asset impairment charges	3.4	9.1
Operating income	100.6	91.9
Interest expense, net	18.8	9.7
Net periodic benefit income/(expense)	(2.4)	2.2
Other expense	1.0	0.6
Provision for income taxes	1.3	44.1
Income/(loss) from discontinued operations, net of tax	(28.2)	8.0
Noncontrolling interest, net of taxes	—	0.1
Net income attributable to Tower International, Inc.	$ 48.9	$ 47.6

Comparison of Periods — GAAP Analysis of Consolidated Results

Revenues

Total revenues increased during the year ended December 31, 2018 by $189.4 million, or 13.7%, from the year ended December 31, 2017, reflecting primarily higher volume ($184.7 million) and favorable pricing ($11.5 million), primarily related to steel, offset partially by unfavorable foreign exchange ($6.8 million). We have experienced revenue growth in excess of industry production volumes due to major new business awards.

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 increased by $4.7 million from the year ended December 31, 2017 while our gross profit margin decreased from 13.7% during 2017 to 12.3% during 2018. The increase in gross profit reflected higher volume ($43.8 million) offset partially by higher fixed costs to support new business ($9.2 million), unfavorable product mix ($6 million), and unfavorable foreign exchange ($0.6 million, excluding the impact on depreciation). All other factors were net unfavorable by $23.3 million. Unfavorable pricing and economics ($14.2 million), lease expense related to certain manufacturing equipment ($11.1 million), higher launch costs ($7.5 million), and higher depreciation ($4.8 million), were offset partially by favorable efficiencies ($9.2 million) and favorable timing of commercial and vendor settlements. The increase in depreciation was due to increased levels of capital spending in 2017 and 2018. The decrease in gross profit margin was attributable primarily to lease expense related to certain manufacturing equipment and higher depreciation, as described above.

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Selling, General, and Administrative Expenses (“SG&A”)

Total SG&A increased $1.7 million from the year ended December 31, 2017, reflecting primarily higher compensation expense.

Restructuring and Asset Impairment Expense

Total restructuring and asset impairment expense decreased $5.7 million from the year ended December 31, 2017, which reflects the charges incurred related to severance charges to reduce corporate overhead and fixed costs. During 2018 and 2017, 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.

Interest Expense, net

Interest expense, net increased $9.1 million from the year ended December 31, 2017, reflecting primarily favorable non-cash mark-to-market changes of $4.9 million on our derivative financial instruments in 2017, higher interest expense of $1.8 million related to the funding of certain equipment leases, and the acceleration of the amortization of debt issue costs and original issue discount of $1 million in connection with the $50 million payment on the Term Loan Credit Facility during 2018.

Net Periodic Benefit Income/(Expense)

We recorded net periodic benefit expense of $2.4 million for the year ended December 31, 2018, as compared with income of $2.2 million for the year ended December 31, 2017, reflecting primarily a mark-to-market actuarial loss of $5.2 million on our Pension Plan in 2018. As discussed in Note 2 to the Consolidated Financial Statements, we adopted Accounting Standard Update (“ASU”) No. 2017-07 on January 1, 2018. The new standard requires that net periodic pension cost and net periodic postretirement benefit cost be reported within net periodic benefit income in the Consolidated Statement of Operations.

Other Expense

Other expense increased $0.4 million from the year ended December 31, 2017, reflecting $1 million in costs incurred during 2018 to support the investigation of potential corporate transactions that did not transpire. Costs of $0.6 million were incurred during 2017 to support the refinancing of the Company’s long-term debt.

Provision for Income Taxes

Income tax expense from continuing operations decreased $42.8 million from the year ended December 31, 2017, for an overall effective tax rate of 1.6%. In 2018, we recorded a tax benefit of $14.4 million related to the release of valuation allowances on the deferred tax assets of our Brazilian operations. Excluding the $14.4 million tax benefit, our effective tax rate for 2018 was 16.1%. In 2017, we recorded a one-time deferred tax expense of $27.2 million relating to the revaluation of our U.S. deferred tax assets after the enactment of the Tax Cuts and Jobs Act (the “TCJA”). Excluding this charge, our adjusted 2017 effective tax rate was 20.2%. The adjusted effective tax rate decreased in 2018 related primarily to the enactment of the TCJA which reduced the federal statutory tax rate from 35% to 21%.

In 2018, we continued to generate significant research tax credits from new launch activities in the U.S., which reduced our effective tax rate compared to the statutory rate. We do not expect to generate a similar amount of credits in 2019; therefore, we estimate that our effective tax rate will be higher in 2019 compared to 2018.

The availability of U.S. net operating loss carryforwards generated in 2007 – 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 to deploy favorable machinery and equipment expensing provisions that are allowed under the TCJA.

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In 2017, the Internal Revenue Service (“IRS”) performed an examination of the 2015 tax year, which was completed in January 2018, resulting in no adjustments. As of December 31, 2018, there are no open audits.

Income from Discontinued Operations

As noted above, during the fourth quarter of 2018 we entered into an agreement to sell 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 Consolidated Financial Statements in accordance with FASB ASC No. 205, Discontinued Operations. We recorded a loss from discontinued operations, net of tax, of $28.2 million for the year ended December 31, 2018, as compared with income of $8 million for the year ended December 31, 2017. The $28.2 million loss incurred during 2018 includes a fair value adjustment related to Europe of $44 million upon classification as discontinued operations.

Noncontrolling Interest, Net of Tax

The adjustment to our earnings required to give effect to the elimination of noncontrolling interests decreased by $0.1 million from the year ended December 31, 2017, reflecting decreased earnings in our consolidated Chinese joint venture during 2017 as a result of the sale in the second quarter of 2017.

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):

	Year Ended December 31,	
	2018	2017
Net income attributable to Tower International, Inc.	$ 48.9	$ 47.6
Interest expense, net	18.8	9.7
Net periodic benefit (income)/expense	2.4	(2.2)
Other expenses	1.0	0.6
Provision for income taxes	1.3	44.1
(Income)/loss from discontinued operations, net of tax	28.2	(8.0)
Noncontrolling interest, net of taxes	—	0.1
Operating income	100.6	91.9
Restructuring and asset impairment charges, net	3.4	9.1
Depreciation and amortization	54.8	50.5
Acquisition costs and other	0.2	0.2
Long-term compensation expense(a)	7.7	5.6
Lease expenses(b)	11.1	—
Adjusted EBITDA	$ 177.7	$ 157.3

(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, will change the financial reporting for leases. Certain of our manufacturing equipment leases currently classified as operating leases will be considered financing leases under the new standard which will require us to record the ROU asset as additional property, plant, and equipment and the associated liability as lease

debt.

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The following table presents revenues (a GAAP measure) and Adjusted EBITDA (a non-GAAP measure) for the years ended December 31, 2018 and 2017 (in millions) as well as explanations of variances:

	Revenues	Adjusted EBITDA(c)
2018 results	$ 1,571.9	$ 177.7
2017 results	1,382.5	157.3
Variance	$ 189.4	$ 20.4
Variance attributable to:		
Volume and mix	$ 184.7	$ 28.6
Foreign exchange	(6.8)	(0.6)
Pricing and economics	11.5	(14.4)
Efficiencies	—	9.2
Selling, general, and administrative expenses and other items(d)	—	(2.4)
Total	$ 189.4	$ 20.4

(c)
We have presented a reconciliation of net income attributable to Tower International, Inc. 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 increased by $20.4 million, or 13%, from the year ended December 31, 2017, reflecting primarily higher volume and mix ($28.6 million) offset partially by unfavorable foreign exchange ($0.6 million). Volume and mix consisted of higher volume ($43.8 million) offset partially by higher fixed costs to support new business ($9.2 million) and unfavorable mix ($6 million). All other factors were net unfavorable by $7.6 million. Unfavorable pricing and economics ($14.4 million) and unfavorable SG&A expenses and other items ($2.4 million), were offset partially by favorable efficiencies ($9.2 million). SG&A expenses and other items reflected primarily higher launch costs to support new business ($7.5 million) offset partially by favorable commercial and vendor settlements.

Results of Operations — Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

Automobile production volumes decreased during the year ended December 31, 2017 in our major market compared to the year ended December 31, 2016. The following table presents production volumes in specified regions according to IHS for the year ended December 31, 2017 compared to the year ended December 31, 2016 (in millions of units produced):

	North America	Brazil
2017 production volumes	17.1	2.6
2016 production volumes	17.8	2.1
Increase/(decrease)	(0.8)	0.5
Percentage change	(4.3)%	26.1%

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The following table presents select financial information for the years ended December 31, 2017 and 2016 (in millions).

	Year Ended December 31,	
	2017	2016
Revenues	$ 1,382.5	$ 1,319.0
Cost of sales	1,193.3	1,144.9
Gross profit	189.2	174.1
Selling, general, and administrative expenses	87.8	102.1
Amortization	0.4	0.4
Restructuring and asset impairments	9.1	20.9
Operating income	91.9	50.7
Interest expense, net	9.7	17.2
Net periodic benefit income/(expense)	2.2	(6.3)
Other expense	0.6	4.8
Provision for income taxes	44.1	8.8
Income from discontinued operations, net of tax	8.0	25.6
Noncontrolling interest, net of taxes	0.1	0.7
Net income attributable to Tower International, Inc.	$ 47.6	$ 38.6

Comparison of Periods — GAAP Analysis of Consolidated Results

Revenues

Total revenues increased during the year ended December 31, 2017 by $63.5 million, or 4.8%, from the year ended December 31, 2016, reflecting higher volume ($60.1 million) and favorable foreign exchange ($4.3 million), offset partially by unfavorable pricing ($0.9 million). We have experienced revenue growth in excess of industry production volumes due to major new business awards.

Gross Profit

Total gross profit increased by $15.1 million from the year ended December 31, 2016 and our gross profit margin increased from 13.2% during 2016 to 13.7% during 2017. The increase in gross profit reflected higher volume ($17.4 million), favorable mix ($1.7 million), and favorable foreign exchange ($0.2 million), offset partially by higher fixed costs to support new programs ($3.1 million). All other factors were net unfavorable ($1.1 million). Unfavorable pricing and economics ($11.3 million), higher depreciation ($2.6 million), higher launch costs ($2.2 million), and unfavorable commercial and vendor settlements, were offset partially by favorable efficiencies ($20.4 million). The increase in depreciation was due to increased levels of capital spending in 2016 and 2017.

Selling, General, and Administrative Expenses (“SG&A”)

Total SG&A decreased $14.3 million from the year ended December 31, 2016, reflecting primarily lower long-term incentive compensation costs primarily related to non-recurring CEO retirement expenses that were accrued in 2016 and lower compensation costs primarily due to restructuring actions described below.

Restructuring and Asset Impairment Expense

Total restructuring and asset impairment expense decreased $11.8 million from the year ended December 31, 2016. During 2017, the charges incurred related to severance charges to reduce corporate overhead and ongoing maintenance expense of facilities closed as a result of prior actions. Additionally, 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

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changes within the Corporate and Regional management teams. During 2016, the charges incurred related to the buyout of a lease on a previously closed facility, ongoing maintenance expense of facilities closed as a result of prior actions, and severance charges to reduce fixed costs. Additionally, we recorded a $15 million impairment charge during 2016 upon classifying our Brazilian operations as held for sale. During 2018, we reclassified the Brazilian operations as held and used.

Interest Expense, net

Interest expense, net decreased $7.5 million, or 43.2%, from the year ended December 31, 2016, reflecting primarily favorable non-cash mark-to-market changes of $7.3 million on our derivative financial instruments.

Net Periodic Benefit Income/(Expense)

We recorded net periodic benefit income of $2.2 million for the year ended December 31, 2017, as compared with expense of $6.3 million for the year ended December 31, 2016, reflecting primarily a mark-to-market actuarial loss of $8.3 million on our Pension Plan in 2016. As discussed in Note 2 to the Consolidated Financial Statements, we adopted ASU No. 2017-07 on January 1, 2018. The new standard requires that net periodic pension cost and net periodic postretirement benefit cost be reported within net periodic benefit income in the Consolidated Statement of Operations.

Other Expense

Other expense decreased $4.2 million from the year ended December 31, 2016, reflecting the non-recurrence of costs incurred during 2016 to support a potential divestiture that did not occur. The costs incurred in 2017 related to certain costs incurred to support the amendment of our Term Loan.

Provision for Income Taxes

Income tax expense from continuing operations increased $35.3 million from the year ended December 31, 2016, for an overall effective tax rate of 52.6%. Our adjusted effective rate was 20.2% after excluding the one-time charge of $27.2 million due to the revaluation of our deferred tax assets as described below. The overall effective tax rate for 2016 was 39%; however, we did not record a deferred tax benefit on the impairment charge recorded related to our Brazilian operations because it was more likely than not we would not obtain a future benefit for these losses. Our adjusted effective rate for 2016 would have been 16.3% if we had recorded a tax benefit on the $15 million impairment charge recorded in 2016.

On December 22, 2017, the TCJA was enacted into federal law. The TCJA includes significant changes to the U.S. corporate income tax system. Among other items, the TCJA lowered the corporate income tax rate from 35% to 21% causing a revaluation of deferred tax assets and created a new modified territorial tax system exempting foreign profits from U.S. taxation with some exceptions. It also required a one-time deemed repatriation of accumulated foreign earnings for the year ended December 31, 2017. To determine the amount of the deemed repatriation and any associated repatriation tax, we had to determine, in addition to other factors, the amount of post-1986 profits or losses of each foreign subsidiary, as well as the amount of foreign income taxes paid on such profits or losses. We have filed our 2017 federal income tax return and have determined that no transition tax inclusion is necessary. Based on current law and guidelines issued by the IRS, we do not believe that a measurement-period adjustment is required. In 2018, the FASB issued guidance under ASU 2018-02 that permits companies to reclassify stranded tax effects caused by the TCJA from accumulated other comprehensive income to retained earnings. The ASU is not required to be adopted and we elected not to adopt this ASU.

The availability of U.S. net operating loss carryforwards generated in 2007 – 2013 has enabled the Company to effectively eliminate our U.S. cash tax liability, except for immaterial amounts for U.S. alternative minimum tax and state income taxes. We are also generating significant federal research credits related to U.S. launch activities.

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Income from Discontinued Operations

As noted above, during the fourth quarter of 2018 we entered into an agreement to sell 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 Consolidated Financial Statements in accordance with FASB ASC No. 205, Discontinued Operations. We recorded income from discontinued operations, net of tax, of $8 million for the year ended December 31, 2017, as compared with income of $25.6 million for the year ended December 31, 2016.

Noncontrolling Interest, Net of Tax

The adjustment to our earnings required to give effect to the elimination of noncontrolling interests decreased by $0.6 million from the year ended December 31, 2016, reflecting decreased earnings in our consolidated Chinese joint venture during 2017 as a result of the sale in the second quarter of 2017.

Comparison of Periods — Non-GAAP Analysis of Adjusted EBITDA

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

	Year Ended December 31,	
	2017	2016
Net income attributable to Tower International, Inc.	$ 47.6	38.6
Interest expense, net	9.7	17.2
Net periodic benefit (income)/expense	(2.2)	6.3
Other expenses(a)	0.6	4.8
Provision for income taxes	44.1	8.8
Income from discontinued operations, net of tax	(8.0)	(25.6)
Noncontrolling interest, net of taxes	0.1	0.7
Operating income	91.9	50.7
Restructuring and asset impairments(b)	9.1	20.9
Depreciation and amortization	50.5	47.9
Acquisition costs and other	0.2	0.1
Long-term compensation expense(c)	5.6	13.6
Adjusted EBITDA	$ 157.3	$ 133.2

(a)
The expense recorded in 2016 represents costs incurred to support an investigation into a potential divestiture that did not occur.

(b)
Included in 2016 is a $15 million fair value adjustment related to the planned sale of our Brazilian operations. During 2018, we reclassified the Brazilian operations as held and used.

(c)
Represents the compensation expense related to stock options, restricted stock units, one-time CEO compensation awards, and 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.

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The following table presents revenues (a GAAP measure) and Adjusted EBITDA (a non-GAAP measure) for the years ended December 31, 2017 and 2016 (in millions) as well as an explanation of variances:

	Revenues	Adjusted EBITDA(d)
2017 results	$ 1,382.5	$ 157.3
2016 results	1,319.0	133.2
Variance	$ 63.5	$ 24.1
Variance attributable to:		
Volume and mix	$ 60.1	$ 16.0
Foreign exchange	4.3	0.2
Pricing and economics	(0.9)	(9.2)
Efficiencies	—	20.4
Selling, general, and administrative expenses and other items(e)	—	(3.3)
Total	$ 63.5	$ 24.1

(d)
We have presented a reconciliation of net income attributable to Tower International, Inc. to Adjusted EBITDA above.

(e)
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 increased by $24.1 million, or 18.1%, from the year ended December 31, 2016, reflecting higher volume and mix ($16 million) and favorable foreign exchange ($0.2 million). Volume and mix consisted of higher volume ($20.1 million) offset partially by higher fixed costs to support new programs ($4.1 million). All other factors were net favorable ($7.9) million. Favorable efficiencies ($20.4 million) were offset partially by unfavorable pricing and economics ($9.2 million) and unfavorable SG&A expenses and other items ($3.3 million). SG&A expenses and other items reflected primarily higher launch costs ($2.2 million).

Restructuring and Asset Impairments

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

	Year Ended December 31,		
	2018	2017	2016
Employee termination costs	$ 3.1	$ 7.9	$ 1.3
Other exit costs	0.3	1.2	4.6
Asset impairment charges	—	—	15.0
Total restructuring and asset impairment charges, net	$ 3.4	$ 9.1	$ 20.9

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 Consolidated Financial Statements in accordance with FASB ASC No. 420, Exit or Disposal

Obligations, and are presented in our Consolidated Statements 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.

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The charges incurred during 2018 related to severance charges to reduce corporate overhead and ongoing maintenance expense of facilities closed as a result of prior actions. During the second quarter of 2018, we amended the lease agreements related to closed facilities. As a result of these amendments, we will no longer record material restructuring expense related to the closed facilities.

The charges incurred during 2017 related to severance charges to reduce corporate overhead and ongoing maintenance expense of facilities closed as a result of prior actions. During 2017, 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.

The charges incurred during 2016 related to the buyout of a lease on a previously closed facility, ongoing maintenance expense of facilities closed as a result of prior actions and severance charges to reduce fixed costs. Additionally, we recorded a $15 million impairment charge upon classifying our remaining Brazilian operations as held for sale. During 2018, we reclassified the Brazilian operations as held and used.

