
**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 January 31, 2009

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer and large 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 February 17, 2009 was 16,355,867.

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PART I— FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

SHILOH INDUSTRIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands)

(Unaudited)

	January 31, 2009	October 31, 2008
ASSETS		
Cash and cash equivalents	\$ 268	\$ 2,210
Accounts receivable, net of allowance for doubtful accounts of \$344 and \$782 at January 31, 2009 and October 31, 2008, respectively	37,591	69,931
Related-party accounts receivable	4,912	2,774
Income tax receivable	—	2,272
Inventories, net	24,740	34,212
Deferred income taxes	7,636	4,893
Prepaid expenses	932	942
Total current assets	76,079	117,234
Property, plant and equipment, net	170,157	175,555
Other assets	775	823
Total assets	\$247,011	\$293,612
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current debt	\$ 499	\$ 731
Accounts payable	26,768	53,914
Other accrued expenses	16,118	22,411
Total current liabilities	43,385	77,056
Long-term debt	62,734	70,221
Deferred income taxes	9,918	9,915
Long-term benefit liabilities	14,343	13,560
Other liabilities	2,178	2,389
Total liabilities	132,558	173,141
Commitments and contingencies		
Stockholders' equity:		
Common stock, 16,355,867 shares issued and outstanding at January 31, 2009 and October 31, 2008	164	164
Paid-in capital	60,586	60,470
Retained earnings	70,269	76,403
Accumulated other comprehensive loss	(16,566)	(16,566)
Total stockholders' equity	114,453	120,471
Total liabilities and stockholders' equity	\$247,011	\$293,612

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

SHILOH INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)
(Unaudited)

	Three months ended	
	January 31,	
	2009	2008
Revenues	\$63,022	\$134,894
Cost of sales	<u>67,277</u>	<u>124,139</u>
Gross profit	(4,255)	10,755
Selling, general and administrative expenses	4,986	6,921
Asset impairment charges, net	<u>(919)</u>	<u>—</u>
Operating income (loss)	(8,322)	3,834
Interest expense	818	1,294
Interest income	12	9
Other income, net	<u>212</u>	<u>16</u>
Income (loss) before income taxes	(8,916)	2,565
Provision for income taxes	<u>(2,782)</u>	<u>982</u>
Net income (loss)	<u>\$ (6,134)</u>	<u>\$ 1,583</u>
Earnings (loss) per share:		
Basic earnings (loss) per share	<u>\$ (.38)</u>	<u>\$.10</u>
Basic weighted average number of common shares	<u>16,355</u>	<u>16,355</u>
Diluted earnings (loss) per share	<u>\$ (.38)</u>	<u>\$.10</u>
Diluted weighted average number of common shares	<u>16,355</u>	<u>16,477</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)

	<u>Three months ended January 31,</u>	
	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (6,134)	\$ 1,583
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,622	8,245
Recovery of impairment	(919)	—
Amortization of deferred financing costs	48	65
Deferred income taxes	(2,743)	(15)
Stock-based compensation expense	116	128
Changes in operating assets and liabilities:		
Accounts receivable	30,202	8,754
Inventories	9,472	608
Prepays and other assets	10	305
Payables and other liabilities	(33,495)	(7,692)
Accrued income taxes	2,536	(620)
Net cash provided by operating activities	<u>6,715</u>	<u>11,361</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,186)	(1,773)
Proceeds from sale of assets	998	—
Net cash used in investing activities	<u>(1,188)</u>	<u>(1,773)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of short-term borrowings	(232)	(328)
Payment of capital lease	(2)	(48)
Increase (decrease) in overdraft balances	250	(3,211)
Proceeds from long-term borrowings	7,400	—
Repayments of long-term borrowings	(14,885)	(5,727)
Proceeds from exercise of stock options	—	5
Net cash used in financing activities	<u>(7,469)</u>	<u>(9,309)</u>
Net (decrease) increase in cash and cash equivalents	(1,942)	279
Cash and cash equivalents at beginning of period	2,210	131
Cash and cash equivalents at end of period	<u>\$ 268</u>	<u>\$ 410</u>
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 919	\$ 1,238
Cash paid (refund of) for income taxes	\$ (2,540)	\$ 1,557

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 have been condensed or omitted pursuant to such rules and regulations. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements 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, 2008.

Revenues and operating results for the three months ended January 31, 2009 are not necessarily indicative of the results to be expected for the full year.

Note 2—New Accounting Standards

During fiscal 2008, several new accounting standards became effective, or were issued by the Financial Accounting Standards Board (“FASB”), including Statements of Financial Accounting Standards (“SFAS”) Nos. 141R “Business Combinations”, 157 “Fair Value Measurements”, 159 “The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115”, 160 “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51”, 161 “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133” and 162 “The Hierarchy of Generally Accepted Accounting Principles”. The Company has determined that none of these accounting pronouncements have a material effect on the Company’s consolidated financial statements.

