Cooper-Standard Holdings Inc.
Form 10-Q
November 06, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

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)

Delaware	**20-1945088**
(State or other jurisdiction of incorporation or organization)	**(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 x 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 x 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	x
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 x

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

As of October 30, 2013 there were 13,148,169 shares of the registrant s common stock, $0.001 par value, outstanding.

COOPER-STANDARD HOLDINGS INC.

Form 10-Q

For the period ended September 30, 2013

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

COOPER-STANDARD HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollar amounts in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Sales	$ 684,029	$ 764,057	$ 2,183,794	$ 2,296,341
Cost of products sold	580,956	649,028	1,844,616	1,928,735
Gross profit	103,073	115,029	339,178	367,606
Selling, administration & engineering expenses	65,421	72,968	206,432	220,807
Amortization of intangibles	3,866	3,785	11,590	11,534
Restructuring	10,171	1,907	15,758	7,755
Operating profit	23,615	36,369	105,398	127,510
Interest expense, net of interest income	(11,325)	(15,171)	(33,326)	(39,953)
Equity earnings	2,342	2,595	5,891	8,693
Other income (expense), net	1,118	960	(449)	(5,385)
Income before income taxes	15,750	24,753	77,514	90,865
Income tax expense (benefit)	5,392	4,467	(32,772)	24,560
Net income	10,358	20,286	110,286	66,305
Net loss attributable to noncontrolling interests	1,266	310	2,441	2,424
Net income attributable to Cooper-Standard Holdings Inc.	$ 11,624	$ 20,596	$ 112,727	$ 68,729
Net income available to Cooper-Standard Holdings Inc. common stockholders	$ 8,037	$ 15,144	$ 86,588	$ 51,059
Earnings per share				
Basic	$ 0.46	$ 1.16	$ 4.93	$ 3.49
Diluted	$ 0.44	$ 1.08	$ 4.63	$ 3.26
Comprehensive income	$ 18,790	$ 33,913	$ 104,998	$ 57,714

Comprehensive loss attributable to noncontrolling interests		825		535		2,758		2,365
Comprehensive income attributable to Cooper-Standard Holdings Inc.	$	19,615	$	34,448	$	107,756	$	60,079

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

COOPER-STANDARD HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands except share amounts)

	December 31, 2012	September 30, 2013 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 270,555	$ 119,232
Accounts receivable, net	350,013	429,658
Tooling receivable	116,947	149,906
Inventories	143,253	186,758
Prepaid expenses	21,902	32,505
Other	87,802	93,909
Total current assets	990,472	1,011,968
Property, plant and equipment, net	628,608	700,922
Goodwill	133,716	133,993
Intangibles, net	116,724	102,892
Deferred tax assets	72,718	53,025
Other assets	83,739	90,717
	$ 2,025,977	$ 2,093,517
Liabilities and Equity		
Current liabilities:		
Debt payable within one year	$ 32,556	$ 30,264
Accounts payable	271,355	298,763
Payroll liabilities	102,857	115,843
Accrued liabilities	80,148	93,543
Total current liabilities	486,916	538,413
Long-term debt	450,809	648,968
Pension benefits	201,104	184,529
Postretirement benefits other than pensions	69,142	67,866
Deferred tax liabilities	10,801	5,994
Other liabilities	42,131	35,119
Total liabilities	1,260,903	1,480,889
Redeemable noncontrolling interests	14,194	12,511
7% Cumulative participating convertible preferred stock, $0.001 par value, 10,000,000 shares authorized at December 31, 2012, and September 30, 2013; 964,247 shares issued and 958,333 outstanding at December 31, 2012 and	121,649	103,581

820,659 shares issued and 810,382 outstanding at September 30, 2013		
Equity:		
Common stock, $0.001 par value, 190,000,000 shares authorized at December 31, 2012 and September 30, 2013; 18,426,831 shares issued and 17,275,852 outstanding at December 31, 2012 and 14,696,592 shares issued and 13,146,908 outstanding at September 30, 2013	16	13
Additional paid-in capital	471,851	382,844
Retained earnings	201,907	167,924
Accumulated other comprehensive loss	(45,448)	(54,098)
Total Cooper-Standard Holdings Inc. equity	628,326	496,683
Noncontrolling interests	905	(147)
Total equity	629,231	496,536
Total liabilities and equity	$ 2,025,977	$ 2,093,517

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

COOPER-STANDARD HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollar amounts in thousands)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2013
Operating Activities:		
Net income	$ 110,286	$ 66,305
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	79,640	71,741
Amortization of intangibles	11,590	11,534
Stock-based compensation expense	11,473	8,660
Equity earnings, net of dividends related to earnings	(5,009)	(3,345)
Deferred income taxes	(47,763)	14,604
Other	(334)	584
Changes in operating assets and liabilities	(182,401)	(152,510)
Net cash provided by (used in) operating activities	(22,518)	17,573
Investing activities:		
Capital expenditures, including other intangible assets	(91,537)	(132,794)
Acquisition of businesses, net of cash acquired	(1,084)	(13,504)
Return on equity investments		2,120
Proceeds from sale of fixed assets and other	8,997	3,584
Net cash used in investing activities	(83,624)	(140,594)
Financing activities:		
Proceeds from issuance of Senior PIK Toggle Notes, net of debt issuance costs		194,357
Increase (decrease) in short term debt, net	(2,833)	1,648
Principal payments on long-term debt	(4,310)	(3,825)
Preferred stock cash dividends paid	(5,135)	(4,747)
Purchase of noncontrolling interest		(1,911)
Repurchase of preferred stock	(4,870)	
Repurchase of common stock	(20,636)	(217,549)
Proceeds from exercise of warrants		11,252
Other	520	(5,302)
Net cash used in financing activities	(37,264)	(26,077)
Effects of exchange rate changes on cash and cash equivalents	(501)	(2,225)
Changes in cash and cash equivalents	(143,907)	(151,323)
Cash and cash equivalents at beginning of period	361,745	270,555
Cash and cash equivalents at end of period	$ 217,838	$ 119,232

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

1. Overview

Basis of presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements include all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of the Company. Certain prior period amounts have been reclassified to conform to the current period financial statement presentation. The operating results for the interim period ended September 30, 2013 are not necessarily indicative of results for the full year. 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.

Recent accounting pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This ASU requires that a liability related to an unrecognized tax benefit be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if certain criteria are met. The guidance is effective for fiscal years beginning after December 15, 2013. The adoption of this ASU is not expected to have a material impact on the condensed consolidated financial statements.

In July 2013, the FASB issued ASU 2013-10, *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*. This ASU permits use of the Fed Funds Effective Swap Rate (OIS) as a U.S. benchmark interest rate for hedge accounting purposes and removes the restriction on using different benchmark rates for similar hedges. The guidance is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The initial adoption of this ASU had no impact on the condensed consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02*, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This ASU requires companies to present the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under U.S. generally accepted accounting principles (U.S. GAAP) to be reclassified to net income in its entirety in the same reporting period. The guidance is effective for fiscal years beginning after December 15, 2012. The Company adopted this guidance effective January 1, 2013. The effects of adoption were not significant and the additional required disclosures are included in Note 9. Accumulated Other Comprehensive Income (Loss), Equity and Redeemable Noncontrolling Interests.

