

Cooper-Standard Holdings Inc.
Form 10-Q
November 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

or

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

Commission File Number: 000-54305

COOPER-STANDARD HOLDINGS INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

20-1945088
(I.R.S. Employer
Identification No.)

39550 Orchard Hill Place Drive

Novi, Michigan 48375

(Address of principal executive offices)

(Zip Code)

(248) 596-5900

(Registrant's telephone number, including area code)

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of November 2, 2012 there were 17,620,074 shares of the registrant's common stock, \$0.001 par value, outstanding.

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COOPER-STANDARD HOLDINGS INC.

Form 10-Q

For the period ended September 30, 2012

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****COOPER-STANDARD HOLDINGS INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)****(Dollar amounts in thousands except per share amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Sales	\$ 708,544	\$ 684,029	\$ 2,157,776	\$ 2,183,794
Cost of products sold	599,985	580,956	1,804,743	1,844,616
Gross profit	108,559	103,073	353,033	339,178
Selling, administration & engineering expenses	64,403	65,421	190,856	206,432
Amortization of intangibles	3,911	3,866	11,745	11,590
Restructuring	6,539	10,171	48,124	15,758
Operating profit	33,706	23,615	102,308	105,398
Interest expense, net of interest income	(9,603)	(11,325)	(30,158)	(33,326)
Equity earnings	843	2,342	3,480	5,891
Other income (expense), net	(8,884)	1,118	6,191	(449)
Income before income taxes	16,062	15,750	81,821	77,514
Provision (benefit) for income tax expense	7,963	5,392	26,782	(32,772)
Consolidated net income	8,099	10,358	55,039	110,286
Net loss attributable to noncontrolling interests	7,559	1,266	24,576	2,441
Net income attributable to Cooper-Standard Holdings Inc.	\$ 15,658	\$ 11,624	\$ 79,615	\$ 112,727
Net income available to Cooper-Standard Holdings Inc. common stockholders	\$ 11,080	\$ 8,037	\$ 59,315	\$ 86,588
Basic net income per share attributable to Cooper-Standard Holdings Inc.	\$ 0.63	\$ 0.46	\$ 3.37	\$ 4.93
Diluted net income per share attributable to Cooper-Standard Holdings Inc.	\$ 0.58	\$ 0.44	\$ 3.08	\$ 4.63
Comprehensive income (loss)	\$ (53,137)	\$ 18,790	\$ 32,922	\$ 104,998
Add: Comprehensive loss attributable to noncontrolling interests	9,030	825	26,961	2,758
Comprehensive income (loss) attributable to Cooper-Standard Holdings Inc.	\$ (44,107)	\$ 19,615	\$ 59,883	\$ 107,756

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

Table of Contents**COOPER-STANDARD HOLDINGS INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollar amounts in thousands except share amounts)**

	December 31, 2011	September 30, 2012 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 361,745	\$ 217,838
Accounts receivable, net	433,947	543,762
Inventories, net	139,726	161,573
Prepaid expenses	26,295	23,611
Other	43,808	51,772
Total current assets	1,005,521	998,556
Property, plant and equipment, net	619,717	620,980
Goodwill	136,406	136,216
Intangibles, net	131,691	121,025
Deferred tax assets	31,962	64,441
Other assets	78,491	84,093
	\$ 2,003,788	\$ 2,025,311
Liabilities and Equity		
Current liabilities:		
Debt payable within one year	\$ 33,093	\$ 30,153
Accounts payable	256,671	240,816
Payroll liabilities	84,591	100,668
Accrued liabilities	108,628	89,600
Total current liabilities	482,983	461,237
Long-term debt	455,559	452,043
Pension benefits	192,124	164,384
Postretirement benefits other than pensions	68,242	67,571
Deferred tax liabilities	18,803	14,172
Other liabilities	44,614	41,961
Total liabilities	1,262,325	1,201,368
Redeemable noncontrolling interests	14,344	16,523
7% Cumulative participating convertible preferred stock, \$0.001 par value, 10,000,000 shares authorized at December 31, 2011, and September 30, 2012; 1,007,444 shares issued and 1,003,108 outstanding at December 31, 2011 and 977,004 shares issued and 971,090 outstanding at September 30, 2012	125,916	122,858
Equity:		
Common stock, \$0.001 par value, 190,000,000 shares authorized at December 31, 2011 and September 30, 2012; 18,416,957 shares issued and 18,323,443 outstanding at December 31, 2011 and 18,426,553 shares issued and 17,737,874 outstanding at September 30, 2012	17	17
Additional paid-in capital	485,637	479,784
Retained earnings	124,674	219,214
Accumulated other comprehensive loss	(12,469)	(17,440)

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Total Cooper-Standard Holdings Inc. equity	597,859	681,575
Noncontrolling interests	3,344	2,987
Total equity	601,203	684,562
Total liabilities and equity	\$ 2,003,788	\$ 2,025,311

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

Table of Contents**COOPER-STANDARD HOLDINGS INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(Dollar amounts in thousands)**

	Nine Months Ended September 30,	
	2011	2012
Operating Activities:		
Consolidated net income	\$ 55,039	\$ 110,286
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:		
Depreciation	80,298	79,640
Amortization of intangibles	11,745	11,590
Deferred income taxes		(47,763)
Non-cash restructuring	383	147
Amortization of debt issuance cost	938	947
Stock-based compensation expense	9,164	11,473
Gain on partial sale of joint venture	(11,423)	
Gain on sale of fixed assets		(929)
Changes in operating assets and liabilities	(100,392)	(187,410)
Net cash provided by (used in) operating activities	45,752	(22,019)
Investing activities:		
Capital expenditures, including other intangible assets	(70,253)	(91,537)
Acquisition of businesses, net of cash acquired	30,878	(1,084)
Investment in affiliate	(10,500)	
Proceeds from partial sale of joint venture	16,000	
Proceeds from the sale of fixed assets	377	8,997
Net cash used in investing activities	(33,498)	(83,624)
Financing activities:		
Decrease in short-term debt	(4,336)	(2,833)
Principal payments on long-term debt	(3,189)	(4,310)
Cash dividends paid	(5,406)	(5,135)
Repurchase of preferred stock		(4,870)
Repurchase of common stock		(20,636)
Other	(154)	21
Net cash used in financing activities	(13,085)	(37,763)
Effects of exchange rate changes on cash	(7,319)	(501)
Changes in cash and cash equivalents	(8,150)	(143,907)
Cash and cash equivalents at beginning of period	294,450	361,745
Cash and cash equivalents at end of period	\$ 286,300	\$ 217,838

