# 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 June 30, 2011**

**or**

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

**Commission File Number: 333-123708**

# COOPER-STANDARD HOLDINGS INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of**<br><br>**incorporation or organization)** | **20-1945088**<br>**(I.R.S. Employer**<br><br>**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 | ¨ |
| Non-accelerated filer | x | 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 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 x No ¨

As of August 3, 2011 there were 18,343,725 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 June 30, 2011**

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## 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)**

| | Predecessor | Successor | |
|---|---|---|---|
| | Two Months Ended May 31, 2010 | One Month Ended June 30, 2010 | Three Months Ended June 30, 2011 |
| Sales | $ 412,804 | $ 215,642 | $ 760,460 |
| Cost of products sold | 340,381 | 181,875 | 636,752 |
| Gross profit | 72,423 | 33,767 | 123,708 |
| Selling, administration & engineering expenses | 39,099 | 23,045 | 65,602 |
| Amortization of intangibles | 130 | 1,264 | 3,936 |
| Restructuring | 5,641 | 382 | 36,981 |
| Operating profit | 27,553 | 9,076 | 17,189 |
| Interest expense, net of interest income | (32,694) | (3,531) | (10,649) |
| Equity earnings | 1,653 | 734 | 928 |
| Reorganization items, net | 326,786 | | |
| Other income (expense), net | (14,300) | (430) | 726 |
| Income before income taxes | 308,998 | 5,849 | 8,194 |
| Provision for income tax expense | 32,652 | 909 | 6,541 |
| Consolidated net income | 276,346 | 4,940 | 1,653 |
| Net (income) loss attributable to noncontrolling interests | (63) | (10) | 17,369 |
| Net income attributable to Cooper-Standard Holdings Inc. | $ 276,283 | $ 4,930 | $ 19,022 |
| Net income available to Cooper-Standard Holdings Inc. common stockholders | | $ 3,218 | $ 13,749 |
| Basic net income per share attributable to Cooper-Standard Holdings Inc. | | $ 0.18 | $ 0.78 |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc. | | $ 0.18 | $ 0.71 |

| | Predecessor | Successor | |
|---|---|---|---|
| | Five Months Ended May 31, 2010 | One Month Ended June 30, | Six Months Ended June 30, 2011 |

| | | 2010 | |
|---|---|---|---|
| Sales | $ 1,009,128 | $ 215,642 | $ 1,449,232 |
| Cost of products sold | 832,201 | 181,875 | 1,204,758 |
| Gross profit | 176,927 | 33,767 | 244,474 |
| Selling, administration & engineering expenses | 92,166 | 23,045 | 126,453 |
| Amortization of intangibles | 319 | 1,264 | 7,834 |
| Restructuring | 5,893 | 382 | 41,585 |
| Operating profit | 78,549 | 9,076 | 68,602 |
| Interest expense, net of interest income | (44,505) | (3,531) | (20,555) |
| Equity earnings | 3,613 | 734 | 2,637 |
| Reorganization items, net | 303,453 | | |
| Other income (expense), net | (21,156) | (430) | 15,075 |
| Income before income taxes | 319,954 | 5,849 | 65,759 |
| Provision for income tax expense | 39,940 | 909 | 18,819 |
| Consolidated net income | 280,014 | 4,940 | 46,940 |
| Net (income) loss attributable to noncontrolling interests | (322) | (10) | 17,017 |
| Net income attributable to Cooper-Standard Holdings Inc. | $ 279,692 | $ 4,930 | $ 63,957 |
| Net income available to Cooper-Standard Holdings Inc. common stockholders | | $ 3,218 | $ 48,218 |
| Basic net income per share attributable to Cooper-Standard Holdings Inc. | | $ 0.18 | $ 2.75 |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc. | | $ 0.18 | $ 2.49 |

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)**

| | Successor | |
|---|---|---|
| | **December 31, 2010** | **June 30, 2011** |
| **Assets** | | **(Unaudited)** |
| Current assets: | | |
| Cash and cash equivalents | $ 294,450 | $ 313,469 |
| Accounts receivable, net | 380,915 | 541,515 |
| Inventories, net | 122,043 | 163,551 |
| Prepaid expenses | 20,056 | 25,579 |
| Other | 40,857 | 44,577 |
| Total current assets | 858,321 | 1,088,691 |
| Property, plant and equipment, net | 589,504 | 654,984 |
| Goodwill | 137,000 | 138,821 |
| Intangibles, net | 149,642 | 145,017 |
| Other assets | 119,309 | 118,546 |
| | $ 1,853,776 | $ 2,146,059 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Debt payable within one year | $ 19,965 | $ 42,289 |
| Accounts payable | 176,001 | 267,752 |
| Payroll liabilities | 98,722 | 111,033 |
| Accrued liabilities | 113,831 | 142,879 |
| Total current liabilities | 408,519 | 563,953 |
| Long-term debt | 456,758 | 459,069 |
| Pension benefits | 164,595 | 169,367 |
| Postretirement benefits other than pensions | 80,053 | 82,370 |
| Deferred tax liabilities | 18,337 | 22,732 |
| Other liabilities | 25,907 | 30,265 |
| Total liabilities | 1,154,169 | 1,327,756 |
| Redeemable noncontrolling interest | 6,215 | 22,935 |
| 7% Cumulative participating convertible preferred stock, $0.001 par value, 10,000,000 shares authorized at December 31, 2010, and June 30, 2011; 1,052,444 and 1,050,784 shares issued and outstanding at December 31, 2010 and June 30, 2011, respectively | 130,339 | 130,914 |
| Equity: | | |
| Common stock, $0.001 par value, 190,000,000 shares authorized at December 31, 2010 and June 30, 2011; 18,376,112 and 18,343,725 shares issued and outstanding at December 31, 2010 and at June 30, 2011, respectively | 17 | 17 |
| Additional paid-in capital | 478,706 | 481,107 |
| Retained earnings | 35,842 | 94,484 |
| Accumulated other comprehensive income | 45,881 | 85,914 |

| | | |
|---|---|---|
| Total Cooper-Standard Holdings Inc. equity | 560,446 | 661,522 |
| Noncontrolling interests | 2,607 | 2,932 |
| Total equity | 563,053 | 664,454 |
| Total liabilities and equity | $ 1,853,776 | $ 2,146,059 |

