

Cooper-Standard Holdings Inc.

Form 10-Q

November 10, 2011

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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, 2011

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 Sections 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 4, 2011 there were 18,319,278 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, 2011**

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

|                                                                            | Successor<br>Three Months Ended<br>September 30,<br>2010 | Successor<br>Three Months Ended<br>September 30,<br>2011 | Predecessor<br>Five Months Ended<br>May 31, 2010 | Successor<br>Four Months Ended<br>September 30,<br>2010 | Successor<br>Nine Months Ended<br>September 30,<br>2011 |
|----------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Sales                                                                      | \$ 585,650                                               | \$ 708,544                                               | \$ 1,009,128                                     | \$ 801,292                                              | \$ 2,157,776                                            |
| Cost of products sold                                                      | 483,559                                                  | 599,985                                                  | 832,201                                          | 665,434                                                 | 1,804,743                                               |
| Gross profit                                                               | 102,091                                                  | 108,559                                                  | 176,927                                          | 135,858                                                 | 353,033                                                 |
| Selling, administration & engineering expenses                             | 68,584                                                   | 64,403                                                   | 92,166                                           | 91,629                                                  | 190,856                                                 |
| Amortization of intangibles                                                | 3,842                                                    | 3,911                                                    | 319                                              | 5,106                                                   | 11,745                                                  |
| Restructuring                                                              | 818                                                      | 6,539                                                    | 5,893                                            | 1,200                                                   | 48,124                                                  |
| Operating profit                                                           | 28,847                                                   | 33,706                                                   | 78,549                                           | 37,923                                                  | 102,308                                                 |
| Interest expense, net of interest income                                   | (10,664)                                                 | (9,603)                                                  | (44,505)                                         | (14,195)                                                | (30,158)                                                |
| Equity earnings                                                            | 1,815                                                    | 843                                                      | 3,613                                            | 2,549                                                   | 3,480                                                   |
| Reorganization items, net                                                  |                                                          |                                                          | 303,453                                          |                                                         |                                                         |
| Other income (expense), net                                                | 5,454                                                    | (8,884)                                                  | (21,156)                                         | 5,024                                                   | 6,191                                                   |
| Income before income taxes                                                 | 25,452                                                   | 16,062                                                   | 319,954                                          | 31,301                                                  | 81,821                                                  |
| Provision for income tax expense                                           | 4,443                                                    | 7,963                                                    | 39,940                                           | 5,352                                                   | 26,782                                                  |
| Consolidated net income                                                    | 21,009                                                   | 8,099                                                    | 280,014                                          | 25,949                                                  | 55,039                                                  |
| Net (income) loss attributable to noncontrolling interests                 | (176)                                                    | 7,559                                                    | (322)                                            | (186)                                                   | 24,576                                                  |
| Net income attributable to Cooper-Standard Holdings Inc.                   | \$ 20,833                                                | \$ 15,658                                                | \$ 279,692                                       | \$ 25,763                                               | \$ 79,615                                               |
| Net income available to Cooper-Standard Holdings Inc. common stockholders  | \$ 15,116                                                | \$ 11,080                                                |                                                  | \$ 18,328                                               | \$ 59,315                                               |
| Basic net income per share attributable to Cooper-Standard Holdings Inc.   | \$ 0.86                                                  | \$ 0.63                                                  |                                                  | \$ 1.05                                                 | \$ 3.37                                                 |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc. | \$ 0.83                                                  | \$ 0.58                                                  |                                                  | \$ 1.00                                                 | \$ 3.08                                                 |

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



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**COOPER-STANDARD HOLDINGS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollar amounts in thousands except share amounts)

|                                                                                                                                                                                                                                                                        | December 31,<br>2010 | Successor<br>September 30,<br>2011<br>(Unaudited) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------------------------------|
| <b><u>Assets</u></b>                                                                                                                                                                                                                                                   |                      |                                                   |
| Current assets:                                                                                                                                                                                                                                                        |                      |                                                   |
| Cash and cash equivalents                                                                                                                                                                                                                                              | \$ 294,450           | \$ 286,300                                        |
| Accounts receivable, net                                                                                                                                                                                                                                               | 380,915              | 499,082                                           |
| Inventories, net                                                                                                                                                                                                                                                       | 122,043              | 160,471                                           |
| Prepaid expenses                                                                                                                                                                                                                                                       | 20,056               | 28,271                                            |
| Other                                                                                                                                                                                                                                                                  | 40,857               | 44,211                                            |
| Total current assets                                                                                                                                                                                                                                                   | 858,321              | 1,018,335                                         |
| Property, plant and equipment, net                                                                                                                                                                                                                                     | 589,504              | 613,419                                           |
| Goodwill                                                                                                                                                                                                                                                               | 137,000              | 136,694                                           |
| Intangibles, net                                                                                                                                                                                                                                                       | 149,642              | 134,171                                           |
| Other assets                                                                                                                                                                                                                                                           | 119,309              | 117,438                                           |
|                                                                                                                                                                                                                                                                        | \$ 1,853,776         | \$ 2,020,057                                      |
| <b><u>Liabilities and Equity</u></b>                                                                                                                                                                                                                                   |                      |                                                   |
| Current liabilities:                                                                                                                                                                                                                                                   |                      |                                                   |
| Debt payable within one year                                                                                                                                                                                                                                           | \$ 19,965            | \$ 35,470                                         |
| Accounts payable                                                                                                                                                                                                                                                       | 176,001              | 224,804                                           |
| Payroll liabilities                                                                                                                                                                                                                                                    | 98,722               | 98,527                                            |
| Accrued liabilities                                                                                                                                                                                                                                                    | 113,831              | 145,589                                           |
| Total current liabilities                                                                                                                                                                                                                                              | 408,519              | 504,390                                           |
| Long-term debt                                                                                                                                                                                                                                                         | 456,758              | 456,576                                           |
| Pension benefits                                                                                                                                                                                                                                                       | 164,595              | 156,959                                           |
| Postretirement benefits other than pensions                                                                                                                                                                                                                            | 80,053               | 80,794                                            |
| Deferred tax liabilities                                                                                                                                                                                                                                               | 18,337               | 19,698                                            |
| Other liabilities                                                                                                                                                                                                                                                      | 25,907               | 35,947                                            |
| Total liabilities                                                                                                                                                                                                                                                      | 1,154,169            | 1,254,364                                         |
| Redeemable noncontrolling interest                                                                                                                                                                                                                                     | 6,215                | 14,687                                            |
| 7% Cumulative participating convertible preferred stock, \$0.001 par value, 10,000,000 shares authorized at December 31, 2010, and September 30, 2011; 1,052,444 and 1,048,108 shares issued and outstanding at December 31, 2010 and September 30, 2011, respectively | 130,339              | 131,234                                           |
| <b><u>Equity:</u></b>                                                                                                                                                                                                                                                  |                      |                                                   |
| Common stock, \$0.001 par value, 190,000,000 shares authorized at December 31, 2010 and September 30, 2011; 18,376,112 and 18,319,278 shares issued and outstanding at December 31, 2010 and September 30, 2011, respectively                                          | 17                   | 17                                                |
| Additional paid-in capital                                                                                                                                                                                                                                             | 478,706              | 483,149                                           |
| Retained earnings                                                                                                                                                                                                                                                      | 35,842               | 107,290                                           |
| Accumulated other comprehensive income                                                                                                                                                                                                                                 | 45,881               | 26,149                                            |

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|                                            |              |              |
|--------------------------------------------|--------------|--------------|
| Total Cooper-Standard Holdings Inc. equity | 560,446      | 616,605      |
| Noncontrolling interests                   | 2,607        | 3,167        |
| Total equity                               | 563,053      | 619,772      |
| Total liabilities and equity               | \$ 1,853,776 | \$ 2,020,057 |

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)**

|                                                                                                          | Predecessor<br>Five Months Ended<br>May 31, 2010 | Successor<br>Four Months Ended<br>September 30,<br>2010 | Successor<br>Nine Months Ended<br>September 30,<br>2011 |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Operating Activities:                                                                                    |                                                  |                                                         |                                                         |
| Consolidated net income                                                                                  | \$ 280,014                                       | \$ 25,949                                               | \$ 55,039                                               |
| Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities: |                                                  |                                                         |                                                         |
| Depreciation                                                                                             | 35,333                                           | 31,843                                                  | 80,298                                                  |
| Amortization                                                                                             | 319                                              | 5,106                                                   | 11,745                                                  |
| Non-cash restructuring                                                                                   | 46                                               |                                                         | 383                                                     |
| Reorganization items                                                                                     | (303,453)                                        |                                                         |                                                         |
| Amortization of debt issuance cost                                                                       | 11,505                                           | 408                                                     | 938                                                     |
| Stock-based compensation expense                                                                         | 244                                              | 3,587                                                   | 9,164                                                   |
| Gain on partial sale of joint venture                                                                    |                                                  |                                                         | (11,423)                                                |
| Changes in operating assets and liabilities                                                              | (99,403)                                         | 13,389                                                  | (100,392)                                               |
| Net cash provided by (used in) operating activities                                                      | (75,395)                                         | 80,282                                                  | 45,752                                                  |
| Investing activities:                                                                                    |                                                  |                                                         |                                                         |
| Property, plant and equipment                                                                            | (22,935)                                         | (23,517)                                                | (70,253)                                                |
| Acquisition of businesses, plus cash acquired                                                            |                                                  |                                                         | 30,878                                                  |
| Investment in affiliate                                                                                  |                                                  |                                                         | (10,500)                                                |
| Proceeds from partial sale of joint venture                                                              |                                                  |                                                         | 16,000                                                  |
| Proceeds from the sale of assets                                                                         | 3,851                                            | 104                                                     | 377                                                     |
| Net cash used in investing activities                                                                    | (19,084)                                         | (23,413)                                                | (33,498)                                                |
| Financing activities:                                                                                    |                                                  |                                                         |                                                         |
| Proceeds from issuance of long-term debt                                                                 | 450,000                                          |                                                         |                                                         |
| Payments on debtor-in-possession financing                                                               | (175,000)                                        |                                                         |                                                         |
| Increase (decrease) in short-term debt                                                                   | (2,069)                                          | 3,138                                                   | (4,336)                                                 |
| Payments on long-term debt                                                                               | (709,574)                                        | (1,484)                                                 | (3,189)                                                 |
| Debt issuance cost and back stop fees                                                                    | (30,991)                                         |                                                         |                                                         |
| Issuance of preferred and common stock                                                                   | 355,000                                          |                                                         |                                                         |
| Cash dividends paid                                                                                      |                                                  | (1,395)                                                 | (5,406)                                                 |
| Other                                                                                                    |                                                  | 22                                                      | (154)                                                   |
| Net cash provided by (used in) financing activities                                                      | (112,634)                                        | 281                                                     | (13,085)                                                |
| Effects of exchange rate changes on cash                                                                 | 5,528                                            | (3,470)                                                 | (7,319)                                                 |
| Changes in cash and cash equivalents                                                                     | (201,585)                                        | 53,680                                                  | (8,150)                                                 |
| Cash and cash equivalents at beginning of period                                                         | 380,254                                          | 178,669                                                 | 294,450                                                 |
| Cash and cash equivalents at end of period                                                               | \$ 178,669                                       | \$ 232,349                                              | \$ 286,300                                              |

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



**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****1. Overview*****Basis of presentation***

Cooper-Standard Holdings Inc. (together with its consolidated subsidiaries, the Company, Cooper-Standard, we 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 their subsidiaries.

On May 27, 2010 (the Effective Date), the Company and certain of its U.S. and Canadian subsidiaries emerged from bankruptcy proceedings under Chapter 11 (Chapter 11) of the United States Bankruptcy Code (the Bankruptcy Code). In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 852, *Reorganizations*, the Company adopted fresh-start accounting upon its emergence from Chapter 11 bankruptcy proceedings and became a new entity for financial reporting purposes as of June 1, 2010. Accordingly, the consolidated financial statements for the reporting entity subsequent to emergence from Chapter 11 bankruptcy proceedings (the Successor) are not comparable to the consolidated financial statements for the reporting entity prior to emergence from Chapter 11 bankruptcy proceedings (the Predecessor). The Company, when used in reference to the period subsequent to emergence from Chapter 11 bankruptcy proceedings, refers to the Successor, and when used in reference to periods prior to emergence from Chapter 11 bankruptcy proceedings, refers to the Predecessor. For further information, see Note 3, *Reorganization under Chapter 11 of the Bankruptcy Code*, and Note 4, *Fresh-Start Accounting*, to the consolidated financial statements included in the Company's 2010 Annual Report on Form 10-K/A.

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 2010 Annual Report on Form 10-K/A, 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 (U.S. GAAP) 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, 2011 are not necessarily indicative of results for the full year.

The Predecessor financial statements have been restated to recognize the cancellation of Predecessor common stock of \$356,595 resulting from the emergence from bankruptcy as a direct adjustment to equity as compared to including it in reorganization gain. The impact of this change on the consolidated statements of operations for the Predecessor periods is summarized below:

|                                                           | Predecessor - Five Months Ended May 31, 2010 |             |
|-----------------------------------------------------------|----------------------------------------------|-------------|
|                                                           | As originally filed                          | As restated |
| Reorganization items, net                                 | \$ 660,048                                   | \$ 303,453  |
| Income before income taxes                                | 676,549                                      | 319,954     |
| Consolidated net income                                   | 636,609                                      | 280,014     |
| Net income attributable to Cooper-Standard Holdings, Inc. | 636,287                                      | 279,692     |

The adjustment also impacted consolidated net income and reorganization items within the consolidated statement of cash flows for the Predecessor period. The adjustment did not impact net cash used in operating activities. The impact of the adjustment has been reflected within the notes to the condensed consolidated financial statements. The adjustment does not impact the Successor period financial statements or notes.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**(Dollar amounts in thousands except per share and share amounts)**

***Recent accounting pronouncements***

In September 2011, the FASB issued Accounting Standards Update ( ASU ) 2011-08, *Intangibles-Goodwill and Other (Topic 350)*. This ASU will allow companies to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step impairment review process. This ASU is effective for fiscal years and interim periods beginning after December 15, 2011 (early adoption is permitted). The impact of adoption is not expected to have a material impact on the consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220)*. This ASU requires 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. In addition, this update requires reclassification adjustments between OCI and net income to be presented separately on the face of the financial statements. This ASU is effective for fiscal years and interim periods within those years, beginning after December 15, 2011 (early adoption is permitted). The impact of adoption is not expected to have a material impact on the consolidated financial statements.