Liquidity and Capital Resources

General

We generally expect to fund expenditures for operations, administrative expenses, capital expenditures, 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 December 31, 2018, we had available liquidity of $259.9 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 such purchases 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):

	Year Ended December 31,		
	2018	2017	2016
Net cash provided by/(used in):			
Operating activities	$ 98.2	$ 127.0	$ 97.2
Investing activities	(63.9)	(51.3)	(67.6)
Financing activities	(60.5)	(28.4)	(75.3)

Net Cash Provided by Operating Activities

During the year ended December 31, 2018, we generated $98.2 million of cash flow from operations, compared with $127 million during the year ended December 31, 2017. The decrease in cash provided was attributable primarily to lower tooling reimbursements from customers.

During the year ended December 31, 2017, we generated $127 million of cash flow from operations, compared with $97.2 million during the year ended December 31, 2016. The primary reasons for this increase were increased pre-tax earnings and a favorable net tooling position.

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Net Cash Used in Investing Activities

Net cash utilized in investing activities was $63.9 million during 2018, compared to $51.3 million during 2017. The $12.6 million increase in cash utilized was attributable primarily to higher capital expenditures for new programs and lower proceeds received from the sale of our Chinese joint ventures compared to 2017, offset partially by the net proceeds received for the sale-leaseback of one of our manufacturing facilities.

Net cash utilized in investing activities was $51.3 million during 2017, compared to $67.6 million during 2016. The $16.3 million decrease in cash utilized reflects decreased capital expenditures, related primarily to the timing of program launches, and the proceeds received from the sale of a China joint venture.

Net Cash Used In Financing Activities

Net cash used in financing activities was $60.5 million during 2018 compared to $28.4 million during 2017. The $32.1 million increase in cash utilized was attributable primarily to the $50 million repayment of our Term Loan Credit Facility offset partially by lower borrowings on our other debt instruments in 2018.

Net cash used in financing activities was $28.4 million during 2017, compared to $75.3 million during 2016. The $46.9 million decrease in cash utilized was attributable primarily to the non-recurrence of a $50 million repayment on the Term Loan Credit facility during the first quarter of 2016 and lower treasury stock purchases during 2017.

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 from 19 days during the fourth quarter of 2017 to 20 days during the fourth quarter of 2018; and our inventory increased from $57.5 million at December 31, 2017 to $69.4 million at December 31, 2018, reflecting primarily the ramp up of production on recently awarded business.

Our accounts receivable balance decreased from $124 million as of December 31, 2017 to $113.1 million as of December 31, 2018. The decreased accounts receivable reflects primarily timing of revenue within the fourth quarter.

Our accounts payable balance decreased from $213.3 million as of December 31, 2017 to $188.8 million as of December 31, 2018. The change reflects primarily a decrease due to the timing of payments related to capital expenditures and customer-owned tooling and a decrease of trade accounts payable.

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 results 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 3 of our Consolidated Financial Statements) plus accounts receivable related to tooling less accounts payable related to tooling. During 2018 our net tooling position increased by $3.2 million from $11.8 million at December 31, 2017 to $15 million at December 31, 2018. This increase reflects spending on customer-owned tooling that exceeded reimbursements from customers.

On December 31, 2018 and 2017, we had working capital balances (excluding discontinued operations held for sale) of $1 million and $29.6 million, respectively.

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Sources and Uses of Liquidity

Our available liquidity at December 31, 2018 was $259.9 million, which consisted of $68.1 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, 2017 and 2016, we had available liquidity of approximately $288.3 million and $240 million, respectively, excluding the cash and unutilized borrowing availability at our discontinued operations.

As of December 31, 2018, we had short-term debt of $4.1 million, of which $3.6 million related to current maturities of our Term Loan Credit Facility and $0.5 million related to debt 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 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 operating leases to assist with a portion of the funding requirements for the related capital investments. We believe that these operating 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%.

Pursuant to the Board of Directors' declaration on October 16, 2015, the Company 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 years ended December 31, 2018, 2017, and 2016, the Company paid dividends of $10.1 million, $9.2 million, and $8.6 million, respectively.

As noted above, 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. As of December 31, 2018, 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 year ended December 31, 2018.

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 this metric. 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):

	Year Ended December 31,		
	2018	2017	2016
Net cash provided by continuing operating activities	$ 98.2	$ 127.0	$ 97.2
Cash disbursed for purchases of property, plant, and equipment, net	(83.1)	(67.2)	(72.2)
Free cash flow	$ 15.1	$ 59.8	$ 25.0

Free cash flow was $15.1 million during 2018, compared to $59.8 million during 2017. The $44.7 million decrease in free cash flow reflects primarily lower tooling reimbursements from customers, higher capital spending, and higher lease payments related to certain manufacturing equipment, offset partially by higher adjusted EBITDA.

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Free cash flow was $59.8 million during 2017, compared to $25 million during 2016. The $34.8 million increase in free cash flow reflects primarily a favorable fluctuation in our net tooling position, higher adjusted EBITDA, and lower capital spending.

Debt

As of December 31, 2018, we had outstanding indebtedness of approximately $298.6 million, which consisted of the following:

- $303.5 million (net of a $1.7 million discount) indebtedness outstanding under our Term Loan Credit Facility
- $1.1 million of foreign subsidiary indebtedness
- $6 million of debt issue costs netted against our indebtedness

Term Loan Credit Facility

On April 23, 2013, we and our subsidiaries, Tower Automotive Holdings USA, LLC, Tower Automotive Holdings I, LLC, Tower Automotive Holdings II (a) LLC, Tower Automotive Holdings II (b) LLC and the domestic subsidiary and domestic affiliate guarantors named therein, entered into a Term Loan and Guaranty Agreement (the “Term Loan Credit Agreement”) whereby we obtained a term loan of $420 million. The maturity date for the initial term loan disbursed under the Term Loan Credit Agreement was April 23, 2020.

On January 31, 2014, we amended the Term Loan Credit Agreement by entering into the Second Refinancing Term Loan Amendment and Additional Term Loan Amendment (the “Second Term Loan Amendment”), pursuant to which, among other things, the outstanding term loans under the Term Loan Credit Agreement were refinanced in full, and additional term loans in an aggregate principal amount of approximately $33 million (the “Additional Term Loans”) were disbursed. After giving effect to the disbursement of the Additional Term Loans, there were term loans (the “Term Loans”) in the aggregate principal amount of $450 million outstanding under the Term Loan Credit Agreement. The term loans bear interest at (i) the Alternate Base Rate plus a margin of 2.00% or (ii) the Adjusted LIBO Rate (calculated by multiplying the applicable LIBOR rate by a statutory reserve rate, with a floor of 1.00%) plus a margin of 3.00%.

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”), pursuant to which, among other things, substantially simultaneously with the consummation of the sale of our European operations, we shall prepay outstanding Loans (as defined in the Term Loan Agreement) in an aggregate principal amount of $50 million in accordance with the Term Loan Agreement.

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 September 17, 2014, we entered into a Third Amended and Restated Revolving Credit and Guaranty Agreement (“Third 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, Tower Automotive Holdings II(b), 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 Third Amended Revolving Credit Facility Agreement amended and restated, in its entirety, the Second Amended Revolving Credit Facility Agreement, dated as of June 19, 2013, 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 Third Amended Revolving Credit Facility Agreement provided for a cash flow revolving credit facility (the "Amended Revolving Credit Facility") in the aggregate amount of up to $200 million. The Third Amended Revolving Credit Facility Agreement also provided for the issuance of letters of credit in an aggregate amount not to exceed $50 million, provided that the total amount of credit (inclusive of revolving loans and letters of credit) extended under the Third Amended Revolving Credit Facility Agreement was subject to an overall cap, on any date, of $200 million.

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. As of December 31, 2018, 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 December 31, 2018, calculated as follows (in millions):

Total Revolving Credit Commitment	$	200.0
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 the Company's Total Net Leverage Ratio (as defined in the Fourth Amended Revolving Credit Facility Agreement). As of December 31, 2018, 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, 2022.

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, extends the expiration date for the

Fourth Amended Revolving Credit Facility Agreement to March 7, 2023.
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Our Fourth 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.

Foreign Subsidiary Indebtedness

Our foreign subsidiary indebtedness consists of borrowings in Brazil.

Capital and Operating Leases

We maintain capital leases primarily for a manufacturing facility and 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 2026. As of December 31, 2018, our total future operating lease payments amounted to $340.2 million. As of December 31, 2018, we were committed to making lease payments during 2019 of not less than $42.3 million on our operating leases.

Beginning in 2019, FASB ASC No. 842, Leases, will change the financial reporting for leases. Certain of our manufacturing equipment leases currently classified as operating leases will be considered financing leases under the new standard which will require us to record the right-of-use (“ROU”) asset as additional property, plant, and equipment and the associated liability as lease debt. As of December 31, 2018 and 2017 the ROU asset and liability associated with these leases would be approximately $157 million and $72 million, respectively.

In addition, we have numerous real estate and equipment leases currently classified as operating that will continue to be classified as operating under the new standard. We estimate that the ROU asset and lease liability associated with these leases will be approximately $100 million, and is estimated to increase approximately $10 million during the first quarter of 2019 upon the extension of certain leases of production facilities.

Capital Expenditures

In general, we are awarded new automotive business two to three years prior to the launch of a particular program. During the pre-launch period, we typically invest significant resources in the form of capital expenditures for the purchase and installation of the machinery and equipment necessary to manufacture the awarded products. Capital expenditures for the years ended December 31, 2018 and 2017 were $83.1 million and $67.2 million, respectively. The increase reflects primarily the timing of customer program launches. Our capital spending for 2019 is expected to be approximately $110 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 December 31, 2018, letters of credit outstanding were $8.2 million under our Fourth Amended Revolving Credit Facility.

Covenants

As of December 31, 2018, the Company was in compliance with all financial covenants that govern its credit agreements.

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

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net debt as part of their assessments of our business. Net debt is used by management to help assess our exposure to our 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 December 31,		
	2018	2017	2016
Total debt, including capital leases and net of debt issue costs	$ 298.6	$ 350.8	$ 359.8
Less: Cash and cash equivalents	(68.1)	(96.3)	(49.0)
Net debt	$ 230.5	$ 254.4	$ 310.8

As of December 31, 2018, our net debt was $230.5 million, compared to $254.4 million as of December 31, 2017. The $23.9 million change reflects primarily favorable free cash flow and cash received from the sale-leaseback of one of our manufacturing facilities, offset partially by the remittance of dividends to our shareholders.

As of December 31, 2016, our net debt was $310.8 million. The $56.4 million change from 2016 to 2017 reflects primarily favorable free cash flow and proceeds received from the sale of our discontinued operations, offset partially by the remittance of dividends to our shareholders and debt issuance costs.

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments as of December 31, 2018 are summarized below (in millions):

Contractual Obligations	Total	Less than 1 Year	2 – 3 Years	4 – 5 Years	After 5 Years
Long-term debt (including current portion):					
Term Loan Credit Facility	$ 303.5	$ 3.6	$ 7.2	$ 7.2	$ 285.5
Other subsidiary indebtedness	1.0	0.5	0.5	—	—
Cash interest payments	81.5	16.0	31.3	30.5	3.7
Pension contributions(a)	31.6	5.9	13.4	10.9	1.4
Expected tax payments(b)	4.5	—	0.1	—	4.4
Capital and tooling purchase obligations(c)	112.9	112.9	—	—	—
Operating leases	340.2	42.3	97.0	89.0	111.9
Total contractual obligations at December 31, 2018	$ 875.2	$ 181.2	$ 149.5	$ 137.6	$ 406.9

(a)
Represents expected future contributions required to fund our pension plan, based on current actuarial assumptions.

(b)
Represents payments expected to be made to various governmental agencies relating to certain tax positions taken pursuant to FASB ASC No. 740, Income Taxes.

(c)
Represents obligations under executory purchase orders related to capital and tooling expenditures.

Our purchase orders for inventories are based on demand and do not require us to purchase minimum quantities.

Critical Accounting Policies and Estimates

The preparation of our Consolidated Financial Statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of our assets and liabilities and disclosure of our contingent assets and liabilities at the date of the Consolidated Financial Statements, as well as the reported amounts

of our revenues and expenses during the reporting period. Considerable judgment is often involved in making these estimates and assumptions. Critical estimates are those that require the most difficult, subjective, or complex judgments in the preparation of our financial statements and the

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accompanying notes. We evaluate these assumptions and estimates on a regular basis and we believe that they are reasonable and appropriate. However, actual results could differ from our estimates and the use of different assumptions could result in significantly different results. The following discussion of accounting estimates is intended to supplement the Summary of Significant Accounting Policies section of Note 3 to our Consolidated Financial Statements. Policies that are excluded from the discussion below are deemed to be either immaterial or not critical for the periods presented in this Annual Report.

Fair Value Measurements

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 (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.

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

Periodically, the Company uses derivative financial instruments to manage interest rate risk and net investment risk in foreign operations, and to limit exposure of foreign currency fluctuations related to certain intercompany payments. Under FASB ASC No. 815, Derivatives and Hedging, all derivatives are recorded at fair value.

At December 31, 2018 and 2017, our derivative financial instruments include interest rate and cross currency swaps. These instruments are recorded in other assets, net or other non-current liabilities in our 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 December 31, 2018, the foreign currency exchange hedge (net investment hedge of our European subsidiaries) and the interest rate swap had liability fair values of $19.9 million and $5 million, respectively. At December 31, 2017, the foreign currency exchange hedge (net investment hedge of our European subsidiaries) had a liability fair value of $27 million. The interest rate swap had a liability fair value of $8.9 million. Refer to Note 7 to our Consolidated Financial Statements for further information regarding derivatives.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired. Goodwill is not amortized, but it is tested for impairment on, at a minimum, an annual basis. In accordance with FASB ASC No. 350, Intangibles — Goodwill and Other, we qualitatively assess the goodwill assigned to each of our reporting units annually at year-end. This qualitative assessment evaluates various factors, such as macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, and other relevant events, that may impact a reporting unit's fair value. Using this qualitative assessment, we determine whether it is more-likely-than-not that the reporting unit's fair value exceeds its carrying value. If it is determined that it is not more-likely-than-not that the reporting unit's fair value exceeds the carrying value, we perform a quantitative goodwill impairment analysis by comparing the carrying amount of the reporting unit to its fair value. We will also test goodwill for impairment when an event occurs or circumstances change such that it is reasonably possible that impairment may exist.

The evaluation of goodwill for possible impairment includes estimating the fair market value of each of the reporting units which have goodwill associated with their operations using discounted cash flow and multiples of cash earnings valuation techniques, plus valuation comparisons to recent public sale transactions of similar businesses, if any. These valuation methods require us to make estimates and assumptions regarding future operating results, cash flows, changes in working capital and capital expenditures, selling prices, profitability, and the cost of capital. Although we believe that the estimates and assumptions used were reasonable, actual results could differ from those estimates and assumptions.

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The results of our 2018 and 2017 annual goodwill impairment analysis indicated that the fair values of our continuing operations were substantially in excess of carrying value; thus, no impairment existed at December 31, 2018 or December 31, 2017.
During the fourth quarter of 2018, we entered into an agreement to sell our European operations and recorded a total fair value adjustment of $44 million, of which $36 million was related to an impairment of goodwill. We performed a quantitative goodwill impairment analysis that determined the carrying value of the Europe reporting unit was less than its estimated fair value. Our European operations are considered held for sale in accordance with FASB ASC No. 360, Property, Plant, and Equipment, and presented as discontinued operations in the Consolidated Financial Statements, in accordance with FASB ASC No. 205, Discontinued Operations.
Income Taxes
We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the Consolidated Financial Statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We record net deferred tax assets to the extent we believe that these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. Valuation allowances have been recorded where it has been determined that it is more likely than not that we will not be able to realize the net deferred tax assets. Previously established valuation allowances are reversed into income when there is compelling evidence, typically three or more consecutive years of cumulative profit or other positive evidence, that the future tax profitability will be sufficient to utilize the deferred tax asset. Due to the significant judgment involved in determining whether deferred tax assets will be realized, the ultimate resolution of these items may be materially different from the previously estimated outcome.
On December 22, 2017, the U.S. government enacted the Tax Cut and Jobs Act Bill. Effective January 1, 2018, the new tax law results in a reduction to the statutory federal income tax rate for U.S. corporate taxable income from 35% to 21%. Upon enactment, we recorded a one-time deferred tax expense of $27.2 million related to the revaluation of our U.S. deferred tax assets. Additional changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes, other than as described above, that would have a material effect on our results of operations, cash flows, or financial position.
The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations.
FASB ASC No. 740, Income Taxes, provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. FASB ASC No. 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.
We recognize tax liabilities in accordance with FASB ASC No. 740 and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.
Pension and Other Postretirement Benefits
We recognize net actuarial gains or losses in excess of 10% of the greater of the market-related value of the Tower International Consolidated Pension Plan (the “Pension Plan”) assets or the Pension Plan’s projected benefit obligation (“the corridor”) annually, in the fourth quarter of each fiscal year, or at the date of a measurement event.

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The calculations of the projected pension benefit obligation and other postretirement benefits obligation and the associated expenses are based upon certain assumptions made by third party actuaries. These assumptions include, among others, the discount rate, expected long-term rate of return on plan assets, mortality rates, and expected increases in compensation and healthcare costs. Refer to Note 9 to our Consolidated Financial Statements for a description of assumptions made. In accordance with GAAP, actual results that differ from these assumptions are accumulated and amortized over future periods and therefore, generally affect the expense recognized and obligation recorded in future periods. While we believe the current assumptions are appropriate based on available information, significant differences in actual experience or significant changes in assumptions may materially affect the projected pension obligation and other postretirement obligations, as well as the related future expenses.

Our Pension Plan and other postretirement costs are calculated based upon a number of actuarial assumptions, most notably the discount rates used to calculate our projected pension benefit obligations in 2018 and 2017, which were 4.09% and 3.42%, respectively, and the discount rates used in the calculation of our postretirement benefit obligations in 2018 and 2017, which were 4.14% and 3.47%, respectively. The discount rates used in the calculations are established based upon the results of a yield curve analysis performed annually by a third party, which calculates a yield to maturity that mirrors the timing and amounts of future benefit payments. The measurement dates of our post retirement plans are December 31 of each year.

The expected long-term rate of return assumptions are based upon modeling studies completed with the assistance of our actuaries and investment consultants. These models take into account inflation, asset class returns, and bond yields for both domestic and foreign markets. These studies, along with the history of returns for the Pension Plan, indicate that expected future returns, weighted by asset allocation, supported an expected long-term asset return assumption of 7.4% for 2018 and 2017.

