Cooper-Standard Holdings Inc.
Form 10-K
February 20, 2018

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

FORM 10-K

(Mark one)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
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	20-1945088
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

39550 Orchard Hill Place Drive
Novi, Michigan 48375
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (248) 596-5900
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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	x	Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	¨	Smaller reporting company	¨
		Emerging growth company	¨

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 x

The aggregate market value of voting and non-voting common stock held by non-affiliates as of June 30, 2017 was $1,361,808,044.

The number of the registrant’s shares of common stock, $0.001 par value per share, outstanding as of February 9, 2018 was 17,914,599 shares.

Documents Incorporated by Reference

Certain portions, as expressly described in this report, of the Registrant’s Proxy Statement for the 2018 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

TABLE OF CONTENTS

PART I

Item 1. Business

Cooper-Standard Holdings Inc. (together with its consolidated subsidiaries, the "Company," "Cooper Standard," "we," "our" or "us") is a leading manufacturer of sealing, fuel and brake delivery, fluid transfer and anti-vibration systems. Our products are primarily for use in passenger vehicles and light trucks that are manufactured by global automotive original equipment manufacturers ("OEMs") and replacement markets. We conduct substantially all of our activities through our subsidiaries.

Cooper Standard is listed on the New York Stock Exchange ("NYSE") under the ticker symbol "CPS." The Company has approximately 32,000 employees, including over 5,000 contingent workers, with 124 facilities in 20 countries. The Company is dedicated to four product lines. Based on this focused approach, we believe we are the largest global producer of sealing systems, the second largest global producer of the types of fuel and brake delivery products that we manufacture, the third largest global producer of fluid transfer systems, and one of the largest North American producers of anti-vibration systems. We design and manufacture our products in each major region of the world through a disciplined and sustained approach to engineering and operational excellence. We operate in 92 manufacturing locations and 32 design, engineering, administrative and logistics locations.

The Company has four operating segments: North America, Europe, Asia Pacific and South America. This operating structure allows us to offer our full portfolio of products and support our regional and global customers with complete engineering and manufacturing expertise in all major regions of the world. We have ongoing operational restructuring and expansion initiatives to improve competitiveness, primarily related to footprint optimization in Europe and expansion in Asia. See "Segment Results of Operations" under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 22. "Business Segments" to our consolidated financial statements included under Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K (the "Report") for further information on our segments.

Approximately 85% of our sales in 2017 were to OEMs, including Ford Motor Company ("Ford"), General Motors Company ("GM"), Fiat Chrysler Automobiles ("FCA"), PSA Peugeot Citroën, Volkswagen Group, Daimler, Renault-Nissan, BMW, Toyota, Volvo, Jaguar/Land Rover, Honda and various other OEMs based in India and China. The remaining 15% of our 2017 sales were primarily to Tier I and Tier II automotive suppliers, non-automotive manufacturers, and replacement market distributors. The Company's products can be found on over 450 nameplates globally.

Corporate History and Business Developments

Cooper-Standard Holdings Inc. was established in 2004 as a Delaware corporation and began operating on December 23, 2004 when it acquired the automotive segment of Cooper Tire & Rubber Company (the "2004 Acquisition"). Cooper-Standard Holdings Inc. operates the business primarily through its principal operating subsidiary, Cooper-Standard Automotive Inc. ("CSA U.S."). Since the 2004 Acquisition, the Company has expanded and diversified its customer base through a combination of organic growth and strategic acquisitions.

In August 2009, following the onset of the financial crisis and economic downturn that severely impacted the global automotive industry, Cooper-Standard Holdings Inc. and its wholly-owned subsidiaries in the United States and Canada commenced reorganization proceedings in the United States (the "Chapter 11 proceedings") and Canada. In May 2010, the Company consummated its reorganization pursuant to a court-confirmed plan of reorganization and emerged from the Chapter 11 proceedings and the Canadian proceedings.

From 2006 to 2013, the Company accelerated its growth through a number of strategic acquisitions including the Fluid Handling Systems Operations in North America, Europe and China (collectively, "FHS") from ITT Industries, Inc.; Metzeler Automotive Profile Systems; a hose manufacturing operation in Mexico from the Gates Corporation; USi, Inc.; the sealing business of Sigit S.p.A.; a joint venture with Fonds de Modernisation des Equipementiers Automobiles ("FMEA"); and Jyco Sealing Technology.

We continued strategic acquisitions and partnerships in 2014 and 2015 with the acquisition of Cikautxo Borja, S.L.U. in Spain, a manufacturer of heating and cooling hoses; the purchase of an additional 47.5% of Huayu-Cooper Standard Sealing Systems Co. ("Shenya"), increasing our equity ownership to 95% and positioning the Company as a leader in sealing systems in the Chinese automotive market; the formation of a joint venture with Polyrub Extrusions (India) Private Limited to grow the Company’s fluid transfer systems business in Asia; and a joint venture with INOAC Corporation of Japan accelerating our fluid transfer systems strategy in Asia. In 2016, we acquired the North American fuel and brake business of AMI Industries to expand the Company’s fuel and brake business. We also gained control of our China-based joint venture, Shenya Sealing (Guangzhou) Company Limited. In 2017, the Company agreed to purchase the China fuel and brake business of AMI Industries, which was finalized in the first quarter of 2018.

In 2014 and 2015, the Company divested its thermal and emissions product line and hard coat plastic exterior trim business, respectively, to focus on the product lines where Cooper Standard holds leading market positions.

Business Strategy

In 2013, we set a clear vision for achieving profitable growth with a mission to become a Top 30 automotive supplier in terms of sales and Top 5 in ROIC (return on invested capital).

In 2016, the leadership team refined this vision: Driving Value Through Culture, Innovation and Results to more closely represent the evolution of the Company’s culture and to provide the basis for delivering even greater value. The global leadership team also reshaped the supporting pillars in 2016 to align with the progress of the Company. These pillars are:

Voice of the Customer:	We design and develop our products to meet the current and future needs of our customers. We listen intently and adjust to customer feedback to ensure we are consistently providing customer-focused products while meeting their evolving needs. Cooper Standard is dedicated to serving its global customers and the automotive industry as a whole.
Superior Products:	With a focus on core products, we provide customers with market-leading solutions with predicable quality that meet or exceed expectations in sealing, fuel and brake delivery, fluid transfer and anti-vibration systems.
World-Class Operations:	We are committed to sustained excellence through the Cooper Standard Operating System (“CSOS”), the Company’s playbook of global best practice tools designed for optimization that are driving Cooper Standard’s global success.
Engaged Employees:	Our employees are the foundation of the Company and the key driver of our success. Committed to excellence and driven to succeed, our employees never lose sight of the Company’s overall vision and strategy.

Cooper Standard’s global alignment around these strategic pillars continues to drive further value in many areas of the business, including:

Operational and Strategic Initiatives

As part of Cooper Standard’s world-class operations, the Company implemented the CSOS to fully position the Company for growth and ensure global consistency in engineering design, program management, manufacturing process, purchasing and IT systems. Standardization across all regions is especially critical in support of customers’ global platforms that require the same design, quality and delivery standards everywhere across the world.

CSOS consists of the following areas, with a strategic focus that aligns with the Company’s growth strategy:

CSOS Function	Strategic Focus
World-Class Safety	Implement globally consistent measurement system with zero incidents goal.
World-Class Operations	Optimize global performance by implementing best business practices across the organization.
Continuous Improvement	Implement lean manufacturing tools across all facilities to achieve cost savings and increased performance.
Global Purchasing	Develop strategic supply base to effectively leverage scale and optimize supplier quality.
Innovation Management	Focused innovation processes to create breakthrough technologies for market differentiation.
Global Program Management	Ensure consistent and flawless product launch process across all regions.
Product Engineering	Ensure global best practice tools are utilized to design optimized products and processes.
IT Systems	

Implement common systems to effectively communicate information throughout the business.

As part of its world-class operations, Cooper Standard operates Global Councils focused on information technology, engineering, innovation, commercial and manufacturing initiatives. These councils allow Cooper Standard to better leverage the scale of the Company while also identifying best practices and transferring them around the world.

Leverage Technology and Material Science for Innovative Solutions

We utilize our technical and material science expertise to provide customers with innovative solutions. Our engineers combine product design with a broad understanding of material science for enhanced vehicle performance. We believe our reputation for successful innovation in product design and materials is the reason our customers consult us early in their vehicle development and design process of their next generation vehicles.

Cooper Standard has evolved and further energized its approach to innovation with its i^3 Innovation Process (Imagine, Initiate, Innovate). This approach is used as a mechanism to capture ideas from across our Company and supply partners while promoting a culture of innovation. Ideas are carefully evaluated by a global technology council and those that are selected are put on an accelerated development cycle with a dedicated innovation team focused on breakthrough ideas. This team is developing game-changing technologies based on materials expertise, process know-how, and application vision, which may drive future product direction. In fact, our culture of innovation enables Cooper Standard to innovate in areas of the vehicle that haven't been touched in decades. These breakthrough innovations have resulted in over $450 million in booked sales in the last two years. With a continuous stream of new ideas flowing through our pipeline, we see our ability to bring breakthrough innovations to market as a clear and sustainable advantage and a value driver for our stakeholders.

Among recently announced technologies is Fortrex™, a revolutionary material that provides higher performance and lower weight to weather seals. Fortrex™ was named a 2018 PACE finalist with final judging expected to conclude in April of 2018. Several other significant technologies, especially related to advanced materials, processing and weight reduction, have recently been realized. These include: MagAlloy™, a new processing technology for brake lines that increases long term durability through superior corrosion resistance; and ArmorHose™, a breakthrough technology which results in significantly more durable coolant hoses and eliminates the need for separate abrasion sleeves on under-hood hose assemblies.

Pursue Acquisitions and Alliances to Enhance Capabilities and Accelerate Growth

We intend to continue to selectively pursue complementary acquisitions and joint ventures to enhance our customer base, geographic penetration, scale and technology. Consolidation is an industry trend and is encouraged by the OEM's desire for global automotive suppliers. We believe we have a strong platform for growth through acquisitions based on our past integration successes, experienced management team, global presence and operational excellence. Further, our operations currently include several successful joint ventures.

Industry

The automotive industry is one of the world's largest and most competitive. Consumer demand for new vehicles largely determines sales and production volumes of global OEMs. The business and industrial environment in each region also plays a role in vehicle demand as it relates to fleet vehicle sales and industrial use vehicles such as light and heavy trucks.

OEMs compete for market share in a variety of ways including pricing and incentives, the development of new, more attractive models, branding and advertising, and the ability to customize vehicle features and options to meet specific customer needs or demands. They rely heavily on thousands of specialized suppliers to provide the many distinct components and systems that comprise the modern vehicle. They also rely on these automotive suppliers to develop technological innovations that will help them meet consumer demands as well as regulatory requirements.

The automotive supplier industry is generally characterized by high barriers to entry, significant start-up costs and long-standing customer relationships. But it is also a highly competitive industry. The criteria by which OEMs judge automotive suppliers include quality, price, service, performance, design and engineering capabilities, innovation, timely delivery, financial stability and global footprint. Over the last decade, suppliers that have been able to achieve manufacturing scale globally, reduce structural costs, diversify their customer base and provide innovative, value-added technologies have been the most successful.

The technology of today's vehicles is evolving rapidly. The evolution is being driven by many factors including consumer values and social behaviors, a competitive drive for differentiation, regulatory requirements and safety.

Adapting new non-automotive technologies for automotive applications is also an important factor. Examples include but are not limited to wireless communications and connectivity, computers and data mining, artificial intelligence, autonomy and mobility, among others. While these types of technical innovations are garnering a lot of attention, and deservedly so, there are opportunities to add value through innovation in virtually all categories of automotive components and systems. Cooper Standard is continuing to focus on innovations for our customers that reduce weight, increase life-cycle and durability, reduce interior noise, enhance exterior appearance and simplify the manufacturing and assembly process. These are innovations that can be applicable and valuable to virtually any vehicle or vehicle manufacturer.

Markets Served

Our core business is focused on the passenger car and light truck market, up to and including Class 3 full-size, full-frame trucks, better known as the light vehicle market. This is our largest market and accounts for approximately 97% of our global sales.

Adjacent Markets

In addition to the global light vehicle market, we also have dedicated sales and engineering teams in North America and Europe to leverage core product technology into near adjacent markets to profitably grow Cooper Standard through our Industrial and Specialty Group and in non-automotive markets.

With a focus on industry segments such as commercial trucks, agricultural equipment and construction, we see an addressable market of over $2 billion and an opportunity to further diversify our revenue and profit base. Some of our traditional products, as well as our innovative technologies are very well suited to these markets. We believe these market segments represent near-term opportunities for high margin growth.