Note 3—Asset Impairment and Restructuring Charges

In fiscal 2006, management presented to the Board of Directors an assessment of its current business at its Cleveland Stamping facility and committed to a plan to cease operation of the Cleveland facility as of October 31, 2007, as a result of declining volumes. The Company recorded an impairment charge to reduce long-lived assets to their estimated fair value and recorded an estimated restructuring charge related to approximately 200 employees for severance, health insurance and curtailment of the retirement plan for employees of the Cleveland plant. A summary of these charges, and cash payments made as a result of the closure during the first quarter of fiscal 2008, is below. At October 31, 2008, there was no restructuring reserve remaining related to the closure of the Cleveland facility and there were no restructuring charges recorded during the first quarter of fiscal 2009. An impairment recovery of \$919 was recorded during the first quarter of fiscal 2009 for cash received upon the sale of assets that were previously impaired.

	<u>Restructuring Reserves at October 31, 2007</u>	<u>Restructuring Charges</u>	<u>Cash Payments</u>	<u>Restructuring Reserves at January 31, 2008</u>
Restructuring				
Severance and benefits	<u>\$ 251</u>	<u>\$ —</u>	<u>\$ (174)</u>	<u>\$ 77</u>

Note 4—Inventories

Inventories consist of the following:

	<u>January 31, 2009</u>	<u>October 31, 2008</u>
Raw materials	\$ 10,970	\$ 15,597
Work-in-process	4,595	6,586
Finished goods	<u>6,737</u>	<u>8,939</u>
Total material	22,302	31,122
Tooling	<u>2,438</u>	<u>3,090</u>
Total inventory	<u>\$ 24,740</u>	<u>\$ 34,212</u>

Total cost of inventory is net of reserves to reduce certain inventory from cost to net realizable value. Such reserves aggregated \$1,894 and \$2,267 at January 31, 2009 and October 31, 2008, respectively.

Note 5—Property, Plant and Equipment

Property, plant and equipment consist of the following:

	<u>January 31,</u> <u>2009</u>	<u>October 31,</u> <u>2008</u>
Land and improvements	\$ 8,644	\$ 8,644
Buildings and improvements	102,808	102,598
Machinery and equipment	336,580	336,572
Furniture and fixtures	10,516	10,420
Construction in progress	<u>8,739</u>	<u>7,044</u>
Total, at cost	467,287	465,278
Less: Accumulated depreciation	<u>297,130</u>	<u>289,723</u>
Property, plant and equipment, net	<u>\$170,157</u>	<u>\$175,555</u>

Note 6—Financing Arrangements

Debt consists of the following:

	<u>January 31,</u> <u>2009</u>	<u>October 31,</u> <u>2008</u>
Credit Agreement —interest at 2.91% and 5.00% at January 31, 2009 and October 31, 2008, respectively	\$ 62,200	\$ 69,600
Insurance broker financing agreement	156	389
State of Ohio promissory note	877	961
Capital lease debt	<u>—</u>	<u>2</u>
Total debt	63,233	70,952
Less: Current debt	<u>499</u>	<u>731</u>
Total long-term debt	<u>\$ 62,734</u>	<u>\$ 70,221</u>

The weighted average interest rate of all debt was 3.93% and 6.43% for the three months ended January 31, 2009 and 2008, respectively.

On August 1, 2008, the Company entered into a credit agreement with a syndication of lenders with National City Bank as co-lead arranger, sole book runner and administrative agent and The Privatebank and Trust Company as co-lead arranger and syndication agent. The agreement provides the Company with a revolving line of credit up to \$120 million with the opportunity to borrow up to an additional \$80 million at then current market rates. The agreement extends through July 31, 2013. The Company may prepay the borrowings under the revolving credit facility without penalty. Borrowings under the former credit agreement were repaid with the proceeds from the new agreement.

Under the Credit Agreement, the Company has the option to select the applicable interest rate based upon two indices—a Base Rate, as defined in the Credit Agreement, or the Eurodollar rate (“LIBOR”). The selected index is combined with a designated margin from an agreed upon pricing matrix. The Base Rate is 1.0%, plus the greater of the National City Bank publicly announced prime rate or the Federal Funds effective rate plus 0.5% per annum. LIBOR is 2.50% plus the published Reuters or Bloomberg Financial Markets Information Service rate. At January 31, 2009, the interest rate for the revolving credit facility was at LIBOR plus 2.5%.

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.

