

**PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATION PURSUANT  
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ramzi Hermiz, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Shiloh Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**/s/ Ramzi Hermiz**

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**Ramzi Hermiz**  
**President and Chief Executive Officer**

Date: September 14, 2015

**PRINCIPAL FINANCIAL OFFICER'S CERTIFICATION PURSUANT  
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas M. Dugan, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Shiloh Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**/s/ Thomas M. Dugan**

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**Thomas M. Dugan  
Vice President of Finance and Treasurer**

Date: September 14, 2015

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT  
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Shiloh Industries, Inc. (the "Company") on Form 10-Q/A for the quarter ended April 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

**Dated: September 14, 2015**

**/s/ Ramzi Hermiz**

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**Ramzi Hermiz**  
**President and Chief Executive Officer**

**/s/ Thomas M. Dugan**

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**Thomas M. Dugan**  
**Vice President of Finance and Treasurer**

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

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**FORM 10-Q/A**

Amendment No. 1

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

For the quarterly period ended April 30, 2015  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-21964

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**SHILOH INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>51-0347683</b> (I.R.S. Employer Identification No.)
<b>880 Steel Drive, Valley City, Ohio 44280</b> (Address of principal executive offices—zip code)	
<b>(330) 558-2600</b> (Registrant's telephone number, including area code)	
N/A (Former name, former address and former fiscal year, if changed since last report)	

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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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of Common Stock outstanding as of June 4, 2015 was 17,249,355.

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## EXPLANATORY NOTE

The Company is filing this Amendment No. 1 on Form 10-Q/A (the "Amended Filing") to its Quarterly Report on Form 10-Q (the "Original Filing") for the quarterly period ended April 30, 2015, originally filed with the Securities and Exchange Commission ("SEC") on June 5, 2015 (the "Original Filing").

### Background and Effects of the Restatement

On September 11, 2015, the Audit Committee (the "Audit Committee") of the Board of Directors of Shiloh Industries, Inc., in consultation with management and its independent third-party advisors retained in this matter determined that the Company's previously issued condensed consolidated financial statements for the three-month periods ended January 31, 2015 and April 30, 2015 should no longer be relied upon because of errors related to the understatement of consolidated cost of sales of approximately \$1.7 million and \$1.1 million, respectively. The Audit Committee discussed the restatement with its independent registered public accounting firm. The understatement was the result of the plant controller at the Company's Wellington Facility circumventing certain internal controls in order to understate the cost of sales related to inventoried costs at the Company's Wellington facility, the majority of which was associated with a surcharge assessed on steel.

During the Company's investigation, other correcting entries specific to the Wellington facility were identified and corrected, including including certain amounts such as prepaid accounts that should have been expensed during the periods. The adjustments for the three month period ended January 31, 2015 included certain immaterial amounts from fiscal 2014 totaling \$.982 million pre-tax primarily related to inventoried costs. Further, the tax impact of all amounts adjusted have been recorded.

The impact of the restatement on the condensed consolidated financial statements for the three-month period ended April 30, 2015 is summarized in "Note 16-Restatement of Previously Issued Financial Statements" to the Company's condensed consolidated financial statements included in Part I, Item 1. "Condensed Consolidated Financial Statements (Unaudited)."

### Items Amended in This Filing

This Amended Filing amends and restates the following items of the Company's Original Filing as of and for the quarterly period ended April 30, 2015.

- Part I - Item 1. Condensed Consolidated Financial Statements (Unaudited)
- Part I - Item 1. Notes to Condensed Consolidated Financial Statements
  - Note 6 - Inventory
  - Note 7 - Property, Plant and Equipment
  - Note 11 - Stock Options and Incentive Compensation
  - Note 14 - Business Segment Information
- Part I - Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations
- Part I - Item 4. Controls and Procedures
- Part II - Item 6. Exhibits

Other sections of the Original Filing have also been amended and restated to reflect immaterial conforming changes to the changes that were made to the sections listed above.

In accordance with applicable SEC rules, this Amended Filing includes certifications as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") from the Company's Principal Executive Officer and Principal Financial Officer dated as of the date of this amended filing.

Except for the items noted above no other information included in the Original Filing is being amended by this Amended Filing. The Amended Filing continues to speak as of the date of the Original Filing and the Company has not updated the Original Filing to reflect events occurring subsequent to the date of the Original Filing. Accordingly, this Amended Filing should be read in conjunction with the Company's filings made with the SEC subsequent to the date of the Original Filing.

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**SHILOH INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Dollar amounts in thousands)**  
**(Unaudited)**

	<u>April 30, 2015</u>	<u>October 31, 2014</u>
	<u>As Restated (1)</u>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,935	\$ 12,014
Investment in marketable securities	751	1,045
Accounts receivable, net of allowance for doubtful accounts of \$571 and \$601 at April 30, 2015 and October 31, 2014, respectively	180,847	171,242
Related-party accounts receivable	2,667	533
Prepaid income taxes	1,347	2,142
Inventories, net	90,207	91,303
Deferred income taxes	3,201	3,496
Prepaid expenses	15,117	11,987
Total current assets	<u>304,072</u>	<u>293,762</u>
Property, plant and equipment, net	282,287	274,828
Goodwill	29,142	30,887
Intangible assets, net	21,056	21,998
Deferred income taxes	2,346	2,605
Other assets	5,678	5,445
Total assets	<u>\$ 644,581</u>	<u>\$ 629,525</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current debt	\$ 1,323	\$ 1,918
Accounts payable	151,037	146,478
Other accrued expenses	35,241	41,336
Total current liabilities	<u>187,601</u>	<u>189,732</u>
Long-term debt	285,515	268,102
Long-term benefit liabilities	17,947	19,951
Deferred income taxes	2,198	2,739
Interest rate swap agreement	4,308	2,510
Other liabilities	1,590	1,972
Total liabilities	<u>499,159</u>	<u>485,006</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 per share; 5,000,000 shares authorized; no shares issued and outstanding at April 30, 2015 and October 31, 2014, respectively	—	—

Common stock, par value \$.01 per share; 25,000,000 shares authorized; 17,248,688 and 17,214,284 shares issued and outstanding at April 30, 2015 and October 31, 2014, respectively	172	172
Paid-in capital	68,849	68,035
Retained earnings	121,989	113,193
Accumulated other comprehensive loss, net	(45,588)	(36,881)
Total stockholders' equity	<u>145,422</u>	<u>144,519</u>
Total liabilities and stockholders' equity	<u>\$ 644,581</u>	<u>\$ 629,525</u>

(1) As restated - See Note 16 "Restatement of Previously Issued Financial Statements" of Notes to Condensed Consolidated Financial Statements.

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

**SHILOH INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Amounts in thousands, except per share data)**  
**(Unaudited)**

	<u>Three Months Ended April</u>		<u>Six Months Ended April 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>As Restated</u>		<u>As Restated</u>	
	<u>(1)</u>		<u>(1)</u>	
Net revenues	\$ 280,175	\$ 208,972	\$ 537,084	\$ 392,511
Cost of sales	252,220	187,971	490,452	353,663
Gross profit	27,955	21,001	46,632	38,848
Selling, general and administrative expenses	16,869	10,663	30,484	21,063
Amortization of intangible assets	677	545	1,309	1,090
Asset recovery	—	(2,906)	—	(4,026)
Operating income	10,409	12,699	14,839	20,721
Interest expense	2,067	927	3,829	1,813
Interest income	(7)	(2)	(14)	(5)
Other (income) expense	(669)	25	(1,064)	44
Income before income taxes	9,018	11,749	12,088	18,869
Provision for income taxes	2,665	3,620	3,292	5,801
Net income	<u>\$ 6,353</u>	<u>\$ 8,129</u>	<u>\$ 8,796</u>	<u>\$ 13,068</u>
Earnings per share:				
Basic earnings per share	<u>\$ 0.37</u>	<u>\$ 0.48</u>	<u>\$ 0.51</u>	<u>\$ 0.77</u>
Basic weighted average number of common shares	<u>17,211</u>	<u>17,081</u>	<u>17,217</u>	<u>17,063</u>
Diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.47</u>	<u>\$ 0.51</u>	<u>\$ 0.76</u>
Diluted weighted average number of common shares	<u>17,236</u>	<u>17,158</u>	<u>17,248</u>	<u>17,148</u>

(1) As restated - See Note 16 "Restatement of Previously Issued Financial Statements" of Notes to Condensed Consolidated Financial Statements.

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

**SHILOH INDUSTRIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Dollar amounts in thousands)**  
**(Unaudited)**

	<u>Three Months Ended April 30,</u>		<u>Six Months Ended April 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>As Restated (1)</u>		<u>As Restated (1)</u>	
Net income	\$ 6,353	\$ 8,129	\$ 8,796	\$ 13,068
Other comprehensive income:				
Defined benefit pension plans & other postretirement benefits				
Recognized gain	297	269	593	538
Actuarial net gain (loss)	5,473	(606)	(683)	(1,145)
Asset net gain (loss)	1,237	717	391	331
Income taxes	(2,651)	(144)	(114)	105
Total defined benefit pension plans & other post retirement benefits, net of tax	4,356	236	187	(171)
Marketable securities				
Unrealized gain (loss) on marketable securities	(43)	104	(294)	104
Income taxes	15	(37)	103	(37)
Total marketable securities, net of tax	(28)	67	(191)	67
Derivatives and hedging				
Unrealized gain (loss) on interest rate swap agreements	622	(903)	(1,798)	(903)
Income taxes	(235)	342	680	342
Change in fair value of derivative instruments, net of tax	387	(561)	(1,118)	(561)
Foreign currency translation adjustments:				
Unrealized loss on foreign currency translation	(158)	—	(7,585)	—
Comprehensive income, net	<u>\$ 10,910</u>	<u>\$ 7,871</u>	<u>\$ 89</u>	<u>\$ 12,403</u>

(1) As restated - See Note 16 "Restatement of Previously Issued Financial Statements" of Notes to Condensed Consolidated Financial Statements.

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

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**SHILOH INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Dollar amounts in thousands)**  
**(Unaudited)**

	<u>Six months ended April 30,</u>	
	<u>2015</u>	<u>2014</u>
	<u>As Restated (1)</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 8,796	\$ 13,068
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,984	12,885
Asset recovery	—	(4,026)
Amortization of deferred financing costs	298	465
Deferred income taxes	684	86
Stock-based compensation expense	542	289
Gain on sale of assets	(17)	(131)
Changes in operating assets and liabilities:		
Accounts receivable	(12,929)	(5,986)
Inventories	158	(10,983)
Prepays and other assets	(2,658)	(3,143)
Payables and other liabilities	(9,074)	8,173
Accrued income taxes	774	210
Net cash provided by operating activities	<u>3,558</u>	<u>10,907</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(21,785)	(11,549)
Investment in marketable securities	—	(1,527)
Acquisitions, net of cash acquired	—	(349)
Proceeds from sale of assets	123	4,163
Net cash used for investing activities	<u>(21,662)</u>	<u>(9,262)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of capital leases	(435)	(56)
Proceeds from long-term borrowings	62,500	8,600
Repayments of long-term borrowings	(44,143)	(10,737)
Payment of deferred financing costs	(1,256)	(16)
Proceeds from exercise of stock options	155	745
Net cash provided by (used for) financing activities	<u>16,821</u>	<u>(1,464)</u>
Effect of foreign currency exchange rate fluctuations on cash	(796)	—
Net increase (decrease) in cash and cash equivalents	<u>(2,079)</u>	181
Cash and cash equivalents at beginning of period	12,014	398
Cash and cash equivalents at end of period	<u>\$ 9,935</u>	<u>\$ 579</u>

Supplemental Cash Flow Information:

Cash paid for interest	\$	3,734	\$	1,522
Cash paid for income taxes	\$	2,176	\$	5,713

Non-cash Investing and Financing Activities:

Equipment acquired under capital lease	\$	—	\$	1,679
Capital equipment included in accounts payable	\$	3,703	\$	2,238

(1) As restated - See Note 16 "Restatement of Previously Issued Financial Statements" of Notes to Condensed Consolidated Financial Statements.

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

**SHILOH INDUSTRIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollar amounts in thousands, except number of shares and per share data)**

**Note 1—Basis of Presentation**

The condensed consolidated financial statements have been prepared by the Company and its subsidiaries, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of such financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2014.

Revenues and operating results for the six months ended April 30, 2015 are not necessarily indicative of the results to be expected for the full year.

**Note 2—New Accounting Standards**

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, "Interest - Imputation of Interest." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in the ASU. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company does not expect ASU 2015-03 will have a material impact on its statement of financial position or financial statement disclosures.

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," which is intended to define a company's responsibility to evaluate whether there is substantial doubt about its ability to continue as a going concern and to provide related footnote disclosures. This ASU will be effective for the Company beginning with the first quarter ending January 31, 2017. The Company will prospectively apply the guidance to applicable transactions.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which clarifies existing accounting literature relating to how and when a company recognizes revenue. Under ASU 2014-09, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The FASB has tentatively proposed a one-year deferral of this effective date. The Company has identified key individuals to evaluate the requirements and review existing customer contracts to determine what impact, if any, the adoption of this ASU will have on its financial position, results of operations and cash flows.

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements and Property, Plant, and Equipment — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which revises what qualifies as a discontinued operation, changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. This ASU will be effective for the Company for applicable transactions occurring after January 31, 2016 for fiscal year ending 2016. The Company will prospectively apply the guidance to applicable transactions.





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**Note 3—Acquisitions**

**Radar Industries, Inc.**

On September 30, 2014, the Company, through a wholly-owned subsidiary, consummated the transactions contemplated by the Asset Purchase Agreement, dated September 30, 2014 (the "Radar Agreement"), with Radar Industries, Inc., and Radar Mexican Investments, LLC which produce engineered metal stampings and machined parts for the motor vehicle industry.

The Company acquired Radar in order to further its investment in stamping technologies and expand the diversity of its customer base, product offering and geographic footprint. Radar's results of operations are reflected in the Company's condensed consolidated statements of income from the acquisition date.

The aggregate fair value of consideration transferred in connection with the Radar Agreement was \$57,874 (\$57,799 net of cash acquired) in cash on the date of acquisition. Of this amount, \$6,500 in cash was placed into escrow, and will serve as security for any indemnification claims made by the Company under the Radar Agreement.

The acquisition of Radar Industries Inc. has been accounted for using the acquisition method in accordance with the FASB ASC Topic 805, *Business Combinations*. Assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The fair values of identifiable intangible assets were based on valuations using the income approach and estimates provided by management. The excess of the purchase price over the estimated fair values of the tangible assets, identifiable intangible assets and assumed liabilities was recorded as goodwill. The allocation of the purchase price is based upon a valuation of certain assets acquired and liabilities assumed. The preliminary purchase price allocation was as follows:

Cash and cash equivalents	\$ 75
Accounts receivable	14,374
Inventory	15,729
Prepaid assets and other	95
Property, plant and equipment	26,612
Goodwill	13,184
Intangible assets	6,090
Accounts payable and other	(18,285)
Net assets acquired	<u>\$ 57,874</u>

The purchase price allocation is provisional, pending completion of the valuation of acquired assets, property, plant and equipment and inventories. The Company is utilizing a third party to assist in the fair value determination of certain components of the purchase price allocation, namely inventory, property, plant and equipment, intangible assets and goodwill. The final valuation may change the allocation of the purchase price, which could affect the fair values assigned to the assets.

The Company believes the amount of goodwill resulting from the purchase price allocation is attributable to the workforce of the acquired business (which is not eligible for separate recognition as an identifiable intangible asset) and the synergies expected after the Company's acquisition of Radar. All of the goodwill was allocated to a wholly owned subsidiary of the Company. The total amount of goodwill expected to be deductible for tax purposes is \$29,569 and is estimated to be deductible over approximately 15 years.

Of the \$6,090 of acquired intangible assets, \$3,710 was assigned to customers that have a useful life of approximately 14 years, and \$2,300 was assigned to developed technologies with an estimated useful life of approximately 10 years and \$80 was assigned to a non-compete agreement with an estimated useful life of 5 years. The Company utilized a third party to assist in assigning a fair value to acquired assets. The total amount of identifiable intangible assets expected to be deductible for tax purposes is \$6,090 and is estimated to be deductible over approximately 15 years.

