

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019
or

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

For the transition period from _____ to _____.
Commission File Number: 001-36127

COOPER-STANDARD HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

**39550 Orchard Hill Place Drive
Novi, Michigan 48375**
(Address of principal executive offices)
(Zip Code)
(248) 596-5900
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	CPS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/>
	Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 26, 2019, there were 16,901,689 shares of the registrant's common stock, \$0.001 par value, outstanding.

COOPER-STANDARD HOLDINGS INC.

Form 10-Q

For the period ended June 30, 2019

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

COOPER-STANDARD HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME
(Unaudited)

(Dollar amounts in thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Sales	\$ 764,806	\$ 928,262	\$ 1,644,844	\$ 1,895,653
Cost of products sold	666,828	776,897	1,429,318	1,573,408
Gross profit	97,978	151,365	215,526	322,245
Selling, administration & engineering expenses	74,170	76,339	161,144	156,779
Gain on sale of business	(189,910)	—	(189,910)	—
Amortization of intangibles	5,148	3,399	8,923	6,805
Restructuring charges	5,927	10,013	23,642	17,138
Impairment charges	2,188	—	2,188	—
Operating profit	200,455	61,614	209,539	141,523
Interest expense, net of interest income	(11,575)	(9,973)	(23,507)	(19,773)
Equity in earnings of affiliates	1,891	1,248	4,249	2,935
Loss on refinancing and extinguishment of debt	—	—	—	(770)
Other expense, net	(1,781)	(557)	(2,577)	(2,276)
Income before income taxes	188,990	52,332	187,704	121,639
Income tax expense	44,239	9,130	46,570	21,021
Net income	144,751	43,202	141,134	100,618
Net loss (income) attributable to noncontrolling interests	545	(1,325)	702	(1,949)
Net income attributable to Cooper-Standard Holdings Inc.	\$ 145,296	\$ 41,877	\$ 141,836	\$ 98,669
Earnings per share:				
Basic	\$ 8.39	\$ 2.33	\$ 8.14	\$ 5.48
Diluted	\$ 8.36	\$ 2.28	\$ 8.11	\$ 5.36

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

COOPER-STANDARD HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollar amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 144,751	\$ 43,202	\$ 141,134	\$ 100,618
Other comprehensive loss:				
Currency translation adjustment	(6,113)	(38,254)	(3,894)	(25,562)
Benefit plan liabilities adjustment, net of tax	(2,947)	2,951	(1,560)	4,258
Fair value change of derivatives, net of tax	828	(3,222)	2,081	390
Other comprehensive loss, net of tax	(8,232)	(38,525)	(3,373)	(20,914)
Comprehensive income	136,519	4,677	137,761	79,704
Comprehensive loss (income) attributable to noncontrolling interests	1,199	285	952	(1,288)
Comprehensive income attributable to Cooper-Standard Holdings Inc.	\$ 137,718	\$ 4,962	\$ 138,713	\$ 78,416

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

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	<u>(unaudited)</u>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 310,779	\$ 264,980
Accounts receivable, net	458,504	418,607
Tooling receivable	177,191	141,106
Inventories	184,435	175,572
Prepaid expenses	32,154	36,878
Other current assets	80,072	108,683
Assets held for sale	—	103,898
Total current assets	<u>1,243,135</u>	<u>1,249,724</u>
Property, plant and equipment, net	993,933	984,241
Operating lease right-of-use assets, net	94,646	—
Goodwill	142,151	143,681
Intangible assets, net	90,627	99,602
Other assets	140,342	145,855
Total assets	<u>\$ 2,704,834</u>	<u>\$ 2,623,103</u>
Liabilities and Equity		
Current liabilities:		
Debt payable within one year	\$ 54,447	\$ 101,323
Accounts payable	415,301	452,320
Payroll liabilities	120,396	92,604
Accrued liabilities	92,843	98,907
Current operating lease liabilities	25,730	—
Liabilities held for sale	—	71,195
Total current liabilities	<u>708,717</u>	<u>816,349</u>
Long-term debt	737,757	729,805
Pension benefits	134,644	138,771
Postretirement benefits other than pensions	47,868	40,901
Long-term operating lease liabilities	70,102	—
Other liabilities	46,594	37,775
Total liabilities	<u>1,745,682</u>	<u>1,763,601</u>
7% Cumulative participating convertible preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding	—	—
Equity:		
Common stock, \$0.001 par value, 190,000,000 shares authorized; 18,967,142 shares issued and 16,901,333 shares outstanding as of June 30, 2019, and 19,620,546 shares issued and 17,554,737 outstanding as of December 31, 2018	17	17
Additional paid-in capital	483,792	501,511
Retained earnings	701,647	576,025
Accumulated other comprehensive loss	(249,211)	(246,088)
Total Cooper-Standard Holdings Inc. equity	<u>936,245</u>	<u>831,465</u>
Noncontrolling interests	22,907	28,037
Total equity	<u>959,152</u>	<u>859,502</u>
Total liabilities and equity	<u>\$ 2,704,834</u>	<u>\$ 2,623,103</u>

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

COOPER-STANDARD HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)
(Dollar amounts in thousands except share amounts)

	Total Equity								
	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Cooper-Standard Holdings Inc. Equity	Noncontrolling Interests	Total Equity	
Balance as of December 31, 2018	17,554,737	\$ 17	\$ 501,511	\$ 576,025	\$ (246,088)	\$ 831,465	\$ 28,037	\$ 859,502	
Cumulative effect of change in accounting principle	—	—	—	(2,607)	—	(2,607)	—	(2,607)	
Repurchase of common stock	(118,774)	—	(2,057)	(3,880)	—	(5,937)	—	(5,937)	
Share-based compensation, net	85,937	—	4	(214)	—	(210)	—	(210)	
Contribution from noncontrolling interests	—	—	—	—	—	—	2,112	2,112	
Net loss	—	—	—	(3,460)	—	(3,460)	(157)	(3,617)	
Other comprehensive income	—	—	—	—	4,455	4,455	404	4,859	
Balance as of March 31, 2019	17,521,900	\$ 17	\$ 499,458	\$ 565,864	\$ (241,633)	\$ 823,706	\$ 30,396	\$ 854,102	
Repurchase of common stock	(626,305)	—	(20,486)	(9,514)	—	(30,000)	—	(30,000)	
Share-based compensation, net	5,738	—	3,522	1	—	3,523	—	3,523	
Purchase of noncontrolling interests	—	—	1,298	—	—	1,298	(6,057)	(4,759)	
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(233)	(233)	
Net income (loss)	—	—	—	145,296	—	145,296	(545)	144,751	
Other comprehensive loss	—	—	—	—	(7,578)	(7,578)	(654)	(8,232)	
Balance as of June 30, 2019	16,901,333	\$ 17	\$ 483,792	\$ 701,647	\$ (249,211)	\$ 936,245	\$ 22,907	\$ 959,152	

	Total Equity								
	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Cooper-Standard Holdings Inc. Equity	Noncontrolling Interests	Total Equity	
Balance as of December 31, 2017	17,914,599	\$ 18	\$ 512,815	\$ 511,367	\$ (197,631)	\$ 826,569	\$ 28,520	\$ 855,089	
Cumulative effect of change in accounting principle	—	—	—	8,639	(8,639)	—	—	—	
Share-based compensation, net	151,288	—	(73)	(4,714)	—	(4,787)	—	(4,787)	
Purchase of noncontrolling interests	—	—	(2,682)	—	—	(2,682)	312	(2,370)	
Net income	—	—	—	56,792	—	56,792	624	57,416	
Other comprehensive income	—	—	—	—	16,662	16,662	949	17,611	
Balance as of March 31, 2018	18,065,887	\$ 18	\$ 510,060	\$ 572,084	\$ (189,608)	\$ 892,554	\$ 30,405	\$ 922,959	
Repurchase of common stock	(276,696)	—	(13,696)	(29,829)	—	(43,525)	—	(43,525)	
Share-based compensation, net	29,765	—	4,319	(610)	—	3,709	—	3,709	
Contribution from noncontrolling interests	—	—	—	—	—	—	299	299	
Net income	—	—	—	41,877	—	41,877	1,325	43,202	
Other comprehensive loss	—	—	—	—	(36,915)	(36,915)	(1,610)	(38,525)	
Balance as of June 30, 2018	17,818,956	\$ 18	\$ 500,683	\$ 583,522	\$ (226,523)	\$ 857,700	\$ 30,419	\$ 888,119	

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)

	Six Months Ended June 30,	
	2019	2018
Operating Activities:		
Net income	\$ 141,134	\$ 100,618
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	65,550	66,367
Amortization of intangibles	8,923	6,805
Gain on sale of business	(189,910)	—
Impairment charges	2,188	—
Share-based compensation expense	6,482	10,342
Equity in earnings of affiliates, net of dividends related to earnings	668	1,573
Loss on refinancing and extinguishment of debt	—	770
Deferred income taxes	19,117	1,420
Other	2,030	1,029
Changes in operating assets and liabilities	(65,148)	(90,613)
Net cash (used in) provided by operating activities	(8,966)	98,311
Investing activities:		
Capital expenditures	(95,496)	(106,699)
Acquisition of businesses, net of cash acquired	(452)	(6,195)
Proceeds from sale of business	243,362	—
Proceeds from sale of fixed assets and other	2,099	(139)
Net cash provided by (used in) investing activities	149,513	(113,033)
Financing activities:		
Principal payments on long-term debt	(2,067)	(2,062)
(Decrease) increase in short-term debt, net	(47,351)	224
Purchase of noncontrolling interests	(4,797)	(2,450)
Repurchase of common stock	(36,550)	(43,525)
Taxes withheld and paid on employees' share-based payment awards	(2,733)	(11,279)
Contribution from noncontrolling interest and other	2,277	(327)
Net cash used in financing activities	(91,221)	(59,419)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(2,882)	(865)
Changes in cash, cash equivalents and restricted cash	46,444	(75,006)
Cash, cash equivalents and restricted cash at beginning of period	267,399	518,461
Cash, cash equivalents and restricted cash at end of period	\$ 313,843	\$ 443,455

Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheet:

	Balance as of	
	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 310,779	\$ 264,980
Restricted cash included in other current assets	55	18
Restricted cash included in other assets	3,009	2,401
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 313,843	\$ 267,399

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

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” or “Cooper Standard”), through its wholly-owned subsidiary, Cooper-Standard Automotive Inc. (“CSA U.S.”), is a leading manufacturer of sealing, fuel and brake delivery, and fluid transfer systems. The Company’s products are primarily for use in passenger vehicles and light trucks that are manufactured by global automotive original equipment manufacturers (“OEMs”) and replacement markets. The Company conducts substantially all of its activities through its subsidiaries.

During the first quarter of 2019 and in prior periods, the Company also operated an anti-vibration systems product line. On April 1, 2019, the Company completed the divestiture of its anti-vibration systems product line. See Note 4. “Divestiture”.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) for interim financial information and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 (the “2018 Annual Report”), 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. The operating results for the interim period ended June 30, 2019 are not necessarily indicative of results for the full year. In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

2. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

ASU 2016-02, Leases (Topic 842)

On January 1, 2019, the Company adopted Accounting Standards Codification (“ASC”) 842, *Leases*, and all related amendments using the modified retrospective method whereby the cumulative effect of adopting the standard was recognized in equity at the date of initial application. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The most prominent among the changes in the standard is the recognition of right-of-use assets and lease liabilities for all leases (except for short-term leases). The Company made a policy election for all asset classes to exclude the balance sheet recognition of leases with a lease term, at lease commencement, of 12 months or less and no purchase option reasonably certain to be exercised. The standard also requires additional disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from lease transactions. The new standard resulted in a material increase in right-of-use assets and lease liabilities on the Company’s condensed consolidated balance sheet beginning in 2019 and had no impact on our condensed consolidated income statement or to cash provided by (used in) operating, financing or investing activities on our condensed consolidated cash flow statements.