In July 2012, the FASB issued ASU 2012-02, *Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-lived Intangible Assets for Impairment*. This ASU permits companies to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired before performing the quantitative impairment test. This ASU is effective for fiscal years beginning after September 15, 2012. The Company adopted this guidance effective January 1, 2013. The impact of the adoption of this ASU did not have a material impact on the condensed consolidated financial statements.

2. Acquisitions

On July 31, 2013, the Company completed the acquisition of Jyco Sealing Technologies (Jyco) for cash consideration of $14,382. The business acquired in the transaction is operated from Jyco s manufacturing locations in Canada, Mexico and China. Jyco provides Thermoplastic Vulcanizate (TPV) sealing technology and has primarily supplied sealing systems and components to the automotive industry. This directly aligns with the Company s growth strategy by strengthening important customer relationships in the automotive sealing systems. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

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

Cash and cash equivalents	$ 878
Accounts receivable	9,407
Tooling receivable	2,036
Inventories	6,593
Property, plant, and equipment	14,055
Other assets	886
Total assets acquired	33,855
Accounts payable	10,418
Other current liabilities	7,021
Other long-term liabilities	2,034
Total liabilities assumed	19,473
Net assets acquired	$ 14,382

The estimated fair value of certain current assets, current liabilities, property, plant, and equipment, tooling and intangible assets, are preliminary and may change in the future as information becomes available from third party and other valuations.

3. Goodwill and Intangibles

Effective April 1, 2013, the Company changed its basis of presentation from two to four segments. The changes in the carrying amount of goodwill by reportable operating segment for the nine months ended September 30, 2013 are summarized as follows:

	North America	Europe	South America	Asia Pacific	Total
Balance at January 1, 2013	$ 115,420	$ 13,836	$	$ 4,460	$ 133,716
Foreign exchange translation	(155)	354		78	277
Balance at September 30, 2013	$ 115,265	$ 14,190	$	$ 4,538	$ 133,993

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, 2012 and September 30, 2013, respectively:

	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Customer relationships	$ 135,741	$ (34,184)	$ 101,557
Developed technology	9,574	(4,143)	5,431
Other	10,337	(601)	9,736
Balance at December 31, 2012	$ 155,652	$ (38,928)	$ 116,724
Customer relationships	$ 133,661	$ (43,586)	$ 90,075
Developed technology	9,678	(5,381)	4,297
Other	9,445	(925)	8,520
Balance at September 30, 2013	$ 152,784	$ (49,892)	$ 102,892

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

Amortization expense totaled $3,866 and $3,785 for the three months ended September 30, 2012 and 2013, respectively, and $11,590 and $11,534 for the nine months ended September 30, 2012 and 2013, respectively. Amortization expense is estimated to be approximately $15,300 for the year ending December 31, 2013.

4. Restructuring

Restructuring activities initiated prior to 2012

The Company implemented several restructuring initiatives in prior years including the closure or consolidation of facilities throughout the world, the establishment of a centralized shared services function in Europe and the reorganization of the Company s operating structure. The Company commenced these initiatives prior to January 1, 2012 and continued to execute these initiatives during 2013. 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 disposal of the respective facilities.

The following table summarizes the restructuring expense for these initiatives for the three and nine months ended September 30, 2012 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Employee separation costs	$ 295	$ 54	$ (1,516)	$ 299
Other exit costs	869	167	4,242	1,309
Asset Impairments		1,023	147	1,110
Postretirement benefit curtailment gain			(1,539)	
	$ 1,164	$ 1,244	$ 1,334	$ 2,718

The following table summarizes the activity in the restructuring liability for these initiatives for the nine months ended September 30, 2013:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2013	$ 2,054	$ 61	$	$ 2,115
Expense	299	1,309	1,110	2,718
	(903)	(1,306)		(2,209)

Cash payments and foreign exchange translation				
Utilization of reserve			(1,110)	(1,110)
Balance at September 30, 2013	$ 1,450	$ 64	$	$ 1,514

Restructuring activities initiated in 2012

During 2012, the Company initiated the restructuring of certain facilities in Europe to change the Company s European footprint to improve operating performance. The majority of the costs have been recognized, however, additional costs may be incurred. The Company has recognized $23,854 of costs related to these initiatives.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

The following table summarizes the restructuring expense for these initiatives for the three and nine months ended September 30, 2012 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Employee separation costs	$ 8,797	$ 108	$ 14,053	$ 2,724
Other exit costs	210	241	210	378
	$ 9,007	$ 349	$ 14,263	$ 3,102

The following table summarizes the activity in the restructuring liability for these initiatives for the nine months ended September 30, 2013:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2013	$ 13,507	$	$	$ 13,507
Expense	2,724	378		3,102
Cash payments and foreign exchange translation	(14,295)	(378)		(14,673)
Balance at September 30, 2013	$ 1,936	$	$	$ 1,936

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

Restructuring activities initiated in 2013

In the first quarter of 2013, the Company eliminated certain positions within the organization that resulted in restructuring expense of $1,621, all of which is paid. No additional expense is expected to be incurred related to this initiative.

In the third quarter of 2013, the Company initiated the closure of a facility in Korea and the transfer of equipment to another facility in Korea. The estimated cost of this initiative is $1,000 and is expected to be completed in 2014. For the three and nine months ended September 30, 2013, the Company recorded $314 of expense related to this initiative.

As of September 30, 2013, the liability associated with this initiative is $316.

5. Inventories

Inventories were comprised of the following at December 31, 2012 and September 30, 2013:

	December 31, 2012	September 30, 2013
Finished goods	$ 37,415	$ 43,361
Work in process	32,383	41,027
Raw materials and supplies	73,455	102,370
	$ 143,253	$ 186,758

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

6. Debt

Outstanding debt consisted of the following at December 31, 2012 and September 30, 2013:

	December 31, 2012	September 30, 2013
Senior notes	$ 450,000	$ 450,000
Senior PIK toggle notes		196,281
Other borrowings	33,365	32,951
Total debt	$ 483,365	$ 679,232
Less current portion	(32,556)	(30,264)
Total long-term debt	$ 450,809	$ 648,968

Senior ABL Facility

On April 8, 2013 the Company and certain of its subsidiaries entered into the Amended and Restated Senior Loan and Security Agreement (the Senior ABL Facility), with certain lenders, which amended and restated the existing of its senior secured asset-based revolving credit facility. The Senior ABL Facility provides for an aggregate revolving loan availability of up to $150,000, subject to borrowing base availability, including a $50,000 letter of credit sub-facility and a $25,000 swing line sub-facility. The Senior ABL Facility also provides for an uncommitted $75,000 incremental loan facility, for a potential total Senior ABL Facility of $225,000 (if requested by the Company and the 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, 2013, no amounts were drawn under the Senior ABL Facility, but there was approximately $26,422 of letters of credit outstanding under the facility.