## **Finnveden Metal Structures**

On June 30, 2014, Shiloh Holdings Sweden AB, a wholly-owned subsidiary of the Company, entered into and consummated the transactions contemplated by the Share Sale and Purchase Agreement dated May 21, 2014 with FinnvedenBultenAB and Finnveden AB ("Finnveden"), a wholly-owned subsidiary of FinnvedenBulten AB, a producer of aluminum and steel stampings and magnesium die cast and machined parts for the motor vehicle industry.

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The Company acquired Finnveden in order to expand its stamping capabilities while adding magnesium die casting to its product line, a key growth segment, and technology being used to address the lightweighting needs of automakers. Additionally, the Finnveden acquisition adds strategic European locations in Poland and Sweden while diversifying its customer base. Finnveden's results of operations are reflected in the Company's condensed consolidated statements of income from the acquisition date.

The aggregate fair value of consideration transferred in connection with the FMS Agreement was \$72,618, (\$66,396 net of cash acquired), in cash on the date of acquisition.

The acquisition of Finnveden has been accounted for using the acquisition method in accordance with FASB ASC Topic 805, *Business Combinations*. Assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The fair values of identifiable intangible assets were based on valuations using the income approach and estimates provided by management. The excess of the purchase price over the estimated fair values of the tangible assets, identifiable intangible assets and assumed liabilities were recorded as goodwill. The allocation of the purchase price is based upon a valuation of certain assets acquired and liabilities assumed. The preliminary purchase price allocation was as follows:

Cash and cash equivalents	\$ 6,222
Accounts receivable	29,744
Inventory	26,858
Prepaid expenses	3,681
Property, plant and equipment	35,408
Goodwill	7,804
Intangible assets	1,136
Other non-current assets	3,830
Accounts payable and other	(36,416)
Long term liabilities	(5,649)
Net assets acquired	<u>\$ 72,618</u>

The purchase price allocation is provisional, pending completion of the valuation of acquired intangible assets, property, plant and equipment, and inventories. The Company is utilizing a third party to assist in the fair value determination of certain components of the purchase price allocation, namely inventory, property, plant and equipment and intangible assets. The final valuation may change the allocation of the purchase price, which could affect the fair values assigned to the assets.

The Company believes the amount of goodwill resulting from the purchase price allocation is attributable to the workforce of the acquired business (which is not eligible for separate recognition as an identifiable intangible asset) and the expected synergies after the Company's acquisition of Finnveden. All of the goodwill was allocated to a wholly owned subsidiary of the Company. The Company does not expect that the amount of goodwill will be deductible for tax purposes under current Polish or Swedish tax law.

The \$1,136 of acquired intangible assets was assigned to customers that have a useful life of approximately 10 years. The fair value assigned to identifiable intangible assets acquired have been determined primarily by using the income approach, which discounts expected future cash flows to present value using estimates and assumptions determined by management. The Company is utilizing a third party to assist in assigning a fair value to acquired intangible assets. The Company does not expect that the total amount of identifiable intangible assets will be deductible for tax purposes under current Polish or Swedish tax law.

### **Pro Forma Consolidated Results**

The following supplemental pro forma information presents the actual financial results for the three and six months ended April 30, 2015, and pro forma financial results for the three and six months ended April 30, 2014 as if the acquisitions of Radar and Finnveden had occurred on November 1, 2013. The pro forma results do not include any anticipated cost

synergies, costs or other effects of the integration of Radar Industries, Inc. and Finnveden. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisitions been completed on the dates indicated, nor are they indicative of the future operating results of the combined Company. In addition, the pro forma information includes amortization expense related to the intangible assets acquired of \$247 and \$388 for the three and six months ended April 30, 2015, respectively.

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**Pro forma consolidated results**

**(in thousands, except for per share data):**

	Three months ended April 30,		Six months ended April 30,	
	2015	2014	2015	2014
	As Restated		As Restated	
Revenue	\$ 280,175	\$ 303,448	\$ 537,084	\$ 578,924
Net income	\$ 6,353	\$ 11,258	\$ 8,796	\$ 17,448
Basic earnings per share	\$ 0.37	\$ 0.66	\$ 0.51	\$ 1.02
Diluted earnings per share	\$ 0.37	\$ 0.66	\$ 0.51	\$ 1.02

The above pro forma consolidated results include the impact of foreign currency translation. For the three and six months ended April 30, 2015, the average currency rate of the USD to the Swedish krona was 8.519 and 8.097, respectively. For the three and six month ended April 30, 2014, the average currency rate of the USD to the Swedish krona was 6.488 and 6.512, respectively.

**Note 4—Asset Recoveries**

Asset recoveries of \$4,026 were recorded during first six months 2014 of which \$2,906 were recorded during the second quarter for cash received upon sales of assets from the Company's former Mansfield Blanking facility, which were impaired in fiscal 2010.

**Note 5—Related Party Receivables**

The Company had related party receivable balances for the period ended April 30, 2015 and October 31, 2014 of \$2,667 and \$533, respectively, due from MTD Products Inc. and its affiliates.

On March 11, 2014, the Company entered into a manufacturing agreement with Velocys, plc (LSE:VLS). As part of the agreement, the Company invested \$2,000, which is comprised of Velocys stock with a market value of \$1,527 on the date of acquisition and a premium paid of \$473, which is being amortized over the remaining life of the related supplier agreement. The Company re-measures available-for-sale securities at fair value and records the unrealized gain or loss in other comprehensive income until realized. A cumulative market-to-market unfavorable adjustment of \$28 and \$191, net of tax, was recorded as a loss to other comprehensive income for the three and six months ended April 30, 2015, respectively.

**Note 6—Inventories**

Inventories consist of the following:

	April 30, 2015	October 31, 2014
	As Restated	
Raw materials	\$ 34,601	\$ 36,417
Work-in-process	14,330	12,044
Finished goods	13,206	13,382
Total material	62,137	61,843
Tooling	28,070	29,460
Total inventory	\$ 90,207	\$ 91,303

Total cost of inventory is net of reserves to reduce certain inventory from cost to net realizable value by an allowance for excess and obsolete inventories based on management's review of on-hand inventories compared to historical and estimated future sales and usage. Such reserves aggregated \$3,519 and \$5,928 at April 30, 2015 and October 31, 2014, respectively.



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**Note 7—Property, Plant and Equipment**

Property, plant and equipment consist of the following:

	<u>April 30, 2015</u>	<u>October 31, 2014</u>
	<u>As Restated</u>	
Land and improvements	\$ 11,489	\$ 11,452
Buildings and improvements	118,049	117,776
Machinery and equipment	465,579	455,482
Furniture and fixtures	12,040	11,161
Construction in progress	63,011	52,345
Total, at cost	<u>670,168</u>	<u>648,216</u>
Less: Accumulated depreciation	<u>387,881</u>	<u>373,388</u>
Property, plant and equipment, net	<u>\$ 282,287</u>	<u>\$ 274,828</u>

Depreciation expense was \$15,675 and \$11,795 for the six months ended April 30, 2015 and April 30, 2014, respectively.

**Capital Leases:**

	<u>April 30, 2015</u>	<u>October 31, 2014</u>
Leased Property:		
Machinery and equipment	\$ 7,095	\$ 7,639
Less: Accumulated depreciation	752	367
Leased property, net	<u>\$ 6,343</u>	<u>\$ 7,272</u>

The decrease in machinery and equipment of \$544 is due to the foreign currency translation at April 30, 2015 at one of the Company's European manufacturing facilities.

Total obligations under capital leases and future minimum rental payments to be made under capital leases at April 30, 2015 are as follows:

**Twelve Months Ending April 30,**

2016	\$ 828
2017	861
2018	895
2019	865
2020	484
Thereafter	<u>2,064</u>
	5,997
Plus amount representing interest ranging from 3.05% to 3.77%	<u>692</u>

Future minimum rental payments

\$ 6,689



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**Note 8—Goodwill and Intangible Assets**

**Goodwill:**

The changes in the carrying amount of goodwill for the six months ended April 30, 2015 are as follows:

Balance October 31, 2014	\$ 30,887
Acquisitions and purchase accounting adjustments	(475)
Foreign currency translation and other	(1,270)
Balance April 30, 2015	<u>\$ 29,142</u>

**Intangible Assets**

The changes in the carrying amount of finite intangible assets for the six months ended April 30, 2015 are as follows :

	Customer Relationships	Developed Technology	Non-Compete	Trade Name	Trademark	Total
Balance October 31, 2014	\$ 15,856	\$ 4,311	\$ 62	\$ 1,624	\$ 145	\$ 21,998
Preliminary acquisition adjustments	390	—	80	—	—	470
Amortization expense	(776)	(391)	(72)	(62)	(8)	(1,309)
Foreign currency translation and other	(103)	—	—	—	—	(103)
Balance April 30, 2015	<u>\$ 15,367</u>	<u>\$ 3,920</u>	<u>\$ 70</u>	<u>\$ 1,562</u>	<u>\$ 137</u>	<u>\$ 21,056</u>

Intangible assets are amortized on the straight-line method over their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major class of intangible assets:

	Gross Carrying Value	Accumulated Amortization	Foreign Currency Adjustment	Net
Customer relationships	\$ 18,308	\$ (2,730)	\$ (211)	\$ 15,367
Developed technology	5,007	(1,087)	—	3,920
Non-competes	824	(754)	—	70
Trade Name	1,875	(313)	—	1,562
Trademark	166	(29)	—	137
	<u>\$ 26,180</u>	<u>\$ (4,913)</u>	<u>\$ (211)</u>	<u>\$ 21,056</u>

Total amortization expense was \$677 and \$1,309 for the three and six months ended April 30, 2015, respectively and \$545 and \$1,090 for the three and six months ended April 30, 2014, respectively. Amortization expense related to intangible assets for the fiscal years ending is estimated to be as follows:

**Twelve Months Ending April 30,**

2016	\$ 2,320
2017	2,320
2018	2,252
2019	1,980

2020  
Thereafter

	1,769
	<u>10,415</u>
\$	<u><u>21,056</u></u>

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### Note 9—Financing Arrangements

Debt consists of the following:

	<u>April 30, 2015</u>	<u>October 31, 2014</u>
Credit Agreement —interest rate of 2.91% for the period ended April 30, 2015 and 2.15% for the period ended October 31, 2014	\$ 279,100	\$ 260,500
Equipment security note	1,741	1,985
Capital lease obligations	5,997	6,967
Insurance broker financing agreement	—	568
Total debt	<u>286,838</u>	<u>270,020</u>
Less: Current debt	1,323	1,918
Total long-term debt	<u>\$ 285,515</u>	<u>\$ 268,102</u>

The weighted average interest rate of all debt was 2.43% and 1.93% for the six months ended April 30, 2015 and April 30, 2014, respectively.

The Company and its subsidiaries are party to a Credit Agreement, dated October 25, 2013, as amended (the "Credit Agreement") with Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, JPMorgan Chase Bank, N.A. as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities, LLC as Joint Lead Arrangers and Joint Book Managers, The PrivateBank and Trust Company, Compass Bank and Citizens Bank, N.A., as Co-Documentation Agents, and the other lender parties thereto.

On April 29, 2015, the Company executed a Fourth Amendment to the Credit Amendment that maintains the commitment period to September 29, 2019 and allows for an incremental increase of \$25,000 (or if certain ratios are met, \$100,000) in the existing revolving commitments of \$360,000, subject to the Company's pro forma compliance with financial covenants, the administrative agent's approval and the Company obtaining commitments for such increase.

Borrowings under the Credit Agreement bear interest, at the Company's option, at LIBOR or the base (or "prime") rate established from time to time by the administrative agent, in each case plus an applicable margin. The Fourth Amendment provides for an interest rate margin on LIBOR loans of 1.25% to 3.00% and of 0.25% to 2.00% on base rate loans depending on the Company's leverage ratio.

The Credit Agreement contains customary restrictive and financial covenants, including covenants regarding the Company's outstanding indebtedness and maximum leverage and interest coverage ratios. The Credit Agreement also contains standard provisions relating to conditions of borrowing. In addition, the Credit Agreement contains customary events of default, including the non-payment of obligations by the Company and the bankruptcy of the Company. If an event of default occurs, all amounts outstanding under the Credit Agreement may be accelerated and become immediately due and payable. The Company was in compliance with the financial covenants as of April 30, 2015, and October 31, 2014.

After considering letters of credit of \$2,980 that the Company has issued, available funds under the Credit Agreement were \$77,920 at April 30, 2015.

Borrowings under the Credit Agreement are collateralized by a first priority security interest in substantially all of the tangible and intangible property of the Company and its domestic subsidiaries and 65% of the stock of foreign subsidiaries.

#### Other Debt:

In July 2014, the Company entered into a finance agreement with an insurance broker for various insurance policies that bears interest at a fixed rate of 1.87% and requires monthly payments of \$95 through April 2015. As of April 30, 2015, \$0 remained outstanding under this agreement.

On September 2, 2013, the Company entered into an equipment security note that bears interest at a fixed rate of 2.47% and requires monthly payments of \$44 through September 2018. As of April 30, 2015, \$1,741 remained outstanding under this agreement and \$495 was classified as current debt and \$1,246 was classified as long term debt in the Company's condensed consolidated balance sheets.

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The Company maintains capital leases for equipment used in its manufacturing facilities with lease terms expiring between 2018 and 2020. As of April 30, 2015, the present value of minimum lease payments under its capital leases amounted to \$5,997.

Derivatives:

On February 25, 2014, the Company entered into an interest rate swap with an aggregate notional amount of \$75,000 designated as a cash flow hedge of a portion of the Company's Credit Agreement to manage interest rate exposure on the Company's floating rate LIBOR based debt. The interest rate swap is an agreement to exchange payment streams based on the notional principal amount. This agreement fixes the Company's future interest payments at 2.74% plus the applicable rate (defined above), on an amount of the Company's debt principal equal to the then-outstanding swap notional amount. The forward interest rate swap commenced on March 1, 2015 with an initial \$25,000 base notional amount with \$25,000 increases to the base notional amount on September 1, 2015 and March 1, 2016, respectively. The base notional amount plus each incremental addition to the base notional amount have a five year maturity of February 29, 2020, August 31, 2020 and February 28, 2021, respectively. On the date the interest swap was entered into, the Company designated the interest rate swap as a hedge of the variability of cash flows to be paid relative to its variable rate monies borrowed. Any ineffectiveness in the hedging relationship is recognized immediately into earnings. The Company determined the mark-to-market adjustment for the interest rate swap to be a gain of \$387 and a loss of \$1,118, net of tax, for the three and six months ended April 30, 2015, respectively, which is reflected in other comprehensive income. The first base notional amount of \$25,000 commenced on March 1, 2015 and \$55 of cash flow hedge settlements was realized as interest expense.

Scheduled repayments of debt for the next five years are listed below:

Twelve Months Ending April 30,	Credit Agreement	Equipment Security Note	Capital Lease Obligations	Total
2016	\$ —	\$ 495	\$ 828	\$ 1,323
2017	—	507	861	1,368
2018	—	519	895	1,414
2019	—	220	865	1,085
2020	279,100	—	484	279,584
Thereafter	—	—	2,064	2,064
Total	\$ 279,100	\$ 1,741	\$ 5,997	\$ 286,838

**Note 10—Pension and Other Post-Retirement Benefit Matters**

**U.S. Plans**

The components of net periodic benefit cost for the three and six months ended April 30, 2015 and 2014 are as follows:

	Pension Benefits		Other Post-Retirement Benefits	
	Three Months Ended April 30,		Three Months Ended April 30,	
	2015	2014	2015	2014
Interest cost	\$ 866	\$ 937	\$ 6	\$ 9
Expected return on plan assets	(1,174)	(1,070)	—	—
Recognized net actuarial loss	297	269	7	10
Net periodic (benefit) cost	\$ (11)	\$ 136	\$ 13	\$ 19



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	Pension Benefits		Other Post-Retirement Benefits	
	Six months ended April 30,		Six months ended April 30,	
	2015	2014	2015	2014
Interest cost	\$ 1,733	\$ 1,874	\$ 12	\$ 19
Expected return on plan assets	(2,349)	(2,140)	—	—
Recognized net actuarial loss	593	538	14	21
Net periodic (benefit) cost	\$ (23)	\$ 272	\$ 26	\$ 40

The Company made contributions of \$1,870 and \$1,872 to the defined benefit pension plans during the six months ended April 30, 2015 and 2014. The Company expects contributions to be \$2,600 for the remainder of fiscal 2015.