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 (early adoption is prohibited). The impact of adoption is not expected to have a material impact on the consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, *Intangibles Goodwill and Other (Topic 350)*. This ASU modifies the first step of the goodwill impairment test to include reporting units with zero or negative carrying amounts. For these reporting units, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss, if any; when it is more likely than not that a goodwill impairment exists. This ASU is effective for fiscal years and interim periods beginning after December 15, 2010. The Company has evaluated the ASU and does not believe it will have a material impact on the consolidated financial statements.

**2. Acquisitions**

On March 28, 2011, the Company completed the acquisition of USi, Inc. from Ikyuo Co. Ltd. of Japan, based in Rockford, Tennessee, for cash consideration of \$6,500. USi Inc. provides an innovative hard coating process for use in automotive and industrial applications, which will allow the Company to expand its technology capabilities. This acquisition was accounted for under ASC 805, *Business Combinations*, and the results of operations are included in the Company's condensed consolidated financial statements from the date of acquisition. The estimated fair value of certain assets and liabilities are preliminary and may change in the future as information becomes available from third party valuations. 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 is 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 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 sheet as of September 30, 2011. The Company received net cash of \$38,224 as part of the transaction. The operating results of CS France's operations are included in the Company's condensed consolidated financial statements from the date of acquisition.



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

The following table summarizes the estimated fair value of SPBT assets acquired and liabilities assumed at the date of acquisition:

|                                     |               |
|-------------------------------------|---------------|
| Cash and cash equivalents           | \$ 38,224     |
| Accounts receivable, net            | 35,670        |
| Inventories, net                    | 18,194        |
| Property, plant, and equipment, net | 38,172        |
| Other assets                        | 15,680        |
| <br>Total assets acquired           | <br>145,940   |
| Accounts payable                    | 28,043        |
| Short-term notes payable            | 20,474        |
| Other current liabilities           | 26,541        |
| Pension benefits                    | 30,499        |
| Other long-term liabilities         | 8,365         |
| <br>Total liabilities assumed       | <br>113,922   |
| <br>Net assets acquired             | <br>\$ 32,018 |

The estimated fair value of certain assets and liabilities are preliminary and may change in the future as information becomes available from third party valuations. This joint venture does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

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 \$1,017 and \$1,695 for the three and nine months ended September 30, 2011, respectively. Such accretion amounts are recorded as increases to redeemable noncontrolling interests. 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, 2011 the estimated redemption value of the put option is \$31,850. 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.

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, then 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 in the computation of earnings per share available to the Company's common stockholders. At September 30, 2011 there was no difference between redemption value and fair value.

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On July 1, 2011, the Company purchased from Nishikawa Rubber Co., Ltd. ( 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 will be renamed Nishikawa Tachaplalert Cooper Limited. This joint venture will be 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 sheet.

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****3. Goodwill and Intangibles**

The changes in the carrying amount of goodwill by reportable operating segment for the nine months ended September 30, 2011 are summarized as follows:

|                               | <b>North America</b> | <b>International</b> | <b>Total</b> |
|-------------------------------|----------------------|----------------------|--------------|
| Balance at January 1, 2011    | \$ 115,384           | \$ 21,616            | \$ 137,000   |
| Foreign exchange translation  | (185)                | (121)                | (306)        |
| Balance at September 30, 2011 | \$ 115,199           | \$ 21,495            | \$ 136,694   |

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*.

The following table presents intangible assets and accumulated amortization balances of the Company as of December 31, 2010 and September 30, 2011, respectively:

|                               | <b>Gross Carrying Amount</b> | <b>Accumulated Amortization</b> | <b>Net Carrying Amount</b> | <b>Weighted Average Useful Life (Years)</b> |
|-------------------------------|------------------------------|---------------------------------|----------------------------|---------------------------------------------|
| Customer relationships        | \$ 140,124                   | \$ (8,035)                      | \$ 132,089                 | 9.6                                         |
| Developed technology          | 9,600                        | (938)                           | 8,662                      | 5.7                                         |
| Other                         | 8,979                        | (88)                            | 8,891                      |                                             |
| Balance at December 31, 2010  | \$ 158,703                   | \$ (9,061)                      | \$ 149,642                 | 9.2                                         |
| Customer relationships        | 136,031                      | (17,874)                        | 118,157                    | 8.9                                         |
| Developed technology          | 9,641                        | (2,153)                         | 7,488                      | 5.0                                         |
| Other                         | 10,331                       | (1,805)                         | 8,526                      |                                             |
| Balance at September 30, 2011 | \$ 156,003                   | \$ (21,832)                     | \$ 134,171                 | 8.4                                         |

Amortization expense totaled \$3,911 and \$3,842 for the three months ended September 30, 2011 and 2010, respectively. Amortization expense totaled \$11,745 for the nine months ended September 30, 2011, \$5,106 for the four months ended September 30, 2010 and \$319 for the five months ended May 31, 2010. Estimated amortization expense will total approximately \$15,200 for the year ending December 31, 2011.

**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, 2011. 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

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facilities. The total expense incurred related to these actions amounted to \$(241) for the nine months ended September 30, 2011, \$1,200 for the four months ended September 30, 2010 and \$5,893 for the five months ended May 31, 2010. As of September 30, 2011 there is a liability of \$859 associated with these initiatives recorded on the Company's condensed consolidated balance sheet.

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

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 \$9,600 and are expected to be completed in 2012. The following table summarizes the activity for these initiatives for the nine months ended September 30, 2011:

|                               | <b>Employee<br/>Separation<br/>Costs</b> | <b>Other<br/>Exit<br/>Costs</b> | <b>Asset<br/>Impairments</b> | <b>Total</b> |
|-------------------------------|------------------------------------------|---------------------------------|------------------------------|--------------|
| Balance at January 1, 2011    | \$                                       | \$                              | \$                           | \$           |
| Expense                       | 2,278                                    | 4,721                           |                              | 6,999        |
| Cash payments                 |                                          | (3,465)                         |                              | (3,465)      |
| Balance at September 30, 2011 | \$ 2,278                                 | \$ 1,256                        | \$                           | \$ 3,534     |

In the second quarter of 2011, the Company initiated the reorganization of the Company's French body sealing operations in relationship to the joint venture agreement with FMEA. The estimated total cost of this initiative is \$43,500 and is expected to be completed in 2012. The following table summarizes the activity for this initiative for the nine months ended September 30, 2011:

|                                                | <b>Employee<br/>Separation<br/>Costs</b> | <b>Other<br/>Exit<br/>Costs</b> | <b>Asset<br/>Impairments</b> | <b>Total</b> |
|------------------------------------------------|------------------------------------------|---------------------------------|------------------------------|--------------|
| 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    |

In the third quarter of 2011, the Company initiated the transfer of certain sealing business from one of its German facilities to other sealing operations in Eastern Europe. The estimated total cost of this initiative is \$1,900 and is expected to be completed by year-end 2011. The total severance expense incurred related to this initiative amounted to \$1,898 for the nine months ended September 30, 2011. As of September 30, 2011 there is a liability of \$1,851 associated with this initiative recorded on the Company's condensed consolidated balance sheet.

**5. Inventories**

Inventories are comprised of the following at December 31, 2010 and September 30, 2011:

|                 | <b>December 31,<br/>2010</b> | <b>Successor<br/>September 30,<br/>2011</b> |
|-----------------|------------------------------|---------------------------------------------|
| Finished goods  | \$ 32,690                    | \$ 40,236                                   |
| Work in process | 27,223                       | 38,957                                      |

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|                            |            |            |
|----------------------------|------------|------------|
| Raw materials and supplies | 62,130     | 81,278     |
|                            | \$ 122,043 | \$ 160,471 |

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****6. Debt**

Outstanding debt consisted of the following at December 31, 2010 and September 30, 2011:

|                                         | December 31,<br>2010 | Successor<br>September 30,<br>2011 |
|-----------------------------------------|----------------------|------------------------------------|
| Senior Notes                            | \$ 450,000           | \$ 450,000                         |
| Other borrowings                        | 26,723               | 42,046                             |
| <b>Total debt</b>                       | <b>\$ 476,723</b>    | <b>\$ 492,046</b>                  |
| Less: Current portion of long-term debt | (19,965)             | (35,470)                           |
| <b>Total long-term debt</b>             | <b>\$ 456,758</b>    | <b>\$ 456,576</b>                  |

***Senior ABL 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, 2011, no amounts were drawn under the Senior ABL Facility, but there were approximately \$31,247 of letters of credit outstanding.

**7. Pension and Postretirement Benefits other than Pensions**

The following tables disclose the amount of net periodic benefit cost for the three months ended September 30, 2011 and 2010, five months ended May 31, 2010, four months ended September 30, 2010 and the nine months ended September 30, 2011 for the Company's defined benefit plans and other postretirement benefit plans:

|                                                                     | Successor                                   |                 |                                          |                 | Pension Benefits<br>Predecessor      |                 | Successor                                     |                 |                                         |                 |
|---------------------------------------------------------------------|---------------------------------------------|-----------------|------------------------------------------|-----------------|--------------------------------------|-----------------|-----------------------------------------------|-----------------|-----------------------------------------|-----------------|
|                                                                     | Three Months Ended<br>September 30,<br>2010 |                 | Three Months Ended<br>September 30, 2011 |                 | Five Months<br>Ended May 31,<br>2010 |                 | Four Months<br>Ended<br>September 30,<br>2010 |                 | Nine Months Ended<br>September 30, 2011 |                 |
|                                                                     | U.S.                                        | Non-U.S.        | U.S.                                     | Non-U.S.        | U.S.                                 | Non-U.S.        | U.S.                                          | Non-U.S.        | U.S.                                    | Non-U.S.        |
| Service cost                                                        | \$ 560                                      | \$ 599          | \$ 526                                   | \$ 633          | \$ 1,002                             | \$ 893          | \$ 747                                        | \$ 791          | \$ 1,578                                | \$ 1,898        |
| Interest cost                                                       | 3,846                                       | 1,706           | 3,687                                    | 1,791           | 6,278                                | 2,871           | 5,128                                         | 2,256           | 11,061                                  | 5,373           |
| Expected return on plan assets                                      | (3,694)                                     | (871)           | (4,052)                                  | (1,017)         | (6,050)                              | (1,460)         | (4,925)                                       | (1,159)         | (12,156)                                | (3,059)         |
| Amortization of prior service cost<br>and recognized actuarial loss |                                             |                 | 5                                        | 10              | 1,467                                | 70              |                                               |                 | 15                                      | 32              |
| <b>Net periodic benefit cost</b>                                    | <b>\$ 712</b>                               | <b>\$ 1,434</b> | <b>\$ 166</b>                            | <b>\$ 1,417</b> | <b>\$ 2,697</b>                      | <b>\$ 2,374</b> | <b>\$ 950</b>                                 | <b>\$ 1,888</b> | <b>\$ 498</b>                           | <b>\$ 4,244</b> |

|                                                                    | Other Postretirement Benefits |                    |                   |                   |                   |
|--------------------------------------------------------------------|-------------------------------|--------------------|-------------------|-------------------|-------------------|
|                                                                    | Successor                     |                    | Predecessor       | Successor         |                   |
|                                                                    | Three Months Ended            | Three Months Ended | Five Months Ended | Four Months Ended | Nine Months Ended |
|                                                                    | September 30,                 | September 30,      | May 31, 2010      | September 30,     | September 30,     |
|                                                                    | 2010                          | 2011               |                   | 2010              | 2011              |
| Service cost                                                       | \$ 433                        | \$ 459             | \$ 638            | \$ 577            | \$ 1,378          |
| Interest cost                                                      | 1,025                         | 982                | 1,701             | 1,367             | 2,948             |
| Amortization of prior service credit and recognized actuarial gain |                               | 1                  | (1,395)           |                   | 3                 |
| Other                                                              | 21                            | 21                 | 35                | 28                | 63                |
| Net periodic benefit cost                                          | \$ 1,479                      | \$ 1,463           | \$ 979            | \$ 1,972          | \$ 4,392          |

## 8. Income Taxes

Under ASC 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.

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

The effective tax rate for the three and nine months ended September 30, 2011 was 50% and 33%, respectively. The effective tax rate for the three months ended September 30, 2010 was 18%. The effective tax rate for the five months ended May 31, 2010 and four months ended September 30, 2010 was 13% and 17%, respectively. The income tax rate for the three and nine months ended September 30, 2011 varies from statutory rates due to income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, income in jurisdictions with no tax expense due to valuation allowance release, 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. Further, the Company's current and future provision for income taxes will be significantly impacted by the recognition of valuation allowances in certain countries, particularly the United States. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. Accordingly, income taxes are impacted by the U.S. valuation allowance and the mix of earnings among jurisdictions.

In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company reassesses the possibility of releasing the valuation allowance currently in place on its U.S. deferred tax assets. Based upon this assessment, the Company has concluded that a release of the valuation allowance could possibly occur during the next 12 months. The required accounting for the release will involve significant tax amounts and will impact earnings in the quarter in which it is deemed appropriate to release the reserve.