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollar amounts in thousands except Note 16, per share and share amounts)

1. Overview

Basis of presentation

Cooper-Standard Holdings Inc. (together with its consolidated subsidiaries, the Company, Cooper-Standard, we, our, or us) is a leading manufacturer of fluid handling, body sealing, and Anti-Vibration Systems (AVS) components, systems, subsystems, and modules. The Company's products are primarily for use in passenger vehicles and light trucks that are manufactured by global automotive original equipment manufacturers (OEMs) and replacement markets. The Company conducts substantially all of its activities through its subsidiaries.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2011 Annual Report on Form 10-K, as filed with the SEC. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements include all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of the Company. Certain prior period amounts have been reclassified to conform to the current period financial statement presentation. The operating results for the interim period ended September 30, 2012 are not necessarily indicative of results for the full year.

Recent accounting pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, *Comprehensive Income (Topic 220)*. This ASU required companies to present items of net income, items of other comprehensive income (OCI) and total comprehensive income in one continuous statement or two separate but consecutive statements. The Company adopted this new accounting guidance in the first quarter of 2012.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820)*. This ASU amends the requirements for measuring fair value and disclosing information about fair value. This ASU is effective for fiscal years and interim periods beginning after December 15, 2011. The Company adopted this new accounting guidance in the first quarter of 2012.

2. Acquisitions

On March 28, 2011, the Company completed the acquisition of USi, Inc. (USi), based in Rockford, Tennessee, from Ikyuo Co. Ltd. of Japan, for cash consideration of \$6,500. USi provides an innovative hard coating process for use in automotive and industrial applications, which allows the Company to expand its technology capabilities. This acquisition was accounted for under Accounting Standards Codification (ASC) 805, *Business Combinations*, and the results of operations of USi are included in the Company's condensed consolidated financial statements from the date of acquisition. This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

To broaden product lines across Europe, the Company completed an agreement with Fonds de Modernisation des Equipementiers Automobiles (FMEA) on May 2, 2011, to establish a joint venture that combined the Company's French body sealing operations and the operations of Société des Polymères Barre-Thomas (SPBT). SPBT was a French supplier of anti-vibration systems and low pressure hoses, as well as body sealing products, which FMEA acquired as a preliminary step to the joint venture transaction. The Company contributed its French body sealing assets and obligations, which had a fair value of approximately \$33,000, to the joint venture to acquire 51 percent ownership and FMEA contributed the assets and obligations of SPBT for its 49 percent ownership. SPBT changed its name to Cooper Standard France SAS (CS France) subsequent to the transaction.

The Company accounted for the transaction as a sale of a subsidiary while retaining control under ASC 810, *Consolidations* and an acquisition of 51 percent ownership interest of SPBT under ASC 805, *Business Combinations*. Accordingly, the subsidiary was transferred at historical cost and the assets acquired and the liabilities assumed of SPBT were recorded at fair value and are included in the Company's condensed consolidated balance sheets. The Company received net cash of \$38,224 as part of the transaction. Also, as part of the acquisition the Company

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acquired an ownership interest in a joint venture in India.

The operating results of CS France are included in the Company's condensed consolidated financial statements from the date of acquisition. This joint venture does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)**

In connection with the investment in CS France, the noncontrolling shareholders have the option, which is embedded in the noncontrolling interest, to require the Company to purchase the remaining 49 percent noncontrolling share at a formula price designed to approximate fair value based on operating results of the entity. The put option becomes exercisable at the expiration of the four year period following the May 2, 2011 closing date of the transaction. The combination of a noncontrolling interest and a put option resulted in a redeemable noncontrolling interest.

The noncontrolling interest is redeemable at other than fair value as the put value is determined based on a formula described above. The Company records the noncontrolling interests in CS France at the greater of 1) the initial carrying amount, increased or decreased for the noncontrolling shareholders' share of net income or loss and its share of other comprehensive income or loss and dividends (carrying amount) or 2) the cumulative amount required to accrete the initial carrying amount to the redemption value, which resulted in accretion of \$1,527 and \$4,580 for the three and nine months ended September 30, 2012. Such accretion amounts are recorded as increases to redeemable noncontrolling interests with offsets to equity. According to authoritative accounting guidance, the redeemable noncontrolling interest is classified outside of permanent equity, in mezzanine equity, on the Company's condensed consolidated balance sheets. As of September 30, 2012, the estimated redemption value of the put option is \$28,910. The redemption amount related to the put option is guaranteed by the Company and secured with the CS France shares held by a subsidiary of the Company. The Company has determined that the non-recurring fair value measurement related to this calculation relies primarily on Company-specific inputs and the Company's assumptions, as observable inputs are not available. As such, the Company has determined that this fair value measurement resides within Level 3 of the fair value hierarchy. To determine the fair value of the put option, the Company utilizes the projected cash flows expected to be generated by the joint venture, then discounts the future cash flows by using a risk-adjusted rate for the Company.

According to authoritative accounting guidance for redeemable noncontrolling shareholders' interests, to the extent the noncontrolling shareholders have a contractual right to receive an amount upon exercise of a put option that is other than fair value, and such amount is greater than carrying value, the noncontrolling shareholder has, in substance, received a dividend distribution that is different than other common stockholders. Therefore the redemption amount in excess of fair value should be reflected as a reduction in the income available to the Company's common stockholders in the computation of earnings per share. At September 30, 2012 there was no difference between redemption value and fair value.

