

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

FORM 10-Q

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

For the quarterly period ended April 30, 2013

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

SHILOH INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0347683
(I.R.S. Employer
Identification No.)

880 Steel Drive, Valley City, Ohio 44280
(Address of principal executive offices—zip code)

(330) 558-2600
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant 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 May 23, 2013 was 17,004,679.

INDEX

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements:	
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Income	4
Condensed Consolidated Statements of Other Comprehensive Income	5
Condensed Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 4. Controls and Procedures	30
PART II. OTHER INFORMATION	
Item 5. Other Information	31
Item 6. Exhibits	32

PART I— FINANCIAL INFORMATION

Item 1. *Condensed Consolidated Financial Statements*

SHILOH INDUSTRIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands)

	April 30, 2013 (Unaudited)	October 31, 2012
ASSETS		
Cash and cash equivalents	\$ 143	\$ 174
Accounts receivable, net of allowance for doubtful accounts of \$364 and \$482 at April 30, 2013 and October 31, 2012, respectively	101,719	77,556
Related-party accounts receivable	3,581	536
Income tax receivable	—	1,201
Inventories, net	42,612	44,687
Deferred income taxes	2,205	2,153
Prepaid expenses	3,011	1,532
Total current assets	<u>153,271</u>	<u>127,839</u>
Property, plant and equipment, net	155,634	117,101
Goodwill	9,137	—
Intangible assets, net	11,104	—
Deferred income taxes	3,273	3,294
Other assets	1,067	868
Total assets	<u>\$ 333,486</u>	<u>\$ 249,102</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current debt	\$ —	\$ 447
Accounts payable	72,036	63,633
Other accrued expenses	25,717	21,395
Total current liabilities	<u>97,753</u>	<u>85,475</u>
Long-term debt	88,700	21,150
Long-term benefit liabilities	31,190	32,819
Other liabilities	2,217	2,255
Total liabilities	<u>219,860</u>	<u>141,699</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 per share; 5,000,000 shares authorized; no shares issued and outstanding at April 30, 2013 and October 31, 2012, respectively	—	—
Common stock, par value \$.01 per share; 25,000,000 shares authorized; 17,001,679 and 16,983,012 shares issued and outstanding at April 30, 2013 and October 31, 2012, respectively	170	169
Paid-in capital	65,756	65,120
Retained earnings	79,011	73,425
Accumulated other comprehensive loss: Pension related liability, net	(31,311)	(31,311)
Total stockholders' equity	<u>113,626</u>	<u>107,403</u>
Total liabilities and stockholders' equity	<u>\$ 333,486</u>	<u>\$ 249,102</u>

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)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
Revenues	\$ 182,146	\$ 162,831	\$ 327,529	\$ 295,202
Cost of sales	161,759	146,374	295,380	269,083
Gross profit	20,387	16,457	32,149	26,119
Selling, general and administrative expenses	8,879	7,209	16,516	13,857
Asset recovery	—	(558)	(7)	(623)
Operating income	11,508	9,806	15,640	12,885
Interest expense	564	525	994	811
Interest income	13	—	19	—
Other income (expense), net	(22)	(25)	(46)	22
Income before income taxes	10,935	9,256	14,619	12,096
Provision for income taxes	3,686	3,351	4,787	4,612
Net income	<u>\$ 7,249</u>	<u>\$ 5,905</u>	<u>\$ 9,832</u>	<u>\$ 7,484</u>
Earnings per share:				
Basic earnings per share	<u>\$ 0.43</u>	<u>\$ 0.35</u>	<u>\$ 0.58</u>	<u>\$ 0.45</u>
Basic weighted average number of common shares	<u>16,998</u>	<u>16,844</u>	<u>16,993</u>	<u>16,804</u>
Diluted earnings per share	<u>\$ 0.43</u>	<u>\$ 0.35</u>	<u>\$ 0.58</u>	<u>\$ 0.44</u>
Diluted weighted average number of common shares	<u>17,043</u>	<u>16,903</u>	<u>17,041</u>	<u>16,883</u>

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

SHILOH INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
Net income	\$ 7,249	\$ 5,905	\$ 9,832	\$ 7,484
Other comprehensive income, net of tax:				
Defined benefit pension plans & other postretirement benefits	—	—	—	—
Comprehensive income, net	<u>\$ 7,249</u>	<u>\$ 5,905</u>	<u>\$ 9,832</u>	<u>\$ 7,484</u>

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

SHILOH INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Six Months Ended April 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 9,832	\$ 7,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,392	9,802
Asset recovery	(7)	(623)
Amortization of deferred financing costs	150	163
Deferred income taxes	36	(11)
Stock-based compensation expense	374	413
Gain on sale of assets	—	(98)
Changes in operating assets and liabilities:		
Accounts receivable	(18,029)	(18,412)
Inventories	5,945	(7,969)
Prepays and other assets	479	648
Payables and other liabilities	920	9,642
Accrued income taxes	3,300	2,907
Net cash provided by operating activities	<u>12,392</u>	<u>3,946</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(12,449)	(5,749)
Acquisitions, net of cash acquired	(63,066)	—
Proceeds from sale of assets	7	847
Net cash used for investing activities	<u>(75,508)</u>	<u>(4,902)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(4,226)	(8,422)
Proceeds from long-term borrowings	81,750	17,900
Repayments of long-term borrowings	(14,200)	(8,700)
Payment of deferred financing costs	(349)	(40)
Proceeds from exercise of stock options	110	268
Net cash provided by financing activities	<u>63,085</u>	<u>1,006</u>
Net increase (decrease) in cash and cash equivalents	(31)	50
Cash and cash equivalents at beginning of period	174	20
Cash and cash equivalents at end of period	<u>\$ 143</u>	<u>\$ 70</u>
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 789	\$ 605
Cash paid for income taxes	\$ 1,341	\$ 1,616

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 per share data)****Note 1—Basis of Presentation**

The condensed consolidated financial statements have been prepared by Shiloh Industries, Inc. and its subsidiaries (the "Company"), 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, 2012.

Revenues and operating results for the six months ended April 30, 2013 are not necessarily indicative of the results to be expected for the full year.