**9. Comprehensive Income and Equity**

On an annual basis, disclosure of comprehensive income is incorporated into the statement of stockholders' equity, which is not presented on a quarterly basis. The components of comprehensive income, net of related tax, are as follows:

|                                                          | 2010      |                                  |                                   | Successor<br>Three Months Ended September 30,<br>2011 |                                  |                            |
|----------------------------------------------------------|-----------|----------------------------------|-----------------------------------|-------------------------------------------------------|----------------------------------|----------------------------|
|                                                          | Total     | Cooper-Standard<br>Holdings Inc. | Noncontrolling<br>Interest<br>(1) | Total                                                 | Cooper-Standard<br>Holdings Inc. | Noncontrolling<br>Interest |
| Net income (loss)                                        | \$ 20,845 | \$ 20,833                        | \$ 12                             | \$ 8,099                                              | \$ 15,658                        | \$ (7,559)                 |
| Currency translation adjustment                          | 45,989    | 45,968                           | 21                                | (61,159)                                              | (59,688)                         | (1,471)                    |
| Pension and other postretirement benefits,<br>net of tax |           |                                  |                                   | 17                                                    | 17                               |                            |
| Fair value change of derivatives, net of tax             | 151       | 151                              |                                   | (94)                                                  | (94)                             |                            |
| Comprehensive income (loss):                             | \$ 66,985 | \$ 66,952                        | \$ 33                             | \$ (53,137)                                           | \$ (44,107)                      | \$ (9,030)                 |

|                                                          | Predecessor<br>Five Months Ended<br>May 31, 2010 |                                  |                            | Successor<br>Four Months Ended<br>September 30, 2010 |                                  |                                   | Successor<br>Nine Months Ended<br>September 30, 2011 |                                  |                            |
|----------------------------------------------------------|--------------------------------------------------|----------------------------------|----------------------------|------------------------------------------------------|----------------------------------|-----------------------------------|------------------------------------------------------|----------------------------------|----------------------------|
|                                                          | Total                                            | Cooper-Standard<br>Holdings Inc. | Noncontrolling<br>Interest | Total                                                | Cooper-Standard<br>Holdings Inc. | Noncontrolling<br>Interest<br>(1) | Total                                                | Cooper-Standard<br>Holdings Inc. | Noncontrolling<br>Interest |
| Net income (loss)                                        | \$ 280,014                                       | \$ 279,692                       | \$ 322                     | \$ 25,785                                            | \$ 25,763                        | \$ 22                             | \$ 55,039                                            | \$ 79,615                        | \$ (24,576)                |
| Currency translation adjustment                          | (31,074)                                         | (31,091)                         | 17                         | 42,953                                               | 42,937                           | 16                                | (23,402)                                             | (21,017)                         | (2,385)                    |
| Pension and other postretirement<br>benefits, net of tax | 126                                              | 126                              |                            |                                                      |                                  |                                   | 1,655                                                | 1,655                            |                            |
|                                                          | (81)                                             | (81)                             |                            | 206                                                  | 206                              |                                   | (370)                                                | (370)                            |                            |

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Fair value change of derivatives,  
net of tax

Comprehensive income (loss):    \$ 248,985    \$    248,646    \$    339    \$ 68,944    \$    68,906    \$    38    \$ 32,922    \$    59,883    \$    (26,961)

- (1) Net income attributable to redeemable noncontrolling interest recorded in other long-term amounted to \$164 for the three and four months ended September 30, 2010.

The following table summarizes the Company's equity and redeemable noncontrolling interest activity for the nine months ended September 30, 2011:

|                                                 | Cooper-Standard<br>Holdings<br>Inc. | Successor<br>Noncontrolling<br>Interest | Total<br>Equity | Redeemable<br>Noncontrolling<br>Interest |
|-------------------------------------------------|-------------------------------------|-----------------------------------------|-----------------|------------------------------------------|
| Equity at January 1, 2011                       | \$ 560,446                          | \$ 2,607                                | \$ 563,053      | \$ 6,215                                 |
| Net income (loss)                               | 79,615                              | 533                                     | 80,148          | (25,109)                                 |
| Preferred stock dividends                       | (5,519)                             |                                         | (5,519)         |                                          |
| Repurchase of stock                             | (1,921)                             |                                         | (1,921)         |                                          |
| Other comprehensive gain (loss)                 | (19,732)                            | 27                                      | (19,705)        | (2,412)                                  |
| Stock-based compensation                        | 7,067                               |                                         | 7,067           |                                          |
| FMEA joint venture transaction                  | (1,656)                             |                                         | (1,656)         | 34,298                                   |
| Accretion of redeemable noncontrolling interest | (1,695)                             |                                         | (1,695)         | 1,695                                    |
| Equity at September 30, 2011                    | \$ 616,605                          | \$ 3,167                                | \$ 619,772      | \$ 14,687                                |

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except 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 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<br>September 30,<br>2010 | Three Months Ended<br>September 30,<br>2011 | Successor<br>Four Months Ended<br>September 30,<br>2010 | Nine Months Ended<br>September 30,<br>2011 |
|---------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------------------|--------------------------------------------|
| Net income attributable to<br>Cooper-Standard Holdings Inc.                     | \$ 20,833                                   | \$ 15,658                                   | \$ 25,763                                               | \$ 79,615                                  |
| Less: Preferred stock dividends<br>(paid or unpaid)                             | (1,970)                                     | (1,835)                                     | (2,892)                                                 | (5,519)                                    |
| Less: Undistributed earnings<br>allocated to participating securities           | (3,747)                                     | (2,743)                                     | (4,543)                                                 | (14,781)                                   |
| Net income available to<br>Cooper-Standard Holdings Inc.<br>common stockholders | \$ 15,116                                   | \$ 11,080                                   | \$ 18,328                                               | \$ 59,315                                  |
| Average shares of common stock<br>outstanding                                   | 17,489,693                                  | 17,693,458                                  | 17,489,693                                              | 17,580,474                                 |
| Basic net income per share<br>attributable to Cooper-Standard<br>Holdings Inc.  | \$ 0.86                                     | \$ 0.63                                     | \$ 1.05                                                 | \$ 3.37                                    |

Diluted net income per share attributable to Cooper-Standard Holdings Inc. was computed using the treasury stock method and 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<br>September 30,<br>2010 | Three Months Ended<br>September 30,<br>2011 | Successor<br>Four Months Ended<br>September 30,<br>2010 | Nine Months Ended<br>September 30,<br>2011 |
|---------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------------------|--------------------------------------------|
| Net income available to<br>Cooper-Standard Holdings Inc.<br>common stockholders | \$ 15,116                                   | \$ 11,080                                   | \$ 18,328                                               | \$ 59,315                                  |

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|                                                                            |            |            |            |            |
|----------------------------------------------------------------------------|------------|------------|------------|------------|
| Average common shares outstanding                                          | 17,489,693 | 17,693,458 | 17,489,693 | 17,580,474 |
| Dilutive effect of:                                                        |            |            |            |            |
| Common restricted stock                                                    | 263,527    | 278,700    | 251,820    | 408,964    |
| Preferred restricted stock                                                 | 66,537     | 62,095     | 64,397     | 91,263     |
| Warrants                                                                   | 478,677    | 946,478    | 467,665    | 992,627    |
| Options                                                                    |            | 183,034    |            | 210,660    |
| Average dilutive shares of common stock outstanding                        | 18,298,434 | 19,163,765 | 18,273,575 | 19,283,988 |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc. | \$ 0.83    | \$ 0.58    | \$ 1.00    | \$ 3.08    |

The effect of certain common stock equivalents, including convertible preferred stock and options, were excluded from the computation of weighted average diluted shares outstanding for the three months ended September 30, 2010 and 2011, the four months ended September 30, 2010 and the nine months ended September 30, 2011, as inclusion would have resulted in antidilution. A summary of these preferred shares (as if converted) and options are shown below:

|                                                                                                                                          | Three Months Ended<br>September 30,<br>2010 | Three Months Ended<br>September 30, 2011 | Successor<br>Four Months Ended<br>September 30,<br>2010 | Nine Months Ended<br>September 30,<br>2011 |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------|---------------------------------------------------------|--------------------------------------------|
| Number of options                                                                                                                        | 838,952                                     | 33,700                                   | 838,952                                                 | 33,700                                     |
| Exercise price                                                                                                                           | \$ 25.52                                    | \$ 43.50                                 | \$ 25.52                                                | \$ 43.50                                   |
| Preferred shares, as if converted                                                                                                        | 4,335,188                                   | 4,381,005                                | 4,335,188                                               | 4,381,005                                  |
| Preferred dividends and undistributed earnings allocated to participating securities that would be added back in the diluted calculation | \$ 5,717                                    | \$ 4,578                                 | \$ 7,435                                                | \$ 20,300                                  |

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except 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, 2011:

|                                       | <b>Successor</b>            |                            |
|---------------------------------------|-----------------------------|----------------------------|
|                                       | <b>Preferred<br/>Shares</b> | <b>Preferred<br/>Stock</b> |
| Preferred Stock at January 1, 2011    | 1,052,444                   | \$ 130,339                 |
| Stock-based compensation              |                             | 1,107                      |
| Repurchased preferred stock shares    | (1,658)                     | (212)                      |
| Forfeited shares                      | (2,678)                     |                            |
| Preferred Stock at September 30, 2011 | 1,048,108                   | \$ 131,234                 |

**12. Stock-Based Compensation**

The Company measures stock-based compensation expense at fair value in accordance with the provisions of U.S. GAAP and recognizes such expense over the vesting period of the stock-based employee awards.

***Predecessor***

Prior to the Effective Date, the Company established the 2004 Cooper-Standard Holdings Inc. Stock Incentive Plan ( "Stock Incentive Plan" ), which permitted the granting of nonqualified and incentive stock options, stock appreciation rights, restricted stock and other stock-based awards to employees and directors. In addition, in December 2006 the Company established the Management Stock Purchase Plan, which provided participants the opportunity to purchase Company stock units. On the Effective Date, outstanding awards under the Stock Incentive Plan and Management Stock Purchase Plan were cancelled in accordance with the terms of the Plan of Reorganization. Total compensation expense recognized under these plans amounted to \$244 for the five months ended May 31, 2010.

***Successor***

On the Effective Date, the Company adopted the 2010 Cooper-Standard Holdings, Inc. Management Incentive Plan. In addition, 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 and unrestricted common stock have been granted to key employees and directors. Total compensation expense recognized for the three months ended September 30, 2010 and 2011 totaled \$2,743 and \$3,350, respectively. Total compensation expense recognized for the four months ended September 30, 2010 and the nine months ended September 30, 2011 totaled \$3,587 and \$9,164, respectively.

**13. Other Income (Expense)**

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

**Successor****Predecessor****Successor**

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|                                                | Three Months Ended<br>September 30,<br>2010 | Three Months Ended<br>September 30,<br>2011 | Five Months Ended<br>May 31, 2010 | Four Months Ended<br>September 30,<br>2010 | Nine Months Ended<br>September 30,<br>2011 |
|------------------------------------------------|---------------------------------------------|---------------------------------------------|-----------------------------------|--------------------------------------------|--------------------------------------------|
| Foreign currency gains (losses)                | \$ 5,380                                    | \$ (2,848)                                  | \$ (20,779)                       | \$ 5,031                                   | \$ 1,455                                   |
| Unrealized losses related to forward contracts |                                             | (5,487)                                     |                                   |                                            | (5,487)                                    |
| Loss on sale of receivables                    | (239)                                       | (357)                                       | (377)                             | (320)                                      | (974)                                      |
| Gain on partial sale of joint venture          |                                             |                                             |                                   |                                            | 11,423                                     |
| Miscellaneous income (expense)                 | 313                                         | (192)                                       |                                   | 313                                        | (226)                                      |
| Other income (expense)                         | \$ 5,454                                    | \$ (8,884)                                  | \$ (21,156)                       | \$ 5,024                                   | \$ 6,191                                   |

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**(Dollar amounts in thousands except per share and share amounts)**

**14. Related Party Transactions**

Sales to NISCO, a 40% owned joint venture, totaled \$6,983 and \$7,129 for the three months ended September 30, 2011 and 2010, respectively. Sales to NISCO totaled \$21,016 for the nine months ended September 30, 2011, \$9,530 for the four months ended September 30, 2010 and \$12,273 for the five months ended May 31, 2010. In March 2011, the Company received from NISCO a dividend of \$4,750, all of which was related to earnings. In March 2011, the Company sold a 10% ownership interest in NISCO for \$16,000. As a result of this transaction, the Company's ownership percentage in NISCO has decreased from 50% to 40%, and a gain of \$11,423 was recognized in other income in the condensed consolidated financial statements for the nine months ended September 30, 2011.

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 \$1,394 for the three months ended September 30, 2011 and 2010, respectively. Purchases of material from Guyoung Technology Co. Ltd totaled \$2,236 for the nine months ended September 30, 2011, \$2,291 for the four months ended September 30, 2010 and \$4,052 for the five months ended May 31, 2010.

**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. Within these segments the Company's principal product lines 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.