Further, we have implemented a strategy to leverage some of our material science in adjacent non-automotive markets through licensing agreements or the sale of material compounds. The initial focus of this business model is our Fortrex™ material technology. Fortrex™ is highly adaptable and we believe it has the potential to add significant value in many product categories and industries beyond the automotive industry. This adjacent market business is new. In 2017 we signed one license agreement with a partner in Japan. Sales under this agreement are expected to begin in the third quarter of 2018. We expect to make further investments in this business in 2018 to accelerate its roll-out and development. We also expect to conclude negotiations with a number of potential new licensee/partners in 2018.

Customers

We are a leading supplier to the following OEMs and are increasing our presence with major OEMs throughout the world. The following charts show the approximate percentage of sales to our top customers for the years ended December 31, 2017, 2016 and 2015:

Our other customers include OEMs such as Daimler, Renault-Nissan, BMW, Toyota, Volvo, Jaguar/Land Rover, Honda and various other OEMs based in India and China. Our business with any given customer is typically split among several contracts for different parts on a number of platforms.

Segment Information

See Note 22. “Business Segments” to the consolidated financial statements for segment information.

Products

We have four distinct product lines. These products are produced and supplied globally to a broad range of customers in multiple markets. In addition to these product lines, we also have sales to other adjacent markets. The percentage of sales by product line and other markets for the years ended December 31, 2017, 2016 and 2015 are as follows:

7

Product Lines			Market Position
SEALING SYSTEMS	Protect vehicle interiors from weather, dust and noise intrusion for improved driving experience; provide aesthetic and functional class-A exterior surface treatment Products:		Global leader
	– Fortrex™	– Stainless steel trim	
	– Dynamic seals	– Flush glass systems	
	– Static seals	– Variable extrusion	
	– Encapsulated glass	– Specialty sealing products	
FUEL & BRAKE DELIVERY SYSTEMS	Sense, deliver and control fluids to fuel and brake systems Products:		Top 2 globally
	– Chassis and tank fuel lines and bundles (fuel lines, vapor lines and bundles)	– Direct injection & port fuel rails (fuel rails and fuel charging assemblies)	
	– Metallic brake lines and bundles	– MagAlloy tube coatings	
	– Quick connects	– Gen III Posi-Lock Quick Connects	
FLUID TRANSFER SYSTEMS	Sense, deliver and control fluid and vapors for optimal powertrain & HVAC operation Products:		Top 3 globally
	– Heater/coolant hoses	– Turbo charger hoses	
	– Quick connects	– Secondary air hoses	
	– DPF and SCR emission lines	– Brake and clutch hoses	
	– Degas tanks	– ArmorHose™	
	– Air intake and charge	– ArmorHose™ TPV	
	– Transmission Oil Cooling Hoses		

Product Lines		Market Position
ANTI-VIBRATION SYSTEMS	Control and isolate vibration and noise in the vehicle to improve ride and handling Products: – Powertrain Mount Systems: Multi-state Vacuum Switchable Hydraulic Engine Mounts, Bi-state Electric Switchable	North America Leader

Hydraulic Engine Mounts, Conventional Hydraulic Mounts, Elastomeric Mount
Chassis Suspension Components: Conventional & Hydraulic Body Mounts & Bushings,
– Strut Mounts, Spring Seats & Bumpers, Mass Dampers, Dual Durometer (Bi-compound) Bushings

Competition

We believe that the principal competitive factors in our industry are quality, price, service, performance, design and engineering capabilities, innovation, timely delivery, financial stability and global footprint. We believe that our capabilities in these core competencies are integral to our position as a market leader in each of our product lines. Our sealing systems products compete with Toyoda Gosei, Hutchinson, Henniges and Standard Profil, among others. Our fuel and brake delivery products compete with TI Automotive, Sanoh, Martinrea and Maruyasu. Our fluid transfer products compete with Conti-Tech, Hutchinson, Teklas, Tristone and MGI Coutier (including Avon Automotive). Our anti-vibration systems compete with Vibracoustic, Hutchinson, Tokai Rubber, Bridgestone and ContiTech.

Joint Ventures and Strategic Alliances

Joint ventures represent an important part of our business, both operationally and strategically. We have utilized joint ventures to enter into and expand in geographic markets such as China, India and Thailand, to acquire new customers and to develop new technologies. When entering new geographic markets, teaming with a local partner can reduce capital investment by leveraging pre-existing infrastructure. In addition, local partners in these markets can provide knowledge and insight into local practices and access to local suppliers of raw materials and components.

The following table shows our significant unconsolidated joint ventures:

Country	Name	Ownership Percentage
India	Sujan Cooper Standard AVS Private Limited	50%
United States	Nishikawa Cooper LLC	40%
India	Polyrub Cooper Standard FTS Private Limited	35%
Thailand	Nishikawa Tachaplalert Cooper Ltd.	20%

Research and Development

We have a dedicated team of technical and engineering resources in each region, some of which are located at our customers' facilities. We utilize Design for Six Sigma and other methodologies that emphasize manufacturability and quality. Our development teams work closely with our customers to design and deliver innovative solutions. We continue to add technical resources throughout the world as required to support our customers, including new or updated facilities in Qingpu, China; Torreon, Mexico; and Livonia, Michigan in 2017. We spent $128.0 million, $117.8 million, and $108.8 million in 2017, 2016 and 2015, respectively, on engineering, research and development.

Intellectual Property

We believe that one of our key competitive advantages is our ability to translate customer needs and our game-changing ideas into innovation through the development of intellectual property. We hold a significant number of patents and trademarks worldwide.

Our patents are grouped into two major categories: (1) specific product invention claims and (2) specific manufacturing processes that are used for producing products. The vast majority of our patents fall within the product invention category. We consider these patents to be of value and seek to protect our rights throughout the world against infringement. While in the aggregate these patents are important to our business, we do not believe that the loss or expiration of any one patent would materially affect our Company. We continue to seek patent protection for our new products and have an incentive program to recognize employees whose inventions are patented. Additionally, we develop significant technologies that we treat as trade secrets and choose not to disclose to the public through the patent process, but which nonetheless provide significant competitive advantages and contribute to our global leadership position in various markets. We believe that our trademarks, including ArmorHose™, Ultra Pro Coat™, MagAlloy™ and Fortrex™, help differentiate us and lead customers to seek our partnership.

We also have technology sharing and licensing agreements with various third parties, including Nishikawa Rubber Company, one of our joint venture partners in sealing products. We have mutual agreements with Nishikawa Rubber Company for sales, marketing and engineering services on certain sealing products. Under those agreements, each party pays for services provided by the other and royalties on certain products for which the other party provides design or development services.

Supplies and Raw Materials

Cooper Standard is committed to building strong relationships with our supply partners. We recognize the importance of engaging with suppliers to create value for our customers.

The principal raw materials for our business include synthetic and natural rubber, components manufactured from carbon steel, plastic resins and components, carbon black, process oils and components manufactured from aluminum. We manage the procurement of our raw materials to assure supply and to obtain the most favorable total cost. Procurement arrangements include short-term and long-term supply agreements that may contain formula-based pricing based on commodity indices. These arrangements provide quantities needed to satisfy normal manufacturing demands. We believe we have adequate sources for the supply of raw materials and components for our products with suppliers located around the world. We often use offshore suppliers for machined components, die castings and other labor-intensive, economically freighted products in our North American and European facilities.

Raw material prices are subject to fluctuations and we have implemented strategies with both our suppliers and our customers to help manage these fluctuations. These actions include material substitutions and leveraging global purchases. Global supply chain optimization includes using benchmarks and selective sourcing from strategic suppliers. We have also made process improvements to ensure the efficient use of materials through scrap reduction, as well as standardization of material specifications to maximize leverage over higher volume purchases. With some customers, on certain raw materials, we have implemented indices that allow price changes as underlying material costs fluctuate.

Geographic Information

See Note 22. “Business Segments” to the consolidated financial statements for geographic information.

Seasonality

Our principal operations are directly related to the automotive industry. Sales to OEMs are lowest during the months prior to model changeovers or during assembly plant shutdowns. Automotive production is traditionally reduced during July, August and year-end holidays and our quarterly results may reflect these trends. However, economic conditions and consumer demand may change the traditional seasonality of the industry.

Backlog

Our OEM sales are generally based upon purchase orders issued by the OEMs, with updated releases for volume adjustments. As such, we typically do not have a backlog of orders at any point in time. Once selected to supply products for a particular platform, we typically supply those products for the platform life, which is normally three to five years, although there is no guarantee that this will occur. In addition, when we are the incumbent supplier to a given platform, we believe we have a competitive advantage in winning the redesign or replacement platform, although there is no guarantee that this will occur.

Employees

As of December 31, 2017, we had approximately 32,000 employees, including over 5,000 contingent workers. We maintain good relations with both our union and non-union employees, and, in the past ten years, have not experienced any major work stoppages. We have renegotiated some of our domestic and non-domestic union agreements in 2017, and have several contracts set to expire in the next twelve months.

Community Involvement

Supported by the Cooper Standard Foundation, our employees are highly engaged in their local communities. The Foundation’s mission is to strengthen the communities in which Cooper Standard employees work and live through the passionate support of children's charities, education, health and wellness, and community revitalization. The Cooper Standard Foundation is a 501(c)(3) organization with oversight by our Philanthropic Committee and Board of Trustees. For more information on the Company's community involvement, please visit our Corporate Responsibility Report located on the Cooper Standard website.

Environmental

Cooper Standard considers itself a steward of the environment and we monitor the environmental impact of our business and products. We prioritize our environmental management as a means of driving and sustaining excellence. We are subject to a broad range of federal, state, and local environmental and occupational safety and health laws and regulations in the United States and other countries, including regulations governing: emissions to air, discharges to water, noise and odor emissions; the generation, handling, storage, transportation, treatment, reclamation and disposal of chemicals and waste materials; the cleanup of contaminated properties; and human health and safety. We have made, and will continue to make, expenditures to comply with environmental requirements. While our costs to defend and settle known claims arising under environmental laws are not currently estimated to be material, such costs may be material in the future. Further details regarding our commitments and contingencies are provided in Note 21. "Contingent Liabilities."

Market Data

Some market data and other statistical information used throughout this Annual Report on Form 10-K is based on data from independent firms such as IHS Automotive and Boston Consulting Group. Other data is based on good faith estimates, which are derived from our review of internal analyses, as well as third party sources. Although we believe these third party sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness. To the extent that we have been unable to obtain information from third party sources, we have expressed our belief on the basis of our own internal analyses of our products and capabilities in comparison to our competitors.

Available Information

We make available free of charge on our website (www.cooperstandard.com) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission ("SEC"). Our reports filed with the SEC also may be found on the SEC's website at www.sec.gov. Neither the information on our website nor the information on the SEC's website is incorporated by reference into this Report unless expressly noted.

Forward-Looking Statements

This Annual Report on Form 10-K 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," "forecast," or future or conditional verbs, such "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, uncertainties and other factors 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; possible variability of our working capital requirements; risks associated with our international operations; 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 or other disruptions in our information technology systems; the possible volatility of our annual effective tax rate; changes in our assumptions used for evaluation of deemed repatriation tax and the remeasurement of our deferred tax assets and liabilities, including as a result of IRS issuing guidance on Tax Cuts and Jobs Act that may change our

assumptions; 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. 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 Annual Report on Form 10-K 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 1A. Risk Factors
We have listed below (not necessarily in order of importance or probability of occurrence) the most significant risk factors that could cause our actual results to vary materially from recent or anticipated results and could materially and adversely affect our business, results of operations, financial condition and cash flows.
We are highly dependent on the automotive industry. A prolonged or material contraction in automotive sales and production volumes could adversely affect our business, results of operations and financial condition.
Automotive sales and production are cyclical and depend on, among other things, general economic conditions and consumer spending, vehicle demand and preferences (which can be affected by a number of factors, including fuel costs, employment levels and the availability of consumer financing). As the volume of automotive production fluctuates, the demand for our products also fluctuates. Prolonged or material contraction in automotive sales and production volumes could cause our customers to reduce orders of our products, which could adversely affect our business, results of operations and financial condition.
We may not realize sales represented by awarded business, which could adversely affect our business, financial condition, results of operations and cash flows.
The realization of future sales from awarded business is subject to risks and uncertainties inherent in the cyclicality of vehicle production. In addition, our customers generally have the right to resource awarded business without penalty. Therefore, the ultimate amount of our sales are not guaranteed. If actual production orders from our customers are not consistent with the projections we use in calculating the amount of awarded business, we could realize substantially less sales and profit over the life of these awards than currently projected.
Escalating pricing pressures may adversely affect our business.
Pricing pressure in the automotive supply industry has been substantial and is likely to continue. Nearly all vehicle manufacturers seek price reductions in both the initial bidding process and during the term of the contract. Price reductions have adversely impacted our sales and profit margins and are expected to do so in the future. If we are not able to offset continued price reductions through improved operating efficiencies and reduced expenditures, those price reductions may have a negative impact on our financial condition.
Our business could be adversely affected if we lose any of our largest customers or significant platforms.
While we provide parts to virtually every major global OEM for use on a wide range of different platforms, sales to our three largest customers, Ford, GM and FCA, on a worldwide basis represented approximately 58% of our sales for the year ended December 31, 2017. Our ability to reduce the risks inherent in certain concentrations of business will depend, in part, on our ability to continue to diversify our sales on a customer, product, platform and geographic basis. Although business with each customer is typically split among numerous contracts, the loss of a major customer, significant reduction in purchases of our products by such customer, or any discontinuance or resourcing of a significant platform could adversely affect our business, results of operations and financial condition.
We operate in a highly competitive industry and efforts by our competitors to gain market share could adversely affect our financial performance.
The automotive parts industry is highly competitive. We face numerous competitors in each of our product lines. In general, there are three or more significant competitors and numerous smaller competitors for most of the products we offer. We also face competition for certain of our products from suppliers producing in lower-cost regions such as Asia and Eastern

11

Europe. Our competitors' efforts to grow market share could exert downward pressure on the pricing of our products and our margins.