Based on our assumptions as of December 31, 2018, a change in the discount rate or the expected long-term rate of return assumptions, holding all other assumptions constant, would have the following impact on our projected pension benefit obligation and net periodic benefit cost on an annual basis (in millions):

	Impact on Net Periodic Benefit Cost	
	Increase	Decrease
.25% change in discount rate	$ 0.4	$ 0.4
.25% change in expected long-term rate of return	(0.5)	0.5

	Impact on Projected Pension Benefit Obligation	
	Increase	Decrease
.25% change in discount rate	$ (5.2)	$ 5.4

Our Pension Plan provides benefits for certain current and former U.S. employees. Benefits under the Pension Plan were frozen in October 2006. We incurred expense of $1.7 million during the year ended December 31, 2018, which includes the actuarial pension loss recorded in the fourth quarter of 2018 of $5.2 million. We recognized income of $2.9 million during the year ended December 31, 2017. We incurred expenses of $5.6 million during the year ended December 31, 2016, which includes the actuarial pension loss recorded in the fourth quarter of 2016 of $8.3 million. We anticipate that we will have approximately $0.8 million of pension income in 2019, excluding any actuarial gain or loss, and we expect to contribute $5.9 million to our Pension Plan in 2019. It is difficult to reliably forecast whether a mark-to-market adjustment for net actuarial gains or losses will be required in 2019 and the amount of such an adjustment, if one is required. Mark-to-market adjustments are primarily driven by events and circumstances beyond our control, including changes in interest rates and the performance of financial markets. To the extent discount rates decrease or the value of our Pension Plan's investments decrease, mark-to market charges to operations may be recorded during the fourth quarter of 2019, if the actuarial gain or loss is in excess of the corridor.

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We anticipate our other post-employment benefit expense to be approximately $0.7 million and we expect to make benefit payments of $0.6 million in 2019. Refer to Note 9 to our Consolidated Financial Statements for further information regarding pension and other postretirement benefits.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 2 to our Consolidated Financial Statements.

Item 7A. 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 is 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 December 31, 2018, we had total debt, excluding capital leases, of $298.6 million (net of a $1.7 million discount and $6 million of debt issue costs), consisting of floating rate debt of $111.5 million (37%) and fixed rate debt of $187.1 million (63%) taking into account our $186.1 million variable rate to fixed rate swap (See Note 7 of our Consolidated Financial Statements for further information relating to our swaps). Assuming no changes in the monthly average variable rate debt levels of $146.4 million for the year ended December 31, 2018, 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 currently classified as operating leases that will be considered financing leases upon adoption of FASB ASC No. 842, Leases. As of December 31, 2018, the associated lease debt from these leases would have been approximately $157 million. Including this amount, our fixed rate debt would have been approximately 75% and our variable rate debt would have been approximately 25%.

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

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which revenues are generated, since 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 (See Note 7 of our Consolidated Financial Statements for further information relating to our swaps). 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 year ended December 31, 2018.

Inflation

Despite recent declines, we have experienced a continued rise over time 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 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Tower International, Inc.
Livonia, MI

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tower International, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income/(loss), equity/(deficit), and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2019 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP
Detroit, MI
February 27, 2019

We have served as the Company's auditor since 2002.

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

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 68,066	$ 96,313
Accounts receivable, net of allowance of $823 and $556	113,128	123,958
Inventories (Note 3)	69,434	57,495
Assets held for sale (Note 5)	431,613	517,783
Prepaid tooling, notes receivable, and other	27,552	43,986
Total current assets	709,793	839,535
Property, plant, and equipment, net	347,803	323,199
Goodwill (Note 3)	7,453	7,424
Deferred tax asset	82,832	82,077
Other assets, net	22,511	8,638
Total assets	$ 1,170,392	$ 1,260,873
LIABILITIES AND EQUITY		
Short-term debt (Note 6)	$ 4,148	$ 4,744
Accounts payable	188,760	213,333
Accrued liabilities	84,306	74,040
Liabilities held for sale (Note 5)	167,882	210,905
Total current liabilities	445,096	503,022
Long-term debt, net of current maturities (Note 6)	294,457	346,011
Pension liability (Note 9)	45,762	47,813
Other non-current liabilities	84,163	94,155
Total non-current liabilities	424,382	487,979
Total liabilities	869,478	991,001
Commitments and contingencies (Note 14)		
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, 22,400,074 issued and 20,606,736 outstanding at December 31, 2018, and 22,317,671 issued and 20,542,397 outstanding at December 31, 2017	224	223
Additional paid in capital	347,816	344,153
Treasury stock, at cost, 1,793,338 and 1,775,274 shares as of December 31, 2018 and December 31, 2017	(36,882)	(36,408)
Retained earnings	64,676	29,712
Accumulated other comprehensive loss (Note 3)	(74,920)	(67,808)
Total stockholders' equity	300,914	269,872
Total liabilities and stockholders' equity	$ 1,170,392	$ 1,260,873

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

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

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Revenues (Note 3)	$ 1,571,853	$ 1,382,474	$ 1,319,046
Cost of sales	1,377,955	1,193,311	1,144,914
Gross profit	193,898	189,163	174,132
Selling, general, and administrative expenses	89,527	87,756	102,058
Amortization expense (Note 3)	435	443	449
Restructuring and asset impairment charges, net (Note 4)	3,380	9,098	20,913
Operating income	100,556	91,866	50,712
Interest expense	19,856	10,882	18,259
Interest income	1,058	1,138	1,097
Net periodic benefit income/(expense)	(2,403)	2,245	(6,324)
Other expense	977	575	4,754
Income before provision for income taxes and income/(loss) from discontinued operations	78,378	83,792	22,472
Provision for income taxes (Note 8)	1,259	44,089	8,768
Income from continuing operations	77,119	39,703	13,704
Income/(loss) from discontinued operations, net of tax (Note 5)	(28,219)	8,032	25,576
Net income	48,900	47,735	39,280
Less: Net income attributable to noncontrolling interests	—	110	701
Net income attributable to Tower International, Inc.	$ 48,900	$ 47,625	$ 38,579
Weighted average basic shares outstanding	20,591,674	20,498,668	20,864,321
Weighted average diluted shares outstanding	20,996,068	20,828,888	21,222,183
Basic income per share attributable to Tower International, Inc. (Note 10):			
Income per share from continuing operations	$ 3.75	$ 1.93	$ 0.62
Income/(loss) per share from discontinued operations	(1.38)	0.39	1.23
Income per share	2.37	2.32	1.85
Diluted income per share attributable to Tower International, Inc. (Note 10):			
Income per share from continuing operations	$ 3.67	$ 1.90	$ 0.61
Income/(loss) per share from discontinued operations	(1.34)	0.39	1.21
Income per share	2.33	2.29	1.82

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

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TOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(Amounts in thousands)

	Year Ended December 31,		
	2018	2017	2016
Net income	$ 48,900	$ 47,735	$ 39,280
Other comprehensive income/(loss), net of tax			
Foreign currency translation adjustments, net of tax expense/(benefit) of $1.8 million, ($10 million), and $2.5 million	(14,784)	19,602	(4,401)
Change in defined benefit plans net of tax expense/(benefit) of ($0.1) million, $0.8 million, and $0.7 million	64	723	1,030
Unrealized gain/(loss) on qualifying cash flow hedge, net of tax expense/(benefit) of $1.3 million, ($2.8 million), and $0 million	3,760	(4,698)	—
Other comprehensive income/(loss), net of tax	(10,960)	15,627	(3,371)
Comprehensive income	37,940	63,362	35,909
Less: Comprehensive income attributable to noncontrolling interests	—	162	221
Comprehensive income attributable to Tower International, Inc.	$ 37,940	$ 63,200	$ 35,688

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

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

	Year Ended December 31,		
	2018	2017	2016
OPERATING ACTIVITIES:			
Net income	$ 48,900	$ 47,735	$ 39,280
Less: Income/(loss) from discontinued operations, net of tax	(28,219)	8,032	25,576
Income from continuing operations	77,119	39,703	13,704
Adjustments required to reconcile income from continuing operations to net cash provided by continuing operating activities:			
Non-cash restructuring and asset impairment charges, net	—	—	15,000
Deferred income tax provision	(3,334)	41,702	6,547
Depreciation and amortization	54,815	50,471	47,861
Non-cash share-based compensation	3,413	2,219	2,455
Pension income, net of contributions	(4,270)	(11,512)	(1,999)
Change in working capital and other operating items	(29,496)	4,408	13,608
Net cash provided by continuing operating activities	$ 98,247	$ 126,991	$ 97,176
INVESTING ACTIVITIES:			
Cash disbursed for purchases of property, plant, and equipment, net	$ (83,141)	$ (67,240)	$ (72,194)
Proceeds from disposition of China joint ventures, net	4,314	15,944	4,546
Net proceeds from sale of property, plant, and equipment	14,883	—	—
Net cash used in continuing investing activities	$ (63,944)	$ (51,296)	$ (67,648)
FINANCING ACTIVITIES:			
Proceeds from borrowings	$ 104,303	$ 485,368	$ 494,442
Repayments of borrowings	(104,508)	(498,553)	(491,849)
Voluntary repayments on Term Loan Credit Facility	(50,000)	—	(50,000)
Debt financing costs	—	(4,747)	—
Original issuance discount	—	(1,808)	—
Dividend payment to Tower shareholders	(10,088)	(9,221)	(8,570)
Proceeds from stock options exercised	251	1,313	305
Purchase of treasury stock	(474)	(763)	(19,578)
Net cash used in continuing financing activities	$ (60,516)	$ (28,411)	$ (75,250)
Discontinued operations:			
Net cash from discontinued operating activities	$ 74,455	$ 26,645	$ 61,117
Net cash used in discontinued investing activities	(47,587)	(39,504)	(47,678)
Net cash from/(used in) discontinued financing activities	(26,456)	8,649	(11,347)
Net cash from/(used in) discontinued operations	$ 412	$ (4,210)	$ 2,092
Effect of exchange rate changes on continuing cash and cash equivalents	$ (2,446)	$ 4,256	$ (623)

NET CHANGE IN CASH AND CASH EQUIVALENTS	$ (28,247)	$ 47,330	$ (44,253)
CASH AND CASH EQUIVALENTS:			
Beginning of period	$ 96,313	$ 48,983	$ 93,236
End of period	$ 68,066	$ 96,313	$ 48,983
Supplemental Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 20,949	$ 20,553	$ 17,217
Income taxes paid	5,665	2,580	2,255
Non-cash Investing Activities:			
Capital expenditures in liabilities for purchases of property, plant, and equipment	$ 19,399	$ 9,746	$ 6,372

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

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TOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY/(DEFICIT)
(Amounts in thousands, except per share data)

	Common Stock Units/Shares	Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings/ (Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity Attributable to Tower International, Inc.
Balance at December 31, 2015	21,111,610	$ 220	$ 337,864	$ (16,067)	$ (44,030)	$ (80,492)	$ 197,495
Net income	—	—	—	—	38,579	—	38,579
Other comprehensive income/(loss)	—	—	—	—	—	(2,891)	(2,891)
Total comprehensive income	—	—	—	—	—	—	35,688
Vesting of RSUs	77,912	1	(1)	—	—	—	—
Stock options exercised	25,670	—	305	—	—	—	305
Treasury stock	(856,061)	—	—	(19,578)	—	—	(19,578)
Share-based compensation expense	—	—	2,455	—	—	—	2,455
Dividend paid	—	—	—	—	(8,570)	—	(8,570)
Noncontrolling interest sold	—	—	—	—	—	—	—
Noncontrolling interest dividends – Wuhu	—	—	—	—	—	—	—
Balance at December 31, 2016	20,359,131	$ 221	$ 340,623	$ (35,645)	$ (14,021)	$ (83,383)	$ 207,795
Net income	—	—	—	—	47,625	—	47,625
Other comprehensive income/(loss)	—	—	—	—	—	15,575	15,575
Total comprehensive income	—	—	—	—	—	—	63,200
Vesting of RSUs	101,478	1	(1)	—	—	—	—
	108,791	1	1,312	—	—	—	1,313

Stock options exercised							
Treasury stock	(27,003)	—	—	(763)	—	—	(763)
Share-based compensation expense	—	—	2,219	—	—	—	2,219
Dividend paid	—	—	—	—	(9,221)	—	(9,221)
Noncontrolling interest sold	—	—	—	—	—	—	—
Cumulative effect of the adoption of ASU No. 2016-09	—	—	—	—	5,329	—	5,329
Balance at December 31, 2017	20,542,397	$ 223	$ 344,153	$ (36,408)	$ 29,712	$ (67,808)	$ 269,872
Net income	—	—	—	—	48,900	—	48,900
Other comprehensive income/(loss)	—	—	—	—	—	(10,960)	(10,960)
Total comprehensive income	—	—	—	—	—	—	37,940
Vesting of RSUs	62,225	1	(1)	—	—	—	—
Stock options exercised	20,178	—	251	—	—	—	251
Treasury stock	(18,064)	—	—	(474)	—	—	(474)
Share-based compensation expense	—	—	3,413	—	—	—	3,413
Dividend paid	—	—	—	—	(10,088)	—	(10,088)
Cumulative effect of the adoption of ASU No. 2017-12	—	—	—	—	(3,848)	3,848	—
Balance at December 31, 2018	20,606,736	$ 224	$ 347,816	$ (36,882)	$ 64,676	$ (74,920)	$ 300,914

The accompanying notes are an integral part of these Consolidated Financial Statements.
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TOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Note 1. Nature of Business
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. Including both wholly owned subsidiaries and majority owned subsidiaries, 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.
Note 2. Basis of Presentation and Organizational History
On October 14, 2010, the Company completed its initial public offering (the "IPO"), whereby Tower Automotive, LLC was converted into a Delaware corporation named Tower International, Inc. (the "Corporate Conversion"). Pursuant to the Company's IPO, the Company's common stock began trading on the New York Stock Exchange on October 15, 2010.
All references to the Company in these notes for periods prior to the effective date of the Corporate Conversion are to Tower Automotive, LLC and its subsidiaries. All references to the Company in these notes for periods subsequent to the effective date of the Company's Corporate Conversion are to Tower International, Inc. and its subsidiaries.
The results of the Company's European operations, along with the Company's Tower Automotive Company, Ltd. ("Wuhu") and Tower DIT Automotive Products Co., Ltd. ("Ningbo") joint ventures in China are presented as discontinued operations in the Company's Consolidated Financial Statements, in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 205, Discontinued Operations. Refer to Note 5 for additional information regarding the Company's discontinued operations.
The results of the Company's Brazilian operations are no longer presented as discontinued operations since these operations are considered held and used in accordance with FASB ASC 360, Property, Plant, & Equipment.
Accounting Pronouncements
Recently Adopted
Revenue Recognition
On May 28, 2014, the FASB issued Accounting Standard Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU outlines a single comprehensive model for entities to utilize to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that will be received in exchange for the goods and services. Additional disclosures are also required to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In 2016, the FASB issued ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-20, all of which amend the implementation guidance and illustrations in the new revenue standard.
The Company implemented the new standard effective January 1, 2018 using the modified retrospective approach. Implementation of the standard did not have a material impact on the Company's Consolidated Financial Statements as the Company's method for recognizing revenue subsequent to the implementation

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of ASC No. 606 does not vary significantly from its revenue recognition practices under the prior revenue standard. The Company has included the additional disclosures required by the ASUs above (Refer to Note 3).

Retirement Benefits

On March 10, 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU is designed to increase the transparency and usefulness of information about defined benefit costs for pension plans and other post-retirement benefit plans presented in employer financial statements. Effective October 1, 2006, the Company's pension plan was frozen and the Company ceased accruing any additional benefits. The Company adopted the new standard effective January 1, 2018 and applied the guidance retrospectively, as required. As a result of adoption, the Company's net periodic pension cost and net periodic postretirement benefit cost are reported within net periodic benefit income on the Consolidated Statement of Operations. The Company has included the disclosures required by ASU No. 2017-07.

Hedge Accounting

On August 28, 2017, the FASB issued ASU No. 2017-12, Targeted Improvements to Accounting for Hedging Activities. This ASU is designed to better align hedge accounting with an organization's risk management activities in the financial statements. In addition, this ASU simplifies the application of hedge accounting guidance in areas where practice issues exist. The Company early adopted this ASU as of January 1, 2018. Upon adoption, the Company recorded a cumulative effect adjustment of $5.1 million and corresponding tax effect adjustment of $1.3 million to Accumulated Other Comprehensive Income ("AOCI") from accumulated earnings. This adjustment is intended to ensure that the resulting AOCI balance represents the cumulative change in the hedging instruments' fair value since hedge inception, less any amounts that should have been recognized in earnings under this ASU. Going forward, the earnings effect of the hedged items will be recorded in the same line item in the Consolidated Statements of Operations in which the earnings effect of the hedged item is reported when the hedged item affects earnings.

Goodwill Impairment

On January 26, 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment. This ASU simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test, and is effective for annual and any interim impairment tests for periods beginning after December 15, 2019. Early adoption of the ASU is allowed for all entities beginning with any goodwill impairment test occurring and performed after January 1, 2017. The Company adopted this standard during 2018 and utilized the standard for its goodwill impairment test that was performed during the fourth quarter of 2018. Refer to Note 3 for results of the testing performed.

Pending Adoption

Leases

In February 2016, the FASB issued 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 model ("ROU") 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. Leases will be classified as financing 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.

This ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. The Company expects to adopt the new standard on its effective date. 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 will utilize the transition method that allows entities to initially apply the new lease standard at the adoption date (January 1, 2019) and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company estimates that it will record a cumulative effect adjustment of approximately $6 million.

The new standard also provides certain practical expedients for an entity’s ongoing accounting. The Company does not expect to utilize the package of practical expedients available. However, the Company currently expects to elect the short-term lease recognition exemption for all leases that qualify, which means the Company will not recognize ROU assets or lease liabilities for short-term leases.

The Company expects that this standard will have a material effect on its Consolidated Financial Statements. To assess the impact of the new standard, the Company has reviewed all leasing agreements, reassessed the classification of its leases, evaluated significant contracts for embedded leases, and compared its historical accounting policies and practices to the requirements of the new standard. The Company is currently evaluating whether certain customer contracts contain embedded leases.

Based on the assessments performed thus far, the Company believes that it has certain manufacturing equipment leases currently classified as operating leases that will be classified as finance leases under the new standard. As of December 31, 2018 and 2017, the Company estimates that the ROU asset and liability associated with these leases would be approximately $157 million and $72 million, respectively. This estimate is based upon the present value of the remaining minimum lease payments for equipment that is subject to lease agreements as of December 31, 2018 and 2017.