On July 1, 2011, the Company purchased from Nishikawa Rubber Co., Limited (Nishikawa Rubber) a 20% interest in Nishikawa Tachaplalert Rubber Company Limited for cash consideration of \$10,500. Nishikawa Tachaplalert Rubber Company Limited is a joint venture majority owned by Nishikawa Rubber based in Thailand and supplies body sealing products. The new joint venture entity is Nishikawa Tachaplalert Cooper Limited. This joint venture is owned 20% by Cooper Standard, 77.7% by Nishikawa Rubber and 2.3% owned by Original Tachaplalerts and Marubeni Thailand. This investment is accounted for under the equity method and is included in other assets in the accompanying condensed consolidated balance sheets.

During the fourth quarter of 2011, the Company acquired the automotive sealing business of Sigit S.p.A. (Sigit) based in Chivasso, Italy and Poland, for a total cash consideration of \$4,066. Consolidating Sigit's sealing capabilities into the Company's existing operations will broaden the Company's supply relationship with global OEM customers. This acquisition was accounted for under ASC 805, *Business Combinations*, and the results of operations of Sigit are included in the Company's condensed consolidated financial statements from the date of acquisition. This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

3. Goodwill and Intangibles

The changes in the carrying amount of goodwill by reportable operating segment for the nine months ended September 30, 2012 are summarized as follows:

	North America	International	Total
Balance at January 1, 2012	\$ 115,298	\$ 21,108	\$ 136,406

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Foreign exchange translation	160	(350)	(190)
Balance at September 30, 2012	\$ 115,458	\$ 20,758	\$ 136,216

Goodwill is not amortized but is tested for impairment, either annually or when events or circumstances indicate that impairment may exist, by reporting units determined in accordance with ASC 350, *Goodwill and Other Intangible Assets*.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)**

The following table presents intangible assets and accumulated amortization balances of the Company as of December 31, 2011 and September 30, 2012, respectively:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)
Customer relationships	\$ 138,576	\$ (21,267)	\$ 117,309	8.6
Developed technology	9,503	(2,521)	6,982	4.8
Other	7,603	(203)	7,400	
Balance at December 31, 2011	\$ 155,682	\$ (23,991)	\$ 131,691	8.1
Customer relationships	\$ 136,006	\$ (30,902)	\$ 105,104	7.9
Developed technology	9,469	(3,702)	5,767	4.1
Other	10,636	(482)	10,154	
Balance at September 30, 2012	\$ 156,111	\$ (35,086)	\$ 121,025	7.4

Amortization expense totaled \$3,911 and \$3,866 for the three months ended September 30, 2011 and 2012, respectively and \$11,745 and \$11,590 for the nine months ended September 30, 2011 and 2012, respectively. Estimated amortization expense will total approximately \$15,500 for the year ending December 31, 2012.

4. Restructuring

The Company implemented several restructuring initiatives in prior years in connection with the closure or consolidation of facilities in North America, Europe, South America, Australia and Asia. The Company also implemented a restructuring initiative that involved the reorganization of the Company's operating structure. The Company commenced these initiatives prior to December 31, 2010 and continued to execute these initiatives through September 30, 2012. The majority of the costs associated with these initiatives were incurred shortly after the original implementation. However, the Company continues to incur costs on some of the initiatives related principally to the liquidation of the respective facilities. The total expense incurred related to these actions amounted to \$(241) and \$566 for the nine months ended September 30, 2011 and 2012, respectively. As of September 30, 2012, there is a liability of \$80 associated with these initiatives recorded on the Company's condensed consolidated balance sheet.

In the first quarter of 2011, the Company initiated the closure of a facility in North America and announced the decision to establish a centralized shared services function in Europe. The estimated total costs of these initiatives amount to \$11,000 and are expected to be completed in 2013. The Company has recognized \$10,993 of costs related to these initiatives. The following tables summarize the activity for these initiatives for the nine months ended September 30, 2011 and 2012:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2011	\$	\$	\$	\$
Expense	2,278	4,721		6,999

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Cash payments		(3,465)		(3,465)
Balance at September 30, 2011	\$ 2,278	\$ 1,256	\$	\$ 3,534
	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2012	\$ 3,443	\$ 848	\$	\$ 4,291
Expense	(392)	2,413	147	2,168
Cash payments	(3,046)	(3,261)		(6,307)
Utilization of reserve			(147)	(147)
Balance at September 30, 2012	\$ 5	\$	\$	\$ 5

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)**

An other postretirement benefit curtailment gain of \$1,539 for the nine months ended September 30, 2012 resulted from the closure of a U.S. facility and was recorded as a reduction to restructuring expense.

In the second quarter of 2011, the Company initiated the reorganization of the Company's French body sealing operations in relation to the joint venture agreement with FMEA. The estimated total cost of this initiative is \$44,300 and is expected to be completed in 2012. The Company has recognized \$44,237 of costs related to this initiative. The following tables summarize the activity for this initiative for the nine months ended September 30, 2011 and 2012:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2011	\$	\$	\$	\$
Expense	33,431	4,160		37,591
Reorganization initiative transfer	1,877			1,877
Cash payments and foreign exchange translation	(3,927)	(4,160)		(8,087)
Balance at September 30, 2011	\$ 31,381	\$	\$	\$ 31,381

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2012	\$ 23,228	\$	\$	\$ 23,228
Expense	423	1,360		1,783
Cash payments and foreign exchange translation	(22,060)	(1,360)		(23,420)
Balance at September 30, 2012	\$ 1,591	\$	\$	\$ 1,591

In the third quarter of 2011, the Company initiated the transfer of a sealing business from one of its German facilities to other sealing operations in Eastern Europe. After discussions with several stakeholders it was determined the completion of this initiative would not be achieved. As a result, \$1,644 of restructuring expense was reversed in the nine months ended September 30, 2012.

In the first quarter of 2012, the Company initiated the closure of a facility in North America and a restructuring liability of \$4,886 was recorded. During the second quarter of 2012, the Company was able to negotiate a new contract with the union, therefore enabling the facility to remain open. As a result, \$4,725 of restructuring expense was reversed in the nine months ended September 30, 2012.