Prior Year Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

Note 2—New Accounting Standards

The new accounting standard, "Comprehensive Income", becomes effective for fiscal years beginning after December 15, 2011, which for the Company was the first quarter ending January 31, 2013. This standard requires that other comprehensive income be presented as either a separate statement, or as an addition to the statement of income and prohibits the presentation of other comprehensive income in the statement of shareholders' equity. The Company has adopted this new guidance with no restatement required for prior periods.

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities. This ASU requires companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting arrangement. This guidance is effective retrospectively for interim and annual periods beginning on or after January 1, 2013. The Company anticipates the adoption of this guidance will not materially impact its current disclosures.

Note 3—Acquisitions**Albany-Chicago Company LLC**

On December 28, 2012, the Company, through a wholly-owned subsidiary, entered into and consummated the transactions contemplated by a Membership Interest Purchase Agreement, dated December 28, 2012 (the "Purchase Agreement"), among the subsidiary and all of the equity owners of Albany-Chicago Company LLC ("Pleasant Prairie"), a producer of aluminum die cast and machined parts for the motor vehicle industry.

The Company acquired Pleasant Prairie in order to further our investment in light weighting technologies and expand the diversity of our customer base, product offering and geographic footprint. Pleasant Prairie'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 Purchase Agreement was \$57,173, including \$56,792 (\$56,337 net of cash acquired) in cash on the date of acquisition and \$381 of working capital adjustments settled on April 15, 2013. Of this amount, \$3,000 in cash was placed into escrow, and will serve as security for any indemnification claims made by the Company under the Purchase Agreement.

The acquisition of Pleasant Prairie has been accounted for using the acquisition method in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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	\$	455
Accounts receivable		9,179
Inventory		2,711
Prepaid assets and other		1,851
Property, plant and equipment		28,688
Intangible assets		11,524
Other non-current assets		67
Goodwill		9,137
Accounts payable and other		(6,439)
Net assets acquired	\$	<u>57,173</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 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 synergies expected after the Company's acquisition of Pleasant Prairie. All of the goodwill was allocated to the Company's Pleasant Prairie subsidiary. The total amount of goodwill expected to be deductible for tax purposes is \$20,711 and is estimated to be deductible over approximately 15 years.

Of the \$11,524 of acquired intangible assets, \$8,906 was assigned to customers that have a useful life of approximately 13 years and \$1,877 was assigned to trade names with an estimated useful life of approximately 15 years, and \$741 was assigned to non-competition agreements with an estimated useful life of approximately 2 years. The fair values assigned to identifiable intangible assets acquired has 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 amounts assigned to intangible assets were based on management's preliminary estimate of the fair value. The total amount of identifiable intangible assets expected to be deductible for tax purposes is \$11,524 and is estimated to be deductible over approximately 15 years.

The amounts of revenue and net income of Pleasant Prairie included in the Company's consolidated statements of income for the three months ended April 30, 2013 and from the acquisition date to the period ending April 30, 2013 are as follows:

Pleasant Prairie Results of Operations	For the three months ended April 30, 2013	From December 28, 2012 - April 30, 2013
Revenue	\$ 17,181	\$ 22,709
Net income	\$ 367	\$ 379

Atlantic Tool & Die - Alabama, Inc.

On December 13, 2012, the Company acquired certain assets of Atlantic Tool & Die - Alabama, Inc. ("Anniston"), a metal stamping, welding and value added assembly company. The Company acquired Anniston in order to expand the diversity of our customer base and the availability of desired assets. The results of operations for Anniston are included in the Company's

condensed consolidated financial statements from the date of acquisition. The Company has performed a preliminary allocation of the purchase price and preliminarily assigned fair value of the identifiable assets acquired less liabilities assumed of \$6,347, which allocation was materially equal to the fair value of the purchase price of the business. As a result, the Company recognized no goodwill or bargain gain associated with the acquisition during the first six months of fiscal 2013. The Company is utilizing a third party to assist in the fair value determination of certain components of the purchase price allocation, namely fixed assets and intangible assets. The final valuation may change the allocation of the purchase price, which could affect the fair values assigned to the assets.

Assets acquired and liabilities assumed in the acquisition were recorded on the Company's condensed consolidated balance sheets at their estimated fair values as of the date of the acquisition. The Company acquired typical working capital items of inventories and other assets, net of certain employee benefit liabilities assumed, of \$1,214, and property, plant and equipment of \$5,133.

Pro Forma Consolidated Results

The following supplemental pro forma information presents the financial results for the three months ended April 30, 2013 as if the acquisition of Pleasant Prairie had occurred on November 1, 2012, and for the three months ended April 30, 2012 as if the acquisition had occurred on November 1, 2011. In addition, the following supplemental pro forma information presents the financial results for the six months ended April 30, 2013 as if the acquisition of Pleasant Prairie had occurred on November 1, 2012, and for the six months ended April 30, 2012 as if the acquisition had occurred on November 1, 2011. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of Pleasant Prairie. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisition 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 intangible assets acquired of approximately \$308 and \$242 for the three month periods ended April 30, 2013 and April 30, 2012, respectively, and \$582 and \$484 for the six month periods ended April 30, 2013 and April 30, 2012, respectively. Pro forma information related to the Anniston acquisition is not included in the table below as its financial results were not considered to be significant to the Company's operating results for the periods presented.

Pro forma consolidated results (in thousands, except for per share data):	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
Revenue	\$ 182,146	\$ 183,066	\$ 337,779	\$ 334,460
Net income	\$ 7,249	\$ 6,609	\$ 9,488	\$ 8,242
Basic earnings per share	\$ 0.43	\$ 0.39	\$ 0.56	\$ 0.49
Diluted earnings per share	\$ 0.43	\$ 0.39	\$ 0.56	\$ 0.49

Note 4—Asset Impairment and Recoveries

Impairment recoveries of \$7 were recorded during the first six months of fiscal 2013 for cash received upon the sale of assets from the Company's Mansfield Blanking facility, which was impaired in fiscal 2010.