Increases in the costs, or reduced availability, of raw materials and manufactured components may adversely affect our profitability.

Raw material costs can be volatile. The principal raw materials we purchase include synthetic rubber, components manufactured from carbon steel, plastic resins and components, carbon black, process oils, components manufactured from aluminum and natural rubber. Raw materials are the largest component of our costs, representing approximately 51% of our total cost of products sold in 2017. The availability of raw materials and manufactured components can fluctuate due to factors beyond our control. A significant increase in the price of these items, or a restriction in their availability, could materially increase our operating costs and adversely affect our profitability because it is generally difficult to pass through these increased costs to our customers.

Disruptions in the supply chain could have an adverse effect on our business, financial condition, results of operations and cash flows.

We obtain components and other products and services from numerous suppliers and other vendors throughout the world. We are responsible for managing our supply chain, including suppliers that may be the sole sources of products that we require, that our customers direct us to use or that have unique capabilities that would make it difficult and/or expensive to re-source. In certain instances, entire industries may experience short-term capacity constraints. Any significant disruption in supply could adversely affect our financial performance. Furthermore, unfavorable economic or industry conditions could result in financial distress within our supply base, thereby increasing the risk of supply disruption. Although market conditions generally have improved in recent years, uncertainty remains, and another economic downturn or other unfavorable industry conditions in one or more of the regions in which we operate could cause a supply disruption and thereby adversely affect our financial condition, operating results and cash flows.

If a customer experiences a material supply shortage, either directly or as a result of a supply shortage at another supplier, that customer may halt or limit the purchase of our products, which could adversely affect our business, results of operations and financial condition.

Entering new markets poses new competitive threats and commercial risks.

We have commenced an implementation of our strategy to leverage our core products in adjacent markets and license our innovation technology in non-automotive markets. We cannot guarantee that we will be successful in leveraging our existing products and technology into new markets and thus, in meeting the needs of these new customers and competing favorably in these new markets.

Our working capital requirements may negatively affect our liquidity and capital resources.

Our working capital requirements can vary significantly, depending in part on the level, variability and timing of our customers' worldwide vehicle production and the payment terms with our customers and suppliers. If our working capital needs exceed our cash provided by operating activities, we would look to our cash balances and availability under our borrowing arrangements to satisfy those needs, as well as potential sources of additional capital, which may not be available on satisfactory terms and in adequate amounts, if at all.

We are subject to other risks associated with our international operations.

We have significant manufacturing operations outside the United States, including joint ventures and other alliances. Our operations are located in 20 countries, and we export to several other countries. In 2017, approximately 76% of our sales were attributable to products manufactured outside the United States. Risks inherent in our international operations include:

- currency exchange rate fluctuations, currency controls and restrictions, and the ability to hedge currencies;
- changes in local economic conditions;
- repatriation restrictions or requirements, including tax increases on remittances and other payments by our foreign subsidiaries;
- global sovereign fiscal uncertainty and hyperinflation in certain foreign countries;
- changes in laws and regulations, including laws or policies governing the terms of foreign trade, and in particular increased trade restrictions, tariffs, or taxes or the imposition of embargoes on imports from countries where we

manufacture products;

- exposure to possible expropriation or other government actions; and
- exposure to local political or social unrest including resultant acts of war, terrorism, or similar events.

Expanding our sales and manufacturing operations in the Asia Pacific region, particularly in China, is an integral part of our strategy, and, as a result, our exposure to the risks described above is substantial. The occurrence of any of these risks may adversely affect the results of operations and financial condition of our international operations and our business as a whole.

Foreign currency exchange rate fluctuations could materially impact our operating results.

Our sales and manufacturing operations outside the United States expose us to currency risks. For our consolidated financial statements, our sales and earnings denominated in foreign currencies are translated into U.S. dollars. This translation is calculated based on average exchange rates during the reporting period. Accordingly, our reported international sales and earnings could be adversely impacted in periods of a strengthening U.S. dollar.

Although we generally produce in the same geographic region as our products are sold, we also produce in countries that predominately sell in another currency. Further, some of our commodities are purchased in or tied to the U.S. dollar; therefore our earnings could be adversely impacted during the periods of a strengthening U.S. dollar relative to other foreign currencies. While we employ financial instruments to hedge certain portions of our foreign currency exposures, our efforts to manage these risks may not be successful and may not completely insulate us from the effects of currency fluctuation.

A portion of our operations are conducted by joint ventures which have unique risks.

Certain of our operations are carried out by joint ventures. In joint ventures, we share the management of the company with one or more partners who may not have the same goals, resources or priorities as we do. The operations of our joint ventures are subject to agreements with our partners, which typically include additional organizational formalities as well as requirements to share information and decision making, and may also limit our ability to sell our interest. Additional risks include one or more partners failing to satisfy contractual obligations, a change in ownership of any of our partners and our limited ability to control our partners' compliance with applicable laws, including the Foreign Corrupt Practices Act. Any such occurrences could adversely affect our financial condition, operating results, cash flow or reputation.

We have a substantial amount of indebtedness, which could have a material adverse effect on our financial condition and our ability to obtain financing in the future and to react to changes in our business.

For discussion of our debt and financing arrangements, including our senior term loan facility ("Term Loan Facility"), 5.625% Senior Notes due 2026 ("Senior Notes"), our senior asset-based revolving credit facility ("ABL Facility") and debt of certain foreign subsidiaries, see "Liquidity and Capital Resources - Financing Arrangements" in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 8. "Financial Statements and Supplementary Data" of this Report.

Our significant amount of debt and our debt service obligations could limit our ability to satisfy our obligations, limit our ability to operate our business and impair our competitive position. For example, it could:

- increase our vulnerability to adverse economic and general industry conditions, including interest rate fluctuations, because a portion of our borrowings are at variable rates of interest;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, which would reduce the availability of cash to fund working capital, capital expenditures or other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- place us at a disadvantage compared to competitors that may have proportionately less debt;
- limit our ability to obtain additional debt or equity financing due to applicable financial and restrictive covenants in our debt agreements; and
- increase our cost of borrowing.

Our ability to make scheduled payments on our debt or to refinance these obligations depends on our financial condition, operating performance and our ability to generate cash in the future. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, sell material assets, seek additional capital or restructure or refinance our indebtedness, any of which could have a material adverse effect on our business, results of operations and financial condition. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to restructure or refinance our indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments, including the credit agreements governing the Term Loan Facility and the ABL Facility and the indenture governing the Senior Notes, may limit or prevent us from taking any of these actions. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the Term Loan Facility, the Senior Notes or the ABL Facility.

Although the credit agreements governing the Term Loan Facility and the ABL Facility contain certain limitations on our ability to incur additional indebtedness, they do not prohibit us from incurring obligations that do not constitute indebtedness as defined therein. To the extent that we incur additional indebtedness or such other obligations, the risk associated with our substantial indebtedness described above, including our potential inability to service our debt, will increase.

Our debt instruments impose significant operating and financial restrictions on us and our subsidiaries.

The credit agreements governing the Term Loan Facility and the ABL Facility impose significant operating and financial restrictions and limit our ability, among other things, to:

- incur, assume or permit to exist additional indebtedness (including guarantees thereof);
- pay dividends or certain other distributions on our capital stock or repurchase our capital stock or prepay subordinated indebtedness;
- incur liens on assets;
- make certain investments or other restricted payments;
- allow to exist certain restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- engage in transactions with affiliates;
- alter the business that we conduct; and
- sell certain assets or merge or consolidate with or into other companies.

Moreover, our ABL Facility provides the agent considerable discretion to impose reserves, which could materially reduce the amount of borrowings that would otherwise be available to us.

The indenture governing the Senior Notes also imposes restrictions and limits our ability, among other things, to:

- incur liens on assets;
- make certain restricted payments;
- sell certain assets or merge or consolidate with or into other companies; and
- enter into certain sale-leaseback transactions.

As a result of these covenants and restrictions (including borrowing base availability), we are limited in how we conduct our business, and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities or acquisitions. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants in such agreements. Our failure to comply with the restrictive covenants described above as well as others contained in our future debt instruments from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms, our financial condition, results of operations and cash flows could be adversely affected.

If there were an event of default under any of the agreements relating to our outstanding indebtedness, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. Our assets or cash flow may not be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure our indebtedness under our secured debt, the holders of such debt could proceed against the collateral securing that indebtedness. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments. As a result, any default by us on our indebtedness could have a material adverse effect on our business, financial condition and results of operation.

Our pension plans are currently underfunded, and we may have to make cash contributions to the plans, reducing the cash available for our business.

We sponsor various pension plans worldwide that are underfunded and will require cash contributions. Additionally, if the performance of the assets in our pension plans does not meet our expectations, or if other actuarial assumptions are modified, our required contributions may be higher than we expect. As of December 31, 2017, our pension plans were underfunded by $185.1 million. If our cash flow from operations is insufficient to fund our worldwide pension liabilities, it could have an adverse effect on our financial condition and results of operations.

Significant changes in discount rates, the actual return on pension assets and other factors could adversely affect our liquidity, results of operations and financial condition.

Our earnings may be positively or negatively impacted by the amount of income or expense recorded related to our pension plans. Generally accepted accounting principles in the United States ("U.S. GAAP") require that income or expense related to the pension plans be calculated at the annual measurement date using actuarial calculations, which reflect certain assumptions. Because these assumptions have fluctuated and will continue to fluctuate in response to changing market conditions, the amount of gains or losses that will be recognized in subsequent periods, the impact on the funded status of the pension plans and the future minimum required contributions, if any, could adversely affect our liquidity, results of operations and financial condition.

The benefits of our continuous improvement program and other cost savings plans may not be fully realized.

Our operations strategy includes continuous improvement programs and implementation of lean manufacturing tools across all facilities to achieve cost savings and increased performance. Further, we have and may continue to initiate restructuring actions designed to improve future profitability and competitiveness. The cost savings that we anticipate from these initiatives may not be achieved on schedule or at the level we anticipate. If we are unable to realize these anticipated savings, our operating results and financial condition may be adversely affected.

We may incur significant costs related to manufacturing facility closings or consolidation which could have an adverse effect on our financial condition.

If we must close or consolidate manufacturing locations, the exit costs associated with such closures or consolidation, including employee termination costs, may be significant. Such costs could negatively affect our cash flows, results of operations and financial condition.

Our inability to effectively manage the timing, quality and costs of new program launches could adversely affect our financial performance.

In connection with the award of new business, we may obligate ourselves to deliver new products that are subject to our customers' timing, performance and quality standards. Given the number and complexity of new program launches, we may experience difficulties managing product quality, timeliness and associated costs. In addition, new program launches require a significant ramp up of costs. However, our sales related to these new programs generally are dependent upon the timing and success of our customers' introduction of new vehicles. Our inability to effectively manage the timing, quality and costs of these new program launches could adversely affect our financial condition, operating results and cash flows.

Our success depends in part on our development of improved products, and our efforts may fail to meet the needs of customers on a timely or cost-effective basis.

Our continued success depends on our ability to maintain advanced technological capabilities and knowledge necessary to adapt to changing market demands, as well as to develop and commercialize innovative products. We may be unable to develop new products successfully or to keep pace with technological developments by our competitors and the industry in general. In addition, we may develop specific technologies and capabilities in anticipation of customers' demands for new innovations and technologies. If such demand does not materialize, we may be unable to recover the costs incurred in such programs. If we are unable to recover these costs or if any such programs do not progress as expected, our business, results of operations and financial condition could be adversely affected.