During 2012, the Company initiated the restructuring of facilities in Europe to change the Company's European footprint to improve the Company's operating performance. The estimated total cost of this initiative is \$20,300 and is expected to be completed in 2013. The following table summarizes the activity for this initiative for the nine months ended September 30, 2012:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
--	--	---------------------------------	------------------------------	--------------

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Balance at January 1, 2012	\$	\$	\$	\$
Expense	14,053	210		14,263
Cash payments and foreign exchange translation	(3,368)	(210)		(3,578)
Balance at September 30, 2012	\$ 10,685	\$	\$	\$ 10,685

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****5. Inventories**

Inventories were comprised of the following at December 31, 2011 and September 30, 2012:

	December 31, 2011	September 30, 2012
Finished goods	\$ 34,446	\$ 40,897
Work in process	34,466	39,791
Raw materials and supplies	70,814	80,885
	\$ 139,726	\$ 161,573

6. Debt

Outstanding debt consisted of the following at December 31, 2011 and September 30, 2012:

	December 31, 2011	September 30, 2012
Senior notes	\$ 450,000	\$ 450,000
Other borrowings	38,652	32,196
Total debt	\$ 488,652	\$ 482,196
Less current portion	(33,093)	(30,153)
Total long-term debt	\$ 455,559	\$ 452,043

Senior ABL Facility

The Company's senior secured asset-based revolving credit facility (the Senior ABL Facility) provides for an aggregate revolving loan availability of up to \$125,000, subject to borrowing base availability, including a \$45,000 letter of credit sub-facility and a \$20,000 swing line sub-facility. The Senior ABL Facility also provides for an uncommitted \$25,000 incremental loan facility, for a potential total Senior ABL Facility of \$150,000 (if requested by the borrowers and any existing lenders or new lenders agree to fund such increase). No consent of any lender (other than those participating in the increase) is required to effect any such increase. As of September 30, 2012, no amounts were drawn under the Senior ABL Facility, but there were approximately \$27,632 of letters of credit outstanding.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****7. Pension and Postretirement Benefits other than Pensions**

The following tables disclose the amount of net periodic benefit cost for the three and nine months ended September 30, 2011 and 2012 for the Company's defined benefit plans and other postretirement benefit plans:

	Pension Benefits			
	Three Months Ended September 30, 2011		2012	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 526	\$ 633	\$ 287	\$ 778
Interest cost	3,687	1,791	3,476	1,919
Expected return on plan assets	(4,052)	(1,017)	(3,868)	(1,010)
Amortization of prior service cost and recognized actuarial loss	5	10	124	96
Net periodic benefit cost	\$ 166	\$ 1,417	\$ 19	\$ 1,783

	Pension Benefits			
	Nine Months Ended September 30, 2011		2012	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 1,578	\$ 1,898	\$ 861	\$ 2,366
Interest cost	11,061	5,373	10,428	5,830
Expected return on plan assets	(12,156)	(3,059)	(11,604)	(3,010)
Amortization of prior service cost and recognized actuarial loss	15	32	372	284
Net periodic benefit cost	\$ 498	\$ 4,244	\$ 57	\$ 5,470

	Other Postretirement Benefits			
	Three Months Ended September 30, 2011		2012	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 299	\$ 160	\$ 136	\$ 163
Interest cost	751	231	449	206
Amortization of prior service cost and recognized actuarial (gain) loss	1		(444)	(14)
Other	21		19	
Net periodic benefit cost	\$ 1,072	\$ 391	\$ 160	\$ 355

	Other Postretirement Benefits			
	Nine Months Ended September 30, 2011		2012	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 897	\$ 481	\$ 408	\$ 486
Interest cost	2,253	695	1,347	614

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Amortization of prior service cost and recognized actuarial (gain) loss	3	(1,332)	(41)
Other	63	57	
Curtailment gain		(1,539)	
 Net periodic benefit cost (gain)	 \$ 3,216	 \$ 1,176	 \$ (1,059) \$ 1,059

The curtailment gain for the nine months ended September 30, 2012 in the table above resulted from the closure of a U.S. facility and was recorded as a reduction to restructuring expense.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except Note 16, per share and share amounts)

8. Income Taxes

Under ASC Topic 270, *Interim Reporting*, the Company is required to determine its effective tax rate each quarter based upon its estimated annual effective tax rate. The Company is also required to record the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year where no tax benefit can be recognized are excluded from the estimated annual effective tax rate.

On a quarterly basis, the Company reviews the likelihood that it will realize the benefit of its deferred tax assets and, therefore, the need for valuation allowances. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset is considered, along with all other available positive and negative evidence. The factors considered by management in its determination of the probability of the realization of the deferred tax assets include but are not limited to: recent historical financial results, historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. If, based upon the weight of available evidence, it is more likely than not the deferred tax assets will not be realized, a valuation allowance is recorded.

Concluding that a valuation allowance is not required is difficult when there is significant negative evidence which is objective and verifiable, such as cumulative losses in recent years. The Company utilizes rolling twelve quarters of pre-tax book results adjusted for significant permanent book to tax differences as a measure of cumulative results in recent years. In certain foreign jurisdictions, the Company's analysis indicates that it would have cumulative three year historical losses on this basis. This is considered significant negative evidence which is difficult to overcome. However, the three year loss position is not solely determinative and, accordingly, management considers all other available positive and negative evidence in its analysis. Based upon this analysis, management concluded that it is more likely than not that the net deferred tax assets in certain foreign jurisdictions may not be realized in the future. Accordingly, the Company continues to maintain a valuation allowance related to those net deferred tax assets.

In the United States, the Company has been in a cumulative loss position in recent years. However, that position changed to a three year cumulative income position during the second quarter of 2012. This position, along with management's analysis of all other available evidence, resulted in the conclusion that the net deferred tax asset in the United States is more likely than not to be realized. As such, the valuation allowance previously recorded against the net deferred tax assets in the United States has been reversed.

During 2012, the Company is expected to record a tax benefit of approximately (\$67,800) related to reductions in its U.S. valuation allowance against net deferred tax assets, which is comprised of two items: 1) a net benefit of (\$19,500) included in the estimated annual effective tax rate resulting from forecasted net income in the U.S. with no corresponding tax expense due to utilization of valuation allowances, and 2) a benefit of (\$48,300) resulting from changes in determinations relating to the potential realization of deferred tax assets and the resulting reversal of a valuation allowance on net deferred tax assets in the United States.