Impairment recoveries of \$623 were recorded during the first six months of fiscal 2012 for cash received upon sales of assets, including \$489 from the Company's Mansfield Blanking facility, which was impaired in fiscal 2010, and \$129 from the Company's Liverpool Stamping facility, which was impaired in fiscal 2009, with the remaining \$5 of recoveries coming from other assets impaired in prior periods.

Note 5—Related Party Receivables

The Company had related party receivable balances for the period ended April 30, 2013 and October 31, 2012 of \$3,581 and \$536, respectively, due from MTD Products Inc and its affiliates. The increase in the related party receivable balance for the period ended April 30, 2013 is higher due to the seasonality of the business of MTD Products Inc and its affiliates with the majority of the Company's sales occurring during its second and third quarters.

Note 6—Inventories

Inventories consist of the following:

	April 30, 2013	October 31, 2012
Raw materials	\$ 16,152	\$ 17,705
Work-in-process	7,027	6,236
Finished goods	8,792	8,513
Total material	31,971	32,454
Tooling	10,641	12,233
Total inventory	<u>\$ 42,612</u>	<u>\$ 44,687</u>

Total cost of inventory is net of reserves to reduce certain inventory from cost to net realizable value. Such reserves aggregated \$793 and \$566 at April 30, 2013 and October 31, 2012, respectively.

Customer reimbursed tooling inventories totaling \$10,641 decreased \$1,592 for tooling related to new program awards that go into production throughout the remainder of fiscal 2013 and into fiscal 2014.

Note 7—Property, Plant and Equipment

Property, plant and equipment consist of the following:

	April 30, 2013	October 31, 2012
Land and improvements	\$ 8,473	\$ 8,408
Buildings and improvements	101,281	99,855
Machinery and equipment	375,394	341,568
Furniture and fixtures	12,383	11,372
Construction in progress	24,743	13,636
Total, at cost	522,274	474,839
Less: Accumulated depreciation	366,640	357,738
Property, plant and equipment, net	<u>\$ 155,634</u>	<u>\$ 117,101</u>

Note 8—Intangible Assets

Intangible assets acquired with the acquisitions described at Note 3 consist of the following:

April 30, 2013

	Useful Life	Cost	Accumulated Amortization	Net
Trade name	15 years	\$ 1,877	\$ (42)	\$ 1,835
Non-compete	2 years	741	(123)	618
Customer Relationships	13 years	8,906	(255)	8,651
		<u>\$ 11,524</u>	<u>\$ (420)</u>	<u>\$ 11,104</u>

Total amortization expense for the three and six months ending April 30, 2013 was \$308 and \$420, respectively. Amortization expense related to intangible assets for the following fiscal years ending is estimated to be as follows:

2013	\$	984
2014		1,181
2015		872
2016		810
2017		810
Thereafter		6,867
	\$	<u>11,524</u>

Note 9—Financing Arrangements

Debt consists of the following:

	April 30, 2013	October 31, 2012
Credit Agreement —interest at 2.08% and 2.87% at April 30, 2013 and October 31, 2012, respectively	\$ 88,700	\$ 21,150
Insurance broker financing agreement	—	447
Total debt	88,700	21,597
Less: Current debt	—	447
Total long-term debt	<u>\$ 88,700</u>	<u>\$ 21,150</u>

The weighted average interest rate of all debt was 1.90% and 2.80% for the six months ended April 30, 2013 and April 30, 2012, respectively.

On April 19, 2011, the Company entered into an amended and restated Credit and Security Agreement (the “Agreement”) with a syndicate of lenders led by The Privatebank and Trust Company, as co-lead arranger, sole book runner and administrative agent, and PNC Capital Markets, LLC, as co-lead arranger, and PNC Bank, National Association, as syndication agent. The Agreement amends and restates in its entirety the Company’s Credit Agreement, dated as of August 1, 2008.

The Agreement had a five-year term and provided for an \$80 million secured revolving line of credit, which could be increased up to \$120 million subject to the Company’s pro forma compliance with financial covenants, the administrative agent’s approval and the Company obtaining commitments for such increase. The Company is permitted to prepay the borrowings under the revolving credit facility without penalty.

The Agreement specifies that upon the occurrence of an event or condition deemed to have a material adverse effect on the business or operations of the Company, as determined by the administrative agent of the lending syndicate or the required lenders, defined as 51% of the aggregate commitment under the Agreement, the outstanding borrowings become due and payable at the option of the required lenders. The Company does not anticipate at this time any change in business conditions or operations that could be deemed a material adverse effect by the lenders.

Borrowings under the 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.

On January 31, 2012, the Company entered into a First Amendment Agreement (the “First Amendment”) to the Agreement.

The First Amendment continued the Company's revolving line of credit up to \$80 million through April 2016 with a modification to the calculation of the fixed charge coverage ratio to allow for payment of a special dividend declared on February 1, 2012 and other modifications to allow the Company to participate in certain customer-sponsored financing arrangements allowing for early, discounted payment of Company invoices.

On December 26, 2012, the Company entered into a Second Amendment Agreement (the "Second Amendment") to the Agreement. The Second Amendment extends the commitment period to December 25, 2017 and increases the Company's revolving line of credit to \$120 million, which may be increased to up to \$200 million 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 Agreement, as amended, bear interest, at the Company's option, at the London Interbank Offered Rate ("LIBOR") or the base (or "prime") rate established from time to time by the administrative agent, in each case plus an applicable margin. The Second Amendment reduced the interest rate margin on LIBOR loans from 2.5% to 1.5% and maintained a 0% rate margin on base rate loans through March 31, 2013. Thereafter, the interest rate margin on LIBOR loans will be 1.5% to 2.5% and on base rate loans will be 0% to 1.0%, depending on the Company's leverage ratio.

The Second Amendment also amends the maximum leverage and fixed charge coverage ratios. The Second Amendment increased the permitted leverage ratio from 2.25 to 2.85 and specifies that the leverage ratio shall not exceed 2.85 to 1.00 to the conclusion of the Agreement. Further, the Second Amendment reduced the fixed charge coverage ratio from 2.50 to 2.00 and specifies that the fixed charge coverage ratio shall not be less than 2.00 to 1.00 to the conclusion of the Agreement. The Company was in compliance with the financial covenants as of April 30, 2013.