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)**

| | Predecessor Five Months May 31, 2010 | Successor One Month June 30, 2010 | Successor Six Months Ended June 30, 2011 |
|---|---|---|---|
| Operating Activities: | | | |
| Consolidated net income | $ 280,014 | $ 4,940 | $ 46,940 |
| Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities: | | | |
| Depreciation | 35,333 | 7,628 | 52,490 |
| Amortization | 319 | 1,264 | 7,834 |
| Non-cash restructuring | 46 | | 864 |
| Reorganization items | (303,453) | | |
| Amortization of debt issuance cost | 11,505 | 102 | 622 |
| Stock-based compensation expense | 244 | 845 | 5,814 |
| Gain on partial sale of joint venture | | | (11,423) |
| Changes in operating assets and liabilities | (99,403) | 2,385 | (76,641) |
| Net cash provided by (used in) operating activities | (75,395) | 17,164 | 26,500 |
| Investing activities: | | | |
| Property, plant and equipment | (22,935) | (6,155) | (45,459) |
| Acquisition of business, plus cash acquired | | | 30,878 |
| Proceeds from partial sale of joint venture | | | 16,000 |
| Proceeds from the sale of assets | 3,851 | (91) | 451 |
| Net cash provided by (used in) investing activities | (19,084) | (6,246) | 1,870 |
| Financing activities: | | | |
| Proceeds from issuance of long-term debt | 450,000 | | |
| Payments on debtor-in-possession financing | (175,000) | | |
| Decrease in short-term debt | (2,069) | (405) | (1,182) |
| Payments on long-term debt | (709,574) | (41) | (1,301) |
| Debt issuance cost and back stop fees | (30,991) | | |
| Issuance of preferred and common stock | 355,000 | | |
| Cash dividends paid | | | (3,617) |
| Other | | (14) | (92) |
| Net cash used in financing activities | (112,634) | (460) | (6,192) |
| Effects of exchange rate changes on cash | 5,528 | (388) | (3,159) |
| Changes in cash and cash equivalents | (201,585) | 10,070 | 19,019 |
| Cash and cash equivalents at beginning of period | 380,254 | 178,669 | 294,450 |
| Cash and cash equivalents at end of period | $ 178,669 | $ 188,739 | $ 313,469 |

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

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(Unaudited)**

**(Dollar amounts in thousands except 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 manufacture 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.

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, 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 June 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 - Two Months Ended May 31, 2010 | |
|---|---|---|
| | **As originally filed** | **As restated** |
| Reorganization items, net | $ 683,381 | $ 326,786 |
| Income before income taxes | 665,593 | 308,998 |
| Consolidated net income | 632,941 | 276,346 |
| Net income attributable to Cooper-Standard Holdings, Inc. | 632,878 | 276,283 |

| | 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 footnotes to the consolidated financial statements. The adjustment does not impact the Successor period financial statements or footnotes.

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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 June 2011, the FASB issued Accounting Standards Update ( 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 allows 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 consolidated balance sheet as of June 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.

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**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 |
| Total assets acquired | 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 |
| Total liabilities assumed | 113,922 |
| Net assets acquired | $ 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 using the effective interest method which resulted in accretion of $678 for the three and six months ended June 30, 2011. Such accretion amounts are recorded as increases to redeemable noncontrolling interests with offsets to equity and interest expense. According to authoritative accounting guidance, the redeemable noncontrolling interest is classified outside of permanent equity, in mezzanine equity, on the Company s consolidated balance sheets. As of June 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 June 30, 2011 there was no difference between redemption value and fair value.

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**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 six months ended June 30, 2011 are summarized as follows:

| | North America | International | Total |
|---|---|---|---|
| Balance at January 1, 2011 | $ 115,384 | $ 21,616 | $ 137,000 |
| Foreign exchange translation | 162 | 1,659 | 1,821 |
| Balance at June 30, 2011 | $ 115,546 | $ 23,275 | $ 138,821 |

Goodwill is not amortized but is tested annually for impairment, or when events or circumstances indicate that impairment may exist, by reporting units, which are 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 June 30, 2011, respectively:

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Weighted Average Useful Life (Years) |
|---|---|---|---|---|
| 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 | $ 142,513 | $ (15,158) | $ 127,355 | 9.1 |
| Developed technology | 9,979 | (1,810) | 8,169 | 5.2 |
| Other | $ 11,529 | $ (2,036) | 9,493 | |
| Balance at June 30, 2011 | $ 164,021 | $ (19,004) | $ 145,017 | 8.7 |

Amortization expense totaled $3,936 for the three months ended June 30, 2011, $1,264 for the one month ended June 30, 2010 and $130 for the two months ended May 31, 2010. Amortization expense totaled $7,834 and $319 for the six months ended June 30, 2011 and the five months ended May 31, 2010, respectively. Estimated amortization expense will total approximately $15,800 for the year ending December 31, 2011.

**4. Restructuring**

The Company implemented several restructuring initiatives in prior years in connection with the closure of facilities in North America, Europe and Asia. The Company commenced these initiatives prior to December 31, 2007 and continued to execute the closures through June 30, 2011.

The majority of the costs associated with the closures were incurred shortly after the original implementation. However, the Company continues to incur costs related principally to the liquidation of the respective facilities. The total expense incurred related to these actions amounted to $113 for the six months ended June 30, 2011, $54 for the one month ended June 30, 2010 and $470 for the five months ended May 31, 2010.

In July 2008, the Company implemented a restructuring action and announced the closure of two manufacturing facilities, one located in Australia and the other located in Germany. Both closures were a result of changes in market demands and volume reductions and are substantially completed as of June 30, 2011. However, the Company will continue to incur costs until the facilities are sold. The estimated total cost of these initiatives is approximately $21,600. The total expense incurred related to these actions amounted to $122 for the six months ended June 30, 2011, $28 for the one month ended June 30, 2010 and $(301) for the five months ended May 31, 2010.

During 2008, the Company commenced the initial phase of a reorganization ultimately involving the discontinuation of its global product line operating divisions, formerly called the Body & Chassis Systems division (which included the body sealing and AVS product lines) and the Fluid Systems division, and the establishment of a new operating structure organized on the basis of geographic regions. In the first quarter of 2009, the Company initiated the final phase of the reorganization of its operating structure, formally discontinuing its product line operating divisions and putting into place the new operating divisions based on geographic regions. The estimated cost of this initiative is approximately $23,700.

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

**(Unaudited)**

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

The following tables summarize the activity for this initiative for the six months ended June 30, 2010 and 2011:

| | Employee Separation Costs | Other Exit Costs | Asset Impairments | Total |
|---|---|---|---|---|
| Balance at January 1, 2010 - Predecessor | $ 7,771 | $ | $ | $ 7,771 |
| Expense | (450) | | | (450) |
| Cash payments | (3,297) | | | (3,297) |
| Balance at May 31, 2010 | $ 4,024 | $ | $ | $ 4,024 |
| Cash payments | (125) | | | (125) |
| Balance at June 30, 2010 - Successor | $ 3,899 | $ | $ | $ 3,899 |

| | Employee Separation Costs | Other Exit Costs | Asset Impairments | Total |
|---|---|---|---|---|
| Balance at January 1, 2011 | $ 2,777 | $ | $ | $ 2,777 |
| Expense | 1 | | | 1 |
| Transfer to FMEA joint venture initiative | (1,877) | | | (1,877) |
| Cash payments | (115) | | | (115) |
| Balance at June 30, 2011 | $ 786 | $ | $ | $ 786 |