In addition, the Company has numerous real estate and equipment leases currently classified as operating that the Company believes will continue to be classified as operating under the new standard. The Company estimates that the ROU assets and lease liabilities associated with these leases will be approximately $100 million.

There are certain considerations related to internal control over financial reporting that are associated with implementing the new guidance under ASC No. 842 and the Company is currently implementing the necessary changes to its control framework. Disclosure requirements under the new guidance in ASC No. 842 have been significantly expanded in comparison to the disclosure requirements under the current guidance. The Company is currently concluding its assessment of the new disclosure requirements and is in the process of drafting disclosures for both interim and annual periods in 2019 under ASC No. 842.

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 would be aligned with the requirements for share-based payments granted to employees. This ASU is effective for annual and interim periods beginning after December 15, 2018 and early adoption is permitted. The Company does not expect a material financial statement impact related to the adoption of this ASU.

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.

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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. Significant Accounting Policies

Financial Statement Presentation

a. Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and all subsidiaries over which the Company exercises control. The Company's share of earnings or losses of nonconsolidated affiliates are included in the consolidated operating results using the equity method of accounting when the Company is able to exercise significant influence over the operating and financial decisions of the affiliates. All intercompany transactions and balances have been eliminated upon consolidation.

b. Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value because of the short maturity of these instruments.

c. Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts receivable, which represents its estimate of losses inherent in trade receivables. The Company provides an allowance for specific customer accounts where collection is doubtful based on historical collection and write-off experience. The Company will also take into consideration unique factors and provide an allowance, if necessary. Bad debt expense is not material for any period presented.

d. 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 Consolidated Statements of Operations as cost of sales. Inventories consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Raw materials	$ 29,752	$ 23,566
Work in process	13,008	12,914
Finished goods	26,674	21,015
Total inventory	$ 69,434	$ 57,495

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e. 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 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):

	December 31, 2018	December 31, 2017
Customer-owned tooling, net	$ 14,758	$ 33,332
Company-owned tooling	507	277
Total tooling, net	$ 15,265	$ 33,609

Any gain recognized, which is defined as the excess of reimbursement over cost, is amortized over the life of the program. If estimated costs are expected to be in excess of reimbursement, a loss is recorded in the period in which the loss is estimated.
f. Property, Plant, and Equipment
Property, plant, and equipment are recorded at cost, less accumulated depreciation. Depreciation expense was $54.4 million, $50 million, and $47.4 million for the years ended December 31, 2018, 2017, and 2016, respectively. Depreciation is computed using the straight-line method over the following estimated useful lives of assets:

Buildings and improvements	32 to 40 years
Machinery and equipment	3 to 20 years

Leasehold improvements are amortized over the shorter of ten years or the remaining lease term at the date of acquisition of the leasehold improvement.
Costs of maintenance and repairs are charged to expense as incurred and included in cost of sales. Spare parts are considered capital in nature when purchased during the initial investment of a fixed asset. Amounts relating to significant improvements, which extend the useful life or utility of the related asset, are capitalized and depreciated over the remaining life of the asset. Upon disposal or retirement of property, plant, and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recognized in cost of sales in the Consolidated Statements of Operations.

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Property, plant, and equipment consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Cost:		
Land	$ 5,329	$ 7,383
Buildings and improvements	106,594	118,893
Machinery and equipment	656,084	623,291
Construction in progress	74,490	33,633
Property, plant, and equipment, gross	842,497	783,200
Less: accumulated depreciation	(494,694)	(460,001)
Property, plant, and equipment, net	$ 347,803	$ 323,199

The Company recorded capitalized interest on its construction in progress of $1.7 million, $3.3 million, and $2.2 million during the years ended December 31, 2018, 2017, and 2016, respectively.

g. Asset Retirement Obligations

FASB ASC No. 410, Asset Retirement and Environmental Obligations, requires the recognition of a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. An asset retirement obligation is a legal obligation to perform certain activities in connection with the retirement, disposal, or abandonment of tangible long-lived assets. The fair value of a conditional asset retirement obligation should be recognized when incurred, generally upon acquisition, construction, or development and through the normal operation of the asset. Uncertainty about the timing or method of settlement of a conditional asset retirement should be factored into the measurement of the liability. The liability is measured at fair value and is adjusted to its present value in subsequent periods. The Company’s asset retirement obligations are primarily associated with renovating, upgrading, and returning leased property to the lessor, in accordance with the requirements of the lease.

Asset retirement obligations are included in other non-current liabilities in the Consolidated Balance Sheets. The following table reconciles the Company’s asset retirement obligations as of December 31, 2018 and 2017 (in thousands):

	December 31, 2018	December 31, 2017
Beginning balance	$ 16,687	$ 16,676
Liabilities incurred	1,378	3,698
Accretion expense	1,182	1,338
Liabilities settled	—	—
Change in estimate	(4,751)	(5,025)
Ending balance	$ 14,496	$ 16,687

The changes in estimate for the years ended December 31, 2018 and 2017 relate primarily to revisions of the expected settlement dates for certain leased facilities.

h. Impairment of Long-Lived Assets

The Company monitors its long-lived assets for impairment on an ongoing basis in accordance with FASB ASC No. 360, Property, Plant, and Equipment. If an impairment indicator exists, the Company will perform the required analysis and record an impairment charge, if necessary. In conducting its impairment analysis, the Company compares the undiscounted cash flows expected to be generated from a long-lived asset to its

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net book value. If the net book value of an asset exceeds its undiscounted cash flows, an impairment loss is measured and recognized. An impairment loss is measured as the difference between net book value and fair value. Fair value is estimated based upon discounted cash flow analyses using cash flow projections based on recent sales data, and independent automotive production volume estimates, and customer commitments. Changes in economic or operating conditions impacting these estimates and assumptions could result in impairment of long-lived assets. Refer to Note 4 for a discussion regarding impairment charges for the periods presented.

Long-lived assets held for sale are recorded at the lower of their carrying amount or estimated fair value less cost to sell and depreciation is ceased.

i. Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired. Goodwill is not amortized, but it is tested for impairment on, at a minimum, an annual basis. In accordance with FASB ASC No. 350, Intangibles — Goodwill and Other, the Company qualitatively assesses its goodwill assigned to each of its reporting units annually at year-end. This qualitative assessment evaluates various factors, such as macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, and other relevant events, that may impact a reporting unit's fair value. Using this qualitative assessment, the Company determines whether it is more-likely-than-not that the reporting unit's fair value exceeds its carrying value. If it is determined that it is not more-likely-than-not that the reporting unit's fair value exceeds the carrying value, the Company performs a quantitative goodwill impairment analysis by comparing the carrying amount of the reporting unit to its fair value. The Company will also test goodwill for impairment when an event occurs or circumstances change such that it is reasonably possible that impairment may exist.

The evaluation of goodwill for possible impairment includes estimating the fair market value of each of the reporting units which have goodwill associated with their operations using discounted cash flow and multiples of cash earnings valuation techniques, plus valuation comparisons to recent public sale transactions of similar businesses, if any. These valuation methods require the Company to make estimates and assumptions regarding future operating results, cash flows, changes in working capital and capital expenditures, selling prices, profitability, and the cost of capital. Although the Company believes that the estimates and assumptions used were reasonable, actual results could differ from those estimates and assumptions.

The results of the Company's 2018 and 2017 annual goodwill impairment analysis for its continuing operations indicated that the fair value of the Company's reporting unit was in excess of carrying value: thus, no impairment existed at December 31, 2018 and 2017.

The change in the carrying amount of goodwill for the Company's reportable segment is set forth below (in thousands):

Balance at December 31, 2016	$	7,090
Currency translation adjustment		334
Balance at December 31, 2017		7,424
Currency translation adjustment		29
Balance at December 31, 2018	$	7,453

During the fourth quarter of 2018, the Company entered into an agreement to sell its European operations (see Note 5) and recorded a total fair value adjustment of $44 million, of which $36 million was related to an impairment of goodwill. The Company performed a quantitative goodwill impairment analysis that determined the carrying value of the Europe reporting unit was less than its estimated fair value. The

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Company's European operations are considered held for sale in accordance with FASB ASC No. 360, Property, Plant, and Equipment, and presented as discontinued operations in the Consolidated Financial Statements, in accordance with FASB ASC No. 205, Discontinued Operations.
The Company recorded a $3.6 million intangible asset during the third quarter of 2015 related to the acquisition of a facility in Mexico. This intangible asset has a definite life and is being 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 related to intangible assets of $0.4 million, $0.4 million, and $0.4 million for the years ended December 31, 2018, 2017, and 2016, respectively.

j. Derivative Financial Instruments

Periodically, the Company uses derivative financial instruments to manage interest rate risk and net investment risk in foreign operations, and to limit exposure of foreign currency fluctuations related to certain intercompany payments. The Company is not a party to leveraged derivatives and does not enter into derivative financial instruments for trading or speculative purposes. Under FASB ASC No. 815, Derivatives and Hedging, all derivatives are recorded at fair value.
The Company formally documents hedge relationships, including the identification of the hedging instruments and the hedged items, as well as the risk management objectives and strategies for undertaking the hedge transaction. To the extent that derivative instruments qualify, and are designated as, cash flow or net investment hedges, the effective portion is recorded as a component of AOCI and the ineffective portion is recorded as interest expense. All hedges are presented in the Consolidated Balance Sheets at fair value as other assets, net or other non-current liabilities with a corresponding offset to AOCI. The Company also formally assesses whether a derivative used in a hedging transaction is highly effective in offsetting changes in either the fair value or cash flows of the hedged item at inception and on a quarterly basis, thereafter. If the Company determines that a derivative ceases to be an effective hedge, it will discontinue hedge accounting.

k. 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 (i.e., the 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

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

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. At December 31, 2017, the carrying value and estimated fair value of the Company's total debt was $358.9 million and $361.5 million, respectively. The majority of the Company's debt at December 31, 2018 and 2017 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 values approximate the fair values.
The Company has foreign currency exchange hedges and an interest rate swap that were measured at fair value on a recurring basis at December 31, 2018 and 2017. These instruments are recorded in other assets, net or other non-current liabilities in the Company's 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 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. At December 31, 2017, the foreign currency exchange hedge (net investment hedge of our European subsidiaries) and the interest rate swap had liability fair values of $27 million and $8.9 million, respectively.
The following table provides each major category of assets and liabilities measured at fair value on a nonrecurring basis during the year ended December 31, 2018 (in millions):

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total gains/(losses)
	Level 1	Level 2	Level 3	
Long-lived assets held for sale	Not applicable	Not applicable	$ 263.7	$ (44.0)

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 $307.7 million were written down to their fair value of $263.7 million, resulting in a loss of $44 million, which was included in the Company's Consolidated Statements of Operations for the year ended December 31, 2018 as income/(loss) from discontinued operations, net of tax. The fair value of the assets was determined based upon consideration of the negotiated sales price in the sales agreement compared to the carrying value of the European operations. The carrying value also includes the cumulative translation adjustment that will need to be reclassified into earnings.
The following table provides each major category of assets and liabilities measured at fair value on a nonrecurring basis during the year ended December 31, 2017 (in millions):

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total gains/(losses)
	Level 1	Level 2	Level 3	
Long-lived assets held for sale	Not applicable	Not applicable	$ 4.3	$ (0.3)

In accordance with FASB ASC No. 360, Property, Plant, & Equipment, the long-lived assets held for sale related to the Ningbo joint venture in China, with a carrying amount of $4.6 million were written down to their fair value of $4.3 million, resulting in a loss of $0.3 million, which was included in the Company's Consolidated Statements of

Operations for the twelve months ended December 31, 2017 as income/(loss) from discontinued operations, net of tax. The fair value of the assets was determined based upon consideration of the negotiated sales price in the sales agreement.

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The following table provides each major category of assets and liabilities measured at fair value on a nonrecurring basis during the year ended December 31, 2016 (in millions):

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total gains/(losses)
	Level 1	Level 2	Level 3	
Long-lived assets held for sale	Not applicable	Not applicable	$ 4.6	$ (3.1)
Asset impairment	Not applicable	Not applicable	18.6	(15.0)

In accordance with FASB ASC No. 360, Property, Plant, & Equipment, the long-lived assets held for sale related to the Ningbo joint venture in China, with a carrying amount of $7.7 million were written down to their fair value of $4.6 million, resulting in a loss of $3.1 million, which was included in the Company's Consolidated Statements of Operations for the twelve months ended December 31, 2016 as income/(loss) from discontinued operations, net of tax. The fair value of the assets was determined based upon consideration of the negotiated sales price in the sales agreement.

In accordance with FASB ASC No. 360, Property, Plant, & Equipment, the long-lived assets held for sale related to the Company's remaining Brazilian operations, with a carrying amount of $33.6 million were written down to their fair value of $18.6 million, resulting in a loss of $15 million, which was included in the Company's Consolidated Statements of Operations for the twelve months ended December 31, 2016 as income/(loss) from discontinued operations, net of tax. This fair value adjustment of $15 million reflected that upon the sale of the Brazilian operations, the cumulative translation adjustment would be reclassified to earnings. During 2018, the Company reclassified the Brazilian operations as held and used.

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.

l. Revenue Recognition

On January 1, 2018, the Company adopted FASB ASC No. 606, Revenue from Contracts with Customers, using the modified retrospective method as applied to customer contracts that were not completed as of January 1, 2018. As a result, financial information for reporting periods beginning on or after January 1, 2018 are presented in accordance with FASB ASC No. 606, while comparative financial information has not been adjusted and continues to be reported in accordance with the Company's revenue recognition policies prior to the adoption of FASB ASC No. 606.

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 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. We do not include sales and other taxes in our transaction price and thus do not recognize these amounts as revenue. Shipping and handling costs are accounted for as fulfillment 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.

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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 fulfill 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.

Additionally, 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 December 31, 2018, the Company's accounts receivable, net of allowances, were $113.1 million and the Company did not have any material unbilled or deferred revenue recorded on the Consolidated Balance Sheet.

For the year ended December 31, 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.

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The following table summarizes the Company's customer mix as a percent of revenues for the year ended December 31, 2018:

Customer	
Ford	47%
Fiat – Chrysler	22%
Nissan	12%
Toyota	8%
BMW	5%
Volkswagen Group	2%
Honda	2%
Other	2%
Total	100%

The following table summarizes the Company's vehicle platform mix as a percent of revenues for the year ended December 31, 2018:

Vehicle Platform	
SUV	53%
Pickup	27%
Van	4%
MPV	2%
Light trucks	86%
Large Car	7%
Small Car	5%
All Other	2%
Total	100%

Prior to January, 1, 2018, the Company recognized revenue in accordance with FASB ASC No. 605, Revenue Recognition. The Company recognized revenue once the following criteria were met: persuasive evidence of an arrangement existed; delivery had occurred or services had been rendered; the Company's price to the buyer was fixed or determinable; and collectability was reasonably assured.

m. Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the Consolidated Financial Statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company records net deferred tax assets to the extent it believes that these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. Valuation allowances have been recorded where it has been determined that it is more likely than not that the Company will not be able to realize the net deferred tax assets. Previously established valuation allowances are reversed into income when there is compelling evidence, typically three or more consecutive years of cumulative profit or other positive

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evidence, that the future tax profitability will be sufficient to utilize the deferred tax asset. Due to the significant judgment involved in determining whether deferred tax assets will be realized, the ultimate resolution of these items may be materially different from the previously estimated outcome.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. The Company recorded a one-time deferred tax expense of $27.2 million in the fourth quarter of 2017 in order to revalue the Company's U.S. deferred tax assets to the new lower U.S. Federal statutory rate of 21% due to U.S. Tax Reform.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across the Company's operations.

FASB ASC No. 740, Income Taxes, provides that a tax benefit from an uncertain tax position be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. FASB ASC No. 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company has elected to recognize interest and penalties related to unrecognized tax benefits as income tax expense.

The Company recognizes tax liabilities in accordance with FASB ASC No. 740 and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different than the Company's current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

n. Segment Reporting

The Company determines its reportable segments based upon the guidance in FASB ASC No. 280, Segment Reporting. The Company defines its operating segments as components of its business where separate financial information is available. Based on these criteria, the Company has determined that it has two operating segments, North America and Brazil, which have been aggregated into one reportable segment.

o. Foreign Currency Translation

The functional currency of the Company's foreign operations is the local currency in which they operate. Assets and liabilities of the Company's foreign operations are translated into U.S. dollars using the applicable period-end exchange rates. Results of operations are translated at applicable average rates prevailing throughout the period. Gains or losses resulting from foreign currency translation are reported as foreign currency translation adjustments, a separate component of AOCI, in the Consolidated Statements of Comprehensive Income/(Loss). Gains and losses resulting from foreign currency transactions are recognized in net income/(loss) in the Consolidated Statements of Operations and were immaterial for all periods presented.

p. Exit or Disposal Activities

Costs to idle, consolidate, or close facilities and provide postemployment benefits to employees are accrued based on management's best estimate of the wage and benefit costs that will be incurred. Costs related to idling of employees that is expected to be temporary are expensed as incurred. Costs to terminate a contract without economic benefit to the Company are expensed at the time the contract is terminated. One-time termination benefits that are not subject to contractual arrangements, provided to employees who are involuntarily terminated, are recorded after management commits to a detailed plan of termination, communicates the plan to employees, and when actions required to complete the plan indicate that significant changes are not likely. If employees are required to render services until they are terminated in order to earn termination benefits, the benefits are recognized ratably over the future service period.