After considering letters of credit of \$1,748 that the Company has issued, available funds under the Agreement were \$29,552 at April 30, 2013.

Borrowings under the 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.

In July 2012, the Company entered into a finance agreement with an insurance broker for various insurance policies that bears interest at a fixed rate of 2.53% and requires monthly payments of \$75 through April 2013. As of April 30, 2013, \$0 remained outstanding under this agreement.

Scheduled repayments under the terms of the Agreement plus repayments of other debt for the next five years are listed below:

<u>Twelve Months ended April 30,</u>	<u>Agreement</u>	<u>Other Debt</u>	<u>Total</u>
2014	\$ —	\$ —	\$ —
2015	—	—	—
2016	—	—	—
2017	—	—	—
2018	88,700	—	88,700
Total	<u>\$ 88,700</u>	<u>\$ —</u>	<u>\$ 88,700</u>

Note 10—Pension and Other Post-Retirement Benefit Matters

The components of net periodic benefit cost for the three and six months ended April 30, 2013 and 2012 are as follows:

	Pension Benefits		Other Post-Retirement Benefits	
	Three Months Ended April 30,		Three Months Ended April 30,	
	2013	2012	2013	2012
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	815	921	8	11
Expected return on plan assets	(934)	(813)	—	—
Recognized net actuarial loss	348	260	12	14
Net periodic benefit cost	\$ 229	\$ 368	\$ 20	\$ 25

	Pension Benefits		Other Post-Retirement Benefits	
	Six Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	1,630	1,841	17	22
Expected return on plan assets	(1,867)	(1,625)	—	—
Recognized net actuarial loss	696	520	24	27
Net periodic benefit cost	\$ 459	\$ 736	\$ 41	\$ 49

The Company made contributions of \$2,039 to the defined benefit pension plans during the six months ended April 30, 2013. The Company expects contributions to be \$3,111 for the remainder of fiscal 2013.

Note 11—Equity Matters

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 (as amended and restated December 12, 2002 and December 10, 2009) (the “Incentive Plan”), which authorizes grants to officers and other key employees 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, has been 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 and incentive stock options 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. In December 2011, options to purchase 56,500 shares were awarded to several officers and employees at an exercise price of \$8.10. These stock options are intended to qualify as incentive stock options. The fair values of these options were estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants awarded during fiscal year 2012:

	2012
Risk-free interest	1.20%
Dividend yield	0.00%
Volatility factor—market	88.26%
Expected life of options—years	6.00

Activity in the Company's stock option plan for the six months ended April 30, 2013 and 2012 was as follows:

	Fiscal 2013				Fiscal 2012			
	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at November 1	362,085	\$9.99			520,185	\$8.54		
Options:								
Granted	—	\$0.00			56,500	\$8.10		
Exercised	(18,167)	\$5.90			(87,239)	\$3.01		
Canceled	(75,149)	\$12.47			(34,753)	\$11.13		
Outstanding at April 30	268,769	\$9.57	6.53	\$486	454,693	\$9.28	6.98	\$789
Options exercisable at April 30	207,771	\$9.44	6.05	\$432	219,394	\$10.10	5.86	\$374

At April 30, 2013 and 2012, the exercise price of some of the Company's stock option grants was higher than the market value of the Company's stock. These grants are excluded from the computation of aggregate intrinsic value of the Company's outstanding and exercisable stock options.

In September 2012, 80,257 shares of restricted stock were granted to the newly appointed chief executive officer as part of his compensation package.

For the three and six months ended April 30, 2013, the Company recorded compensation expense related to stock options currently vesting, effectively reducing income before taxes by \$114 and \$228, respectively. For the three and six months ending April 30, 2012, the Company recorded compensation expense related to stock options currently vesting, effectively reducing income before taxes by \$204 and \$413, respectively. The impact on earnings per share was a reduction of \$0.01 per share basic and diluted in the second quarter of both fiscal 2013 and 2012. For the six months ended April 30, 2013, the impact on earnings per share was a reduction of \$0.01 per share basic and diluted and for the six months ended April 30, 2012, the impact on earnings per share was a reduction of \$0.02 per share basic and diluted. The total compensation cost related to unvested awards not yet recognized is expected to be a combined total of \$393 over the next two fiscal years. For the three and six months ended April 30, 2013, the total compensation cost related to the restricted stock currently vested is \$73 and \$146, respectively. The total estimated compensation cost related to the non-vested restricted stock is \$647 over the next three fiscal years.

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 Incentive Plan are included in the diluted earnings per share calculation to the extent they are dilutive. For the three and six months ended April 30, 2013, 72,535 and 67,793, respectively, stock options were excluded from the computation of diluted earnings per share because they were anti-dilutive. For the three and six months

ended April 30, 2012, 161,677 and 182,948, respectively, stock options 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,	
	2013	2012	2013	2012
Net income available to common stockholders	\$ 7,249	\$ 5,905	\$ 9,832	\$ 7,484
Basic weighted average shares	16,998	16,844	16,993	16,804
Effect of dilutive securities:				
Stock options	45	59	48	79
Diluted weighted average shares	17,043	16,903	17,041	16,883
Basic income per share	\$ 0.43	\$ 0.35	\$ 0.58	\$ 0.45
Diluted income per share	\$ 0.43	\$ 0.35	\$ 0.58	\$ 0.44

Comprehensive Income

Comprehensive income for the six months ended April 30, 2013 and 2012 was \$9,832 and \$7,484, respectively. As the pension plan is remeasured on an annual basis during the fourth quarter, comprehensive income does not include any effect of adjustments to estimated deferred taxes associated with the pension adjustments included in accumulated other comprehensive income.

Note 12—Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, trade receivables and payables approximate fair value because of the short maturity of those instruments. The carrying value of the Company's debt is considered to approximate the fair value of these instruments based on the borrowing rates currently available to the Company for loans with similar terms and maturities.

Note 13—Commitments and Contingencies

The Company is a party to certain lawsuits and claims arising in the normal course of its business. 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.