Senior PIK Toggle Notes

On April 3, 2013, the Company issued $175,000 aggregate principal amount of its Senior PIK Toggle Notes (the Senior PIK Toggle Notes). The Senior PIK Toggle Notes bear an interest rate of 7.375% and mature on April 1, 2018. The Senior PIK Toggle Notes were issued pursuant to an indenture dated April 3, 2013. The Senior PIK Toggle Notes were issued at a discount of $3,938. On May 20, 2013, the Company issued an additional $25,000 Senior PIK Toggle Notes pursuant to the indenture dated April 3, 2013. The Senior PIK Toggle Notes were issued at a discount of $188. The Company used the proceeds from the issuance of the Senior PIK Toggle Notes, together with cash on hand, to finance the purchase of shares pursuant to the Equity Tender Offer. For additional information on the Equity Tender Offer, see Note 9. Accumulated Other Comprehensive Income (Loss), Equity and Redeemable Noncontrolling Interests.

The Company will pay the first interest payment on the Senior PIK Toggle Notes in cash (Cash Interest). For each interest period thereafter (other than for the final interest period ending at stated maturity, which will be made in cash), the Company will be required to pay Cash Interest, unless the conditions described in the indenture are satisfied, in which case the Company will be entitled to pay, to the extent described in the indenture, interest by increasing the principal amount of the outstanding Senior PIK Toggle Notes or issuing new Senior PIK Toggle Notes (such increase or issuance, PIK Interest). Cash Interest will accrue on the Senior PIK Toggle Notes at a rate equal to 7.375% per annum. PIK Interest will accrue on the Senior PIK Toggle Notes at a rate equal to 8.125% per annum.

The Senior PIK Toggle Notes were not guaranteed as of the date of issuance. If any of the Company s wholly-owned domestic restricted subsidiaries guarantees certain debt of the Company, such subsidiary will also be required to guarantee the Senior PIK Toggle Notes.

The Senior PIK Toggle Notes constitute senior debt of the Company and (1) rank equally in right of payment with all of the Company s existing and future senior debt, (2) rank senior in right of payment to any future subordinated debt of the Company, (3) are effectively subordinated in right of payment to all of the Company s existing and future secured indebtedness and secured obligations to the extent of the value of the collateral securing such indebtedness and obligations and (4) are structurally subordinated to all existing and future indebtedness and other liabilities of the Company s subsidiaries (other than indebtedness and liabilities owed to the Company).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

The Company has the right to redeem the Senior PIK Toggle Notes at the redemption prices under certain circumstances. If a change of control occurs with respect to the Company, unless the Company has exercised its right to redeem all of the outstanding Senior PIK Toggle Notes, each noteholder shall have the right to require the Company to repurchase such noteholder s Senior PIK Toggle Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase.

The Senior PIK Toggle Notes indenture contains covenants and events of default customary for an issuer of non-investment grade debt and substantially similar to the covenants and events of default in the indenture governing the 8 ½% Senior Notes due 2018 issued by Cooper-Standard Automotive Inc., a wholly-owned subsidiary of the Company.

7. Pension and Postretirement Benefits other than Pensions

The following tables disclose the amount of net periodic benefit cost for the three and nine months ended September 30, 2012 and 2013 for the Company s defined benefit plans and other postretirement benefit plans:

	Pension Benefits Three Months Ended September 30,			
	2012		2013	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ 287	$ 778	$ 305	$ 881
Interest cost	3,476	1,919	3,052	1,694
Expected return on plan assets	(3,868)	(1,010)	(4,342)	(927)
Amortization of prior service cost and recognized actuarial loss	124	96	344	325
Net periodic benefit cost (gain)	$ 19	$ 1,783	$ (641)	$ 1,973

	Pension Benefits Nine Months Ended September 30,			
	2012		2013	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ 861	$ 2,366	$ 915	$ 2,646
Interest cost	10,428	5,830	9,156	5,095
Expected return on plan assets	(11,604)	(3,010)	(13,026)	(2,812)
Amortization of prior service cost and recognized actuarial loss	372	284	1,032	981
Settlement			783	

Net periodic benefit cost (gain)	$ 57	$ 5,470	$ (1,140)	$ 5,910

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

	Other Postretirement Benefits Three Months Ended September 30,			
	2012		2013	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ 136	$ 163	$ 147	$ 163
Interest cost	449	206	407	183
Amortization of prior service credit and recognized actuarial gain	(444)	(14)	(281)	(35)
Other	19		6	
Net periodic benefit cost	$ 160	$ 355	$ 279	$ 311

	Other Postretirement Benefits Nine Months Ended September 30,			
	2012		2013	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ 408	$ 486	$ 441	$ 497
Interest cost	1,347	614	1,221	557
Amortization of prior service credit and recognized actuarial gain	(1,332)	(41)	(843)	(106)
Other	57		18	
Curtailment gain	(1,539)			
Net periodic benefit cost (gain)	$ (1,059)	$ 1,059	$ 837	$ 948

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

8. Income Taxes

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

The effective tax rate for the three and nine months ended September 30, 2013 was 18% and 27%, respectively. The effective tax rate for the three and nine months ended September 30, 2012 was 34% and (42%), respectively, which included a benefit of ($19,500) included in the estimated annual effective tax rate resulting from forecasted net income in the U.S. with no corresponding tax expense due to utilization of valuation allowances and a benefit of ($48,300) resulting from changes in determinations relating to the potential realization of deferred tax assets and the resulting reversal of a valuation allowance on net deferred tax assets in the United States. Excluding the impact of releasing the US valuation allowance in 2012, the effective tax rate for the three and nine months ended September 30, 2012 was 34% and 20%, respectively. The income tax rate for the three and nine months ended September 30, 2013 varies from statutory rates due to a discrete benefit for the effect of the American Taxpayer Relief Act of 2012 which retroactively reinstated the Federal Research and Development Tax Credit (as signed into law in early 2013), as well as the exclusion from U.S. federal taxable income of certain interest, dividends, rents, and royalty income of foreign affiliates, and the benefits of the credits with that income. Additionally, the income tax rate varies from statutory rates due to income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, the inability to record a tax benefit for pre-tax losses in certain foreign jurisdictions to the extent not offset by other categories of income, tax credits, income tax incentives, withholding taxes, and other permanent items. Further, the Company s current and future provision for income taxes may be impacted by the recognition of valuation allowances in certain countries. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

9. Accumulated Other Comprehensive Income (Loss), Equity and Redeemable Noncontrolling Interests

The changes in accumulated other comprehensive income (loss) by component for the three and nine months ended September 30, 2013, net of related tax, are as follows:

	Three Months ended September 30, 2013			
	Cumulative currency translation adjustment	Benefit plan liability	Fair value change of derivatives	Accumulated other comprehensive loss
Balance at July 1, 2013	$ (5,111)	$ (62,673)	$ (166)	$ (67,950)
Other comprehensive income (loss) before reclassifications	14,501	(979)	130	13,652
Amounts reclassified from accumulated other comprehensive income (loss)		239	(39)	200
Net current period other comprehensive income (loss)(1)	14,501	(740)	91	13,852
Balance at September 30, 2013	$ 9,390	$ (63,413)	$ (75)	$ (54,098)

Amounts in parentheses indicate debits.