The difference between the lease assets and lease liabilities was recorded as an adjustment to the opening balance of retained earnings. The cumulative effects of the changes made to the Company’s condensed consolidated balance sheet as of January 1, 2019 were as follows:

	Balance as of December 31, 2018	Adjustments due to adoption of ASC 842	Balance as of January 1, 2019
Prepaid expenses	\$ 36,878	\$ (2,704)	\$ 34,174
Assets held for sale	103,898	9,559	113,457
Operating lease right-of-use assets, net	—	102,268	102,268
Accrued liabilities	98,907	(336)	98,571
Current operating lease liabilities	—	27,229	27,229
Liabilities held for sale	71,195	9,561	80,756
Long-term operating lease liabilities	—	75,276	75,276
Retained earnings	576,025	(2,607)	573,418

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

The Company elected the package of practical expedients on existing leases as of the effective date which permits the Company to carry forward lease classification and not reassess existing contracts in order to determine if the contracts contain a lease. The Company did not elect the hindsight practical expedient. Additionally, the Company elected the practical expedient to not reassess whether any expired or existing land easements contain leases.

Recently Issued Accounting Pronouncements

The Company considered the recently issued accounting pronouncement summarized as follows, which could have a material impact on its condensed consolidated financial statements or disclosures:

Standard	Description	Impact	Effective Date
ASU 2016-13, <i>Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>	Amends guidance on the measurement of all expected credit losses for financial instruments, including trade receivables, based on historical experience, current conditions and reasonable and supportable forecasts.	The Company is currently evaluating the impact of this guidance on its accounting policies and its consolidated financial statements.	January 1, 2020

3. Acquisitions

Lauren Acquisition

In the third quarter of 2018, the Company acquired the assets and liabilities of Lauren Manufacturing and Lauren Plastics (together, “Lauren”), extruders and molders of organic, silicone, thermoplastic and engineered polymer products with expertise in sealing solutions, to further expand the Company’s Industrial and Specialty Group and non-automotive and adjacent markets. The base purchase price of the acquisition was \$92,700. The results of operations of Lauren are included in the Company’s condensed consolidated financial statements from the date of acquisition and reported within the North America segment. The pro forma effect of this acquisition would not have materially impacted the Company’s reported results for any periods presented, and as a result no pro forma information has been presented. This acquisition was accounted for as a business combination, resulting in the recognition of intangible assets of \$34,810 and tax deductible goodwill of \$26,080. Since completion of initial estimates in the third quarter of 2018, the Company has recorded insignificant measurement period adjustments to increase the provisional identifiable net assets acquired, which resulted in a decrease to goodwill.

LS Mtron Automotive Parts Acquisition

In the fourth quarter of 2018, the Company acquired 80.1% of LS Mtron Ltd.’s automotive parts business, now named Cooper Standard Automotive and Industrial, Inc. The acquisition adds jounce brake lines and charge air cooling technology to the Company’s automotive fluid transfer and fuel and brake delivery systems product lines and further expands core product offerings. The base purchase price was approximately \$25,750, subject to certain adjustments. The noncontrolling interest was determined to have a fair value of \$6,400. The results of operations of Cooper Standard Automotive and Industrial, Inc., are included in the Company’s condensed consolidated financial statements from the date of acquisition and reported within the Asia Pacific segment. The pro forma effect of this acquisition would not have materially impacted the Company’s reported results for any periods presented, and as a result no pro forma information has been presented. This acquisition was accounted for as a business combination, with the total purchase price allocated on a preliminary basis which is subject to change as the Company continues its review of potential purchase price adjustments during the measurement period. The fair value of identifiable assets acquired and liabilities assumed approximated the fair value of the consideration transferred. Since completion of initial estimates in the fourth quarter of 2018, the Company has recorded insignificant measurement period adjustments due to working capital adjustments, which resulted in an increase to the base purchase price.

Hutchings Automotive Products Acquisition

In the fourth quarter of 2018, the Company acquired the assets and liabilities of Hutchings Automotive Products, LLC (“Hutchings”), a North American supplier of high quality fluid carrying products for automotive powertrain and coolant systems applications. The base purchase price was approximately \$42,100, subject to certain adjustments. The results of operations of Hutchings are included in the Company’s condensed consolidated financial statements from the date of acquisition and reported within the North America segment. The pro forma effect of this acquisition would not have materially impacted the Company’s reported results for any periods presented, and as a result no pro forma information has been presented. This acquisition was accounted for as a business combination, resulting in the recognition of intangible assets of \$11,100 and tax deductible goodwill of \$5,200. The total purchase price was allocated on a preliminary basis which is subject to change as the Company continues its review of potential purchase price adjustments during the measurement period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

4. Divestiture

In the third quarter of 2018, management approved a plan to sell the anti-vibration systems (“AVS”) product line within its North America, Europe and Asia Pacific segments. The business and its associated assets and liabilities met the criteria for presentation as held for sale as of September 1, 2018, and depreciation of long-lived assets ceased. The divestiture did not meet the criteria for presentation as a discontinued operation.

On November 2, 2018, the Company entered into a definitive agreement with an unaffiliated company to divest the AVS product line. On April 1, 2019, the Company completed its sale of the AVS product line to Continental AG. The total sale price of the transaction was \$265,500, subject to certain adjustments. Cash proceeds received in the second quarter were \$243,362 after adjusting for certain liabilities assumed by the purchaser. The net cash proceeds after taxes, post-closing adjustments and transaction-related expenses and fees are expected to be approximately \$215,000 to \$220,000. The Company recognized a gain on the divestiture of \$189,910, subject to post-closing adjustments. In addition, at closing, the Company and Continental AG entered into certain ancillary agreements providing for the transition of the AVS product line.

The major classes of assets and liabilities held for sale were as follows:

	December 31, 2018
Accounts receivable, net	\$ 35,498
Tooling receivable	3,797
Inventories	13,774
Prepaid expenses	1,759
Other current assets	1,197
Property, plant and equipment, net	31,148
Goodwill	13,500
Other assets	3,225
Total assets held for sale	<u>\$ 103,898</u>
Accounts payable	\$ 38,065
Payroll liabilities	6,826
Accrued liabilities	1,000
Pension benefits	15,894
Postretirement benefits other than pensions	9,281
Other liabilities	129
Total liabilities related to assets held for sale	<u>\$ 71,195</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

5. Revenue

Revenue is recognized for manufactured parts at a point in time, generally when products are shipped or delivered. The Company usually enters into agreements with customers to produce products at the beginning of a vehicle's life. Blanket purchase orders received from customers and related documents generally establish the annual terms, including pricing, related to a vehicle model. Customers typically pay for parts based on customary business practices with payment terms generally between 30 and 90 days.

Revenue by customer group for the three months ended June 30, 2019 was as follows:

	<u>North America</u>	<u>Europe</u>	<u>Asia Pacific</u>	<u>South America</u>	<u>Consolidated</u>
Automotive	\$ 368,953	\$ 189,160	\$ 118,509	\$ 25,027	\$ 701,649
Commercial	5,927	7,872	17	60	13,876
Other	29,983	19,185	77	36	49,281
Revenue	<u>\$ 404,863</u>	<u>\$ 216,217</u>	<u>\$ 118,603</u>	<u>\$ 25,123</u>	<u>\$ 764,806</u>

Revenue by customer group for the six months ended June 30, 2019 was as follows:

	<u>North America</u>	<u>Europe</u>	<u>Asia Pacific</u>	<u>South America</u>	<u>Consolidated</u>
Automotive	\$ 805,819	\$ 414,611	\$ 245,907	\$ 48,219	\$ 1,514,556
Commercial	12,266	16,297	17	83	28,663
Other	61,485	39,908	174	58	101,625
Revenue	<u>\$ 879,570</u>	<u>\$ 470,816</u>	<u>\$ 246,098</u>	<u>\$ 48,360</u>	<u>\$ 1,644,844</u>

Revenue by customer group for the three months ended June 30, 2018 was as follows:

	<u>North America</u>	<u>Europe</u>	<u>Asia Pacific</u>	<u>South America</u>	<u>Consolidated</u>
Automotive	\$ 465,384	\$ 247,656	\$ 147,993	\$ 23,412	\$ 884,445
Commercial	5,746	9,557	1	95	15,399
Other	6,478	21,911	—	29	28,418
Revenue	<u>\$ 477,608</u>	<u>\$ 279,124</u>	<u>\$ 147,994</u>	<u>\$ 23,536</u>	<u>\$ 928,262</u>

Revenue by customer group for the six months ended June 30, 2018 was as follows:

	<u>North America</u>	<u>Europe</u>	<u>Asia Pacific</u>	<u>South America</u>	<u>Consolidated</u>
Automotive	\$ 954,121	\$ 508,312	\$ 297,162	\$ 49,862	\$ 1,809,457
Commercial	11,099	19,137	7	240	30,483
Other	11,566	44,076	—	71	55,713
Revenue	<u>\$ 976,786</u>	<u>\$ 571,525</u>	<u>\$ 297,169</u>	<u>\$ 50,173</u>	<u>\$ 1,895,653</u>

The automotive group consists of sales to automotive OEMs and automotive suppliers, while the commercial group represents sales to OEMs of on- and off-highway commercial equipment and vehicles. The other customer group includes sales related to specialty and adjacent markets.

Substantially all of the Company's revenues were generated from sealing, fuel and brake delivery, fluid transfer and anti-vibration systems for use in passenger vehicles and light trucks manufactured by global OEMs. On April 1, 2019, the Company completed the divestiture of its anti-vibration systems product line. See Note 4. "Divestiture".

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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A summary of the Company's products is as follows:

Product Line	Description
Sealing Systems	Protect vehicle interiors from weather, dust and noise intrusion for improved driving experience; provide aesthetic and functional class-A exterior surface treatment
Fuel & Brake Delivery Systems	Sense, deliver and control fluids to fuel and brake systems
Fluid Transfer Systems	Sense, deliver and control fluids and vapors for optimal powertrain & HVAC operation
Anti-Vibration Systems (Divested on April 1, 2019)	Control and isolate vibration and noise in the vehicle to improve ride and handling

Revenue by product line for the three months ended June 30, 2019 was as follows:

	North America	Europe	Asia Pacific	South America	Consolidated
Sealing systems	\$ 143,010	\$ 143,988	\$ 78,303	\$ 19,016	\$ 384,317
Fuel and brake delivery systems	123,978	31,023	26,309	6,044	187,354
Fluid transfer systems	114,381	21,514	13,980	63	149,938
Anti-vibration systems	—	158	11	—	169
Other	23,494	19,534	—	—	43,028
Consolidated	<u>\$ 404,863</u>	<u>\$ 216,217</u>	<u>\$ 118,603</u>	<u>\$ 25,123</u>	<u>\$ 764,806</u>

Revenue by product line for the six months ended June 30, 2019 was as follows:

	North America	Europe	Asia Pacific	South America	Consolidated
Sealing systems	\$ 299,526	\$ 299,548	\$ 163,793	\$ 36,844	\$ 799,711
Fuel and brake delivery systems	255,681	66,321	51,500	11,379	384,881
Fluid transfer systems	227,829	44,312	29,341	137	301,619
Anti-vibration systems	56,457	20,807	1,464	—	78,728
Other	40,077	39,828	—	—	79,905
Consolidated	<u>\$ 879,570</u>	<u>\$ 470,816</u>	<u>\$ 246,098</u>	<u>\$ 48,360</u>	<u>\$ 1,644,844</u>

Revenue by product line for the three months ended June 30, 2018 was as follows:

	North America	Europe	Asia Pacific	South America	Consolidated
Sealing systems	\$ 165,872	\$ 175,637	\$ 116,484	\$ 17,479	\$ 475,472
Fuel and brake delivery systems	139,308	36,661	24,234	5,973	206,176
Fluid transfer systems	107,495	23,055	5,042	84	135,676
Anti-vibration systems	64,751	20,567	2,234	—	87,552
Other	182	23,204	—	—	23,386
Consolidated	<u>\$ 477,608</u>	<u>\$ 279,124</u>	<u>\$ 147,994</u>	<u>\$ 23,536</u>	<u>\$ 928,262</u>

Revenue by product line for the six months ended June 30, 2018 was as follows:

	North America	Europe	Asia Pacific	South America	Consolidated
Sealing systems	\$ 338,683	\$ 360,089	\$ 234,374	\$ 37,388	\$ 970,534
Fuel and brake delivery systems	278,109	75,614	46,329	12,576	412,628
Fluid transfer systems	227,168	46,064	11,656	209	285,097
Anti-vibration systems	132,272	41,749	4,810	—	178,831
Other	554	48,009	—	—	48,563
Consolidated	<u>\$ 976,786</u>	<u>\$ 571,525</u>	<u>\$ 297,169</u>	<u>\$ 50,173</u>	<u>\$ 1,895,653</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Contract Estimates

The amount of revenue recognized is usually based on the purchase order price and adjusted for variable consideration, including pricing concessions. The Company accrues for pricing concessions by reducing revenue as products are shipped or delivered. The accruals are based on historical experience, anticipated performance and management's best judgment. The Company also generally has ongoing adjustments to customer pricing arrangements based on the content and cost of its products. Such pricing accruals are adjusted as they are settled with customers. Customer returns are usually related to quality or shipment issues and are recorded as a reduction of revenue. The Company generally does not recognize significant return obligations due to their infrequent nature.