### Non-U.S. Plans

For the Company's Swedish operations, the majority of the pension obligations are covered by insurance policies with insurance companies. For the Company's Polish operations, the Pension obligations for the fiscal year ended 2015 are expected to be \$691 based on actuarial reports. The Polish operations recognized \$30 and \$60 of expense for the three and six months ended April 30, 2015, respectively.

### Note 11—Stock Options and Incentive Compensation (amounts in thousands except number of shares and per share data)

For the Company, FASB ASC Topic 718 “Compensation – Stock Compensation” affects the stock options that have been granted and requires the Company to expense share-based payment (“SBP”) awards with compensation cost for SBP transactions measured at fair value. The Company has elected to use the simplified method of calculating the expected term of the stock options and historical volatility to compute fair value under the Black-Scholes option-pricing model. The risk-free rate for periods within the contractual life of the option is based on the U.S. zero coupon Treasury yield in effect at the time of grant. Forfeitures have been estimated based upon the Company’s historical experience.

#### *1993 Key Employee Stock Incentive Plan*

The Company maintains the Amended and Restated 1993 Key Employee Stock Incentive Program (the "Incentive Plan"), which authorizes grants to officers and other key employees, including directors, of the Company and its subsidiaries of (i) stock options that are intended to qualify as incentive stock options, (ii) nonqualified stock options and (iii) restricted stock awards. An aggregate of 2,700,000 shares of Common Stock, subject to adjustment upon occurrence of certain events to prevent dilution or expansion of the rights of participants that might otherwise result from the occurrence of such events, was reserved for issuance pursuant to the Incentive Plan. An individual’s award of stock options is limited to 500,000 shares in a five-year period.

Non-qualified stock options, incentive stock options and restricted stock awards have been granted to date and all options have been granted at the market price at the date of grant. Options expire over a period not to exceed ten years from the date of grant and vest ratably over a three year period. The vesting period of the restricted stock awards range between three months and four years. Incentive stock options were not granted in fiscal 2014 or during first six months of fiscal 2015. During fiscal 2014, 89,500 shares of restricted stock were granted to several employees as incentives for future performance. The market value of the Company's stock on the date of awards ranged between \$14.97 and \$20.64. During the first six months of fiscal 2015, 22,504 shares of restricted stock with a three month vesting were issued to the members of the Company's Board of Directors as part of their director compensation. The market value of the Company's stock on the date of the award was \$14.22. At April 30, 2015, 85,132 shares of restricted stock were outstanding. During the fiscal quarter ended April 30, 2015, 10,000 shares of restricted stock vested and 3,750 shares were forfeited. During the first six months of fiscal 2015, 45,876 shares of restricted stock vested and 7,000 shares were forfeited.





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Activity in the Company's incentive plan for the six months ended April 30, 2015 and 2014 was as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at November 1, 2013	236,134	\$9.93		
Options:				
Granted	—	\$0.00		
Exercised	(86,468)	\$9.92		
Canceled	(12,333)	\$7.19		
Outstanding at April 30, 2014	137,333	\$9.73	5.76	\$976
Options exercisable at April 30, 2014	127,666	\$9.86	5.61	\$890
Options outstanding at November 1, 2014	123,333	\$9.69		
Options:				
Granted	—	\$0.00		
Exercised	(18,650)	\$8.30		
Canceled	(11,350)	\$11.58		
Outstanding at April 30, 2015	93,333	\$9.74	4.51	\$244
Options exercisable at April 30, 2015	93,333	\$9.74	4.51	\$244

At both April 30, 2015 and April 30, 2014, the exercise price of some of the Company's stock option grants was higher than the market value of the Company's stock. The stock option grants whose exercise price is higher than the market value of the Company's stock are excluded from the computation of aggregate intrinsic value of the Company's outstanding and exercisable stock options.

All compensation related to stock options was recognized in the first quarter of fiscal year 2015 as all stock options are fully vested. For the six months ended April 30, 2015, compensation expense related to stock options effectively reduced income before taxes by \$15. For the three and six months ended April 30, 2014, the Company recorded compensation expense related to stock options currently vesting, effectively reducing income before taxes by \$22 and \$106. For both the three and six months ended April 30, 2015 and April 30, 2014, there was no impact on earnings per share basic and diluted related to the stock option compensation expense because all compensation expense has been recognized. For the six months ended April 30, 2015 and 2014, the total compensation cost related to the restricted stock currently vested was \$527 and \$183, respectively. The total estimated compensation cost related to the non-vested restricted stock is \$1,313, which will be expensed through June of 2018.

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**Earnings per Share**

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of Common Stock outstanding during the period. In addition, the shares of Common Stock issuable pursuant to stock options outstanding under the Amended and Restated 1993 Key Employee Stock Incentive Program are included in the diluted earnings per share calculation to the extent they are dilutive. For the six months ended April 30, 2015 and 2014, approximately 85,000 and 129,000 stock awards, respectively, were excluded from the computation of diluted earnings per share because they were anti-dilutive. The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per share computation for net income per share:

(Shares in thousands)	Three Months Ended April 30,		Six Months Ended April 30,	
	2015	2014	2015	2014
	(As Restated)		(As Restated)	
Net income available to common stockholders	\$ 6,353	\$ 8,129	\$ 8,796	\$ 13,068
Basic weighted average shares	17,211	17,081	17,217	17,063
Effect of dilutive securities:				
Stock options	25	77	31	85
Diluted weighted average shares	17,236	17,158	17,248	17,148
Basic income per share	\$ 0.37	\$ 0.48	\$ 0.51	\$ 0.77
Diluted income per share	\$ 0.37	\$ 0.47	\$ 0.51	\$ 0.76

**Note 12—Fair Value of Financial Instruments**

The methods used by the Company may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets and liabilities remeasured and disclosed at fair value on a recurring basis at April 30, 2015 and October 31, 2014 are set forth in the table below:

	Asset (Liability)	Level 2	Valuation Technique
October 31, 2014:			
Interest Rate Swap Contracts	\$ (2,510)	\$ (2,510)	Income Approach
April 30, 2015:			
Interest Rate Swap Contracts	\$ (4,308)	\$ (4,308)	Income Approach

The Company calculates the fair value of its interest rate swap contracts, using quoted interest rate curves, to calculate forward values, and then discounts the forward values.

The discount rates for all derivative contracts are based on quoted swap interest rates or bank deposit rates. For contracts which, when aggregated by counterparty, are in a liability position, the rates are adjusted by the credit spread that market participants would apply if buying these contracts from the Company's counterparties.

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**Note 13—Accumulated Other Comprehensive Gain (Loss)**

Changes in accumulated other comprehensive gain (loss) in stockholders' equity by component for the six months ended April 30, 2015 and 2014 are as follows:

	Pension and Post Retirement Plan Liability	Marketable Securities Adjustment	Interest Rate Swap Adjustment	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
Balance at October 31, 2014	\$ (27,371)	\$ 100	\$ (1,558)	\$ (8,052)	\$ (36,881)
Other comprehensive gain (loss)	187	(191)	(1,118)	(7,585)	(8,707)
Balance at April 30, 2015	<u>\$ (27,184)</u>	<u>\$ (91)</u>	<u>\$ (2,676)</u>	<u>\$ (15,637)</u>	<u>\$ (45,588)</u>

  

	Pension and Post Retirement Plan Liability	Marketable Securities Adjustment	Interest Rate Swap Adjustment	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
Balance at October 31, 2013	\$ (26,082)	\$ —	\$ —	\$ —	\$ (26,082)
Other comprehensive gain (loss)	(171)	67	(561)	—	(665)
Balance at April 30, 2014	<u>\$ (26,253)</u>	<u>\$ 67</u>	<u>\$ (561)</u>	<u>\$ —</u>	<u>\$ (26,747)</u>

Items reclassified out of accumulated other comprehensive income are as follows:

	For the six months ended April 30,		Affected line item in the Condensed Consolidated Statement of Income
	2015	2014	
Pension and Post-Retirement Plan Benefits			
Interest costs	\$ 1,733	\$ 1,874	Selling, general and administrative expenses ("SG&A") (1)
Return on plan assets	(2,349)	(2,141)	SG&A (1)
Net actuarial loss	593	537	SG&A (1)
	(23)	270	Total before taxes
	9	103	Income tax benefit
Total reclassifications	<u>\$ (14)</u>	<u>\$ 373</u>	Net of taxes

(1) These accumulated other comprehensive income components are included in the computation of net periodic benefit cost. See Note 10- Employee Benefit Plans for further information.

**Note 14—Business Segment Information**

The Company conducts its business and reports its information as one operating segment—Automotive and Commercial Vehicles. The CODM of the Company has been identified as the Executive Leadership Team (ELT), which includes all Vice President's plus the CEO as this team has the final authority over performance assessment and resource allocation decisions. In determining that one operating segment is appropriate, the Company considered the nature of the business activities, the existence of managers responsible for the operating activities and information presented to the Board of Directors for its consideration and advice. Furthermore, the Company is a leading global supplier of lightweighting and noise, vibration and harshness (NVH) solutions to the automotive, commercial vehicle and industrial markets. The Company offers one of the broadest portfolios of lightweighting solutions to the automotive, commercial vehicle and industrial markets, capable of delivering solutions in aluminum, magnesium, steel and steel alloys.



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Revenues of foreign geographic regions are attributed to external customers based upon the location of the entity recording the sale. These foreign revenues represent 16.7% and 16.4% for the three and six months ended April 30, 2015, respectively and 5.5% and 5.8% of total revenues for three and six months ended April 30, 2014, respectively. Long-lived assets consist primarily of net property, plant and equipment, goodwill and intangibles.

	Three Months Ended April 30,				Six Months Ended April 30,			
	Revenues		Foreign Currency (Gain) Loss		Revenues		Foreign Currency (Gain)	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Geographic Region:</b>	<b>As Restated</b>				<b>As Restated</b>			
Europe	\$ 35,509	\$ —	\$ (560)	\$ —	\$ 66,763	\$ —	\$ (828)	\$ —
Mexico	\$ 11,227	\$ 11,514	\$ 9	\$ (24)	\$ 21,370	\$ 22,807	\$ (47)	\$ (59)
United States	\$ 233,439	\$ 197,458			\$ 448,951	\$ 369,704		
Total Company	\$ 280,175	\$ 208,972			\$ 537,084	\$ 392,511		

	Long-Lived Assets	
	April 30, 2015	October 31, 2014
	As Restated	
Europe	\$ 41,797	\$ 75,546
Mexico	\$ 23,408	\$ 24,611
United States	\$ 275,304	\$ 235,606
Total Company	\$ 340,509	\$ 335,763

The foreign currency gain or loss is included as a component of other income in the condensed consolidated statements of income.

**Note 15—Commitments and Contingencies**

The Company is from time to time involved in legal proceedings, claims or investigations. In the opinion of management, the Company's liability or recovery, if any, under pending litigation and claims would not materially affect its financial condition, results of operations or cash flow.

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**Note 16—Restatement of Previously Issued Financial Statements**

As disclosed in the Company's Current Report on Form 8-K, filed on September 14, 2015, the Company, after an investigation by the Audit Committee, with the assistance of management and independent third-party advisors, concluded that previously issued consolidated financial statements should not be relied upon due to errors related to the understatement of consolidated cost of sales of approximately \$1,100 for the fiscal quarter ended April 30, 2015. The Audit Committee's decision to restate the condensed consolidated financial statements was based upon the results of an investigation of accounting for inventoried costs at the Company's Wellington facility. The Company has restated its condensed consolidated financial statements for the three and six months ended April 30, 2015 and such statements are included in this Amended Filing.

During the Company's investigation, other correcting entries specific to the Wellington facility were identified and corrected, including certain amounts such as prepaid accounts that should have been expensed during the periods. The adjustments for the six month period ended April 30, 2015 included certain immaterial amounts from fiscal 2014 totaling \$982 pre-tax primarily related to inventoried costs. Further, the tax impact of all adjustments has been recorded.

**Impact of Corrections on Previously Issued Condensed Consolidated Financial Statements**

The following table presents the effect of the restatement adjustments on the condensed consolidated balance sheet for the period ended April 30, 2015:

	April 30, 2015		
	As Reported	Adjustments	As Restated
Accounts receivable	\$ 180,910	\$ (63)	\$ 180,847
Prepaid income taxes	590	757	1,347
Inventories, net	92,582	(2,375)	90,207
Prepaid expenses	15,320	(203)	15,117
Total current assets	305,956	(1,884)	304,072
Property, plant and equipment, net	282,329	(42)	282,287
Total assets	646,507	(1,926)	644,581
Accounts payable	150,951	86	151,037
Accrued income taxes	271	(271)	—
Other accrued expenses	34,910	331	35,241
Total current liabilities	187,455	146	187,601
Total liabilities	499,013	146	499,159
Retained earnings	124,061	(2,072)	121,989
Total stockholders' equity	147,494	(2,072)	145,422
Total liabilities and stockholders' equity	646,507	(1,926)	644,581

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The following table summarizes the effects of the restatement on the condensed consolidated financial statements of operations for the three months ended April 30, 2015:

	<b>Three Months Ended April 30, 2015</b>		
	<b>As Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Net revenues	\$ 280,378	\$ (203)	\$ 280,175
Cost of sales	251,127	1,093	252,220
Gross profit	29,251	(1,296)	27,955
Operating income	11,705	(1,296)	10,409
Other income, net	(634)	(35)	(669)
Income before income taxes	10,279	(1,261)	9,018
Provision for income taxes	3,084	(419)	2,665
Net income	7,195	(842)	6,353
Earnings per share:			
Basic earnings per share	\$0.42	\$(0.05)	\$0.37
Diluted earnings per share	\$0.42	\$(0.05)	\$0.37

	<b>Six Months Ended April 30, 2015</b>		
	<b>As Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Net revenues	\$ 537,455	\$ (371)	\$ 537,084
Cost of sales	487,656	2,796	490,452
Gross profit	49,799	(3,167)	46,632
Selling, general & administrative expenses	30,493	(9)	30,484
Operating income	17,997	(3,158)	14,839
Other income, net	(1,007)	(57)	(1,064)
Income before income taxes	15,189	(3,101)	12,088
Provision for income taxes	4,321	(1,029)	3,292
Net income	10,868	(2,072)	8,796
Earnings per share:			
Basic earnings per share	\$0.63	\$(0.12)	\$0.51
Diluted earnings per share	\$0.63	\$(0.12)	\$0.51

The following table presents the effect of the restatement adjustments on the condensed consolidated statements of comprehensive income (loss) for the three months and six months ended April 30, 2015.

	<b>Three Months Ended April 30, 2015</b>		
	<b>As Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Net income	\$ 7,195	\$ (842)	\$ 6,353
Comprehensive income (loss)	11,752	(842)	10,910

**Six Months Ended April 30, 2015**

	<u>As Reported</u>		<u>Adjustments</u>		<u>As Restated</u>
Net income	\$ 10,868	\$	(2,072)	\$	8,796
Comprehensive income (loss)	2,161		(2,072)		89



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The following table presents the effect of the restatement adjustments on the condensed consolidated statements of cash flows for the six months ended April 30, 2015.

	<b>Six Months Ended April 30, 2015</b>		
	<b>As Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 10,868	\$ (2,072)	\$ 8,796
Accounts receivable	(12,992)	63	(12,929)
Inventories	(2,217)	2,375	158
Prepays and other assets	(2,861)	203	(2,658)
Payables and other liabilities	(9,491)	417	(9,074)
Accrued income taxes	1,802	(1,028)	774
Net cash provided by operating activities	3,600	(42)	3,558
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(21,827)	42	(21,785)
Net cash used in investing activities	(21,704)	42	(21,662)

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
(Dollars in thousands, except per share data)

**Restatement**

As described in "Note 16-Restatement of Previously Issued Financial Statements" to the Company's condensed consolidated financial statements included in Part 1, Item 1 "Condensed Consolidated Financial Statements (Unaudited)," and Part 1, Item 4 "Controls and Procedures," the Company has restated certain interim financial statements and other information, including this management's discussion and analysis of financial condition and results of operations.