The Credit Agreement requires the Company to observe several financial covenants, including a minimum fixed charge coverage ratio of 2.50 to 1.00 and a maximum leverage ratio of 3.00 to 1.00. The Credit Agreement also establishes limits for additional borrowings, dividends, investments, acquisitions or mergers and sales of assets. The Company was in compliance with the covenants of the Credit Agreement at January 31, 2009.

The Credit 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, of 51% of the aggregate commitment under the Credit Agreement, the outstanding borrowings become due and payable. However, the Company does not anticipate at this time any change in business conditions or operations that could be deemed as a material adverse change by the lenders.

In July 2008, the Company entered into a finance agreement with an insurance broker for various insurance policies that bears interest at a fixed rate of 3.24% and requires monthly payments of \$78 through April 2009. In July 2007, the Company entered into a finance agreement with an insurance broker for various insurance policies that bore interest at a fixed rate of 5.79% and required monthly payments of \$84 through April 2008. As of January 31, 2009 and October 31, 2008, \$156 and \$389, respectively, remained outstanding under these agreements and were classified as current debt in the Company’s consolidated balance sheets.

In June 2004, the Company issued a \$2,000 promissory note to the State of Ohio related to specific machinery and equipment at one of the Company’s Ohio facilities. The promissory note bore interest at 1% for the first year of the term and 3% per annum for the balance of the term, with interest only payments for the first year of the term. Principal payments began in August 2005 in the amount of \$25, and monthly principal payments continue thereafter increasing annually until July 2011, when the loan matures. The Company may prepay this promissory note without penalty.

After considering letters of credit of \$7,306 that the Company has issued, available funds under the Credit Agreement were \$50,494 at January 31, 2009. Overdraft balances were \$3,777 and \$3,527 at January 31, 2009 and October 31, 2008, respectively, and are included in accounts payable in the Company’s accompanying consolidated balance sheets.

Note 7—Pension and Other Post-Retirement Benefit Matters

The components of net periodic benefit cost for the three months ended January 31, 2009 and 2008 are as follows:

	Pension Benefits		Other Post-Retirement Benefits	
	2009	2008	2009	2008
Service cost	\$ 83	\$ 153	\$ 1	\$ 1
Interest cost	1,017	981	9	13
Expected return on plan assets	(694)	(1,115)	—	—
Recognized net actuarial loss	300	161	41	48
Amortization of prior service cost	23	23	(43)	(43)
Amortization of transition obligation	<u>1</u>	<u>4</u>	<u>—</u>	<u>—</u>
Net periodic benefit cost	<u>\$ 730</u>	<u>\$ 207</u>	<u>\$ 8</u>	<u>\$ 19</u>

The Company was not required to make any contributions to the defined benefit pension plans during the three months ended January 31, 2009. The Company expects contributions to be \$302 for the remainder of fiscal 2009. Pension expense in fiscal 2009 has increased as a result of amortization of deferred investment losses.

Note 8—Equity Matters

The Company accounts for stock options and equity compensation in accordance with SFAS No. 123 (Revised 2004), “Share-Based Payment.” For the Company, SFAS No. 123R 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 are 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 Plan (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 1,700,000 shares of Common Stock at an exercise price equal to 100% of the market value on the date of grant, 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 upon the exercise of stock options. An individual award 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 or above market price at the date of grant. The service period over which the stock options vest is three years from the date of grant. Options expire over a period not to exceed ten years from the date of grant. On December 12, 2008, options to purchase 319,200 shares were awarded to several officers and employees at an exercise price of \$2.11 and \$2.33. The following assumptions were used to compute the fair value of the stock options granted during fiscal 2009:

	Fiscal 2009	
	\$ 2.33	\$ 2.11
Exercise price	\$ 2.33	\$ 2.11
Risk-free interest	1.656%	2.198%
Expected life (in years)	5.0	6.0
Expected volatility factor	81.94%	81.81%
Expected dividend yield	0.00%	0.00%

Activity in the Company’s stock option plan for the three months ended January 31, 2009 and 2008 was as follows:

	Fiscal 2009				Fiscal 2008			
	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	335,734	\$ 8.29			360,242	\$ 8.85		
Options:								
Granted	319,200	\$ 2.13			—			
Exercised	—	—			(1,168)	\$ 4.67		\$ 6
Canceled	(15,767)	\$ 10.58			(10,340)	\$ 10.64		
Options outstanding at January 31	639,167	\$ 5.15	7.64	\$ 144	348,734	\$ 8.81	6.91	\$ 1,206
Exercisable at January 31	223,400	\$ 5.64	4.80	\$ 88	183,401	\$ 3.58	5.07	\$ 1,206

At January 31, 2009 and 2008, the exercise price of some of the Company’s stock option grants are 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.