(1) Other comprehensive income (loss) related to the benefit plan liability is net of a tax effect of $24. Other comprehensive income (loss) related to the fair value change of derivatives is net of a tax effect of $3.

	Nine Months ended September 30, 2013			
	Cumulative currency translation adjustment	Benefit plan liability	Fair value change of derivatives	Accumulated other comprehensive loss
Balance at January 1, 2013	$ 18,320	$ (64,018)	$ 250	$ (45,448)
Other comprehensive loss before reclassifications	(8,930)	(74)	(53)	(9,057)
Amounts reclassified from accumulated other comprehensive income (loss)		679	(272)	407

Net current period other comprehensive income (loss)[1]	(8,930)	605	(325)	(8,650)
Balance at September 30, 2013	$ 9,390	$ (63,413)	$ (75)	$ (54,098)

Amounts in parentheses indicate debits.

(1) Other comprehensive income (loss) related to the benefit plan liability is net of a tax effect of ($376). Other comprehensive income (loss) related to the fair value change of derivatives is net of a tax effect of $128.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

The reclassifications out of accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2013 are as follows:

Details about accumulated other comprehensive loss components	Gain (loss) reclassified Three months ended September 30, 2013	Gain (loss) reclassified Nine months ended September 30, 2013	Location of gain (loss) reclassified into income
Fair value change of derivatives			
Interest rate contracts	$ (21)	$ 209	Interest expense, net of interest income
Foreign exchange contracts	68	181	Cost of products sold
	47	390	Income before income taxes
	(8)	(118)	Income tax expense
	$ 39	$ 272	Consolidated net income
Amortization of defined benefit and other postretirement benefit plans			
Prior service credits	$ 161	$ 472[1]	
Actuarial losses	(495)	(1,427)[1]	
	(334)	(955)	Income before income taxes
	95	276	Income tax benefit
	$ (239)	$ (679)	Consolidated net income
Total reclassifications for the period	$ (200)	$ (407)	

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See Note 7. Pension and Postretirement Benefits other than Pensions for additional details.)

The following table summarizes the Company s equity and redeemable noncontrolling interest activity for the nine months ended September 30, 2013:

	Cooper-Standard Holdings Inc.	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interests
Equity at January 1, 2013	$ 628,326	$ 905	$ 629,231	$ 14,194
Net income (loss)	68,729	(25)	68,704	(2,399)
Preferred stock dividends	(4,569)		(4,569)	
Repurchase of common stock	(217,549)		(217,549)	
Conversion of preferred shares	18,252		18,252	
Warrant exercise	11,252		11,252	
Other comprehensive income (loss)	(8,650)	(1)	(8,651)	60
Stock-based compensation	3,026		3,026	
Shares issued under stock option plans	(593)		(593)	
Accretion of redeemable noncontrolling interests	(656)		(656)	656
Purchase of noncontrolling interest	(885)	(1,026)	(1,911)	
Equity at September 30, 2013	$ 496,683	$ (147)	$ 496,536	$ 12,511

Equity Tender Offer

On April 5, 2013, the Company commenced an Equity Tender Offer. On May 2, 2013, the Company purchased 4,651,162 shares pursuant to the Equity Tender Offer at a purchase price of $43.00 per share for an aggregate purchase price of approximately $200,000. The Company used the proceeds from the issuance of the Senior PIK Toggle Notes (see Note 6. Debt), together with cash on hand, to finance the purchase of shares of common stock pursuant to the Equity Tender Offer.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

10. Net Income Per Share Attributable to Cooper-Standard Holdings Inc.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Net income attributable to Cooper-Standard Holdings Inc.	$ 11,624	$ 20,596	$ 112,727	$ 68,729
Less: 7% Preferred stock dividends (paid or unpaid)	(1,699)	(1,419)	(5,087)	(4,569)
Less: Premium paid for redemption of 7% preferred stock			(974)	
Less: Undistributed earnings allocated to participating securities	(1,888)	(4,033)	(20,078)	(13,101)
Basic net income available to Cooper-Standard Holdings Inc. common stockholders	$ 8,037	$ 15,144	$ 86,588	$ 51,059
Increase in fair value of share-based awards	$	$ 212	$	$ 466
Diluted net income available to Cooper-Standard Holdings Inc. common stockholders	$ 8,037	$ 15,356	$ 86,588	$ 51,525
Basic weighted average shares of common stock outstanding	17,454,226	13,045,575	17,578,580	14,621,535
Dilutive effect of:				

Restricted common stock	172,586	144,086	270,230	206,588
Restricted 7% preferred stock	19,181		47,833	19,949
Warrants	570,067	899,420	699,533	800,116
Options	77,707	162,878	111,023	139,655
Diluted weighted average shares of common stock outstanding	18,293,767	14,251,959	18,707,199	15,787,843
Basic net income per share attributable to Cooper-Standard Holdings Inc.	$ 0.46	$ 1.16	$ 4.93	$ 3.49
Diluted net income per share attributable to Cooper-Standard Holdings Inc.	$ 0.44	$ 1.08	$ 4.63	$ 3.26

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

The effect of certain common stock equivalents, including the 7% preferred stock and options, were excluded from the computation of weighted average diluted shares outstanding for the three and nine months ended September 30, 2012 and 2013, as inclusion would have been antidilutive. A summary of these shares of 7% preferred stock (as if converted) and options are shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Number of options	272,800	131,000	272,800	131,000
Exercise price	$ 43.50-46.75	$ 52.25-52.50	$ 43.50-46.75	$ 52.25-52.50
7% Preferred stock, as if converted	4,099,692	3,479,719	4,076,150	3,751,800
7% Preferred stock dividends, undistributed earnings and premium allocated to participating securities that would be added back in the diluted calculation	$ 3,587	$ 5,460	$ 26,139	$ 17,670

11. Redeemable Preferred Stock

The following table reconciles the Company s 7% preferred stock activity for the nine months ended September 30, 2013:

	Preferred Shares	Preferred Stock
Balance at January 1, 2013	958,333	$ 121,649
Stock-based compensation		745
Converted preferred stock shares	(142,590)	(18,252)
Repurchased preferred stock shares	(4,363)	(561)
Forfeited shares	(998)	
Balance at September 30, 2013	810,382	$ 103,581

On October 18, 2013, the Company gave notice to the holders of its 7% preferred stock that the Company had elected to cause the mandatory conversion of all 810,382 shares of issued and outstanding shares of 7% preferred stock on November 15, 2013. The 7% preferred stock will be converted at the rate of 4.34164 shares of the Company s common stock for each share of 7% preferred stock, or into an aggregate of 3,518,386 shares of common stock. On the conversion date, the shares of 7% preferred stock will be cancelled and all rights of holders of 7% preferred stock will terminate (other than the right to receive shares of common stock issuable upon conversion). Shares of 7% preferred stock that are converted and cancelled will be restored to the status of authorized but unissued preferred stock of the

Company.