Contract Balances

The Company's contract assets consist of unbilled amounts associated with variable pricing arrangements in its Asia Pacific region. Once pricing is finalized, contract assets are transferred to accounts receivable. As a result, the timing of revenue recognition and billings, as well as changes in foreign exchange rates, will impact contract assets on an ongoing basis. Changes during the six months ended June 30, 2019 were not materially impacted by any other factors.

The Company's contract liabilities consist of advance payments received and due from customers. Net contract assets (liabilities) consisted of the following:

	June 30, 2019	December 31, 2018	Change
Contract assets	\$ 3,997	\$ 14,757	\$ (10,760)
Contract liabilities	(55)	(143)	88
Net contract assets	<u>\$ 3,942</u>	<u>\$ 14,614</u>	<u>\$ (10,672)</u>

Other

The Company provides assurance-type warranties to its customers. Such warranties provide customers with assurance that the related product will function as intended and complies with any agreed-upon specifications, and are recognized in costs of products sold.

6. Restructuring

On an ongoing basis, the Company evaluates its business and objectives to ensure that it is properly configured and sized based on changing market conditions. Accordingly, the Company has implemented several restructuring initiatives, including closure or consolidation of facilities throughout the world and the reorganization of its operating structure.

The Company's restructuring charges consist of severance, retention and outplacement services, and severance-related postemployment benefits (collectively, "employee separation costs"), other related exit costs and asset impairments related to restructuring activities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Restructuring expense by segment for the three and six months ended June 30, 2019 and 2018 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
North America	\$ 789	\$ 1,896	\$ 7,922	\$ 3,001
Europe	4,067	7,724	11,620	13,253
Asia Pacific	1,061	332	3,947	769
South America	10	61	153	115
Total	\$ 5,927	\$ 10,013	\$ 23,642	\$ 17,138

Restructuring activity for the six months ended June 30, 2019 was as follows:

	Employee Separation Costs	Other Exit Costs	Total
Balance as of December 31, 2018	\$ 9,398	\$ 3,829	\$ 13,227
Expense	17,085	6,557	23,642
Cash payments	(11,013)	(6,520)	(17,533)
Foreign exchange translation and other	(82)	15	(67)
Balance as of June 30, 2019	\$ 15,388	\$ 3,881	\$ 19,269

7. Inventories

Inventories consist of the following:

	June 30, 2019	December 31, 2018
Finished goods	\$ 51,127	\$ 50,999
Work in process	45,487	37,815
Raw materials and supplies	87,821	86,758
	\$ 184,435	\$ 175,572

8. Leases

On January 1, 2019, the Company adopted ASC 842, *Leases*, and all related amendments using the modified retrospective method. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, current operating lease liabilities and long-term operating lease liabilities on the Company's condensed consolidated balance sheet as of June 30, 2019. Finance leases are included in property, plant and equipment, net, debt payable within one year, and long-term debt on the Company's condensed consolidated balance sheets.

Lease right-of-use assets are recognized at commencement date based upon the present value of the remaining future minimum lease payments over the lease term. The Company's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based upon information available at the commencement date to determine the present value of future lease payments. The Company applies the portfolio approach for the incremental borrowing rate on its leases based upon similar lease terms and payments. The lease right-of-use asset also includes lease payments made in advance of lease commencement and excludes lease incentives. Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components. For real estate leases, these components are accounted for separately, while for equipment leases commencing on or after January 1, 2019, the Company accounts for the lease and non-lease components as a single lease component.

Variable lease expense includes payments based upon changes in a rate or index, such as consumer price indexes, as well as usage of the leased asset. Short-term lease expense includes leases with terms, at lease commencement, of 12 months or less and no purchase option reasonably certain to be exercised. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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The Company primarily has operating and finance leases for certain manufacturing facilities, corporate offices and certain equipment. The Company's leases have remaining lease terms of less than one year to 15 years, some of which may include one or more options to extend the leases for up to five years for each renewal.

The components of lease expense were as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease expense	\$ 7,985	\$ 16,665
Short-term lease expense	1,132	1,811
Variable lease expense	319	534
Finance lease expense:		
Amortization of right-of-use assets	572	1,015
Interest on lease liabilities	452	907
Total lease expense	\$ 10,460	\$ 20,932

Other information related to leases was as follows:

	Six Months Ended June 30, 2019
Supplemental Cash Flows Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 17,071
Operating cash flows for finance leases	759
Financing cash flows for finance leases	442
Non-cash right-of-use assets obtained in exchange for lease obligations:	
Operating leases	2,807
Finance leases	9,476
Weighted Average Remaining Lease Term (in years)	
Operating leases	5.6
Finance leases	11.9
Weighted Average Discount Rate	
Operating leases	4.7%
Finance leases	9.7%

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Future minimum lease payments under non-cancellable leases as of June 30, 2019 were as follows:

Year	Operating Leases	Finance Leases
Remainder of 2019	\$ 15,654	\$ 1,425
2020	25,196	2,895
2021	17,301	2,703
2022	13,458	2,542
2023	11,429	2,309
Thereafter	26,970	21,600
Total future minimum lease payments	110,008	33,474
Less imputed interest	(14,176)	(13,728)
Total	\$ 95,832	\$ 19,746

Amounts recognized in the condensed consolidated balance sheet as of June 30, 2019

Operating lease right-of-use assets, net	\$ 94,646	\$ —
Debt payable within one year	—	1,593
Current operating lease liabilities	25,730	—
Long-term debt	—	18,153
Long-term operating lease liabilities	70,102	—

As of June 30, 2019, assets recorded under finance leases, net of accumulated depreciation were \$20,849. As of June 30, 2019, the Company had additional operating leases, primarily for real estate, that have not yet commenced with undiscounted lease payments of approximately \$57,624. These operating leases will commence between 2019 and 2020 with lease terms up to 15 years.

9. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	June 30, 2019	December 31, 2018
Land and improvements	\$ 72,459	\$ 72,931
Buildings and improvements	313,487	313,722
Machinery and equipment	1,122,323	1,076,369
Construction in progress	202,311	192,533
	1,710,580	1,655,555
Accumulated depreciation	(716,647)	(671,314)
Property, plant and equipment, net	\$ 993,933	\$ 984,241

Due to the continuing adverse financial results in certain Asia Pacific locations, the Company took an impairment charge related to machinery and equipment of \$2,188 during the second quarter of 2019. The fair value of buildings and machinery and equipment was determined using market value and estimated orderly liquidation value, respectively, which was deemed the highest and best use of the assets.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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10. Goodwill and Intangible Assets

Goodwill

The balance of goodwill relates to the North America reporting unit. Changes in the carrying amount of goodwill by reportable operating segment for the six months ended June 30, 2019 were as follows:

	North America
Balance as of December 31, 2018	\$ 143,681
Adjustments related to recent acquisitions	(1,689)
Foreign exchange translation	159
Balance as of June 30, 2019	<u>\$ 142,151</u>

Goodwill is tested for impairment by reporting unit annually or more frequently if events or circumstances indicate that an impairment may exist. There were no indicators of potential impairment during the six months ended June 30, 2019.

Intangible Assets

Intangible assets and accumulated amortization balances as of June 30, 2019 and December 31, 2018 were as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 156,732	\$ (106,407)	\$ 50,325
Other	45,845	(5,543)	40,302
Balance as of June 30, 2019	<u>\$ 202,577</u>	<u>\$ (111,950)</u>	<u>\$ 90,627</u>
Customer relationships	\$ 157,286	\$ (98,937)	\$ 58,349
Other	45,401	(4,148)	41,253
Balance as of December 31, 2018	<u>\$ 202,687</u>	<u>\$ (103,085)</u>	<u>\$ 99,602</u>

11. Debt

A summary of outstanding debt as of June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019	December 31, 2018
Senior Notes	\$ 394,756	\$ 394,399
Term Loan	327,273	328,485
ABL Facility	—	50,000
Finance leases	19,746	10,297
Other borrowings	50,429	47,947
Total debt	792,204	831,128
Less current portion	(54,447)	(101,323)
Total long-term debt	<u>\$ 737,757</u>	<u>\$ 729,805</u>

5.625% Senior Notes due 2026

In November 2016, the Company issued \$400,000 aggregate principal amount of its 5.625% Senior Notes due 2026 (the "Senior Notes"). The Senior Notes mature on November 15, 2026. Interest on the Senior Notes is payable semi-annually in arrears in cash on May 15 and November 15 of each year.

Debt issuance costs related to the Senior Notes are amortized into interest expense over the term of the Senior Notes. As of June 30, 2019 and December 31, 2018, the Company had \$5,244 and \$5,601 of unamortized debt issuance costs, respectively, related to the Senior Notes, which are presented as direct deductions from the principal balance in the condensed consolidated balance sheets.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Term Loan Facility

Also in November 2016, the Company entered into Amendment No. 1 to its senior term loan facility (“Term Loan Facility”), which provides for loans in an aggregate principal amount of \$340,000. Subject to certain conditions, the Term Loan Facility, without the consent of the then-existing lenders (but subject to the receipt of commitments), may be expanded (or a new term loan or revolving facility added) by an amount that will not cause the consolidated secured net debt ratio to exceed 2.25 to 1.00 plus \$400,000 plus any voluntary prepayments, including the ABL Facility (as defined below) to the extent commitments are reduced, not funded from proceeds of long-term indebtedness. The Term Loan Facility matures on November 2, 2023, unless earlier terminated.

On May 2, 2017, the Company entered into Amendment No. 2 to the Term Loan Facility to modify the interest rate. Subsequently, on March 6, 2018, the Company entered into Amendment No. 3 to the Term Loan Facility to further modify the interest rate. In accordance with this amendment, borrowings under the Term Loan Facility bear interest, at the Company’s option, at either (1) with respect to Eurodollar rate loans, the greater of the applicable Eurodollar rate and 0.75% plus 2.0% per annum, or (2) with respect to base rate loans, the base rate, (which is the highest of the then current federal funds rate plus 0.5%, the prime rate most recently announced by the administrative agent under the term loan, and the one-month Eurodollar rate plus 1.0%) plus 1.0% per annum. As a result of Amendment No. 3, the Company recognized a loss on refinancing and extinguishment of debt of \$770 in the twelve months ended December 31, 2018, which was due to the partial write off of new and unamortized debt issuance costs and unamortized original issue discount.