For the three months ended January 31, 2009 and 2008, the Company recorded compensation expense related to the stock options currently vesting, effectively reducing income before taxes and net income by \$116 and \$128, respectively. The impact on earnings per share was a reduction of \$.01 per share, basic and diluted in the first quarter of both fiscal 2009 and 2008. The total compensation cost related to nonvested awards not yet recognized is expected to be a combined total of \$803 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 months ended January 31, 2009 and 2008, 639,167 and 213,655 stock options, 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:

	Three months ended January 31,	
	2009	2008
Net income available to common stockholders	<u>\$ (6,134)</u>	<u>\$ 1,583</u>
Basic weighted average shares	16,355	16,355
Effect of dilutive securities:		
Stock options	<u>0</u>	<u>122</u>
Diluted weighted average shares	<u>16,355</u>	<u>16,477</u>
Basic income per share	<u>\$ (.38)</u>	<u>\$ 0.10</u>
Diluted income per share	<u>\$ (.38)</u>	<u>\$ 0.10</u>

Comprehensive Income

Comprehensive income and net income for the three months ended January 31, 2009 and 2008 were \$(6,134) and \$1,583.

Note 9—Commitments and Contingencies

In November 1999, the Company acquired the assets associated with the automotive division of MTD Products Inc. The Ohio Tax Commissioner (the “Commissioner”) disputed the fair market value assigned by the Company to the purchased assets. Accordingly, the Commissioner claimed that the Company owed an additional amount of personal property tax for such assets. The Company appealed the Commissioner’s decision to the Ohio Board of Tax Appeals, but in July 2006, the Board of Tax Appeals upheld the Commissioner’s decision. Management of the Company strongly disagreed with the position of the Commissioner and the Board of Tax Appeals and the Company presented its appeal of the decision of the Board of Tax Appeals to the Ohio Supreme Court. The Ohio Supreme Court, however, has ruled in favor of the Board of Tax Appeals and the Commissioner and against the Company. The Company, however, had previously considered the probability of an adverse ruling and as a result provided an accrual of \$2,324 during the fourth quarter of fiscal 2006. The Company is in the process of finalizing the tax due and expects to fund this liability later in fiscal 2009.

During the second quarter of fiscal 2007, a jury verdict was entered against Shiloh Industries, Inc., VCS Properties, LLC, Shiloh Corporation, and Sectional Stamping, Inc. in the United States District Court in Akron, Ohio following a jury trial in a claim by the bankruptcy estate of Valley City Steel, LLC relating to the Company’s sale of certain assets in 2001 (the “Valley City Steel Litigation”). Valley City Steel, LLC claimed that the sale of certain assets to Valley City Steel, LLC, in connection with the creation of the joint venture in which the Company was a minority shareholder, amounted to a constructive fraudulent conveyance under Ohio law. The plaintiff also alleged that certain amounts were due and owing on account to Valley City Steel, LLC. The jury rendered a verdict on the constructive fraudulent conveyance claims of approximately \$1,693 against Shiloh Industries, Inc., approximately \$1,693 against VCS Properties, LLC and approximately \$1,292 against Shiloh Corporation. The jury also held that Sectional Stamping, Inc. owed the bankruptcy estate of Valley City Steel, LLC approximately \$261 on account. Shiloh Industries, Inc., VCS Properties, LLC and Shiloh Corporation believe that the verdicts relating to the constructive fraudulent conveyance claims are contrary to the facts and the law and filed post-trial motions including a motion for a new trial and other relief that were denied. The Company believes that there are valid grounds to reverse the final judgments relating to the constructive fraudulent conveyance claims on appeal and the Company has filed its appeal of this matter to the Sixth Circuit Court of Appeals. However, there can be no assurance that the appeals will be successful. As a result, during the second quarter of fiscal 2007, the Company provided a reserve of \$2,070 for this matter based upon management’s estimate of the probable outcome of the legal decisions possible in this case.

In addition to the matters discussed above, the Company is a party to several 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, other than those matters discussed above, would not materially affect its financial condition, results of operations or cash flow.

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

(Dollars in thousands, except per share data)

General

Shiloh is a supplier of numerous parts to both automobile OEMs and, as a Tier II supplier, to Tier I automotive part manufacturers who in turn supply OEMs. The parts that the Company produces supply many models of vehicles manufactured by nearly all vehicle manufacturers that produce vehicles in North America. As a result, the Company's revenues are very dependent upon the North American production of automobiles and light trucks, particularly traditional domestic manufacturers, such as General Motors, Chrysler and Ford. According to industry statistics, traditional domestic manufacturer production for the first three months of fiscal 2009 declined by 44.6% and total North American car and light truck production for the first three months of fiscal 2009 decreased by 41.1%, in each case compared with production for the first three months of fiscal 2008. The continued viability of the traditional domestic manufacturers is critical to the profitability of the Company.