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

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

|                                                      | <b>Successor</b>          |                      |
|------------------------------------------------------|---------------------------|----------------------|
|                                                      | <b>Three Months Ended</b> | <b>September 30,</b> |
|                                                      | <b>2010</b>               | <b>2011</b>          |
| Sales to external customers                          |                           |                      |
| North America                                        | \$ 316,585                | \$ 348,507           |
| International                                        | 269,065                   | 360,037              |
| Consolidated                                         | \$ 585,650                | \$ 708,544           |
| Intersegment sales                                   |                           |                      |
| North America                                        | \$ 1,156                  | \$ 2,171             |
| International                                        | 2,064                     | 2,271                |
| Eliminations and other                               | (3,220)                   | (4,442)              |
| Consolidated                                         | \$                        | \$                   |
| Segment profit (loss)                                |                           |                      |
| North America                                        | \$ 29,122                 | \$ 31,850            |
| International                                        | (3,670)                   | (15,788)             |
| Income before income taxes                           | \$ 25,452                 | \$ 16,062            |
| Restructuring cost included in segment profit (loss) |                           |                      |
| North America                                        | \$ 197                    | \$ 1,838             |
| International                                        | 621                       | 4,701                |
| Consolidated                                         | \$ 818                    | \$ 6,539             |

|                             | <b>Predecessor</b>       | <b>Successor</b>          |                           |
|-----------------------------|--------------------------|---------------------------|---------------------------|
|                             | <b>Five Months Ended</b> | <b>Four Months Ended</b>  | <b>Nine Months Ended</b>  |
|                             | <b>May 31, 2010</b>      | <b>September 30, 2010</b> | <b>September 30, 2011</b> |
| Sales to external customers |                          |                           |                           |
| North America               | \$ 508,738               | \$ 432,981                | \$ 1,073,655              |
| International               | 500,390                  | 368,311                   | 1,084,121                 |
| Consolidated                | \$ 1,009,128             | \$ 801,292                | \$ 2,157,776              |
| Intersegment sales          |                          |                           |                           |
| North America               | \$ 1,757                 | \$ 1,665                  | \$ 5,372                  |
| International               | 3,206                    | 2,560                     | 6,322                     |

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|                                                      |                   |                  |                  |
|------------------------------------------------------|-------------------|------------------|------------------|
| Eliminations and other                               | (4,963)           | (4,225)          | (11,694)         |
| <b>Consolidated</b>                                  | <b>\$</b>         | <b>\$</b>        | <b>\$</b>        |
| Segment profit (loss)                                |                   |                  |                  |
| North America                                        | \$ 233,526        | \$ 37,255        | \$ 131,880       |
| International                                        | 86,428            | (5,954)          | (50,059)         |
| <b>Income before income taxes</b>                    | <b>\$ 319,954</b> | <b>\$ 31,301</b> | <b>\$ 81,821</b> |
| Restructuring cost included in segment profit (loss) |                   |                  |                  |
| North America                                        | \$ 851            | \$ 340           | \$ 4,958         |
| International                                        | 5,042             | 860              | 43,166           |
| <b>Consolidated</b>                                  | <b>\$ 5,893</b>   | <b>\$ 1,200</b>  | <b>\$ 48,124</b> |

|                        | <b>December 31,<br/>2010</b> | <b>Successor<br/>September 30,<br/>2011</b> |
|------------------------|------------------------------|---------------------------------------------|
| Segment assets         |                              |                                             |
| North America          | \$ 763,401                   | \$ 799,300                                  |
| International          | 878,161                      | 1,017,443                                   |
| Eliminations and other | 212,214                      | 203,314                                     |
| <b>Consolidated</b>    | <b>\$ 1,853,776</b>          | <b>\$ 2,020,057</b>                         |

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****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 the Company, issued 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 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.

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****For the Three Months Ended September 30, 2010****Successor**

|                                                              | <b>Parent</b>                | <b>Issuer</b> | <b>Guarantors</b> | <b>Non-Guarantors</b> | <b>Eliminations</b> | <b>Consolidated Totals</b> |
|--------------------------------------------------------------|------------------------------|---------------|-------------------|-----------------------|---------------------|----------------------------|
|                                                              | <b>(dollars in millions)</b> |               |                   |                       |                     |                            |
| Sales                                                        | \$                           | \$ 106.5      | \$ 140.9          | \$ 364.4              | \$ (26.1)           | \$ 585.7                   |
| Cost of products sold                                        |                              | 89.0          | 116.1             | 304.6                 | (26.1)              | 483.6                      |
| Selling, administration, & engineering expenses              |                              | 38.1          | 1.0               | 29.5                  |                     | 68.6                       |
| Amortization of intangibles                                  |                              | 2.8           |                   | 1.0                   |                     | 3.8                        |
| Restructuring                                                |                              | 0.1           | 0.2               | 0.5                   |                     | 0.8                        |
| Operating profit (loss)                                      |                              | (23.5)        | 23.6              | 28.8                  |                     | 28.9                       |
| Interest expense, net of interest income                     |                              | (9.1)         |                   | (1.6)                 |                     | (10.7)                     |
| Equity earnings                                              |                              | 0.3           | 0.7               | 0.8                   |                     | 1.8                        |
| Other income (expense), net                                  |                              | 13.8          | 0.8               | (9.2)                 |                     | 5.4                        |
| Income (loss) before income taxes                            |                              | (18.5)        | 25.1              | 18.8                  |                     | 25.4                       |
| Provision for income tax expense (benefit)                   |                              | (5.5)         | 7.5               | 2.4                   |                     | 4.4                        |
| Income (loss) before equity in income (loss) of subsidiaries |                              | (13.0)        | 17.6              | 16.4                  |                     | 21.0                       |
| Equity in net income of subsidiaries                         | 21.0                         | 34.0          |                   |                       | (55.0)              |                            |
| Consolidated net income                                      | 21.0                         | 21.0          | 17.6              | 16.4                  | (55.0)              | 21.0                       |
| Net income attributable to noncontrolling interest           |                              |               |                   | (0.2)                 |                     | (0.2)                      |
| Net income attributable to Cooper-Standard Holdings Inc.     | \$ 21.0                      | \$ 21.0       | \$ 17.6           | \$ 16.2               | \$ (55.0)           | \$ 20.8                    |

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

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For the Three Months Ended September 30, 2011

Successor

|                                                          | 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 for income tax expense (benefit)               |                       | (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                     | 8.1                   | 10.4     |            |                | (18.5)       |                     |
| Consolidated net income (loss)                           | 8.1                   | 8.1      | 16.2       | (5.8)          | (18.5)       | 8.1                 |
| Net loss attributable to noncontrolling interest         |                       |          |            | 7.6            |              | 7.6                 |
| Net income attributable to Cooper-Standard Holdings Inc. | \$ 8.1                | \$ 8.1   | \$ 16.2    | \$ 1.8         | \$ (18.5)    | \$ 15.7             |

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****For the Five Months Ended May 31, 2010****Predecessor**

|                                                          | <b>Parent</b>                | <b>Issuer</b> | <b>Guarantors</b> | <b>Non-Guarantors</b> | <b>Eliminations</b> | <b>Consolidated Totals</b> |
|----------------------------------------------------------|------------------------------|---------------|-------------------|-----------------------|---------------------|----------------------------|
|                                                          | <b>(dollars in millions)</b> |               |                   |                       |                     |                            |
| Sales                                                    | \$                           | \$ 179.5      | \$ 223.1          | \$ 650.8              | \$ (44.3)           | \$ 1,009.1                 |
| Cost of products sold                                    |                              | 154.2         | 181.7             | 540.6                 | (44.3)              | 832.2                      |
| Selling, administration, & engineering expenses          |                              | 41.9          |                   | 50.2                  |                     | 92.1                       |
| Amortization of intangibles                              |                              | 0.2           |                   | 0.1                   |                     | 0.3                        |
| Restructuring                                            |                              | 0.1           | 0.1               | 5.7                   |                     | 5.9                        |
| Operating profit (loss)                                  |                              | (16.9)        | 41.3              | 54.2                  |                     | 78.6                       |
| Interest expense, net of interest income                 |                              | (32.7)        |                   | (11.8)                |                     | (44.5)                     |
| Equity earnings                                          |                              |               | 2.6               | 1.0                   |                     | 3.6                        |
| Reorganization items, net                                |                              | 160.0         | (2.7)             | 146.1                 |                     | 303.4                      |
| Other income (expense)                                   |                              | 4.2           | 0.4               | (25.8)                |                     | (21.2)                     |
| Income (loss) before income taxes                        |                              | 114.6         | 41.6              | 163.7                 |                     | 319.9                      |
| Provision for income tax expense (benefit)               |                              | 39.5          | (35.2)            | 35.6                  |                     | 39.9                       |
| Income before equity in income of subsidiaries           |                              | 75.1          | 76.8              | 128.1                 |                     | 280.0                      |
| Equity in net income of subsidiaries                     | 280.0                        | 204.9         |                   |                       | (484.9)             |                            |
| Consolidated net income                                  | 280.0                        | 280.0         | 76.8              | 128.1                 | (484.9)             | 280.0                      |
| Net income loss attributable to noncontrolling interest  |                              |               |                   | (0.3)                 |                     | (0.3)                      |
| Net income attributable to Cooper-Standard Holdings Inc. | \$ 280.0                     | \$ 280.0      | \$ 76.8           | \$ 127.8              | \$ (484.9)          | \$ 279.7                   |

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****For the Four Months Ended September 30, 2010****Successor**

|       | <b>Parent</b>                | <b>Issuer</b> | <b>Guarantors</b> | <b>Non-Guarantors</b> | <b>Eliminations</b> | <b>Consolidated Totals</b> |
|-------|------------------------------|---------------|-------------------|-----------------------|---------------------|----------------------------|
|       | <b>(dollars in millions)</b> |               |                   |                       |                     |                            |
| Sales | \$                           | \$ 146.5      | \$ 192.1          | \$ 498.6              | \$ (35.9)           | \$ 801.3                   |

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|                                                              |         |         |         |         |           |
|--------------------------------------------------------------|---------|---------|---------|---------|-----------|
| Cost of products sold                                        | 125.3   | 154.1   | 421.9   | (35.9)  | 665.4     |
| Selling, administration, & engineering expenses              | 51.4    | 1.1     | 39.1    |         | 91.6      |
| Amortization of intangibles                                  | 3.7     |         | 1.4     |         | 5.1       |
| Restructuring                                                | 0.1     | 0.2     | 0.9     |         | 1.2       |
| Operating profit (loss)                                      | (34.0)  | 36.7    | 35.3    |         | 38.0      |
| Interest expense, net of interest income                     | (12.1)  |         | (2.1)   |         | (14.2)    |
| Equity earnings                                              | 0.3     | 1.2     | 1.0     |         | 2.5       |
| Other income (expense)                                       | 14.3    | 0.8     | (10.1)  |         | 5.0       |
| Income (loss) before income taxes                            | (31.5)  | 38.7    | 24.1    |         | 31.3      |
| Provision for income tax expense (benefit)                   | (9.0)   | 11.2    | 3.2     |         | 5.4       |
| Income (loss) before equity in income (loss) of subsidiaries | (22.5)  | 27.5    | 20.9    |         | 25.9      |
| Equity in net income of subsidiaries                         | 25.9    | 48.4    |         | (74.3)  |           |
| Consolidated net income                                      | 25.9    | 25.9    | 27.5    | 20.9    | (74.3)    |
| Net income attributable to noncontrolling interest           |         |         |         | (0.2)   | (0.2)     |
| Net income attributable to Cooper-Standard Holdings Inc.     | \$ 25.9 | \$ 25.9 | \$ 27.5 | \$ 20.7 | \$ (74.3) |
|                                                              |         |         |         |         | \$ 25.7   |

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

|                                                              | 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 for income tax expense (benefit)                   |                       | (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                         | 55.0                  | 66.7     |            |                | (121.7)      |                     |
| Consolidated net income (loss)                               | 55.0                  | 55.0     | 79.4       | (12.7)         | (121.7)      | 55.0                |
| Net loss attributable to noncontrolling interest             |                       |          |            | 24.6           |              | 24.6                |
| Net income attributable to Cooper-Standard Holdings Inc.     | \$ 55.0               | \$ 55.0  | \$ 79.4    | \$ 11.9        | \$ (121.7)   | \$ 79.6             |

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING BALANCE SHEET****December 31, 2010****Successor**

|                                                          | Parent   | Issuer   | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|----------------------------------------------------------|----------|----------|------------|----------------|--------------|---------------------|
| (dollars in millions)                                    |          |          |            |                |              |                     |
| ASSETS                                                   |          |          |            |                |              |                     |
| Current assets:                                          |          |          |            |                |              |                     |
| Cash and cash equivalents                                | \$       | \$ 163.0 | \$         | \$ 131.5       | \$           | \$ 294.5            |
| Accounts receivable, net                                 |          | 54.3     | 72.6       | 254.0          |              | 380.9               |
| Inventories                                              |          | 17.4     | 28.3       | 76.3           |              | 122.0               |
| Prepaid Expenses                                         |          | 4.3      | 0.6        | 15.2           |              | 20.1                |
| Other                                                    |          | 16.4     | (5.2)      | 29.6           |              | 40.8                |
|                                                          |          |          |            |                |              |                     |
| Total current assets                                     |          | 255.4    | 96.3       | 506.6          |              | 858.3               |
| Investments in affiliates and intercompany accounts, net | 560.5    | 384.5    | 934.5      | (206.6)        | (1,623.8)    | 49.1                |
| Property, plant, and equipment, net                      |          | 68.1     | 71.5       | 449.9          |              | 589.5               |
| Goodwill                                                 |          | 111.1    |            | 25.9           |              | 137.0               |
| Other assets                                             |          | 105.7    | (8.5)      | 122.7          |              | 219.9               |
|                                                          |          |          |            |                |              |                     |
|                                                          | \$ 560.5 | \$ 924.8 | \$ 1,093.8 | \$ 898.5       | \$ (1,623.8) | \$ 1,853.8          |
|                                                          |          |          |            |                |              |                     |
| LIABILITIES & EQUITY                                     |          |          |            |                |              |                     |
| Current liabilities:                                     |          |          |            |                |              |                     |
| Debt payable within one year                             | \$       | \$       | \$         | \$ 19.9        | \$           | \$ 19.9             |
| Accounts payable                                         |          | 34.2     | 25.5       | 116.3          |              | 176.0               |
| Accrued liabilities                                      |          | 79.8     | 11.2       | 121.6          |              | 212.6               |
|                                                          |          |          |            |                |              |                     |
| Total current liabilities                                |          | 114.0    | 36.7       | 257.8          |              | 408.5               |
| Long-term debt                                           |          | 450.0    |            | 6.8            |              | 456.8               |
| Other liabilities                                        |          | 153.7    | 5.9        | 129.3          |              | 288.9               |
|                                                          |          |          |            |                |              |                     |
| Total liabilities                                        |          | 717.7    | 42.6       | 393.9          |              | 1,154.2             |
| Redeemable noncontrolling interest                       |          |          |            | 6.2            |              | 6.2                 |
| Preferred Stock                                          |          | 130.3    |            |                |              | 130.3               |
| Total Cooper-Standard Holdings Inc. stockholders equity  | 560.5    | 76.8     | 1,051.2    | 495.8          | (1,623.8)    | 560.5               |
| Noncontrolling interest                                  |          |          |            | 2.6            |              | 2.6                 |
|                                                          |          |          |            |                |              |                     |
| Total equity                                             | 560.5    | 76.8     | 1,051.2    | 498.4          | (1,623.8)    | 563.1               |
|                                                          |          |          |            |                |              |                     |
| Total liabilities and equity                             | \$ 560.5 | \$ 924.8 | \$ 1,093.8 | \$ 898.5       | \$ (1,623.8) | \$ 1,853.8          |