As of June 30, 2019 and December 31, 2018, the Company had \$2,570 and \$2,866 of unamortized debt issuance costs, respectively, and \$1,657 and \$1,849 of unamortized original issue discount, respectively, related to the Term Loan Facility, which are presented as direct deductions from the principal balance in the condensed consolidated balance sheets. Both the debt issuance costs and the original issue discount are amortized into interest expense over the term of the Term Loan Facility.

ABL Facility

In November 2016, the Company entered into a \$210,000 Third Amended and Restated Loan Agreement of its senior asset-based revolving credit facility (“ABL Facility”).

The ABL Facility provides for an aggregate revolving loan availability of up to \$210,000, subject to borrowing base availability, including a \$100,000 letter of credit sub-facility and a \$25,000 swing line sub-facility. The ABL Facility also provides for an uncommitted \$100,000 incremental loan facility, for a potential total ABL Facility of \$310,000, if requested by the borrowers under the ABL Facility and the lenders agree to fund such increase. No consent of any lender is required to effect any such increase, except for those participating in the increase. As of June 30, 2019, there were no obligations outstanding drawn under the ABL Facility, and subject to borrowing base availability, the Company had \$168,240 in availability, less outstanding letters of credit of \$9,392.

Any borrowings under our ABL Facility will mature, and the commitments of the lenders under our ABL Facility will terminate, on November 2, 2021.

As of June 30, 2019 and December 31, 2018, the Company had \$835 and \$1,015, respectively, of unamortized debt issuance costs related to the ABL Facility, which are presented in other assets in the condensed consolidated balance sheets.

Debt Covenants

The Company was in compliance with all covenants of the Senior Notes, Term Loan Facility and ABL Facility as of June 30, 2019.

Other

Other borrowings as of June 30, 2019 and December 31, 2018 reflect borrowings under local bank lines classified in debt payable within one year on the condensed consolidated balance sheet.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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12. Fair Value Measurements and Financial Instruments

Fair Value Measurements

Fair value is defined as 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, a three-tier fair value hierarchy is utilized, 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.

Items Measured at Fair Value on a Recurring Basis

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 assets and liabilities measured or disclosed at fair value on a recurring basis as of June 30, 2019 and December 31, 2018 were as follows:

	June 30, 2019	December 31, 2018	Input
Forward foreign exchange contracts - other current assets	\$ 2,067	\$ 277	Level 2
Forward foreign exchange contracts - accrued liabilities	(24)	(925)	Level 2

Items Measured at Fair Value on a Nonrecurring 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 nonrecurring basis, which are not included in the table above. As these nonrecurring 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 nonrecurring basis see Note 3. "Acquisitions" and Note 9. "Property, Plant and Equipment".

Items Not Carried at Fair Value

Fair values of the Company's Senior Notes and Term Loan Facility were as follows:

	June 30, 2019	December 31, 2018
Aggregate fair value	\$ 686,346	\$ 684,687
Aggregate carrying value ⁽¹⁾	731,500	733,200

⁽¹⁾ Excludes unamortized debt issuance costs and unamortized original issue discount.

Fair values were based on quoted market prices and are classified within Level 1 of the fair value hierarchy.

Derivative Instruments and Hedging Activities

The Company is exposed to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Company enters into derivative instruments primarily to hedge portions of its forecasted foreign currency denominated cash flows and designates these derivative instruments as cash flow hedges in order to qualify for hedge accounting.

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, other assets, accrued liabilities and other long-term liabilities. For a cash flow hedge, the effective portion of the change in fair value of the derivative is recorded in accumulated other comprehensive income (loss) ("AOCI") in the condensed consolidated balance sheet and reclassified into earnings when the underlying hedged transaction is realized. The realized gains and losses are recorded on the same line as the hedged transaction in the condensed consolidated statements of net income.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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The Company is exposed to credit risk in the event of nonperformance by its counterparties on its derivative financial instruments. The Company mitigates this credit risk exposure by entering into agreements directly with major financial institutions with high credit standards that are expected to fully satisfy their obligations under the contracts.

Cash Flow Hedges

Forward Foreign Exchange Contracts - The Company uses forward contracts 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 principal currencies hedged by the Company include various European currencies, the Canadian Dollar, the Mexican Peso, and the Brazilian Real. As of June 30, 2019 and December 31, 2018, the notional amount of these contracts was \$77,941 and \$154,237, respectively, and consisted of hedges of transactions up to March 2020.

Interest rate swaps - The Company has historically used interest rate swap contracts to manage cash flow variability associated with its variable rate Term Loan Facility. The interest rate swap contract, which fixes the interest payments of variable rate debt instruments, is used to manage exposure to fluctuations in interest rates. As of June 30, 2019, there were no interest rate swap contracts outstanding.

Pretax amounts related to the Company's cash flow hedges that were recognized in other comprehensive income (loss) ("OCI") were as follows:

	Gain (Loss) Recognized in OCI			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Forward foreign exchange contracts	\$ 1,867	\$ (3,765)	\$ 3,810	\$ 1,160
Interest rate swaps	—	105	—	443
Total	\$ 1,867	\$ (3,660)	\$ 3,810	\$ 1,603

Pretax amounts related to the Company's cash flow hedges that were reclassified from AOCI were as follows:

	Classification	Gain (Loss) Reclassified from AOCI to Income	
		Three Months Ended June 30,	
		2019	2018
Forward foreign exchange contracts	Cost of products sold	\$ 827	\$ 145
Interest rate swaps	Interest expense, net of interest income	—	18
Total		\$ 827	\$ 163

	Classification	Gain (Loss) Reclassified from AOCI to Income	
		Six Months Ended June 30,	
		2019	2018
Forward foreign exchange contracts	Cost of products sold	\$ 1,152	\$ 630
Interest rate swaps	Interest expense, net of interest income	—	(193)
Total		\$ 1,152	\$ 437

13. Accounts Receivable Factoring

As a part of its working capital management, the Company sells certain receivables through a single third-party financial institution in a pan-European program (the "Factor"). The amount sold varies each month based on the amount of underlying receivables and cash flow needs of the Company. These are permitted transactions under the Company's credit agreements governing the ABL Facility and Term Loan Facility and the indenture governing the Senior Notes. Costs incurred on the sale of receivables are recorded in other expense, net in the condensed consolidated statements of net income. The sale of receivables under this contract is considered an off-balance sheet arrangement to the Company and is accounted for as a true sale and is excluded from accounts receivable in the condensed consolidated balance sheet. Amounts outstanding under receivable transfer

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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agreements entered into by various locations as of the period end were as follows:

	June 30, 2019	December 31, 2018
Off-balance sheet arrangements	\$ 93,842	\$ 100,409

Accounts receivable factored and related costs throughout the period were as follows:

	Off-Balance Sheet Arrangements			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Accounts receivable factored	\$ 94,284	\$ 152,996	\$ 267,987	\$ 369,567
Costs	148	333	473	717

The Company continues to service sold receivables and acts as collection agent for the Factor. As of June 30, 2019 and December 31, 2018, cash collections on behalf of the Factor that have yet to be remitted were \$7,706 and \$14,542, respectively, and are reflected in cash and cash equivalents in the condensed consolidated balance sheet.

14. Pension and Postretirement Benefits Other Than Pensions

The components of net periodic benefit (income) cost for the Company's defined benefit plans and other postretirement benefit plans were as follows:

	Pension Benefits			
	Three Months Ended June 30,			
	2019		2018	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 189	\$ 943	\$ 213	\$ 1,065
Interest cost	2,952	1,063	2,706	1,050
Expected return on plan assets	(4,155)	(591)	(4,354)	(633)
Amortization of prior service cost and actuarial loss	781	593	601	668
Net periodic benefit (income) cost	\$ (233)	\$ 2,008	\$ (834)	\$ 2,150

	Pension Benefits			
	Six Months Ended June 30,			
	2019		2018	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 378	\$ 2,054	\$ 426	\$ 2,161
Interest cost	5,904	2,123	5,412	2,120
Expected return on plan assets	(8,310)	(1,186)	(8,708)	(1,265)
Amortization of prior service cost and actuarial loss	1,562	1,209	1,202	1,356
Net periodic benefit (income) cost	\$ (466)	\$ 4,200	\$ (1,668)	\$ 4,372

	Other Postretirement Benefits			
	Three Months Ended June 30,			
	2019		2018	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 25	\$ 91	\$ 77	\$ 124
Interest cost	202	179	300	198
Amortization of prior service credit and actuarial gain	(566)	93	(418)	77
Other	—	—	1	—
Net periodic benefit (income) cost	\$ (339)	\$ 363	\$ (40)	\$ 399

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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	Other Postretirement Benefits			
	Six Months Ended June 30,			
	2019		2018	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 66	\$ 208	\$ 154	\$ 250
Interest cost	461	382	600	396
Amortization of prior service credit and actuarial gain	(1,308)	131	(836)	154
Other	—	—	2	—
Net periodic benefit (income) cost	<u>\$ (781)</u>	<u>\$ 721</u>	<u>\$ (80)</u>	<u>\$ 800</u>

The service cost component of net periodic benefit (income) cost is included in cost of products sold and selling, administrative and engineering expenses in the condensed consolidated statements of net income. All other components of net periodic benefit (income) cost are included in other expense, net in the condensed consolidated statements of net income for all periods presented.

15. Other Expense, Net

The components of other expense, net were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Foreign currency losses	\$ (1,172)	\$ (121)	\$ (1,456)	\$ (1,709)
Components of net periodic benefit cost other than service cost	(551)	(196)	(968)	(433)
Losses on sales of receivables	(148)	(392)	(473)	(717)
Miscellaneous income	90	152	320	583
Other expense, net	<u>\$ (1,781)</u>	<u>\$ (557)</u>	<u>\$ (2,577)</u>	<u>\$ (2,276)</u>

16. Income Taxes

The Company determines its effective tax rate each quarter based upon its estimated annual effective tax rate. The Company records 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.

Income tax expense, income before income taxes and the corresponding effective tax rate for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Income tax expense	\$ 44,239	\$ 9,130	\$ 46,570	\$ 21,021
Income before income taxes	188,990	52,332	187,704	121,639
Effective tax rate	23%	17%	25%	17%

The effective tax rate for the three and six months ended June 30, 2019 compared to the three and six months ended June 30, 2018 was higher primarily due to the geographic mix of increased pre-tax earnings as a result of the sale of the AVS product line and the inability to record a tax benefit for pre-tax losses in certain foreign jurisdictions. The income tax rate for the three and six months ended June 30, 2019 and 2018 varies from the U.S. statutory rate primarily due to 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, the impact of income taxes on foreign earnings taxed at rates varying from the U.S. statutory rate, and other permanent items. Further, the Company's current and future provision for income taxes is impacted by the initial recognition of and changes in valuation allowances in certain countries. The Company intends to maintain these valuation allowances until it is more likely than not that the deferred tax assets will be realized.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

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

Basic net income per share attributable to Cooper-Standard Holdings Inc. was computed by dividing net income attributable to Cooper-Standard Holdings Inc. by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share attributable to Cooper-Standard Holdings Inc. was computed using the treasury stock method by dividing diluted net income available to Cooper-Standard Holdings Inc. by the weighted average number of shares of common stock outstanding, including the dilutive effect of common stock equivalents, using the average share price during the period.