Another significant factor affecting the Company's revenues is the Company's ability to successfully bid on the production and supply of parts for models that will be newly introduced to the market by the Company's customers. 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 at the beginning of the cycle.

Plant utilization levels are very important to profitability because of the capital-intensive nature of these operations. At January 31, 2009, the Company's facilities were operating at approximately 22.5% capacity, compared to 45.4% capacity at January 31, 2008. The Company defines capacity as 20 working hours per day and five days per week. 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' steel program. Under these programs, the Company pays the steel suppliers and passes on to the customers the steel price the customers negotiated with the steel suppliers. Although the Company takes ownership of the steel, the customers are responsible for all steel price fluctuations. The Company also purchases steel directly from domestic primary steel producers and steel service centers. Domestic steel pricing has generally been declining on softened demand. Finally, 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.

Changes in the price of scrap steel can have a significant effect on the Company's results of operations because substantially all of its operations generate engineered scrap steel. Engineered scrap steel is a planned by-product of the Company's processing operations, and 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.

Company's Response to Current Economic Conditions Affecting the Automotive Industry

Fiscal 2009 has begun with significant challenges before the Company that could have a significant financial impact as the year progresses. The projected production of cars and light trucks for fiscal 2009 in North America according to industry statistics indicates that production in 2009 will be at levels as low as 10 million units. Production has not been this low in decades and is driven by low consumer demand, the inability to finance vehicle leases and purchases, and unemployment levels, among other factors affecting the economy at the present time. These same factors are affecting the automotive industry globally as well as domestically.

In response the Company has initiated several action plans to respond to significantly reduced production volumes. These include:

- **Challenging customer releases.** The Company's production scheduling is based on releases that are received weekly for thirteen week periods. The releases drive manning levels and inventory purchases. The Company's operations personnel review the releases each week to ensure that the releases are not optimistic and overstated, a problem that seems to impact Tier I customers and not OEM manufacturing plants.
- **Inventory orders.** The Company's operations personnel monitor daily the ordering and receipt of production material to ensure that inventory will be readily consumed in the manufacturing process and that cash outlays for purchases coincide with receipts for sale of parts to the Company's customers.
- **Manning levels.** The Company's operations personnel also monitor daily the level of personnel required to fulfill the production schedule by operating the equipment that produces the parts (direct personnel) and to support the direct personnel efforts (indirect, technical, and administrative staff). Manning is adjusted daily to react as necessary.
- **Discretionary spending in support of operations.** The Company's operating personnel also monitor the spending required for repair and maintenance, purchases of supplies consumed in operating production equipment and indirect support of operations, such as material handling equipment and utilities.

These daily activities are factored into forecasts for each plant for the balance of the fiscal year. The plant forecasts are consolidated to provide forecasts of operating results on a weekly and monthly basis, updated weekly to reflect the latest developments in terms of customer intelligence and new awards of business. This process is intended to address the cash needs of the Company considering capital asset and tooling needs related to new business as well as ongoing cash requirements for operations, payroll, pension contributions, debt repayment requirements, contingencies and other matters.

All of the above actions are intended to ensure that controllable variable spending is in line with the forecast of sales as indicated by the customer releases against open purchase orders. Actions have been initiated to monitor selling, general and administrative costs as well, such as temporary layoffs, salary reductions, suspension of the 401K Company match, travel restrictions, and overall reductions of controllable spending.

The Company also assesses the level of working capital risk with each customer by monitoring accounts receivable and payable levels to ensure that net balances are either equal or in favor of the Company. The Company also reviews compliance of the Company's customers with terms and conditions of their purchase orders and gathers market intelligence on the customers to consider in assessing any risk in the collection process.

Critical Accounting Policies

Preparation of the Company's 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 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 items that follow 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. In accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, the Company recognizes revenue when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determinable and collectibility 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 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 collectibility 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, the 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.

In view of the current economic conditions affecting the automotive industry, the Company is carefully assessing its risk with each of its customers and considering compliance with terms and conditions, aging of the customer accounts, intelligence learned through contact with customer representatives and net account receivable / account payable position with customers, if applicable.

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.

In view of the current economic conditions affecting the automotive industry, the Company is carefully monitoring 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.