**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING BALANCE SHEET****September 30, 2011****Successor**

|                                                          | Parent   | Issuer   | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|----------------------------------------------------------|----------|----------|------------|----------------|--------------|---------------------|
| (dollars in millions)                                    |          |          |            |                |              |                     |
| ASSETS                                                   |          |          |            |                |              |                     |
| Current assets:                                          |          |          |            |                |              |                     |
| Cash and cash equivalents                                | \$       | \$ 171.3 | \$         | \$ 115.0       | \$           | \$ 286.3            |
| Accounts receivable, net                                 |          | 78.3     | 87.8       | 333.0          |              | 499.1               |
| Inventories                                              |          | 20.5     | 27.6       | 112.4          |              | 160.5               |
| Prepaid expenses                                         |          | 4.7      | 0.4        | 23.2           |              | 28.3                |
| Other                                                    |          | 19.4     | 1.9        | 22.9           |              | 44.2                |
|                                                          |          |          |            |                |              |                     |
| Total current assets                                     |          | 294.2    | 117.7      | 606.5          |              | 1,018.4             |
| Investments in affiliates and intercompany accounts, net | 616.6    | 311.3    | 1,012.2    | (160.9)        | (1,727.0)    | 52.2                |
| Property, plant, and equipment, net                      |          | 71.8     | 67.4       | 474.2          |              | 613.4               |
| Goodwill                                                 |          | 111.1    |            | 25.6           |              | 136.7               |
| Other assets                                             |          | 105.5    | (14.9)     | 108.8          |              | 199.4               |
|                                                          |          |          |            |                |              |                     |
|                                                          | \$ 616.6 | \$ 893.9 | \$ 1,182.4 | \$ 1,054.2     | \$ (1,727.0) | \$ 2,020.1          |
| LIABILITIES & EQUITY                                     |          |          |            |                |              |                     |
| Current liabilities:                                     |          |          |            |                |              |                     |
| Debt payable within one year                             | \$       | \$       | \$         | \$ 35.5        | \$           | \$ 35.5             |
| Accounts payable                                         |          | 42.7     | 36.0       | 146.1          |              | 224.8               |
| Accrued liabilities                                      |          | 70.5     | 9.9        | 163.7          |              | 244.1               |
|                                                          |          |          |            |                |              |                     |
| Total current liabilities                                |          | 113.2    | 45.9       | 345.3          |              | 504.4               |
| Long-term debt                                           |          | 450.0    |            | 6.6            |              | 456.6               |
| Other liabilities                                        |          | 128.9    | 5.9        | 158.6          |              | 293.4               |
|                                                          |          |          |            |                |              |                     |
| Total liabilities                                        |          | 692.1    | 51.8       | 510.5          |              | 1,254.4             |
| Redeemable noncontrolling interest                       |          |          |            | 14.7           |              | 14.7                |
| Preferred stock                                          |          | 131.2    |            |                |              | 131.2               |
| Total Cooper-Standard Holdings Inc. stockholders equity  | 616.6    | 70.6     | 1,130.6    | 525.8          | (1,727.0)    | 616.6               |
| Noncontrolling interest                                  |          |          |            | 3.2            |              | 3.2                 |
|                                                          |          |          |            |                |              |                     |
| Total equity                                             | 616.6    | 70.6     | 1,130.6    | 529.0          | (1,727.0)    | 619.8               |
|                                                          |          |          |            |                |              |                     |
| Total liabilities and equity                             | \$ 616.6 | \$ 893.9 | \$ 1,182.4 | \$ 1,054.2     | \$ (1,727.0) | \$ 2,020.1          |



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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Five Months Ended May 31, 2010

Predecessor

|                                                     | Parent                | Issuer     | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|-----------------------------------------------------|-----------------------|------------|------------|----------------|--------------|---------------------|
|                                                     | (dollars in millions) |            |            |                |              |                     |
| OPERATING ACTIVITIES                                |                       |            |            |                |              |                     |
| Net cash provided by (used in) operating activities | \$                    | \$ (122.8) | \$ (0.3)   | \$ 47.7        | \$           | \$ (75.4)           |
| INVESTING ACTIVITIES                                |                       |            |            |                |              |                     |
| Property, plant, and equipment                      |                       | (3.0)      | (4.0)      | (15.9)         |              | (22.9)              |
| Fixed asset proceeds                                |                       |            | 3.6        | 0.2            |              | 3.8                 |
| Net cash used in investing activities               |                       | (3.0)      | (0.4)      | (15.7)         |              | (19.1)              |
| FINANCING ACTIVITIES                                |                       |            |            |                |              |                     |
| Decrease in short-term debt                         |                       | (75.0)     |            | (102.1)        |              | (177.1)             |
| Principal payments on long-term debt                |                       | (595.5)    |            | (114.0)        |              | (709.5)             |
| Proceeds from issuance of stock                     |                       | 355.0      |            |                |              | 355.0               |
| Debt issuance costs                                 |                       | (30.9)     |            | (0.1)          |              | (31.0)              |
| Proceeds from issuance of long-term debt            |                       | 450.0      |            |                |              | 450.0               |
| Net cash provided by (used in) financing activities |                       | 103.6      |            | (216.2)        |              | (112.6)             |
| Effects of exchange rate changes on cash            |                       | (0.3)      |            | 5.8            |              | 5.5                 |
| Changes in cash and cash equivalents                |                       | (22.5)     | (0.7)      | (178.4)        |              | (201.6)             |
| Cash and cash equivalents at beginning of period    |                       | 91.5       | 0.7        | 288.1          |              | 380.3               |
| Cash and cash equivalents at end of period          | \$                    | \$ 69.0    | \$         | \$ 109.7       | \$           | \$ 178.7            |
| Depreciation and amortization                       | \$                    | \$ 6.5     | \$ 6.6     | \$ 22.6        | \$           | \$ 35.7             |

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Four Months Ended September 30, 2010

Successor

|                                           | Parent                | Issuer  | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|-------------------------------------------|-----------------------|---------|------------|----------------|--------------|---------------------|
|                                           | (dollars in millions) |         |            |                |              |                     |
| OPERATING ACTIVITIES                      |                       |         |            |                |              |                     |
| Net cash provided by operating activities | \$ 1.4                | \$ 38.4 | \$ 3.3     | \$ 37.2        | \$           | \$ 80.3             |
| INVESTING ACTIVITIES                      |                       |         |            |                |              |                     |

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|                                                     |       |          |        |          |
|-----------------------------------------------------|-------|----------|--------|----------|
| Property, plant, and equipment                      | (4.1) | (3.3)    | (16.1) | (23.5)   |
| Fixed asset proceeds                                |       |          | 0.1    | 0.1      |
| Net cash used in investing activities               | (4.1) | (3.3)    | (16.0) | (23.4)   |
| <b>FINANCING ACTIVITIES</b>                         |       |          |        |          |
| Increase in short term debt                         |       |          | 3.1    | 3.1      |
| Principal payments on long-term debt                |       |          | (1.5)  | (1.5)    |
| Other                                               | (1.4) | 27.3     | (27.3) | (1.4)    |
| Net cash provided by (used in) financing activities | (1.4) | 27.3     | (25.7) | 0.2      |
| Effects of exchange rate changes on cash            | (0.1) |          | (3.4)  | (3.5)    |
| Changes in cash and cash equivalents                | 61.5  |          | (7.9)  | 53.6     |
| Cash and cash equivalents at beginning of period    | 69.0  |          | 109.7  | 178.7    |
| Cash and cash equivalents at end of period          | \$    | \$ 130.5 | \$     | \$ 101.8 |
|                                                     |       |          |        | \$ 232.3 |
| <b>Depreciation and amortization</b>                | \$    | \$ 9.7   | \$ 5.7 | \$ 21.5  |
|                                                     |       |          |        | \$ 36.9  |

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

|                                                     | 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                                |                       |          |            |                |              |                     |
| Property, plant, and equipment                      |                       | (15.6)   | (10.2)     | (44.5)         |              | (70.3)              |
| Acquisition of business., plus 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 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)               |
| Net cash provided by (used in) financing activities | (5.4)                 | 33.5     |            | (41.2)         |              | (13.1)              |
| Effects of exchange rate changes on cash            |                       |          |            | (7.4)          |              | (7.4)               |
| Changes in cash and cash equivalents                |                       | 8.3      |            | (16.5)         |              | (8.2)               |
| Cash and cash equivalents at beginning of period    |                       | 163.0    |            | 131.5          |              | 294.5               |
| Cash and cash equivalents at end of period          | \$                    | \$ 171.3 | \$         | \$ 115.0       | \$           | \$ 286.3            |
| Depreciation and amortization                       | \$                    | \$ 21.2  | \$ 11.9    | \$ 58.9        | \$           | \$ 92.0             |

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****17. Financial Instruments**

Fair values of the Senior Notes approximated \$458,438 and \$477,563 at September 30, 2011 and December 31, 2010, respectively, based on quoted market prices, compared to the recorded values of \$450,000.

***Derivative Instruments and Hedging Activities***

The Company uses derivative financial instruments, including forwards and swap contracts, to manage its exposure to fluctuations in foreign exchange and interest rates. For a fair value hedge, both the effective and ineffective, if significant, portions are recorded in earnings and reflected in the condensed consolidated statement of operations. For a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive income ( AOCI ) in the condensed consolidated balance sheet. The ineffective portion, if significant, is recorded in other income or expense. When the underlying hedged transaction is realized or the hedged transaction is no longer probable, the gain or loss included in accumulated other comprehensive income is recorded in earnings and reflected in the condensed consolidated statement of operations on the same line as the gain or loss on the hedged item attributable to the hedged risk.

As part of the FMEA joint venture, SPBT had undesignated derivative forward contracts to hedge currency risk of the Euro against the Polish Zloty which is included in the Company's condensed consolidated financial statements. The forward contract is used to mitigate the potential volatility of cash flows arising from changes in currency exchange rates that impact the Company's foreign currency transactions. The unrealized gain or loss on the forward contracts is reported as a component of other expense. The unrealized loss for the three and nine months ended September 30, 2011 was \$5,487.

The Company formally documents its hedge relationships, including the identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the cash flow hedges. The Company also formally assesses whether a cash flow hedge is highly effective in offsetting changes in the cash flows of the hedged item. Derivatives are recorded at fair value in other current assets and other current liabilities.

**Cash Flow Hedges**

*Forward foreign exchange contracts* The Company enters into forward contracts to hedge currency risk of the U.S. Dollar against the Mexican Peso, the Canadian Dollar against the U.S. Dollar and the Euro against the Czech Koruna, Polish Zloty and the U.S. Dollar. The forward contracts are used to mitigate the potential volatility to earnings and cash flow arising from changes in currency exchange rates that impact the Company's foreign currency transactions. The gain or loss on the forward contracts is reported as a component of other comprehensive income ( OCI ) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. These foreign currency derivative contracts consist of hedges of transactions up to April 2014. The amount reclassified from AOCI into cost of products sold was \$410 and \$883 for the three and nine months ended September 30, 2011.

A summary of the outstanding contracts and the respective notional amounts at September 30, 2011 is below:

|                          |     | Notional Amount | Notional Amount<br>(local<br>currency) |
|--------------------------|-----|-----------------|----------------------------------------|
| <b><u>Designated</u></b> |     |                 |                                        |
| Mexican Peso             | USD | 1,800           | 22,264                                 |
| United States Dollar     | CAD | 5,092           | 5,100                                  |
| Czech Koruna             | EUR | 2,523           | 62,000                                 |

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|                      |     |       |        |
|----------------------|-----|-------|--------|
| Polish Zloty         | EUR | 3,184 | 12,646 |
| United States Dollar | EUR | 2,200 | 2,952  |

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

At September 30, 2011, the fair value before taxes of the Company's forward exchange contracts and the accounts in the condensed consolidated balance sheet in which the fair value amounts are included are shown below:

|                             | Successor<br>September 30, 2011 |
|-----------------------------|---------------------------------|
| <b><u>Designated</u></b>    |                                 |
| Other current assets        | \$ 239                          |
| Accrued liabilities         | (725)                           |
|                             | \$ (486)                        |
| <b><u>Undesignated</u></b>  |                                 |
| Accrued liabilities         | \$ (2,024)                      |
| Other long-term liabilities | (2,638)                         |
|                             | \$ (4,662)                      |

**Interest rate swaps** The Company has an interest rate swap contract to manage cash flow fluctuations of variable rate debt due to changes in market interest rates. This contract which fixes the interest payment of a certain variable rate debt instrument is accounted for as a cash flow hedge. As of September 30, 2011, the USD notional amount of this contract was \$4,438. At September 30, 2011, the fair value before taxes of the Company's interest rate swap contract was \$189 and is recorded in accrued liabilities and other long-term liabilities in the Company's condensed consolidated balance sheet with the offset reflected in AOCI, net of deferred taxes. The amount reclassified from AOCI into interest expense for this swap was \$40 and \$61 for the three months ended September 30, 2011 and 2010, respectively. Amounts reclassified from AOCI into interest expense were \$131 for the nine months ended September 30, 2011, \$81 for the four months ended September 30, 2010 and \$102 for the five months ended May 31, 2010. The amount to be reclassified in the next twelve months is expected to be approximately \$121. The maturity date of this swap contract is September 2013.