**General**

The Company is a leading global supplier of lightweighting and noise, vibration and harshness (NVH) solutions to the automotive, commercial vehicle and other industrial markets. The Company offers one of the broadest portfolios of lightweighting solutions in the automotive, commercial vehicle and industrial industries, capable of delivering solutions in aluminum, magnesium, steel and steel alloys. Shiloh delivers these solutions through design, engineering and manufacturing of first operation blanks, engineered welded blanks, complex stampings, modular assemblies and highly engineered aluminum and magnesium die casting and machined components which serve the automotive, commercial vehicle and other industrial sectors of original equipment manufacturers ("OEMs") and, as a Tier II supplier, to Tier I automotive part manufacturers who in turn supply OEMs. Additionally, the Company provides a variety of intermediate steel processing services, such as oiling, leveling, cutting-to-length, multi-blanking, slitting, edge trimming of hot and cold-rolled steel coils and inventory control services for automotive and steel industry customers. The Company has locations in Asia, Europe and North America.

The products that the Company produces supply many models of vehicles manufactured by nearly all OEMs that produce vehicles in Europe and North America. The Company's year to date revenues were dependent upon the production of automobiles and light trucks in both Europe and North America. According to industry statistics (published by IHS Automotive), Europe and North America production volumes for the three and six months ended April 30, 2015 and 2014 were as follows:

**Production Volumes**

	<u>Europe</u>	<u>North America</u>
	<u>(Number of Vehicles in Thousands)</u>	
For the three months ended April 30, 2014	5,492	4,329
For the three months ended April 30, 2015	5,649	4,426
Increase	157	97
Percentage change	2.9%	2.2%

**Production Volumes**

	<u>Europe</u>	<u>North America</u>
	<u>(Number of Vehicles in Thousands)</u>	
For the six months ended April 30, 2014	10,246	8,064
For the six months ended April 30, 2015	10,428	8,386
Increase	182	322
Percentage change	1.8%	4.0%

The Company operates in an extremely competitive industry, driven by global vehicle production volumes. Business is typically awarded to the supplier offering the most favorable combination of cost, quality, technology and service. Customers continue to demand periodic cost reductions that require the Company to assess, redefine and improve operations, products, and manufacturing capabilities to maintain and improve profitability. Management continues to develop and execute initiatives designed to meet challenges of the industry and to achieve its strategy for sustainable global profitable growth.

Capacity utilization levels are very important to profitability because of the capital-intensive nature of the Company's operations. The Company strives to adapt its capacity to meet customer demand, both expanding capabilities in growth areas as well as reallocating capacity between manufacturing facilities as needs arise. The Company deploys new technologies to

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differentiate its products from its competitors and to achieve higher quality and productivity. The Company believes that it has sufficient capacity to meet its current and expected manufacturing needs.

The significant majority of the steel purchased for the Company's stamping and engineered welded blank products is purchased through the customers' steel buying programs. Under these programs, the customer negotiates the price for steel with the steel suppliers. The Company pays for the steel based on these negotiated prices and passes on those costs to the customer. Although the Company takes ownership of the steel, the customers are responsible for all steel price fluctuations under these programs. The Company also purchases steel directly from local primary steel producers and steel service centers. Steel pricing has been declining over the most recent quarters based on open capacity with the steel producers with nominal increases in demand. The Company blanks and processes steel for some of its customers on a toll processing basis. Under these arrangements, the Company charges a tolling fee for the operations that it performs without acquiring ownership of the steel and being burdened with the attendant costs of ownership and risk of loss. Revenues from operations involving directly owned steel include a component of raw material cost whereas toll processing revenues do not.

For the Company's aluminum and magnesium die casting operations, the cost of aluminum and magnesium is handled one of two ways. The primary method used by the Company is to secure quarterly aluminum and magnesium purchase commitments based on customer releases and then pass the quarterly price changes to those customers utilizing published metal indices. The second method used by the Company is to adjust prices monthly based on a referenced metal index plus additional material cost spreads agreed to by the Company and its customers.

### **Recent Trends and General Economic Conditions Affecting the Automotive Industry**

The Company's business and operating results are directly affected by the relative strength of the North American and European automotive industries, which are driven by macro-economic factors such as gross domestic product growth, consumer income and confidence levels, fluctuating commodity, currency and gasoline prices, automobile discount and incentive offers and perceptions about global economic stability. The automotive industry remains susceptible to these factors that impact consumer spending habits and could adversely impact consumer demand for vehicles.

The production of cars and light trucks for the first six months 2015 in North America according to industry results (published by IHS Automotive in February 2015) was approximately 8,386,000 units, which reflects an improvement of 4.0% over the first six months 2014's vehicle production of approximately 8,064,000 units. The improved vehicle production reflects an improvement in economic conditions and consumer demand in North America. The Company continues to closely monitor customer release volumes even though the overall economic environment in North America reflects improvement and there is evidence that the North American economy is strengthening. Changes in the North American government fiscal policy could impact levels of unemployment and consumer confidence, which could adversely impact consumer demand for vehicles.

The production of cars and light trucks for the first six months 2015 in Europe according to industry results (published by IHS Automotive in February 2015) was approximately 10,428,000 units, which reflects an increase of 1.8% over the first six months 2014's vehicle production of approximately 10,246,000 units. The outlook in Europe is much weaker as the region is still emerging from a six-year sales slump. Sales in Russia are still suffering because it is still in a deep recession, dealing with a volatile currency and engaging with a boarder conflict with the Ukraine. The Company is cautiously optimistic that consumer demand levels will remain steady and will continue to monitor the geopolitical concerns that could impact this region.

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### **Critical Accounting Policies**

Preparation of the Company's condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The Company believes its estimates and assumptions are reasonable; however, actual results and the timing of the recognition of such amounts could differ from those estimates. The Company has identified the following items as critical accounting policies and estimates utilized by management in the preparation of the Company's financial statements. These estimates were selected because of inherent imprecision that may result from applying judgment to the estimation process. The expenses and accrued liabilities or allowances related to these policies are initially based on the Company's best estimates at the time they are recorded. Adjustments are charged or credited to income and the related balance sheet account when actual experience differs from the expected experience underlying the estimates. The Company makes frequent comparisons of actual experience and expected experience in order to mitigate the likelihood that material adjustments will be required.

*Revenue Recognition.* The Company recognizes revenue both for sales from toll processing and sales of products made with Company owned metal when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determinable and collectability of revenue is reasonably assured. The Company records revenues upon shipment of product to customers and transfer of title under standard commercial terms. Price adjustments, including those arising from resolution of quality issues, price and quantity discrepancies, surcharges for fuel and/or steel and other commercial issues, are recognized in the period when management believes that such amounts become probable, based on management's estimates.

*Allowance for Doubtful Accounts.* The Company evaluates the collectability of accounts receivable based on several factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific allowance for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. Additionally, a general allowance for doubtful accounts is estimated based on historical experience of write-offs and the current financial condition of customers. The financial condition of the Company's customers is dependent on, among other things, the general economic environment, which may substantially change, thereby affecting the recoverability of amounts due to the Company from its customers.

The Company carefully assesses its risk with each of its customers and considers compliance with terms and conditions, aging of the customer accounts, intelligence learned through contact with customer representatives and right of offset of its net account receivable / account payable position with customers, if applicable, in establishing the allowance.

*Inventory Reserves.* Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out basis. Where appropriate, standard cost systems are used to determine cost and the standards are adjusted as necessary to ensure they approximate actual costs. Estimates of lower of cost or market value of inventory are based upon current economic conditions, historical sales quantities and patterns, and in some cases, the specific risk of loss on specifically identified inventories.

The Company values inventories on a regular basis to identify inventories on hand that may be obsolete or in excess of current future projected market demand. For inventory deemed to be obsolete, the Company provides a reserve for the full value of the inventory, net of estimated realizable value. Inventory that is in excess of current and projected use is reduced by an allowance to a level that approximates future demand. Additional inventory reserves may be required if actual market conditions differ from management's expectations.

The Company continues to monitor purchases of inventory to insure its supply chain is optimized, thereby reducing the economic risk of holding excessive levels of inventory that could result in long holding periods or in unsalable inventory leading to losses in conversion.

*Income Taxes.* The Company utilizes the asset and liability method in accounting for income taxes. Income tax expense includes U.S. and international income taxes minus tax credits and other incentives that will reduce tax expense in the year they are claimed. Deferred taxes are recognized at currently enacted tax rates for temporary differences between the financial accounting and income tax basis of assets and liabilities and operating losses and tax credit carryforwards. Valuation

allowances are recorded to reduce net deferred tax assets to the amount that is more likely than not to be realized. The Company assesses both positive and negative evidence when measuring the need for a valuation allowance. Evidence typically assessed includes the operating results for the most recent three-year period and, to a lesser extent because of inherent uncertainty, the expectations of future profitability, available tax planning strategies, the time period over which the temporary differences will reverse and taxable income in prior carryback years if carryback is permitted under the tax law. The calculation of the Company's tax liabilities also involves dealing with uncertainties in the application of complex tax laws and regulations. The Company recognizes liabilities for uncertain income

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tax positions based on the Company's estimate of whether, and the extent to which, additional taxes will be required. The Company reports interest and penalties related to uncertain income tax positions as income taxes.

*Business Combinations.* The Company includes the results of operations of the businesses that it acquires as of the respective dates of acquisition. The Company allocates the fair value of the purchase price of its acquisitions to the tangible and intangible assets acquired, and liabilities assumed, based on their estimated fair values. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill.

*Impairment of Long-lived Assets.* The Company performs an annual impairment analysis of long-lived assets. However, when significant events, which meet the definition of a "triggering event" in the context of assessing asset impairments, occur within the industry or within the Company's primary customer base, an interim impairment analysis is performed. The analysis consists of reviewing the next five years outlook for sales, profitability, earnings before interest, taxes and depreciation and cash flow for each of the Company's manufacturing plants and for the overall Company. The five-year outlook considers known sales opportunities for which purchase orders exist, potential sale opportunities that are under development, third party forecasts of North American and European car builds (published by IHS Automotive), the potential sales that could result from new manufacturing process additions and strategic geographic localities that are important to servicing the automotive industry. This data is collected as part of its annual planning process and is updated with more current Company specific and industry data when an interim period impairment analysis is deemed necessary. In concluding the impairment analysis, the Company incorporates a sensitivity analysis by probability weighting the achievement of the forecasted cash flows by plant and achievements of cash flows that are 20% greater and less than the forecasted amounts.

The property, plant and equipment included in the analysis for each plant represents factory facilities devoted to the Company's manufacturing processes and the related equipment within each plant needed to perform and support those processes. The property, plant and equipment of each plant form each plant's asset group and typically certain key assets in the group form the primary processes at that plant that generate revenue and cash flow for that facility. Certain key assets have a life of ten to twelve years and the remainder of the assets in the asset group are shorter-lived assets that support the key processes. When the analysis indicates that estimated future undiscounted cash flows of a plant are less than the net carrying value of the long-lived assets of such plant, to the extent that the assets cannot be redeployed to another plant to generate positive cash flow, the Company will record an impairment charge, reducing the net carrying value of the fixed assets (exclusive of land and buildings, the fair value of which would be assessed through appraisals) to zero. Alternative courses of action to recover the carrying amount of the long-lived asset group are typically not considered due to the limited-use nature of the equipment and the full utilization of their useful life. Therefore, the equipment is of limited value in a used-equipment market. The depreciable lives of the Company's fixed assets are generally consistent between years unless the assets are devoted to the manufacture of a customized automotive part and the equipment has limited reapplication opportunities for other parts. If the production of that part concludes earlier than expected, the asset life is shortened to fully amortize its remaining value over the shortened production period.

The Company cannot predict the occurrence of future impairment-triggering events. Such events may include, but are not limited to, significant industry or economic trends and strategic decisions made in response to changes in the economic and competitive conditions impacting the Company's business. Based on the current facts, the Company did not record an impairment charge related to long-lived assets during first six months 2015 and 2014. See Note 4 to the condensed consolidated financial statements for a discussion of the recoveries recorded during first six months fiscal 2014. The Company did not recover previously recorded impairment charges during the first six months 2015. The Company continues to assess impairment to long-lived assets based on expected orders from the Company's customers and current business conditions.

The key assumptions related to the Company's forecasted operating results could be adversely impacted by, among other things, decreases in estimated North American and European car builds during the forecast period, the inability of the Company or its major customers to maintain their respective forecasted market share positions, the inability of the Company to achieve the forecasted levels of operating margins on parts produced, and a deterioration in property values associated with manufacturing facilities.

*Intangible Assets.* Intangible assets with definitive lives are amortized over their estimated useful lives. The Company amortizes its acquired intangible assets with definitive lives on a straight-line basis over periods ranging from three months to fifteen years. See Note 8 to the condensed consolidated financial statements for a description of the current

intangible assets and their estimated amortization expense.

The Company performs an annual impairment analysis of intangible assets and is included as a component of the annual impairment of long-lived assets.



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*Goodwill.* Goodwill, which represents the excess cost over the fair value of the net assets of businesses acquired, was approximately \$29,142 as of April 30, 2015, or 5% of its total assets, and approximately \$30,887 as of October 31, 2014, or 5% of its total assets.

In accordance with Accounting Standards Codification ("ASC") 350, Intangibles-Goodwill and Other, the Company assesses goodwill for impairment on an annual basis. Such assessment can be done on a qualitative or quantitative basis. To qualitatively assess the likelihood of goodwill being impaired, the Company considers the following factors at the reporting unit level: the excess of fair value over carrying value as of the last impairment test, the length of time since the last fair value measurement, the carrying value, market and industry metrics, actual performance compared to forecasted performance, and its current outlook on the business. If the qualitative assessment indicated it is more likely than not that goodwill is impaired, the Company will perform quantitative impairment testing at the reporting unit level.

To quantitatively test goodwill for impairment, the Company estimates the fair value of a reporting unit and compare the fair value to the carrying value. If the carrying value exceeds the fair value, then a possible impairment of goodwill may exist and further evaluation is required. Fair values are based on the cash flow projected in the reporting units' strategic plans and long-range planning forecasts, discounted at a risk-adjusted rate of return. Revenue growth rates included in the plans are generally based on industry specific data and known awarded business. The projected profit margins assumptions included in the plans are based in the current cost structure and anticipated productivity improvements. If different assumptions were used in the plans, the related cash flows used in measuring fair value could be different and impairment of goodwill might be required to be recorded.

*Group Insurance and Workers' Compensation Accruals.* The Company is primarily self-insured for group insurance and workers' compensation claims in the United States and reviews these accruals on a monthly basis to adjust the balances as determined necessary. The Company is fully insured for workers' compensation at one of its locations. For the self insured plans, the Company reviews historical claims data and lag analysis as the primary indicators of the accruals.

Additionally, the Company reviews specific large insurance claims to determine whether there is a need for additional accrual on a case-by-case basis. Changes in the claim lag periods and the specific occurrences could materially impact the required accrual balance period-to-period. The Company carries excess insurance coverage for group insurance and workers' compensation claims exceeding a range of \$160-180 and \$115-500 per plan year, respectively, dependent upon the location where the claim is incurred. At April 30, 2015 and October 31, 2014, the amount accrued for group insurance and workers' compensation claims was \$3,772 and \$4,094, respectively. The self-insurance reserves established are a result of safety statistics, changes in employment levels, number of open and active workers' compensation cases, and group insurance plan design features. The Company does not self-insure for any other types of losses.

*Share-Based Payments.* The Company records compensation expense for the fair value of nonvested stock option awards and restricted stock awards over the remaining vesting period. The Company has elected to use the simplified method to calculate the expected term of the stock options outstanding at five to six years and has utilized historical weighted average volatility. The Company determines the volatility and risk-free rate assumptions used in computing the fair value using the Black-Scholes option-pricing model, in consultation with an outside third party. The expected term for the restricted stock award is between three months and four years.