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q. Share-based Compensation

The Company measures compensation cost arising from the grant of share-based awards to employees at fair value. The Company recognizes such costs in income over the period during which the requisite service is provided. Refer to Note 11 for further discussion regarding share-based compensation.

r. Accumulated Other Comprehensive Income/(Loss)

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

	As of December 31, 2018	As of December 31, 2017
Foreign currency translation adjustments, net of tax expense of $2.9 million and $0.1 million	$ (36,531)	$ (24,861)
Defined benefit plans, net of tax expense of $14.9 million and $15 million	(38,185)	(38,249)
Unrealized loss on qualifying cash flow hedge, net of tax (benefit) of ($1.3 million) and ($2.8 million)	(204)	(4,698)
Accumulated other comprehensive loss	$ (74,920)	$ (67,808)

The following table presents the changes in accumulated other comprehensive loss, net of tax, by component for the year ended December 31, 2018 (in thousands):

	Unrealized Losses on Qualifying Cash Flow Hedge	Defined Benefit Plans	Foreign Currency Translation Adjustments	Total
Balance at December 31, 2017	$ (4,698)	$ (38,249)	$ (24,861)	$ (67,808)
Other comprehensive income/(loss) before reclassification	3,760	64	(14,784)	(10,960)
Amounts reclassified from accumulated other comprehensive income	734	—	3,114	3,848
Net current-period other comprehensive income/(loss)	4,494	64	(11,670)	(7,112)
Balance at December 31, 2018	$ (204)	$ (38,185)	$ (36,531)	$ (74,920)

The following table presents the changes in accumulated other comprehensive loss, net of tax, by component for the year ended December 31, 2017 (in thousands):

	Unrealized Gains on Qualifying Cash Flow Hedge	Defined Benefit Plans	Foreign Currency Translation Adjustments	Total
Balance at December 31, 2016	$ —	$ (38,972)	$ (44,411)	$ (83,383)

Other comprehensive income/(loss) before reclassification	(4,698)	723	19,550	15,575
Net current-period other comprehensive income/(loss)	(4,698)	723	19,550	15,575
Balance at December 31, 2017	$ (4,698)	$ (38,249)	$ (24,861)	$ (67,808)

s. Estimates

The preparation of the Company’s financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures related to contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Generally, matters subject to estimation and judgment include amounts related to accounts receivable realization, fair value measurements, pension and other postretirement benefit plan assumptions, restructuring reserves, asset valuation reserves and accruals related to environmental remediation costs, asset retirement obligations, and income taxes. Actual results may differ from those estimates and assumptions and changes in such estimates and assumptions may affect amounts reported in future periods.

Note 4. Restructuring and Asset Impairment Charges

As of December 31, 2018, the Company has executed various restructuring plans and may execute additional plans in the future to realign manufacturing capacity to prevailing global automotive production 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 Charges

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

	Year Ended December 31,		
	2018	2017	2016
Employee termination costs	$ 3,059	$ 7,862	$ 1,335
Other exit costs	321	1,236	4,578
Asset impairments	—	—	15,000
Total restructuring expense	$ 3,380	$ 9,098	$ 20,913

The charges incurred during 2018, 2017, and 2016 primarily related to the following actions:

2018 Actions

During the year ended December 31, 2018, the charges incurred related to severance charges to reduce corporate overhead 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. As a result of these amendments, the Company will no longer record material restructuring expense related to the closed facilities.

2017 Actions

During the year ended December 31, 2017, the charges incurred related to severance charges to reduce corporate overhead and ongoing maintenance expense of facilities closed as a result of prior actions. During 2017, 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 2017.

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2016 Actions
During the year ended December 31, 2016, the charges incurred related to the buyout of a lease on a previously closed facility, ongoing maintenance expense of facilities closed as a result of prior actions and severance charges to reduce fixed costs. Additionally, the Company recorded a $15 million impairment charge upon classifying Brazilian operations as held for sale. During 2018, the Company reclassified the Brazilian operations as held and used.
Restructuring Reserve
The following table summarizes the activity in the restructuring reserve, which is included in the Consolidated Balance Sheets in accrued liabilities, for the above-mentioned actions through December 31, 2018 (in thousands):

Balance at December 31, 2016	$ 197
Payments	(3,989)
Increase in liability	7,862
Balance at December 31, 2017	4,070
Payments	(4,421)
Increase in liability	3,059
Balance at December 31, 2018	$ 2,708

Except as disclosed in the table above, the Company does not anticipate incurring additional material cash charges associated with the actions described above. The increase in the restructuring reserve set forth in the table above does not agree with the restructuring charges for the period, as certain items are expensed as incurred related to the actions described.
The restructuring reserve decreased during the year ended December 31, 2018, reflecting primarily payments related to 2018 restructuring actions and prior accruals, offset partially by accruals for severance. The restructuring reserve increased during the year ended December 31, 2017, reflecting primarily accruals for severance, offset partially by payments related to 2017 restructuring actions and prior accruals.
During the year ended December 31, 2018, the Company incurred payments related to prior accruals of $4.4 million. During the year ended December 31, 2017, the Company incurred payments related to prior accruals of $4 million.
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):

	Year Ended December 31,		
	2018	2017	2016
Revenues	$ 650,294	$ 683,487	$ 714,381
Loss from sale of discontinued operations	(44,000)	(2,896)	(3,100)
Income/(loss) from discontinued operations:			
Income before provision for income taxes	(20,968)	19,769	36,568
Provision for income taxes	7,251	11,737	10,992
Income/(loss) from discontinued operations, net of tax	$ (28,219)	$ 8,032	$ 25,576

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 will acquire 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. Approval of the transaction is subject to (i) the approval of the European Commission and (ii) the absence of a material breach in any of the seller parties' fundamental representations (e.g., title, authority and absence of insolvency). On February 13, 2019, the Company obtained the required approvals from the European Commission. During the first quarter of 2019, the Company expects to consummate the transaction and receive the net sale proceeds of approximately $250 million after payment of transaction costs and the repayment of the Company's cross currency swap. The anticipated purchase price less expected transaction related costs is 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. Included in the fair value adjustment is the required recognition of the cumulative translation adjustment that will be reclassified to earnings.

The Company's European operations are considered held for sale in accordance with FASB ASC No. 360, Property, Plant, and Equipment, and have been presented as discontinued operations in the Company's Consolidated Financial Statements in accordance with FASB ASC No. 205, Discontinued Operations.

Brazil Operations

During the fourth quarter of 2018, the Company reclassified its Brazilian operations from held for sale to held and used in accordance with FASB ASC No. 360, Property, Plant, and Equipment. Therefore, the Brazilian operations are no longer presented as discontinued operations.

China Joint Ventures

In October of 2016, the Company entered into an agreement to sell its joint venture in Wuhu, China: Tower Automotive Company, Ltd ("Wuhu"). The sale agreement provided for the purchase of the Company's equity in the joint venture for approximately $21 million, net of tax. The Company received proceeds of $4.5 million in the fourth quarter of 2016. On May 9, 2017, the Company completed the sale of its equity interest in Wuhu. During the second quarter of 2017, the Company received total net proceeds of $15.9 million related to the sale, which resulted in a total sales price that was less than the carrying value of the net assets of Wuhu. In addition, the Company incurred certain transaction related costs; therefore, a net loss of $2.6 million was recorded in the second quarter of 2017.

Also, in October of 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.

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

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

	December 31, 2018	December 31, 2017
ASSETS		
Current assets	$ 175,774	$ 222,505
Property, plant, and equipment, net	239,023	226,312
Other assets, net	7,072	16,125
Goodwill	17,744	56,241
Fair value adjustment	(8,000)	(3,400)
Total assets held for sale	$ 431,613	$ 517,783
LIABILITIES		
Short-term debt and current maturities of capital lease obligations	$ 14,890	$ 38,383
Accounts payable and accrued liabilities	142,638	161,724
Total current liabilities	157,528	200,107
Long-term debt, net of current maturities	—	—
Other non-current liabilities	10,354	10,798
Total non-current liabilities	10,354	10,798
Total liabilities held for sale	$ 167,882	$ 210,905

Note 6. Debt

Debt consists of the following (in thousands):

	December 31, 2018	December 31, 2017
Term Loan Credit Facility (net of discount of $1,653 and $2,288)	$ 303,521	$ 356,501
Amended Revolving Credit Facility	—	—
Other foreign subsidiary indebtedness	1,044	2,352
Debt issue costs	(5,960)	(8,098)
Total debt	298,605	350,755
Less: Current maturities of debts	(4,148)	(4,744)
Total long-term debt	$ 294,457	$ 346,011

Future maturities of long-term debt as of December 31, 2018 are as follows (in thousands):

2019	$ 4,148
2020	3,894
2021	3,806
2022	3,656
2023	3,615
Thereafter	285,446
Total	304,565

Less: Debt issue costs	(5,960)
Total, net of debt issue costs	$ 298,605

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Term Loan Credit Facility

On April 23, 2013, the Company entered into a Term Loan and Guaranty Agreement (the "Term Loan Credit Agreement") by and among Tower Automotive Holdings USA, LLC (the "Term Loan Borrower"), the Company, Tower Automotive Holdings I, LLC ("Term Loan Holdco"), Tower Automotive Holdings II(a), LLC, Tower Automotive Holdings II(b), LLC, the subsidiary guarantors named therein, the Lenders from time to time party thereto and Citibank, N.A., as administrative agent for the Lenders (the credit facility evidenced by the Term Loan Credit Agreement and related documentation, the "Term Loan Credit Facility").

On January 31, 2014, we amended the Term Loan Credit Agreement by entering into the Second Refinancing Term Loan Amendment and Additional Term Loan Amendment, pursuant to which, among other things, the outstanding term loans under the Term Loan Credit Agreement were refinanced in full, and additional term loans in an aggregate principal amount of approximately $33 million (the "Additional Term Loans") were disbursed. After giving effect to the disbursement of the Additional Term Loans, there were term loans (the "Term Loans") in the aggregate principal amount of $450 million outstanding under the Term Loan Credit Agreement.

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"), pursuant to which, among other things, substantially simultaneously with the consummation of the sale of the Company's European operations, the Company shall prepay outstanding Loans (as defined in the Term Loan Agreement) in an aggregate principal amount of $50 million in accordance with the Term Loan Agreement.

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 there under may be accelerated upon the occurrence of an event of default.

On January 15, 2016, 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 $0.7 million.

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.

As of December 31, 2018, the outstanding principal balance of the Term Loan Credit Facility was $303.5 million (net of a remaining $1.7 million original issue discount) and the effective interest rate was 5.19% per annum.

Amended Revolving Credit Facility

On September 17, 2014, the Company entered into a Third Amended and Restated Revolving Credit and Guaranty Agreement (“Third 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, Tower Automotive Holdings II(b), 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 Third Amended Revolving Credit Facility Agreement amended and restated, in its entirety, the Second Amended Revolving Credit Facility Agreement, dated as of June 19, 2013, 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 Third Amended Revolving Credit Facility Agreement provided for a cash flow revolving credit facility (the “Amended Revolving Credit Facility”) in the aggregate amount of up to $200 million. The Third Amended Revolving Credit Facility Agreement also provided for the issuance of letters of credit in an aggregate amount not to exceed $50 million, provided that the total amount of credit (inclusive of revolving loans and letters of credit) extended under the Third Amended Revolving Credit Facility Agreement was subject to an overall cap, on any date, of $200 million.

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 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. The Company may request the issuance of Letters of Credit denominated in Dollars or Euros. The expiration date for the Amended Revolving Credit Facility is March 7, 2022.

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 will be extended to March 7, 2023.

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 December 31, 2018, the applicable margins were 1% per annum and 2% per annum for base rate and LIBOR based borrowings, respectively. 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, 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 December 31, 2018, there was $191.8 million of borrowing availability under the Amended Revolving Credit Facility, of which no borrowings were outstanding and $8.2 million letters of credit were outstanding.

Other Foreign Subsidiary Indebtedness

As of December 31, 2018, other foreign subsidiary indebtedness of $1 million consisted of borrowings in Brazil.

The change in foreign subsidiary indebtedness from December 31, 2017 to December 31, 2018 is explained by the following (in thousands):

	Brazil
Balance at December 31, 2017	$ 2,352
Maturities of indebtedness	(963)
Change in borrowings on credit facilities, net	—
Foreign exchange impact	(345)
Balance at December 31, 2018	$ 1,044

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

Brazil

As of December 31, 2018, the Company's Brazilian subsidiary had borrowings of $1 million (R$4.1 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 December 31, 2018, the weighted average interest rate on the borrowings in Brazil was 7.28% 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 December 31, 2018, the Company was in compliance with all financial covenants that govern its credit agreements.

Debt Issue Costs

The Company had debt issuance costs, net of amortization, of $6 million and $8.1 million as of December 31, 2018 and December 31, 2017, respectively. These amounts are reflected in the Consolidated Balance Sheets as a direct deduction from long-term debt, net of current maturities, rather than as an asset, in accordance with ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs.

The Company incurred interest expense related to the amortization of debt issue costs of $2.1 million, $1.9 million, and $2.5 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Note 7. 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. On October 17, 2014, the Company entered into a $200 million variable rate to fixed rate interest rate swap for a portion of the Company's Term Loan and a €157.1 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 April 16, 2020. During the year ended December 31, 2015, the Company reduced the notional amount of the interest rate swap from $200 million to $186.1 million and increased the notional amount on the cross currency swap from €157.1 million to €178 million.

On March 7, 2017, the Company amended the variable rate to fixed rate interest rate swap, for a portion of the Company's Term Loan, entered into on October 17, 2014. The U.S. dollar notional amount remained the same at $186.1 million, the fixed interest rate was changed from 5.09% to 5.628% per annum, and the maturity date was extended from April 16, 2020 to March 7, 2024.

Also on March 7, 2017, the Company amended the cross currency swap, entered into on January 23, 2015, into a new cross currency swap, to hedge its net investment in Europe, based on the U.S. dollar/Euro exchange spot rate of $1.04795. The Euro notional amount remained the same at €178 million, the interest rate was lowered from 3.40% to 2.85%, and the maturity date was extended from April 16, 2020 to March 7, 2024.

Both swaps were amended and restated in conjunction with the March 7, 2017 amendment to the Company's Term Loan Credit Agreement.

On August 31, 2017, the Company amended certain of its variable rate to fixed rate interest rate swaps, for a portion of the Company's Term Loan, entered into on March 7, 2017. The U.S. dollar notional amount remained the same at $186.1 million, the fixed interest rate was changed from 5.628% to 5.878% per annum for certain swaps, and the maturity date remained at March 7, 2024. The fair value of the swap will fluctuate with changes in interest rates. This amendment was considered a termination event per FASB ASC No. 815, Derivatives and Hedging; therefore, the balance within AOCI was frozen and is being recognized in results of operations over the remaining term of the hedged transaction. As of December 31, 2018, $5.8 million was recorded in AOCI and $1.1 million was recognized in interest expense during the year ended December 31, 2018.

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At December 31, 2018 (when the U.S. dollar/Euro exchange spot rate was $1.1457) and December 31, 2017 (when the U.S. dollar/Euro exchange spot rate was $1.2009), the following amounts were recorded in the Consolidated Balance Sheets as being receivable from or payable to counterparties under FASB ASC No. 815, Derivatives and Hedging (in thousands):

	Location	December 31, 2018	December 31, 2017
Net investment hedge	Other non-current liabilities	$ 19,903	$ 27,001
Interest rate swap	Other non-current liabilities	5,034	8,918

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. To the extent that derivative instruments are deemed to be effective, changes in the fair value of derivatives are recognized in the Consolidated Balance Sheets as AOCI, and to the extent they are ineffective or were not designated as part of a hedge transaction, they are recorded in the Consolidated Statements of Operations as interest expense, net. The cross currency swap qualifies as a net investment hedge of the Company’s European subsidiaries. The interest rate swap qualifies as a cash flow hedge of the interest payments related to the Company’s Term Loan. Prior to March 7, 2017, the Company had not accounted for the interest rate swap as a cash flow hedge, and all changes in fair value were recognized in the Consolidated Statements of Operations as interest expense, net.
The following table presents deferred gains/(losses) reported in AOCI at December 31, 2018 and December 31, 2017, respectively (in thousands):

	Deferred gain/(loss) in AOCI Year Ended December 31,	
	2018	2017
Net investment hedge	$ 21,099	$ 9,849
Interest rate hedge	(1,546)	(7,537)
Total	$ 19,553	$ 2,312

Derivative instruments held during the period resulted in the following expense recorded in income during the year ended December 31, 2018 (in thousands):

	Year Ended December 31, 2018
Interest expense	$ 19,856
Effect of hedging	(1,563)

Note 8. Income Taxes
Tax Summary
The Company’s income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management’s best assessments of estimated current and future taxes to be paid. The Company is subject to income taxes in numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.
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The summary of income/(loss) before provision for income taxes and noncontrolling interests consisted of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Domestic	$ 73,274	$ 72,967	$ 29,454
Foreign	5,104	10,825	(6,982)
Total	$ 78,378	$ 83,792	$ 22,472

The provision/(benefit) for income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Current:			
Domestic – Federal	$ (461)	$ 352	$ 152
Domestic – State	2,147	(364)	925
Foreign	2,907	2,399	1,144
Total	4,593	2,387	2,221
Deferred and other:			
Domestic – Federal	10,784	40,819	3,912
Domestic – State	1,779	637	807
Foreign	(15,897)	246	1,828
Total	(3,334)	41,702	6,547
Total provision/(benefit) for income taxes	$ 1,259	$ 44,089	$ 8,768

A reconciliation of income tax expense from continuing operations and the U.S. federal statutory income tax expense were as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Taxes at U.S. federal statutory rate	$ 16,459	$ 29,327	$ 7,865
State tax expense	3,112	88	1,297
Foreign tax rate differential	544	(522)	316
Valuation allowance	(11,365)	(1,380)	6,502
Permanent differences	724	(1,340)	235
U.S. Tax Reform – Deferred Tax Asset Revaluation	—	27,163	
Increase/(decrease) in uncertain tax positions	(393)	1,236	779
Tax credits	(8,191)	(10,365)	(7,855)
Other	369	(118)	(371)
Total income tax expense/(benefit)	$ 1,259	$ 44,089	$ 8,768

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted into federal law. The Company recorded expense of $27.2 million during the fourth quarter of 2017, primarily due to the remeasurement of its net deferred tax assets. The TCJA includes significant changes to the U.S. corporate income tax system. Among other items, the TCJA lowered the corporate income tax rate from 35% to 21% and created a new modified territorial tax system exempting foreign profits from U.S. taxation with some exceptions. It also required a one-time deemed repatriation of accumulated foreign earnings for the year

ended December 31, 2017. To determine the amount of the deemed repatriation and any associated repatriation tax, the Company must determine, in addition to other factors, the amount of post-1986 profits or losses of each foreign subsidiary, as well as the amount of foreign income taxes paid on such profits or losses. The Company has filed its 2017 federal income tax return and has determined that no transition tax inclusion is necessary. Based on current law and guidelines issued by the Internal Revenue Service (“IRS”), the Company does not believe that a measurement-period adjustment is required. In 2018, the FASB issued guidance under ASU 2018-02 that permits companies to reclassify stranded tax effects caused by the TCJA from AOCI to retained earnings. The ASU is not required to be adopted and the Company has elected not to adopt this ASU.