12. Stock-Based Compensation

On May 27, 2010, the Company adopted the 2010 Cooper-Standard Holdings Inc. Management Incentive Plan. In 2011, the Company adopted the 2011 Omnibus Incentive Plan, which amended, restated and replaced the 2010 Cooper-Standard Holdings Inc. Management Incentive Plan. Under these plans, stock options, restricted common stock, restricted 7% preferred stock, unrestricted common stock and restricted stock units have been granted to key employees and directors. Total compensation expense recognized was $3,436 and $3,026 for the three months ended September 30, 2012 and 2013, respectively, and $11,473 and $8,660 for the nine months ended September 30, 2012 and 2013, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

13. Other Income (Expense), Net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2013**	**2012**	**2013**
Foreign currency gains (losses)	$ (193)	$ 813	$ (4,516)	$ (6,351)
Unrealized gains (losses) related to forward contracts	1,476	401	3,836	(92)
Loss on sale of receivables	(165)	(437)	(689)	(1,235)
Miscellaneous income		183	920	2,293
Other income (expense), net	$ 1,118	$ 960	$ (449)	$ (5,385)

14. Related Party Transactions

Sales to NISCO, a 40% owned joint venture, totaled $7,472 and $11,694 for the three months ended September 30, 2012 and 2013, respectively, and $31,491 and $35,528 for the nine months ended September 30, 2012 and 2013, respectively. In March 2012, the Company received from NISCO a dividend of $800, all of which was related to earnings. In March 2013, the Company received from NISCO a dividend of $4,000, consisting of $1,880 related to earnings and a $2,120 return of capital.

Purchases of materials from Guyoung Technology Co. Ltd, a Korean corporation of which the Company owns approximately 20% of the common stock, totaled $743 and $672 for the three months ended September 30, 2012 and 2013, respectively, and $2,340 and $2,032 for the nine months ended September 30, 2012 and 2013, respectively.

15. Business Segments

ASC 280, *Segment Reporting*, establishes the standards for reporting information about operating segments in financial statements. The Company organized, managed and reported its global business operations through two geographic segments in the first quarter of 2013. In April 2013, the Company implemented organizational and management changes of its global business operations resulting in four reportable segments associated with geographic regions. In applying the criteria set forth in ASC 280, the Company revised its segment disclosures beginning with the second quarter of 2013 from the two segments, North America and International, to four reportable segments, North America, Europe, South America and Asia Pacific. The Company s principal product lines within each of these segments are body and chassis products and fluid handling products. The Company evaluates segment performance based on segment profit before tax. The results of each segment include certain allocations for general, administrative, interest, and other shared costs. Prior periods have been revised to conform to the current period presentation. Due to this segment revision, the Company has also revised the previously reported amounts in Note 3. Goodwill and Intangibles to conform to the new segment presentation.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2013
Sales to external customers				
North America	$ 363,859	$ 408,615	$ 1,139,273	$ 1,191,521
Europe	227,556	258,028	780,780	806,182
South America	39,208	43,069	107,282	138,746
Asia Pacific	53,406	54,345	156,459	159,892
Consolidated	$ 684,029	$ 764,057	$ 2,183,794	$ 2,296,341
Intersegment sales				
North America	$ 1,646	2,121	$ 5,979	8,959
Europe	2,107	2,440	6,489	6,837
South America	37		159	
Asia Pacific	2,091	3,013	6,105	7,434
Eliminations and other	(5,881)	(7,574)	(18,732)	(23,230)
Consolidated	$	$	$	$
Segment profit (loss)				
North America	$ 32,790	$ 31,726	$ 113,922	$ 103,158
Europe	(19,319)	(7,500)	(33,442)	(14,784)
South America	(1,028)	(1,838)	(6,413)	(5,760)
Asia Pacific	3,307	2,365	3,447	8,251
Income before income taxes	$ 15,750	$ 24,753	$ 77,514	$ 90,865
Restructuring cost included in segment profit (loss)				
North America	$ 276	$ 73	$ 755	$ 1,961
Europe	9,802	1,517	14,715	5,476
South America				
Asia Pacific	93	317	288	318
Consolidated	$ 10,171	$ 1,907	$ 15,758	$ 7,755

		December 31, 2012		September 30, 2013
Segment assets				
North America	$	772,269	$	878,213
Europe		593,340		613,907
South America		145,257		161,792
Asia Pacific		223,801		249,829
Eliminations and other		291,310		189,776
Consolidated	$	2,025,977	$	2,093,517

16. Guarantor and Non-Guarantor Subsidiaries

On May 27, 2010, Cooper-Standard Automotive Inc. (the Issuer), a wholly-owned subsidiary of Cooper-Standard Holdings Inc., issued 8 $^1/_2$% senior notes due 2018 (the Senior Notes) with a total principal amount of $450,000. Cooper-Standard Holdings Inc. and all wholly-owned domestic subsidiaries of Cooper-Standard Automotive Inc. (the Guarantors) unconditionally guarantee the Senior Notes. The following condensed consolidated financial data provides information regarding the financial position, results of operations, and cash flows of the Guarantors. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

For the Three Months Ended September 30, 2012

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollars in millions)			
Sales	$	$ 135.1	$ 150.7	$ 441.4	$ (43.2)	$ 684.0
Cost of products sold		113.0	129.1	382.0	(43.2)	580.9
Selling, administration, & engineering expenses		30.8		34.6		65.4
Amortization of intangibles		2.8		1.1		3.9
Restructuring		0.1	0.2	9.9		10.2
Operating profit (loss)		(11.6)	21.4	13.8		23.6
Interest expense, net of interest income		(8.3)		(3.0)		(11.3)
Equity earnings		1.0	0.5	0.9		2.4
Other income (expense), net		8.7	(0.1)	(7.5)		1.1
Income (loss) before income taxes		(10.2)	21.8	4.2		15.8
Income tax expense		0.3	4.6	0.5		5.4
Income (loss) before equity in income of subsidiaries		(10.5)	17.2	3.7		10.4
Equity in net income of subsidiaries	11.6	22.1			(33.7)	
Net income	11.6	11.6	17.2	3.7	(33.7)	10.4
Net income attributable to noncontrolling interests				1.2		1.2
Net income attributable to Cooper-Standard Holdings Inc.	$ 11.6	$ 11.6	$ 17.2	$ 4.9	$ (33.7)	$ 11.6
Comprehensive income	$ 19.6	$ 19.6	$ 17.2	$ 11.5	$ (49.1)	$ 18.8
Add: comprehensive loss attributable to noncontrolling interests				0.8		0.8
Comprehensive income attributable to Cooper-Standard Holdings Inc.	$ 19.6	$ 19.6	$ 17.2	$ 12.3	$ (49.1)	$ 19.6