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected life of the stock-based award and stock price volatility. The assumptions used are management's best estimates, but the estimates involve inherent uncertainties and the application of management judgment. As a result, if other assumptions had been used, the recorded stock-based compensation expense could have been materially different from that depicted in the financial statements. In addition, the Company has estimated a 20% forfeiture rate. If actual forfeitures materially differ from the estimate, the share-based compensation expense could be materially different.

The restricted stock was valued based upon the closing date of the grant of the stock. In addition, the Company has estimated a 20% forfeiture rate. If actual forfeitures materially differ from the estimate, the share-based compensation expense could be materially different.

*Pension and Other Post-retirement Costs and Liabilities.* The Company has recorded significant pension and other

post-retirement benefit liabilities that are developed from actuarial valuations for its U.S. operations. The pension plans were frozen in November of 2006 and therefore contributions are not allowed. The determination of the Company's pension liabilities requires key assumptions regarding discount rates used to determine the present value of future benefit payments and the expected return on plan assets. The discount rate is also significant to the development of other post-retirement liabilities. The Company determines these assumptions in consultation with, and after input from, its actuaries.

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The discount rate reflects the estimated rate at which the pension and other post-retirement liabilities could be settled at the end of the year. The Company uses the Principal Pension Discount Yield Curve ("Principal Curve") as the basis for determining the discount rate for reporting pension and retiree medical liabilities. The Principal Curve has several advantages to other methods, including: transparency of construction, lower statistical errors, and continuous forward rates for all years. At October 31, 2014, the resulting discount rate from the use of the Principal Curve was 4.00%, a decrease of 0.50% from a year earlier resulted in an increase of the benefit obligation of approximately \$6,076. A change of 25 basis points in the discount rate at October 31, 2014 would increase or decrease expense on an annual basis by approximately \$18.

The assumed long-term rate of return on pension assets is applied to the market value of plan assets to derive a reduction to pension expense that approximates the expected average rate of asset investment return over ten or more years. A decrease in the expected long-term rate of return will increase pension expense whereas an increase in the expected long-term rate will reduce pension expense. Decreases in the level of plan assets will serve to increase the amount of pension expense whereas increases in the level of actual plan assets will serve to decrease the amount of pension expense. Any shortfall in the actual return on plan assets from the expected return will increase pension expense in future years due to the amortization of the shortfall, whereas any excess in the actual return on plan assets from the expected return will reduce pension expense in future periods due to the amortization of the excess. A change of 25 basis points in the assumed rate of return on pension assets at October 31, 2014 would increase or decrease pension assets by approximately \$166.

The Company's investment policy for assets of the plans is to maintain an allocation generally of 0% to 70% in equity securities, 0% to 70% in debt securities, and 0% to 10% in real estate. Equity security investments are structured to achieve an equal balance between growth and value stocks. The Company determines the annual rate of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. The Company's investment advisors and actuaries review this computed rate of return. Industry comparables and other outside guidance are also considered in the annual selection of the expected rates of return on pension assets.

For the twelve months ended October 31, 2014, the actual return on pension plans' assets for all of the Company's plans approximated 8%, which is above the expected rate of return on plan assets of 7.50% used to derive pension expense. The long term expected rate of return takes into account years with exceptional gains and years with exceptional losses.

For the Company's Swedish operations, the majority of the pension obligations are covered by insurance policies with insurance companies. Pension commitments in the Company's Polish operations are not material. The liability of these comprise the present value of future obligations and is calculated on an actuarial basis.

Actual results that differ from these estimates may result in more or less future Company funding into the pension plans than is planned by management. Based on current market investment performance, the Company anticipates that contributions to the Company's defined benefit plans will decrease in fiscal 2015, and that pension expense will decrease in fiscal 2015.

*Derivative Instruments and Hedging Activities.* The Company records derivative instruments in the condensed consolidated balance sheet as either an asset or liability and as a component of other comprehensive income and measured at fair value. Changes in derivative instruments' fair value are recognized currently in earnings, unless the derivative instrument has been designated as a cash flow hedge and specific cash flow hedge accounting criteria are met. Under the cash flow hedge accounting, unrealized gains and losses are reflected in stockholder's equity as accumulated other comprehensive income (AOCI) until the forecasted transaction occurs. If the cash flow hedge is deemed ineffective, the derivative's gains or losses are then recognized in the condensed consolidated statement of income.

*Foreign Currency Translation.* Two of the Company's Mexican subsidiaries (Shiloh De Mexico S.A. DE C.V. and Shiloh International, S.A. DE C.V.), its Netherlands holding company, its Swedish holding company, and all U.S. subsidiaries functional currency is the U.S. dollar and for all other entities their functional currency is their respective local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate for the period. The resulting translation adjustments are recorded as a component of Other Comprehensive Income ("OCI"). The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries

with different functional currencies. Gains and losses resulting from foreign currency transactions are recognized in net income (loss) in the condensed consolidated statements of income.

## Results of Operations

### *Three Months Ended April 30, 2015 Compared to Three Months Ended April 30, 2014*

**REVENUES.** Sales for the second quarter of fiscal 2015 were \$280,175, an increase of \$71,203 from last year's second quarter sales of \$208,972, or 34.1%. According to industry statistics, Europe and North American combined light vehicle production growth for the second quarter of 2015 increased 2.6% from production levels in the second quarter of fiscal 2014. Sales from the recent acquisitions of \$81,504 and organic growth in its newer technologies was partially offset by lower production volumes in the quarter for certain OEM's due to re-tooling and platform changes as well as the impact from declining scrap market pricing realized beginning January 2015.

**GROSS PROFIT.** Gross profit for the second quarter of fiscal 2015 was \$27,955 compared to gross profit of \$21,001 in the second quarter of fiscal 2014, an increase of \$6,954. Gross profit as a percentage of sales was 10.0% for the second quarter of 2015 and 10.0% for the second quarter of 2014. The strategic acquisitions completed in fiscal 2014 contributed favorably, improving gross profit by \$11,349. A change in sales mix, lower price recovered for engineered scrap sales and increased freight costs negatively impacted gross profit by \$3,912. In addition, labor and benefits increased by \$27 as well as other manufacturing expenses and depreciation by \$456.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.** Selling, general and administrative expenses support the growth in sales opportunities, new technologies, new product launches and acquisition activities. Expenses of \$16,869 in the second quarter of fiscal 2015 were \$6,206 more than expenses of \$10,663 in the same period of the prior year. As a percentage of sales, these expenses were 6.0% of sales in the second quarter of fiscal 2015 and 5.1% of sales in the second quarter of 2014. The increase reflects the Company's investment in additional personnel and related benefits as a result of acquisitions, growth, and expansion of its technical centers including related infrastructure costs.

**ASSET RECOVERIES.** Asset recoveries of \$2,906 were recorded during the second quarter of fiscal 2014 for cash received upon sales of assets from the Company's former Mansfield Blanking facility, which were impaired in fiscal 2010.

**INTEREST EXPENSE.** Interest expense for the second quarter of fiscal 2015 was \$2,067, compared to interest expense of \$927 during the second quarter of fiscal 2014. The increase in interest expense was the result of higher average borrowing of and rates for use of funds. Borrowed funds averaged \$280,017 during the second quarter of fiscal 2015 and the weighted average interest rate was 2.62%. In the second quarter of fiscal 2014, borrowed funds averaged \$118,881 and the weighted average interest rate of debt was 1.92%.

**OTHER INCOME / EXPENSE.** Other income, net was \$669 for the second quarter of fiscal 2015 and other expense, net was \$25 in the second quarter of fiscal 2014. Both are the result of currency transaction gains and losses realized by the Company's European and Mexican subsidiaries.

**PROVISION FOR INCOME TAXES.** The provision for income taxes in the second quarter of fiscal 2015 was an expense of \$2,665 on income before taxes of \$9,018 for an effective tax rate of 29.5%. The provision for income taxes in the second quarter of fiscal 2014 was an expense of \$3,620 on income before taxes of \$11,749 for an effective tax rate of 30.8%. The estimated effective tax rate for the second quarter of fiscal 2015 has decreased compared to the second quarter of fiscal 2014 primarily because the Company's mix of domestic and foreign income along with the related income tax rates is more favorable in the second quarter of fiscal 2015 compared to the second quarter of fiscal 2014. There also were offsetting increases created by currency translation losses recorded in deferred tax assets for the Company's Mexican subsidiary whose functional currency is the U.S. dollar.

**NET INCOME.** Net income for the second quarter of fiscal 2015 was \$6,353, or \$0.37 per share, diluted compared to net income for the second quarter of fiscal 2014 and was \$8,129, or \$0.47 per share, diluted.

## Results of Operations

### *Six Months Ended April 30, 2015 Compared to Six Months Ended April 30, 2014*

**REVENUES.** Sales for the first six months of fiscal 2015 were \$537,084, an increase of \$144,573 from last year's first six months sales of \$392,511, or 36.8%. According to industry statistics, Europe and North American combined light vehicle production growth for the first six months of 2015 increased 2.8% from production levels in the first six months of fiscal 2014 with the majority of the increase in North American levels and European levels slowly rebounding. Acceptance of leading technologies and the recent strategic acquisitions completed in fiscal 2014 have contributed to the increase in sales revenue of \$144,573. The majority of the increase in sales is from the acquisitions (see Note 2) as certain customer platform volume was lower in the first six months of 2015 compared to the first six months of 2014 for re-tooling in preparation for new launches and award win in both the Company's organic facilities and new acquisition facilities.

**GROSS PROFIT.** Gross profit for the first six months of fiscal 2015 was \$46,632 compared to gross profit of \$38,848 in the first six months of fiscal 2014, an increase of \$7,784. Gross profit as a percentage of sales was 8.7% in the first six months of fiscal 2015 and 9.9% in the first six months of fiscal 2014. The strategic acquisitions completed in fiscal 2014 contributed favorably, improving gross profit by \$19,438. A change in sales mix, lower price recovered for engineered scrap sales and increased freight costs negatively impacted gross profit by \$10,476. In addition, labor and benefits decreased by \$250 and manufacturing expenses and depreciation increased by \$1,428.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.** Selling, general and administrative expenses support the growth in sales opportunities, new technologies, new product launches and acquisition activities. Expenses of \$30,484 in the first six months of fiscal 2015 were \$9,421 more than expenses of \$21,063 in the first six months of fiscal 2014. As a percentage of sales, these expenses were 5.7% of sales in the first six months of fiscal 2015 and 5.4% of sales in the first six months of fiscal 2014. The increase reflects its investment in additional personnel and related benefits as a result of acquisitions, growth, and expansion of its technical centers including related infrastructure costs.

**ASSET RECOVERIES.** Asset recoveries of \$4,026 were recorded during the first six months of fiscal 2014 for cash received upon sales of assets from the Company's Mansfield Blanking facility, which was impaired in fiscal 2010.

**INTEREST EXPENSE.** Interest expense for the first six months of fiscal 2015 was \$3,829, compared to interest expense of \$1,813 during the first six months of fiscal 2014. The increase in interest expense was the result of higher average borrowing and rates for use of funds. Borrowed funds averaged \$276,684 during the first six months of fiscal 2015 and the weighted average interest rate was 2.43%. In the first six months of fiscal 2014, borrowed funds averaged \$119,037 and the weighted average interest rate of debt was 1.93%.

**OTHER INCOME / EXPENSE.** Other income, net was \$1,064 for the first six months of fiscal 2015 and other expense (net) was \$44 in the first six months of fiscal 2014. Both are the result of currency transaction gains and losses realized by the Company's European and Mexican subsidiary.

**PROVISION FOR INCOME TAXES.** The provision for income taxes for the first six months of fiscal 2015 was an expense of \$3,292 on income before taxes of \$12,088 for an effective tax rate of 27.2%. The provision for income taxes for the first six months of fiscal 2014 was an expense of \$5,801 on income before taxes of \$18,869 for an effective tax rate of 30.7%. The estimated effective tax rate for the first six months of fiscal 2015 has decreased compared to the first six months of fiscal 2014 primarily because of a change in the tax law that extended the research credit and the alternative fuel tax credit through December 31, 2014. There also were offsetting increases in the effective tax rate because the Company's Swedish subsidiaries generated losses with no related tax benefits and currency translation losses recorded in deferred tax assets for the Company's Mexican subsidiary whose functional currency is the U.S. dollar.

**NET INCOME.** Net income for the first six months of fiscal 2015 was \$8,796, or \$0.51 per share, diluted. Net income for the first six months of fiscal 2014 was \$13,068 or \$0.76 per share, diluted.

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### **Liquidity and Capital Resources**

#### Revolving Credit Facility:

The Company and its subsidiaries are party to a Credit Agreement, dated October 25, 2013, as amended (the "Credit Agreement") with Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, JPMorgan Chase Bank, N.A. as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities, LLC as Joint Lead Arrangers and Joint Book Managers, The PrivateBank and Trust Company, Compass Bank and Citizens Bank, N.A., as Co-Documentation Agents, and the other lender parties thereto.

On April 29, 2015, the Company executed a Fourth Amendment to the Credit Agreement that maintains the commitment period to September 29, 2019 and allows for an incremental increase of \$25,000 (or if certain ratios are met, \$100,000) in the existing revolving commitments of \$360,000, subject to the Company's pro forma compliance with financial covenants, the administrative agent's approval and the Company obtaining commitments for such increase.

Borrowings under the Credit Agreement bear interest, at the Company's option, at LIBOR or the base (or "prime") rate established from time to time by the administrative agent, in each case plus an applicable margin. The Fourth Amendment provides for an interest rate margin on LIBOR loans of 1.25% to 3.00% and of 0.25% to 2.00% on base rate loans depending on the Company's leverage ratio.

The Credit Agreement contains customary restrictive and financial covenants, including covenants regarding the Company's outstanding indebtedness and maximum leverage and interest coverage ratios. The Credit Agreement also contains standard provisions relating to conditions of borrowing. In addition, the Credit Agreement contains customary events of default, including the non-payment of obligations by the Company and the bankruptcy of the Company. If an event of default occurs, all amounts outstanding under the Credit Agreement may be accelerated and become immediately due and payable. The Company was in compliance with the financial covenants as of April 30, 2015, and October 31, 2014.

After considering letters of credit of \$2,980 that the Company has issued, available funds under the Credit Agreement were \$77,920 at April 30, 2015.

Borrowings under the Credit Agreement are collateralized by a first priority security interest in substantially all of the tangible and intangible property of the Company and its domestic subsidiaries and 65% of the stock of foreign subsidiaries.

#### Other Debt:

In July 2014, the Company entered into a finance agreement with an insurance broker for various insurance policies that bears interest at a fixed rate of 1.87% requiring an initial down payment of \$254 due with the first monthly payment of \$95. The monthly payments extend through April 2015. As of April 30, 2015, \$0 remained outstanding under this agreement.

On September 2, 2013, the Company entered into an equipment security note that bears interest at a fixed rate of 2.47% and requires monthly payments of \$44 through September 2018. As of April 30, 2015, \$1,741 remained outstanding under this agreement and \$495 was classified as current debt and \$1,246 was classified as long-term debt in the Company's condensed consolidated balance sheets.

The Company maintains capital leases for equipment used in its manufacturing facilities with lease terms expiring between 2018 and 2020. As of April 30, 2015, the present value of minimum lease payments under its capital leases amounted to \$5,997.

#### Derivatives:

On February 25, 2014, the Company entered into an interest rate swap with an aggregate notional amount of \$75,000 designated as a cash flow hedge of a portion of the Company's Credit Agreement to manage interest rate exposure on the Company's floating rate LIBOR based debt. The interest rate swap is an agreement to exchange payment streams based on the notional principal amount. This agreement fixes the Company's future interest payments at 2.74% plus the applicable rate

(defined above), the designated benchmark interest rate being hedged (the "hedged risk"), on an amount of the Company's debt principal equal to the then-outstanding swap notional amount. The forward interest rate swap commences on March 1, 2015 with an initial \$25,000 base notional amount with \$25,000 increases to the base notional amount on September 1, 2015 and March 1, 2016, respectively. The base notional amount plus each incremental addition to the base notional amount have a five year maturity of February 29, 2020, August 31, 2020 and February 28, 2021, respectively. On the date the interest swap was entered into, the Company designated the interest rate swap as a hedge of the variability of cash flows to be paid relative to its variable rate monies borrowed. Any



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ineffectiveness in the hedging relationship is recognized immediately into earnings. On April 30, 2015, the Company determined the mark-to-market adjustment for the interest rate swap to be a loss of \$1,118, net of tax, which is reflected in other comprehensive income. The first base notional amount of \$25,000 commenced on March 1, 2015 at which time the Company classified \$55 of cash flow hedge settlements as interest expense for the quarter ended April 30, 2015.