Any acquisitions or divestitures we make may be unsuccessful, may take longer than anticipated or may negatively impact our business, financial condition, results of operations and cash flows.

We may pursue acquisitions or divestitures in the future as part of our strategy. Acquisitions and divestitures involve numerous risks, including identifying attractive target acquisitions, undisclosed risks affecting the target, difficulties integrating acquired businesses, the assumption of unknown liabilities, potential adverse effects on existing customer or supplier relationships, and the diversion of management's attention from day-to-day business. We may not have, or be able to raise on acceptable terms, sufficient financial resources to make acquisitions. Our ability to make investments may also be limited by the terms of our existing or future financing arrangements. Any acquisitions or divestitures we pursue may not be successful or prove to be beneficial to our operations and cash flow.

We may incur material losses and costs as a result of product liability and warranty and recall claims that may be brought against us.

We may be exposed to product liability and warranty claims in the event that our products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in bodily injury and/or property damage.

Accordingly, we could experience material warranty or product liability expenses in the future and incur significant costs to defend against these claims. In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall of that product if the defect or the alleged defect relates to automotive safety. Product recalls could cause us to incur material costs and could harm our reputation or cause us to lose customers, particularly if any such recall causes customers to question the safety or reliability of our products. Also, while we possess considerable historical warranty and recall data with respect to the products we currently produce, we do not have such data relating to new products, assembly programs or technologies, including any new fuel and emissions technology and systems being brought into production, to allow us to accurately estimate future warranty or recall costs.

In addition, the increased focus on systems integration platforms utilizing fuel and emissions technology with more sophisticated components from multiple sources could result in an increased risk of component warranty costs over which we have little or no control and for which we may be subject to an increasing share of liability to the extent any of the other component suppliers are in financial distress or are otherwise incapable of fulfilling their warranty or product recall obligations. Our costs associated with providing product warranties and responding to product recall claims could be material, and we do not have insurance covering product recalls. Product liability, warranty and recall costs may adversely affect our business, results of operations and financial condition.

We may be adversely affected by laws and regulations, including environmental, health and safety laws and regulations.

We are subject to various U.S. federal, state and local, and non-U.S. laws and regulations, including those related to environmental, health and safety, financial, tax, customs and other matters. We cannot predict the substance or impact of pending or future legislation or regulations, or the application thereof. The introduction of new laws or regulations or changes in existing laws or regulations, or the interpretations thereof, could increase the costs of doing business for us or our customers or suppliers or restrict our actions and adversely affect our financial condition, results of operations and cash flows.

In particular, we are subject to a broad range of laws and regulations governing emissions to air; discharges to water; noise and odor emissions; the generation, handling, storage, transportation, treatment, reclamation and disposal of chemicals and waste materials; the cleanup of contaminated properties; and health and safety. We may incur substantial costs in complying with these laws and regulations. Many of our current and former facilities have been subject to certain environmental investigations and remediation activities, and we maintain environmental reserves for certain of these sites. Through various acquisitions, we have acquired a number of manufacturing facilities, and we cannot assure that we will not incur material costs or liabilities relating to activities that predate our ownership. Material future expenditures may be necessary if compliance standards change or material unknown conditions that require remediation are discovered. Environmental laws could also restrict our ability to expand our facilities or could require us to acquire costly equipment or to incur other significant expenses. If we fail to comply with present and future environmental laws and regulations, we could be subject to future liabilities, which could adversely affect our financial condition, operating results and cash flows.

We are involved from time to time in legal proceedings, claims or investigations which could have an adverse impact on our profitability and financial condition.

We are involved in legal proceedings, claims or investigations that, from time to time, may be significant. These matters typically arise in the normal course of business including, without limitation, commercial or contractual disputes, including warranty claims and other disputes with customers and suppliers; intellectual property matters; personal injury claims; environmental issues; tax matters; employment matters; or allegations relating to legal compliance by us or our employees.

For further information regarding our legal matters, see Item 3. “Legal Proceedings.” No assurance can be given that such proceedings, claims and investigations will not have a material adverse effect on our profitability and financial condition.

Work stoppages or similar difficulties could disrupt our operations and negatively affect our operations and financial performance.

We may be subject to work stoppages and may be affected by other labor disputes. A number of our collective bargaining agreements expire in any given year. There is no certainty that we will be successful in negotiating new agreements with these unions that extend beyond the current expiration dates or that these new agreements will be on terms as favorable to us as past labor agreements. Failure to renew these agreements when they expire or to establish new collective bargaining agreements on terms acceptable to us and the unions could result in work stoppages or other labor disruptions which may have an adverse effect on our operations, customer relationships and financial results. Additionally, a work stoppage at one or more of our suppliers or our customers' suppliers could adversely affect our operations if an alternative source of supply were not readily available. Work stoppages by our customers' employees could result in reduced demand for our products and could have an adverse effect on our business. In addition, it is possible that our workforce will become more unionized in the future. Unionization activities could increase our costs, which could negatively affect our profitability.

If we are unable to protect our intellectual property or if a third party challenges our intellectual property rights, our business could be adversely affected.

We own or have rights to proprietary technology that is important to our business. We rely on intellectual property laws, patents, trademarks and trade secrets to protect such technology. Such protections, however, vary among the countries in which we market and sell our products, and as a result, we may be unable to prevent third parties from using our intellectual property without authorization. Any infringement or misappropriation of our technology could have an adverse effect on our business and results of operations. We also face exposure to claims by others for infringement of intellectual property rights and could incur significant costs or losses related to such claims. In addition, many of our supply agreements require us to indemnify our customers from third-party infringement claims. These claims, regardless of their merit or resolution, are frequently costly to prosecute, defend or settle and divert the efforts and attention of our management and employees. If any such claim were to result in an adverse outcome, we could be required to take actions which may include: ceasing the manufacture, use or sale of the infringing products; paying substantial damages to third parties, including to customers to compensate them for the discontinued use of a product or to replace infringing technology with non-infringing technology; or expending significant resources to develop or license non-infringing products, any of which could adversely affect our operations, business and financial condition.

A disruption in, or the inability to successfully implement upgrades to, our information technology systems, including disruptions relating to cybersecurity, could adversely affect our business and financial performance.

We rely upon information technology networks, systems and processes to manage and support our business. We have implemented a number of procedures and practices designed to protect against breaches or failures of our systems. Despite the security measures that we have implemented, including those measures to prevent cyber-attacks, our systems could be breached or damaged by computer viruses or unauthorized physical or electronic access. A breach of our information technology systems could result in theft of our intellectual property, disruption to business or unauthorized access to customer or personal information. Such a breach could adversely impact our operations and/or our reputation and may cause us to incur significant time and expense to cure or remediate the breach.

Further, we continually update and expand our information technology systems to enable us to more efficiently run our business. If these systems are not implemented successfully, our operations and business could be disrupted and our ability to report accurate and timely financial results could be adversely effected.

Our expected annual effective tax rate could be volatile and could materially change as a result of changes in many items including mix of earnings, debt and capital structure and other factors.

Many items could impact our effective tax rate including changes in our debt and capital structure, mix of earnings and many other factors. Our overall effective tax rate is based upon the consolidated tax expense as a percentage of consolidated earnings before tax. However, tax expenses and benefits are not recognized on a consolidated or global basis, but rather on a jurisdictional, legal entity basis. Further, certain jurisdictions in which we operate generate losses where no current financial statement tax benefit is realized. In addition, certain jurisdictions have statutory rates greater than or less than the United States statutory rate. As such, changes in the mix and source of earnings between jurisdictions could have a significant impact on our overall effective tax rate in future years. Changes in rules related to accounting for income taxes, changes in tax laws and rates or adverse outcomes from tax audits that occur regularly in any of our jurisdictions could also have a significant impact on our overall effective tax rate in future periods.

Impairment charges relating to our goodwill, long-lived assets or intangible assets could adversely affect our results of operations.

We regularly monitor our goodwill, long-lived assets and intangible assets for impairment indicators. In conducting our goodwill impairment testing, we compare the fair value of each of our reporting units to the related net book value. In conducting our impairment analysis of long-lived and intangible assets, we compare the undiscounted cash flows expected to be generated from the long-lived or intangible assets to the related net book values. Changes in economic or operating conditions impacting our estimates and assumptions could result in the impairment of our goodwill, long-lived assets or intangible assets. In the event that we determine that our goodwill, long-lived assets or intangible assets are impaired, we may be required to record a significant charge to earnings, which could adversely affect our results of operations.

We operate as a holding company and depend on our subsidiaries for cash to satisfy the obligations of the holding company.

Cooper-Standard Holdings Inc. is a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Our cash flow and our ability to meet our obligations depend on the cash flow of our subsidiaries. In addition, the payment of funds in the form of dividends, intercompany payments, tax sharing payments and otherwise may be subject to restrictions under the laws of the countries of incorporation of our subsidiaries or their governing documents.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2017, our operations were conducted through 124 wholly-owned, leased and joint venture facilities in 20 countries (North America: Canada, Mexico, United States; Asia Pacific: China, India, Japan, South Korea, Thailand; Europe: Czech Republic, France, Germany, Italy, Netherlands, Poland, Romania, Serbia, Spain, Sweden, United Kingdom; South America: Brazil), of which 92 are predominantly manufacturing facilities and 32 have design, engineering, administrative or logistics designation(s). Our corporate headquarters are located in Novi, Michigan. Our manufacturing facilities are located in North America, Europe, Asia and South America. We believe that substantially all of our properties are in generally good condition and there is sufficient capacity to meet current and projected manufacturing, product development and logistics requirements. The following table summarizes our key property holdings:

Segment	Type	Total Facilities*	Owned Facilities
North America	Manufacturing [a]	33	27
	Other [b]	14	—
Asia Pacific	Manufacturing [a]	31	10
	Other [b]	5	—
Europe	Manufacturing [a]	25	17
	Other [b]	12	2
South America	Manufacturing [a]	3	1
	Other [b]	1	—

(a) Includes multi-activity sites which are predominantly manufacturing.

(b) Includes design, engineering, administrative and logistics locations.

(*) Excludes 8 unutilized facilities: (3) Europe; (5) North America

(*) Includes 20 R&D facilities worldwide.

Item 3. Legal Proceedings

The litigation process is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. See Note 21. “Contingent Liabilities” to the consolidated financial statements for discussion of loss contingencies.

On March 30, 2016, a putative class action complaint alleging conspiracy to fix the price of body sealing products used in automobiles and other light-duty vehicles was filed in Ontario against numerous automotive suppliers, including Cooper-Standard Holdings Inc., CSA U.S. and Cooper-Standard Automotive Canada Limited (“CS Defendants”) and Nishikawa Cooper LLC, a joint venture in which the Company holds a 40% interest. Plaintiffs purport to be indirect purchasers of body sealing products supplied by the CS Defendants and/or the other defendants during the relevant period. The plaintiffs seek recovery of damages on behalf of direct and indirect purchasers against all defendants in an amount to be determined, punitive damages, as well as pre-judgment and post-judgment interest and related costs and expenses of the litigation. The Company believes the claims asserted against the CS Defendants are without merit and intends to vigorously defend against these claims. Further, the Company does not believe that there is a material loss that is probable and reasonably estimable related to these claims.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock has been traded on the NYSE since October 17, 2013 under the symbol "CPS" and our warrants had been traded on the OTC Bulletin Board since June 4, 2010, under the symbol "COSHW." Our warrants expired on November 27, 2017.

The following chart lists the high and low sale prices for shares of our common stock and warrants for the fiscal quarters indicated for the years ended December 31, 2017 and 2016. With respect to our warrants, these prices are between dealers and do not include retail markups, markdowns or other fees and commissions and may not represent actual transactions:

	Common Stock		Warrants	
2017	High	Low	High	Low
March 31, 2017	$118.10	$102.66	$88.50	$77.00
June 30, 2017	114.30	97.44	83.63	83.63
September 30, 2017	116.98	98.42	80.00	73.00
December 31, 2017	126.74	110.06	94.00 [1]	84.00 [1]

[1] Warrants expired on November 27, 2017. Prices reflect the period October 1, 2017 through November 27, 2017.

	Common Stock		Warrants	
2016	High	Low	High	Low
March 31, 2016	$77.60	$64.31	$46.00	$36.25
June 30, 2016	85.99	71.46	62.29	50.50
September 30, 2016	107.41	77.04	76.75	58.25
December 31, 2016	105.54	86.33	77.50	65.00

Holders of Common Stock

As of February 9, 2018, there were approximately 10 holders of record of our common stock. This stockholder figure does not include a substantially greater number of holders whose shares are held of record by banks, brokers and other financial institutions.