Information used to compute basic and diluted net income per share attributable to Cooper-Standard Holdings Inc. was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income available to Cooper-Standard Holdings Inc. common stockholders	\$ 145,296	\$ 41,877	\$ 141,836	\$ 98,669
Basic weighted average shares of common stock outstanding	17,312,359	18,000,579	17,423,162	17,996,058
Dilutive effect of common stock equivalents	64,099	371,196	67,806	423,894
Diluted weighted average shares of common stock outstanding	17,376,458	18,371,775	17,490,968	18,419,952
Basic net income per share attributable to Cooper-Standard Holdings Inc.	\$ 8.39	\$ 2.33	\$ 8.14	\$ 5.48
Diluted net income per share attributable to Cooper-Standard Holdings Inc.	\$ 8.36	\$ 2.28	\$ 8.11	\$ 5.36

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

18. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component, net of related tax, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Foreign currency translation adjustment				
Balance at beginning of period	\$ (139,440)	\$ (83,742)	\$ (141,255)	\$ (95,485)
Other comprehensive loss before reclassifications	(5,459) ⁽¹⁾	(36,644) ⁽¹⁾	(3,644) ⁽¹⁾	(24,901) ⁽¹⁾
Balance at end of period	<u>\$ (144,899)</u>	<u>\$ (120,386)</u>	<u>\$ (144,899)</u>	<u>\$ (120,386)</u>
Benefit plan liabilities				
Balance at beginning of period	\$ (102,988)	\$ (108,011)	\$ (104,375)	\$ (100,749)
Other comprehensive (loss) income before reclassifications	(3,225) ⁽²⁾	2,365 ⁽²⁾	(2,348) ⁽²⁾	1,790 ⁽²⁾
Amounts reclassified from accumulated other comprehensive loss	278 ⁽³⁾	586 ⁽⁴⁾	788 ⁽⁵⁾	(6,101) ⁽⁶⁾
Balance at end of period	<u>\$ (105,935)</u>	<u>\$ (105,060)</u>	<u>\$ (105,935)</u>	<u>\$ (105,060)</u>
Fair value change of derivatives				
Balance at beginning of period	\$ 795	\$ 2,145	\$ (458)	\$ (1,397)
Other comprehensive income (loss) before reclassifications	1,438 ⁽⁷⁾	(3,080) ⁽⁷⁾	2,928 ⁽⁷⁾	902 ⁽⁷⁾
Amounts reclassified from accumulated other comprehensive loss	(610) ⁽⁸⁾	(142) ⁽⁸⁾	(847) ⁽⁸⁾	(582) ⁽⁸⁾
Balance at end of period	<u>\$ 1,623</u>	<u>\$ (1,077)</u>	<u>\$ 1,623</u>	<u>\$ (1,077)</u>
Accumulated other comprehensive loss, ending balance	<u>\$ (249,211)</u>	<u>\$ (226,523)</u>	<u>\$ (249,211)</u>	<u>\$ (226,523)</u>

- (1) Includes other comprehensive income (loss) related to intra-entity foreign currency balances that are of a long-term investment nature of \$(848) and \$(7,953) for the three months ended June 30, 2019 and 2018, respectively, and \$1,966 and \$(10,240) for the six months ended June 30, 2019 and 2018, respectively.
- (2) Net of tax (benefit) expense of \$(918) and \$8,530 for the three months ended June 30, 2019 and 2018, respectively, and \$(907) and \$8,725 for the six months ended June 30, 2019 and 2018, respectively. Includes other comprehensive loss of \$3,224 for each of the three and six months ended June 30, 2019 related to benefit plan liability remeasurement due to the divestiture of the Company's AVS product line. See Note 4. "Divestiture".
- (3) Includes the effect of the amortization of actuarial losses of \$970, offset by the amortization of prior service credits of \$34, net settlement gain of \$65 and curtailment gain of \$204, net of tax of \$389. The settlement and curtailment relate to the divestiture of the Company's AVS product line. See Note 4. "Divestiture" and Note 14. "Pension and Postretirement Benefits Other Than Pensions".
- (4) Includes the amortization of actuarial losses of \$961, offset by prior service credits of \$81, net of tax of \$234. See Note 14. "Pension and Postretirement Benefits Other Than Pensions".
- (5) Includes the effect of the amortization of actuarial losses of \$1,743, offset by the amortization of prior service credits of \$113, net settlement gain of \$65 and curtailment gain of \$204, net of tax of \$573. The settlement and curtailment relate to the divestiture of the Company's AVS product line. See Note 4. "Divestiture" and Note 14. "Pension and Postretirement Benefits Other Than Pensions".
- (6) Includes the effect of the adoption of ASU 2018-02 of \$8,569 and the amortization of prior service credits of \$159, offset by curtailment loss of \$1,188 and the amortization of actuarial losses of \$1,986, net of tax of \$487. See Note 14. "Pension and Postretirement Benefits Other Than Pensions".
- (7) Net of tax expense (benefit) of \$429 and \$(580) for the three months ended June 30, 2019 and 2018, respectively, and \$882 and \$701 for the six months ended June 30, 2019 and 2018, respectively. See Note 12. "Fair Value Measurements and Financial Instruments".
- (8) Net of tax expense of \$217 and \$21 for the three months ended June 30, 2019 and 2018, respectively, and \$305 and \$134 for the six months ended June 30, 2019 and 2018, respectively. Includes the effect of the adoption of ASU 2018-02 of \$70 for the six months ended June 30, 2018. See Note 12. "Fair Value Measurements and Financial Instruments".

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

19. Common Stock

Share Repurchase Program

In June 2018, the Company's Board of Directors approved a common stock repurchase program (the "2018 Program") authorizing the Company to repurchase, in the aggregate, up to \$150,000 of its outstanding common stock. Under the 2018 Program, repurchases may be made on the open market, through private transactions, accelerated share repurchases, round lot or block transactions on the New York Stock Exchange or otherwise, as determined by management and in accordance with prevailing market conditions and federal securities laws and regulations. The Company expects to fund any future repurchases from cash on hand and future cash flows from operations. The Company is not obligated to acquire a particular amount of securities, and the 2018 Program may be discontinued at any time at the Company's discretion. The 2018 Program became effective in November 2018. As of June 30, 2019, the Company had approximately \$98,720 of repurchase authorization remaining under the 2018 Program.

2019 Repurchases

In May 2019, the Company entered into an accelerated share repurchase ("ASR") agreement with a third-party financial institution to repurchase the Company's common stock pursuant to the 2018 Program. Under the ASR agreement, the Company made an up-front payment of \$30,000 and received an initial delivery of 626,305 shares of its common stock in the second quarter of 2019. The total number of shares to be ultimately delivered, and therefore the average price paid per share, will be determined at the end of the repurchase period based on the volume weighted average price of the Company's common stock during that period. The ASR is expected to be completed no later than the third quarter of 2019.

In addition to the repurchase under the ASR agreement, during the six months ended June 30, 2019, the Company repurchased 85,000 shares at an average purchase price of \$69.85 per share, excluding commissions, for a total cost of \$5,937.

2018 Repurchases

In June 2018, the Company entered into an ASR agreement with a third-party financial institution to repurchase the Company's common stock. Under this ASR agreement, the Company made an up-front payment of \$35,000 and received an initial delivery of 207,193 shares in the second quarter of 2018. The ASR was completed in the third quarter of 2018 when the Company received an additional 51,092 shares. A total of 258,285 shares were repurchased at a weighted average purchase price of \$135.51 per share.

In addition to the repurchase under this ASR agreement, during the six months ended June 30, 2018, the Company repurchased 69,503 shares of its common stock at an average purchase price of \$122.64 per share, excluding commissions, for a total cost of \$8,524.

20. Share-Based Compensation

The Company's long-term incentive plans allow for the grant of various types of share-based awards to key employees and directors of the Company and its affiliates. The Company generally awards grants on an annual basis.

In February 2019, the Company granted Restricted Stock Units ("RSUs"), Performance Units ("PUs") and stock options. The RSUs cliff vest after three years, the PUs cliff vest at the end of their three-year performance period, and the stock options vest ratably over three years. The number of PUs that will vest depends on the Company's achievement of target performance goals related to the Company's return on invested capital ("ROIC") and total shareholder return, which may range from 0% to 200% of the target award amount.

Share-based compensation expense was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
PUs	\$ 241	\$ 3,084	\$ 890	\$ 3,379
RSUs	2,287	2,568	4,009	5,309
Stock options	768	815	1,583	1,654
Total	\$ 3,296	\$ 6,467	\$ 6,482	\$ 10,342

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

21. Related Party Transactions

A summary of the material related party transactions with affiliates accounted for under the equity method was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Sales ⁽¹⁾	\$ 8,099	\$ 8,007	\$ 15,533	\$ 16,080
Purchases ⁽²⁾	399	236	724	410
Dividends received ⁽³⁾	—	—	4,917	4,508

⁽¹⁾ Relates to transactions with Nishikawa Cooper LLC (“NISCO”)

⁽²⁾ Relates to transactions with NISCO and Polyrub Cooper Standard FTS Private Limited

⁽³⁾ From NISCO and Nishikawa Tachaplalert Cooper Ltd.

Amounts receivable from NISCO as of June 30, 2019 were \$6,030. Amounts receivable from NISCO and Sujun Cooper Standard AVS Private Limited as of December 31, 2018 were \$6,066. On April 1, 2019, the Company sold its equity interest in Sujun Cooper Standard AVS Private Limited in connection with the divestiture of its AVS product line. See Note 4. "Divestiture".

22. Commitments and Contingencies

The Company is periodically involved in claims, litigation and various legal matters that arise in the ordinary course of business. The Company accrues for litigation exposure when it is probable that future costs will be incurred and such costs can be reasonably estimated. Any resulting adjustments, which could be material, are recorded in the period the adjustments are identified. As of June 30, 2019, the Company does not believe that there is a reasonable possibility that any material loss exceeding the amounts already recognized for claims, litigation and various legal matters, if any, has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, the Company’s financial condition, results of operations or cash flows could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

In addition, the Company conducts and monitors environmental investigations and remedial actions at certain locations. As of June 30, 2019 and December 31, 2018, the undiscounted reserve for environmental investigation and remediation was approximately \$5,433 and \$4,668, respectively. While the Company’s costs to defend and settle known claims arising under environmental laws have not been material in the past and are not currently estimated to be material, such costs may be material in the future.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

23. Segment Reporting

The Company has determined that it operates in four reportable segments: North America, Europe, Asia Pacific and South America. The Company's principal products within each of these segments are sealing, fuel and brake delivery, and fluid transfer systems. During the first quarter of 2019 and in prior periods, the Company also operated an anti-vibration systems product line. On April 1, 2019, the Company completed the divestiture of the AVS product line.