Scheduled repayments of debt for the next five years are listed below:

<b>April 30, 2015</b>	<b>Credit Agreement</b>	<b>Equipment Security Note</b>	<b>Capital Lease Obligations</b>	<b>Total</b>
2016	\$ —	\$ 495	\$ 828	\$ 1,323
2017	—	507	861	1,368
2018	—	519	895	1,414
2019	—	220	865	1,085
2020	279,100	—	484	279,584
Thereafter	—	—	2,064	2,064
Total	<u>\$ 279,100</u>	<u>\$ 1,741</u>	<u>\$ 5,997</u>	<u>\$ 286,838</u>

### ***Cash Flows and Working Capital***

At April 30, 2015, total debt was \$286,838 and total equity was \$145,422, resulting in a capitalization rate of 66.4% debt, 33.6% equity. Current assets were \$304,072 and current liabilities were \$187,601 resulting in positive working capital of \$116,471.

For the six months ended April 30, 2015, operations, before changes in assets and liabilities, generated \$27,287 of cash flow compared to \$22,636 in the first six months of 2014.

### ***Net Cash Provided By Operating Activities***

Changes in operating assets and liabilities since October 31, 2014 were a use of funds of \$23,729 compared with a use of funds of \$11,729 in the comparable period of fiscal 2014. Of the \$12,000 year-over-year change, \$12,929 is the increase in accounts receivable and related party receivables as well as a decrease in other accrued expenses which supports the Company's investment for the growth of the business in areas such as manufacturing, research and development and selling, general and administrative. In addition, operating cash flows are also affected by the Company's working capital needs to support growth and fluctuations in inventory, personnel related expenditures, accounts payable and other current assets and liabilities.

### ***Net Cash Provided by Investing and Financing Activities***

Cash capital expenditures in the first six months of fiscal 2015 were \$21,785 compared with \$11,549 in the comparable period of fiscal 2014. The increase is attributed to projects for new awards that will begin in the next several quarters. Additionally, acquisition activities have increased the number of facilities and the absolute value of capital requirements. The Company had unpaid capital expenditures of \$3,703 at April 30, 2015, and such amounts are included in accounts payable and excluded from capital expenditures in the accompanying condensed consolidated statement of cash flows. Total estimated capital expenditures for the remaining six months of fiscal 2015 are approximately \$30,000, subject to change based on business conditions.

Changes in financing activities in the first six months of fiscal 2015 were \$16,821 compared with \$1,464 in the comparable period of fiscal 2014. At the beginning of the year, the Company had outstanding indebtedness of \$270,020, including a current portion of \$1,918. During the first six months of 2015, the Company had approximately \$62,500 of additional long term borrowings and repaid principal of approximately \$44,600. During the first six months of 2014, the Company had approximately \$8,600 of additional long term borrowing and repaid principal of approximately \$10,800. The

borrowings and payments represent normal activity in managing the day-to-day operations. As of April 30, 2015, the company's long term indebtedness was \$286,838.

The Company continues to closely monitor the business conditions affecting the automotive industry. In addition, the Company closely monitors its working capital position to insure adequate funds for operations. The Company anticipates that funds from operations will be adequate to meet the obligations under the Credit Agreement through maturity of the Credit Agreement in September 2019, as well as pension contributions totaling \$4,470 during fiscal 2015, capital expenditures for fiscal 2015 and scheduled payments for the equipment security note and capital leases.

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*Effect of Inflation, Deflation*

Inflation generally affects the Company by increasing the interest expense of floating rate indebtedness and by increasing the cost of labor, equipment and raw materials. The level of inflation has not had a material effect on the Company's financial results for the past three years.

In periods of decreasing prices, deflation occurs and may also affect the Company's results of operations. With respect to steel purchases, the Company's purchases of steel through customers' steel buying programs protects recovery of the cost of steel through the selling price of the Company's products. For non-steel buying programs, the Company coordinates the cost of steel purchases with the related selling price of the product. For the Company's aluminum and magnesium die casting business, the cost of the materials is handled in one of two ways. The primary method used by the Company is to secure quarterly aluminum and magnesium purchase commitments based on customer releases and then pass the quarterly price changes to those customers utilizing published metal indexes. The second method used by the Company is to adjust prices monthly, based on a referenced metal index plus additional material cost spreads agreed to by the Company and its customers.

## **FORWARD-LOOKING STATEMENTS**

Certain statements made by Shiloh in this Form 10-Q regarding the Company's operating performance, events or developments that the Company believes or expects to occur in the future, including those that discuss strategies, goals, outlook or other non-historical matters, or which relate to future sales, earnings expectations, cost savings, awarded sales, volume growth, earnings or general belief in the Company's expectations of future operating results are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements are made on the basis of management's assumptions and expectations. As a result, there can be no guarantee or assurance that these assumptions and expectations will in fact occur. The forward-looking statements are subject to risks and uncertainties that may cause actual results to materially differ from those contained in the statements. Some, but not all, of the risks include the ability of the Company to successfully remediate the material weakness related to its internal controls; the impact on historical financial statements of any known or unknown accounting errors or irregularities; the magnitude of any adjustments in restated financial statements of the Company's operating results; the ability of the Company to accomplish its strategic objectives; the ability to obtain future sales; changes in worldwide economic and political conditions, including adverse effects from terrorism or related hostilities; costs related to legal and administrative matters; the Company's ability to realize cost savings expected to offset price concessions; the Company's ability to successfully integrate acquired businesses, including businesses located outside of the United States; risks associated with doing business internationally, including economic, political and social instability, foreign currency exposure and the lack of acceptance of the Company's products; inefficiencies related to production and product launches that are greater than anticipated; changes in technology and technological risks; increased fuel and utility costs; work stoppages and strikes at the Company's facilities and that of the Company's customers or suppliers; the Company's dependence on the automotive and heavy truck industries, which are highly cyclical; the dependence of the automotive industry on consumer spending, which is subject to the impact of domestic and international economic conditions, including increased energy costs affecting car and light truck production, and regulations and policies regarding international trade; financial and business downturns of the Company's customers or vendors, including any production cutbacks or bankruptcies; increases in the price of, or limitations on the availability of, steel, aluminum or magnesium, the Company's primary raw materials, or decreases in the price of scrap steel; the successful launch and consumer acceptance of new vehicles for which the Company supplies parts; the occurrence of any event or condition that may be deemed a material adverse effect under the Company's outstanding indebtedness or a decrease in customer demand which could cause a covenant default under the Company's outstanding indebtedness; pension plan funding requirements; and other factors, uncertainties, challenges and risks detailed in the Company's other public filings with the Securities and Exchange Commission. Any or all of these risks and uncertainties could cause actual results to differ materially from those reflected in the forward-looking statements. These forward-looking statements reflect management's analysis only as of the date of this release.

The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. In addition to the disclosures contained herein, readers should carefully review risks and uncertainties contained in other documents the Company files from time to time with the Securities and Exchange Commission.

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### **Item 3. *Qualitative and Quantitative Market Risk Discussion***

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

#### Commodity Pricing Risk

Steel is the primary raw material that the Company uses. The Company purchases a portion of its steel from certain of its customers through various OEM steel buying programs. The purchases through customer steel buying programs have buffered the impact of price swings associated with the procurement of steel. The remainder of its steel purchasing requirements is met through contracts with steel mills. At times, the Company may be unable to either avoid increases in steel prices or pass through any price increases to its customers. The Company refers to the "net steel impact" as the combination of the change in steel prices that are reflected in the price of its products, the change in the cost to procure steel from the mill, and the change in the Company's recovery of offal. The Company's strategy is to be economically neutral to steel pricing by having these factors offset each other. While the Company strives to achieve a neutral net steel impact, the Company is 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 different periods and if a change occurs, that change may have a disproportionate effect, within any fiscal period, on the Company's 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 its product pricing, its steel costs and the results of its sales of offal. Net imbalances in any one particular fiscal period may be reversed in a subsequent fiscal period, although the Company cannot provide assurances that, or when, these reversals will occur. Over the past several years, the Company has not experienced a material net impact from these factors.

#### Interest Rate Risk

At April 30, 2015, the Company had total debt, excluding capital leases, of \$280,841, consisting of a revolving line of credit of floating rate debt of \$279,100 (99%) and fixed rate debt of \$1,741 (1%). Assuming no changes in the monthly average revolver debt levels of \$280,017 for the quarter ended April 30, 2015, the Company estimates that a hypothetical change of 100 basis points in the LIBOR and base rate would have no significant impact on interest expense due to the movement of LIBOR.

During 2014, the Company entered into an interest rate swap with an aggregate notional amount of \$75,000 designated as a cash flow hedge of a portion of the Company's Credit Agreement to manage interest rate exposure on the Company's floating rate LIBOR based debt. The first base notional amount, \$25,000, commenced on March 1, 2015 at which time the Company classified \$55 of cash flow hedge settlements as interest expense for the quarter ended April 30, 2015.

The following table discloses the fair value and balance sheet location of the Company's derivative instrument:

	<b>Liability Derivatives</b>		
	<b>Balance Sheet Location</b>	<b>April 30, 2015</b>	<b>October 31, 2014</b>
		(Thousands of dollars)	
<b>Derivatives Designated as Cash Flow Hedging Instruments:</b>			
Interest rate swap contracts	Other liabilities	\$(4,308)	\$(2,510)

The following table discloses the effect of the Company's derivative instrument on the condensed consolidated statement of income and condensed consolidated statement of comprehensive loss for the three months ended April 30, 2015:

	<b>Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)</b>	<b>Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)</b>	<b>Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)</b>
(Thousands of dollars)			
<b>Derivatives Designated as Hedging Instruments:</b>			
Interest rate swap contracts	\$(4,308)	Interest expense	\$—

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The following table discloses the effect of the Company's derivative instrument on the condensed consolidated statement of income and condensed consolidated statement of comprehensive loss for the six months ended April 30, 2015:

	<b>Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)</b>	<b>Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)</b>	<b>Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)</b>
(Thousands of dollars)			
<b>Derivatives Designated as Hedging Instruments:</b>			
Interest rate swap contracts	\$(4,308)	Interest expense	\$—

## Financial Instruments

The translated values of revenue and expense from the Company's international operations are subject to fluctuations due to changes in currency exchange rates. Consequently, the Company's results of operations may be affected by exposure to changes in foreign currency exchange rates and economic conditions in the regions in which it sells or distributes products. During the three months ended April 30, 2015, the Company derived \$233,439 of its sales in the United States and \$46,736 internationally. Of these international sales, \$21,891 are denominated in the Swedish krona, \$13,618 are denominated in the Polish zloty and \$11,227 are denominated in the Mexican peso. During the six months ended April 30, 2015, the Company derived \$448,951 of its sales in the United States and \$88,133 internationally. Of these international sales, \$42,172 are denominated in the Swedish krona, \$24,591 are denominated in the Polish zloty and \$21,370 are denominated in the Mexican peso. For both the three and six months ended April 30, 2015, no other single currency represented more than 10% of sales. To minimize foreign currency risk, the Company generally maintains natural hedges within its non-U.S. activities, including the efficient alignment of transaction settlements in the same currency and near term accounting cycles.

In addition, to the transaction-related gains and losses that are reflected within the results of operations, the Company is subject to foreign currency translation risk, as the financial statements for its subsidiaries are measured and recorded in the respective subsidiary's functional currency and translated into U.S. dollars for consolidated financial reporting purposes. The resulting translation adjustments are recorded net of tax impact in the condensed consolidated statement of other comprehensive loss.

## Inflation

Although the Company has not experienced a material inflationary impact, the potential for a rise in inflationary pressures could impact certain commodities, such as steel, aluminum and magnesium. Additionally, because the Company purchases various types of equipment, raw materials, and component parts from its suppliers, the Company may be adversely impacted by their inability to adequately mitigate inflationary, industry, or economic pressures. The overall condition of its supply base may possibly lead to delivery delays, production issues, or delivery of non-conforming products by the Company's suppliers in the future. As such, the Company continues to monitor its vendor base for the best sources of supply and the Company continues to work with those vendors and customers to mitigate the impact of inflationary pressures.

## **Item 4. *Controls and Procedures***

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of

1934 is accumulated and communicated to the Company's management, including its Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO") as appropriate to allow timely decisions regarding required disclosure. As of April 30, 2015, an evaluation was performed under the supervision and with the participation of the Company's management, including the PEO and PFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended. The Company's PEO and PFO concluded that the Company's disclosure controls and procedures were not effective as of April 30, 2015 due to the material weakness described below.



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### ***Changes in Internal Control Over Financial Reporting***

On September 30, 2014, the Company acquired the business and related assets of Radar Industries, Inc. and Radar Mexican Investments, LLC, both of which operated under their own set of systems and internal controls. The Company expects to be complete with the incorporation of the acquired operations, as they relate to systems and internal controls, into its control environment during fiscal 2015.

On June 30, 2014, the Company acquired the business and related assets of FinnvedenBulten AB and Finnveden AB, which operated under its own set of systems and internal controls. The Company is maintaining those systems and much of the internal control environment until such time that it is able to incorporate the acquired processes into the Company's own control environment. The Company expects to be complete with the incorporation of the acquired operations, as they relate to systems and internal controls, into its control environment during fiscal 2015.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected on a timely basis. During third quarter fiscal 2015, management implemented an enhanced balance sheet review process across all of the Company's 21 manufacturing facilities that identified weaknesses in its financial reporting.

The management of Shiloh is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP. Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect misstatements because of inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Management's review of its control procedures concluded that certain controls relating to journal entries and account reconciliations were circumvented by an employee with functional responsibilities at the Wellington manufacturing plant.

In light of the material weakness in internal control over financial reporting, the Company completed substantive procedures, including validating the completeness and accuracy of the underlying data used for recording financial activity, prior to filing this amended Quarterly Report on Form 10-Q. These procedures were completed by an independent third party and management. Their additional procedures have allowed the Company to conclude, notwithstanding the material weakness in its internal control over financial reporting, that the consolidated financial statements included in this report fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

To remediate the material weakness described above and enhance the Company's internal controls over financial reporting, management has implemented the changes which include the following:

- Replaced the financial leader at the Wellington plant, and determined to continue to evaluate additional organizational changes.
- Detailed reconciliations of interrelated accounts have been reassigned to trusted, experienced employees from both corporate and plant personnel.
- Implemented additional internal reporting procedures, including those designed to add depth to the Company's review processes and improve its segregation of duties.
- Retraining and reinforcement of key internal controls continued, and is expected to continue, through the Company's management activities, as well as utilizing of subject matter experts across different facilities. Experienced employees from sister facilities have been temporarily assigned to Wellington, while internal audit reevaluates and reinforces the identified key controls in effect.

- Increased management oversight, including additional detailed balance sheet review and journal entry approval, until all remediation is completed.

The Company is committed to maintaining a strong internal control environment and believes these remediation efforts will represent significant improvement in controls. The Company has started to implement these steps, acknowledging some steps will take time to be fully integrated and confirmed to be effective and sustainable. While considerable actions have been taken

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to improve the Company's internal controls in response to the material weakness described above, additional work continues. There were no other changes to the Company's internal control over financial reporting that occurred during the second quarter of fiscal 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**Part II. OTHER INFORMATION**

**Item 1A. Risk Factors**

**Risks Related to the Company's Business  
(amount in millions)**

***A downturn in the global economy could adversely affect demand for passenger cars and commercial vehicles that are manufactured with the Company's products and therefore, could adversely affect business, financial condition, results of operations, and cash flows.***

The level of demand for the Company's products depends primarily upon the level of consumer demand for new vehicles that are manufactured with its products. The global economic recession that began in 2008 had a significant adverse effect on its business, customers and suppliers, and contributed to delayed and reduced purchases of passenger cars and commercial vehicles, including those manufactured with its products. Demand for and pricing of its 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, commodity prices and changing technology) present in the various domestic and international markets in which its products are sold. If the global economy were to experience another significant downturn, depending upon its length, duration and severity or any other event that results in a reduction of demand for automobiles, the Company's financial condition, results of operations, and cash flows could again be materially adversely affected.