Dividends

Cooper-Standard Holdings Inc. has never paid or declared a dividend on its common stock. The declaration of any prospective dividends is at the discretion of the Board of Directors and would be dependent upon sufficient earnings, capital requirements, financial position, general economic conditions, state law requirements and other relevant factors. Additionally, our credit agreements governing our ABL Facility, Term Loan Facility and Senior Notes contain covenants that, among other things, restrict our ability to pay certain dividends and distributions subject to certain qualifications and limitations. See "Financing Arrangements" under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report. We do not anticipate paying any dividends on our common stock in the foreseeable future.

Securities Repurchase Program

In March 2016, our Board of Directors approved a securities repurchase program (the "Program") authorizing us to repurchase, in the aggregate, up to $125 million of our outstanding common stock or warrants to purchase common stock. Under the Program, repurchases may be made on the open market or through private transactions, as determined by our management 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. We are not obligated to acquire a particular amount of securities, and the Program may be discontinued at any time at the Company's discretion. As of December 31, 2017, we have approximately $45.3 million of repurchase authorization remaining under the Program.

A summary of shares of our common stock repurchased during the three months ended December 31, 2017 is shown below:

Period	Total Number of Shares Purchased[(1)]	Average Price Paid per Share	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)
October 1, 2017 through October 31, 2017	72,436	$113.73	72,429	$ 61.5
November 1, 2017 through November 30, 2017	70,278	$119.59	69,300	$ 53.2
December 1, 2017 through December 31, 2017	66,000	$120.57	66,000	$ 45.3
Total	208,714	$117.87	207,729	$ 45.3

(1) Includes 985 shares repurchased by the Company to satisfy employee tax withholding requirements due upon the vesting of restricted stock awards.

Performance Graph

The following graph compares the cumulative total stockholder return for Cooper-Standard Holdings Inc. to the Standard & Poor's 500 Index and the Standard & Poor's Supercomposite Auto Parts & Equipment Index based on currently available data. The graph assumes an initial investment of $100 on December 28, 2012 and reflects the cumulative total return on that investment, including the reinvestment of all dividends where applicable, through December 31, 2017.

Comparison of Cumulative Return

	Ticker	12/28/2012*	12/31/2013	12/31/2014	12/31/2015	12/30/2016*	12/29/2017*
Cooper-Standard Holdings Inc.	CPS	$ 100.00	$ 129.24	$ 152.32	$ 204.18	$ 272.05	$ 322.37
S&P 500	SPX	$ 100.00	$ 132.37	$ 150.04	$ 151.78	$ 169.72	$ 206.10
S&P Supercomposite Auto Parts & Equipment Index	S15AUTP	$ 100.00	$ 167.87	$ 173.29	$ 161.68	$ 170.65	$ 224.00

* Represents last trading day of the year

Item 6. Selected Financial Data

The selected financial data for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 have been derived from our consolidated financial statements, which have been audited by Ernst & Young LLP, our independent registered public accounting firm. You should read the following data in conjunction with Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes thereto included in Item 8. “Financial Statements and Supplementary Data” of this Report.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollar amounts in millions except per share amounts)				
Statement of operations data:					
Sales	$3,618.1	$3,472.9	$3,342.8	$3,244.0	$3,090.5
Net income	138.6	140.4	111.8	45.5	45.2
Net income attributable to Cooper-Standard Holdings Inc.	135.3	139.0	111.9	42.8	47.9
Earnings per share:					
Basic	$7.61	$7.96	$6.50	$2.56	$2.39
Diluted	$7.21	$7.42	$6.08	$2.39	$2.24

	As of December 31,				
	2017	2016	2015	2014	2013
	(Dollar amounts in millions)				
Balance sheet data (at end of period):					
Cash and cash equivalents	$516.0	$480.1	$378.2	$267.3	$184.4
Net working capital [1]	118.8	90.2	175.3	294.3	269.1
Total assets	2,725.6	2,491.7	2,304.3	2,125.6	2,102.8
Total non-current liabilities	1,043.6	1,010.6	1,008.1	1,044.9	911.9
Total debt [2]	758.2	762.9	777.9	778.7	684.4
Total equity	855.1	721.8	614.8	548.7	615.6
Statement of cash flows data:					
Net cash provided by (used in):					
Operating activities	$313.5	$363.7	$270.4	$171.0	$133.3
Investing activities	(200.6)	(198.3)	(166.4)	(157.4)	(191.1)
Financing activities	(75.5)	(62.9)	(11.6)	49.4	(23.0)
Other financial data:					
Capital expenditures, including other intangible assets	$186.8	$164.4	$166.3	$192.1	$183.3

(1) Net working capital is defined as current assets (excluding cash and cash equivalents) less current liabilities (excluding debt payable within one year).

(2) Includes $393.7 of our Senior Notes, $330.8 of Term Loan, $1.9 in capital leases, and $31.8 of other third-party debt as of December 31, 2017.

Item 7. 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 Item 1. "Business—Forward-Looking Statements" 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 Item 1A. "Risk Factors." Management's discussion and analysis of financial condition and results of operations should be read in conjunction with Item 6. "Selected Financial Data" and our consolidated financial statements and the notes to those statements included in Item 8. "Financial Statements and Supplementary Data" of this Report.

Executive Overview

Our Business

We design, manufacture and sell sealing, fuel and brake delivery, fluid transfer and anti-vibration systems for use in passenger vehicles and light trucks manufactured by global OEMs. In 2017, approximately 85% of our sales consisted of original equipment sold directly to OEMs for installation on new vehicles. The remaining 15% of our sales were primarily to Tier I and Tier II suppliers and non-automotive manufacturers. Accordingly, sales of our products are directly affected by the annual vehicle production of OEMs and, in particular, the production levels of the vehicles for which we provide specific parts. Most of our products are custom designed and engineered for a specific vehicle platform. Our sales and product development personnel frequently work directly with the OEMs' engineering departments in the design and development of our various products.

Although each OEM may emphasize different requirements as the primary criteria for judging its suppliers, we believe success as an automotive supplier generally requires outstanding performance with respect to quality, price, service, performance, design and engineering capabilities, innovation, timely delivery and an extensive global footprint. Also, we believe our continued commitment to invest in global common processes is an important factor in servicing global customers with the same quality and consistency of product wherever we produce in the world. This is especially important when supplying products for global platforms.

In addition, to remain competitive and offset continued customer pricing pressure, we must also consistently achieve and sustain cost savings. In an ongoing effort to reduce our cost structure, we run a global continuous improvement program which includes training for our employees, as well as implementation of lean tools, structured problem solving, best business practices, standardized processes and change management. We also evaluate opportunities to consolidate facilities and to relocate certain operations to lower cost countries. We believe we will continue to be successful in our efforts to improve our design and engineering capability and manufacturing processes while achieving cost savings, including through our continuous improvement initiatives.

Our OEM sales are generally based upon purchase orders issued by the OEMs, with updated releases for volume adjustments. As such, we typically do not have a backlog of orders at any point in time. Once selected to supply products for a particular platform, we typically supply those products for the platform life, which is normally three to five years, although there is no guarantee that this will occur. In addition, when we are the incumbent supplier to a given platform, we believe we have a competitive advantage in winning the redesign or replacement platform.

In 2017, approximately 52% of our sales were generated in North America. Because of our significant international operations, we are subject to the risks associated with doing business in other countries, such as currency volatility, high interest and inflation rates, and the general political and economic risk that are associated with some of these markets.

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. Business conditions may vary significantly from period to period or region to region.

In North America, the U.S. economy grew modestly in 2017. Recent tax reforms could provide incremental stimulus to drive economic growth even higher in 2018. Modest economic growth is also expected to continue in Canada and Mexico in

2018. The mix of vehicles produced and sold in the region continues to shift away from passenger cars in favor of crossover utility vehicles and light trucks.

In Europe, the continuing economic recovery is driving increased demand for light vehicles. Certain countries within the European region are faced with an uncertain and potentially volatile geopolitical climate, which could impact consumer confidence and economic growth. Economic growth within this region is expected to continue modestly in 2018.

The Chinese government continues to manage the nation's economy with a goal of sustaining growth. The growth target for 2018 is approximately 6.5%. Overall economic growth, consumer preferences and an expanding middle class in China continue to drive crossover utility vehicle demand higher, while demand for passenger cars is expected to decline slightly year-over-year following the discontinuation of tax incentives that favored smaller vehicles.

The Brazilian economy experienced a modest recovery in 2017, with even stronger growth forecasted in 2018. Based on this, our near-term outlook for South America is positive. We remain cautious for the mid to long-term outlook, however, given the long history of political instability and economic volatility in the region.

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.

According to the forecasting firm IHS Markit, global light vehicle production was approximately 95 million units in 2017. This reflects growth of approximately 2% globally.

Details on light vehicle production in certain regions for 2017 and 2016, as well as projections for 2018, are provided in the following table:

(In millions of units)	2018[1]	2017[1]	2016[1]	Projected % Change 2017-2018	% Change 2016-2017
North America	17.4	17.1	17.8	1.7 %	(4.0)%
Europe	22.6	22.2	21.5	1.9 %	3.2 %
Asia Pacific[2]	50.2	49.9	48.7	0.7 %	2.4 %
South America	3.7	3.3	2.7	13.6 %	20.0 %

(1) Production data based on IHS Automotive, January 2018.

(2) Includes Greater China units of 28.1, 27.9, and 27.4 for 2018, 2017 and 2016, respectively.

We expect vehicle production to surpass 100 million units by 2020, with the growth being driven primarily in Asia. We anticipate that light vehicle production in North America and Europe will remain relatively stable over the next few years. In South America, we anticipate light vehicle production to be relatively strong in the near-term, but we remain cautious due to potential geo-political instability in the region.

Industry Overview

Competition in the automotive supplier industry is intense and has increased in recent years as OEMs have demonstrated a preference for stronger relationships with fewer suppliers. Because of a growing emphasis on global vehicle platforms, automotive suppliers with a global manufacturing footprint capable of fully servicing customers around the world will typically have a competitive advantage over smaller, regional competitors. This dynamic is likely to result in further consolidation of competing suppliers within our industry over time.

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

Increased competitiveness in the industry, as well as customer focus on costs, has resulted in continued pressure on suppliers for price reductions, reducing the overall profitability of the industry. Consolidations and market share shifts among vehicle manufacturers continue to put additional pressures on the supply chain. These pricing and market pressures will continue to drive our focus on reducing our overall cost structure through continuous improvement initiatives, capital redeployment, restructuring and other cost management processes.

In addition to the above, other factors will present opportunities for automotive suppliers who are positioned for the changing environment, including autonomous and connected vehicles, evolving government regulation, and consumer preference for environmentally friendly products and technology, including hybrid and electric vehicle architectures.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 2. “Summary of Significant Accounting Policies” to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data” of this Report. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. These policies require the most difficult, subjective or complex judgments that management makes in the preparation of the financial statements and accompanying notes. We consider an accounting estimate to be critical if (i) it requires us to make assumptions about matters that were uncertain at the time we were making the estimate, and (ii) changes in the estimate or different estimates that we could have selected could have had a material impact on our financial condition or results of operations. Such critical accounting estimates are discussed below. For these, materially different amounts could be reported under varied conditions and assumptions. Other items in our consolidated financial statements require estimation, however, in our judgment, they are not as critical as those discussed below.

Goodwill. Our goodwill is tested for impairment as of October 1 of each year for all of our reporting units, and more frequently if events occur or circumstances change that would warrant such a review. For our goodwill analysis, fair values are based on the cash flows projected in the reporting units’ strategic plans and long-range planning forecasts, discounted at a risk-adjusted rate of return. Our long-range planning forecasts are based on our assessment of revenue growth rates generally based on industry specific data, external vehicle build assumptions published by widely used external sources, and customer market share data based on known and targeted awards over a five-year period. The projected profit margin assumptions included in the plans are based on the current cost structure and adjustments for anticipated cost reductions or increases. If different assumptions were used in these plans, the related cash flows used in measuring fair value could be different and impairment of goodwill might be recorded. We assess the reasonableness of the estimated fair values using market based multiples of comparable companies. Our annual goodwill impairment analysis resulted in no impairment for 2017 or 2016.

Long-Lived Assets. We monitor our long-lived assets for impairment indicators on an ongoing basis. If impairment indicators exist, we analyze the undiscounted cash flows expected to be generated from the long-lived assets compared to the related net book values. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived assets. Fair value is estimated based upon either a discounted cash flow analysis or estimated salvage values. Cash flows are estimated using internal budgets based on recent sales data, independent automotive production volume estimates and customer commitments, as well as assumptions related to discount rates. Changes in economic or operating conditions impacting these estimates and assumptions could result in the impairment of long-lived assets. See Note 6. “Property, Plant and Equipment” to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for additional information.