The effective tax rate for the three and nine months ended September 30, 2012 is 34% and (42%), respectively. Excluding the impact of releasing the U.S. valuation allowance discretely, the effective tax rate for the nine months ended September 30, 2012 is 20%. The effective tax rate for the three and nine months ended September 30, 2011 was 50% and 33%, respectively. The income tax rate for the three and nine months ended September 30, 2012 varies from statutory rates due to the benefit resulting from the reversal of the valuation allowance on net deferred tax assets in the U.S., income in jurisdictions with no tax expense due to valuation allowance release, income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, the inability to record a tax benefit for pre-tax losses in certain foreign jurisdictions to the extent not offset by other categories of income, tax credits, income tax incentives, withholding taxes, and other permanent items.

There is no corresponding income tax benefit recognized with respect to losses incurred and no corresponding income tax expense recognized with respect to earnings generated in jurisdictions with a valuation allowance. This causes variability in the Company's effective tax rate. The Company intends to maintain the valuation allowances in those jurisdictions until it is more likely than not that the net deferred tax assets will be realized. If operating results improve or deteriorate on a sustained basis, the Company's conclusions regarding the need for a valuation allowance

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could change, resulting in either the reversal or initial recognition of a valuation allowance in the future, which could have a significant impact on income tax expense in the period recognized and subsequent periods.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****9. Comprehensive Income (Loss), Equity and Redeemable Noncontrolling Interests**

The components of comprehensive income (loss), net of related tax are as follows:

	Three Months Ended September 30,					
	2011			2012		
	Total	Cooper-Standard Holdings Inc.	Noncontrolling Interest	Total	Cooper-Standard Holdings Inc.	Noncontrolling Interest
Net income (loss)	\$ 8,099	\$ 15,658	\$ (7,559)	\$ 10,358	\$ 11,624	\$ (1,266)
Currency translation adjustment	(61,159)	(59,688)	(1,471)	8,701	8,260	441
Pension and other postretirement benefits, net of tax	17	17		(189)	(189)	
Fair value change of derivatives, net of tax	(94)	(94)		(80)	(80)	
Comprehensive income (loss):	\$ (53,137)	\$ (44,107)	\$ (9,030)	\$ 18,790	\$ 19,615	\$ (825)

	Nine Months Ended September 30,					
	2011			2012		
	Total	Cooper-Standard Holdings Inc.	Noncontrolling Interest	Total	Cooper-Standard Holdings Inc.	Noncontrolling Interest
Net income (loss)	\$ 55,039	\$ 79,615	\$ (24,576)	\$ 110,286	\$ 112,727	\$ (2,441)
Currency translation adjustment	(23,402)	(21,017)	(2,385)	(4,602)	(4,285)	(317)
Pension and other postretirement benefits, net of tax	1,655	1,655		(815)	(815)	
Fair value change of derivatives, net of tax	(370)	(370)		129	129	
Comprehensive income (loss):	\$ 32,922	\$ 59,883	\$ (26,961)	\$ 104,998	\$ 107,756	\$ (2,758)

The following table summarizes the Company's equity and redeemable noncontrolling interest activity for the nine months ended September 30, 2012:

	Cooper-Standard Holdings Inc.	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interests
Equity at January 1, 2012	\$ 597,859	\$ 3,344	\$ 601,203	\$ 14,344
Net income (loss)	112,727	(359)	112,368	(2,082)
Preferred stock dividends	(5,087)		(5,087)	
Preferred stock redemption premium	(974)		(974)	
Repurchase common stock	(21,292)		(21,292)	
Other comprehensive loss	(4,971)	2	(4,969)	(319)
Stock-based compensation	7,893		7,893	
Accretion of redeemable noncontrolling interests	(4,580)		(4,580)	4,580

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Equity at September 30, 2012	\$	681,575	\$	2,987	\$	684,562	\$	16,523
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Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****10. Net Income Per Share Attributable to Cooper-Standard Holdings Inc.**

Basic net income per share attributable to Cooper-Standard Holdings Inc. was computed using the two-class method by dividing net income attributable to Cooper-Standard Holdings Inc., after deducting dividends on the Company's 7% preferred stock, premium paid for redemption of preferred stock and undistributed earnings allocated to participating securities, by the average number of common shares outstanding during the period excluding unvested restricted shares. The Company's shares of 7% preferred stock outstanding are considered participating securities. A summary of information used to compute basic net income per share attributable to Cooper-Standard Holdings Inc. is shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Net income attributable to Cooper-Standard Holdings Inc.	\$ 15,658	\$ 11,624	\$ 79,615	\$ 112,727
Less: Preferred stock dividends (paid or unpaid)	(1,835)	(1,699)	(5,519)	(5,087)
Less: Premium paid for redemption of preferred stock				(974)
Less: Undistributed earnings allocated to participating securities	(2,743)	(1,888)	(14,781)	(20,078)
Net income available to Cooper-Standard Holdings Inc. common stockholders	\$ 11,080	\$ 8,037	\$ 59,315	\$ 86,588
Average shares of common stock outstanding	17,693,458	17,454,226	17,580,474	17,578,580
Basic net income per share attributable to Cooper-Standard Holdings Inc.	\$ 0.63	\$ 0.46	\$ 3.37	\$ 4.93

Diluted net income per share attributable to Cooper-Standard Holdings Inc. was computed using the treasury stock method by dividing net income attributable to Cooper-Standard Holdings Inc. by the average number of shares of common stock outstanding, including the dilutive effect of common stock equivalents, using the average share price during the period. Diluted net income per share attributable to Cooper-Standard Holdings Inc. computed using the two-class method was anti-dilutive. A summary of information used to compute diluted net income per share attributable to Cooper-Standard Holdings Inc. is shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Net income available to Cooper-Standard Holdings Inc. common stockholders	\$ 11,080	\$ 8,037	\$ 59,315	\$ 86,588
Average common shares outstanding	17,693,458	17,454,226	17,580,474	17,578,580
Dilutive effect of:				
Common restricted stock	278,700	172,586	408,964	270,230
Preferred restricted stock	62,095	19,181	91,263	47,833
Warrants	946,478	570,067	992,627	699,533
Options	183,034	77,707	210,660	111,023
Average dilutive shares of common stock outstanding	19,163,765	18,293,767	19,283,988	18,707,199