The Company commenced several initiatives during 2009. These initiatives related to the reorganization or closure of operating facilities in South America, Europe and Asia Pacific. The estimated total cost associated with these actions amount to $21,000. The following tables summarize the activity for these initiatives for the six months ended June 30, 2010 and 2011:

| | Employee Separation Costs | Other Exit Costs | Asset Impairments | Total |
|---|---|---|---|---|
| Balance at January 1, 2010 - Predecessor | $ 4,215 | $ 56 | $ | $ 4,271 |
| Expense | 5,168 | 314 | (21) | 5,461 |
| Cash payments | (2,680) | (347) | 21 | (3,006) |
| Balance at May 31, 2010 | $ 6,703 | $ 23 | $ | $ 6,726 |
| Expense | (5) | 216 | | 211 |
| Cash payments | (2,673) | (218) | | (2,891) |
| Balance at June 30, 2010 - Successor | $ 4,025 | $ 21 | $ | $ 4,046 |

| | Employee Separation Costs | Other Exit Costs | Asset Impairments | Total |
|---|---|---|---|---|
| Balance at January 1, 2011 | $ 1,167 | $ 220 | $ | $ 1,387 |
| Expense | 52 | 1,358 | 864 | 2,274 |
| Cash payments | (895) | (810) | | (1,705) |
| Utilization of reserve | | | (864) | (864) |
| Balance at June 30, 2011 | $ 324 | $ 768 | $ | $ 1,092 |

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

**(Unaudited)**

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

In 2010, the Company initiated the closure of a facility and the consolidation of other facilities. The estimated total costs of these initiatives amount to $2,100 and are expected to be completed in 2011. The following tables summarize the activity for these initiatives for the six months ended June 30, 2010 and 2011:

| | Employee Separation Costs | Other Exit Costs | Asset Impairments | Total |
|---|---|---|---|---|
| Balance at January 1, 2010 - Predecessor | $ | $ | $ | $ |
| Expense | 595 | 118 | | 713 |
| Cash payments | (132) | (118) | | (250) |
| Balance at May 31, 2010 | $ 463 | $ | $ | $ 463 |
| Expense | | 89 | | 89 |
| Cash payments | (103) | (89) | | (192) |
| Balance at June 30, 2010 - Successor | $ 360 | $ | $ | $ 360 |

| | Employee Separation Costs | Other Exit Costs | Asset Impairments | Total |
|---|---|---|---|---|
| Balance at January 1, 2011 | $ 164 | $ | $ | $ 164 |
| Expense | | 82 | | 82 |
| Cash payments | (164) | (82) | | (246) |
| Balance at June 30, 2011 | $ | $ | $ | $ |

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 six months ended June 30, 2011:

| | Employee Separation Costs | Other Exit Costs | Asset Impairments | Total |
|---|---|---|---|---|
| Balance at January 1, 2011 | $ | $ | $ | $ |
| Expense | 1,562 | 3,124 | | 4,686 |
| Cash payments | | (1,550) | | (1,550) |
| Balance at June 30, 2011 | $ 1,562 | $ 1,574 | $ | $ 3,136 |

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 six months ended June 30, 2011:

| | Employee Separation Costs | Other Exit Costs | Asset Impairments | Total |
|---|---|---|---|---|
| Balance at January 1, 2011 | $ | $ | $ | $ |
| Expense | 33,328 | 979 | | 34,307 |
| Reorganization initiative transfer | 1,877 | | | 1,877 |
| Cash payments and foreign exchange translation | 182 | (979) | | (797) |
| Balance at June 30, 2011 | $ 35,387 | $ | $ | $ 35,387 |

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

**(Unaudited)**

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

### 5. Inventories

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

| | Successor | |
|---|---|---|
| | **December 31, 2010** | **June 30, 2011** |
| Finished goods | $ 32,690 | $ 44,015 |
| Work in process | 27,223 | 41,123 |
| Raw materials and supplies | 62,130 | 78,413 |
| | $ 122,043 | $ 163,551 |

### 6. Debt

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

| | Successor | |
|---|---|---|
| | **December 31, 2010** | **June 30, 2011** |
| Senior Notes | $ 450,000 | $ 450,000 |
| Other borrowings | 26,723 | 51,358 |
| Total debt | $ 476,723 | $ 501,358 |
| Less: Current portion of long-term debt | (19,965) | (42,289) |
| Total long-term debt | $ 456,758 | $ 459,069 |

***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 June 30, 2011, no amounts were drawn under the Senior ABL Facility, but there were approximately $30,662 of letters of credit outstanding.

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

**(Unaudited)**

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

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

The following tables disclose the amount of net periodic benefit cost for the two and five months ended May 31, 2010, one month ended June 30, 2010 and the three and six months ended June 30, 2011 for the Company s defined benefit plans and other postretirement benefit plans:

| | Pension Benefits | | | | | |
|---|---|---|---|---|---|---|
| | Predecessor | | Successor | | | |
| | Two Months Ended May 31, 2010 | | One Month Ended June 30, 2010 | | Three Months Ended June 30, 2011 | |
| | U.S. | Non-U.S. | U.S. | Non-U.S. | U.S. | Non-U.S. |
| Service cost | $ 401 | $ 350 | $ 187 | $ 192 | $ 526 | $ 644 |
| Interest cost | 2,511 | 1,127 | 1,282 | 549 | 3,687 | 1,823 |
| Expected return on plan assets | (2,420) | (586) | (1,231) | (287) | (4,052) | (1,031) |
| Amortization of prior service cost and recognized actuarial loss | 587 | 27 | | | 5 | 11 |
| Net periodic benefit cost | $ 1,079 | $ 918 | $ 238 | $ 454 | $ 166 | $ 1,447 |

| | Pension Benefits | | | | | |
|---|---|---|---|---|---|---|
| | Predecessor | | Successor | | | |
| | Five Months Ended May 31, 2010 | | One Month Ended June 30, 2010 | | Six Months Ended June 30, 2011 | |
| | U.S. | Non-U.S. | U.S. | Non-U.S. | U.S. | Non-U.S. |
| Service cost | $ 1,002 | $ 893 | $ 187 | $ 192 | $ 1,052 | $ 1,265 |
| Interest cost | 6,278 | 2,871 | 1,282 | 549 | 7,374 | 3,582 |
| Expected return on plan assets | (6,050) | (1,460) | (1,231) | (287) | (8,104) | (2,042) |
| Amortization of prior service cost and recognized actuarial loss | 1,467 | 70 | | | 10 | 22 |
| Net periodic benefit cost | $ 2,697 | $ 2,374 | $ 238 | $ 454 | $ 332 | $ 2,827 |

| | Other Postretirement Benefits | | |
|---|---|---|---|
| | Predecessor | Successor | |
| | Two Months Ended May 31, 2010 | One Month Ended June 30, 2010 | Three Months Ended June 30, 2011 |
| Service cost | $ 256 | $ 144 | $ 461 |
| Interest cost | 682 | 342 | 985 |
| Amortization of prior service credit and recognized actuarial gain | (558) | | 1 |
| Other | 14 | 7 | 21 |

| | | | |
|---|---|---|---|
| Net periodic benefit cost | $ 394 | $ 493 | $ 1,468 |

| | Other Postretirement Benefits | | |
|---|---|---|---|
| | Predecessor | Successor | |
| | Five Months Ended May 31, 2010 | One Month Ended June 30, 2010 | Six Months Ended June 30, 2011 |
| Service cost | $ 638 | $ 144 | $ 919 |
| Interest cost | 1,701 | 342 | 1,966 |
| Amortization of prior service credit and recognized actuarial gain | (1,395) | | 2 |
| Other | 35 | 7 | 42 |
| Net periodic benefit cost | $ 979 | $ 493 | $ 2,929 |