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

For the Three Months Ended September 30, 2013

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollar amounts in millions)					
Sales	$	$ 145.5	$ 167.8	$ 499.8	$ (49.1)	$ 764.0
Cost of products sold		126.1	135.4	436.6	(49.1)	649.0
Selling, administration, & engineering expenses		33.7	(0.1)	39.4		73.0
Amortization of intangibles		2.9		0.9		3.8
Restructuring				1.9		1.9
Operating profit (loss)		(17.2)	32.5	21.0		36.3
Interest expense, net of interest income	(4.0)	(7.4)		(3.7)		(15.1)
Equity earnings		0.6	1.0	1.1		2.7
Other income (expense), net		4.8	0.1	(4.0)		0.9
Income (loss) before income taxes	(4.0)	(19.2)	33.6	14.4		24.8
Income tax expense (benefit)	(2.0)	(3.3)	7.7	2.1		4.5
Income (loss) before equity in income (loss) subsidiaries	(2.0)	(15.9)	25.9	12.3		20.3
Equity in net income of subsidiaries	22.6	38.5			(61.1)	
Net income	20.6	22.6	25.9	12.3	(61.1)	20.3
Net loss attributable to noncontrolling interest				0.3		0.3
Net income attributable to Cooper-Standard Holdings Inc.	$ 20.6	$ 22.6	$ 25.9	$ 12.6	$ (61.1)	$ 20.6
Comprehensive income	$ 34.5	$ 38.4	$ 25.9	$ 21.9	$ (86.8)	$ 33.9
Add: Comprehensive loss attributable to noncontrolling interests				0.6		0.6
Comprehensive income attributable to Cooper-Standard Holdings Inc.	$ 34.5	$ 38.4	$ 25.9	$ 22.5	$ (86.8)	$ 34.5

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2012

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

Comprehensive income attributable to Cooper-Standard Holdings Inc.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2013

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollar amounts in millions)					
Sales	$	$ 437.7	$ 505.5	$ 1,501.5	$ (148.4)	$ 2,296.3
Cost of products sold		368.5	402.8	1,305.8	(148.4)	1,928.7
Selling, administration, & engineering expenses		99.1	2.7	119.0		220.8
Amortization of intangibles		8.6		2.9		11.5
Restructuring		1.7	0.2	5.8		7.7
Operating profit (loss)		(40.2)	99.8	68.0		127.6
Interest expense, net of interest income	(7.6)	(23.5)		(8.9)		(40.0)
Equity earnings		2.5	3.2	3.0		8.7
Other income (expense), net		18.3	0.3	(24.0)		(5.4)
Income (loss) before income taxes	(7.6)	(42.9)	103.3	38.1		90.9
Income tax expense (benefit)	(2.0)	(11.3)	27.2	10.7		24.6
Income (loss) before equity in income (loss) subsidiaries	(5.6)	(31.6)	76.1	27.4		66.3
Equity in net income of subsidiaries	74.3	105.9			(180.2)	
Net income	68.7	74.3	76.1	27.4	(180.2)	66.3
Net loss attributable to noncontrolling interest				2.4		2.4
Net income attributable to Cooper-Standard Holdings Inc.	$ 68.7	$ 74.3	$ 76.1	$ 29.8	$ (180.2)	$ 68.7
Comprehensive income	$ 60.1	$ 67.6	$ 76.1	$ 16.1	$ (162.2)	$ 57.7
Add: Comprehensive loss attributable to noncontrolling interests				2.4		2.4
Comprehensive income attributable to Cooper-Standard Holdings Inc.	$ 60.1	$ 67.6	$ 76.1	$ 18.5	$ (162.2)	$ 60.1

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

CONDENSED CONSOLIDATING BALANCE SHEET

December 31, 2012

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollar amounts in millions)			
ASSETS						
Current assets:						
Cash and cash equivalents	$	$ 177.5	$ 4.4	$ 88.7	$	$ 270.6
Accounts receivable, net		54.8	72.6	222.7		350.1
Tooling receivable		13.4	12.1	91.4		116.9
Inventories		18.8	28.5	96.0		143.3
Prepaid expenses		5.9	0.3	15.7		21.9
Other		35.5	0.6	51.7		87.8
Total current assets		305.9	118.5	566.2		990.6
Investments in affiliates and intercompany accounts, net	628.3	339.7	998.7	(52.9)	(1,851.6)	62.2
Property, plant, and equipment, net		88.2	56.5	483.9		628.6
Goodwill		111.1		22.6		133.7
Other assets		80.9	48.2	81.8		210.9
	$ 628.3	$ 925.8	$ 1,221.9	$ 1,101.6	$ (1,851.6)	$ 2,026.0
LIABILITIES & EQUITY						
Current liabilities:						
Debt payable within one year	$	$	$	$ 32.6	$	$ 32.6
Accounts payable		45.4	41.3	184.7		271.4
Accrued liabilities		59.1	5.4	118.5		183.0
Total current liabilities		104.5	46.7	335.8		487.0
Long-term debt		450.0		0.8		450.8
Other liabilities		167.4	(0.2)	156.0		323.2
Total liabilities		721.9	46.5	492.6		1,261.0
Redeemable noncontrolling interests				14.2		14.2
Preferred stock		121.6				121.6
Total Cooper-Standard Holdings Inc. equity	628.3	82.3	1,175.4	593.9	(1,851.6)	628.3

Noncontrolling interests				0.9		0.9
Total equity	628.3	82.3	1,175.4	594.8	(1,851.6)	629.2
Total liabilities and equity	$ 628.3	$ 925.8	$ 1,221.9	$ 1,101.6	$ (1,851.6)	$ 2,026.0