Restructuring. Specific accruals have been recorded in connection with restructuring initiatives. These accruals include estimates principally related to employee separation costs, the closure and/or consolidation of facilities and contractual obligations. Actual amounts recognized could differ from the original estimates. Restructuring-related reserves are reviewed on a quarterly basis, and changes to plans are appropriately recognized when identified. Changes to plans associated with the restructuring of existing businesses are generally recognized as employee separation and plant phase-out costs in the period the change occurs. See Note 5. “Restructuring” to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for additional information.

Revenue Recognition and Sales Commitments. We generally enter agreements with customers to produce products at the beginning of a vehicle’s life. Although such contracts do not usually include minimum quantities, fulfillment of customers’ purchasing requirements can be our obligation for the entire production life of the vehicle. These agreements generally may be terminated by our customer at any time, but such cancellations have historically been minimal. In limited cases, we may be committed to supply products at selling prices that do not cover our costs. In such situations, we recognize losses as they are incurred.

We receive blanket purchase orders from many customers annually. Generally, such purchase orders and related documents establish the annual terms, including pricing, related to a vehicle model. However, purchase orders generally do not specify quantities. We recognize revenue based on the purchase order pricing terms as products are shipped or delivered to customers. As part of certain agreements, customers ask for cost reductions. We accrue for such concessions by reducing revenue as products are shipped. We also generally have ongoing adjustments to customer pricing arrangements based on the content and cost of our products. Such pricing accruals are adjusted as they are settled with customers.

Income Taxes. In determining the provision for income taxes for financial statement purposes, we make estimates and judgments which affect our evaluation of the carrying value of our deferred tax assets as well as our calculation of certain tax liabilities. We evaluate the carrying value of our deferred tax assets on a quarterly basis. In completing this evaluation, we consider all available positive and negative evidence. Such evidence includes historical operating results, the existence of cumulative earnings and losses in the most recent fiscal years, expectations for future pretax operating income, the time period over which our temporary differences will reverse, and the implementation of feasible and prudent tax planning strategies. Deferred tax assets are reduced by a valuation allowance if, based on the weight of this evidence, it is more likely than not that all or a portion of the recorded deferred tax assets will not be realized in future periods.

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

In addition, the calculation of our tax benefits and liabilities includes uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. We recognize tax benefits and liabilities based on our estimate of whether, and the extent to which, additional taxes will be due. We adjust these liabilities based on changing facts and circumstances; however, due to the complexity of some of these uncertainties and the impact of any tax audits, the ultimate resolutions may be materially different from our estimated liabilities. See Note 14. “Income Taxes” to the consolidated financial statements for additional information.

Pensions and Postretirement Benefits Other Than Pensions. Included in our results of operations are significant pension and postretirement benefit costs, which are measured using actuarial valuations. Inherent in these valuations are key assumptions, including discount rates, expected returns on plan assets and health care cost trend rates. These assumptions are determined as of the current year measurement date. We consider current market conditions, including changes in interest rates, in making these assumptions. Changes in pension and postretirement benefit costs may occur in the future due to changes in these assumptions. Our net pension and postretirement benefit costs were approximately $13.4 million and $0.8 million, respectively, for the year ended December 31, 2017.

To develop the discount rate for each pension plan, the expected cash flows underlying the plan’s benefit obligations were discounted using a December 31, 2017 pension index to determine a single equivalent rate. To develop our expected return on plan assets, we considered historical long-term asset return experience, the expected investment portfolio mix of plan assets and an estimate of long-term investment returns. To develop our portfolio of plan assets, we considered the duration of the plan liabilities and gave more weight to equity positions, including both public and private equity investments, than to fixed-income securities.

Weighted average assumptions used to determine pension benefit obligations as of December 31, 2017 were as follows:

	U.S.	Non-U.S.
Discount rate	3.55 %	2.17 %
Rate of compensation increase	N/A	3.17 %

25

Weighted average assumptions used to determine net periodic benefit costs for the year ended December 31, 2017 were as follows:

	U.S.	Non-U.S.
Discount rate	3.99%	2.23 %
Expected return on plan assets	6.60%	5.94 %
Rate of compensation increase	N/A	3.15 %

The sensitivity of our pension cost and obligations to changes in key assumptions, holding all other assumptions constant, is as follows:

Change in assumption	Impact on 2018 net periodic benefit cost	Impact on PBO as of December 31, 2017
1% increase in discount rate	- $1.3 million	- $57.0 million
1% decrease in discount rate	+ $1.5 million	+ $70.3 million
1% increase in expected return on plan assets	- $3.2 million	—
1% decrease in expected return on plan assets	+ $3.2 million	—

Aggregate pension net periodic benefit cost is forecasted to be approximately $5.5 million in 2018.

Health care cost trend rates are assumed to reflect market trend, actual experience and future expectations. Health care cost trend rate assumptions used to determine the postretirement benefit obligation as of December 31, 2017 were as follows:

	U.S.	Non-U.S.
Health care cost trend rate	5.50 %	5.00 %
Ultimate health care cost trend rate	4.20 %	5.00 %
Year that the rate reaches the ultimate trend rate	2025	2018

The sensitivity of our postretirement benefit cost and obligations to changes in the health care cost trend rate is as follows:

	Impact on service cost and interest cost	Impact on PBO as of December 31, 2017
1% increase in health care cost trend rate	+ $0.2 million	+ $4.4 million
1% decrease in health care cost trend rate	- $0.2 million	- $3.5 million

Aggregate other postretirement net periodic benefit cost is forecasted to be approximately $1.5 million in 2018.

The Company’s policy is to fund pension plans such that sufficient assets will be available to meet future benefit requirements and contribute amounts deductible for United States federal income tax purposes or amounts required by local statute. The Company estimates it will make funding cash contributions to its U.S. and non-U.S. pension plans of approximately $8.5 million and $6.2 million, respectively in 2018.

The Company does not prefund its postretirement benefit obligations. Rather, payments are made as costs are incurred by covered retirees. We expect net other postretirement benefit payments to be approximately $2.8 million in 2018.

Results of Operations

	Year Ended December 31,			Change	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
	(dollar amounts in thousands)				
Sales	$3,618,126	$3,472,891	$3,342,804	$145,235	$130,087
Cost of products sold	2,946,828	2,808,049	2,755,691	138,779	52,358
Gross profit	671,298	664,842	587,113	6,456	77,729
Selling, administration & engineering expenses	349,496	359,782	329,922	(10,286)	29,860
Amortization of intangibles	14,056	13,566	13,892	490	(326)
Impairment charges	14,763	1,273	21,611	13,490	(20,338)
Restructuring charges	35,137	46,031	53,844	(10,894)	(7,813)
Other operating loss (profit)	—	155	(8,033)	(155)	8,188
Operating profit	257,846	244,035	175,877	13,811	68,158
Interest expense, net of interest income	(42,112)	(41,389)	(38,331)	(723)	(3,058)
Equity in earnings of affiliates	5,519	7,877	5,683	(2,358)	2,194
Loss on refinancing and extinguishment of debt	(1,020)	(5,104)	—	4,084	(5,104)
Other (expense) income, net	(7,133)	(10,659)	9,759	3,526	(20,418)
Income before income taxes	213,100	194,760	152,988	18,340	41,772
Income tax expense	74,527	54,321	41,218	20,206	13,103
Net income	138,573	140,439	111,770	(1,866)	28,669
Net (income) loss attributable to noncontrolling interests	(3,270)	(1,451)	110	(1,819)	(1,561)
Net income attributable to Cooper-Standard Holdings Inc.	$135,303	$138,988	$111,880	$(3,685)	$27,108

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016.

Sales. Sales for the year ended December 31, 2017 increased $145.2 million, or 4.2%, compared to the year ended December 31, 2016. Sales were favorably impacted by improved volume and mix in all segments, the net impact of acquisitions and divestitures and $26.3 million of favorable foreign exchange, partially offset by customer price reductions.

Cost of Products Sold. Cost of products sold is primarily comprised of material, labor, manufacturing overhead, depreciation and amortization and other direct operating expenses. Cost of products sold for the year ended December 31, 2017, increased $138.8 million, or 4.9%, compared to the year ended December 31, 2016. Materials comprise the largest component of our cost of products sold and represented approximately 51% of total cost of products sold for each of the years ended December 31, 2017 and 2016. Cost of sales was impacted by higher production volumes, commodity price and foreign exchange pressures, as well as our acquisitions. These items were partially offset by continuous improvement, restructuring savings and material cost reductions.

Gross Profit. Gross profit for the year ended December 31, 2017 increased $6.5 million compared to the year ended December 31, 2016. As a percentage of sales, gross profit was 18.6% and 19.1% for the years ended December 31, 2017 and 2016, respectively. The decrease in margin was driven by net favorable operational performance more than offset by unfavorable vehicle production mix, commodity price pressures and foreign exchange.

Selling, Administration and Engineering. Selling, administration and engineering expense for the year ended December 31, 2017 were $349.5 million, or 9.7% of sales, compared to $359.8 million, or 10.4% of sales, for the year ended December 31, 2016. Selling, administration and engineering expenses for the year ended December 31, 2017 were favorable as a result of lower compensation related costs, partially offset by investment for growth and innovation.

Impairment Charges. Non-cash asset impairment charges of $14.8 million for the year ended December 31, 2017 consisted of $4.3 million related to our decision to divest two of our inactive European sites, and $10.5 million related to the deterioration of financial results at one of our Asia Pacific facilities, two of our European locations, and one of our North

American locations. Non-cash asset impairment charges of $1.3 million for the year ended December 31, 2016 resulted from the deterioration of financial results at one of our Asia Pacific facilities.
Restructuring. Restructuring charges for the year ended December 31, 2017 decreased $10.9 million compared to the year ended December 31, 2016. The decrease was primarily driven by lower expenses of $16.1 million related to the substantial completion of our European initiatives, partially offset by higher restructuring charges of $5.2 million in other regions.
Interest Expense, net. Net interest expense for the year ended December 31, 2017 increased $0.7 million compared to the year ended December 31, 2016, which resulted primarily from higher interest rates related to the Senior Notes.
Loss on Refinancing and Extinguishment of Debt. Loss on refinancing and extinguishment of debt for the year ended December 31, 2017 was $1.0 million, which resulted from the partial write off of new and unamortized debt issuance costs and unamortized original issue discount related to the amendment of the Term Loan Facility.
Other (Expense) Income, net. Other expense for the year ended December 31, 2017 decreased $3.5 million compared to the year ended December 31, 2016. The decrease was primarily due to the nonrecurrence of underwriting fees related to the secondary offering of $5.9 million recorded in the year ended December 31, 2016 and other miscellaneous income recorded in the year ended December 31, 2017, partially offset by increased foreign currency losses.
Income Tax Expense. Income taxes for the year ended December 31, 2017 was $74.5 million on earnings before taxes of $213.1 million. This compares to income tax expense of $54.3 million on earnings before taxes of $194.8 million for the year ended December 31, 2016. Tax expense in 2017 and 2016 differed from the statutory rate due to a charge of $33.5 million as a result of the Tax Cuts and Jobs Act enacted in 2017, the mix of income between the United States and foreign sources, tax incentives, incremental valuation allowance recorded on tax losses generated in certain foreign jurisdictions, other tax credits, and other nonrecurring discrete items.
Year Ended December 31, 2016 Compared to Year Ended December 31, 2015.
Sales. Sales for the year ended December 31, 2016 increased $130.1 million, or 3.9% compared to the year ended December 31, 2015. Sales were favorably impacted by improved volume and product mix in North America and Asia Pacific, as well as our recent acquisitions and consolidation of a previously unconsolidated joint venture, partially offset by unfavorable foreign exchange of $56.5 million, lower volumes in South America, customer price reductions and the divestiture of our hard coat plastic exterior trim business in 2015.
Cost of Products Sold. Cost of products sold is primarily comprised of material, labor, manufacturing overhead, depreciation and amortization and other direct operating expenses. Cost of products sold for the year ended December 31, 2016, increased $52.4 million or 1.9% compared to the year ended December 31, 2015. Materials comprise the largest component of our cost of products sold and represented approximately 50% of total cost of products sold for the years ended December 31, 2016 and 2015. Cost of sales was impacted by higher production volumes in North America, Europe and Asia Pacific, as well as our recent acquisitions. These items were partially offset by continuous improvement and material cost savings and lower volumes in South America.
Gross Profit. Gross profit for the year ended December 31, 2016 increased $77.7 million compared to the year ended December 31, 2015. As a percentage of sales, gross profit was 19.1% and 17.6% of sales for the years ended December 31, 2016 and 2015, respectively. The increase in gross profit was driven by continuous improvement, material costs savings, improved volume and product mix in North America and Asia Pacific. These items were partially offset by unfavorable foreign exchange, inflation, customer price reductions, the divestiture of our hard coat plastic exterior trim business, and lower volumes in South America.
Selling, Administration and Engineering. Selling, administration and engineering expense for the year ended December 31, 2016 were $359.8 million or 10.4% of sales compared to $329.9 million, or 9.9%, of sales for the year ended December 31, 2015. Selling, administration and engineering expenses for the year ended December 31, 2016 were impacted primarily by incentive compensation due to favorable operating results, higher compensation costs, innovation spending, and expansion in Asia Pacific, partially offset by favorable foreign exchange.
Impairment Charges. Due to the deterioration of financial results, the undiscounted cash flows did not exceed the book value at one of our Asia Pacific facilities in 2016, and one of our European facilities and two of our South American facilities in 2015. This resulted in non-cash asset impairment charges of $1.3 million and $13.6 million being recorded

for the years ended December 2016 and 2015, respectively. Additionally, due to the deterioration of the economic conditions in the region, customer relationships in South America were fully impaired in 2015, resulting in a non-cash impairment charge of $8.0 million.