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

Disruptions in the capital and credit markets could adversely affect the Company's customers and suppliers by making it increasingly difficult for them to obtain financing for their businesses and for their customers to obtain financing for automobile purchases. The Company's OEM customers typically require significant financing for their respective businesses. This financing often comes from securitization markets, which experienced severe disruptions during the global economic crisis. The Company's suppliers, as well as its customers' suppliers, may face similar difficulties in obtaining financing for their businesses. If capital is not available to the Company's 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 its customers or suppliers could materially and adversely affect us, either through loss of revenues from any of its customers so affected, or due to its inability to meet its commitments without excess expense, as a result of disruptions in supply caused by the suppliers so affected. Financial difficulties experienced by any of the Company's major customers could have a material adverse effect on the Company if such customer were unable to pay for the products the Company provides or if the Company experienced a loss of, or material reduction in, business from such customer. As a result of such difficulties, the Company could experience lost revenues, significant write-offs of accounts receivable, significant impairment charges, or additional restructurings. In addition, severe financial or other difficulties at any of the Company's major suppliers could have a material adverse effect on the Company if the Company is unable to obtain on a timely basis on similar economic terms the quantity and quality of components the Company requires to produce products.

Moreover, severe financial or operating difficulties at any automotive vehicle manufacturer or other significant supplier could have a significant disruptive effect on the entire industry, leading to supply chain disruptions and labor unrest, among other things. These disruptions could force original equipment manufacturers and, in turn, other suppliers, including us, to shut down or reduce production at plants.

***The Company's inability to obtain and maintain sufficient capital financing may adversely affect the liquidity and financial condition of the Company, its customers and its suppliers.***

The Company's working capital requirements can vary significantly, depending, in part, on the level, variability and timing of the Company's customers' production and the payment terms the Company has with its customers and suppliers. The Company's liquidity could be adversely affected if the Company's suppliers were to suspend normal trade credit terms

and require payment in advance or payment on delivery. If the Company's available cash flows from operations is not sufficient to fund its ongoing cash needs, the Company would be required to look to its cash balances and borrowing availability under its Revolving 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 the Company will continue to have the ability to maintain sufficient capital financing. This may increase the risk of not being able to produce products or having to pay higher prices for inputs that may not be recovered in selling prices.

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### ***The Company may pursue acquisitions or strategic alliances that the Company may not successfully integrate or that may divert management's attention and resources.***

The Company may pursue acquisitions, joint ventures or strategic alliances in the future. However, the Company may not be able to identify and secure suitable opportunities. The Company's ability to consummate and integrate effectively any future acquisitions or enter into strategic alliances on terms that are favorable to us may be limited by a number of factors, such as competition for attractive targets and, to the extent necessary for larger acquisitions, its ability to obtain financing on satisfactory terms, if at all.

In addition, if a potential candidate is identified, the Company may fail to enter into a definitive agreement for the candidate on commercially reasonable terms or at all. The negotiation and completion of potential acquisitions, joint ventures or strategic alliances, whether or not ultimately consummated, could also require significant diversion of management's time and resources and potential disruption of existing business. The expected synergies and cost savings from acquisitions or strategic alliances may not be realized and the Company may not achieve the expected results, including the synergies and cost savings the Company expects to realize in connection with the FMS Acquisition and the Radar Acquisition. The Company may also have to incur significant charges in connection with future acquisitions. Future acquisitions or strategic alliances could also potentially result in the incurrence of additional indebtedness, dilutive issuance of equity securities, costs and contingent liabilities. The Company may also have to obtain approvals and licenses from the relevant government authorities for the acquisitions and to comply with any applicable laws and regulations, which could result in increased costs and delay. Future strategic alliances or acquisitions may also expose the Company to potential risks, including risks associated with:

- uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses, risks and contingent and other liabilities of, acquisition or other transaction candidates;
- failing to successfully integrate new operations, services and personnel;
- the diversion of financial or other resources from the Company's existing businesses;
- the Company's inability to generate sufficient revenue to recover costs and expenses of the strategic alliances or acquisitions;
- potential loss of, or harm to, relationships with employees, customers and suppliers; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition rationale;

Any of the above risks could significantly impair the Company's ability to manage its business and materially and adversely affect its business, results of operations and financial condition.

### ***The Company may be unable to realize revenues represented by awarded business, which could materially and adversely affect the Company's business, financial condition, results of operations, and cash flows.***

The realization of future revenues from awarded business is subject to risks and uncertainties, including the number of vehicles that the Company's customers will actually produce, the timing of that production and the mix of options that its customers may choose.

In addition to not having a commitment from the Company's customers regarding the minimum number of products they must purchase from the Company if it obtains awarded business, the terms and conditions of the agreements with the Company's customers typically provide that they have the contractual right to unilaterally terminate its contracts with only limited notice. If such contracts are terminated by its customers, the Company's ability to obtain compensation from its customers for such termination is generally limited to the direct out-of-pocket costs that the Company incurred for raw materials and work-in-progress, and in certain rare instances, un-depreciated capital expenditures.

The Company bases a substantial part of planning on the anticipated lifetime revenues of particular products. The Company calculate the lifetime revenues of a product by multiplying its expected price for a product by the forecasted production volume for that product during the length of time the Company expects the related vehicle to be in production. The Company uses a third-party forecasting services to provide long-term forecasts, which allow the Company to determine how

long a vehicle is expected to be in production. If the Company over-estimates the production units or if a customer reduces its level of anticipated purchases of a particular platform as a result of reduced demand, the Company's actual revenues for that platform may be substantially less than the lifetime revenues the Company 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, the Company must commit substantial resources in preparation for production under awarded customer business well in advance of the customer's production start date. The Company's results of operations may be materially

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adversely affected in the future if it is unable to recover these types of pre-production costs if the Company's customers cancel awarded business or if the technology supporting the awarded business becomes obsolete.

***The Company is dependent upon large customers for current and future revenues. The loss of all or a substantial portion of its sales to any of these customers or the loss of market share by these customers could have a material adverse impact on the Company.***

The Company depends on major vehicle manufacturers for a substantial portion of its net sales. For example, during 2014, GM and FCA accounted for 16.4% and 13.9% of the Company's revenues, respectively. In addition, as a result of the Company's recent acquisitions, the Company expects the portion of its revenues attributable to certain of its larger customers to increase. The loss of all or a substantial portion of the Company's sales to any of its large-volume customers could have a material adverse effect on the Company's financial condition and results of operations by reducing cash flows and its ability to spread costs over a larger revenue base. The Company may make fewer sales to these customers for a variety of reasons, including but not limited to: (1) loss of awarded business; (2) reduced or delayed customer requirements; (3) strikes or other work stoppages affecting production by the customers; or (4) reduced demand for its customers' products. In addition, the Company's sales contracts are generally one year in duration and may be terminated at its customers' discretion upon 30 days' notice.

In addition, the Company's OEMs customers compete intensively against each other and other OEMs. The loss of market share by any of the Company's significant OEMs could have a material adverse effect on its business unless the Company is able to achieve increased sales to other OEMs.

***The Company's inability to effectively manage the timing, quality and costs of new program launches could adversely affect the Company's financial performance.***

In connection with the award of new business, the Company obligates itself to deliver new products and services that are subject to the Company's customers' timing, performance and quality standards. Additionally, as a Tier 1 supplier, the Company must effectively coordinate the activities of numerous suppliers in order for the program launches of its products to be successful. Given the complexity of new program launches, the Company may experience difficulties managing product quality, timeliness and associated costs. In addition, new program launches require a significant ramp up of costs; however, the Company's sales related to these new programs generally are dependent upon the timing and success of its customers' introduction of new vehicles. For example, the Company experienced a significant delay in revenue in connection with the Ford production delay that resulted from the implementation of the new aluminum-alloy body in the 2015 F-150. The Company's inability to effectively manage the timing, quality and costs of these new program launches could adversely affect its financial condition, operating results and cash flows. Finally, even if the Company successfully manages the timing, quality and cost of a new program launch with respect to its operations, its customers' production delays may be caused by other of its customers' suppliers, which could adversely affect the Company's financial condition, operating results and cash flows.

***Automotive production and sales are highly cyclical and a downturn will adversely affect the Company's business, financial condition, results of operations, and cash flows.***

The highly cyclical nature of the automotive industry presents a risk that is outside the Company's control and that cannot be accurately predicted. The cyclical nature depends 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. In addition, customer production changeovers or new program launches may result in altered or delayed production cycles, which may reduce or delay purchases of its products by its customers. As a result, automotive production and sales may fluctuate significantly from year-to-year and such fluctuations may give rise to changes in demand for the Company's products. The Company's business is directly related to the volume of automotive production and, because it has significant fixed production costs, declines in the Company's customers' production levels can have a significant adverse effect on its results of operations. Decreases in demand for automobiles generally, or decreases in demand for the Company's products in particular, could materially and adversely affect its business, financial condition, results of operations, and cash



flows.

***The automotive industry is seasonal and a downturn will adversely affect the Company's business, financial condition, results of operations, and cash flows.***

The automotive industry is seasonal. Some of the Company's largest OEM customers typically shut down vehicle production during certain months or weeks of the year. For example, the Company's OEM customers in Europe typically shut down operations during portions of July and August and one week in December, while its OEM customers in North America typically close assembly plants for two weeks in July and one week in December. During these downturns, the Company's customers

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will generally reduce the number of production days because of lower demands and reduce excess vehicle inventory. Such seasonality could have a material adverse effect on the Company's business, financial condition and results of operations.

***A material disruption at one of the Company's manufacturing facilities could prevent us from meeting customer demand, reduce the Company's revenues or negatively affect the Company's results of operation and financial condition.***

Any of the Company's manufacturing facilities, or any of its machines or equipment within an otherwise operational facility, could cease operations unexpectedly due to a number of events, including:

- unscheduled maintenance outages;
- prolonged power failures;
- an equipment failure;
- labor difficulties;
- disruptions in transportation infrastructure, including roads, bridges, railroad tracks and tunnels;
- fires, floods, windstorms, earthquakes, hurricanes or other catastrophes;
- terrorism or threats of terrorism;
- governmental regulations; and
- other operational problems.

Any such disruption could prevent the Company from meeting customer orders, reduce the Company's revenues or profits and negatively affect the Company's results of operations and financial condition.

***The decreasing number of automotive parts suppliers and pricing pressures from the Company's automotive customers could make it more difficult for it to compete in the highly competitive automotive industry.***

The automotive parts industry is highly competitive. Bankruptcies and consolidation among automotive parts suppliers are reducing the number of competitors, resulting in larger competitors who benefit from purchasing and distribution economies of scale. The Company's inability to compete with these larger suppliers in the future could result in a reduction of, or inability to increase, revenues, which would adversely affect its business, financial condition, results of operations, and cash flows.

The Company faces significant competition within each of its major product areas. The principal competitive factors include price, quality, global presence, service, product performance, design and engineering capabilities, new product innovation, and timely delivery. The Company also face significant competitive pricing pressures from its automotive customers. Because of their purchasing size, the Company's automotive customers can influence market participants to compete on price terms. If the Company is not able to offset pricing reductions resulting from these pressures by improving operating efficiencies and reducing expenditures, those pricing reductions may have an adverse effect on the Company's business.

The Company cannot provide assurance that it 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 the Company's business.

***Fluctuations between foreign currencies and the U.S. dollar could harm the Company's financial results.***

The Company derived approximately 16.7% of its revenue in the second quarter of fiscal 2015 from its non-U.S. operations. The financial position and results of operations of certain of the Company's international operations are measured using the foreign currency in the jurisdiction of operation of such business as the functional currency. As a result, the Company is exposed to currency fluctuations both in receiving cash from its international operations and in translating its financial results back to U.S. dollars. Assets and liabilities of the Company's international operations are translated at the exchange rate in effect at each balance sheet date. The Company's income statement accounts are translated at the average rate of exchange prevailing during each fiscal quarter. A strengthening U.S. dollar against relevant foreign currency reduces the amount of income the Company recognizes from its international operations. The Company cannot predict the effects of further exchange rate fluctuations on its future operating results. As exchange rates vary, the Company's results of operations

and profitability may be harmed. The Company may use a combination of natural hedging techniques and financial derivatives to protect against certain foreign currency exchange rate risks. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial effect resulting from foreign currency variations. The gains or losses associated with hedging activities may adversely affect the Company's results of operations. In addition, the Company expects the portion of its revenue derived from international operations may increase in the future, due to the impact of its acquisitions and overall growth in foreign markets, among other reasons. The risks the Company faces in foreign currency transactions and translation may continue to increase as it further develops and expands its international operations.

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### ***Longer product lives of automotive parts may adversely affect demand for some of the Company's products.***

The average useful life of automotive parts has steadily increased in recent years due to innovations in products and technologies. As automotive product life cycles lengthen, opportunities to supply components for new programs may occur less frequently, which may reduce demand for some of the Company's products.

### ***Discontinuation of the vehicle models, engines or transmissions for which the Company manufactures products may adversely affect its business, financial condition and results of operations.***

The Company's typical sales contract provides for supplying a customer with its product requirements for particular programs, rather than manufacturing a specific quantity of components and systems. The initial terms of the Company's sales contracts typically range from one to six years, with automatic renewal provisions that generally result in its contracts running for the life of the program. The Company's contracts do not require its customers to purchase a minimum number of components or systems. The loss of awarded business or significant reduction in demand for vehicles for which it produces components and systems could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

### ***Significant increases and fluctuations in raw materials pricing could have a material adverse impact on the Company without proportionate recovery from its customers.***

Significant increases in the cost of certain raw materials used in the Company's products, such as aluminum, steel and magnesium ingot, or the cost of utility services required to produce its products, to the extent they are not timely reflected in the price it charges its customers or are otherwise mitigated, could materially and adversely impact the Company's results. Prices for raw material inputs can be impacted by many factors, including developments in global commodities markets, international trade policies and developments in technology. The amount of steel available for processing is a function of the production levels of primary steel producers.

The Company obtains steel from a number of primary steel producers and steel service centers. The majority of the steel is purchased through its customers' steel buying programs. Under these programs, the Company purchases steel at the price that its customers negotiated with the steel suppliers. In these cases, the Company takes ownership of the steel; however, its customers are responsible for commodity price fluctuations. If these programs are discontinued by its customers in the future, the Company would have to purchase materials in the open market, which would subject the Company to additional market risk. With respect to the steel it purchases in the open market, the Company uses centralized purchasing to purchase raw materials at the lowest competitive prices for the quantity purchased.

For the Company's aluminum and magnesium die casting business, the cost is handled in one of two ways. The primary method it uses is to secure quarterly purchase commitments based on customer releases and then pass the quarterly price changes to those customers utilizing published metal indexes. The second method it uses is to adjust prices monthly or quarterly, based on a referenced metal index plus additional material cost spreads agreed to by the Company and its customers. While the Company has been successful in the past recovering a significant portion of raw material costs, there is no assurance that the Company will continue to do so, or that increases in raw material costs will not adversely impact its business, financial condition, results of operations, and cash flows. In addition, significant increases in raw material prices may cause customers to redesign certain components or use alternative materials, which could result in reduced revenues, which could in turn adversely affect the Company's business, financial condition, results of operations and cash flows.

### ***Disruptions in the automotive supply chain could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.***

The automotive supply chain is subject to disruptions because the Company, along with its customers and suppliers, attempts to maintain low inventory levels. Disruptions could result from a variety of situations, such as the closure of one of its or the Company's 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 the Company is the cause for a customer being forced to halt production, the customer may seek to recoup all of its losses and expenses from the Company. Any disruptions affecting the Company or caused by the Company could have a material adverse effect on its business, financial condition, results of operations and cash flows.

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***The Company may incur material costs related to plant closings, which could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.***

If the Company must close manufacturing facilities 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, the Company may close a manufacturing facility that is operated under a lease agreement and it may continue to incur material costs in accordance with the lease agreement. The Company attempts to align production capacity with demand; however, the Company cannot provide assurance that plants will not have to be closed.