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

CONDENSED CONSOLIDATING BALANCE SHEET

September 30, 2013

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollar amounts in millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	$ 20.4	$ 67.7	$	$ 31.1	$	$ 119.2
Accounts receivable, net		73.1	86.4	270.2		429.7
Tooling receivable		21.8	14.1	114.0		149.9
Inventories		22.0	33.1	131.7		186.8
Prepaid expenses		6.0	0.4	26.1		32.5
Other		35.2	0.4	58.3		93.9
Total current assets	20.4	225.8	134.4	631.4		1,012.0
Investments in affiliates and intercompany accounts, net	678.5	295.6	1,112.9	(111.0)	(1,912.2)	63.8
Property, plant, and equipment, net		95.1	58.0	547.8		700.9
Goodwill		111.1		22.9		134.0
Other assets	1.4	111.2	0.1	70.1		182.8
	$ 700.3	$ 838.8	$ 1,305.4	$ 1,161.2	$ (1,912.2)	$ 2,093.5
LIABILITIES & EQUITY						
Current liabilities:						
Debt payable within one year	$	$	$	$ 30.3	$	$ 30.3
Accounts payable		47.7	48.6	202.5		298.8
Accrued liabilities	7.3	58.1	5.3	138.6		209.3
Total current liabilities	7.3	105.8	53.9	371.4		538.4
Long-term debt	196.3	450.0		2.7		649.0
Other liabilities		141.2	(0.1)	152.3		293.4
Total liabilities	203.6	697.0	53.8	526.4		1,480.8
Redeemable noncontrolling interests				12.5		12.5
Preferred stock		103.6				103.6
Total Cooper-Standard Holdings Inc. equity	496.7	38.2	1,251.6	622.4	(1,912.2)	496.7

Noncontrolling interests				(0.1)		(0.1)
Total equity	496.7	38.2	1,251.6	622.3	(1,912.2)	496.6
Total liabilities and equity	$ 700.3	$ 838.8	$ 1,305.4	$ 1,161.2	$ (1,912.2)	$ 2,093.5

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 2012

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollars in millions)			
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	$ 5.1	$ (7.6)	$ 8.0	$ (28.0)	$	$ (22.5)
INVESTING ACTIVITIES						
Capital expenditures, including other intangible assets		(19.9)	(12.1)	(59.5)		(91.5)
Acquisition of businesses, net of cash acquired				(1.1)		(1.1)
Proceeds from the sale of fixed assets			4.1	4.9		9.0
Net cash used in investing activities		(19.9)	(8.0)	(55.7)		(83.6)
FINANCING ACTIVITIES						
Decrease in short-term debt				(2.8)		(2.8)
Principal payments on long-term debt				(4.3)		(4.3)
Repurchase of preferred and common stock		(25.5)				(25.5)
Other	(5.1)	(9.9)		10.3		(4.7)
Net cash provided by (used in) financing activities	(5.1)	(35.4)		3.2		(37.3)
Effects of exchange rate changes on cash and cash equivalents				(0.5)		(0.5)
Changes in cash and cash equivalents		(62.9)		(81.0)		(143.9)
Cash and cash equivalents at beginning of period		189.6		172.1		361.7
Cash and cash equivalents at end of period	$	$ 126.7	$	$ 91.1	$	$ 217.8
Depreciation and amortization	$	$ 21.3	$ 11.0	$ 58.9	$	$ 91.2

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 2013

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollar amounts in millions)			
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	$ 5.2	$ (11.4)	$ 7.1	$ 16.6	$	$ 17.5
INVESTING ACTIVITIES						
Capital expenditures, including other intangible assets		(20.0)	(13.6)	(99.2)		(132.8)
Acquisition of businesses, net of cash acquired		4.0		(17.5)		(13.5)
Return on equity investments			2.1			2.1
Proceeds from the sale of fixed assets and other				3.6		3.6
Net cash used in investing activities		(16.0)	(11.5)	(113.1)		(140.6)
FINANCING ACTIVITIES						
Proceeds from issuance of senior PIK toggle notes, net of debt issuance costs	194.4					194.4
Increase in short-term debt, net				1.6		1.6
Principal payments on long-term debt				(3.8)		(3.8)
Purchase of noncontrolling interest				(1.9)		(1.9)
Repurchase of common stock	(174.4)	(43.1)				(217.5)
Proceeds from exercise of warrants		11.3				11.3
Other	(4.8)	(50.6)		45.2		(10.2)
Net cash provided by (used in) financing activities	15.2	(82.4)		41.1		(26.1)
Effects of exchange rate changes on cash and cash equivalents				(2.2)		(2.2)
Changes in cash and cash equivalents	20.4	(109.8)	(4.4)	(57.6)		(151.4)
Cash and cash equivalents at beginning of period		177.5	4.4	88.7		270.6

Cash and cash equivalents at end of period	$	20.4	$	67.7	$		$	31.1	$		$	119.2
Depreciation and amortization	$		$	21.2	$	9.3	$	52.8	$		$	83.3

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

17. Financial Instruments

Fair values of the Senior Notes approximated $480,938 at December 31, 2012 and September 30, 2013 based on quoted market prices, compared to the recorded value of $450,000. This fair value measurement is classified within Level 1 of the fair value hierarchy.

Fair values of the Senior PIK Toggle Notes approximated $199,471 at September 30, 2013 based on quoted market prices, compared to the recorded value of $196,281. This fair value measurement is classified within Level 1 of the fair value hierarchy.

Fair values of the 7% preferred stock approximated $169,193 and $188,253 at December 31, 2012 and September 30, 2013, respectively, compared to the recorded values of $121,649 and $103,581 at December 31, 2012 and September 30, 2013, respectively. The fair values were determined based on the contingent claims valuation methodology utilizing the principles of option pricing theory. This fair value measurement is classified within Level 3 of the fair value hierarchy.

The Company completed an agreement with Fonds de Modernisation des Equipementiers Automobiles (FMEA) on May 2, 2011, to establish a joint venture that combined the Company s French body sealing operations and the operations of Société des Polymères Barre-Thomas (SPBT). SPBT was a French supplier of anti-vibration systems and low pressure hoses, as well as body sealing products, which FMEA acquired as a preliminary step to the joint venture transaction. SPBT changed its name to Cooper Standard France SAS (CS France) subsequent to the transaction. The Company has 51 percent ownership and FMEA has 49 percent ownership. 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 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 $656 for the nine months ended September 30, 2013. Such accretion amounts are recorded as increases to redeemable noncontrolling interests with offsets to equity. According to authoritative accounting guidance, the redeemable noncontrolling interest is classified outside of permanent equity, in mezzanine equity, on the Company s condensed consolidated balance sheets. As of September 30, 2013 the estimated redemption value of the put option is $10,290. The redemption amount related to the put option is guaranteed by the Company and secured with the CS France shares held by a subsidiary of the Company. The Company has determined that the non-recurring fair value measurement related to this calculation relies primarily on Company-specific inputs and the Company s assumptions, as observable inputs are not available. As such, the Company has determined that this fair value measurement resides within Level 3 of the fair value hierarchy. To determine the fair value of the put option, the Company utilizes the projected cash flows expected to be generated by the joint venture, then discounts the future cash flows by using a risk-adjusted rate for the Company.

According to authoritative accounting guidance for redeemable noncontrolling shareholders interests, to the extent the noncontrolling shareholders have a contractual right to receive an amount upon exercise of a put option that is other than fair value, and such amount is greater than carrying value, 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, 2013 there was no difference between redemption value and fair value.