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Diluted net income per share attributable to Cooper-Standard Holdings Inc.	\$	0.58	\$	0.44	\$	3.08	\$	4.63
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The effect of certain common stock equivalents, including the convertible preferred stock and options, were excluded from the computation of weighted average diluted shares outstanding for the three and nine months ended September 30, 2011 and 2012, as inclusion would have resulted in antidilution. A summary of these preferred shares (as if converted) and options are shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Number of options	33,700	272,800	33,700	272,800
Exercise price	\$ 43.50	\$ 43.50-46.75	\$ 43.50	\$ 43.50-46.75
Preferred shares, as if converted	4,381,005	4,099,692	4,381,005	4,076,150
Preferred dividends, undistributed earnings and premium allocated to participating securities that would be added back in the diluted calculation	\$ 4,578	\$ 3,587	\$ 20,300	\$ 26,139

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****11. Redeemable Preferred Stock**

The following table reconciles the Company's 7% preferred stock activity for the nine months ended September 30, 2012:

	Preferred Shares	Preferred Stock
Preferred stock at January 1, 2012	1,003,108	\$ 125,916
Stock-based compensation		1,040
Repurchased preferred stock shares	(32,018)	(4,098)
Preferred stock at September 30, 2012	971,090	\$ 122,858

12. Stock-Based Compensation

On May 27, 2010, the Company adopted the 2010 Cooper-Standard Holdings Inc. Management Incentive Plan. In 2011, the Company adopted the 2011 Omnibus Incentive Plan, which amended, restated and replaced the 2010 Cooper-Standard Holdings Inc. Management Incentive Plan. Under these plans, stock options, restricted common stock, restricted preferred stock, unrestricted common stock and restricted stock units have been granted to key employees and directors. Total compensation expense recognized was \$3,350 and \$3,436 for the three months ended September 30, 2011 and 2012, respectively and \$9,164 and \$11,473 for the nine months ended September 30, 2011 and 2012, respectively.

13. Other Income (Expense), Net

The components of other income (expense), net are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Foreign currency gains (losses)	\$ (2,848)	\$ (193)	\$ 1,455	\$ (4,516)
Unrealized gains (losses) related to forward contracts	(5,487)	1,476	(5,487)	3,836
Loss on sale of receivables	(357)	(165)	(974)	(689)
Gain on partial sale of joint venture			11,423	
Miscellaneous income (expense)	(192)		(226)	920
Other income (expense), net	\$ (8,884)	\$ 1,118	\$ 6,191	\$ (449)

14. Related Party Transactions

Sales to NISCO, a 40% owned joint venture, totaled \$6,983 and \$7,472 for the three months ended September 30, 2011 and 2012, respectively and \$21,016 and \$31,491 for the nine months ended September 30, 2011 and 2012, respectively. In March 2012, the Company received from NISCO a dividend of \$800, all of which was related to earnings.

Purchases of materials from Guyoung Technology Co. Ltd, a Korean corporation of which the Company owns approximately 20% of the common stock, totaled \$643 and \$743 for the three months ended September 30, 2011 and 2012, respectively and \$2,236 and \$2,340 for the nine months ended September 30, 2011 and 2012, respectively.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****15. Business Segments**

ASC 280, *Segment Reporting*, establishes the standards for reporting information about operating segments in financial statements. In applying the criteria set forth in ASC 280, the Company has determined that it operates in two segments, North America and International. The Company's principal product lines within each of these segments are body and chassis products and fluid handling products. The Company evaluates segment performance based on segment profit before tax. The results of each segment include certain allocations for general, administrative, interest, and other shared costs.

The following table details information on the Company's business segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Sales to external customers				
North America	\$ 348,507	\$ 363,859	\$ 1,073,655	\$ 1,139,273
International	360,037	320,170	1,084,121	1,044,521
Consolidated	\$ 708,544	\$ 684,029	\$ 2,157,776	\$ 2,183,794
Intersegment sales				
North America	\$ 2,171	\$ 1,646	\$ 5,372	\$ 5,979
International	2,271	3,577	6,322	10,112
Eliminations and other	(4,442)	(5,223)	(11,694)	(16,091)
Consolidated	\$	\$	\$	\$
Segment profit (loss)				
North America	\$ 31,850	\$ 32,790	\$ 131,880	\$ 113,922
International	(15,788)	(17,040)	(50,059)	(36,408)
Income before income taxes	\$ 16,062	\$ 15,750	\$ 81,821	\$ 77,514
Restructuring cost included in segment profit (loss)				
North America	\$ 1,838	\$ 276	\$ 4,958	\$ 755
International	4,701	9,895	43,166	15,003
Consolidated	\$ 6,539	\$ 10,171	\$ 48,124	\$ 15,758
	December 31,	September 30,		
	2011	2012		
Segment assets				
North America	\$ 752,082	\$ 800,456		
International	1,020,410	1,010,463		
Eliminations and other	231,296	214,392		

Consolidated	\$ 2,003,788	\$ 2,025,311
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16. Guarantor and Non-Guarantor Subsidiaries