Note 14—Subsequent Events

None

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

(Dollars in thousands, except per share data)

General

Shiloh Industries, Inc. (the "Company") provides lightweighting and noise and vibration solutions to automotive, commercial vehicle and other industrial markets through its imaginative thinking and advanced capabilities. Shiloh delivers these solutions through design engineering and manufacturing of high-pressure die castings, first operation precision blanks, engineered welded blanks, complex stampings, modular assemblies and its patented AcroStik™ acoustic laminate metal solution. In addition, Shiloh is a designer and engineer of precision tools and dies, welding and assembly equipment for use in its blanking, welded blank, stamping and die casting operations and for sale to original equipment manufacturers ("OEMs") and, as a Tier II supplier, to Tier I automotive part manufacturers who in turn supply OEMs.

The products that the Company produces supply many models of vehicles manufactured by nearly all OEM's that produce vehicles in North America. As a result, the Company's revenues are heavily dependent upon the North American production of automobiles and light trucks of both the traditional domestic manufacturers, such as General Motors, Chrysler and Ford, the Asian OEM's (defined as Toyota, Honda, Renault/Nissan, Hyundai and Subaru) and BMW, Daimler, Tesla and Volkswagen. According to industry statistics (published by IHS Automotive), production volumes for the three months and six months ended April 30 were as follows:

	Three Months Ended April 30,			
	2013	2012	Increase	% Increase
	(Number of Vehicles in Thousands)			
Traditional domestic manufacturers	2,227	2,197	30	1.4%
Asian OEM's	1,550	1,473	77	5.2%
Other OEM's	352	332	20	6.0%
Total	4,129	4,002	127	3.2%

	Six Months Ended April 30,			
	2013	2012	Increase	% Increase
	(Number of Vehicles in Thousands)			
Traditional domestic manufacturers	4,219	4,105	114	2.8%
Asian OEM's	2,909	2,725	184	6.8%
Other OEM's	652	582	70	12.0%
Total	7,780	7,412	368	5.0%

Another significant factor affecting the Company's revenues is the Company's ability to successfully bid on and win the production and supply of parts for models that will be newly introduced to the market by the OEMs. These new model introductions typically go through a start of production phase with build levels that are higher than normal because the consumer supply network is filled to ensure adequate supply to the market, resulting in an increase in the Company's revenues for related parts at the beginning of the cycle.

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 to meet challenges of the industry and to achieve its strategy for sustainable global profitable growth.

Plant utilization levels are very important to profitability because of the capital-intensive nature of the Company's operations. At April 30, 2013, the Company's facilities were operating at approximately 62.5% capacity, compared to 56.6% capacity at April 30, 2012. The Company defines capacity as 20 working hours per day and five days per week (i.e.; 3-shift

operation). Utilization of capacity is dependent upon the releases against customer purchase orders that are used to establish production schedules and manpower and equipment requirements for each month and quarterly period of the fiscal year.

The significant majority of the steel purchased by the Company's stamping and engineered welded blank operations is purchased through the customers' resale steel 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 domestic primary steel producers and steel service centers. Domestic steel pricing has generally been flat 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. Toll processing operations result in lower revenues but higher gross margins than operations where the Company takes ownership of the steel. 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 die casting business, the cost of aluminum is handled in one of two ways. The primary method used by the Company is to secure quarterly aluminum purchase commitments based on customer releases and then pass the quarterly price changes to those customers utilizing published metal indexes. The second method is that prices are adjusted monthly, based on a referenced metal index plus additional material cost spreads agreed to by the Company and its customers.

Engineered scrap steel is a planned by-product of the Company's processing operations and part of our quoted cost to each customer. Net proceeds from the disposition of scrap steel contribute to gross margin by offsetting the increases in the cost of steel and the attendant costs of quality and availability. Changes in the price of steel impact the Company's results of operations because raw material costs are by far the largest component of cost of sales in processing directly owned steel. The Company actively manages its exposure to changes in the price of steel, and, in most instances, passes along the rising price of steel to its customers.

Recent Trends and General Economic Conditions Affecting the Automotive Industry

The production of cars and light trucks for fiscal year 2013 in North America according to industry forecasts (published by IHS Automotive in May 2013), is currently predicted to increase to approximately 16,080,000 units, which reflects an improvement of 5.3% over fiscal year 2012's vehicle production of approximately 15,280,000 units. The improved vehicle production reflects an improvement in economic conditions and consumer demand. However, the automotive industry remains susceptible to the impacts that consumer income and confidence levels, housing sales, gasoline prices, automobile discount and incentive offers, and perceptions about global economic stability have on consumer spending and could adversely impact consumer demand for vehicles.

The Company continues its approach of monitoring closely the customer release volumes as the overall outlook for the global economy is reflecting signs of improvement, but remains susceptible amid concerns of continued high levels of unemployment and geopolitical unrest.

Critical Accounting Policies

Preparation of the Company's financial statements in conformity with GAAP 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 preceding 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 steel and aluminum 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 in which 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 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 that receipts coincide with shipments, 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 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 assets acquired, and liabilities assumed, based on their estimated fair values. The excess of the fair values of these identifiable assets and liabilities is recorded as goodwill.

Impairment of Long-lived Assets Including Goodwill and Other Acquired Intangible Assets. The Company has historically performed an annual impairment analysis of long-lived assets, which only included property, plant and equipment since the Company has only recently acquired intangible assets and goodwill from the acquisitions described at Note 3. However, when significant events, that 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, and cash flow for each of the Company's manufacturing plants and for the overall Company. The five-year outlook includes the consideration of known sales opportunities for which purchase orders exist, potential sale opportunities that are under development, third party forecasts of North American car builds (published by IHS Automotive), and the potential sales that could result from new manufacturing process additions and lastly, strategic geographic localities that are important to servicing the automotive industry. All of this data is collected as part of the Company's 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.

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. 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. 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.

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 two to fifteen years. See Note 7 to the condensed consolidated financial statements for a description of the current intangible assets and their estimated amortization expense. Amortization of trade names, non-compete agreements and customer relationships is included within selling, general, and administrative expenses in the accompanying Condensed Consolidated Statements of Income.