***The hourly workforce in the Company's industry is highly unionized and the Company's business could be adversely affected by labor disruptions.***

As of October 31, 2014, approximately 19.7% of the Company's U.S. hourly employees and 60% of the Company's non-U.S. employees are unionized. Although the Company considers its current relations with its employees to be satisfactory, if major work disruptions were to occur, the Company's business could be adversely affected by, for instance, a loss of revenues, increased costs or reduced profitability. The Company has not experienced a material labor disruption in its recent history, but there can be no assurance that the Company will not experience a material labor disruption at one of its facilities in the future in the course of renegotiation of its labor arrangements or otherwise.

In addition, many of the hourly employees of FCA and GM in North America and many of their other suppliers are unionized. Vehicle manufacturers, their suppliers and their respective employees in other countries are also subject to labor agreements. A work stoppage or strike at one of the Company's production facilities, at those of a customer, or impacting a supplier of the Company's or any of its customers, such as the 2008 strike at a Tier 1 supplier that resulted in 30 GM facilities in North America being idled for several months, could have an adverse impact on the Company by disrupting demand for the Company's products and/or its ability to manufacture its products.

***The Company may incur costs related to product warranties, environmental and regulatory matters, legal proceedings and other claims, which could have a material adverse impact on its financial condition and results of operations.***

From time to time, the Company receives product warranty claims from its customers, pursuant to which the Company may be required to bear costs of repair or replacement of certain of the Company's products. Vehicle manufacturers require their outside suppliers to guarantee or warrant their products and to be responsible for the operation of these component products in new vehicles sold to consumers. Warranty claims may range from individual customer claims to full recalls of all products in the field.

The Company is subject to extensive government regulations worldwide. Foreign, federal, state and local laws and regulations may change and the Company's compliance with new or amended laws and regulations in the future may materially increase its costs and could adversely affect the Company's results of operations and competitive position. Violations of the laws and regulations the Company is subject to could result in civil and criminal fines, penalties and sanctions against the Company, its officers or its employees, as well as prohibitions on the conduct of its business, and could also materially affect the Company's reputation, business and results of operations. In addition, foreign, federal, state and local regulatory and legislative bodies have proposed various legislative and regulatory measures relating to climate change, regulating greenhouse gas emissions and energy policies. Due to the uncertainty in the regulatory and legislative processes, as well as the scope of such requirements and initiatives, the Company cannot currently determine the effect such legislation and regulation may have on its operations or on the production of, or demand for, vehicles.

The Company also from time to time is involved in a variety of legal proceedings, claims or investigations. These matters typically are incidental to the conduct of its business. Some of these matters involve allegations of damages against the Company relating to environmental liabilities, intellectual property matters, personal injury claims, taxes, employment matters or commercial or contractual disputes or allegations relating to legal compliance by the Company or its employees.

The Company vigorously defends itself in connection with all of the matters described above. The Company cannot, however, assure you that the costs, charges and liabilities associated with these matters will not be material, or that those

costs, charges and liabilities will not exceed any amounts reserved for them in the Company's consolidated financial statements. In future periods, the Company could be subject to cash costs or charges to earnings if any of these matters are resolved unfavorably to the Company.

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***Product recalls by vehicle manufacturers could negatively impact the Company's production levels, which could have a material adverse effect on the Company's business, financial condition and results of operations.***

Historically, there have been significant product recalls by some of the world's largest vehicle manufacturers. Recalls may result in decreased vehicle production as a result of a manufacturer focusing its efforts on the problems underlying the recall rather than generating new sales volume. In addition, consumers may elect not to purchase vehicles manufactured by the vehicle manufacturer initiating the recall, or by vehicle manufacturers in general, while the recalls persist. The Company does not maintain insurance in the United States for product recall matters, as such insurance is not generally available on acceptable terms. Any reduction in vehicle production volumes, especially by its OEM customers, could have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company is subject to a variety of environmental, health and safety laws and regulations and the cost of complying, or its failure to comply with such requirements may have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.***

The Company is subject to a variety of federal, state and local environmental laws and regulations relating to the release or discharge of materials into the environment, the management, use, processing, handling, storage, transport or disposal of hazardous waste materials, or otherwise relating to the protection of public and employee health, safety and the environment. These laws and regulations expose the Company to liability for the environmental condition of its current facilities, and also may expose the Company to liability for the conduct of others or for its actions that were in compliance with all applicable laws at the time these actions were taken. These laws and regulations also may expose the Company to liability for claims of personal injury or property damage related to alleged exposure to hazardous or toxic materials in foreign countries. Despite the Company's intentions to be in compliance with all such laws and regulations, the Company cannot guarantee that it will at all times be in compliance with all such requirements. The cost of complying with these requirements may also increase substantially in future years. If the Company violates or fails to comply with these requirements, it could be fined or otherwise sanctioned by regulators. These requirements are complex, change frequently and may become more stringent over time, which could have a material adverse effect on the Company's business.

The Company's failure to maintain and comply with environmental permits that it is required to maintain could result in fines or penalties or other sanctions and have a material adverse effect on the Company's operations or results. Future events, such as new environmental regulations or changes in or modified interpretations of existing laws and regulations or enforcement policies, newly discovered information or further investigation or evaluation of the potential health hazards of products or business activities, may give rise to additional compliance and other costs that could have a material adverse effect on the Company's business, financial conditions, results of operations and cash flows.

The Company cannot assure you that the costs, charges and liabilities associated with these matters will not be material, or that those costs, charges and liabilities will not exceed any amounts reserved for them in the Company's consolidated financial statements.

***New regulations related to conflict-free minerals may force the Company to incur additional expenses and otherwise adversely impact the Company's business.***

Additionally, new regulations related to "conflict minerals" may force the Company to incur additional expenses and may make its supply chain more complex. In August 2012 the SEC adopted annual disclosure and reporting requirements for those companies who use certain minerals known as "conflict minerals" mined from the Democratic Republic of Congo and adjoining countries in their products. These new requirements required due diligence efforts in 2013, with initial disclosure requirements which began in 2014. There are significant costs associated with complying with these disclosure requirements, including for diligence to determine the sources of conflict minerals used in the Company's products and other potential changes to products, processes or sources of supply as a consequence of such verification activities.

***The Company is involved from time to time in legal proceedings, claims or investigations, which could have an adverse impact on the Company's business, financial condition, results of operations, and cash flows.***

The Company is involved from time to time in legal proceedings, claims or investigations that could be significant.



These are typically claims that arise in the normal course of its business including, without limitation, commercial or contractual disputes, including disputes with suppliers, intellectual property matters, personal injury claims, environmental issues, tax matters and employment matters. No assurances can be given that such proceedings and claims will not have a material adverse impact on the Company's profitability and consolidated financial position.

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***The Company has goodwill, which, if it becomes impaired, would result in a reduction in the Company's net income and equity.***

Goodwill represents the excess cost of an acquisition over the fair value of the net assets acquired. GAAP requires that goodwill be periodically evaluated for impairment based upon the fair value of the reporting unit. As of April 30, 2015, the Company had approximately \$29.1 of goodwill, or 4.5% of its total assets, that could be subject to impairment. Declines in the Company's profitability or the value of comparable companies may impact the fair value of the Company's reporting units, which could result in a write-down of goodwill and a reduction of net income.

***The Company relies on information technology and a failure of its information technology infrastructure could adversely impact its business and operations.***

The Company's operations rely on a number of information technologies to manage, store and support business activities. The Company has a number of systems, processes and practices in place that are designed to protect against the failure of its systems. The Company recognizes the increasing volume of cyber-attacks and employ commercially practical efforts to provide reasonable assurance such attacks are appropriately mitigated. The Company's systems and those of its service providers are vulnerable to circumstances beyond its reasonable control including acts of terror, acts of government, natural disasters, civil unrest and denial of service attacks which may lead to the theft of the Company's intellectual property, trade secrets, or business disruption. To the extent that any disruptions or security breach results in a loss or damage to its data, or an inappropriate disclosure of confidential information, it could cause significant damage to its reputation, affect its relationships with the Company's customers, suppliers and employees, lead to claims against it and ultimately harm the Company's business. Additionally, the Company may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

***If the Company is unable to protect its intellectual property or if a third party makes assertions against the Company or its customers relating to intellectual property rights, the Company's business could be adversely affected.***

The Company owns important intellectual property, including patents, trademarks, copyrights and trade secrets, and could be involved in licensing arrangements. The Company's intellectual property plays an important role in maintaining its competitive position. Notwithstanding its intellectual property portfolio, the Company's competitors may develop technologies that are similar or superior to its proprietary technologies or design around the patents it owns or license. Various patent, copyright, trade secret and trademark laws provide limited protection and may not prevent its competitors from duplicating the Company's products or gaining access to its proprietary information. Further, as the Company expands its operations in jurisdictions where the protection of intellectual property rights is less robust, the risk of others duplicating its proprietary technologies increases, despite efforts the Company undertakes to protect them.

On occasion, the Company may assert claims against third parties who are taking actions that it believes is infringing on the Company's intellectual property rights. Similarly, third parties may assert claims against the Company and its customers and distributors alleging its products infringe upon third party intellectual property rights. These claims, regardless of their merit or resolution, are frequently costly to prosecute, defend or settle and divert the efforts and attention of the Company's management and employees. Claims of this sort also could harm its relationships with its customers and might deter future customers from doing business with the Company. If any such claim were to result in an adverse outcome, the Company could be required to take actions which may include: expending significant resources to develop or license non-infringing products; paying substantial damages to third parties, including to customers to compensate them for their discontinued use or replacing infringing technology with non-infringing technology; or cessation of the manufacture, use or sale of the infringing products. Any of the foregoing results could have a material adverse effect on the Company's business, financial condition, results of operations, or its competitive position.

***The Company is subject to risks associated with changing manufacturing technologies, which could place it at a competitive disadvantage.***

The successful implementation of the Company's business strategy requires it to continuously evolve its existing products and introduce new products to meet customers' needs. The Company's products are characterized by stringent

performance and specification requirements that mandate a high degree of manufacturing and engineering expertise. If the Company fails to meet these requirements, the Company's business could be at risk.

The Company believes that its customers rigorously evaluate their suppliers on the basis of a number of factors, including:

- product quality;
- technical expertise and development capability;
- new product innovation;

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- reliability and timeliness of delivery;
- price competitiveness;
- product design capability;
- manufacturing expertise;
- operational flexibility;
- global production capabilities;
- customer service; and
- overall management.

The Company's success will depend on its ability to continue to meet its customers' changing specifications with respect to these criteria. The Company cannot assure you that it will be able to address technological advances or introduce new products that may be necessary to remain competitive within its businesses. Furthermore, the Company cannot assure you that it can adequately protect any of the Company's own technological developments to produce a sustainable competitive advantage.

### ***The Company is subject to risks associated with its use of highly specialized machinery that cannot be easily replaced.***

The Company's machinery and tooling are complex, cannot be easily replicated and have a long lead-time to manufacture. If there is a breakdown in such machinery and tooling, and the Company or its service providers are unable to repair in a timely fashion, obtaining replacement machinery or rebuilding tooling could involve significant delays and costs, and may not be available to the Company on reasonable terms. Any disruption to the Company's machinery could have a material adverse effect on the Company's business, financial condition and results of operations.

### ***The Company is subject to risks related to its international operations.***

The Company's manufacturing and distribution facilities in many regions and countries, including the United States, Mexico, Europe and Asia, sells its products worldwide. International operations are subject to various risks which could have a material adverse effect on those operations or its business as a whole, including:

- exposure to local economic conditions and labor issues;
- exposure to local political conditions, including the risk of seizure of assets by a foreign government;
- exposure to local social unrest, including any resultant acts of war, terrorism or similar events;
- exposure to local public health issues and the resultant impact on economic and political conditions;
- currency exchange rate fluctuations;
- hyperinflation in certain foreign countries;
- controls on the repatriation of cash, including imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries;
- export and import restrictions; and
- difficulties in penetrating new markets due to established and entrenched competitors.

The risks the Company faces in its international operations may continue to intensify as the Company further develops and expands its international operations.

### ***Certain of the Company's pension plans are underfunded and the Company has unfunded post-retirement benefit obligations, and additional cash contributions the Company may be required to make to its pension plans or amounts the Company may be required to pay in respect of post-retirement benefit obligations will reduce the cash available for its business, such as the payment of the Company's interest expense.***

Certain of the Company's employees in the United States are participants in defined benefit pension plans which it sponsors. As of October 31, 2014, the unfunded amount of the Company's U.S. pension plans was approximately \$22.7. While future benefit accruals under its U.S. defined benefit plans were frozen in 2004, the Company may have ongoing obligations to make contributions to its U.S. pension plans as required in accordance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code. In addition, the Company sponsors unfunded post-retirement benefits for a limited number of employees. As of October 31, 2014, the unfunded amount for these

post-retirement benefits was approximately \$0.64. Cash contributions to these plans and payment of these post-retirement benefit obligations will reduce the cash available for the Company's business such as the payment of interest expense on the notes or its other indebtedness. Under ERISA, the Pension Benefit Guaranty Corporation ("PBGC") has the authority to petition a court to terminate an underfunded defined benefit pension plan under limited circumstances. In the event the Company's pension plans are terminated by the PBGC, the Company could be liable to the PBGC for the entire amount of the underfunding, as calculated by the PBGC based on its own

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assumptions (which likely would result in a larger obligation than that based on the assumptions it has used to fund such plans), and, under certain circumstances, such liability could be senior to the notes.

***The Company may incur additional tax expense or become subject to additional tax exposure.***

The Company's provision for income taxes and the cash outlays required to satisfy its income tax obligations in the future could be adversely affected by changes in the level of earnings in the tax jurisdictions in which the Company operates, changes in the valuation of deferred tax assets, changes in its plans to reinvest the earnings of the Company's non-U.S. operations outside the United States and changes in tax laws and regulations. The Company's income tax returns are subject to examination by federal, state and local tax authorities in the United States and tax authorities outside the United States. The results of these examinations and the ongoing assessments of the Company's tax exposures could also have an adverse effect on its provision for income taxes and the cash outlays required to satisfy the Company's income tax obligations.

***If the Company loses any of its executive officers or key employees, the Company's operations and ability to manage the day-to-day aspects of the Company's business may be materially adversely affected.***

The Company's future performance substantially depends on its ability to retain and motivate executive officers and key employees. If the Company loses any of its executive officers or key employees, which have many years of experience with the Company and within the automotive industry and other manufacturing industries, or are unable to recruit qualified personnel, the Company's ability to manage the day-to-day aspects of its business may be materially adversely affected. The loss of the services of one or more executive officers or key employees, who also have strong personal ties with customers and suppliers, could have a material adverse effect on the Company's business, financial condition and results of operations.

***MTD Holdings Inc. may exercise significant influence over the Company.***

MTD Holdings Inc. and its affiliates are owners of approximately 48.8% of the Company's common stock. As a result, MTD Holdings Inc. and its affiliates have significant influence over the vote in any election of directors and thereby its policies and operations, including the appointment of management, future issuances of the Company's common stock or other securities, the payment of dividends, if any, on the Company's common stock, the incurrence of debt by the Company, amendments to the Company's amended and restated certificate of incorporation or bylaws and the entering into of extraordinary transactions, and its interests may not in all cases be aligned with your interests. In addition, MTD Holdings Inc. may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to the Company or conflict with the interests of the holders of the notes.

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**Item 6.           *Exhibits***

- 31.1 Principal Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 10.1 Fourth Amendment Agreement, dated April 29, 2015, among Shiloh Industries, Inc. (the "Company") and Shiloh Holdings Netherlands B.V., a besloten vennootschap met beperkte aansprakelijkheid organized under the laws of the Netherlands, with Bank of America, N.A., as Administrative Agent, Swing Line Lender, Dutch Swing Line Lender and an L/C Issuer, JPMorgan Chase Bank, N.A. as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities, LLC as Joint Lead Arrangers and Joint Book Managers, The PrivateBank and Trust Company, Compass Bank and Citizens Bank, N.A., as Co-Documentation Agents, and the other lender parties thereto.





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