Deferred income taxes are primarily provided for temporary differences between the financial reporting basis and the tax basis of the Company’s assets and liabilities. The tax effects of each type of temporary difference and carryforward that give rise to a significant portion of deferred tax assets/(liabilities) are summarized as follows (in thousands):

	December 31, 2018	December 31, 2017
Deferred tax assets are attributable to:		
Net operating loss carryforwards and tax credits	$ 108,720	$ 113,865
Non-deductible reserves and other accruals	26,881	25,323
Accrued pension and postretirement benefit obligations	12,652	13,140
Hedging	6,165	8,976
Capitalized leases	2,375	2,841
Other	1,748	—
Total gross deferred tax assets	158,541	164,145
Less: valuation allowances	(48,712)	(63,300)
Net deferred tax assets	$ 109,829	$ 100,845
Deferred tax liabilities are attributable to:		
Long lived assets	$ (18,394)	$ (6,115)
Prepaid tooling development costs	(3,110)	(7,784)
Prepaid Expense	(5,480)	(1,619)
Deferred cancellation of indebtedness income	—	(2,236)
Other	(13)	(1,014)
Total gross deferred tax liabilities	(26,997)	(18,768)
Net deferred tax asset/(liability)	$ 82,832	$ 82,077

As of December 31, 2018 and 2017, the valuation allowance recorded was $48.7 million and $63.3 million, respectively. The valuation allowance decreased $14.6 million during 2018 related primarily to a valuation allowance release of $14.4 million due to historical and projected future profitability at the Company’s Brazilian operations. In addition, the Company expensed certain foreign tax credits (“FTCs”) that previously had a valuation allowance recorded against them. The Company continually monitors all available evidence to determine if sufficient future taxable income will be generated to utilize the existing deferred tax assets. The Company also continues to maintain valuation allowances related to certain international jurisdictions and certain state tax credits, which the Company anticipates will expire before they can be utilized.

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The Company has U.S. net operating loss ("NOLs") carryforwards of $52 million that expire during 2030 through 2033 and state NOL carryforwards of $3 million and state credit carryforwards of $24.4 million that expire during the years 2019 to 2036. The Company also has tax credit carryforwards of $46.3 million related to federal research, alternative minimum tax ("AMT"), and foreign tax credits.
As of December 31 2018, the Company's international subsidiaries have NOL carryforwards of $116.3, of which $87.7 million relate to the Netherlands and begin to expire in 2019. The Company also has $22.1 million of NOL carryforwards in Brazil that do not have an expiration date, but whose utilization is limited to 30% of current year taxable income.
In 2018, the Company received a favorable court ruling regarding the unconstitutionality of calculating Brazilian gross receipt taxes that has the potential to generate significant tax credits for the Company. The Brazilian tax authorities have issued official guidance that significantly limits the potential credits. The Company disagrees with the government's current guidance and plans to file a claim with the Brazilian government during the first quarter of 2019. Utilization of these tax credits are subject to government approval. Given the significant uncertainty regarding the potential value of these tax credits, the Company has not recorded any benefit during the year ended December 31, 2018 in accordance with FASB ASC 450, Contingencies.
The Company has not made a provision for foreign income or withholding taxes related to investments in foreign subsidiaries that are indefinitely reinvested. Any excess of the amount for financial reporting over the tax basis in these investments is not significant as of December 31, 2018.
Unrecognized Tax Benefits
A reconciliation of the beginning and ending amounts of unrecognized tax benefits are as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Unrecognized tax benefit – January 1	$ 4,973	$ 3,682	$ 2,880
Increase in prior year tax positions	—	247	—
Decrease in prior year tax positions	—	—	(164)
Increase in current year tax positions	188	1,039	1,000
Audit settlements	(638)	—	—
Lapse in statute of limitations	—	—	(25)
Foreign currency translation	1	5	(9)
Liabilities held for sale	—	—	—
Total	$ 4,524	$ 4,973	$ 3,682

Included in the balance of unrecognized tax benefits at December 31, 2018, 2017, and 2016 are $4.5 million, $5 million, and $3.7 million, respectively, of tax benefits that, if recognized, would affect the effective tax rate. These amounts are primarily associated with uncertainty over qualifying research expenses that generate U.S. Federal research credits and U.S. transfer pricing charges to foreign affiliates. Also included in the balance of unrecognized tax benefits at December 31, 2018, 2017, and 2016 are $4.4 million, $4.9 million, and $3.6 million, respectively, of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.
The Company recognizes interest and penalties related to tax benefits as income tax expense. The Company does not believe it has any significant exposure related to interest or penalties.

During 2017, the Company completed an IRS audit for the 2015 tax year that did not result in any tax adjustments. During 2015, the Company concluded an IRS audit for the tax years 2011 through 2013. As of December 31, 2018, there are no further IRS audits scheduled. The U.S. statute of limitations is still open for tax years 2008, 2009, 2010, and 2013, to the extent of the losses generated in those years. The statute of limitations is closed for the 2011, 2012, and 2014 tax years. The 2016, 2017, and 2018 tax years remain subject to audit. The Company believes appropriate provisions for all outstanding tax issues have been made for all jurisdictions and all open years.

Note 9. Employee Benefit Plans

The Company sponsors a pension and various other postretirement benefit plans for its employees.

Defined Benefit Retirement Plans

The Pension Plan provides benefits for certain current and former U.S. employees. Benefits under the Pension Plan are based on years of service and compensation, as well as other factors. Effective October 1, 2006, the Pension Plan was frozen and the Company ceased accruing any additional benefits. Contributions by the Company are intended to fund benefits that accrued through October 1, 2006.

The Company’s funding policy is to annually contribute amounts to the Pension Plan’s related trust, sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (“ERISA”) and the Internal Revenue Code of 1986 (the “Code”). The Company expects minimum contribution requirements to the Pension Plan of $5.9 million during 2019. Benefit payments under the Pension Plan are estimated to be $16.7 million, $16.7 million, $16.7 million, $16.7 million, and $16.1 million for the years ending December 31, 2019, 2020, 2021, 2022, and 2023, respectively, for a total of $82.9 million during that five-year period. Aggregate benefit payments under the Pension Plan for the years 2024 through 2028 are estimated to be $74.4 million.

The following table provides a reconciliation of the changes in the fair value of Pension Plan assets and the change in the projected benefit obligation (in thousands):

	Year Ended December 31, 2018	Year Ended December 31, 2017
Reconciliation of fair value of Pension Plan assets:		
Fair value of assets, beginning of period	$ 201,522	$ 186,473
Actual return	(12,070)	28,660
Employer contributions	6,019	8,600
Expenses paid from Pension Plan assets	(3,341)	(3,491)
Benefits paid	(16,953)	(18,720)
Fair value of assets, end of period	$ 175,177	$ 201,522
Change in projected benefit obligation:		
Projected benefit obligation, beginning of period	$ 249,335	$ 248,100
Service cost	17	19
Interest cost	7,155	7,493
Actuarial (gain)/loss	(18,615)	12,443
Benefits paid	(16,953)	(18,720)
Projected benefit obligation, end of period	$ 220,939	$ 249,335
Funded status of the Pension Plan	$ (45,762)	$ (47,813)

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At December 31, 2018 and 2017, the funded status of the Pension Plan is recorded as other non-current liabilities in the Consolidated Balance Sheets.
At the December 31, 2018 and 2017 measurement dates, the accumulated benefit obligation of the Pension Plan was approximately $221 million and $249 million, respectively.
The following table presents the components of the net periodic pension benefit cost/(income) of the Pension Plan (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Service cost	$ 17	$ 19	$ 21
Interest cost	7,155	7,493	7,708
Expected return on plan assets	(10,562)	(10,329)	(10,316)
Amortization of prior service credit	(95)	(95)	(95)
Actuarial loss	5,234	—	8,330
Net periodic benefit cost/(income)	$ 1,749	$ (2,912)	$ 5,648

Pre-tax amounts recognized in other comprehensive income/(loss) for the years ended December 31, 2018, 2017, and 2016 consist of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Unrecognized gain/(loss)	$ (2,124)	$ 2,398	$ 2,091
Amortization of prior service credit	(95)	(95)	(95)
Amount recognized	$ (2,219)	$ 2,303	$ 1,996

The following table summarizes the amounts included in accumulated other comprehensive loss, net of tax, related to the Pension Plan (in thousands):

	As of December 31,	
	2018	2017
Unrecognized loss	$ (24,901)	$ (22,777)
Net prior service credit	1,570	1,665
Deferred tax impact	(13,364)	(13,919)
Accumulated other comprehensive loss	$ (36,695)	$ (35,031)

The significant assumptions used in measuring the Company's projected benefit obligation at the December 31, 2018 and 2017 measurement dates are as follows:

	Year Ended December 31,	
	2018	2017
Discount rate	4.09%	3.42%
Annual rate of increase in compensation	4.5%	4.5%

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The assumptions used in determining net periodic benefit cost are shown below:

	Year Ended December 31,		
	2018	2017	2016
Discount rate	3.42%	3.84%	4.01%
Expected long-term rate of return on plan assets	7.4%	7.4%	7.4%
Annual rate of increase in compensation	4.5%	4.5%	4.5%

The present value of the Company's projected benefit obligation is calculated annually with the assistance of third party actuaries. The discount rates used in the calculations are established based upon the results of a yield curve analysis, which calculates a yield to maturity that mirrors the timing and amounts of future benefit payments. The Company utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows.
The Company invests the assets of the Pension Plan in a diversified portfolio, which consists of an array of asset classes and attempts to maximize returns while minimizing volatility. The allocation of Pension Plan assets at December 31, 2018 and 2017, as well as the Company's 2018 target allocations, are as follows:

	Year Ended December 31,		
Asset Classes:	2018	2017	2018 Target
Equity securities	43%	45%	50%
Non-equity investments	12%	12%	5%
Fixed income investments	36%	34%	40%
Cash and cash equivalents	1%	2%	—%
Real estate	8%	7%	5%
Total	100%	100%	100%

The expected long-term rate of return on the Pension Plan's assets assumptions are based upon modeling studies completed with the assistance of the Company's actuaries and investment consultants. The models take into account inflation, asset class returns, and bond yields for both domestic and foreign markets. These studies, along with the history of returns for the Pension Plan, indicate that expected future returns, weighted by asset allocation, supported an expected long-term asset return assumption of 7.4% for 2018 and 2017.
The Company's investment goals are to achieve returns in excess of the Pension Plan's actuarial assumptions, commensurate with the Pension Plan's risk tolerance; to invest in a prudent manner in accordance with fiduciary requirements of ERISA and to ensure that Pension Plan assets will meet the obligations of the Pension Plan as they come due.
Investment management of the Pension Plan is delegated to a professional investment management firm that must adhere to policy guidelines and objectives. An independent investment consultant is used to measure and report on investment performance, perform asset/liability modeling studies, recommend changes to objectives, guidelines, managers, or asset class structure, and keep the Company informed of current investment trends and issues.
The investment policy, as established by the Company's Benefit Plans Committee (the "Committee"), allows for effective supervision, monitoring, and evaluating of the investment of the Company's retirement plan assets. This includes setting forth an investment structure for managing assets and providing guidelines for each portfolio to control the level of overall risk and liquidity. The cash inflows and outflows of the Pension Plan will be deployed in a manner consistent with the above target allocations. If the Committee determines

cash flows to be insufficient within the strategic allocation target ranges, the Committee shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges. Pension Plan assets do not include equity securities of the Company.

Based on consideration of the Pension Plan's projected benefit obligation, the Pension Plan's ability to tolerate risk is in the moderate range. Asset allocation is consistent with this level of risk, with assets being a mix of equities and fixed income. Equity investments are diversified across U.S. and non-U.S. stocks. Minimum and maximum ranges are established for each asset class to control risk and maximize the effectiveness of the Pension Plan's asset allocation strategy. Asset allocation is reviewed quarterly and rebalanced if necessary. Specific investment guidelines, restrictions, and investment return objectives exist for each asset class and corresponding investment manager.

Pension Plan assets are recorded at fair value. Fixed income and equity securities may each be combined into commingled fund investments, which are valued to reflect the Company's interest in the fund, based upon the reported year-end net asset value. The estimated fair values of debt securities held are based upon quoted market prices and/or market data for the same or comparable instruments. Because of the nature of these fixed income securities and commingled fixed income funds, some of these instruments are classified as Level 2 or Level 3 investments within the fair value hierarchy, as defined in Note 3. Fair value estimates for publicly-traded equity securities are based upon quoted market prices and/or other market data for the same or comparable instruments. Collective trusts that hold securities directly are stated at fair value of the underlying securities, as determined by the administrator, based on readily determinable market values and as such, are classified as Level 2 or Level 3 investments. Non-equity investments include investments in hedge funds and are valued based upon their year-end reported net asset values.

The funded status of the Pension Plan represents the difference between the Company's projected benefit obligation and fair value of Pension Plan assets and is presented as pension liability in the Consolidated Balance Sheets.

The following table summarizes the Pension Plan assets measured at fair value as of December 31, 2018 and 2017 (in millions). Refer to Note 3 for definitions of Level 1, 2, and 3 financial instruments within the fair value hierarchy and the methods and assumptions used to estimate the fair value of marketable securities.

Fair Value Measurements at December 31, 2018

Asset Classes	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 2	$ 2	$ —	$ —
Equity securities	75	—	75	—
Mutual funds(a)	21	12	9	—
Corporate bonds	47	—	47	—
Government bonds	15	—	15	—
Real estate investment funds	15	—	—	15
Total	$ 175	$ 14	$ 146	$ 15

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	Fair Value Measurements at December 31, 2017			
Asset Classes	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 3	$ 2	$ 1	$ —
Equity securities	91	—	91	—
Mutual funds(a)	26	16	10	—
Corporate bonds	51	—	51	—
Government bonds	17	—	17	—
Real estate investment funds	14	—	—	14
Total	$ 202	$ 18	$ 170	$ 14

(a)
This category consists of mutual fund investments that are focused on fixed income and international equity securities.

For Pension Plan assets with fair value measurements using significant unobservable inputs (Level 3), reconciliations of beginning and ending balances are as follows (in millions):

	Real Estate Investment Funds
Balance at December 31, 2016	$ 14
Return on plan assets held at the reporting date	—
Purchases	—
Redemptions	—
Balance at December 31, 2017	$ 14
Return on plan assets held at the reporting date	1
Purchases	—
Redemptions	—
Balance at December 31, 2018	$ 15

Defined Contribution Retirement Plans
The Company sponsors various qualified defined contribution retirement plans. 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. During 2018, 2017, and 2016, the Company contributed $6.8 million, $6.2 million, and $5.6 million, respectively, to its defined contribution retirement plans.
Other Postretirement Plans
Life Insurance Plans

As of July 31, 2007, the Company assumed life insurance benefits for certain U.S. retirees and the benefit plans pursuant to which such life insurance benefits are provided. Expected future life insurance benefit payments amount to $0.6 million, $0.6 million, $0.6 million, $1 million, and $1.1 million for the years ending December 31, 2019, 2020, 2021, 2022, and 2023, respectively, for a total of $3.9 million during the five-year period. Aggregate expected benefit payments for the years 2024 through 2028 are $5.3 million.

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The following table provides a reconciliation of the changes in the benefit obligation and funded status of the Company’s life insurance plans (in thousands):

	Year Ended December 31, 2018	Year Ended December 31, 2017
Reconciliation of fair value of life insurance plan assets:		
Fair value of assets, beginning of period	$ —	$ —
Employer contributions	729	744
Benefits paid	(729)	(744)
Fair value of assets, end of period	$ —	$ —
Change in benefit obligation:		
Benefit obligation, beginning of period	$ 16,892	$ 16,200
Service cost	6	5
Interest cost	516	530
Actuarial loss/(gain)	(2,062)	901
Benefits paid	(729)	(744)
Benefit obligation, end of period	$ 14,623	$ 16,892
Funded status of life insurance plans	$ (14,623)	$ (16,892)

At December 31, 2018 and 2017, the funded status of the Company’s life insurance plans is recorded as accrued liabilities and other non-current liabilities in the Consolidated Balance Sheets.
The following table provides the components of the net periodic benefit cost of the Company’s life insurance plans for the years ended December 31, 2018, 2017, and 2016 (in thousands):

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Service cost	$ 6	$ 5	$ 5
Interest cost	516	530	539
Amortization of prior service credit	132	132	132
Net periodic benefit cost	$ 654	$ 667	$ 676

Pre-tax amounts recognized in other comprehensive income/(loss) at December 31, 2018, 2017, and 2016 consist of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Net actuarial gain/(loss)	$ 2,062	$ (901)	$ (393)
Amortization of prior service cost	132	132	132
Amount recognized	$ 2,194	$ (769)	$ (261)

The following table summarizes the amounts included in accumulated other comprehensive loss, net of tax, related to

the Company's life insurance plans (in thousands):

	As of December 31,	
	2018	2017
Unrecognized gain/(loss)	$ 1,388	$ (674)
Net prior service credit	(1,315)	(1,447)
Deferred tax impact	(1,563)	(1,097)
Accumulated other comprehensive loss	$ (1,490)	$ (3,218)

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The present value of the Company's postretirement benefit obligation is calculated annually with the assistance of third party actuaries. The discount rates used in the calculations are established based upon the results of a yield curve analysis, which calculates a yield to maturity that mirrors the timing and amounts of future benefit payments. The discount rate used to measure the Company's postretirement benefit obligation in 2018 and 2017 was 4.14% and 3.47%, respectively. The discount rates used to determine the net periodic benefit cost was 3.45%, 3.91%, and 4.1% in 2018, 2017, and 2016, respectively. The measurement dates of the Company's post retirement plans are December 31 of each year.

Note 10. Earnings per Share ("EPS")

Basic earnings/(loss) per share is calculated by dividing the net income/(loss) attributable to Tower International, Inc. 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 years ended December 31, 2018, 2017, and 2016, respectively.

A summary of the information used to compute basic and diluted net income/(loss) per share attributable to Tower International, Inc. is shown below (in thousands — except share and per share amounts):

	Year Ended December 31,		
	2018	2017	2016
Income from continuing operations	$ 77,119	$ 39,703	$ 13,704
Income/(loss) from discontinued operations, net of tax	(28,219)	8,032	25,576
Net income	48,900	47,735	39,280
Less: Net income attributable to the noncontrolling interests	—	110	701
Net income attributable to Tower International, Inc.	$ 48,900	$ 47,625	$ 38,579
Basic income/(loss) per share:			
Continuing operations	$ 3.75	$ 1.93	$ 0.62
Discontinued operations	(1.38)	0.39	1.23
Net income attributable to Tower International, Inc.	2.37	2.32	1.85
Basic weighted average shares outstanding	20,591,674	20,498,668	20,864,321
Diluted income/(loss) per share:			
Continuing operations	$ 3.67	$ 1.90	$ 0.61
Discontinued operations	(1.34)	0.39	1.21
Net income attributable to Tower International, Inc.	2.33	2.29	1.82
Diluted weighted average shares outstanding	20,996,068	20,828,888	21,222,183

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The following table presents information regarding our quarterly dividends per common share.