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. See Note 4 to the condensed consolidated financial statements for a discussion of the impairment recoveries recorded in fiscal years 2013 and 2012. 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 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.

Group Insurance and Workers' Compensation Accruals. The Company is primarily self-insured for group insurance and workers' compensation claims and reviews these accruals on a monthly basis to adjust the balances as determined

necessary. The Company is fully insured for workers' compensation at two 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 \$160-170 and \$100-500 per plan year, respectively, dependent upon the location where the claim is incurred. At April 30, 2013 and 2012, the amount accrued for group insurance and workers' compensation claims was \$2,743 and \$2,605, respectively. The insurance reserves established accruals are a result of improved safety statistics, changes in employment levels, reduced 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 one to 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 0% forfeiture rate since the restricted stock was granted to the President and Chief Executive Officer.

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. 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.

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, 2012, the resulting discount rate from the use of the Principal Curve was 3.75%, a decrease of 1.25% from a year earlier that resulted in an increase of the benefit obligation of approximately \$13,728. A change of 25 basis points in the discount rate at October 31, 2012 would increase or decrease expense on an annual basis by approximately \$4.

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, 2012 would increase or decrease pension assets by approximately \$124.

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, 2012, the actual return on pension plans' assets for all of the Company's plans approximated 10.41% to 10.46%, 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.

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. The Company anticipates that contributions to and pension expense for the Company's defined benefit plans may increase or decrease in future years.

Results of Operations*Three Months Ended April 30, 2013 Compared to Three Months Ended April 30, 2012*

REVENUES. Sales for the second quarter of fiscal 2013 were \$182,146, an increase of \$19,315 from last year's second quarter sales of \$162,831, or 11.9%. Of the increased sales, approximately \$2,490 came from an increase in the production volumes of the North American car and light truck manufacturers. According to industry statistics, North American car and light truck production in the second quarter of fiscal 2013 increased 3.2% from production levels in the second quarter of fiscal 2012 volume. The volume increases were offset by approximately \$2,810 reduction in sales of engineered scrap from reduced scrap prices and from a reduction in sales for the heavy truck industry that the Company also serves. Sales from the two strategic acquisitions completed in the first quarter of 2013 increased sales by approximately \$19,630 for the second quarter of fiscal 2013.

GROSS PROFIT. Gross profit for the second quarter of fiscal 2013 was \$20,387 compared to gross profit of \$16,457 in the second quarter of fiscal 2012, an increase of \$3,930. Gross profit as a percentage of sales was 11.2% in the second quarter of fiscal 2013 and 10.1% in the second quarter of fiscal 2012. Gross profit in the second quarter of fiscal 2013 was favorably impacted by approximately \$570 from the increased sales volume. Gross profit margin was affected by a favorable change in sales mix net against an unfavorable impact realized from the sales of engineered scrap during the second quarter of fiscal 2013 compared to the second quarter of 2012, resulting in a net material increase of approximately \$730. In addition, manufacturing expenses were reduced by approximately \$1,970 in the second quarter of fiscal 2013 compared to the second quarter of fiscal 2012. Personnel and personnel related expenses increased by approximately \$250 as the Company's workforce was increased in anticipation of increased production volumes, planning for future launches, and planning for further increases in North American vehicle production volumes. Expenses for repairs and maintenance and manufacturing supplies were reduced by approximately \$680 in the second quarter of fiscal 2013 compared to the second quarter of fiscal 2012. Expenses for depreciation and utilities were reduced by approximately \$1,540 in the second quarter of fiscal 2013 compared to the prior year second quarter. Gross profit was favorably impacted by approximately \$2,120 from the two acquisitions that were completed in the first quarter of 2013.

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 \$8,879 in the second quarter of fiscal 2013 were \$1,670 more than expenses of \$7,209 in the same period of the prior year. As a percentage of sales, these expenses were 4.9% of sales in the second quarter of fiscal 2013 and 4.4% in the second quarter of fiscal 2012. The increase reflects our investment in additional personnel and personnel related expenses of approximately \$430, an increase of approximately \$560 from investments in new technology and increases in other administrative expenses. As a result of the acquisitions, selling, general and administrative expenses increased by approximately \$680, consisting of \$230 from personnel and personnel related expenses, \$310 from the amortization of intangible assets acquired and approximately \$140 in other administrative expenses.

ASSET IMPAIRMENT AND RESTRUCTURING CHARGES. Impairment recovery of \$558 was recorded during the second quarter of fiscal 2012 for cash received upon sales of assets, including \$424 from the Company's Mansfield Blanking facility, which was impaired in fiscal 2010, and \$129 from the Company's Liverpool Stamping facility, which was impaired in fiscal 2009, with the remaining \$5 of recoveries coming from other assets impaired in prior periods.

OTHER. Interest expense for the second quarter of fiscal 2013 was \$564, compared to interest expense of \$525 during the second quarter of fiscal 2012. Even though average borrowings were higher due to the borrowing of funds for the Pleasant Prairie acquisition, Anniston asset purchase and payment of a special dividend, interest expense remained similar as a result of the 100 basis points reduction in our borrowing rate, which was achieved in the Second Amendment. Borrowed funds averaged \$92,200 during the second quarter of fiscal 2013 and the weighted average interest rate was 1.88%. In the second quarter of fiscal 2012, borrowed funds averaged \$31,588 and the weighted average interest rate was 2.82%.

Other expense, net was \$22 for the second quarter of fiscal 2013 compared to other expense of \$25 in the second quarter of fiscal 2012, both the result of currency transaction losses realized by the Company's Mexican subsidiary.

The provision for income taxes in the second quarter of fiscal 2013 was an expense of \$3,686 on income before taxes of \$10,935 for an effective tax rate of 33.7%. The provision for income taxes in the second quarter of fiscal 2012 was an expense of \$3,351 on income before taxes of \$9,256 for an effective tax rate of 36.2%. The estimated effective tax rate for the second quarter of fiscal 2013 has decreased compared to the second quarter of fiscal 2012 primarily from a reduction in state and local taxes and a change in tax law extending the research credit for two years.