**Fair Value Measurements**

ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

**Level 1:** Observable inputs such as quoted prices in active markets;

**Level 2:** Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

**Level 3:** Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.



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

Estimates of the fair value of foreign currency and interest rate derivative instruments are determined using exchange traded prices and rates. The Company also considers the risk of non-performance in the estimation of fair value, and includes an adjustment for non-performance risk in the measure of fair value of derivative instruments. In certain instances where market data is not available, the Company uses management judgment to develop assumptions that are used to determine fair value. Fair value measurements and the fair value hierarchy level for the Company's liabilities measured or disclosed at fair value on a recurring basis as of December 31, 2010 and September 30, 2011, are shown below:

| <b>Contract</b>    | <b>Successor - December 31, 2010</b> |                |                |                |
|--------------------|--------------------------------------|----------------|----------------|----------------|
|                    | <b>Asset<br/>(Liability)</b>         | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Interest rate swap | \$ (300)                             | \$             | \$             | \$ (300)       |
| Total              | \$ (300)                             | \$             | \$             | \$ (300)       |

| <b>Contract</b>                    | <b>Successor - September 30, 2011</b> |                |                |                |
|------------------------------------|---------------------------------------|----------------|----------------|----------------|
|                                    | <b>Asset<br/>(Liability)</b>          | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Interest rate swap                 | \$ (189)                              | \$             | \$             | \$ (189)       |
| Forward foreign exchange contracts | (5,148)                               |                |                | (5,148)        |
| Total                              | \$ (5,337)                            | \$             | \$             | \$ (5,337)     |

A reconciliation of changes in assets and liabilities related to derivative instruments measured at fair value using the market and income approach adjusted for the Company and their counterparty's credit risks for the nine months ended September 30, 2011, is shown below:

|                                                                                            | <b>Net Derivative<br/>Liabilities</b> |
|--------------------------------------------------------------------------------------------|---------------------------------------|
| Beginning Balance as of January 1, 2011                                                    | \$ 300                                |
| Total losses (realized or unrealized) included in earnings (or changes in net liabilities) | 6,501                                 |
| Included in other comprehensive income                                                     | (450)                                 |
| Settlements                                                                                | (1,014)                               |
| Ending Balance as of September 30, 2011                                                    | \$ 5,337                              |

The amount of total (gains) or losses for the period included in earnings (or changes in net liabilities) attributable to the change in unrealized (gains) or losses relating to assets still held at the reporting date

\$



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

(Gains) and losses (realized and unrealized) included in earnings (or changes in net liabilities) for the nine months ended September 30, 2011 are reported in cost of products sold and other income (expense):

|                                                                                          | <b>Successor<br/>Nine Months Ended<br/>September 30,<br/>2011</b> |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Total losses included in earnings (or changes in net liabilities) for the period (above) | \$ 6,501                                                          |
| Change in unrealized losses relating to assets still held at the reporting date          |                                                                   |

*Items measured at fair value on a non-recurring basis*

In addition to items that are measured at fair value on a recurring basis, the Company measures certain assets and liabilities at fair value on a non-recurring basis, which are not included in the table above. As these non-recurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. For further information on assets and liabilities measured at fair value on a non-recurring basis, see Note 2. Acquisitions and Note 4. Restructuring.

**18. Accounts Receivable Factoring**

As a part of its working capital management, the Company sells certain receivables through third party financial institutions without recourse. The amount sold varies each month based on the amount of underlying receivables and cash flow needs of the Company.

At September 30, 2011 and 2010 (excluding the FMEA arrangements discussed below), the Company had \$46,542 and \$39,040, respectively, outstanding under receivable transfer agreements entered into by various locations. The total amount of accounts receivable factored were \$92,387 for the nine months ended September 30, 2011, \$31,510 for the four months ended September 30, 2010, and \$40,592 for the five months ended May 31, 2010. The Company incurred a loss on the sale of receivables of \$357 and \$239 for the three months ended September 30, 2011 and 2010, respectively. Losses incurred on the sale of receivables were \$974, \$320 and \$377 for the nine months ended September 30, 2011, the four months ended September 30, 2010 and the five months ended May 31, 2010, respectively; these amounts are recorded in other income (expense) in the condensed consolidated statements of operations. The Company continues to service the receivables. These are permitted transactions under the Company's credit agreement. The Company is also pursuing similar arrangements in various locations.

As part of the FMEA joint venture, SPBT had certain factoring arrangements with and without recourse, which are included in the Company's condensed consolidated financial statements, as discussed below.

At September 30, 2011, the Company had \$14,040 outstanding under receivable transfer agreements with recourse. The recourse amount is recorded in debt payable within one year. The total amount of accounts receivable factored was \$38,026 for the nine months ended September 30, 2011. The Company incurred a loss on the sale of receivables of \$50 and \$89 for the three and nine months ended September 30, 2011, respectively.

At September 30, 2011, the Company had \$15,541 outstanding under receivable transfer agreements without recourse. The total amount of accounts receivable factored was \$57,328 for the nine months ended September 30, 2011. The Company incurred a loss on the sale of receivables of \$51 and \$108 for the three and nine months ended September 30, 2011.

**19. Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) presents information related to the condensed consolidated results of operations of the Company, including the impact of restructuring costs on the Company's results, a discussion of the past results and future outlook of each of the Company's segments, and information concerning both the liquidity and capital resources of the Company. The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the notes included elsewhere in this report, contains certain forward-looking statements relating to anticipated future financial condition and operating results of the Company and its current business plans. In the future, the financial condition and operating results of the Company could differ materially from those discussed herein and its current business plans could be altered in response to market conditions and other factors beyond the Company's control. Important factors that could cause or contribute to such differences or changes include those discussed elsewhere in this report (see Forward-Looking Statements ) and in our most recently filed Annual Report on Form 10-K/A (see Item 1A. Risk Factors).

#### **Business Environment and Outlook**

Our business is directly affected by the automotive build rates in North America and Europe. It is also becoming increasingly impacted by build rates in Brazil and Asia Pacific. New vehicle demand is driven by macro-economic and other factors, such as interest rates, manufacturer and dealer sales incentives, fuel prices, consumer confidence, employment levels, income growth trends, and government and tax incentives. IHS Automotive's October 2011 expected annualized light vehicle production volumes for 2011 are 13 million units in North America, while Europe's volumes are expected to be 20.1 million units.

According to IHS Automotive, actual North American light vehicle production volumes for the three months ended September 30, 2011 were 3.2 million compared to 3 million for the three months ended September 30, 2010, an increase of approximately 5.7%. European light vehicle production volumes for the three months ended September 30, 2011 were 4.5 million compared to 4.3 million for the three months ended September 30, 2010, an increase of approximately 5.2%. According to IHS Automotive, actual North American light vehicle production volumes for the nine months ended September 30, 2011 were 9.6 million compared to 9 million for the nine months ended September 30, 2010, an increase of approximately 7.6%, and European light vehicle production volumes for the nine months ended September 30, 2011 were 15.2 million compared to 14.1 million for the nine months ended September 30, 2010, an increase of approximately 7.8%. According to IHS Automotive, North America and Europe light vehicle production volumes in the fourth quarter of 2011 are estimated at 3.3 million and 4.9 million units, respectively, which is a 0.3 million unit increase for North America and a 0.1 million unit decrease for Europe, compared to the fourth quarter of 2010.

Competition in the automotive supplier industry is intense and has increased in recent years as OEMs have demonstrated a preference for stronger relationships with fewer suppliers. There are typically three or more significant competitors and numerous smaller competitors for most of the products we produce. Globalization and the importance of servicing customers around the world will continue to shape the success of suppliers going forward.

OEMs have shifted some research and development, design and testing responsibility to suppliers, while at the same time shortening new product cycle times. To remain competitive, suppliers must have state-of-the-art engineering and design capabilities and must be able to continuously improve their engineering, design and manufacturing processes to effectively service the customer. Suppliers are increasingly expected to collaborate on, or assume the product design and development of, key automotive components, and to provide innovative solutions to meet evolving technologies aimed at improved emissions and fuel economy.

We continue to experience increases in the costs of certain raw materials. We have implemented strategies with both our suppliers and our customers to help manage spikes in raw material prices. These actions include material substitutions, leveraging our global purchases and securing price recoveries from our customers. Global optimization also includes using benchmarks and selective sourcing from low cost regions. We have also made process improvements to ensure the most efficient use of materials through scrap reduction, as well as standardization of material specification to maximize leverage over a higher volume purchase.

The primary raw materials for our business include synthetic rubber, carbon black, natural rubber, fabricated metal-based components, process oil and plastic components.

Pricing pressure has continued as competition for market share has reduced the overall profitability of the industry and resulted in continued pressure on suppliers for price concessions. Consolidations and market share shifts among vehicle manufacturers continues to put additional pressures on the supply chain. These pricing and market pressures, along with the reduced production volumes, will continue to drive our focus on reducing our overall cost structure through lean initiatives, capital redeployment, restructuring and other cost management processes.



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Our business has also been impacted by our acquisition of USi and the joint venture agreement with FMEA. Our sales have increased as a result of these two acquisitions, but we continue to incur additional costs as we integrate and restructure these businesses. In evaluating these businesses, management considers EBITDA and Adjusted EBITDA as key indicators of operating performance. The following table shows combined gross margin for the acquisitions and reconciles EBITDA and Adjusted EBITDA for the acquisitions to their net loss, which is the most directly comparable financial measure in accordance with U.S. GAAP (dollars in millions):

|                                            | Three Months Ended<br>September 30,<br>2011 | Nine Months Ended<br>September 30,<br>2011 |
|--------------------------------------------|---------------------------------------------|--------------------------------------------|
| Sales                                      | \$ 51.1                                     | \$ 100.2                                   |
| Cost of products sold                      | 51.6                                        | 96.9                                       |
| Gross margin                               | \$ (0.5)                                    | \$ 3.3                                     |
| Net loss                                   | \$ (3.2)                                    | \$ (20.7)                                  |
| Provision (benefit) for income tax expense | 0.2                                         | (0.2)                                      |
| Interest expense (income)                  | (0.4)                                       | 0.3                                        |
| Depreciation and amortization              | 2.1                                         | 3.4                                        |
| EBITDA                                     | \$ (1.3)                                    | \$ (17.2)                                  |
| Restructuring                              | 0.2                                         | 35.9                                       |
| Noncontrolling interest restructuring      | (1.3)                                       | (19.0)                                     |
| Acquisition costs                          | 0.2                                         | 0.5                                        |
| Inventory write-up                         |                                             | 0.7                                        |
| Adjusted EBITDA                            | \$ (2.2)                                    | \$ 0.9                                     |

**Results of Operations**

As a result of our emergence from Chapter 11 bankruptcy proceedings on May 27, 2010, and the adoption of fresh-start accounting on May 31, 2010, in accordance with ASC 852, *Reorganizations*, Cooper Standard Holdings Inc. is considered a new entity for financial reporting purposes. Accordingly, our financial statements for the third quarter 2011 separately present the 2010 Predecessor Period and the 2010 Successor Period. Although the 2010 Predecessor Period and the 2010 Successor Period are distinct reporting periods, the effects of emergence and fresh-start accounting did not have a material impact on the comparability of our results of operations between the periods, except as discussed below (dollar amounts in thousands except per share amounts).

|                                                | Successor                                   |                                             | Predecessor                       | Successor                                  |                                            |
|------------------------------------------------|---------------------------------------------|---------------------------------------------|-----------------------------------|--------------------------------------------|--------------------------------------------|
|                                                | Three Months Ended<br>September 30,<br>2010 | Three Months Ended<br>September 30,<br>2011 | Five Months Ended<br>May 31, 2010 | Four Months Ended<br>September 30,<br>2010 | Nine Months Ended<br>September 30,<br>2011 |
| Sales                                          | \$ 585,650                                  | \$ 708,544                                  | \$ 1,009,128                      | \$ 801,292                                 | \$ 2,157,776                               |
| Cost of products sold                          | 483,559                                     | 599,985                                     | 832,201                           | 665,434                                    | 1,804,743                                  |
| Gross profit                                   | 102,091                                     | 108,559                                     | 176,927                           | 135,858                                    | 353,033                                    |
| Selling, administration & engineering expenses | 68,584                                      | 64,403                                      | 92,166                            | 91,629                                     | 190,856                                    |
| Amortization of intangibles                    | 3,842                                       | 3,911                                       | 319                               | 5,106                                      | 11,745                                     |
| Restructuring                                  | 818                                         | 6,539                                       | 5,893                             | 1,200                                      | 48,124                                     |
| Operating profit                               | 28,847                                      | 33,706                                      | 78,549                            | 37,923                                     | 102,308                                    |
| Interest expense, net of interest income       | (10,664)                                    | (9,603)                                     | (44,505)                          | (14,195)                                   | (30,158)                                   |

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|                                                                            |           |           |            |           |           |
|----------------------------------------------------------------------------|-----------|-----------|------------|-----------|-----------|
| Equity earnings                                                            | 1,815     | 843       | 3,613      | 2,549     | 3,480     |
| Reorganization items, net                                                  |           |           | 303,453    |           |           |
| Other income (expense), net                                                | 5,454     | (8,884)   | (21,156)   | 5,024     | 6,191     |
| Income before income taxes                                                 | 25,452    | 16,062    | 319,954    | 31,301    | 81,821    |
| Provision for income tax expense                                           | 4,443     | 7,963     | 39,940     | 5,352     | 26,782    |
| Consolidated net income                                                    | 21,009    | 8,099     | 280,014    | 25,949    | 55,039    |
| Net (income) loss attributable to noncontrolling interests                 | (176)     | 7,559     | (322)      | (186)     | 24,576    |
| Net income attributable to Cooper-Standard Holdings Inc.                   | \$ 20,833 | \$ 15,658 | \$ 279,692 | \$ 25,763 | \$ 79,615 |
| Net income available to Cooper-Standard Holdings Inc. common stockholders  | \$ 15,116 | \$ 11,080 |            | \$ 18,328 | \$ 59,315 |
| Basic net income per share attributable to Cooper-Standard Holdings Inc.   | \$ 0.86   | \$ 0.63   |            | \$ 1.05   | \$ 3.37   |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc. | \$ 0.83   | \$ 0.58   |            | \$ 1.00   | \$ 3.08   |

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### ***Three Months Ended September 30, 2011 Compared with Three Months Ended September 30, 2010***

**Sales.** Sales increased to \$708.5 million for the three months ended September 30, 2011 from \$585.7 million for the three months ended September 30, 2010, an increase of \$122.8 million, or 21%. The improvement is a result of an increase in volumes and favorable foreign exchange of \$33.7 million. In addition, the USi acquisition and the joint venture agreement with FMEA provided \$51.1 million of incremental sales.