Restructuring. Restructuring charges for the year ended December 31, 2016 decreased $7.8 million compared to the year ended December 31, 2015. The decrease was primarily driven by reduced activity related to our European and North American initiatives, resulting in lower restructuring charges of $5.8 million and $3.6 million, respectively, partially offset by higher restructuring charges attributed to Asia Pacific initiatives of $1.6 million.
Other Operating Loss (Profit). Other operating loss was $0.2 million for the year ended December 31, 2016 and other operating profit was $8.0 million for the year ended December 31, 2015. The prior year profit resulted from the sale of our hard coat plastic exterior trim business.
Interest Expense, net. Net interest expense for the year ended December 31, 2016 increased $3.1 million compared to the year ended December 31, 2015, which resulted primarily from higher interest rates.
Loss on Refinancing and Extinguishment of Debt. Loss on refinancing and extinguishment of debt for the year ended December 31, 2016 was $5.1 million which resulted primarily from expensing debt issuance costs associated with our amended Term Loan Facility.
Other (Expense) Income, net. Other expense for the year ended December 31, 2016 was $10.7 million, consisting of secondary offering underwriting fees of $5.9 million, foreign currency losses of $4.0 million and losses on sale of receivables of $0.8 million. Other income for the year ended December 31, 2015 was $9.8 million, consisting of a gain from remeasurement of our previously held equity interest in Shenya of $14.2 million, which was partially offset by $3.4 million of foreign currency losses and $1.0 million of losses on sale of receivables.
Income Tax Expense. Income taxes for the year ended December 31, 2016 included an expense of $54.3 million on earnings before taxes of $194.8 million. This compares to an expense of $41.2 million on earnings before taxes of $153.0 million for the year ended December 31, 2015. Tax expense in 2016 and 2015 differed from the statutory rate due to the mix of income between the United States and foreign sources, tax incentives recognized in Poland resulting from increased current and future profitability, incremental valuation allowance recorded on tax losses generated in certain foreign jurisdictions, other tax credits and incentives, and other nonrecurring discrete items.

Segment Results of Operations

The Company has determined that it operates in four reportable segments: North America, Europe, Asia Pacific and South America. The Company evaluates segment performance based on segment profit before tax. The results of each segment include certain allocations for general, administrative, interest, and other shared costs. The accounting policies of the Company's segments are consistent with those described in Note 2. "Summary of Significant Accounting Policies" to the consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data" of this Report.

The following table presents sales and segment profit (loss) for each of the reportable segments for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,			Change	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
	(dollar amounts in thousands)				
Sales to external customers					
North America	$1,882,670	$1,816,486	$1,778,621	$66,184	$37,865
Europe	1,043,738	1,031,538	1,033,635	12,200	(2,097)
Asia Pacific	585,161	540,684	435,127	44,477	105,557
South America	106,557	84,183	95,421	22,374	(11,238)
Consolidated	$3,618,126	$3,472,891	$3,342,804	$145,235	$130,087
Segment profit (loss)					
North America	$236,165	$219,744	$215,487	$16,421	$4,257
Europe	(18,872)	(15,989)	(22,435)	(2,883)	6,446
Asia Pacific	9,943	9,206	4,063	737	5,143
South America	(14,136)	(18,201)	(44,127)	4,065	25,926
Income before income taxes	$213,100	$194,760	$152,988	$18,340	$41,772

Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016.

North America. Sales for the year ended December 31, 2017 increased $66.2 million, or 3.6%, compared to the year ended December 31, 2016, primarily due to improved volume and mix and the acquisition of AMI Industries' fuel and brake business, partially offset by customer price reductions. Segment profit for the year ended December 31, 2017 increased $16.4 million primarily due to savings due to operational efficiencies, net material cost savings, lower compensation related costs, favorable foreign exchange and acquisitions, partially offset by customer price reductions, continued investments to support innovation, the impact of vehicle production mix, and non-cash asset impairment charges of $1.9 million. Included in segment profit for the years ended December 31, 2017 and 2016 were restructuring charges of $6.0 million and $1.7 million, respectively.

Europe. Sales for the year ended December 31, 2017 increased $12.2 million, or 1.2%, compared to the year ended December 31, 2016, primarily due to improved volume and mix and $18.9 million of favorable foreign exchange, partially offset by customer price reductions. Segment loss increased by $2.9 million, primarily due to non-cash settlement charges relating to the wind-up of our U.K. pension plan of $5.7 million, impairment charges of $6.3 million, customer price reductions, commodity price pressure and unfavorable foreign exchange, partially offset by operational efficiencies including restructuring savings, lower compensation related costs and favorable volume and mix. Included in segment loss for the years ended December 31, 2017 and 2016 were restructuring charges of $25.9 million and $42.0 million, respectively.

Asia Pacific. Sales for the year ended December 31, 2017 increased $44.5 million, or 8.2%, compared to the year ended December 31, 2016, primarily due to the consolidation of a previously unconsolidated joint venture in August 2016 and improved volume and mix, partially offset by $3.6 million of unfavorable foreign exchange and customer price reductions. Segment profit increased by $0.7 million, primarily driven by savings due to operational efficiencies, material cost savings and lower compensation related costs, partially offset by increased non-cash asset impairment charges of $5.3 million, customer price reductions, higher engineering costs to support growth in the region and wage inflation. Included in segment profit were restructuring charges of $2.3 million for both years ended December 31, 2017 and 2016.

South America. Sales for the year ended December 31, 2017 increased $22.4 million, or 26.6%, compared to the year ended December 31, 2016, primarily due to improved volume and mix and favorable foreign exchange. Segment loss improved

30

by $4.1 million, primarily due to savings due to operational efficiencies, net material cost savings and improved volume and mix, partially offset by a $4.6 million pre-tax charge for costs associated with a foreign tax amnesty program, of which $0.2 million was paid in cash.

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015.

North America. Sales for the year ended December 31, 2016 increased $37.9 million or 2.1%, compared to the year ended December 31, 2015, primarily due to improved volume and product mix and our recent acquisition, partially offset by unfavorable foreign exchange of $23.8 million and customer price reductions. Segment profit for the year ended December 31, 2016 increased $4.3 million primarily due to the favorable impact of continuous improvement and material cost savings, and improved volume and product mix, partially offset by customer price reductions, inflation and higher incentive compensation due to favorable operating results. Included in segment profit (loss) for the years ended December 31, 2016 and 2015 were restructuring charges of $1.7 million and $5.2 million, respectively.

Europe. Sales for the year ended December 31, 2016 decreased $2.1 million, or 0.2%, compared to the year ended December 31, 2015, primarily due to customer price reductions and unfavorable foreign exchange of $2.0 million, partially offset by improved volume. Segment loss improved by $6.4 million, primarily due to continuous improvement and material cost savings, and lower restructuring costs, partially offset by the nonrecurrence of a prior year gain related to the remeasurement of a previously held equity interest, customer price reductions, unfavorable foreign exchange, inflation and higher incentive compensation due to improved operating results. Included in segment profit (loss) for the years ended December 31, 2016 and 2015 were restructuring charges of $42.0 million and $47.9 million, respectively.

Asia Pacific. Sales for the year ended December 31, 2016 increased $105.6 million, or 24.3%, compared to the year ended December 31, 2015, primarily due to improved volume and our recent acquisitions and consolidation of a previously unconsolidated joint venture, partially offset by unfavorable foreign exchange of $26.8 million. Segment profit increased by $5.1 million, primarily due to improved volume and product mix, our recent acquisitions and consolidation of a previously unconsolidated joint venture, and the favorable impact of continuous improvement and material cost savings, partially offset by higher engineering and administrative costs to support growth in the region as well as higher incentive compensation due to favorable operating results. Included in segment profit (loss) for the years ended December 31, 2016 and 2015 were restructuring charges of $2.3 million and $0.7 million, respectively.

South America. Sales for the year ended December 31, 2016 decreased $11.2 million or 11.8%, compared to the year ended December 31, 2015, primarily due to a decrease in volumes and unfavorable foreign exchange of $3.8 million. Segment loss improved by $25.9 million, primarily due to the nonrecurrence of impairment charges, material cost savings, partially offset by a decrease in volume and unfavorable foreign exchange.

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 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 8. “Debt” to the consolidated financial statements in Item 8. “Financial Statements and Supplementary Data” of this Report for a detailed discussion of terms and conditions related to our debt.

Based on our current and anticipated levels of operations and the condition 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 flow and many factors outside of our control, including the costs of raw materials, the state of the overall automotive industry, financial and economic conditions and other factors.

Cash Flows

Operating Activities. Net cash provided by operating activities was $313.5 million for the year ended December 31, 2017, compared to $363.7 million for the year ended December 31, 2016. The change was primarily driven by an increase in receivables due to growth, increased inventory, higher payments related to incentive compensation, increased liabilities related to our factoring arrangement and higher cash paid for interest, partially offset by increased cash earnings and reduced cash paid for restructuring and taxes.

Net cash provided by operating activities was $270.4 million for the year ended December 31, 2015, which included $36.6 million of cash used that related to changes in operating assets and liabilities. Cash provided by operating activities was primarily the result of increased earnings, as well as changes in accounts and tooling receivables, accounts payable and accrued liabilities of $63.9 million and pension contributions of $7.9 million.

Investing Activities. Net cash used in investing activities was $200.6 million for the year ended December 31, 2017, compared to $198.3 million for the year ended December 31, 2016. The increase was primarily due to higher capital spending and cash paid for a build-to-suit lease of $15.8 million, partially offset by lower cash spent for acquisitions of business. We anticipate that we will spend approximately $195 million to $215 million on capital expenditures in 2018.

Net cash used in investing activities was $198.3 million for the year ended December 31, 2016, compared to $166.4 million for the year ended December 31, 2015. The increase was primarily due to the nonrecurrence of the divestiture of our hard coat plastic exterior trim business.

Financing Activities. Net cash used in financing activities totaled $75.5 million for the year ended December 31, 2017, compared to $62.9 million for the year ended December 31, 2016. The increase was primarily due to increased repurchase activity under our share repurchase program, certain paydowns of foreign bank loans in 2017, partially offset by an increase in short-term debt.

Net cash used in financing activities totaled $62.9 million for the year ended December 31, 2016, compared to $11.6 million for the year ended December 31, 2015. The increase was primarily due to increased repurchase activity under our share repurchase program, higher taxes withheld and paid on employee share-based awards, decreased warrant exercises, and an increase in short-term debt.

Senior Notes

On November 2, 2016, the Company's wholly-owned subsidiary, CSA U.S. (the "Issuer") completed a private offering of debt securities consisting of the issuance of $400.0 million aggregate principal amount of its 5.625% notes due 2026 (the "Senior Notes"). The proceeds from the sale of the Senior Notes were used to repay the non-extended term loans outstanding under the Term Loan Facility and to pay fees and expenses related to the refinancing. The Senior Notes are guaranteed by us, as well as each of CSA U.S.'s wholly-owned existing or subsequently organized U.S. subsidiaries, subject to certain exceptions, to the extent such subsidiary guarantees the ABL Facility and the Term Loan Facility. The Issuer may redeem all or part of the Senior Notes at various points in time prior to maturity, as described in the indenture. The Senior Notes will 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.