NET INCOME. The net income for the second quarter of fiscal 2013, improved 22.8% compared to the second quarter of 2012 and was \$7,249, or \$0.43 per share, diluted. Net income for second the quarter of fiscal 2012 was \$5,905, or \$0.35 per share, diluted.

Results of Operations

Six Months Ended April 30, 2013 Compared to Six Months Ended April 30, 2012

REVENUES. Sales for the first six months of fiscal 2013 were \$327,529, an increase of \$32,327 from last year's first six months sales of \$295,202, or 11.0%. Of the increased sales, approximately \$10,290 came from an increase in the production volumes of the North American car and light truck manufacturers. According to industry statistics, North American car and light truck production for the first six months of fiscal 2013 increased by 5.0% from production levels for the first six months of fiscal 2012. The volume increases were partially offset by an approximately \$4,340 reduction in sales of engineered scrap from reduced scrap prices and from a reduction in sales for the heavy truck industry that the Company also serves. Sales from the two strategic acquisitions completed in the first quarter of 2013 increased sales by approximately \$26,370 for the first six months of fiscal 2013.

GROSS PROFIT. Gross profit for the first six months of fiscal 2013 was \$32,149 compared to gross profit of \$26,119 in the first six months of fiscal 2012, an increase of \$6,030. Gross profit as a percentage of sales was 9.8% in the first six months of fiscal 2013 and 8.8% in the first six months of fiscal 2012. Gross profit in the first six months of fiscal 2013 was favorably impacted by approximately \$2,380 from the increased sales volume. Gross profit margin was affected by a favorable change in sales mix net against an unfavorable impact realized from the sales of engineered scrap during the first six months of fiscal 2013 compared to the first six months of 2012, resulting in a net material increase of approximately \$1,000. In addition, manufacturing expenses were reduced by approximately \$2,430 in the first six months of fiscal 2013 compared to the first six months of fiscal 2012. Personnel and personnel related expenses increased by approximately \$1,500 as the Company's workforce was increased in anticipation of increased production volumes, planning for future launches, and planning for further increases in North American vehicle production volumes. Expenses for repairs and maintenance and manufacturing supplies were reduced by approximately \$1,050 in the first six months of fiscal 2013 compared to the first six months of fiscal 2012. Expenses for depreciation and utilities were reduced by approximately \$2,880 in the first six months of fiscal 2013 compared to the first six months of fiscal 2012. Gross profit was favorably impacted by approximately \$2,220 from the two acquisitions that were completed in the first quarter of 2013.

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 \$16,516 in the first six months of fiscal 2013 were \$2,659 more than expenses of \$13,857 in the first six months of fiscal 2012. As a percentage of sales, these expenses were 5.0% of sales in the first six months of fiscal 2013 and 4.7% of sales in the first six months of fiscal 2012. The increase reflects our investment in additional personnel and personnel related expenses of approximately \$570, an increase of approximately \$1,100 from investments in new technology and increases in other administrative expenses. As a result of the acquisitions, selling, general and administrative expenses increased by approximately \$990, consisting of \$370 from personnel and personnel related expenses, \$420 from the amortization of intangible assets acquired and approximately \$200 in other administrative expenses.

ASSET IMPAIRMENT AND RESTRUCTURING CHARGES. Impairment recoveries of \$7 were recorded during the first six months of fiscal 2013 for cash received upon the sale of assets from the Company's Mansfield Blanking facility, which was impaired in fiscal 2010. Impairment recoveries of \$623 were recorded during the first six months of fiscal 2012 for cash received upon sales of assets, including \$489 from the Company's Mansfield Blanking facility, which was impaired in fiscal 2010, and \$129 from the Company's Liverpool Stamping Facility, which was impaired in fiscal 2009, with the remaining \$5 of recoveries coming from other assets impaired in prior periods.

OTHER. Interest expense for the first six months of fiscal 2013 was \$994, compared to interest expense of \$811 during the first six months of fiscal 2012. Even though average borrowings were higher due to the borrowing of funds for the Pleasant Prairie acquisition, Anniston asset purchase and payment of a special dividend, interest expense increased only \$183 as a result of the 100 basis points reduction in our borrowing rate, which was achieved in the Second Amendment. Borrowed funds averaged \$68,633 during the first six months of fiscal 2013 and the weighted average interest rate was 1.90%. In the first six months of fiscal 2012, borrowed funds averaged \$29,748 while the weighted average interest rate was 2.80%.

Other expense, net was \$46 for the first six months of fiscal 2013 compared to other income, net of \$22 in the first six months of fiscal 2012. Other expense, net in the first six months of fiscal 2013 was the result of currency transaction gains realized by the Company's Mexican subsidiary. Other income, net in the first six months of fiscal 2012 also was the result of currency transaction gains.

The provision for income taxes for the first six months of fiscal 2013 was an expense of \$4,787 on income before taxes of \$14,619 for an effective tax rate of 32.7%. The provision for income taxes for the first six months of fiscal 2012 was an expense of \$4,612 on income before taxes of \$12,096 for an effective tax rate of 38.1%. The estimated effective tax rate for the

first six months of fiscal 2013 has decreased compared to the first six months of fiscal 2012 primarily because our foreign operations were profitable and favorable prior period tax adjustments occurred in the first six months of fiscal 2013.

NET INCOME. Net income for the first six months of fiscal 2013 improved 31.4% compared to the first six months of 2012 and was \$9,832, or \$0.58 per share, diluted. Net income for the first six months of fiscal 2012 was \$7,484 or \$0.44 per share, diluted.

Liquidity and Capital Resources

On April 19, 2011, the Company entered into an amended and restated Credit and Security Agreement (the "Agreement") with a syndicate of lenders led by The Privatebank and Trust Company, as co-lead arranger, sole book runner and administrative agent, and PNC Capital Markets, LLC, as co-lead arranger, and PNC Bank, National Association, as syndication agent. The Agreement amends and restates in its entirety the Company's Credit Agreement, dated as of August 1, 2008.