In connection with the May 27, 2010 Reorganization of the Company, Cooper-Standard Automotive Inc. (the Issuer), a wholly-owned subsidiary of Cooper-Standard Holdings Inc., issued 8¹/₂% senior notes due 2018 (the Senior Notes) with a total principal amount of \$450,000. Cooper-Standard Holdings Inc. and all wholly-owned domestic subsidiaries of Cooper-Standard Automotive Inc. (the Guarantors) unconditionally guarantee the Senior Notes. The following condensed consolidated financial data provides information regarding the financial position, results of operations, and cash flows of the Guarantors. Separate financial statements of the Guarantors are not presented because management has determined that those would not be material to the holders of the Senior Notes. The Guarantors account for their investments in the non-guarantor subsidiaries on the equity method. The principal elimination entries are to eliminate the investments in subsidiaries and intercompany balances and transactions.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****For the Three Months Ended September 30, 2011**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
Sales	\$	\$ 123.1	\$ 150.6	\$ 471.0	\$ (36.2)	\$ 708.5
Cost of products sold		99.0	124.1	413.1	(36.2)	600.0
Selling, administration, & engineering expenses		29.0	(0.1)	35.5		64.4
Amortization of intangibles		2.7		1.2		3.9
Restructuring		0.1	1.7	4.7		6.5
Operating profit (loss)		(7.7)	24.9	16.5		33.7
Interest expense, net of interest income		(9.0)		(0.6)		(9.6)
Equity earnings		0.2		0.6		0.8
Other income (expense), net		12.5	0.2	(21.5)		(8.8)
Income (loss) before income taxes		(4.0)	25.1	(5.0)		16.1
Provision (benefit) for income tax expense		(1.7)	8.9	0.8		8.0
Income (loss) before equity in income of subsidiaries		(2.3)	16.2	(5.8)		8.1
Equity in net income of subsidiaries	15.7	18.0			(33.7)	
Consolidated net income (loss)	15.7	15.7	16.2	(5.8)	(33.7)	8.1
Net loss attributable to noncontrolling interest				7.6		7.6
Net income attributable to Cooper-Standard Holdings Inc.	\$ 15.7	\$ 15.7	\$ 16.2	\$ 1.8	\$ (33.7)	\$ 15.7
Comprehensive income (loss)	\$ (44.1)	\$ (44.1)	\$ 16.2	\$ (64.7)	\$ 83.6	\$ (53.1)
Add: comprehensive loss attributable to noncontrolling interests				9.0		9.0
Comprehensive income (loss) attributable to Cooper-Standard Holdings Inc.	\$ (44.1)	\$ (44.1)	\$ 16.2	\$ (55.7)	\$ 83.6	\$ (44.1)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME**For the Three Months Ended September 30, 2012**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
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	(dollars in millions)						
Sales	\$	\$ 135.1	\$ 150.7	\$	441.4	\$ (43.2)	\$ 684.0
Cost of products sold		113.0	129.1		382.0	(43.2)	580.9
Selling, administration, & engineering expenses		30.8			34.6		65.4
Amortization of intangibles		2.8			1.1		3.9
Restructuring		0.1	0.2		9.9		10.2
Operating profit (loss)		(11.6)	21.4		13.8		23.6
Interest expense, net of interest income		(8.3)			(3.0)		(11.3)
Equity earnings		1.0	0.5		0.9		2.4
Other income (expense), net		8.7	(0.1)		(7.5)		1.1
Income (loss) before income taxes		(10.2)	21.8		4.2		15.8
Provision for income tax expense		0.3	4.6		0.5		5.4
Income (loss) before equity in income of subsidiaries		(10.5)	17.2		3.7		10.4
Equity in net income of subsidiaries		11.6	22.1			(33.7)	
Consolidated net income		11.6	11.6		17.2	3.7	(33.7)
Net income attributable to noncontrolling interests						1.2	1.2
Net income attributable to Cooper-Standard Holdings Inc.	\$	\$ 11.6	\$ 11.6	\$	\$ 17.2	\$ 4.9	\$ (33.7)
Comprehensive income	\$	\$ 19.6	\$ 19.6	\$	\$ 17.2	\$ 11.5	\$ (49.1)
Add: comprehensive loss attributable to noncontrolling interests						0.8	0.8
Comprehensive income attributable to Cooper-Standard Holdings Inc.	\$	\$ 19.6	\$ 19.6	\$	\$ 17.2	\$ 12.3	\$ (49.1)

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****For the Nine Months Ended September 30, 2011**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
Sales	\$	\$ 373.6	\$ 462.3	\$ 1,426.7	\$ (104.8)	\$ 2,157.8
Cost of products sold		304.2	381.5	1,223.9	(104.8)	1,804.8
Selling, administration, & engineering expenses		86.9	(5.2)	109.2		190.9
Amortization of intangibles		8.3		3.4		11.7
Restructuring		0.3	4.7	43.1		48.1
Operating profit (loss)		(26.1)	81.3	47.1		102.3
Interest expense, net of interest income		(26.6)		(3.6)		(30.2)
Equity earnings		0.3	0.5	2.7		3.5
Other income (expense), net		38.0	12.8	(44.6)		6.2
Income (loss) before income taxes		(14.4)	94.6	1.6		81.8
Provision (benefit) for income tax expense		(2.7)	15.2	14.3		26.8
Income (loss) before equity in income (loss) of subsidiaries		(11.7)	79.4	(12.7)		55.0
Equity in net income of subsidiaries	79.6	91.3			(170.9)	
Consolidated net income (loss)	79.6	79.6	79.4	(12.7)	(170.9)	55.0
Net loss attributable to noncontrolling interest				24.6		24.6
Net income attributable to Cooper-Standard Holdings Inc.	\$ 79.6	\$ 79.6	\$ 79.4	\$ 11.9	\$ (170.9)	\$ 79.6
Comprehensive income (loss)	\$ 59.9	\$ 59.9	\$ 79.4	\$ (37.2)	\$ (129.1)	\$ 32.9
Add: comprehensive loss attributable to noncontrolling interests				27.0		27.0
Comprehensive income (loss) attributable to Cooper-Standard Holdings Inc.	\$ 59.9	\$ 59.9	\$ 79.4	\$ (10.2)	\$ (129.1)	\$ 59.9