**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.

The effective tax rate for the three and six months ended June 30, 2011 was 80% and 29%, respectively. The effective tax rate for the two months and five months ended May 31, 2010 was 11% and 13%, respectively. The effective tax rate for the one month ended June 30, 2010 was 16%. The income tax rate for the three and six months ended June 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

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

**(Unaudited)**

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

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:

| | Predecessor | | | Successor | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Two Months Ended May 31, 2010 | | | One Month Ended June 30, 2010 | | | Three Months Ended June 30, 2011 | | |
| | Total | Cooper-Standard Holdings Inc. | Noncontrolling Interest | Total | Cooper-Standard Holdings Inc. | Noncontrolling Interest | Total | Cooper-Standard Holdings Inc. | Noncontrolling Interest |
| Net income (loss) | $ 276,346 | $ 276,283 | $ 63 | $ 4,940 | $ 4,930 | $ 10 | $ 1,653 | $ 19,022 | $ (17,369) |
| Currency translation adjustment | (31,398) | (31,309) | (89) | (3,036) | (3,031) | (5) | 13,849 | 14,826 | (977) |
| Pension and other postretirement benefits, net of tax | 115 | 115 | | | | | (394) | (394) | |
| Fair value change of derivatives, net of tax | 57 | 57 | | 55 | 55 | | 250 | 250 | |
| Comprehensive income (loss): | $ 245,120 | $ 245,146 | $ (26) | $ 1,959 | $ 1,954 | $ 5 | $ 15,358 | $ 33,704 | $ (18,346) |

| | Predecessor | | | Successor | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Five Months Ended May 31, 2010 | | | One Month Ended June 30, 2010 | | | Six Months Ended June 30, 2011 | | |
| | Total | Cooper-Standard Holdings Inc. | Noncontrolling Interest | Total | Cooper-Standard Holdings Inc. | Noncontrolling Interest | Total | Cooper-Standard Holdings Inc. | Noncontrolling Interest |
| Net income (loss) | $ 280,014 | $ 279,692 | $ 322 | $ 4,940 | $ 4,930 | $ 10 | $ 46,940 | $ 63,957 | $ (17,017) |
| Currency translation adjustment | (31,074) | (31,091) | 17 | (3,036) | (3,031) | (5) | 37,757 | 38,671 | (914) |
| Pension and other postretirement benefits, net of tax | 126 | 126 | | | | | 1,638 | 1,638 | |
| Fair value change of derivatives, net of tax | (81) | (81) | | 55 | 55 | | (276) | (276) | |
| Comprehensive income (loss): | $ 248,985 | $ 248,646 | $ 339 | $ 1,959 | $ 1,954 | $ 5 | $ 86,059 | $ 103,990 | $ (17,931) |

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

| | Successor | | | |
|---|---|---|---|---|
| | Cooper-Standard Holdings Inc. | Noncontrolling Interest | Total Equity (Deficit) | Redeemable Noncontrolling Interest |
| Equity at January 1, 2011 | $ 560,446 | $ 2,607 | $ 563,053 | $ 6,215 |
| Net income (loss) | 63,957 | 309 | 64,266 | (17,326) |
| Preferred stock dividends | (3,684) | | (3,684) | |
| Repurchase of stock | (1,921) | | (1,921) | |
| Other comprehensive gain (loss) | 40,033 | 16 | 40,049 | (930) |
| Stock-based compensation | 5,025 | | 5,025 | |
| FMEA joint venture transaction | (1,656) | | (1,656) | 34,298 |
| Accretion of redeemable noncontrolling interest | (678) | | (678) | 678 |
| Equity at June 30, 2011 | $ 661,522 | $ 2,932 | $ 664,454 | $ 22,935 |

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**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:

| | | Successor | |
|---|---|---|---|
| | One Month Ended June 30, 2010 | Three Months Ended June 30, 2011 | Six Months Ended June 30, 2011 |
| Net income attributable to Cooper-Standard Holdings Inc. | $ 4,930 | $ 19,022 | $ 63,957 |
| Less: Preferred stock dividends (paid or unpaid) | (922) | (1,842) | (3,684) |
| Less: Undistributed earnings allocated to participating securities | (790) | (3,431) | (12,055) |
| Net income available to Cooper-Standard Holdings Inc. common stockholders | $ 3,218 | $ 13,749 | $ 48,218 |
| Average shares of common stock outstanding | 17,489,693 | 17,558,259 | 17,523,976 |
| Basic net income per share attributable to Cooper-Standard Holdings Inc. | $ 0.18 | $ 0.78 | $ 2.75 |

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:

| | | Successor | |
|---|---|---|---|
| | One Month Ended June 30, 2010 | Three Months Ended June 30, 2011 | Six Months Ended June 30, 2011 |
| Net income available to Cooper-Standard Holdings Inc. common stockholders | $ 3,218 | $ 13,749 | $ 48,218 |
| Average common shares outstanding | 17,489,693 | 17,558,259 | 17,523,976 |
| Dilutive effect of: | | | |
| Common restricted stock | 191,738 | 429,958 | 474,096 |
| Preferred restricted stock | 57,247 | 98,632 | 105,848 |
| Warrants | 437,681 | 973,847 | 1,015,701 |

| | | | |
|---|---|---|---|
| Options | | 212,653 | 224,473 |
| Average dilutive shares of common stock outstanding | 18,176,359 | 19,273,349 | 19,344,094 |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc. | $ 0.18 | $ 0.71 | $ 2.49 |

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 one month ended June 30, 2010, the three months ended June 30, 2011 and the six months ended June 30, 2011 as inclusion would have resulted in antidilution. A summary of these preferred shares (as if converted) and options are shown below:

| | | **Successor** | |
|---|---|---|---|
| | **One Month Ended June 30, 2010** | **Three Months Ended June 30, 2011** | **Six Months Ended June 30, 2011** |
| Number of options | 838,952 | 113,300 | 113,300 |
| Exercise price | $ 25.52 | $ 46.75 | $ 46.75 |
| Preferred shares, as if converted | 4,290,488 | 4,381,005 | 4,381,005 |
| Preferred dividends and undistributed earnings allocated to participating securities that would be added back in the diluted calculation. | $ 1,712 | $ 5,273 | $ 15,739 |

**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 six months ended June 30, 2011:

| | Successor | |
|---|---|---|
| | Preferred Shares | Preferred Stock |
| Preferred Stock at January 1, 2011 | 1,052,444 | $ 130,339 |
| Stock-based compensation | | 787 |
| Repurchased preferred stock shares | (1,660) | (212) |
| Preferred Stock at June 30, 2011 | 1,050,784 | $ 130,914 |

### 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 $245 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 and six months ended June 30, 2011 totaled $3,141 and $5,814, respectively.