Deferred Tax Assets. Deferred taxes are recognized at currently enacted tax rates for temporary differences between the financial reporting and income tax bases of assets and liabilities and operating loss and tax credit carryforwards. In assessing the realizability of deferred tax assets, the Company established a valuation allowance to record its deferred tax assets at an amount that is more likely than not to be realized. While future projections for taxable income and ongoing prudent and feasible tax planning strategies have been considered in assessing the need for the valuation allowance, in the event the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of their recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Derivative Financial Instruments. The Company does not engage in derivatives trading, market-making or other speculative activities. The intent of any contracts entered by the Company is to reduce exposure to currency movements affecting foreign currency purchase commitments. The Company's risks related to foreign currency exchange risks have historically not been material. The Company does not expect the effects of these risks to be material in the future based on current operating and economic conditions in the countries and markets in which it operates. These contracts are marked-to-market and the resulting gain or loss is recorded in the consolidated statements of operations in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), as amended. As of January 31, 2009 and 2008, there were no foreign currency forward exchange contracts outstanding.

In the normal course of business, the Company employs established policies and procedures to manage exposure to changes in interest rates. The Company's objective in managing the exposure to interest rate changes is to limit the volatility and impact of interest rate changes on earnings and cash flows. The Company had no interest rate hedges outstanding at January 31, 2009 and 2008.

Impairment of Long-lived Assets. The Company's long-lived assets primarily include property, plant and equipment. If an indicator of impairment exists for certain groups of property, plant and equipment, the Company will compare the forecasted undiscounted cash flows attributable to the assets to their carrying value. If the carrying values exceed the undiscounted cash flows, the Company then determines the fair values of the assets. If the carrying value exceeds the fair value of the assets, then an impairment charge is recognized for the difference.

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 current facts, the Company believes there is currently no impairment to the Company's long-lived assets.

Group Insurance and Workers' Compensation Accruals. The Company is self-insured for group insurance and workers' compensation and reviews these accruals on a monthly basis to adjust the balances as determined necessary. The Company reviews 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 \$100-150 and \$250-500 per plan year, respectively, dependant upon the location where the claim is incurred. At January 31, 2009 and October 31, 2008, the amount accrued for group insurance and workers' compensation claims was \$3,776 and \$4,117, respectively. 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 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 volatility, approximately 81.8%. 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 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 and pro forma 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.

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 formerly used the Moody's Aa Corporate bonds with maturities of at least twenty years as a benchmark when determining the discount rate. However, in fiscal 2008, the Company benchmarked its rate with the most recent available interest rates on the Citigroup Pension Discount Curve and Liability Index. Based upon this analysis, the Company increased the discount rate used to measure its pension and post-retirement liabilities to 8.00% at October 31, 2008 from 6.00% at October 31, 2007. A change of 25 basis points in the discount rate would increase or decrease expense on an annual basis by approximately \$76.

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 would increase or decrease pension assets by approximately \$94.

The Company's investment policy for assets of the plans is to maintain an allocation generally of 40% to 60% in equity securities, 40% to 60% 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, 2008, the actual return on pension plans' assets for all of the Company's plans approximated (30.44)% to (31.19)%, which was a lower rate of return than the 7.25% to 7.50% expected rates of return on plan assets used to derive pension expense. The long term expected rate of return takes into account years with exceptional gains and years with exceptional losses.

If the amount of the accumulated benefit obligation in excess of the fair value of plan assets is large enough, the Company may be required, by law to make additional contributions to the pension plans. 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 increase in fiscal 2010, and that pension expense will increase in fiscal 2009 and beyond.

Results of Operations

Three Months Ended January 31, 2009 Compared to Three Months Ended January 31, 2008

REVENUES. Sales for the first quarter of fiscal 2009 were \$63,022, a decrease of \$71,872 from last year's first quarter sales of \$134,894, or 53%. During the first quarter of fiscal 2009, sales declined as a result of reduced production volumes of the North American car and light truck manufacturers, especially the traditional domestic manufacturers, the Company's major customers. According to industry statistics, North American car and light truck production in the first quarter of fiscal 2009 declined 41.1% from production levels of the first quarter of fiscal 2008. For traditional domestic manufacturers, the production decrease in the first quarter of fiscal 2009 was 44.6% compared to the prior year first quarter period. Sales also declined due to reduced demand of the heavy truck industry.

GROSS MARGIN. Gross margin for the first quarter of fiscal 2009 was a loss of \$4,255 compared to gross profit of \$10,755 in the first quarter of fiscal 2008, a decrease of \$15,010. Gross profit as a percentage of sales was a negative 6.8% in the first quarter of fiscal 2009 compared to 8.0% for the same period a year ago. Gross profit in the first quarter of fiscal 2009 was adversely affected by the reduced volume of sales in the first quarter of fiscal 2009. The effect of reduced sales volume on first quarter 2009 gross profit was approximately \$19,300. Gross profit was also adversely affected by increased material costs and lower revenue realized from the sale of engineered scrap during the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008. The effect of increased material cost was approximately \$8,300. The factors that reduced gross profit were offset by reduced manufacturing expenses that favorably affected gross profit by approximately \$12,600. Manufacturing expenses declined as a result of the actions that the Company initiated in response to the reduction in production volumes of the Company's customers. These actions resulted in reduced personnel and personnel related expenses of approximately \$8,500 and reduced expenditures for repairs, supplies and utilities of approximately \$2,900. Depreciation and taxes declined by \$800.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses of \$4,986 in the first quarter of fiscal 2009 were \$1,935 less than selling, general and administrative expenses of \$6,921 in the same period of the prior year. As a percentage of sales, these expenses were 7.9% of sales in first quarter of fiscal 2009 and 5.1% in the first quarter of fiscal 2008. The decrease in selling, general and administrative expenses reflect lower personnel and personnel related expenses of approximately \$1,600, and lower spending in controllable expense areas.