**Gross Profit.** Gross profit increased \$6.5 million from \$102.1 million for the three months ended September 30, 2010 to \$108.6 million for the three months ended September 30, 2011. This increase was primarily driven by increased volumes in most regions and the favorable impact of our lean savings. These positive items were partially offset by higher raw material costs and costs associated with the FMEA joint venture and the USi acquisition as we continue to integrate and restructure these businesses. As a percentage of sales, gross profit decreased to 15.3% of sales for the three months ended September 30, 2011 as compared to 17.4% of sales for the three months ended September 30, 2010.

**Selling, Administration and Engineering.** Selling, administration and engineering expense for the three months ended September 30, 2011 was \$64.4 million or 9.1% of sales compared to \$68.6 million or 11.7% of sales for the three months ended September 30, 2010. Selling, administration and engineering expense for the three months ended September 30, 2011 was favorably impacted by certain lower compensation expenses.

**Restructuring.** Restructuring charges increased \$5.7 million to \$6.5 million for the three months ended September 30, 2011 compared to \$0.8 million for the three months ended September 30, 2010, primarily related to reorganization of our French body sealing operations in relationship to the joint venture agreement with FMEA, the closure of a facility in North America, the establishment of a centralized shared services function in Europe and the transfer of certain sealing business from one of our German facilities to other sealing operations in Europe.

**Interest Expense, Net.** Net interest expense of \$9.6 million and \$10.7 million for the three months ended September 30, 2011 and 2010, respectively resulted primarily from interest and debt issue amortization recorded on the Senior Notes.

**Other Income (Expense).** Other expense for the three months ended September 30, 2011 was \$8.9 million, which consisted primarily of unrealized losses related to forward contracts of \$5.5 million and foreign currency losses of \$2.8 million. Other income for the three months ended September 30, 2010 was \$5.5 million which consisted primarily of foreign currency gains.

**Provision for Income Tax Expense.** For the three months ended September 30, 2011, we recorded an income tax provision of \$8 million on earnings before income taxes of \$16.1 million. This compares to an income tax provision of \$4.4 million on earnings before income taxes of \$25.5 million for the same period in 2010. Income tax expense for the three months ended September 30, 2011 differs from statutory rates due to income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, income in jurisdictions with no tax expense due to valuation allowance release, 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. Further, our current and future provision for income taxes will be significantly impacted by the recognition of valuation allowances in certain countries, particularly the United States. We intend to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. Accordingly, income taxes are impacted by the U.S. valuation allowance and the mix of earnings among jurisdictions.

### ***Nine Months Ended September 30, 2011, Four Months Ended September 30, 2010 and Five Months Ended May 31, 2010***

**Sales.** Sales for the nine months ended September 30, 2011 were \$2,157.8 million. Sales were favorably impacted by an increase in volumes and favorable foreign exchange of \$80.6 million. In addition, the USi acquisition and the joint venture with FMEA provided \$100.2 million of incremental sales. Sales of \$801.3 million for the four months ended September 30, 2010 were favorably impacted by a significant increase in volumes, partially offset by unfavorable foreign exchange of \$18 million. Sales of \$1,009.1 million for the five months ended May 31, 2010 were favorably impacted by a significant increase in volumes and favorable foreign exchange of \$52.5 million, partially offset by customer price concessions.

**Gross Profit.** Gross profit for the nine months ended September 30, 2011 was \$353 million or 16.4% of sales. Gross profit and gross profit margin for the period were favorably impacted by an increase in volumes in most regions and the favorable impact of our lean savings. These positive items were partially offset by higher raw material costs and costs associated with the FMEA joint venture and the USi acquisition as we continue to integrate and restructure these businesses. Gross profit for the four months ended September 30, 2010 and the five months ended May 31, 2010 were \$135.9 million and \$176.9 million, respectively. Gross profit as a percentage of sales was 17% for the four months ended September 30, 2010 and 17.5% for the five months ended May 31, 2010. Gross profit and gross profit margin for these two periods were favorably impacted by a significant increase in volumes in most regions and our lean savings, partially offset by the restoration of certain

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employee pay and benefits and slightly higher raw material costs. The four months ended September 30, 2010 was also impacted by the liquidation of the fair value adjustment to inventory of \$8.1 million, which was recognized in cost of sales as the inventory was sold.

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*Selling, Administration and Engineering.* Selling, administration and engineering expense for the nine months ended September 30, 2011 was \$190.9 million or 8.8% of sales. Selling, administration and engineering expense for the nine months ended September 30, 2011 was favorably impacted by certain lower compensation expenses. Selling, administration and engineering expense for the four months ended September 30, 2010 and the five months ended May 31, 2010 was \$91.6 million and \$92.2 million or 11.4% and 9.1% of sales, respectively. Both periods were primarily impacted by the restoration of certain employee pay and benefits.

*Amortization of Intangibles.* Amortization of intangibles was \$11.7 million for the nine months ended September 30, 2011, \$5.1 million for the four months ended September 30, 2010 and \$0.3 million for the five months ended May 31, 2010. The amortization of intangibles increased for the Successor period as a result of intangible assets recognized in connection with the adoption of fresh-start accounting in 2010.

*Restructuring.* Restructuring charges were \$48.1 million for the nine months ended September 30, 2011, primarily related to the reorganization of our French body sealing operations in relationship to the joint venture agreement with FMEA, the closure of a facility in North America, the establishment of a centralized shared services function in Europe and the transfer of certain sealing business from one of our German facilities to other sealing operations in Europe. Restructuring charges were \$1.2 million for the four months ended September 30, 2010 and \$5.9 million for the five months ended May 31, 2010. Restructuring charges for both periods were primarily related to the continuation of initiatives that were announced in 2009 related to the reorganization or closure of operating facilities in South America, Europe and Asia Pacific and an initiative announced in the second quarter of 2010 for the closure of a facility and the consolidation of two facilities located in Mexico.

*Interest Expense, Net.* Net interest expense of \$30.2 million for the nine months ended September 30, 2011 resulted primarily from interest and debt issue amortization recorded on the Senior Notes. Net interest expense of \$14.2 million for the four months ended September 30, 2010 is primarily interest on our Senior Notes. The net interest expense of \$44.5 million for the five months ended May 31, 2010 includes \$28 million of interest on certain prepetition debt obligations for the period of August 3, 2009 through May 27, 2010 and interest on the DIP facility. The interest on the prepetition debt obligation was recorded when our Plan of Reorganization was approved by the claimholders.

*Reorganization Items and Fresh-Start Accounting Adjustments, net.* In the five months ended May 31, 2010, we recognized a gain of \$163.6 million for reorganization items as a result of the bankruptcy proceedings. This gain reflects the cancellation of certain prepetition obligations, partially offset by the recognition of professional fees incurred as a direct result of the bankruptcy proceedings. In addition, we recognized a gain of \$139.9 million related to the valuation of our net assets upon emergence from Chapter 11 bankruptcy proceedings pursuant to the provisions of fresh-start accounting.

*Other Income (Expense).* Other income for the nine months ended September 30, 2011 was \$6.2 million which relates to a gain on the partial sale of ownership in our NISCO joint venture of \$11.4 million and foreign currency gains of \$1.5 million, partially offset by unrealized losses related to forward contracts of \$5.5 million and loss on sale of receivables and miscellaneous expense of \$1.2 million. Other income for the four months ended September 30, 2010 was \$5 million, which consisted primarily of foreign currency gains. Other expense for the five months ended May, 31 2010 was \$21.2 million, which consisted primarily of foreign currency losses.

*Provision for Income Tax Expense.* For the nine months ended September 30, 2011, we recorded an income tax provision of \$26.8 million on earnings before income taxes of \$81.8 million. This compares to an income tax provision of \$5.4 million on earnings before income taxes of \$31.3 million for the four months ended September 30, 2010 and an income tax provision of \$39.9 million on earnings before income tax of \$320 million for the five months ended May 31, 2010. Income tax expense for the nine months ended September 30, 2011 differs from statutory rates due to income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, income in jurisdictions with no tax expense due to valuation allowance release, 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. Further, our current and future provision for income taxes will be significantly impacted by the recognition of valuation allowances in certain countries, particularly the United States. We intend to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. Accordingly, income taxes are impacted by the U.S. valuation allowance and the mix of earnings among jurisdictions.

**Table of Contents****Segment Results of Operations**

The following table presents sales and segment profit (loss) for each of the reportable segments for the three months ended September 30, 2011 and 2010, the nine months ended September 30, 2011, the four months ended September 30, 2010 and the five month ended May 31, 2010:

|                             | <b>Successor</b>                             |                           |
|-----------------------------|----------------------------------------------|---------------------------|
|                             | <b>Three Months Ended September 30, 2010</b> | <b>September 30, 2011</b> |
| Sales to external customers |                                              |                           |
| North America               | \$ 316,585                                   | \$ 348,507                |
| International               | 269,065                                      | 360,037                   |
| Consolidated                | \$ 585,650                                   | \$ 708,544                |
| Segment profit (loss)       |                                              |                           |
| North America               | \$ 29,122                                    | \$ 31,850                 |
| International               | (3,670)                                      | (15,788)                  |
| Income before income taxes  | \$ 25,452                                    | \$ 16,062                 |

  

|                             | <b>Predecessor</b>       | <b>Successor</b>          |                           |
|-----------------------------|--------------------------|---------------------------|---------------------------|
|                             | <b>Five Months Ended</b> | <b>Four Months Ended</b>  | <b>Nine Months Ended</b>  |
|                             | <b>May 31, 2010</b>      | <b>September 30, 2010</b> | <b>September 30, 2011</b> |
| Sales to external customers |                          |                           |                           |
| North America               | \$ 508,738               | \$ 432,981                | \$ 1,073,655              |
| International               | 500,390                  | 368,311                   | 1,084,121                 |
| Consolidated                | \$ 1,009,128             | \$ 801,292                | \$ 2,157,776              |
| Segment profit (loss)       |                          |                           |                           |
| North America               | \$ 233,526               | \$ 37,255                 | \$ 131,880                |
| International               | 86,428                   | (5,954)                   | (50,059)                  |
| Income before income taxes  | \$ 319,954               | \$ 31,301                 | \$ 81,821                 |

**Three Months Ended September 30, 2011 Compared with Three Months Ended September 30, 2010**

*North America.* Sales for the three months ended September 30, 2011 increased \$31.9 million, or 10.1%, compared to the three months ended September 30, 2010, primarily due to an increase in sales volume and favorable foreign exchange of \$4.7 million. Segment profit for the three months ended September 30, 2011 increased by \$2.7 million compared to the three months ended September 30, 2010. Segment profit was favorably impacted by an increase in volume, favorable impact of our lean savings and foreign exchange, partially offset by higher raw material costs and increased staffing.

*International.* Sales for the three months ended September 30, 2011 increased \$91 million, or 33.8%, compared to the three months ended September 30, 2010, primarily due to an increase in sales volume, the joint venture agreement with FMEA and favorable foreign exchange of \$29 million. Segment loss for the three months ended September 30, 2011 increased by \$12.1 million compared to the three months ended September 30, 2010. Segment loss was negatively impacted by the restructuring and integration costs associated with the joint venture agreement with FMEA, higher raw material costs, increased staffing and higher depreciation, partially offset by improved volumes in Europe and Asia Pacific and our lean savings.



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### ***Nine Months Ended September 30, 2011, Four Months Ended September 30, 2010 and Five Months Ended May 31, 2010***

*North America.* Sales for the nine months ended September 30, 2011 were \$1,073.7 million. Sales were favorably impacted by an increase in sales volume and favorable foreign exchange of \$16.9 million. Segment profit for the nine months ended September 30, 2011 was \$131.9 million, which was favorably impacted by an increase in volumes, favorable impact of our lean savings, partially offset by higher raw material costs and increased staffing.

Sales were \$433 million and \$508.7 million for the four months ended September 30, 2010 and the five months ended May 31, 2010, respectively. Both periods were favorably impacted by an increase in volumes and favorable foreign exchange of \$6.3 million for the four months ended September 30, 2010 and \$19.3 million for the five months ended May 31, 2010. Segment profit was \$37.3 million and \$233.5 million for the four months ended September 30, 2010 and for the five months ended May 31, 2010, respectively. Both periods were favorably impacted by an increase in volumes and our lean savings, partially offset by the restoration of certain employee pay and benefits, and slightly higher raw material costs. In addition, segment profit for the four months ended September 30, 2010 was impacted by higher depreciation and amortization resulting from the adoption of fresh-start accounting and segment profit for the five months ended May 31, 2010 was favorably impacted by a gain of \$208.6 million related to the reorganization and fresh-start accounting adjustments and negatively impacted by recognition of interest on certain prepetition debt obligations for the period of August 3, 2009 through May 27, 2010, which was recorded when our Plan of Reorganization was approved by the claimholders.

*International.* Sales for the nine months ended September 30, 2011 were \$1,084.1 million. Sales were favorably impacted by an increase in volume, the joint venture agreement with FMEA and foreign exchange of \$63.7 million. Segment loss for the nine months ended September 30, 2011 was \$50.1 million, which was negatively impacted by the restructuring and integration costs associated with the joint venture agreement with FMEA, increased staffing, higher raw material costs and higher depreciation and amortization resulting from the adoption of fresh-start accounting in the Successor period, partially offset by improved volumes and our lean savings.

Sales for the four months ended September 30, 2010 were \$368.3 million. Sales were favorably impacted by a significant increase in volumes, partially offset by unfavorable foreign exchange of \$24.3 million. Sales for the five months ended May 31, 2010 were \$500.4 million. Sales were favorably impacted by a significant increase in volumes and favorable foreign exchange of \$33.2 million. Segment loss for the four months ended September 30, 2010 was \$6 million, which was negatively impacted by higher raw material costs, restoration of certain employee pay and benefits and unfavorable foreign exchange partially offset by the improved volumes and our lean savings. Segment profit for the five months ended May 31, 2010 was \$86.4 million. As a result of the reorganization and fresh-start accounting adjustments, a gain of \$94.9 million was recognized in the International segment. Segment profit was favorably impacted by improved volumes and our lean savings, and unfavorably impacted by the restoration of certain employee pay and benefits and slightly higher raw material costs.