Effective January 1, 2019, the Company changed the measurement of its operating segments to segment adjusted EBITDA. The results of each segment include certain allocations for general, administrative and other shared costs. Segment adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

Certain financial information on the Company's reportable segments was as follows:

	Three Months Ended June 30,					
	2019			2018		
	External Sales	Intersegment Sales	Adjusted EBITDA	External Sales	Intersegment Sales	Adjusted EBITDA
North America	\$ 404,863	\$ 3,235	\$ 54,867	\$ 477,608	\$ 3,993	\$ 82,672
Europe	216,217	3,121	6,082	279,124	3,710	16,292
Asia Pacific	118,603	877	(1,586)	147,994	1,275	11,304
South America	25,123	48	(1,284)	23,536	41	(2,361)
Eliminations and other	—	(7,281)	—	—	(9,019)	—
Consolidated	\$ 764,806	\$ —	\$ 58,079	\$ 928,262	\$ —	\$ 107,907

	Six Months Ended June 30,					
	2019			2018		
	External Sales	Intersegment Sales	Adjusted EBITDA	External Sales	Intersegment Sales	Adjusted EBITDA
North America	\$ 879,570	\$ 6,686	\$ 112,431	\$ 976,786	\$ 7,619	\$ 169,448
Europe	470,816	6,206	15,523	571,525	7,417	39,260
Asia Pacific	246,098	1,618	(819)	297,169	2,994	24,794
South America	48,360	53	(2,670)	50,173	55	(2,958)
Eliminations and other	—	(14,563)	—	—	(18,085)	—
Consolidated	\$ 1,644,844	\$ —	\$ 124,465	\$ 1,895,653	\$ —	\$ 230,544

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	Adjusted EBITDA	\$ 58,079	\$ 107,907	\$ 124,465
Gain on sale of business		189,910	—	189,910
Restructuring charges		(5,927)	(10,013)	(23,642)
Impairment charges		(2,188)	—	(2,188)
Project costs		(405)	—	(1,668)
Lease termination costs		(491)	—	(491)
Loss on refinancing and extinguishment of debt		—	—	(770)
EBITDA	\$ 238,978	\$ 97,894	\$ 286,386	\$ 212,636
Income tax expense		(44,239)	(9,130)	(46,570)
Interest expense, net of interest income		(11,575)	(9,973)	(23,507)
Depreciation and amortization		(37,868)	(36,914)	(74,473)
Net income attributable to Cooper-Standard Holdings Inc.	\$ 145,296	\$ 41,877	\$ 141,836	\$ 98,669

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Segment assets		
North America	\$ 1,239,977	\$ 1,174,604
Europe	597,866	541,495
Asia Pacific	610,520	616,093
South America	67,789	54,629
Eliminations and other	188,682	236,282
Consolidated	<u>\$ 2,704,834</u>	<u>\$ 2,623,103</u>

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 is intended to assist in understanding and assessing the trends and significant changes in our results of operations and financial condition. Our historical results may not indicate, and should not be relied upon as an indication of, our future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. See "Forward-Looking Statements" below for a discussion of risks associated with reliance on forward-looking statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed below and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the U.S. Securities and Exchange Commission ("2018 Annual Report") see Item 1A. "Risk Factors." The following should be read in conjunction with our 2018 Annual Report and the other information included herein. Our discussion of trends and conditions supplements and updates such discussion included in our 2018 Annual Report. References in this quarterly report on Form 10-Q (the "Report") to "we," "our," or the "Company" refer to Cooper-Standard Holdings Inc., together with its consolidated subsidiaries.

Executive Overview

Our Business

We design, manufacture and sell sealing, fuel and brake delivery, and fluid transfer systems for use primarily in passenger vehicles and light trucks manufactured by global automotive original equipment manufacturers ("OEMs"). We are primarily a "Tier 1" supplier, with approximately 85% of our sales in 2018 made directly to major OEMs. We operate our business along four segments: North America, Europe, Asia Pacific and South America.

During the first quarter of 2019 and in prior periods, the Company also operated an anti-vibration systems business. On April 1, 2019, we completed the divestiture of the anti-vibration systems business.

Recent Trends and Conditions

General Economic Conditions and Outlook

The global automotive industry is susceptible to uncertain economic conditions that could adversely impact new vehicle demand and production. Business conditions may vary significantly from period to period or region to region.

In North America, general economic conditions have been strong and relatively stable since 2018. Led by the United States, economic growth in the region is expected to continue through 2019, albeit at a more modest rate than last year. Consumer confidence and employment levels remain healthy. Continued uncertainty regarding global trade relationships and Federal Reserve interest rate policies, among other factors, could dampen economic momentum, while positive developments in these areas could be a positive catalyst. Modest economic growth is also expected to continue in Canada and Mexico in 2019. The mix of vehicles produced and sold in North America continues to shift away from passenger cars in favor of crossover utility vehicles and light trucks.

In Europe, economic momentum slowed in the second half of 2018, which has carried over into the first half of 2019. Geopolitical concerns, the implementation of new environmental regulations in the automotive industry and the slowing of economic conditions within key trading partner countries have weighed on consumer confidence and industrial investment. The continuation of global trade tensions, financial pressures within some of the key European Union member countries and Britain's pending separation from the European Union ("Brexit") will continue to create a high level of uncertainty and challenge the regional economic outlook for 2019.

In Asia Pacific, China economic growth is lower than 2018 as rising debt, higher interest rates, inflation and uncertainty are pressuring domestic consumption, while continuing tension within U.S.-China trade relationships is impacting exports. The Chinese government has announced a series of tax cuts and increased planned investment in infrastructure projects in order to stimulate the economy.

In South America, the Brazilian economy has slowed, with GDP contracting slightly in the first quarter 2019. Exports, capital investment and private consumption have all been trending lower. We remain cautious for the mid to long-term outlook given the long history of political instability and economic volatility in the region.

Raw Materials

Our business is susceptible to inflationary pressures with respect to raw materials which may place operational and profitability burdens on the entire supply chain. Costs related to raw materials, such as steel, aluminum, and oil and oil-derived commodities, continue to be volatile. In addition, we continue to expect commodity cost volatility to have an impact on future earnings and operating cash flows. As such, on an ongoing basis, we work with our customers and suppliers to mitigate both inflationary pressures and our material-related cost exposures.

Production Levels

Our business is directly affected by the automotive vehicle production rates in North America, Europe, Asia Pacific and South America. New vehicle demand is driven by macroeconomic and other factors, such as interest rates, manufacturer and dealer sales incentives, fuel prices, consumer confidence, employment levels, income growth trends and government and tax incentives. The industry could face uncertainties that may adversely impact consumer demand for vehicles as well as the future production environment.

Light vehicle production in certain regions for the three and six months ended June 30, 2019 and 2018 was as follows:

(In millions of units)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019 ⁽¹⁾	2018 ⁽¹⁾	% Change	2019 ⁽¹⁾	2018 ⁽¹⁾	% Change
North America	4.3	4.4	(2.1)%	8.5	8.7	(2.5)%
Europe	5.6	6.0	(6.6)%	11.2	11.9	(5.6)%
Asia Pacific ⁽²⁾	11.1	12.2	(8.9)%	22.8	24.7	(7.5)%
South America	0.9	0.9	(1.7)%	1.6	1.7	(3.1)%

(1) Production data based on IHS Automotive, July 2019.

(2) Includes Greater China units of 5.6 million and 6.7 million for the three months ended June 30, 2019 and 2018, respectively, and 11.7 million and 13.5 million for the six months ended June 30, 2019 and 2018, respectively.

In North America, second quarter total vehicle production declined compared to the second quarter of 2018. Continuing recent trends in consumer demand, production of passenger cars declined while production of sport utility vehicles and crossover vehicles increased. We expect these trends to continue in North America throughout 2019.

European and Asia Pacific light vehicle production declined significantly as well, reflecting geopolitical instability, including uncertainty around tariffs and global trade relations in both regions and Brexit uncertainty in Europe. Accordingly, we remain cautious on the impact through the remainder of the year.

Results of Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
	(dollar amounts in thousands)					
Sales	\$ 764,806	\$ 928,262	\$ (163,456)	\$ 1,644,844	\$ 1,895,653	\$ (250,809)
Cost of products sold	666,828	776,897	(110,069)	1,429,318	1,573,408	(144,090)
Gross profit	97,978	151,365	(53,387)	215,526	322,245	(106,719)
Selling, administration & engineering expenses	74,170	76,339	(2,169)	161,144	156,779	4,365
Gain on sale of business	(189,910)	—	(189,910)	(189,910)	—	(189,910)
Amortization of intangibles	5,148	3,399	1,749	8,923	6,805	2,118
Restructuring charges	5,927	10,013	(4,086)	23,642	17,138	6,504
Impairment charges	2,188	—	2,188	2,188	—	2,188
Operating profit	200,455	61,614	138,841	209,539	141,523	68,016
Interest expense, net of interest income	(11,575)	(9,973)	(1,602)	(23,507)	(19,773)	(3,734)
Equity in earnings of affiliates	1,891	1,248	643	4,249	2,935	1,314
Loss on refinancing and extinguishment of debt	—	—	—	—	(770)	770
Other expense, net	(1,781)	(557)	(1,224)	(2,577)	(2,276)	(301)
Income before income taxes	188,990	52,332	136,658	187,704	121,639	66,065
Income tax expense	44,239	9,130	35,109	46,570	21,021	25,549
Net income	144,751	43,202	101,549	141,134	100,618	40,516
Net loss (income) attributable to noncontrolling interests	545	(1,325)	1,870	702	(1,949)	2,651
Net income attributable to Cooper-Standard Holdings Inc.	\$ 145,296	\$ 41,877	\$ 103,419	\$ 141,836	\$ 98,669	\$ 43,167

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

Sales

Sales for the three months ended June 30, 2019 decreased 17.6%, compared to the three months ended June 30, 2018.

	Three Months Ended June 30,			Variance Due To:		
	2019	2018	Change	Volume / Mix*	Foreign Exchange	Acquisitions / Divestiture, Net
	(dollar amounts in thousands)					
Total sales	\$ 764,806	\$ 928,262	\$ (163,456)	\$ (100,258)	\$ (25,606)	\$ (37,592)

* Net of customer price reductions

Gross Profit

	Three Months Ended June 30,			Variance Due To:		
	2019	2018	Change	Volume / Mix*	Foreign Exchange	Cost Increases / (Decreases)**
	(dollar amounts in thousands)					
Cost of products sold	\$ 666,828	\$ 776,897	\$ (110,069)	\$ (46,922)	\$ (18,281)	\$ (44,866)
Gross profit	97,978	151,365	(53,387)	(53,336)	(7,325)	7,274
Gross profit percentage of sales	12.8%	16.3%				

* Net of customer price reductions

** Includes the net impact of acquisitions and divestiture

Cost of products sold is primarily comprised of material, labor, manufacturing overhead, freight, depreciation, warranty costs and other direct operating expenses. The Company's material cost of products sold was approximately 50% of total cost of products sold for the three months ended June 30, 2019 and 51% of total cost of products sold for the three months ended June 30, 2018. Cost of products sold was driven by continuous improvement and lean manufacturing, the sale of our anti-vibration systems ("AVS") product line, restructuring savings, and material cost reductions. These items were partially offset by vehicle production volume and mix, commodity price fluctuations, foreign exchange, tariffs and wage inflation.

Gross profit for the three months ended June 30, 2019 decreased 53.4 million or 35.3% compared to the three months ended June 30, 2018. The decrease was driven by vehicle production volume and mix, commodity price inflation and foreign exchange pressures, tariffs, and wage inflation. These items were partially offset by net favorable operational performance and acquisitions.

Selling, Administration and Engineering Expense. Selling, administration and engineering expense includes administrative expenses as well as product engineering and design and development costs. Sales, administration and engineering expense for the three months ended June 30, 2019 was 9.7% of sales compared to 8.2% for the three months ended June 30, 2018. The increase in rate was primarily due to lower sales. The decrease in expense was driven by savings generated from salaried employee initiatives and the sale of our anti-vibration systems ("AVS") product line, partially offset by additional costs for newly acquired businesses, higher compensation-related expenses and general inflation.

Gain on Sale of Business. Gain on sale of business of \$189.9 million for the three months ended June 30, 2019 related to the sale of our anti-vibration systems ("AVS") product line within our North America, Europe and Asia Pacific segments. We completed the sale to Continental AG on April 1, 2019.

Restructuring. Restructuring charges for the three months ended June 30, 2019 decreased \$4.1 million compared to the three months ended June 30, 2018. The decrease was driven by lower restructuring charges in North America and Europe as certain salaried employee initiatives were completed, partially offset by Asia Pacific mainly due to footprint rationalization.

Impairment Charges. Non-cash impairment charges of \$2.2 million for the three months ended June 30, 2019 related to machinery and equipment were recorded due to the continuing adverse financial results in certain Asia Pacific locations.

Interest Expense, Net. Net interest expense for the three months ended June 30, 2019 increased \$1.6 million compared to the three months ended June 30, 2018, primarily due to higher outstanding debt balances.

Other Expense, Net. Other expense for the three months ended June 30, 2019 increased \$1.2 million compared to the three months ended June 30, 2018 primarily due to higher foreign currency losses.