ASSET IMPAIRMENT AND RESTRUCTURING CHARGES.

In fiscal 2006, management presented to the Board of Directors an assessment of its current business at its Cleveland Stamping facility and committed to a plan to cease operation of the Cleveland facility as of October 31, 2007, as a result of declining volumes. The Company recorded an impairment charge to reduce long-lived assets to their estimated fair value and recorded an estimated restructuring charge related to approximately 200 employees for severance, health insurance and curtailment of the retirement plan for employees of the Cleveland plant. An impairment recovery of \$919 was recorded during the first quarter of fiscal 2009 for cash received upon the sale of assets that were previously impaired.

OTHER. Interest expense for the first quarter of fiscal 2009 was \$818, compared to interest expense of \$1,294 during the first quarter of fiscal 2007. Interest expense decreased from the prior year first quarter as a result of a lower level of average borrowed funds and a lower weighted average interest rate in the first quarter of fiscal 2009 compared to the prior year. Borrowed funds averaged \$67,093 during the first quarter of fiscal 2009 and the weighted average interest rate was 3.93%. In the first quarter of fiscal 2008, borrowed funds averaged \$72,922 while the weighted average interest rate was 6.43%.

Other income, net was \$212 for the first quarter of fiscal 2009 compared to \$16 in the first quarter of fiscal 2008. Other income in fiscal 2009 is the result of currency transaction gains realized by the Company's Mexican subsidiary.

The provision for income taxes in the first quarter of fiscal 2009 was a benefit of \$2,782 on loss before taxes of \$8,916 for an effective tax rate of 31.2%. The provision for income taxes in the first quarter of fiscal 2008 was \$982 on income before taxes of \$2,565 for an effective tax rate of 38.3%. The estimated effective tax rate for fiscal 2009 has declined in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008 as a result of losses that cannot be benefited from the Company's Mexican subsidiary.

NET INCOME. The net loss for the first quarter of fiscal 2009 was \$6,134, or \$0.38 per share, diluted. Net income for the first quarter of fiscal 2008 was \$1,583, or \$0.10 per share, diluted.

Liquidity And Capital Resources

On August 1, 2008, the Company entered into a new credit agreement with a syndication of lenders with National City Bank as co-lead arranger, sole book runner and administrative agent and The Privatebank and Trust Company as co-lead arranger and syndication agent. The agreement provides the Company with a revolving line of credit up to \$120 million with the opportunity to borrow up to an additional \$80 million at then current market rates. The agreement extends through July 31, 2013. The Company may prepay the borrowings under the revolving credit facility without penalty. Borrowings under the former credit agreement were repaid with the proceeds from the new agreement.

Under the Credit Agreement, the Company has the option to select the applicable interest rate based upon two indices—a Base Rate, as defined in the Credit Agreement, or the Eurodollar rate (“LIBOR”). The selected index is combined with a designated margin from an agreed upon pricing matrix. The Base Rate is 1.0%, plus the greater of the National City Bank publicly announced prime rate or the Federal Funds effective rate plus 0.5% per annum. LIBOR is 2.50% plus the published Reuters or Bloomberg Financial Markets Information Service rate. At January 31, 2009, the interest rate for the revolving credit facility was at LIBOR plus 2.5%.

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.

The Credit Agreement requires the Company to observe several financial covenants, including a minimum fixed charge coverage ratio of 2.50 to 1.00 and a maximum leverage ratio of 3.00 to 1.00. The Credit Agreement also establishes limits for additional borrowings, dividends, investments, acquisitions or mergers and sales of assets. The Company was in compliance with the covenants of the Credit Agreement at January 31, 2009.

The Credit 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, of 51% of the aggregate commitment under the Credit Agreement, the outstanding borrowings become due and payable. However, the Company does not anticipate at this time any change in business conditions or operations that could be deemed as a material adverse change by the lenders.