### 13. Other Income (Expense)

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

| | Predecessor | Successor | |
|---|---|---|---|
| | Two Months Ended May 31, 2010 | One Month Ended June 30, 2010 | Three Months Ended June 30, 2011 |

| | | | |
|---|---|---|---|
| Foreign currency gains (losses) | $ (14,126) | $ (349) | $ 1,091 |
| Loss on sale of receivables | (174) | (81) | (343) |
| Miscellaneous expense | | | (22) |
| Other income (expense) | $ (14,300) | $ (430) | $ 726 |

| | Predecessor | Successor | |
|---|---|---|---|
| | Five Months Ended May 31, 2010 | One Month Ended June 30, 2010 | Six Months Ended June 30, 2011 |
| Foreign currency gains (losses) | $ (20,779) | $ (349) | $ 4,303 |
| Loss on sale of receivables | (377) | (81) | (617) |
| Gain on partial sale of joint venture (Note 14) | | | 11,423 |
| Miscellaneous expense | | | (34) |
| Other income (expense) | $ (21,156) | $ (430) | $ 15,075 |

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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 $5,372 for the three months ended June 30, 2011, $2,401 for the one month ended June 30, 2010 and $4,794 for the two months ended May 31, 2010. Sales to NISCO totaled $14,033 and $12,273 for the six months ended June 30, 2011 and for the five months ended May 31, 2010, respectively. 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 period ended March 31, 2011.

Purchases of materials from Guyoung Technology Co. Ltd, a Korean corporation of which the Company owns approximately 20% of the common stock, totaled $733 for the three months ended June 30, 2011, $897 for the one month ended June 2010, and $1,835 for the two months ended May 31, 2010. Purchases of material from Guyoung Technology Co. Ltd totaled $1,592 and $4,052 for the six months ended June 30, 2011 and for the five months ended May 31, 2010, respectively.

**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. 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.

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**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:

| | Predecessor | Successor | |
|---|---|---|---|
| | Two Months Ended May 31, 2010 | One Month Ended June 30, 2010 | Three Months Ended June 30, 2011 |
| Sales to external customers | | | |
| North America | $ 211,594 | $ 116,396 | $ 366,307 |
| International | 201,210 | 99,246 | 394,153 |
| Consolidated | $ 412,804 | $ 215,642 | $ 760,460 |
| Intersegment sales | | | |
| North America | $ 581 | $ 509 | $ 1,754 |
| International | 1,409 | 496 | 1,770 |
| Eliminations and other | (1,990) | (1,005) | (3,524) |
| Consolidated | $ | $ | $ |
| Segment profit (loss) | | | |
| North America | $ 229,571 | $ 8,133 | $ 45,780 |
| International | 79,427 | (2,284) | (37,586) |
| Income before income taxes | $ 308,998 | $ 5,849 | $ 8,194 |
| Restructuring cost included in segment profit (loss) | | | |
| North America | $ 676 | $ 143 | $ 1,437 |
| International | 4,965 | 239 | 35,544 |
| Consolidated | $ 5,641 | $ 382 | $ 36,981 |

| | Predecessor | Successor | |
|---|---|---|---|
| | Five Months Ended May 31, 2010 | One Month Ended June 30, 2010 | Six Months Ended June 30, 2011 |
| Sales to external customers | | | |
| North America | $ 508,738 | $ 116,396 | $ 725,148 |
| International | 500,390 | 99,246 | 724,084 |
| Consolidated | $ 1,009,128 | $ 215,642 | $ 1,449,232 |
| Intersegment sales | | | |

| | | | |
|---|---|---|---|
| North America | $ 1,757 | $ 509 | $ 3,201 |
| International | 3,206 | 496 | 4,051 |
| Eliminations and other | (4,963) | (1,005) | (7,252) |
| Consolidated | $ | $ | $ |
| Segment profit (loss) | | | |
| North America | $ 233,526 | $ 8,133 | $ 100,030 |
| International | 86,428 | (2,284) | (34,271) |
| Income before income taxes | $ 319,954 | $ 5,849 | $ 65,759 |
| Restructuring cost included in segment profit (loss) | | | |
| North America | $ 851 | $ 143 | $ 3,120 |
| International | 5,042 | 239 | 38,465 |
| Consolidated | $ 5,893 | $ 382 | $ 41,585 |

| | Successor | |
|---|---|---|
| | **December 31, 2010** | **June 30, 2011** |
| Segment assets | | |
| North America | $ 763,401 | $ 797,559 |
| International | 878,161 | 1,155,451 |
| Eliminations and other | 212,214 | 193,049 |
| Consolidated | $ 1,853,776 | $ 2,146,059 |

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**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.

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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 OPERATIONS**

**For the Two Months Ended May 31, 2010**

**Predecessor**

| | Parent | Issuer | Guarantors | Non-Guarantors (dollars in millions) | Eliminations | Consolidated Totals |
|---|---|---|---|---|---|---|
| Sales | $ | $ 75.3 | $ 92.6 | $ 263.2 | $ (18.3) | $ 412.8 |
| Cost of products sold | | 64.3 | 81.6 | 212.8 | (18.3) | 340.4 |
| Selling, administration, & engineering expenses | | 17.1 | (7.6) | 29.6 | | 39.1 |
| Amortization of intangibles | | 0.1 | | | | 0.1 |
| Restructuring | | | | 5.6 | | 5.6 |
| Operating profit (loss) | | (6.2) | 18.6 | 15.2 | | 27.6 |
| Interest expense, net of interest income | | (26.2) | | (6.5) | | (32.7) |
| Equity earnings | | | 1.0 | 0.6 | | 1.6 |
| Reorganization items, net | | 182.9 | (2.7) | 146.5 | | 326.7 |
| Other income (expense), net | | 4.1 | 0.3 | (18.7) | | (14.3) |
| Income before income taxes | | 154.6 | 17.2 | 137.1 | | 308.9 |
| Provision for income tax expense (benefit) | | 32.9 | (31.2) | 30.9 | | 32.6 |
| Income before equity in income of subsidiaries | | 121.7 | 48.4 | 106.2 | | 276.3 |
| Equity in net income of subsidiaries | 276.3 | 154.6 | | | (430.9) | |
| Consolidated net income | 276.3 | 276.3 | 48.4 | 106.2 | (430.9) | 276.3 |
| Less: Net income attributable to noncontrolling interest | | | | | | |
| Net income attributable to Cooper-Standard Holdings Inc. | $ 276.3 | $ 276.3 | $ 48.4 | $ 106.2 | $ (430.9) | $ 276.3 |