Income Tax Expense. Income tax expense for the three months ended June 30, 2019 was \$44.2 million on earnings before income taxes of \$189.0 million. This compares to income tax expense of \$9.1 million on earnings before income taxes of \$52.3 million for the same period of 2018. The effective tax rate for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 differed primarily due to the geographic mix of increased pre-tax earnings as a result of the sale of the AVS product line and the inability to record a tax benefit for pre-tax losses in certain foreign jurisdictions.

Six Months Ended June 30, 2019 Compared with Six Months Ended June 30, 2018

Sales

Sales for the six months ended June 30, 2019 decreased 13.2%, compared to the six months ended June 30, 2018.

	Six Months Ended June 30,			Variance Due To:		
	2019	2018	Change	Volume / Mix*	Foreign Exchange	Acquisitions / Divestiture, Net
	(dollar amounts in thousands)					
Total sales	\$ 1,644,844	\$ 1,895,653	\$ (250,809)	\$ (206,148)	\$ (62,146)	\$ 17,485

* Net of customer price reductions

Gross Profit

	Six Months Ended June 30,			Variance Due To:		
	2019	2018	Change	Volume / Mix*	Foreign Exchange	Cost Increases / (Decreases)**
	(dollar amounts in thousands)					
Cost of products sold	\$ 1,429,318	\$ 1,573,408	\$ (144,090)	\$ (95,641)	\$ (51,916)	\$ 3,467
Gross profit	215,526	322,245	(106,719)	(110,507)	(10,230)	14,018
Gross profit percentage of sales	13.1%	17.0%				

* Net of customer price reductions

** Includes the net impact of acquisitions and divestiture

Cost of products sold is primarily comprised of material, labor, manufacturing overhead, freight, depreciation, warranty costs and other direct operating expenses. The Company's material cost of products sold was approximately 51% of total cost of products sold for each of the six months ended June 30, 2019 and 2018. Cost of products sold was driven by continuous improvement and lean manufacturing, the sale of our anti-vibration systems ("AVS") product line, restructuring savings, and material cost reductions. These items were partially offset by vehicle production volume and mix, commodity price fluctuations, foreign exchange, tariffs and wage inflation.

Gross profit for the six months ended June 30, 2019 decreased 33.1% compared to the six months ended June 30, 2018. The decrease was driven by vehicle production volume and mix, commodity price inflation and foreign exchange pressures, tariffs and wage inflation. These items were partially offset by net favorable operational performance and acquisitions.

Selling, Administration and Engineering Expense. Selling, administration and engineering expense includes administrative expenses as well as product engineering and design and development costs. Sales, administration and engineering expense for the six months ended June 30, 2019 was 9.8% of sales compared to 8.3% for the six months ended June 30, 2018. This increase was primarily due to additional costs for newly acquired businesses, divestiture-related expenses for our AVS business and general inflation, partially offset by savings from salaried employee initiatives.

Gain on Sale of Business. Gain on sale of business of \$189.9 million for the six months ended June 30, 2019 related to the sale of our AVS product line within our North America, Europe and Asia Pacific segments. We completed the sale to Continental AG on April 1, 2019.

Restructuring. Restructuring charges for the six months ended June 30, 2019 increased \$6.5 million compared to the six months ended June 30, 2018. The increase was driven by higher restructuring charges in North America primarily related to salaried employee initiatives and in Asia Pacific mainly due to footprint rationalization.

Impairment Charges. Non-cash impairment charges of \$2.2 million for the six months ended June 30, 2019 related to machinery and equipment were recorded due to the continuing adverse financial results in certain Asia Pacific locations.

Interest Expense, Net. Net interest expense for the six months ended June 30, 2019 increased \$3.7 million compared to the six months ended June 30, 2018, primarily due to higher outstanding debt balances.

Other Expense, Net. Other expense for the six months ended June 30, 2019 increased \$0.3 million compared to the six months ended June 30, 2018 primarily due to higher benefit related costs.

Income Tax Expense. Income tax expense for the six months ended June 30, 2019 was \$46.6 million on earnings before income taxes of \$187.7 million. This compares to income tax expense of \$21.0 million on earnings before income taxes of \$121.6 million for the same period of 2018. The effective tax rate for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 differed primarily due to the geographic mix of increased pre-tax earnings as a result of the sale of the AVS product line and the inability to record a tax benefit for pre-tax losses in certain foreign jurisdictions.

Segment Results of Operations

The Company operates in four reportable segments: North America, Europe, Asia Pacific and South America. Consistent with how management assesses performance of the segments, effective January 1, 2019, we changed the measurement of our segments to adjusted EBITDA. We have defined adjusted EBITDA as net income before interest, taxes, depreciation, amortization, restructuring expense, and special items. The results of each segment include certain allocations for general, administrative, interest, and other shared costs.

The following tables present sales and segment adjusted EBITDA for each of the reportable segments.

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

Sales

	Three Months Ended June 30,			Variance Due To:		
	2019	2018	Change	Volume / Mix*	Foreign Exchange	Acquisitions / Divestiture, Net
	(dollar amounts in thousands)					
Sales to external customers						
North America	\$ 404,863	\$ 477,608	\$ (72,745)	\$ (39,189)	\$ (1,629)	\$ (31,927)
Europe	216,217	279,124	(62,907)	(28,740)	(13,686)	(20,481)
Asia Pacific	118,603	147,994	(29,391)	(36,146)	(8,061)	14,816
South America	25,123	23,536	1,587	3,817	(2,230)	—
Consolidated	\$ 764,806	\$ 928,262	\$ (163,456)	\$ (100,258)	\$ (25,606)	\$ (37,592)

* Net of customer price reductions

- The impact of foreign currency exchange primarily relates to the Euro, Chinese Renminbi, Brazilian Real and the Canadian Dollar.

Segment adjusted EBITDA

	Three Months Ended June 30,			Variance Due To:			
	2019	2018	Change	Volume / Mix*	Foreign Exchange	Cost (Increases) / Decreases	Acquisitions / Divestiture, Net
	(dollar amounts in thousands)						
Segment adjusted EBITDA							
North America	\$ 54,867	\$ 82,672	\$ (27,805)	\$ (25,927)	\$ (583)	\$ 2,286	\$ (3,581)
Europe	6,082	16,292	(10,210)	(11,611)	(1,185)	2,498	88
Asia Pacific	(1,586)	11,304	(12,890)	(17,096)	(1,452)	5,821	(163)
South America	(1,284)	(2,361)	1,077	1,298	206	(427)	—
Consolidated adjusted EBITDA	\$ 58,079	\$ 107,907	\$ (49,828)	\$ (53,336)	\$ (3,014)	\$ 10,178	\$ (3,656)

* Net of customer price reductions

- The impact of foreign currency exchange is primarily driven by the Chinese Renminbi, Euro, Canadian Dollar, Mexican Peso, Polish Zloty and Czech Koruna.
- The Cost (Increases) / Decreases category above includes:
 - The increase in commodity cost pressure, general inflation and tariffs;

- Launch related activity for engineering, prototypes and tooling; and
- Net operational efficiencies of \$26.5 million primarily driven by our North America, Europe and Asia Pacific segments.

Six Months Ended June 30, 2019 Compared with Six Months Ended June 30, 2018

Sales

	Six Months Ended June 30,			Variance Due To:		
	2019	2018	Change	Volume / Mix*	Foreign Exchange	Acquisitions / Divestiture, Net
(dollar amounts in thousands)						
Sales to external customers						
North America	\$ 879,570	\$ 976,786	\$ (97,216)	\$ (96,088)	\$ (5,069)	\$ 3,941
Europe	470,816	571,525	(100,709)	(46,196)	(34,855)	(19,658)
Asia Pacific	246,098	297,169	(51,071)	(68,111)	(16,162)	33,202
South America	48,360	50,173	(1,813)	4,247	(6,060)	—
Consolidated	\$ 1,644,844	\$ 1,895,653	\$ (250,809)	\$ (206,148)	\$ (62,146)	\$ 17,485

* Net of customer price reductions

- The impact of foreign currency exchange primarily relates to the Euro, Chinese Renminbi, Brazilian Real, Mexican Peso and the Canadian Dollar.

Segment adjusted EBITDA

	Six Months Ended June 30,			Variance Due To:			
	2019	2018	Change	Volume / Mix*	Foreign Exchange	Cost (Increases) / Decreases	Acquisitions / Divestiture, Net
(dollar amounts in thousands)							
Segment adjusted EBITDA							
North America	\$ 112,431	\$ 169,448	\$ (57,017)	\$ (55,423)	\$ (3,214)	\$ 518	\$ 1,102
Europe	15,523	39,260	(23,737)	(21,910)	(3,115)	1,534	(246)
Asia Pacific	(819)	24,794	(25,613)	(35,004)	(197)	8,699	889
South America	(2,670)	(2,958)	288	1,830	(118)	(1,424)	—
Consolidated adjusted EBITDA	\$ 124,465	\$ 230,544	\$ (106,079)	\$ (110,507)	\$ (6,644)	\$ 9,327	\$ 1,745

* Net of customer price reductions

- The impact of foreign currency exchange is primarily driven by the Chinese Renminbi, Euro, Canadian Dollar and Mexican Peso, partially offset by the Brazilian Real, Polish Zloty and Czech Koruna.
- The Cost (Increases) / Decreases category above includes:
 - The increase in commodity cost pressure, general inflation, and tariffs;
 - Launch related activity for engineering, prototypes and tooling; and
 - Net operational efficiencies of \$51.5 million primarily driven by our North America, Europe and Asia Pacific segments.

Liquidity and Capital Resources

Short and Long-Term Liquidity Considerations and Risks

We intend to fund our ongoing working capital, capital expenditures, debt service and other funding requirements through a combination of cash flows from operations, cash on hand, borrowings under our senior asset-based revolving credit facility

("ABL Facility") and receivables factoring. The Company utilizes intercompany loans and equity contributions to fund its worldwide operations. There may be country-specific regulations which may restrict or result in increased costs in the repatriation of these funds. See Note 11. "Debt" to the unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Report for additional information.

Based on our current and anticipated levels of operations and the conditions in our markets and industry, we believe that our cash flows from operations, cash on hand, borrowings under our ABL Facility and receivables factoring will enable us to meet our ongoing working capital, capital expenditures, debt service and other funding requirements for the next twelve months. However, our ability to fund our working capital needs, debt payments and other obligations, and to comply with the financial covenants, including borrowing base limitations, under our ABL Facility, depend on our future operating performance and cash flows and many factors outside of our control, including the costs of raw materials, the state of the overall automotive industry and financial and economic conditions and other factors.

Cash Flows

Operating Activities. Net cash used in operations was \$9.0 million for the six months ended June 30, 2019, compared to net cash provided by operations of \$98.3 million for the six months ended June 30, 2018. The outflow was primarily due to decreased cash earnings and timing of customer payments, partially offset by changes in accrued liabilities.

Investing Activities. Net cash provided by investing activities was \$149.5 million for the six months ended June 30, 2019, compared to net cash used in investing activities of \$113.0 million for the six months ended June 30, 2018. Cash provided by investing activities consisted primarily of gross proceeds of \$243.4 million from the sale of our AVS product line, partially offset by capital spending of \$95.5 million for the six months ended June 30, 2019. We anticipate that we will spend approximately \$175 million to \$185 million on capital expenditures in 2019.

Financing Activities. Net cash used in financing activities totaled \$91.2 million for the six months ended June 30, 2019, compared to net cash used in financing activities of \$59.4 million for the six months ended June 30, 2018. The change was primarily due to the repayment of our revolving credit facility and local borrowing lines. Cash used for stock repurchases was \$36.6 million and \$43.5 million for the six months ended June 30, 2019 and 2018, respectively.