In July 2008, the Company entered into a finance agreement with an insurance broker for various insurance policies that bears interest at a fixed rate of 3.24% and requires monthly payments of \$78 through April 2009. In July 2007, the Company entered into a finance agreement with an insurance broker for various insurance policies that bore interest at a fixed rate of 5.79% and required monthly payments of \$84 through April 2008. As of January 31, 2009 and October 31, 2008, \$156 and \$389, respectively, remained outstanding under these agreements and were classified as current debt in the Company’s consolidated balance sheets.

In June 2004, the Company issued a \$2,000 promissory note to the State of Ohio related to specific machinery and equipment at one of the Company’s Ohio facilities. The promissory note bore interest at 1% for the first year of the term and 3% per annum for the balance of the term, with interest only payments for the first year of the term. Principal payments began in August 2005 in the amount of \$25, and monthly principal payments continue thereafter increasing annually until July 2011, when the loan matures. The Company may prepay this promissory note without penalty.

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

<u>Twelve Months ended January 31,</u>	<u>Credit Agreement</u>	<u>Other Debt</u>	<u>Total</u>
2010	\$ —	\$ 499	\$ 499
2011	—	353	353
2012	—	181	181
2013	—	—	—
2014	<u>62,200</u>	<u>—</u>	<u>62,200</u>
Total	<u>\$ 62,200</u>	<u>\$ 1,033</u>	<u>\$63,233</u>

At January 31, 2009, total debt was \$63,233 and total equity was \$114,453, resulting in a capitalization rate of 35.6% debt, 64.4% equity. Current assets were \$76,079 and current liabilities were \$43,385, resulting in working capital of \$32,694.

Cash was consumed by the net loss and by expenses charged to earnings to arrive at the net loss that do not require a current outlay of cash amounting to \$(2,010) in the first three months of fiscal 2009 compared to \$10,006 in the first three months of fiscal 2008. The decrease of \$12,016 reflects the lower net loss experienced in the first quarter of fiscal 2009 compared to the net income of the first quarter of fiscal 2008.

Working capital changes since October 31, 2008 provided funds of \$8,725. During the first quarter of fiscal 2009, accounts receivable have decreased by \$30,202 and inventory decreased by \$9,472 since the end of fiscal 2008. Considering the increase in overdraft balances, accounts payable, net have decreased \$27,146, in line with the reduced level of production in the first quarter of fiscal 2009.

Capital expenditures in the first three months of fiscal 2009 were \$2,186.

After considering letters of credit of \$7,306 that the Company has issued, available funds under the Credit Agreement were \$50,494 at January 31, 2009. The Company believes that funds available under the Credit Agreement and cash flow from operations will provide sufficient liquidity to meet its cash requirements through January 31, 2010. The Company is closely monitoring the business conditions that are currently affecting the automotive industry and has initiated actions to align production schedules of the Company's plants with customers' schedules, to reduce inventories, to adjust operating expenses in line with production and to reduce capital expenditures to a minimum. All of these efforts are directed toward the goal of meeting its cash requirements until the expiration of the revolving credit facility in July 2013, including capital expenditures, pension obligations and repayments of \$499 on other debt. At this time, the Company also expects that in spite of a projected operating loss for fiscal 2009, the Company's cash flows will be sufficient to comply with the minimum fixed charge coverage ratio and maximum leverage ratio covenants of the Credit Agreement through the end of fiscal 2009. Furthermore, the Company does not anticipate at this time any change in business conditions or operations of the Company that could be deemed as a material adverse change by the agent bank or required lenders, as defined, and thereby result in declaring borrowed amounts as immediately due and payable.

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. Inflation has not generally 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.

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; 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 Credit 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 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. As of the end of the period covered by this Quarterly Report, an evaluation of the effectiveness of the Company's disclosure controls and procedures was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

There have been no changes in the Company's internal control over financial reporting during the first quarter of fiscal 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

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.

SIGNATURES

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

SHILOH INDUSTRIES, INC.

By: /s/ Theodore K. Zampetis
Theodore K. Zampetis
President and Chief Executive Officer

By: /s/ Kevin Bagby
Kevin Bagby
Chief Financial Officer

Date: February 25, 2009

EXHIBIT INDEX

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- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

I, Theodore K. Zampetis, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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/ Theodore K. Zampetis

Theodore K. Zampetis
President and Chief Executive Officer

Date: February 25, 2009

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

I, Kevin Bagby, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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/ Kevin Bagby

Kevin Bagby
Chief Financial Officer

Date: February 25, 2009

**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 quarterly report of Shiloh Industries, Inc. (the "Company") on Form 10-Q for the quarter ended January 31, 2009, 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 the 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.

Dated: February 25, 2009

/s/ Theodore K. Zampetis

Theodore K. Zampetis
President and Chief Executive Officer

/s/ Kevin Bagby

Kevin Bagby
Chief Financial Officer

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