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

**For the One Month Ended June 30, 2010**

**Successor**

| | Parent | Issuer | Guarantors | Non-Guarantors (dollars in millions) | Eliminations | Consolidated Totals |
|---|---|---|---|---|---|---|
| Sales | $ | $ 40.0 | $ 51.2 | $ 134.2 | $ (9.8) | $ 215.6 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Cost of products sold | | 36.3 | 38.9 | 116.5 | (9.8) | 181.9 |
| Selling, administration, & engineering expenses | | 13.3 | (0.7) | 10.4 | | 23.0 |
| Amortization of intangibles | | 0.9 | | 0.4 | | 1.3 |
| Restructuring | | | | 0.4 | | 0.4 |
| Operating profit (loss) | | (10.5) | 13.0 | 6.5 | | 9.0 |
| Interest expense, net of interest income | | (3.0) | | (0.5) | | (3.5) |
| Equity earnings | | | 0.5 | 0.2 | | 0.7 |
| Other income (expense), net | | 0.5 | 0.1 | (1.0) | | (0.4) |
| Income (loss) before income taxes | | (13.0) | 13.6 | 5.2 | | 5.8 |
| Provision for income tax expense (benefit) | | (3.5) | 3.7 | 0.7 | | 0.9 |
| Income (loss) before equity in income (loss) of subsidiaries | | (9.5) | 9.9 | 4.5 | | 4.9 |
| Equity in net income of subsidiaries | 4.9 | 14.4 | | | (19.3) | |
| Consolidated net income | 4.9 | 4.9 | 9.9 | 4.5 | (19.3) | 4.9 |
| Less: Net income attributable to noncontrolling interest | | | | | | |
| Net income attributable to Cooper-Standard Holdings Inc. | $ 4.9 | $ 4.9 | $ 9.9 | $ 4.5 | $ (19.3) | $ 4.9 |

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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 OPERATIONS**

**For the Three Months Ended June 30, 2011**

**Successor**

| | Parent | Issuer | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|---|---|---|---|---|---|---|
| | | | | (dollars in millions) | | |
| Sales | $ | $ 125.3 | $ 155.2 | $ 515.4 | $ (35.4) | $ 760.5 |
| Cost of products sold | | 102.5 | 126.6 | 443.1 | (35.4) | 636.8 |
| Selling, administration, & engineering expenses | | 29.8 | (3.7) | 39.5 | | 65.6 |
| Amortization of intangibles | | 2.8 | | 1.1 | | 3.9 |
| Restructuring | | 0.1 | 1.3 | 35.6 | | 37.0 |
| Operating profit (loss) | | (9.9) | 31.0 | (3.9) | | 17.2 |
| Interest expense, net of interest income | | (8.8) | | (1.9) | | (10.7) |
| Equity earnings (loss) | | 0.1 | (0.3) | 1.1 | | 0.9 |
| Other income (expense), net | | 13.3 | 0.5 | (13.1) | | 0.7 |
| Income (loss) before income taxes | | (5.3) | 31.2 | (17.8) | | 8.1 |
| Provision for income tax expense (benefit) | | (0.5) | 2.3 | 4.7 | | 6.5 |
| Income (loss) before equity in income of subsidiaries | | (4.8) | 28.9 | (22.5) | | 1.6 |
| Equity in net income of subsidiaries | 1.6 | 6.4 | | | (8.0) | |
| Consolidated net income (loss) | 1.6 | 1.6 | 28.9 | (22.5) | (8.0) | 1.6 |
| Add: Net loss attributable to noncontrolling interest | | | | 17.4 | | 17.4 |
| Net income (loss) attributable to Cooper-Standard Holdings Inc. | $ 1.6 | $ 1.6 | $ 28.9 | $ (5.1) | $ (8.0) | $ 19.0 |

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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 OPERATIONS**

**For the Five Months Ended May 31, 2010**

**Predecessor**

| | Parent | Issuer | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|---|---|---|---|---|---|---|
| | | | (dollars in millions) | | | |
| 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 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 |
| Less: Net income 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 |

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

**(Unaudited)**

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

**CONSOLIDATING STATEMENT OF OPERATIONS**

**For the Six Months Ended June 30, 2011**

**Successor**

| | Parent | Issuer | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|---|---|---|---|---|---|---|
| | | | (dollars in millions) | | | |
| Sales | $ | $ 250.5 | $ 311.7 | $ 955.6 | $ (68.6) | $ 1,449.2 |
| Cost of products sold | | 205.2 | 257.4 | 810.8 | (68.6) | 1,204.8 |
| Selling, administration, & engineering expenses | | 57.9 | (5.1) | 73.6 | | 126.4 |
| Amortization of intangibles | | 5.6 | | 2.2 | | 7.8 |
| Restructuring | | 0.2 | 3.0 | 38.4 | | 41.6 |
| Operating profit (loss) | | (18.4) | 56.4 | 30.6 | | 68.6 |
| Interest expense, net of interest income | | (17.6) | | (3.0) | | (20.6) |
| Equity earnings | | 0.1 | 0.5 | 2.0 | | 2.6 |
| Other income (expense), net | | 25.5 | 12.6 | (22.9) | | 15.2 |
| Income (loss) before income taxes | | (10.4) | 69.5 | 6.7 | | 65.8 |
| Provision for income tax expense (benefit) | | (1.0) | 6.3 | 13.5 | | 18.8 |
| Income (loss) before equity in income (loss) of subsidiaries | | (9.4) | 63.2 | (6.8) | | 47.0 |
| Equity in net income of subsidiaries | 47.0 | 56.4 | | | (103.4) | |
| Consolidated net income (loss) | 47.0 | 47.0 | 63.2 | (6.8) | (103.4) | 47.0 |
| Add: Net loss attributable to noncontrolling interest | | | | 17.0 | | 17.0 |
| Net income attributable to Cooper-Standard Holdings Inc. | $ 47.0 | $ 47.0 | $ 63.2 | $ 10.2 | $ (103.4) | $ 64.0 |

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**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 |