Derivative Instruments and Hedging Activities

The Company uses derivative financial instruments, including forward and swap contracts, to manage its exposures 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 comprehensive income. 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 AOCI is recorded in earnings and reflected in the condensed consolidated statement of comprehensive income on the same line as the gain or loss on the hedged item attributable to the hedged risk.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

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, accrued liabilities and other long-term 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 Romanian Leu against the Euro and the Euro against the 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. As of September 30, 2013, the notional amount of these contracts was $10,247. The fair values of these contracts at September 30, 2013 were $10 in the asset position recorded in other current assets and $112 in the liability position recorded in accrued liabilities in the condensed consolidated balance sheet. The gains or losses on the forward contracts are reported as a component of AOCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The amount reclassified from AOCI into cost of products sold was ($68) and ($181) for the three and nine months ended September 30, 2013, respectively. These foreign currency derivative contracts consist of hedges of transactions up to December 2013.

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. The amount reclassified from AOCI into interest expense for this swap was $24 and $21 for the three months ended September 30, 2012 and 2013, respectively, and $77 and ($209) for the nine months ended September 30, 2012 and 2013, respectively. The interest rate swap contract was settled as of September 30, 2013.

Undesignated Derivatives

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 are included in the Company s condensed consolidated financial statements. The forward contracts are used to mitigate the potential volatility of cash flows arising from changes in currency exchange rates that impact the Company s foreign currency transactions. These foreign currency derivative contracts relate to hedge transactions through April 2014. As of September 30, 2013, the notional amount of these contracts was $11,161. At September 30, 2013, the fair value of the Company s undesignated derivative forward contracts was a liability of $134 and is recorded in accrued liabilities in the Company s condensed consolidated balance sheet. The unrealized gain or loss on the forward contracts is reported as a component of other income (expense), net. The unrealized gain (loss) amounted to $1,476 and $401 for the three months ended September 30, 2012 and 2013, respectively, and $3,836 and ($92) for the nine months ended September 30, 2012 and 2013, respectively.

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

(Dollar amounts in thousands except Note 16, 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, 2012 and September 30, 2013, are shown below:

	December 31, 2012			
Contract	**Asset (Liability)**	**Level 1**	**Level 2**	**Level 3**
Interest rate swap	$ (68)	$	$ (68)	$
Forward foreign exchange contracts	(29)		(29)	
Total	$ (97)	$	$ (97)	$

	September 30, 2013			
Contract	**Asset (Liability)**	**Level 1**	**Level 2**	**Level 3**
Interest rate swap	$	$	$	$
Forward foreign exchange contracts	(236)		(236)	
Total	$ (236)	$	$ (236)	$

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 4. Restructuring.

18. Accounts Receivable Factoring

As a part of its working capital management, the Company sells certain receivables through third party financial institutions with and without recourse. The amount sold varies each month based on the amount of underlying receivables and cash flow needs of the Company. The Company continues to service the receivables. These are permitted transactions under the Company s credit agreement and the indentures governing the Senior Notes and the Senior PIK Toggle Notes.

At September 30, 2012 and 2013, the Company had $68,564 and $95,642, respectively, outstanding under receivable transfer agreements without recourse entered into by various locations. The total amount of accounts receivable factored were $256,033 and $347,473 for the nine months ended September 30, 2012 and 2013, respectively. Costs incurred on the sale of receivables were $421 and $720 for the three months ended September 30, 2012 and 2013, respectively, and $1,722 and $2,049 for the nine months ended September 30, 2012 and 2013, respectively. These amounts are recorded in other income (expense), net and interest expense, net of interest income in the condensed consolidated statements of comprehensive income.

At September 30, 2012 and 2013, the Company had $11,296 and $13,727, respectively outstanding under receivable transfer agreements with recourse. The secured borrowings are recorded in debt payable within one year and receivables are pledged equal to the balance of the borrowings. The total amount of accounts receivable factored was $61,631 and $69,809 for the nine months ended September 30, 2012 and 2013, respectively. Costs incurred on the sale of receivables were $68 and $106 for the three months ended September 30, 2012 and 2013, respectively, and $275 and $327 for the nine months ended September 30, 2012 and 2013, respectively. These amounts are recorded in other income (expense), net and interest expense, net of interest income in the condensed consolidated statements of comprehensive income.

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 below) and in our Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 Annual Report) (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 South America and Asia Pacific. New vehicle demand is driven by macro-economic and other factors, such as interest rates, fuel prices, consumer confidence, employment levels, income growth trends, as well as manufacturer and dealer sales incentives.

Details on light vehicle production in certain regions for the three and nine months ended September 30, 2013 are provided in the following table:

	Three months ended September 30,			Nine months ended September 30,		
(In millions of units)	2012(1,2)	2013(1)	% Change	2012(1,2)	2013(1)	% Change
North America	3.7	3.9	6.9%	11.6	12.2	4.9%
Europe	4.4	4.3	(0.9)%	14.6	14.3	(2.4)%
South America	1.2	1.2	1.3%	3.2	3.5	9.7%
Asia Pacific	9.7	10.1	4.1%	30.3	31.2	3.1%

(1) Production data based on IHS Automotive, September 2013.
(2) Production data for 2012 has been updated to reflect actual production levels.

The expected annualized light vehicle production volumes for 2013, compared to the actual production volumes for 2012 are provided in the following table:

(In millions of units)	2012(1,2)	2013(1)	% Change
North America	15.4	16.2	5.2%
Europe	19.3	19.0	(1.7)%
South America	4.3	4.5	5.6%
Asia Pacific	40.8	42.0	3.0%

(1) Production data based on IHS Automotive, September 2013.
(2) Production data for 2012 has been updated to reflect actual production levels.

The expected light vehicle production volume for the fourth quarter of 2013, compared to the actual production volumes for the fourth quarter of 2012 are provided in the following table:

(In millions of units)	Q4 2012(1)	Q4 2013(1)	% Change
North America	3.8	4.1	6.0%
Europe	4.7	4.7	0.4%
South America	1.1	1.1	(5.9)%
Asia Pacific	10.5	10.7	2.7%

(1) Production data based on IHS Automotive, September 2013.

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 fuel economy, emissions and safety.

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 will continue to drive our focus on reducing our overall cost structure through lean initiatives, capital redeployment, restructuring and other cost management processes.

Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
	(dollar amounts in thousands)			
Sales	$ 684,029	$ 764,057	$ 2,183,794	$ 2,296,341
Cost of products sold	580,956	649,028	1,844,616	1,928,735
Gross profit	103,073	115,029	339,178	367,606
Selling, administration & engineering expenses	65,421	72,968	206,432	220,807
Amortization of intangibles	3,866	3,785	11,590	11,534
Restructuring	10,171	1,907	15,758	7,755
Operating profit	23,615	36,369	105,398	127,510
Interest expense, net of interest income	(11,325)	(15,171)	(33,326)	(39,953)
Equity earnings	2,342	2,595	5,891	8,693
Other income (expense), net	1,118	960	(449)	(5,385)
Income before income taxes	15,750	24,753	77,514	90,865
Income tax expense (benefit)	5,392	4,467	(32,772)	24,560