The Agreement had a five-year term and provided for an \$80 million secured revolving line of credit which could be increased up to \$120 million subject to the Company's pro forma compliance with financial covenants, the administrative agent's approval and the Company obtaining commitments for such increase. The Company is permitted to prepay the borrowings under the revolving credit facility without penalty.

The Agreement specifies that upon the occurrence of an event or condition deemed to have a material adverse effect on the business or operations of the Company, as determined by the administrative agent of the lending syndicate or the required lenders, as defined as 51% of the aggregate commitment under the Agreement, the outstanding borrowings become due and payable at the option of the required lenders. The Company does not anticipate at this time any change in business conditions or operations that could be deemed a material adverse effect by the lenders.

Borrowings under the 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.

On January 31, 2012, the Company entered into a First Amendment Agreement (the "First Amendment") to the Agreement.

The First Amendment continued the Company's revolving line of credit up to \$80 million through April 2016 with a modification to the calculation of the fixed charge coverage ratio to allow for payment of a special dividend declared on February 1, 2012 and other modifications to allow the Company to participate in certain customer-sponsored financing arrangements allowing for early, discounted payment of Company invoices.

On December 26, 2012, the Company entered into a Second Amendment Agreement (the "Second Amendment") to the Agreement. The Second Amendment extends the commitment period to December 25, 2017 and increases the Company's revolving line of credit to \$120 million, which may be increased to up to \$200 million 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 Agreement, as amended, bear interest, at the Company's option, at LIBOR or the prime rate established from time to time by the administrative agent, in each case plus an applicable margin. The Second Amendment reduced the interest rate margin on LIBOR loans from 2.5% to 1.5% and maintained a 0% rate margin on base rate loans through March 31, 2013. Thereafter, the interest rate margin on LIBOR loans will be 1.5% to 2.5% and on base rate loans will be 0% to 1.0%, depending on the Company's leverage ratio.

The Second Amendment also amends the maximum leverage and fixed charge coverage ratios. The Second Amendment increased the permitted leverage ratio from 2.25 to 2.85 and specifies that the leverage ratio shall not exceed 2.85 to 1.00 to the conclusion of the Agreement. Further, the Second Amendment reduced the fixed charge coverage ratio reducing it from 2.50 to 2.00 and specifies that the fixed charge coverage ratio shall not be less than 2.00 to 1.00 to the conclusion of the Agreement. The Company was in compliance with the financial covenants as of April 30, 2013.

After considering letters of credit of \$1,748 that the Company has issued, available funds under the Agreement were \$29,552 at April 30, 2013.

In July 2012, the Company entered into a finance agreement with an insurance broker for various insurance policies that bears interest at a fixed rate of 2.53% and requires monthly payments of \$75 through April 2013. As of April 30, 2013, \$0 remained outstanding under this agreement.

Scheduled repayments under the terms of the Agreement plus repayments of other debt for the next five years are listed below:

<u>Twelve Months ended April 30,</u>	<u>Agreement</u>	<u>Other Debt</u>	<u>Total</u>
2014	\$ —	\$ —	\$ —
2015	—	—	—
2016	—	—	—
2017	—	—	—
2018	88,700	—	88,700
Total	<u>\$ 88,700</u>	<u>\$ —</u>	<u>\$ 88,700</u>

At April 30, 2013, total debt was \$88,700 and total equity was \$113,626, resulting in a capitalization rate of 43.8% debt, 56.2% equity. Current assets were \$153,271 and current liabilities were \$97,753 resulting in positive working capital of \$55,518.

For the six months ended April 30, 2013, operations generated \$19,777 of cash flow compared to \$17,130 in the first six months of 2012.

Changes in operating assets and liabilities since October 31, 2012 were a use of funds of \$7,385. During the first six months of fiscal 2013, accounts receivable and related party receivables have increased by \$27,208, inventory decreased by \$2,075 and accounts payable increased by \$8,403.

Cash capital expenditures in the first six months of fiscal 2013 were \$12,449. The Company had unpaid capital expenditures of approximately \$1,237, 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 fiscal 2013 are approximately \$22,000, subject to change based on business conditions.

The Company used cash of \$63,520 (\$63,066 net of cash acquired) during the first six months of fiscal 2013 for acquisitions discussed in Note 3 to the condensed consolidated financial statements. The Company utilized available funds from the Agreement to fund the acquisition activities.

On December 28, 2012, the Company paid aggregate dividends of \$4,226, resulting from the special dividend of \$0.25 per share that the Board of Directors approved and the Company announced on December 7, 2012.

The Company continues to closely monitor business conditions that are currently affecting the automotive industry and therefore, to closely monitor the Company's 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 Agreement through maturity of the Agreement in December 2017, as well as pension contributions totaling \$5,152 during fiscal 2013 and capital expenditures for fiscal 2013.

Effect of Inflation, Deflation

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

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' resale steel programs protects recovery of the cost of steel through the selling price of the Company's products. For non-resale steel purchases, the Company coordinates the cost of steel purchases with the related selling price of the product. For the Company's aluminum die casting business, the Company coordinates the cost of aluminum purchases with the related selling price of the product.

FORWARD-LOOKING STATEMENTS

Certain statements made by the Company in this Quarterly Report on Form 10-Q regarding 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. In particular, forward-looking statements are statements that relate to 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 that 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. 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 accomplish its strategic objectives with respect to implementing its sustainable business model; 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; 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; 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, the Company's primary raw material, 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 Agreement; 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 the filing of this Quarterly Report on Form 10-Q. 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.

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. As of April 30, 2013, an evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer ("PEO") and Principal Financial Officer ("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 effective as of April 30, 2013.

During the first quarter ended January 31, 2013, the following occurred:

On December 28, 2012, the Company acquired the business and related assets of Albany-Chicago Company LLC and on December 13, 2012, the Company acquired the business and certain assets of Atlantic Tool & Die - Alabama, Inc., both of which operated under their 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 substantially complete with the incorporation of the acquired operations, as they relate to systems and internal controls, into its control environment during fiscal 2013.

There were no other changes in the Company's internal control over financial reporting during the second quarter of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 5. *Other Information*

None

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.

EXHIBIT INDEX

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.