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

**(Unaudited)**

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

**CONDENSED CONSOLIDATING BALANCE SHEET**

**June 30, 2011**

**Successor**

| | Parent | Issuer | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|---|---|---|---|---|---|---|
| | | | (dollars in millions) | | | |
| **ASSETS** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ | $ 164.9 | $ | $ 148.6 | $ | $ 313.5 |
| Accounts receivable, net | | 79.1 | 87.3 | 375.1 | | 541.5 |
| Inventories | | 19.4 | 26.4 | 117.8 | | 163.6 |
| Prepaid expenses | | 5.0 | 0.5 | 20.1 | | 25.6 |
| Other | | 16.8 | | 27.7 | | 44.5 |
| Total current assets | | 285.2 | 114.2 | 689.3 | | 1,088.7 |
| Investments in affiliates and intercompany accounts, net | 661.5 | 347.3 | 973.3 | (165.7) | (1,770.0) | 46.4 |
| Property, plant, and equipment, net | | 71.3 | 69.7 | 514.0 | | 655.0 |
| Goodwill | | 111.1 | | 27.7 | | 138.8 |
| Other assets | | 81.2 | 6.5 | 129.5 | | 217.2 |
| | $ 661.5 | $ 896.1 | $ 1,163.7 | $ 1,194.8 | $ (1,770.0) | $ 2,146.1 |
| **LIABILITIES & EQUITY** | | | | | | |
| Current liabilities: | | | | | | |
| Debt payable within one year | $ | $ | $ | $ 42.3 | $ | $ 42.3 |
| Accounts payable | | 53.9 | 34.7 | 179.2 | | 267.8 |
| Accrued liabilities | | 58.6 | 8.6 | 186.7 | | 253.9 |
| Total current liabilities | | 112.5 | 43.3 | 408.2 | | 564.0 |
| Long-term debt | | 450.0 | | 9.1 | | 459.1 |
| Other liabilities | | 128.9 | 5.9 | 170.0 | | 304.8 |
| Total liabilities | | 691.4 | 49.2 | 587.3 | | 1,327.9 |
| Redeemable noncontrolling interest | | | | 22.9 | | 22.9 |
| Preferred stock | | 130.9 | | | | 130.9 |
| Total Cooper-Standard Holdings Inc. stockholders equity | 661.5 | 73.8 | 1,114.5 | 581.7 | (1,770.0) | 661.5 |
| Noncontrolling interest | | | | 2.9 | | 2.9 |
| Total equity | 661.5 | 73.8 | 1,114.5 | 584.6 | (1,770.0) | 664.4 |
| Total liabilities and equity | $ 661.5 | $ 896.1 | $ 1,163.7 | $ 1,194.8 | $ (1,770.0) | $ 2,146.1 |

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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 One Month Ended June 30, 2010**

**Successor**

| | Parent | Issuer | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|---|---|---|---|---|---|---|
| | | | (dollars in millions) | | | |
| **OPERATING ACTIVITIES** | | | | | | |
| Net cash provided by operating activities | $ | $ 13.7 | $ 1.2 | $ 2.3 | $ | $ 17.2 |
| **INVESTING ACTIVITIES** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Property, plant, and equipment | | (0.9) | (1.2) | (4.3) | | (6.4) |
| Fixed asset proceeds | | | | 0.1 | | 0.1 |
| Net cash used in investing activities | | (0.9) | (1.2) | (4.2) | | (6.3) |
| **FINANCING ACTIVITIES** | | | | | | |
| Decrease in short term debt | | | | (0.4) | | (0.4) |
| Principal payments on long-term debt | | 0.1 | | (0.1) | | |
| Other | | 31.2 | | (31.3) | | (0.1) |
| Net cash provided by (used in) financing activities | | 31.3 | | (31.8) | | (0.5) |
| Effects of exchange rate changes on cash | | | | (0.4) | | (0.4) |
| Changes in cash and cash equivalents | | 44.1 | | (34.1) | | 10.0 |
| Cash and cash equivalents at beginning of period | | 69.0 | | 109.7 | | 178.7 |
| Cash and cash equivalents at end of period | $ | $ 113.1 | $ | $ 75.6 | $ | $ 188.7 |
| **Depreciation and amortization** | $ | $ 2.4 | $ 1.4 | $ 5.1 | $ | $ 8.9 |

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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 Six Months Ended June 30, 2011**

**Successor**

| | Parent | Issuer | Guarantors | Non-Guarantors | Eliminations | Consolidated Totals |
|---|---|---|---|---|---|---|
| | | | (dollars in millions) | | | |
| **OPERATING ACTIVITIES** | | | | | | |
| Net cash provided by (used in) operating activities | $ 3.6 | $ (8.6) | $ (9.0) | $ 40.5 | $ | $ 26.5 |
| **INVESTING ACTIVITIES** | | | | | | |
| Property, plant, and equipment | | (10.9) | (7.4) | (27.2) | | (45.5) |
| Acquisition of business, plus cash acquired | | | | 30.9 | | 30.9 |
| Proceeds from partial sale of joint venture | | | 16.0 | | | 16.0 |
| Proceeds from the sale of assets | | | 0.4 | 0.1 | | 0.5 |
| Net cash provided by (used in) investing activities | | (10.9) | 9.0 | 3.8 | | 1.9 |
| **FINANCING ACTIVITIES** | | | | | | |
| Decrease in short-term debt | | | | (1.2) | | (1.2) |
| Principal payments on long-term debt | | | | (1.3) | | (1.3) |
| Other | (3.6) | 21.4 | | (21.5) | | (3.7) |
| Net cash provided by (used in) financing activities | (3.6) | 21.4 | | (24.0) | | (6.2) |
| Effects of exchange rate changes on cash | | | | (3.2) | | (3.2) |
| Changes in cash and cash equivalents | | 1.9 | | 17.1 | | 19.0 |
| Cash and cash equivalents at beginning of period | | 163.0 | | 131.5 | | 294.5 |
| Cash and cash equivalents at end of period | $ | $ 164.9 | $ | $ 148.6 | $ | $ 313.5 |
| **Depreciation and amortization** | $ | $ 14.3 | $ 7.9 | $ 38.1 | $ | $ 60.3 |

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**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 $474,750 and $477,563 at June 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 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 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 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.

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. The amount reclassified from accumulated other comprehensive income ( AOCI ) into cost of products sold was $339 and $473 for the three and six months ended June 30, 2011. A summary of the outstanding contracts and the respective notional amounts is below:

| | | Notional Amount | Notional Amount (local currency) |
|---|---|---|---|
| Mexican Peso | USD | 3,500 | 43,096 |
| United States Dollar | CAD | 10,666 | 10,700 |
| Czech Koruna | EUR | 4,883 | 120,000 |
| Polish Zloty | EUR | 4,324 | 17,135 |
| United States Dollar | EUR | 4,500 | 6,046 |

At June 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 June 30, 2011 Asset/(liability) |
|---|---|

| | | |
|---|---|---|
| Other current assets | $ | 222 |
| Accrued liabilities | | (986) |
| | $ | (764) |

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

**(Unaudited)**

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

*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 June 30, 2011, the USD notional amount of this contract was $6,011. At June 30, 2011, the fair value before taxes of the Company s interest rate swap contract was $196 and is recorded in accrued liabilities and other long-term liabilities in the Company s 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 for the three months ended June 30, 2011, $19 for the one month ended June 30, 2010 and $41 for the two months ended May 31, 2010. Amounts reclassified from AOCI into interest expense were $91 and $102 for the six months ended June 30, 2011 and for the five months ended May 31, 2010, respectively. The amount to be reclassified in the next twelve months is expected to be approximately $108. 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.