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME**For the Nine Months Ended September 30, 2012**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
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	(dollars in millions)					
Sales	\$	\$ 429.7	\$ 475.5	\$ 1,420.2	\$ (141.6)	\$ 2,183.8
Cost of products sold		356.5	401.9	1,227.8	(141.6)	1,844.6
Selling, administration, & engineering expenses		96.2	0.9	109.3		206.4
Amortization of intangibles		8.5		3.1		11.6
Restructuring		0.3	0.3	15.2		15.8
Operating profit (loss)		(31.8)	72.4	64.8		105.4
Interest expense, net of interest income		(24.9)		(8.4)		(33.3)
Equity earnings		0.5	2.7	2.7		5.9
Other income (expense), net		26.6	1.0	(28.1)		(0.5)
Income (loss) before income taxes		(29.6)	76.1	31.0		77.5
Provision (benefit) for income tax expense		18.4	(48.5)	(2.7)		(32.8)
Income (loss) before equity in income (loss) of subsidiaries		(48.0)	124.6	33.7		110.3
Equity in net income of subsidiaries	112.7	160.7			(273.4)	
Consolidated net income	112.7	112.7	124.6	33.7	(273.4)	110.3
Net loss attributable to noncontrolling interest				2.4		2.4
Net income attributable to Cooper-Standard Holdings Inc.	\$ 112.7	\$ 112.7	\$ 124.6	\$ 36.1	\$ (273.4)	\$ 112.7
Comprehensive income	\$ 107.8	\$ 107.8	\$ 124.6	\$ 29.0	\$ (264.2)	\$ 105.0
Add: comprehensive loss attributable to noncontrolling interests				2.8		2.8
Comprehensive income attributable to Cooper-Standard Holdings Inc.	\$ 107.8	\$ 107.8	\$ 124.6	\$ 31.8	\$ (264.2)	\$ 107.8

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****CONDENSED CONSOLIDATING BALANCE SHEET****December 31, 2011**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	\$	\$ 189.6	\$	\$ 172.1	\$	\$ 361.7
Accounts receivable, net		66.8	74.8	292.3		433.9
Inventories		18.8	24.2	96.7		139.7
Prepaid expenses		5.2	0.4	20.7		26.3
Other		23.1	2.0	18.8		43.9
Total current assets		303.5	101.4	600.6		1,005.5
Investments in affiliates and intercompany accounts, net	597.9	290.9	1,050.0	(164.9)	(1,719.5)	54.4
Property, plant, and equipment, net		77.8	64.6	477.3		619.7
Goodwill		111.1		25.3		136.4
Other assets		97.6	(5.8)	96.0		187.8
	\$ 597.9	\$ 880.9	\$ 1,210.2	\$ 1,034.3	\$ (1,719.5)	\$ 2,003.8
LIABILITIES & EQUITY						
Current liabilities:						
Debt payable within one year	\$	\$	\$	\$ 33.1	\$	\$ 33.1
Accounts payable		48.3	30.9	177.5		256.7
Accrued liabilities		48.9	9.0	135.3		193.2
Total current liabilities		97.2	39.9	345.9		483.0
Long-term debt		450.0		5.6		455.6
Other liabilities		164.1	5.9	153.8		323.8
Total liabilities		711.3	45.8	505.3		1,262.4
Redeemable noncontrolling interests				14.3		14.3
Preferred stock		125.9				125.9
Total Cooper-Standard Holdings Inc. equity	597.9	43.7	1,164.4	511.4	(1,719.5)	597.9
Noncontrolling interests				3.3		3.3
Total equity	597.9	43.7	1,164.4	514.7	(1,719.5)	601.2
Total liabilities and equity	\$ 597.9	\$ 880.9	\$ 1,210.2	\$ 1,034.3	\$ (1,719.5)	\$ 2,003.8

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****CONDENSED CONSOLIDATING BALANCE SHEET****September 30, 2012**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	\$	\$ 126.7	\$	\$ 91.1	\$	\$ 217.8
Accounts receivable, net		75.9	87.9	379.9		543.7
Inventories		22.8	32.7	106.1		161.6
Prepaid expenses		4.5	0.3	18.8		23.6
Other		34.8	(0.2)	17.2		51.8
Total current assets		264.7	120.7	613.1		998.5
Investments in affiliates and intercompany accounts, net	681.6	274.1	1,104.4	(162.2)	(1,836.6)	61.3
Property, plant, and equipment, net		83.4	56.7	480.9		621.0
Goodwill		111.1		25.1		136.2
Other assets		59.6	48.6	100.1		208.3
	\$ 681.6	\$ 792.9	\$ 1,330.4	\$ 1,057.0	\$ (1,836.6)	\$ 2,025.3
LIABILITIES & EQUITY						
Current liabilities:						
Debt payable within one year	\$	\$	\$	\$ 30.2	\$	\$ 30.2
Accounts payable		40.9	36.3	163.6		240.8
Accrued liabilities		56.0	5.2	129.0		190.2
Total current liabilities		96.9	41.5	322.8		461.2
Long-term debt		450.0		2.0		452.0
Other liabilities		141.8	(0.1)	146.4		288.1
Total liabilities		688.7	41.4	471.2		1,201.3
Redeemable noncontrolling interests				16.5		16.5
Preferred stock		122.9				122.9
Total Cooper-Standard Holdings Inc. equity	681.6	(18.7)	1,289.0	566.3	(1,836.6)	681.6
Noncontrolling interests				3.0		3.0
Total equity	681.6	(18.7)	1,289.0	569.3	(1,836.6)	684.6
Total liabilities and equity	\$ 681.6	\$ 792.9	\$ 1,330.4	\$ 1,057.0	\$ (1,836.6)	\$ 2,025.3

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except Note 16, per share and share amounts)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****For the Nine Months Ended September 30, 2011**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	\$ 5.4	\$ 0.9	\$ (6.2)	\$ 45.7	\$	\$ 45.8
INVESTING ACTIVITIES						
Capital expenditures, including other intangible assets		(15.6)	(10.2)	(44.5)		(70.3)
Acquisition of businesses, net of cash acquired				30.9		30.9
Investment in affiliates		(10.5)				(10.5)
Proceeds from partial sale of joint venture			16.0			16.0
Proceeds from the sale of fixed assets			0.4			0.4
Net cash provided by (used in) investing activities		(26.1)	6.2	(13.6)		(33.5)
FINANCING ACTIVITIES						
Decrease in short-term debt				(4.3)		(4.3)
Principal payments on long-term debt				(3.2)		(3.2)
Other	(5.4)	33.5		(33.7)		(5.6)