Declaration Date	Cash Amount	Record Date	Payment Date
2018			
October 18, 2018	$ 0.13	November 8, 2018	December 7, 2018
July 17, 2018	0.12	August 9, 2018	September 7, 2018
April 19, 2018	0.12	May 10, 2018	June 8, 2018
January 26, 2018	0.12	February 9, 2018	February 28, 2018
2017			
October 20, 2017	$ 0.12	November 10, 2017	December 8, 2017
July 21, 2017	0.11	August 10, 2017	September 8, 2017
April 21, 2017	0.11	May 10, 2017	June 9, 2017
January 27, 2017	0.11	February 10, 2017	February 28, 2017
2016			
October 21, 2016	$ 0.11	November 10, 2016	December 9, 2016
July 22, 2016	0.10	August 10, 2016	September 9, 2016
April 22, 2016	0.10	May 10, 2016	June 10, 2016
January 29, 2016	0.10	February 10, 2016	February 29, 2016

Note 11. 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.
On April 25, 2014, the Plan was amended and restated and further amended on December 1, 2016. The number of shares of common stock available for issuance pursuant to new awards under the 2010 Equity Incentive Plan was reduced to 850,000 shares. At December 31, 2018, 585,287 shares were available for future grants of options and other types of awards under the 2010 Equity Incentive Plan. Forfeited shares, in addition to certain other shares, as defined by the Plan, may be re-issued under the Plan up to the maximum amount to be issued.

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The following table summarizes the Company's award activity during the years ended December 31, 2018, 2017, and 2016:

	Options		Restricted Stock Units	
Outstanding at:	Shares	Weighted Average Exercise Price	Shares	Weighted Average Grant Date Fair Value
December 31, 2015	500,138	$ 12.17	187,498	$ 23.59
Granted	—	—	105,468	23.26
Options exercised or RSUs vested	(25,670)	11.90	(77,912)	19.92
Forfeited	—	—	(1,532)	25.26
December 31, 2016	474,468	$ 12.18	213,522	$ 24.77
Granted	—	—	106,312	28.09
Options exercised or RSUs vested	(108,791)	12.07	(101,478)	24.99
Forfeited	—	—	(5,335)	25.47
December 31, 2017	365,677	$ 12.22	213,022	$ 26.30
Granted	—	—	242,531	26.35
Options exercised or RSUs vested	(20,178)	12.45	(62,225)	26.32
Forfeited	(4,155)	12.04	(5,281)	26.21
December 31, 2018	341,344	$ 12.21	388,047	$ 26.33

Stock options
The exercise price of each stock option equals the market price of the Company's common stock on its grant date. 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 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. There was zero option expense in the years ended December 31, 2018, 2017 and 2016. As of December 31, 2015, the Company had recognized all of the compensation expense associated with these stock options.
As of December 31, 2018, the Company had an aggregate of 341,344 stock options that had been granted, but had not yet been exercised. As of December 31, 2018, the remaining average contractual life for these options is approximately three years. During the year ended December 31, 2018, 20,178 options were exercised, which had an aggregate intrinsic value of $0.4 million. As of December 31, 2018, 341,344 stock options were exercisable, which had an aggregate intrinsic value of $4 million. During the year ended December 31, 2018, no stock options were granted and 4,155 stock options were forfeited or expired.
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.
During the years ended December 31, 2018, 2017, and 2016, the Company recognized an expense of $3.4 million, $2.2 million, and $2.5 million, respectively, relating to all of the RSUs granted. As of December 31, 2018, the

Company had $4.9 million of unrecognized compensation expense associated with these RSUs, which will be amortized on a straight-line basis over the next 16 months, on a weighted average basis. The Company's RSUs generally vest over a three year period.

As of December 31, 2018, the Company had an aggregate of 388,047 RSUs that have been granted, but have not yet vested. During the year ended December 31, 2018, 242,531 RSUs were granted and 5,281 RSUs were forfeited or expired.

During 2018, a total of 62,225 RSUs vested, resulting in the issuance of 62,225 shares at a fair value of $1.6 million. This total was reduced by shares repurchased to provide payment for certain individuals' minimum statutory withholding tax. The Company paid $0.5 million to acquire 18,064 vested shares to cover the minimum statutory withholding taxes. After offsets for withholding taxes, a net total of 44,161 shares of common stock were issued.

During 2017, a total of 101,478 RSUs vested, resulting in the issuance of 101,478 shares at a fair value of $2.8 million. This total was reduced by shares repurchased to provide payment for certain individuals' minimum statutory withholding tax. The Company paid $0.8 million to acquire 27,003 vested shares to cover the minimum statutory withholding taxes. After offsets for withholding taxes, a net total of 74,475 shares of common stock were issued.

During 2016, a total of 77,912 RSUs vested, resulting in the issuance of 77,912 shares at a fair value of $1.8 million. This total was reduced by shares repurchased to provide payment for certain individuals' minimum statutory withholding tax. The Company paid $0.6 million to acquire 26,413 vested shares to cover the minimum statutory withholding taxes. After offsets for withholding taxes, a net total of 51,499 shares of common stock were issued.

The RSUs held on and after November 10, 2015 earn dividend equivalents at the same rate as dividends paid on common stock. Dividend equivalents are subject to the same vesting conditions as the underlying RSUs and, therefore, are not considered participating securities.

Long-Term Compensation

Amended and Restated CEO Employment Agreement

On July 28, 2014, Mark M. Malcolm, the Company's former President and Chief Executive Officer, entered into an amended and restated employment agreement (the "Agreement"), by which Mr. Malcolm's employment was extended through December 31, 2016 (the "Retirement Date"). Mr. Malcolm retired from the Company on the Retirement Date. The Agreement provided for a $3 million transition bonus, for the successful delivery to Tower's Board of Directors of a comprehensive chief executive officer succession and transition plan, and a $3 million retention bonus. These bonus awards were paid in cash, in the amount of $6.3 million, on July 14, 2017, and fall under the guidance of FASB ASC No. 450, Contingencies. As of December 31, 2017, the Company had no liability remaining relating to these awards. During the years ended December 31, 2018, 2017, and 2016, the Company recorded expense of zero, $0.3 million, and $1.3 million, respectively, related to these awards.

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.

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2015 Awards
One half of the awards granted in 2015 were based upon the Company's Adjusted EPS Growth Rate, which is defined as the Company's cumulative Adjusted EPS for the performance period of the awards, stated in terms of a percentage growth rate. The Company's EPS was adjusted to exclude the effect of unusual, and/ or nonrecurring items and then was 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 are 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 2015 were paid in the first quarter of 2018.
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.
2018 Awards
One half of the awards granted in 2018 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 2016 is January 1, 2016 through December 31, 2018. 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.
During the years ended December 31, 2018, 2017, and 2016, the Company recorded expense related to these awards of $4.4 million, $2.3 million, and $7.4 million, respectively. At December 31, 2018, the Company had a liability of $6.4 million related to these awards. $2.9 million of this liability is payable in March of 2019 and is presented as other current liabilities in the Consolidated Balance Sheets, while the remaining $3.5 million of this liability is presented as other non-current liabilities in the Consolidated Balance Sheets.
Note 12. Related Party Transactions
During the year ended December 31, 2017, the Company sold its joint venture in Wuhu, China. Prior to the sale, the Company sold certain products from its Wuhu operations to its joint venture partner, Chery. The sales of these products to Chery were $14.8 million and $70.6 million for the years ended December 31, 2017 and 2016, respectively. The Company's accounts receivable with Chery at December 31, 2017 was zero.
Note 13. 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):

Year Ended December 31, 2018:	
Revenues	$ 1,571,853
Net Income	48,900
Capital Expenditures(a)	83,141
Total assets(b)	1,170,392
Year Ended December 31, 2017:	
Revenues	$ 1,382,474
Net Income	47,625
Capital Expenditures(a)	67,240
Total assets(b)	1,260,873
Year Ended December 31, 2016:	
Revenues	$ 1,319,046
Net Income	38,579
Capital Expenditures(a)	72,194

(a)
Capital expenditures represent cash disbursed for purchases of property, plant, and equipment, as presented in the accompanying Consolidated Statements of Cash Flows.

(b)
Total assets as of December 31, 2018 and 2017 include assets held for sale.

Inter-segment sales are not significant for any period presented.
The following is a summary of revenues and long-lived assets by geographic location (in thousands):

	Year Ended and End of Year December 31,					
	2018		2017		2016	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
U.S.	$ 1,470,772	$ 332,086	$ 1,273,442	$ 305,127	$ 1,222,120	$ 276,892
Mexico	48,099	6,785	49,755	4,110	52,203	4,223
Brazil	52,982	9,439	59,277	14,239	44,723	15,340
Intercompany eliminations	—	—	—	—	—	—
Total	$ 1,571,853	$ 348,310	$ 1,382,474	$ 323,476	$ 1,319,046	$ 296,455

Revenues are attributed to geographic locations based on the location of specific production. Long-lived assets consist

of net property, plant, and equipment and company-owned tooling.

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The following is a summary of the approximate composition of the Company's revenues, by product category (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Body structures and assemblies	47%	44%	46%
Chassis, lower vehicle structures, and suspension components	36%	34%	30%
Complex body-in-white assemblies	17%	22%	24%
Total	100%	100%	100%

The Company sells its products directly to automotive manufacturers. The following table presents a summary of customers that accounted for 10% or more of consolidated revenues in any of the three years ended December 31:

	2018	2017	2016
Ford	47%	51%	47%
Fiat – Chrysler	22%	18%	21%
Nissan	12%	15%	12%

All customers that accounted for 10% or more of consolidated revenues from the table above are customers in the automotive industry; therefore, the Company is subject to a concentration of credit risk.

Note 14. Commitments and Contingencies

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. The Company has entered into leasing commitments with lease terms expiring between the years 2019 and 2035. The Company has options to extend the terms of certain leases in future periods. The properties covered under these leases include manufacturing and office equipment and facilities. Rent expense for all operating leases totaled $30 million, $18.6 million, and $16.8 million during the years ended December 31, 2018, 2017, and 2016, respectively.

On September 21, 2018, the Company completed the sale of one of its manufacturing facilities for $14.9 million. Simultaneously, the Company entered into a lease for the same facility for continued use in the Company's ongoing operations. The lease agreement is for a term of approximately 15 years. The Company recorded a deferred gain of $5.4 million, as the sale price was in excess of the Company's net book value, which will be recognized over the lease term.

Future minimum operating lease payments at December 31, 2018 are as follows (in thousands):

Year	Operating Leases
2019	$ 42,261
2020	49,615
2021	47,385
2022	45,831
2023	43,139
Thereafter	111,947
Total future lease payments	$ 340,178

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Purchase Commitments

As of December 31, 2018, the Company was obligated under executory purchase orders for approximately $54.7 million of tooling, $51.4 million of capital expenditures, and $6.8 million of other expenditures.

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 December 31, 2018 and 2017, the Company had approximately $1.3 million and $1.3 million, respectively, 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.

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 15. Change in Working Capital and Other Operating Items

The following table summarizes the sources/(uses) of cash provided by changes in working capital and other operating items for continuing operations (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Accounts receivable	$ 10,830	$ (21,357)	$ 32,950
Inventories	(11,939)	(3,808)	(4,067)
Prepaid tooling and other current assets	16,435	20,729	(17,868)
Accounts payable and accrued liabilities	(23,960)	24,780	14,590
Other assets and liabilities	(20,862)	(15,936)	(11,997)
Change in working capital and other operating items	$ (29,496)	$ 4,408	$ 13,608

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Note 16. Quarterly Financial Data (Unaudited)
The following table summarizes select quarterly financial data (in thousands):

Quarter	Net Sales	Gross Profit	Net Income/(Loss)	Net Income/(Loss) Attributable to Tower International, Inc.	Diluted Earnings/(Loss) per Share
2018					
1st	$ 407,233	$ 48,184	$ 17,300	$ 17,300	$ 0.83
2nd	395,929	50,822	22,376	22,376	1.07
3rd	391,421	52,166	22,580	22,580	1.07
4th(a)	377,270	42,726	(13,356)	(13,356)	(0.64)
Full Year	$ 1,571,853	$ 193,898	$ 48,900	$ 48,900	2.33
2017					
1st	$ 352,450	$ 42,715	$ 17,413	$ 17,345	$ 0.83
2nd	344,821	48,130	19,258	19,216	0.92
3rd(b)	330,397	47,179	14,931	14,931	0.72
4th(c)	354,806	51,139	(3,867)	(3,867)	(0.19)
Full Year	$ 1,382,474	$ 189,163	$ 47,735	$ 47,625	2.29

(a)
During the fourth quarter of 2018, net income included a fair value impairment charge in discontinued operations of $44 million and a deferred tax benefit of $14.4 million to release the valuation allowance in Brazil.

(b)
During the third quarter of 2017, net income included a $2.4 million deferred tax expense to establish a valuation allowance on certain European deferred tax assets.

(c)
During the fourth quarter of 2017, net income included a deferred tax expense of $27.2 million related to the revaluation of U.S. deferred tax assets due to a reduction in the federal income tax rate as a result of U.S. Tax Reform.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

James C. Gouin, our Chief Executive Officer (“CEO”), and Jeffrey L. Kersten, our Chief Financial Officer (“CFO”), have performed an evaluation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of December 31, 2018 and each has concluded that such disclosure controls and procedures were effective at a reasonable assurance level to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow for timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed 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 in the U.S.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018. The assessment was based on criteria established in the framework “Internal Control — Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which follows.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Tower International, Inc.
Livonia, MI

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Tower International, Inc. and subsidiaries (the "Company") as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2018, of the Company and our report dated February 27, 2019, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
Detroit, MI
February 27, 2019

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Changes in Internal Control over Financial Reporting

There has not been any change in our internal control over financial reporting during the quarter ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B.   Other Information

None

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PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by Item 10 regarding executive officers and directors is incorporated by reference from the information under the captions “Directors and Executive Officers” and “The Board of Directors” in the Company’s definitive Proxy Statement for the 2019 Annual Meeting of the Stockholders (the “Proxy Statement”), or will be filed by amendment. The information required by Item 10 regarding the audit committee and audit committee financial expert disclosure is incorporated by reference from the information under the caption “The Board of Directors — Committees of the Board of Directors” and “Audit Committee Matters” in the Proxy Statement, or will be filed by amendment.
Disclosure of delinquent Section 16 filers required by Item 10, if any, pursuant to Item 405 of Regulation S-K is incorporated by reference from the information under the caption “Additional Information — Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement, or will be filed by amendment.
The Company has adopted a Code of Business Conduct and Ethics that applies to, among other persons, our principal executive officer, principal financial officer, principal accounting officer, and other persons performing similar functions. A copy of our Code of Business Conduct and Ethics is available on our website, www.towerinternational.com, by following links to “Investor Relations,” “Corporate Governance,” “Governance Documents” and “Code of Business Conduct” or upon written request to the Company. In the event that we make any amendments to, or grant any waiver including an implicit waiver from, a provision of the Code of Conduct and Ethics that applies to our principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable SEC rules, we intend to disclose the amendment or waiver and the reasons therefore on our website within four business days of the date of the amendment or waiver.

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference from the information under the captions “Compensation Discussion and Analysis,” and “Compensation Tables” in the Proxy Statement, or will be filed by amendment.

Item 12.
Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 relating to security ownership is incorporated by reference from the information under the caption “Security Ownership” in the Proxy Statement, or will be filed by amendment.
Equity Compensation Plan Information — The following table provides information about our equity compensation plans as of December 31, 2018.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	729,391	$ 19.72	585,287
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	729,391	$ 19.72	585,287

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Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 regarding transactions with related persons is incorporated by reference from the information under the caption “Certain Relationships and Related Party Transactions” in the Proxy Statement, or will be filed by amendment.

The information required by Item 13 regarding director independence is incorporated by reference from the information under the caption “The Board of Directors” in the Proxy Statement, or will be filed by amendment.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is incorporated by reference from the information under the caption “The Board of Directors — Audit Committee Matters” in the Proxy Statement, or will be filed by amendment.

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PART IV
Item 15. Exhibits and Financial Statement Schedules
(a)
List of documents filed as part of this Annual Report or incorporated herein by reference:

(1)
Financial Statements: The following financial statements of the Registrant as set forth under Part II, Item 8 of this report on Form 10-K on the pages indicated:

Audited Financial Statements for the Three Years Ended December 31, 2018:

	Page
Report of Independent Registered Public Accounting Firm	51
Consolidated Balance Sheets as of December 31, 2018 and 2017	52
Consolidated Statements of Operations for the Years Ended December 31, 2018, 2017, and 2016	53
Consolidated Statements of Comprehensive Income/(Loss) for the Years Ended December 31, 2018, 2017, and 2016	54
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017, and 2016	55
Consolidated Statements of Equity/(Deficit) for the Years Ended December 31, 2018, 2017, and 2016	56
Notes to Consolidated Financial Statements	57

(2)
Financial Statement Schedules:

(a)
Schedule II:

SCHEDULE II
Valuation and Qualifying Accounts for the years ended December 31, 2018, 2017, and 2016 (in thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
Year Ended December 31, 2018					
Allowance for doubtful accounts	$ 556	$ 278	$ —	$ (11)(a)	$ 823
Deferred tax asset valuation allowance	63,300	(11,367)	(3,221)	—	48,712
Year Ended December 31, 2017					
Allowance for doubtful accounts	$ 602	$ (29)	$ —	$ (17)(a)	$ 556
Deferred tax asset valuation allowance	58,985	(1,380)	5,695	—	63,300
Year Ended December 31, 2016					
Allowance for doubtful accounts	$ 437	$ 181	$ —	$ (16)(a)	$ 602
Deferred tax asset valuation allowance	46,289	6,502	6,194	—	58,985

(a)
Write off of uncollectible accounts and collections of past due accounts.

All other schedules are omitted because they are inapplicable or not required or the information is included in the Company's Consolidated Financial Statements or the notes thereto.