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 June 30, 2011, are shown below:

| | Successor - December 31, 2010 | | | |
|---|---|---|---|---|
| **Contract** | **Asset (Liability)** | **Level 1** | **Level 2** | **Level 3** |
| Interest rate swap | $ (300) | $ | $ | $ (300) |
| Total | $ (300) | $ | $ | $ (300) |

| | Successor - June 30, 2011 | | | |
|---|---|---|---|---|
| **Contract** | **Asset (Liability)** | **Level 1** | **Level 2** | **Level 3** |
| Interest rate swap | $ (196) | $ | $ | $ (196) |
| Forward foreign exchange contracts | (764) | | | (764) |
| Total | $ (960) | $ | $ | $ (960) |

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

**(Unaudited)**

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

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 six months ended June 30, 2011, is shown below:

| | | Net Derivative Liabilities |
|---|---|---|
| Beginning Balance as of January 1, 2011 | $ | (300) |
| Total losses (realized or unrealized) included in earnings (or changes in net liabilities) | | 563 |
| Included in other comprehensive income | | (660) |
| Settlements | | (563) |
| Ending Balance as of June 30, 2011 | $ | (960) |
| 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 | $ | |

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

| | | Successor<br>Six Months Ended<br>June 30, 2011 |
|---|---|---|
| Total losses included in earnings (or changes in net liabilities) for the period (above) | $ | 563 |
| 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 June 30, 2011 and 2010 (excluding the FMEA arrangements discussed below), the Company had $43,254 and $37,619, respectively, outstanding under receivable transfer agreements entered into by various locations. The total amount of accounts receivable factored were $54,562 for the six months ended June 30, 2011, $7,043 for the one month ended June 30, 2010, and $40,592 for the five months ended May 31, 2010. The Company incurred a loss on the sale of receivables of $343 for the three months ended June 30, 2011, $81 for the one month ended

June 30, 2010 and $174 for the two months ended May 31, 2010. Losses incurred on the sale of receivables were $617 and $377 for the six months ended June 30, 2011 and for 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 for one of the locations. These are permitted transactions under the Company s credit agreement. The Company is also pursuing similar arrangements in various locations.

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

**(Unaudited)**

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

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

Recourse

At June 30, 2011, the Company had $19,641 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 were $17,071 for the six months ended June 30, 2011. The Company incurred a loss on the sale of receivables of $39 for the three and six months ended June 30, 2011.

Without recourse

At June 30, 2011, the Company had $28,710 outstanding under receivable transfer agreements without recourse. The total amount of accounts receivable factored were $30,281 for the six months ended June 30, 2011. The Company incurred a loss on the sale of receivables of $57 for the three and six months ended June 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.

On July 1, 2011, the Company signed an agreement with Nishikawa Rubber Co., Ltd. ( Nishikawa Rubber ) to purchase 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.

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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 (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, government incentives such as cash for clunkers and tax incentives. IHS Automotive s June 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 million units.

According to IHS Automotive, actual North American light vehicle production volumes for the three months ended June 30, 2011 and June 30, 2010 were 3.1 million. European light vehicle production volumes for the three months ended June 30, 2011 were 5.2 million compared to 5 million for the three months ended June 30, 2010, an increase of approximately 3.8%. According to IHS Automotive, actual North American light vehicle production volumes for the six months ended June 30, 2011 were 6.5 million compared to 6 million for the six months ended June 30, 2010, an increase of approximately 8.4%, and European light vehicle production volumes for the six months ended June 30, 2011 were 10.4 million compared to 9.7 million for the six months ended June 30, 2010, an increase of approximately 7.6%. According to IHS Automotive, North America and Europe light vehicle production volumes in the third quarter of 2011 are estimated at 3.2 million and 4.4 million units, respectively, which is a 0.2 million unit increase for North America and a 0.2 million unit increase for Europe, compared to the third 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 and leveraging our global purchases. 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 fabricated metal-based components, synthetic rubber, carbon black, natural rubber, 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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**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 second 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).

| | Predecessor | Successor | |
|---|---|---|---|
| | Two Months Ended May 31, 2010 | One Month Ended June 30, 2010 | Three Months Ended June 30, 2011 |
| Sales | $ 412,804 | $ 215,642 | $ 760,460 |
| Cost of products sold | 340,381 | 181,875 | 636,752 |
| Gross profit | 72,423 | 33,767 | 123,708 |
| Selling, administration & engineering expenses | 39,099 | 23,045 | 65,602 |
| Amortization of intangibles | 130 | 1,264 | 3,936 |
| Restructuring | 5,641 | 382 | 36,981 |
| Operating profit | 27,553 | 9,076 | 17,189 |
| Interest expense, net of interest income | (32,694) | (3,531) | (10,649) |
| Equity earnings | 1,653 | 734 | 928 |
| Reorganization items, net | 326,786 | | |
| Other income (expense), net | (14,300) | (430) | 726 |
| Income before income taxes | 308,998 | 5,849 | 8,194 |
| Provision for income tax expense | 32,652 | 909 | 6,541 |
| Consolidated net income | 276,346 | 4,940 | 1,653 |
| Net (income) loss attributable to noncontrolling interests | (63) | (10) | 17,369 |
| Net income attributable to Cooper-Standard Holdings Inc. | $ 276,283 | $ 4,930 | $ 19,022 |
| Net income available to Cooper-Standard Holdings Inc. common stockholders | | $ 3,218 | $ 13,749 |
| Basic net income per share attributable to Cooper-Standard Holdings Inc. | | $ 0.18 | $ 0.78 |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc. | | $ 0.18 | $ 0.71 |

| | Predecessor | Successor | |
|---|---|---|---|
| | Five Months Ended May 31, 2010 | One Month Ended June 30, 2010 | Six Months Ended June 30, 2011 |
| Sales | $ 1,009,128 | $ 215,642 | $ 1,449,232 |
| Cost of products sold | 832,201 | 181,875 | 1,204,758 |

| | | | |
|---|---|---|---|
| Gross profit | 176,927 | 33,767 | 244,474 |
| Selling, administration & engineering expenses | 92,166 | 23,045 | 126,453 |
| Amortization of intangibles | 319 | 1,264 | 7,834 |
| Restructuring | 5,893 | 382 | 41,585 |
| Operating profit | 78,549 | 9,076 | 68,602 |
| Interest expense, net of interest income | (44,505) | (3,531) | (20,555) |
| Equity earnings | 3,613 | 734 | 2,637 |
| Reorganization items, net | 303,453 | | |
| Other income (expense), net | (21,156) | (430) | 15,075 |
| Income before income taxes | 319,954 | 5,849 | 65,759 |
| Provision for income tax expense | 39,940 | 909 | 18,819 |
| Consolidated net income | 280,014 | 4,940 | 46,940 |
| Net (income) loss attributable to noncontrolling interests | (322) | (10) | 17,017 |
| Net income attributable to Cooper-Standard Holdings Inc. | $ 279,692 | $ 4,930 | |