Share Repurchase Program

In June 2018, our Board of Directors approved a new common stock repurchase program (the "2018 Program") authorizing us to repurchase, in the aggregate, up to \$150.0 million of our outstanding common stock. Under the 2018 Program, repurchases may be made on the open market, through private transactions, accelerated share repurchases, round lot or block transactions on the New York Stock Exchange or otherwise, as determined by us and in accordance with prevailing market conditions and federal securities laws and regulations. We expect to fund any future repurchases from cash on hand and future cash flows from operations. The specific timing and amount of any future repurchase will vary based on market and business conditions and other factors. We are not obligated to acquire a particular amount of securities, and the 2018 Program may be discontinued at any time at our discretion. As of June 30, 2019, we had approximately \$98.7 million of repurchase authorization remaining under the 2018 Program.

2019 Repurchases

In May 2019, we entered into an accelerated share repurchase ("ASR") agreement with a third-party financial institution to repurchase our common stock pursuant to the 2018 Program. Under the ASR agreement, we made an up-front payment of \$30.0 million and received an initial delivery of 626,305 shares of our common stock in the second quarter of 2019. The total number of shares to be ultimately delivered, and therefore the average price paid per share, will be determined at the end of the repurchase period based on the volume weighted average price of our common stock during that period. The ASR is expected to be completed no later than the third quarter of 2019.

In addition to the repurchase under the ASR agreement, during the six months ended June 30, 2019, we utilized \$5.9 million of cash on hand to repurchase 85,000 shares of common stock.

2018 Repurchases

In June 2018, we entered into an accelerated repurchase ("ASR") agreement with a third-party financial institution to repurchase our common stock. Under this ASR agreement, we made an up-front payment of \$35.0 million and received an initial delivery of 207,193 shares in the second quarter of 2018. The ASR was completed in the third quarter of 2018 when we received an additional 51,092 shares. A total of 258,285 shares were repurchased at a weighted average purchase price of \$135.51 per share.

In addition to the repurchase under this ASR agreement, during the six months ended June 30, 2018, we repurchased 69,503 shares of our common stock at an average purchase price of \$122.64 per share, excluding commissions, for a total cost of \$8.5 million.

Non-GAAP Financial Measures

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

- because similar measures are utilized in the calculation of the financial covenants and ratios contained in our financing arrangements;
- in developing our internal budgets and forecasts;
- as a significant factor in evaluating our management for compensation purposes;
- in evaluating potential acquisitions;
- in comparing our current operating results with corresponding historical periods and with the operational performance of other companies in our industry; and
- in presentations to the members of our board of directors to enable our board of directors to have the same measurement basis of operating performance as is used by management in their assessments of performance and in forecasting and budgeting for our company.

In addition, we believe EBITDA and Adjusted EBITDA and similar measures are widely used by investors, securities analysts and other interested parties in evaluating our performance. We define Adjusted EBITDA as net income (loss) plus income tax expense (benefit), interest expense, net of interest income, depreciation and amortization or EBITDA, as adjusted for items that management does not consider to be reflective of our core operating performance. These adjustments include, but are not limited to, restructuring costs, impairment charges, non-cash fair value adjustments and acquisition-related costs.

EBITDA and Adjusted EBITDA are not financial measurements recognized under U.S. GAAP, and when analyzing our operating performance, investors should use EBITDA and Adjusted EBITDA as a supplement to, and not as alternatives for, net income (loss), operating income, or any other performance measure derived in accordance with U.S. GAAP, nor as an alternative to cash flow from operating activities as a measure of our liquidity. EBITDA and Adjusted EBITDA have limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of our results of operations as reported under U.S. GAAP. These limitations include:

- they do not reflect our cash expenditures or future requirements for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect interest expense or cash requirements necessary to service interest or principal payments under our ABL Facility, Term Loan Facility and Senior Notes;
- they do not reflect certain tax payments that may represent a reduction in cash available to us;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized may have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements; and
- other companies, including companies in our industry, may calculate these measures differently and, as the number of differences in the way companies calculate these measures increases, the degree of their usefulness as a comparative measure correspondingly decreases.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollar amounts in thousands)			
Net income attributable to Cooper-Standard Holdings Inc.	\$ 145,296	\$ 41,877	\$ 141,836	\$ 98,669
Income tax expense	44,239	9,130	46,570	21,021
Interest expense, net of interest income	11,575	9,973	23,507	19,773
Depreciation and amortization	37,868	36,914	74,473	73,173
EBITDA	\$ 238,978	\$ 97,894	\$ 286,386	\$ 212,636
Gain on sale of business ⁽¹⁾	(189,910)	—	(189,910)	—
Restructuring charges	5,927	10,013	23,642	17,138
Impairment charges ⁽²⁾	2,188	—	2,188	—
Project costs ⁽³⁾	405	—	1,668	—
Lease termination costs ⁽⁴⁾	491	—	491	—
Loss on refinancing and extinguishment of debt ⁽⁵⁾	—	—	—	770
Adjusted EBITDA	\$ 58,079	\$ 107,907	\$ 124,465	\$ 230,544

(1) Gain on sale of AVS product line. See Note 4. "Divestiture."

(2) Non-cash impairment charges related to fixed assets.

(3) Project costs recorded in selling, administration and engineering expense related to acquisitions and divestiture.

(4) Lease termination costs no longer recorded as Restructuring charges in accordance with ASC 842. See Note 2. "New Accounting Pronouncements."

(5) Loss on refinancing and extinguishment of debt related to the applicable amendment of the Term Loan Facility entered into during such period.

Contingencies and Environmental Matters

The information concerning contingencies, including environmental contingencies and the amount currently held in reserve for environmental matters, contained in Note 22, "Commitments and Contingencies" to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report, is incorporated herein by reference.

Recently Issued Accounting Pronouncements

See Note 2, "New Accounting Pronouncements" to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report.

Critical Accounting Estimates

There have been no significant changes in our critical accounting estimates during the six months ended June 30, 2019.

Forward-Looking Statements

This quarterly report on Form 10-Q includes "forward-looking statements" within the meaning of U.S. federal securities laws, and we intend that such forward-looking statements be subject to the safe harbor created thereby. Our use of words "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "outlook," "guidance," "forecast," or future or conditional verbs, such as "will," "should," "could," "would," or "may," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements are based upon our current expectations and various assumptions. Our expectations, beliefs, and projections are expressed in good faith and we believe there is a reasonable basis for them. However, we cannot assure you that these expectations, beliefs and projections will be achieved. Forward-looking statements are not guarantees of future performance and are subject to significant risks and uncertainties that may cause actual results or achievements to be materially different from the future results or achievements expressed or implied by the forward-looking statements. Among other items, such factors may include: prolonged or material contractions in automotive sales and production volumes; our inability to realize sales represented by awarded business; escalating pricing pressures; loss of large customers or significant platforms; our ability to successfully compete in the automotive parts industry; availability and increasing volatility in costs of manufactured components and raw materials; disruption in our supply base; competitive threats and commercial risks associated with us entering new markets; possible variability of our working capital requirements; risks associated with our international operations, including changes in laws, regulations, and policies governing the terms of foreign trade such as increased trade restrictions and tariffs; foreign currency exchange rate fluctuations; our ability to control the operations of our joint ventures for our sole benefit; our substantial amount of indebtedness; our ability to obtain adequate financing sources in the future; operating and financial restrictions imposed on us under our debt instruments; the underfunding of our pension plans; significant changes in discount rates and the actual return on pension assets; effectiveness of continuous improvement programs and other cost savings plans; manufacturing facility closings or consolidation; our ability to execute new program launches; our ability to meet customers' needs for new and improved products; the possibility that our acquisitions and divestitures may not be successful; product liability, warranty and recall claims brought against us; laws and regulations, including environmental, health and safety laws and regulations; legal proceedings, claims or investigations against us; work stoppages or other labor disruptions; the ability of our intellectual property to withstand legal challenges; cyber-attacks, other disruptions in, or the inability to implement upgrades to, our information technology systems; the possible volatility of our annual effective tax rate; changes in our assumptions as a result of IRS issuing guidance on the Tax Cuts and Jobs Act; the possibility of future impairment charges to our goodwill and long-lived assets; and our dependence on our subsidiaries for cash to satisfy our obligations.

You should not place undue reliance on these forward-looking statements. Our forward-looking statements speak only as of the date of this quarterly report on Form 10-Q, and we undertake no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events or otherwise, except where we are expressly required to do so by law.

This quarterly report on Form 10-Q also contains estimates and other information that is based on industry publications, surveys, and forecasts. This information involves a number of assumptions and limitations, and we have not independently verified the accuracy or completeness of the information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the quantitative and qualitative information about the Company's market risk from those previously disclosed in the Company's 2018 Annual Report.

Item 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

The Company has evaluated, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Based on that evaluation, the Company's Chief Executive Officer along with the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Report.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Purchases of Equity Securities By the Issuer and Affiliated Purchasers

The Company is authorized to purchase, in the aggregate, up to \$150 million of our outstanding common stock under our common stock repurchase program, which was effective in November 2018. As of June 30, 2019, we had approximately \$98.7 million of repurchase authorization remaining under our ongoing common stock share repurchase program as discussed in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Share Repurchase Program," and Note 19. "Common Stock" to the unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Report.

In May 2019, the Company entered into an accelerated share repurchase ("ASR") agreement with a third-party financial institution to repurchase the Company's common stock pursuant to its common stock repurchase program. Pursuant to the ASR agreement, the Company made an up-front payment of \$30 million, from cash on hand, to the financial institution and received an initial delivery of 626,305 shares in the second quarter of 2019. The total number of shares to be ultimately delivered, and therefore the average price paid per share, will be determined at the end of the repurchase period based on the volume weighted average price of the Company's common stock during that period. The ASR is expected to be completed no later than the third quarter of 2019.

A summary of our shares of common stock repurchased during the three months ended June 30, 2019 is shown below:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in millions) ⁽³⁾
April 1, 2019 through April 30, 2019	203	46.96	—	128.7
May 1, 2019 through May 31, 2019 ⁽⁴⁾	626,397	39.39	626,305	98.7
June 1, 2019 through June 30, 2019	6,596	43.71	—	98.7
Total	<u>633,196</u>		<u>626,305</u>	98.7

(1) Includes shares repurchased by the Company to satisfy employee tax withholding requirements due upon the vesting of restricted stock awards.

(2) Excluding commissions.

(3) Includes the \$30 million up-front payment made under the ASR Agreement.

(4) Under the ASR agreement, the Company paid \$30 million and received an initial delivery of 626,305 shares of its common stock in the second quarter of 2019. The average price paid per share reflected in the table for the ASR transaction was based upon the fair market value for the shares on the date the ASR agreement was executed. The total number of shares to be ultimately delivered, and therefore the average price paid per share, will be determined at the end of the repurchase period based on the volume weighted average price of the Company's common stock during that period. See Note 19. "Common Stock" to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1*	<u>Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).</u>
31.2*	<u>Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).</u>
32**	<u>Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this Report.

** Furnished with this Report.

*** Submitted electronically with this Report in accordance with the provisions of Regulation S-T.

SIGNATURES

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

COOPER-STANDARD HOLDINGS INC.

August 2, 2019

/S/ JONATHAN P. BANAS

Date

Jonathan P. Banas
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER, PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Jeffrey S. Edwards, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cooper-Standard Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2019

By: /S/ JEFFREY S. EDWARDS
Jeffrey S. Edwards
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER, PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Jonathan P. Banas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cooper-Standard Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2019

By: /S/ JONATHAN P. BANAS
Jonathan P. Banas
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the the filing of this quarterly report of Cooper-Standard Holdings Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2019, with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2019

/S/ JEFFREY S. EDWARDS
By: _____

Jeffrey S. Edwards
Chief Executive Officer
(Principal Executive Officer)

/S/ JONATHAN P. BANAS

Jonathan P. Banas
Chief Financial Officer
(Principal Financial Officer)