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(3)
Exhibits

3.1	Form of Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to Amendment No. 4 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
3.2	Form of By-Laws of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed January 8, 2014 and incorporated herein by reference).
4.1	See Exhibits 3.1 and 3.2 for provisions of the Certificate of Incorporation and Bylaws of the Registrant defining the rights of holders of common stock of the Registrant.
4.2	Specimen stock certificate (filed as Exhibit 4.2 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.1	Amended and Restated Intercreditor Agreement, dated as of August 24, 2010, among JPMorgan Chase Bank, N.A., as representative with respect to certain agreements identified therein, Wilmington Trust FSB, as representative with respect to the notes agreement identified therein, each additional representative from time to time party thereto, Tower Automotive Holdings USA, LLC, the other loan parties party thereto and Tower Automotive, LLC (filed as Exhibit 10.9 to Amendment No. 6 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.2	Term Intercreditor Agreement, dated as of August 24, 2010, among JPMorgan Chase Bank, N.A., as synthetic letter of credit facility agent, Wilmington Trust FSB, as notes collateral agent, each additional term agent from time to time party thereto, each grantor from time to time party thereto and Tower Automotive, LLC (filed as Exhibit 10.10 to Amendment No. 6 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.3†	Registrant's Compensation Agreement with Paul Radkoski (filed as Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 as originally filed on March 4, 2010 (No. 333-165200) and incorporated herein by reference).
10.4	Form of Indemnification Agreement (filed as Exhibit 10.24 to Amendment No. 8 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.5†	Form of 2010 Equity Incentive Plan (filed as Exhibit 10.28 to Amendment No. 9 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.6†	Form of Restricted Stock Award Agreement (filed as Exhibit 10.29 to Amendment No. 8 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.7†	Form of Restricted Stock Unit Award Agreement (filed as Exhibit 10.30 to Amendment No. 8 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.8†	Form of Restricted Stock Unit Award Agreement (filed as Exhibit 10.30.1 to Amendment No. 8 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.9†	Form of Nonqualified Stock Option Grant Agreement (filed as Exhibit 10.31 to Amendment No. 8 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).

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10.10†	Form of Nonqualified Stock Option Grant Agreement (filed as Exhibit 10.31.1 to Amendment No. 8 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.11†	Form of Incentive Stock Option Grant Agreement (filed as Exhibit 10.32 to Amendment No. 8 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.12†	Form of Award Letter, Tower Automotive, LLC 2010 Long-Term Incentive Program (filed as Exhibit 10.35 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.13†	Form of Award Letter, Tower Automotive, LLC Special Incentive Program (filed as Exhibit 10.36 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.14††	Lease Agreement, dated as of April 10, 2002, by and among Module (DE) Limited Partnership, Tower Automotive Products Company, Inc. and Tower Automotive Tool LLC (filed as Exhibit 10.37 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.15	Amendment No. 1 to Lease Agreement, dated as of November 15, 2002, by and among Module (DE) Limited Partnership, Tower Automotive Products Company, Inc. and Tower Automotive Tool LLC (filed as Exhibit 10.38 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.16††	Amendment No. 2 to Lease Agreement, dated as of July 31, 2007, by and among Module (DE) Limited Partnership, Tower Automotive Products Company, Inc. and Tower Automotive Tool LLC (filed as Exhibit 10.39 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.17††	Lease Agreement, dated as of April 10, 2002, by and among Chassis (DE) Limited Partnership, Tower Automotive Products Company, Inc. and Tower Automotive Tool LLC (filed as Exhibit 10.40 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.18	Amendment No. 1 to Lease Agreement, dated as of October 9, 2002, by and among Chassis (DE) Limited Partnership, Tower Automotive Products Company, Inc. and Tower Automotive Tool LLC (filed as Exhibit 10.41 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.19††	Amendment No. 2 to Lease Agreement, dated as of July 31, 2007, by and among Chassis (DE) Limited Partnership, Tower Automotive Products Company, Inc. and Tower Automotive Tool LLC (filed as Exhibit 10.42 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).
10.20†	Form of Amendment to Form of Award Letter, Tower Automotive, LLC 2010 Long-Term Incentive Program (filed as Exhibit 10.53 to Amendment No. 9 to the Registrant's Registration Statement on Form S-1 (No. 333-165200) and incorporated herein by reference).

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10.21†††	Amendment No. 3 to Lease Agreement, dated as of January 24, 2011, by and among Chassis (DE) Limited Partnership, Tower Automotive USA Operations I, LLC and Tower Automotive USA Operations II, LLC (successors in interest to Tower Automotive Products Company, Inc. and Tower Automotive Tool LLC) (filed as Exhibit 10.60 to the Registrant's Annual Report on Form 10-K filed March 8, 2012 and incorporated herein by reference).
10.22†††	Amendment No. 4 to Lease Agreement, dated as of October 3, 2011, by and among Chassis (DE) Limited Partnership, Tower Automotive USA Operations I, LLC and Tower Automotive USA Operations II, LLC (successors in interest to Tower Automotive Products Company, Inc. and Tower Automotive Tool LLC) (filed as Exhibit 10.61 to the Registrant's Annual Report on Form 10-K filed March 8, 2012 and incorporated herein by reference).
10.23	Registrant's Employment Agreement with Par Malmhagen (filed as Exhibit 10.65 to the Registrant's Quarterly Report on Form 10-Q filed August 7, 2012 and incorporated herein by reference).
10.24	Stock Purchase Agreement between Tower Automotive Holdings Asia B.V., Tower Automotive International Holdings B.V., and SJ Holdings, Inc. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed January 2, 2013 and incorporated herein by reference).
10.25†	Form of 2012 Bonus Plan (filed as Exhibit 10.67 to the Registrant's Current Report on Form 10-K filed March 7, 2013 and incorporated herein by reference).
10.26†	Employment Agreement, dated as of March 4, 2013, between Tower Automotive Operations USA I, LLC and James Bernard (filed as Exhibit 10.71 to the Registrant's Current Report on Form 10-K filed March 7, 2013 and incorporated herein by reference).
10.27†	Employment Agreement, dated as of March 4, 2013, between Tower Automotive Operations USA I, LLC and William Cook (filed as Exhibit 10.72 to the Registrant's Current Report on Form 10-K filed March 7, 2013 and incorporated herein by reference).
10.28†	Amendment to Employment Agreement, dated as of March 4, 2013, between Tower Automotive Holding GmbH and Par Malmhagen (filed as Exhibit 10.73 to the Registrant's Current Report on Form 10-K filed March 7, 2013 and incorporated herein by reference).
10.29†	Form of Performance Award Agreement (filed as Exhibit 10.74 to the Registrant's Current Report on Form 10-K filed March 7, 2013 and incorporated herein by reference).
10.30	Term Loan and Guaranty Agreement, dated as of April 23, 2013, by and among Tower Automotive Holdings USA, LLC, as borrower, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, Tower Automotive Holdings II (b), LLC and the subsidiary guarantors named therein, as Guarantors, each of the financial institutions from time to time party thereto as lenders, and Citibank, N.A., as administrative agent for the lenders (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed April 24, 2013 and incorporated herein by reference).
10.31	Second Amended and Restated Revolving Credit and Guaranty Agreement dated as of June 19, 2013 by and among Tower Automotive Holdings USA, LLC, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, Tower Automotive Holdings II(b), LLC, the subsidiary guarantors named therein, JPMorgan Chase Bank, N.A., Wells Fargo Capital Finance, LLC and each of the other 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 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 20, 2013 and incorporated herein by reference).

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10.32	Second Amended and Restated ABL Security Agreement dated as of June 19, 2013 among Tower Automotive Holdings USA, LLC, the guarantors named therein and JPMorgan Chase Bank, N.A., as Agent for the Lenders (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed June 20, 2013 and incorporated herein by reference).
10.33	First Refinancing Term Loan Amendment to Term Loan and Guaranty Agreement, dated as of July 29, 2013, by and among Tower Automotive Holdings USA, LLC, as borrower, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, Tower Automotive Holdings II(b), LLC and the subsidiary guarantors named therein, as Guarantors, each of the financial institutions from time to time party thereto as lenders, and Citibank, N.A., as administrative agent for the lenders (filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed July 31, 2013 and incorporated herein by reference).
10.34	Second Refinancing Term Loan Amendment and Additional Term Loan Amendment to Term Loan and Guaranty Agreement, dated as of January 31, 2014, by and among Tower Automotive Holdings USA, LLC, as borrower, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, Tower Automotive Holdings II(b), LLC and the subsidiary guarantors named therein, as Guarantors, each of the financial institutions from time to time party thereto as lenders, and Citibank, N.A., as administrative agent for the lenders (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed January 21, 2014 and incorporated herein by reference).
10.35	Term Loan and Guaranty Agreement, dated as of April 23, 2013 (as amended pursuant to a First Refinancing Term Loan Amendment, dated as of July 29, 2013 and a Second Refinancing Term Loan Amendment and Additional Term Loan Amendment, dated as of January 31, 2014), by and among Tower Automotive Holdings USA, LLC, as borrower, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, Tower Automotive Holdings II(b), LLC and the subsidiary guarantors named therein, as Guarantors, each of the financial institutions from time to time party thereto as lenders, and Citibank, N.A., as administrative agent for the lenders (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed January 21, 2014 and incorporated herein by reference).
10.36†	Form of Performance Award Agreement (filed as Exhibit 10.65 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference).
10.37†	Second Amended and Restated Employment Agreement, dated as of July 28, 2014, between Tower Automotive Operations USA I, LLC and Mark M. Malcolm (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 28, 2014 and incorporated herein by reference).
10.38	Third Amended and Restated Revolving Credit and Guaranty Agreement, by and among Tower Automotive Holdings USA, LLC, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, Tower Automotive Holdings II (b), 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. (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed September 19, 2014 and incorporated herein by reference).
10.39	Revolving Credit Security Agreement, dated as of September 17, 2014, among Tower Automotive Holdings USA, LLC, the guarantors named therein, and JPMorgan Chase Bank, N.A. as Agent for the Lenders (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed September 19, 2014 and incorporated herein by reference).

10.40†	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 September 1, 2016 and incorporated herein by reference).
10.41†	Agreement to Extend Employment Term and Increase Base Salary, dated as of December 21, 2015, between Tower Automotive Operations USA I, LLC and James Bernard (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 21, 2015 and incorporated herein by reference).
10.42†	Second Amendment to the Service Agreement for Managing Director, dated as of December 21, 2015 between Tower Automotive Holding GmbH and Pär O.H. Malmhagen (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed December 21, 2015 and incorporated herein by reference).
10.43†	Form of Restricted Stock Unit Award Agreement for directors (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and incorporated herein by reference).
10.44†	Form of Restricted Stock Unit Award Agreement for employees (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and incorporated herein by reference).
10.45†	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 filed September 1, 2016 and incorporated herein by reference).
10.46†	Amendment to the Tower International, Inc. 2010 Equity Incentive Plan (filed as Exhibit 10.71 to the Registrant's Annual Report on Form 10-K filed February 28, 2017 and incorporated herein by reference).
10.47†	Letter Agreement between Mark Malcolm and the Company, dated January 10, 2017 (filed as Exhibit 10.72 to the Registrant's Annual Report on Form 10-K filed February 28, 2017 and incorporated herein by reference).
10.48†	Second Amended and Restated Employment Agreement, dated as of January 19, 2017, between Tower Automotive Operations USA I, LLC and Michael Rajkovic (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated January 20, 2017 and incorporated herein by reference).
10.49†	Employment Agreement, dated as of January 19, 2017, between Tower Automotive Operations USA I, LLC and Pär O.H. Malmhagen (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated January 20, 2017 and incorporated herein by reference).
10.50	Fourth Amended and Restated Revolving Credit and Guaranty Agreement, dated as of March 7, 2017 among Tower Automotive Holdings USA, LLC, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, the Subsidiary Guarantors, 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 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 10, 2017 and incorporated herein by reference).
10.51	Amended and Restated Revolving Credit Security Agreement, originally dated as of September 17, 2014 and amended and restated as of March 7, 2017, among Tower Automotive Holdings USA, LLC, the Guarantors party thereto and JPMorgan Chase Bank, N.A., as agent (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed March 10, 2017 and incorporated herein by reference).

10.52	Third Refinancing Term Loan Amendment and Amendment and Restatement Agreement, dated as of March 7, 2017, in respect of the Term Loan and Guaranty Agreement, dated as of April 23, 2013, among Tower Automotive Holdings USA, LLC, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, and the other Guarantors party thereto, the Lenders party thereto and Citibank N.A., as administrative agent (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed March 10, 2017 and incorporated herein by reference).
10.53	Amended and Restated Term Loan and Guaranty Agreement, originally dated as of April 23, 2013 and amended and restated as of March 7, 2017 among Tower Automotive Holdings USA, LLC, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), the Subsidiary Guarantors, each of the financial institutions from time to time party thereto, as Lenders, and Citibank, N.A., as administrative agent for the Lenders (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed March 10, 2017 and incorporated herein by reference).
10.54	Amended and Restated Term Loan Security Agreement, originally dated as of April 23, 2013 and amended and restated as of March 7, 2017 among Tower Automotive Holdings USA, LLC, the Guarantors party thereto and Citibank, N.A., as agent (filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed March 10, 2017 and incorporated herein by reference).
10.55†	Separation and General Release Agreement, dated as of August 7, 2017, between Tower Automotive Operations USA I, LLC and William Cook (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed October 30, 2017 and incorporated herein by reference).
10.56†	Letter Agreement between James C. Gouin and the Company, dated January 30, 2018 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated January 26, 2018 and incorporated herein by reference).
10.57†	Letter Agreement between Jeffrey Kersten and the Company, dated January 30, 2018 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated January 26, 2018 and incorporated herein by reference).
10.58	Master Lease Agreement No. 100521 dated November 16, 2016 by and among Tower Automotive Holdings USA, LLC and Tower Automotive Operations USA I, LLC and MB Equipment Finance, LLC (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated February 23, 2018 and incorporated herein by reference).
10.59	Interim Funding Agreement, dated as of February 20, 2018, by and among Tower Automotive Holdings USA, LLC, Tower Automotive Operations USA I, LLC, MB Equipment Finance, LLC and the parties referred to therein as Participants (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated February 23, 2018 and incorporated herein by reference).
10.60†	Amendment to Employment Agreement, dated as of January 19, 2017, between Pär Malmhagen and Tower Automotive Operations USA I, LLC (filed as Exhibit 10.60 to the Registrant's Annual Report on Form 10-K filed February 28, 2018 and incorporated herein by reference).
10.61†	Amendment to Employment Agreement, dated as of August 31, 2016, between Jeffrey Kersten and Tower Automotive Operations USA I, LLC(filed as Exhibit 10.61 to the Registrant's Annual Report on Form 10-K filed February 28, 2018 and incorporated herein by reference).
10.62†	Form of Performance Award Agreement (filed as Exhibit 10.62 to the Registrant's Annual Report on Form 10-K filed February 28, 2018 and incorporated herein by reference).

10.63	Fourth Amendment to Lease Agreement, dated as of May 18, 2018 by and between MODULE (DE) LIMITED PARTNERSHIP and TOWER AUTOMOTIVE OPERATIONS USA I, LLC (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 22, 2018 and incorporated herein by reference).
10.64	Guaranty and Surety Agreement, dated as of May 18, 2018, given by TOWER INTERNATIONAL, INC. to MODULE (DE) LIMITED PARTNERSHIP (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated May 22, 2018 and incorporated herein by reference).
10.65	Termination of Lease, dated as of May 18, 2018 by and between MODULE (DE) LIMITED PARTNERSHIP and TOWER AUTOMOTIVE OPERATIONS USA I, LLC (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated May 22, 2018 and incorporated herein by reference).
10.66*	Memorandum of Understanding, dated as of November 20, 2018 by and among Tower Automotive Holdings III Cooperatie U.A., Tower Automotive Holdings USA, LLC and Financière SNOP Dunois S.A.
10.67*	Stock Purchase Agreement, dated as of December 6, 2018 by and among Tower Automotive Holdings III Cooperatie U.A., Tower Automotive Holdings USA, LLC and Financière SNOP Dunois S.A.
10.68	Consent and Amendment, dated as of December 14, 2018, among Tower Automotive Holdings USA, LLC, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, the Subsidiary Guarantors, the financial institutions party thereto, as Lenders, and JPMorgan Chase Bank, N.A., as Issuing Lender, as Swing Line Lender and as administrative agent for the Lenders (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated December 19, 2018 and incorporated herein by reference).
10.69	Consent and Amendment, dated as of December 14, 2018, among Tower Automotive Holdings USA, LLC, Tower International, Inc., Tower Automotive Holdings I, LLC, Tower Automotive Holdings II(a), LLC, and the other Guarantors party thereto, the Lenders party thereto and Citibank N.A., as administrative agent (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated December 19, 2018 and incorporated herein by reference).
10.70†*	Separation and General Release Agreement between Michael Rajkovic and Tower Automotive Operations USA I, LLC, entered into on Decemer 24, 2018.
10.71†*	Employment Agreement, dated as of November 7, 2017, between Mark R. Flynn and Tower Automotive Operations USA I, LLC.
10.72†*	Amended and Restated Employment Agreement, dated as of December 18, 2018, between Nanette Dudek and Tower Automotive Operations USA I, LLC.
10.73†*	Letter Agreement between Mark R. Flynn and the Company, dated as of February 27, 2018.
10.74†*	Letter Agreement between Nanette Dudek and the Company, dated as of February 27, 2018.
11.1	A statement regarding the computation of earnings per share is omitted because such computation can be clearly determined from the material contained in this Report.
21.1*	Subsidiaries of Tower International, Inc.
23.1*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm

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31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002
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

*
Filed herewith.

**
Furnished herewith.

†
Management contract or compensatory plan or arrangement.

††
Confidential treatment has been granted for certain provisions of this Exhibit pursuant to Rule 406 promulgated under the Securities Act of 1933, as amended.

†††
Portions of this exhibit have been omitted pursuant to the Company's request to the Secretary of the Securities and Exchange Commission for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

Item 16. Form 10-K Summary

None

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 27, 2019	/s/ Jeffrey L. Kersten Jeffrey L. Kersten Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities indicated on the 27th day of February, 2019.

Signature	Title
/s/ James C. Gouin James C. Gouin	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Jeffrey L. Kersten Jeffrey L. Kersten	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Gregory B. Guastella Gregory B. Guastella	Principal Accounting Officer
/s/ Thomas K. Brown Thomas K. Brown	Director
/s/ James Chapman James Chapman	Director
/s/ Frank E. English Frank E. English	Director
/s/ Alison Davis-Blake Alison Davis-Blake	Director
/s/ Dev Kapadia Dev Kapadia	Director
/s/ Mark M. Malcolm Mark M. Malcolm	Director