## **Restructuring**

We continually evaluate alternatives in an effort to align our business with the changing needs of our customers and lower the operating cost of our Company. This may include the realignment of our existing manufacturing capacity, facility closures, or similar actions. See the Note 4.

Restructuring to Condensed Consolidated Financial Statements for discussion of restructuring activities during the nine months ended September 30, 2011.

## **Liquidity and Capital Resources**

### ***Short and Long-Term Liquidity Considerations and Risks***

We intend to fund our ongoing capital and working capital requirements through a combination of cash flows from operations and borrowings under our Senior ABL Facility. We anticipate that funds generated by operations and funds available under our Senior ABL Facility will be sufficient to meet working capital requirements for the next 12 months. For additional information, see Note 6. Debt to the condensed consolidated financial statements.

Based on our current and anticipated levels of operations and the condition in our markets and industry, we believe that our cash on hand, cash flow from operations and availability under our Senior ABL Facility will enable us to meet our working capital, capital expenditures, debt service and other funding requirements for the foreseeable future. However, our ability to fund our working capital needs, debt payments and other obligations, and to comply with the financial covenants, including borrowing base limitations, under our Senior ABL Facility, depends on our future operating performance and cash flow and many factors outside of our control, including the costs of raw materials, the state of the overall automotive industry and financial and economic conditions and other factors. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital and there can be no assurance that any such capital will be available to us on acceptable terms,

if at all.

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### ***Cash Flows***

*Operating Activities.* Net cash provided by operations was \$45.8 million for the nine months ended September 30, 2011, which included \$100.4 million of use of operating assets and liabilities. The use of operating assets and liabilities was primarily a result of increased accounts receivables and inventories, partially offset by increased accounts payable due to increased volumes. Net cash provided by operations was \$80.3 million for the four months ended September 30, 2010, which included \$13.4 million of changes in operating assets and liabilities. Net cash used in operations was \$75.4 million for the five months ended May 31, 2010, which was a result of an increase in our working capital requirements due to the significant increase in volumes and \$37.2 million of interest payments on our prepetition debt obligations and DIP facility.

*Investing Activities.* Net cash used in investing activities was \$33.5 million for the nine months ended September 30, 2011, which consisted primarily of \$70.3 million of capital spending and \$10.5 million for an investment in an affiliate, partially offset by \$30.9 million of cash acquired as part of the joint venture with FMEA, net of the acquisition of USi Inc and proceeds of \$16 million from the partial sale of a joint venture. Net cash used in investing activities was \$23.4 million for the four months ended September 30, 2010, which primarily consisted of capital spending. Net cash used in investing activities was \$19.1 million for the five months ended May 31, 2010, which consisted of \$22.9 million of capital spending offset by proceeds from sale of assets of \$3.9 million. We anticipate that we will spend approximately \$100 to \$110 million on capital expenditures in 2011.

*Financing Activities.* Net cash used in financing activities totaled \$13.1 million for the nine months ended September 30, 2011, which consisted primarily of a decrease in short-term debt and payments on long-term debt of \$7.5 million and payment of cash dividends of \$5.4 million. Net cash provided by financing activities totaled \$0.3 million for the four months ended September 30, 2010, which consisted primarily of an increase in short-term debt, partially offset by dividends paid and payments on long-term debt. Net cash used in financing activities totaled \$112.6 million for the five months ended May 31, 2010, which primarily resulted from activities related to our emergence from bankruptcy. Payments for settlement of our prepetition debt, DIP facility, debt issuance costs and back stop fees totaled \$914.6 million. These payments were offset by cash proceeds from the rights offering conducted pursuant to our Plan of Reorganization of \$355 million and our senior notes offering of \$450 million.

### **Non-GAAP Financial Measures**

In evaluating our business, management considers EBITDA and Adjusted EBITDA as key indicators of our operating performance. Our management also uses EBITDA and Adjusted EBITDA:

because similar measures are utilized in the calculation of the financial covenants and ratios contained in our financing arrangements;

in developing our internal budgets and forecasts;

as a significant factor in evaluating our management for compensation purposes;

in evaluating potential acquisitions;

in comparing our current operating results with corresponding historical periods and with the operational performance of other companies in our industry; and

in presentations to the members of our board of directors to enable our board of directors to have the same measurement basis of operating performance as is used by management in their assessments of performance and in forecasting and budgeting for our company.

In addition, we believe EBITDA and Adjusted EBITDA and similar measures are widely used by investors, securities analysts and other interested parties in evaluating our performance. We define Adjusted EBITDA as net income (loss) plus provision for income tax expense

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(benefit), interest expense, net of interest income, depreciation and amortization or EBITDA, as adjusted for items that management does not consider to be reflective of our core operating performance. These adjustments include restructuring costs, impairment charges, non-cash fair value adjustments, acquisition related costs, professional fees and expenses associated with our reorganization, non-cash stock based compensation and non-cash gains and losses from certain foreign currency transactions and translation.

We calculate EBITDA and Adjusted EBITDA by adjusting net income (loss) to eliminate the impact of a number of items we do not consider indicative of our ongoing operating performance. You are encouraged to evaluate each adjustment and the reasons we consider it appropriate for supplemental analysis. EBITDA and Adjusted EBITDA are not financial measurements recognized under U.S. GAAP, and when analyzing our operating performance, investors should use EBITDA and Adjusted EBITDA in addition to, and not as alternatives for, net income (loss), operating income, or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity. EBITDA and Adjusted EBITDA have limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of our results of operations as reported under U.S. GAAP. These limitations include:

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they do not reflect our cash expenditures or future requirements for capital expenditure or contractual commitments;

they do not reflect changes in, or cash requirements for, our working capital needs;

they do not reflect interest expense or cash requirements necessary to service interest or principal payments under our Senior Notes and Senior ABL Facility;

they do not reflect certain tax payments that may represent a reduction in cash available to us;

although depreciation and amortization are non-cash charges, the assets being depreciated or amortized may have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements; and

other companies, including companies in our industry, may calculate these measures differently and, as the number of differences in the way companies calculate these measures increases, the degree of their usefulness as a comparative measure correspondingly decreases.

In addition, in evaluating Adjusted EBITDA, it should be noted that in the future we may incur expenses similar to the adjustments in the below presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net income, which is the most directly comparable financial measure in accordance with U.S. GAAP (dollars in millions):

|                                                                      | Predecessor       |                    | Successor          |                    |                    |
|----------------------------------------------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                      | Five Months Ended | Three Months Ended | Four Months Ended  | Three Months Ended | Nine Months Ended  |
|                                                                      | May 31, 2010      | September 30, 2010 | September 30, 2010 | September 30, 2011 | September 30, 2011 |
| Net income                                                           | \$ 279.7          | \$ 20.8            | \$ 25.8            | \$ 15.7            | \$ 79.6            |
| Provision for income tax expense                                     | 39.9              | 4.4                | 5.4                | 8.0                | 26.8               |
| Interest expense, net of interest income                             | 44.5              | 10.7               | 14.2               | 9.6                | 30.2               |
| Depreciation and amortization                                        | 35.7              | 28.1               | 36.9               | 31.7               | 92.0               |
| <b>EBITDA</b>                                                        | <b>\$ 399.8</b>   | <b>\$ 64.0</b>     | <b>\$ 82.3</b>     | <b>\$ 65.0</b>     | <b>\$ 228.6</b>    |
| Reorganization and fresh-start accounting adjustments <sup>(1)</sup> | (303.4)           |                    |                    |                    |                    |
| Restructuring <sup>(2)</sup>                                         | 5.9               | 0.8                | 1.2                | 6.5                | 48.1               |
| Noncontrolling interest restructuring <sup>(3)</sup>                 |                   |                    |                    | (1.3)              | (19.0)             |
| Foreign exchange gains/losses <sup>(4)</sup>                         | 17.2              |                    | (0.1)              |                    |                    |
| Inventory write-up <sup>(5)</sup>                                    |                   |                    | 8.1                |                    | 0.7                |
| Net gain on partial sale of joint venture <sup>(6)</sup>             |                   |                    |                    |                    | (11.4)             |
| Stock-based compensation <sup>(7)</sup>                              | 0.2               | 2.7                | 3.6                | 3.0                | 8.3                |
| Acquisition costs <sup>(8)</sup>                                     |                   |                    |                    | 0.2                | 2.2                |
| Other                                                                | 0.3               | (0.3)              | (0.3)              |                    |                    |
| <b>Adjusted EBITDA</b>                                               | <b>\$ 120.0</b>   | <b>\$ 67.2</b>     | <b>\$ 94.8</b>     | <b>\$ 73.4</b>     | <b>\$ 257.5</b>    |

(1) Reorganization and bankruptcy-related expense, including professional fees.

(2) Includes non-cash restructuring.

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- (3) Proportionate share of restructuring costs related to FMEA joint venture.
- (4) Foreign exchange gains and losses on prepetition debt and various intercompany loans.
- (5) Write-up of inventory to fair value at the Effective Date and at the date of acquisition of USi Inc. and the FMEA joint venture, net of noncontrolling interest.
- (6) Net gain on partial sale of ownership percentage in joint venture.
- (7) Non-cash stock amortization expense and non-cash stock option expense for grants issued at emergence from bankruptcy.
- (8) Costs incurred in relationship to the FMEA joint venture agreement.

### **Recent Accounting Pronouncements**

See Note 1 to the condensed consolidated financial statements included elsewhere in this Form 10-Q.

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### **Forward-Looking Statements**

This report includes what the Company believes are forward-looking statements as that term is defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, business trends, and other information that is not historical information. When used in this report, the words estimates, expects, anticipates, projects, plans, intends, believes, forecasts, or future or conditional verbs, such as will, should, could, or may, and variations of such words or similar expressions intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management's examination of historical operating trends and data, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, we cannot assure you that these expectations, beliefs, and projections will be achieved.

The risks, uncertainties, and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this report include, among others: the ability to maintain contracts and suppliers and customer relationships; limitations on flexibility in operating our business contained in our debt agreements; our dependence on the automotive industry; availability and cost of raw materials; our exposure to natural disasters; our dependence on certain major customers; competition in the automotive industry; sovereign and other risks related to our conducting operations outside the United States; the uncertainty of our ability to achieve expected cost reduction savings; our exposure to product liability and warranty claims; labor conditions; our vulnerability to changes in interest rates; our ability to meet customers' needs for new and improved products in a timely manner; our ability to attract and retain key personnel; potential conflicts of interest between our owners and us; our legal rights to our intellectual property portfolio; our pension plans; environmental and other regulations; and other risks listed in our filings with the SEC. See Item 1A. Risk Factors, in our 2010 Annual Report on Form 10-K/A and Item 1A. Risk Factors in Part II of our Form 10-Q for the quarterly period ended March 31, 2011 for additional information regarding these and other risks and uncertainties. There may be other factors that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in this report. We undertake no obligation to update or revise forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes to the quantitative and qualitative information about the Company's market risk from those previously disclosed in the Company's 2010 Annual Report on Form 10-K/A.

**Item 4. Controls and Procedures.**

The Company has evaluated, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Report. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. However, based on that evaluation, the Company's Chief Executive Officer along with the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Report.

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

We are periodically involved in claims, litigation and various legal matters that arise in the ordinary course of business. In addition, we conduct and monitor environmental investigations and remedial actions at certain locations. Each of these matters is subject to various uncertainties, and some of these matters may be resolved unfavorably for us. A reserve estimate is established for each matter and updated as additional information becomes available. We do not believe that the ultimate resolution of any of these matters will have a material adverse effect on our business, financial condition or results of operations.

**Item 1A. Risk Factors**

In addition to other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2010 Annual Report on Form 10-K/A (the "Form 10-K/A") and Part II, Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (the "3-31 Form 10-Q") which could materially impact our business, financial condition or future results. Risks disclosed in the Form 10-K/A and the 3-31 Form 10-Q are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may materially adversely impact our business, financial condition or operating results.

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### **Item 6. Exhibits**

| <b>Exhibit No.</b> | <b>Description of Exhibit</b>                                                                                                                                           |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12.1*              | Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends                                                                                         |
| 31.1*              | Certification of James S. McElya, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 31.2*              | Certification of Allen J. Campbell, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1*              | Certification of James S. McElya, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002     |
| 32.2*              | Certification of Allen J. Campbell, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |
| 101.INS**          | XBRL Instance Document                                                                                                                                                  |
| 101.SCH**          | XBRL Taxonomy Extension Schema Document                                                                                                                                 |
| 101.CAL**          | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                   |
| 101.DEF**          | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                    |
| 101.LAB**          | XBRL Taxonomy Label Linkbase Document                                                                                                                                   |
| 101.PRE**          | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                  |

\* Filed herewith.

\*\* Submitted electronically with the Report.

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**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.

**COOPER-STANDARD HOLDINGS INC.**

November 10, 2011  
Date

/s/ JAMES S. MCELYA  
**James S. McElya**

**Chairman, Chief Executive Officer and Director**

**(Principal Executive Officer)**

November 10, 2011  
Date

/s/ ALLEN J. CAMPBELL  
**Allen J. Campbell**

**Chief Financial Officer**

**(Principal Financial Officer)**

November 10, 2011  
Date

/s/ HELEN T. YANTZ  
**Helen T. Yantz**

**Controller**

**(Principal Accounting Officer)**

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**INDEX TO EXHIBITS**

| <b>Exhibit No.</b> | <b>Description of Exhibit</b>                                                                                                                                           |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12.1*              | Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends                                                                                         |
| 31.1*              | Certification of James S. McElya, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 31.2*              | Certification of Allen J. Campbell, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1*              | Certification of James S. McElya, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002     |
| 32.2*              | Certification of Allen J. Campbell, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |
| 101.INS**          | XBRL Instance Document                                                                                                                                                  |
| 101.SCH**          | XBRL Taxonomy Extension Schema Document                                                                                                                                 |
| 101.CAL**          | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                   |
| 101.DEF**          | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                    |
| 101.LAB**          | XBRL Taxonomy Label Linkbase Document                                                                                                                                   |
| 101.PRE**          | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                  |

\* Filed herewith.

\*\* Submitted electronically with the Report.