If a Change of Control (as defined in the indenture) occurs, we will be required to make an offer to repurchase all of the Senior Notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

ABL Facility

On November 2, 2016, CS Intermediate Holdco 1 LLC ("Parent"), CSA U.S. (the "U.S. Borrower"), Cooper-Standard Automotive Canada Limited (the "Canadian Borrower"), Cooper-Standard Automotive International Holdings B.V. (the "Dutch Borrower", and, together with the U.S. Borrower and the Canadian Borrower, the "Borrowers") and certain subsidiaries of the U.S. Borrower, entered into a third amendment of our ABL Facility. Pursuant to the ABL Facility agreement, as amended, we have an aggregate revolving loan availability of up to $210.0 million, subject to borrowing base availability, including a $100.0 million letter of credit sub-facility and a $25.0 million swing line sub-facility. In addition, our ABL Facility provides for an uncommitted $100.0 million incremental loan facility, for a potential total ABL Facility of $310.0 million. Any borrowings under our ABL Facility will mature, and the commitments of the lenders under our ABL Facility will terminate, on November 2, 2021.

The ABL Facility includes affirmative and negative covenants that impose substantial restrictions on our financial and business operations, including our ability to incur and secure debt, make investments, sell assets, pay dividends or make acquisitions. The agreement also includes a requirement to maintain a monthly fixed charge coverage ratio of no less than 1.0 to 1.0 when availability under the agreement is less than specified levels. The ABL Facility also contains various events of default that are customary for comparable facilities.

Loan and letter of credit availability under the agreement is subject to a borrowing base, which at any time is limited to the lesser of: (A) the maximum facility amount (subject to certain adjustments) and (B) (i) up to 85% of eligible accounts receivable; plus (ii) the lesser of 70% of eligible inventory or 85% of the appraised net orderly liquidation value of eligible inventory; plus (iii) up to the lesser of $30.0 million and 75% of eligible tooling accounts receivable; minus reserves established

by the agent. Loan availability under our ABL Facility is apportioned as follows: $170.0 million to the U.S. Borrower, which includes a $60.0 million sublimit to the Dutch Borrower and $40.0 million to the Canadian Borrower. The obligations under the ABL Facility and the related guarantees are secured by various assets, as detailed in Note 8. "Debt" to the consolidated financial statements in Item 8. "Financial Statements and Supplementary Data" of this Report.
Borrowings under the ABL Facility bear interest at a rate equal to, at the Borrowers' option:

- in the case of borrowings by U.S. Borrower, LIBOR or the base rate plus, in each case, an applicable margin; or
- in the case of borrowings by the Canadian Borrower, bankers' acceptance ("BA") rate, Canadian prime rate or Canadian base rate plus, in each case, an applicable margin; or
- in the case of borrowings by the Dutch Borrower, LIBOR plus an applicable margin.

The initial applicable margin was 1.50% with respect to the LIBOR or Canadian BA rate-based borrowings and 0.50% with respect to U.S. base rate, Canadian prime rate and Canadian base rate borrowings, until April 1, 2017. The applicable margin may vary between 1.25% and 1.75% with respect to the LIBOR or Canadian BA rate-based borrowings and between 0.25% and 0.75% with respect to U.S. base rate, Canadian prime rate and Canadian base rate borrowings. The applicable margin is subject, in each case, to quarterly pricing adjustments (based on average facility availability).
As of December 31, 2017, there were no borrowings under the ABL Facility, and subject to borrowing base availability, the Company had $206.9 million in availability, less outstanding letters of credit of $8.5 million. As of December 31, 2017 and 2016, the Company had $1.4 million and $1.7 million, respectively, in unamortized debt issuance costs.
Term Loan Facility – Amendments
On November 2, 2016, CSA U.S., as borrower, entered into the first amendment of our Term Loan Facility. The Term Loan Facility provides for loans in an aggregate principal amount of $340.0 million. 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 million, plus any voluntary prepayments (including revolving facility and ABL Facility 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.
The Term Loan Facility contains incurrence-based negative covenants customary for high yield senior secured debt securities. These negative covenants are subject to exceptions, qualifications and certain carveouts.
On May 2, 2017, CSA U.S. entered into Amendment No. 2 to the Term Loan Facility to 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 2.25% 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 1.25% per annum. As a result of the amendment, the Company recognized a loss on refinancing and extinguishment of debt of $1.0 million in the second quarter of 2017, which was due to the partial write off of new and unamortized debt issuance costs and unamortized original issue discount.
All obligations of the borrower under the Term Loan Facility are guaranteed jointly and severally on a senior secured basis by us and the wholly-owned U.S. restricted subsidiaries of CSA U.S.
As of December 31, 2017, the principal amount of $336.6 million was outstanding, and the Company had $3.5 million unamortized debt issuance costs and $2.3 million of unamortized original issue discount.
Repayment of the Term Loan Facility
On November 2, 2016, we repaid the non-extended term loan outstanding under the Term Loan Facility of $393.1 million. As a result of the repayment, the Company recognized a loss on refinancing of $5.1 million, which was primarily due to the write off of unamortized original issue discount and debt issuance costs. The Company used proceeds from the Senior Notes, together with cash on hand, to repay the non-extended term loan.
Off-Balance Sheet Arrangements
As a part of our working capital management, we sell certain accounts receivable through a third party financial institution in off-balance sheet arrangements. The amount sold varies each month based on the amount of underlying

receivables and cash flow needs. As of December 31, 2017 and 2016, we had $96.6 million and $56.9 million, respectively, of receivables outstanding under receivable transfer agreements entered into by various locations. For the years ended December 31, 2017 and

2016, total accounts receivable factored were $544.1 million and $507.3 million, respectively. Costs incurred on the sale of receivables were $1.9 million, $1.6 million and $2.1 million for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts are recorded in other (expense) income, net and interest expense, net of interest income in the consolidated statements of net income. These are permitted transactions under the credit agreements governing our ABL Facility and Term Loan Facility and the indenture governing the Senior Notes.
As of December 31, 2017, we had no other material off-balance sheet arrangements.
Other Capital Transactions Impacting Liquidity
Share Repurchase Program
In March 2016, our Board of Directors approved a securities repurchase program (the "Program") authorizing us to repurchase, in the aggregate, up to $125 million of our outstanding common stock or warrants to purchase common stock. Under the Program, repurchases may be made on the open market or through private transactions, as determined by our management and in accordance with prevailing market conditions and federal securities laws and regulations.
In March 2016, we purchased $23.8 million of our common stock (350,000 shares at $68.00 per share) from the Selling Stockholders (as described in Note 17. "Equity" to the consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data" of this Report). In 2017, we repurchased $55.9 million of our common stock (513,801 shares at an average purchase price of $108.87 per share, excluding commissions) in the open market, of which $55.1 million was settled in cash during the year ended December 31, 2017. We expect to fund any future repurchases from cash on hand and future cash flows from operations. We are not obligated to acquire a particular amount of securities, and the Program may be discontinued at any time at our discretion. As of December 31, 2017, we have approximately $45.3 million of repurchase authorization remaining under the Program. See Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity" and Note 17. "Equity."
Contractual Obligations
Our contractual obligations consist of legal commitments requiring us to make fixed or determinable cash payments, regardless of the contractual requirements of the vendor to provide future goods or services. Except as otherwise disclosed, this table does not include information on our recurring purchase of materials for use in production because our raw materials purchase contracts typically do not require fixed or minimum quantities.
The following table summarizes the total amounts due as of December 31, 2017 under all debt agreements, commitments and other contractual obligations.

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(dollar amounts in millions)				
Debt obligations	$768.5	$35.3	$6.8	$6.8	$719.6
Interest on debt obligations	286.4	36.1	73.6	74.3	102.4
Operating lease obligations	139.7	30.3	49.7	26.6	33.1
Capital lease obligations	1.9	0.7	1.0	0.2	—
Total	$1,196.5	$102.4	$131.1	$107.9	$855.1

In addition to our contractual obligations and commitments set forth in the table above, we have employment arrangements with certain key executives that provide for continuity of management. These arrangements include payments of multiples of annual salary, certain incentives and continuation of benefits upon the occurrence of specified events in a manner believed to be consistent with comparable companies.
We also have funding requirements with respect to our pension obligations. We expect to make cash contributions to our U.S. and foreign pension plans of approximately $8.5 million and $6.2 million, respectively, in 2018. Our minimum funding requirements after 2018 will depend on several factors, including the investment performance of our retirement plans and prevailing interest rates. Our funding obligations may also be affected by changes in applicable legal requirements. We also have payments due with respect to our postretirement benefit obligations. We do not prefund our postretirement benefit obligations. Rather, payments are made as costs are incurred by covered

retirees. We expect net other postretirement benefit payments to be approximately $2.8 million in 2018.

We may be required to make significant cash outlays due to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of $8.0 million as of December 31, 2017 have been excluded from the contractual obligations table above. See Note 14. "Income Taxes" to the consolidated financial statements for additional information.

Excluded from the contractual obligations table above are open purchase orders as of December 31, 2017 for raw materials, supplies and capital expenditures in the normal course of business, supply contracts with customers, distribution agreements, joint venture agreements and other contracts without express funding requirements.

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.

35

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:

	Year Ended December 31,		
	2017	2016	2015
	(dollar amounts in thousands)		
Net income attributable to Cooper-Standard Holdings Inc.	$135,303	$138,988	$111,880
Income tax expense	74,527	54,321	41,218
Interest expense, net of interest income	42,112	41,389	38,331
Depreciation and amortization	138,088	122,660	114,427
EBITDA	$390,030	$357,358	$305,856
Restructuring charges (1)	35,137	46,031	53,844
Impairment charges (2)	14,763	1,273	21,611
Settlement charges (3)	6,427	281	—
Foreign tax amnesty program (4)	4,623	—	—
Loss on refinancing and extinguishment of debt (5)	1,020	5,104	—
Secondary offering underwriting fees and other expenses (6)	—	6,500	—
Gain on remeasurement of previously held equity interest (7)	—	—	(14,199)
Gain on divestiture (8)	—	—	(8,033)
Amortization of inventory write-up (9)	—	—	1,419
Acquisition costs	—	—	1,637
Other	—	155	230
Adjusted EBITDA	$452,000	$416,702	$362,365

(1) Includes non-cash impairment charges related to restructuring and is net of non-controlling interest.
(2) Impairment charges in 2017 and 2016 related to fixed assets of $14,763 and $1,273, respectively. Impairment charges in 2015 related to fixed assets of $13,630 and intangible assets of $7,981.
(3) Non-cash settlement charges incurred related to certain of our non-U.S. pension plans.
(4) Relates to indirect taxes recorded in cost of products sold.
(5) Loss on refinancing and extinguishment of debt relating to the May 2017 amendment of the Term Loan Facility and the refinancing of our Term Loan Facility in 2016.
(6) Fees and other expenses associated with the March 2016 secondary offering.
(7) Gain on remeasurement of previously held equity interest in Shenya.
(8) Gain on sale of hard coat plastic exterior trim business.
(9) Amortization of write-up of inventory to fair value for the Shenya acquisition.

Recent Accounting Pronouncements

See Note 3. “New Accounting Pronouncements” to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data” of this Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to fluctuations in interest rates, currency exchange rates and commodity prices. We actively manage our exposure to risk from changes in foreign currency exchange rates and interest rates through the use of derivative financial instruments in accordance with management’s guidelines. We do not enter into derivative instruments for trading or speculative purposes. See Item 8. “Financial Statements and Supplementary Data,” specifically Note 9. “Fair Value Measurements and Financial Instruments” to the consolidated financial statements.

Foreign Currency Exchange Rate Risk. We use forward foreign exchange contracts to reduce the effect of fluctuations in foreign exchange rates on a portion of forecasted sales, material purchases and operating expenses. As of December 31, 2017, the notional amount of these contracts was $165.6 million. As of December 31, 2017, the fair value of the Company’s forward foreign exchange contracts was a liability of $1.6 million.

36

In addition to transactional exposures, our operating results are impacted by the translation of our foreign operating income into U.S. dollars. In 2017, net sales outside of the United States accounted for 76% of our consolidated net sales, although certain non-U.S. sales are U.S. dollar denominated. We do not enter into foreign exchange contracts to mitigate this exposure.

Interest Rates. The Company uses interest rate swap transactions to manage cash flow variability associated with its variable rate Term Loan Facility. The interest rate swap contracts, which fix the interest payments of variable rate debt instruments, are used to manage exposure to fluctuations in interest rates. As of December 31, 2017, the notional amount of these contracts was $150.0 million. As of December 31, 2017, the fair value of the Company's interest rate swaps was a liability of $0.5 million. In addition, as of December 31, 2017 and 2016, approximately 25% and 7%, respectively, of our total debt was at variable interest rates, after considering the effect of the interest rate swap contracts.

Commodity Prices. We have commodity price risk with respect to purchases of certain raw materials, including natural gas and carbon black. Raw material, energy and commodity costs have been extremely volatile over the past several years. Historically, we have used derivative instruments to reduce our exposure to fluctuations in certain commodity prices. We did not enter into any commodity derivative instruments in 2017. We will continue to evaluate, and may use, derivative financial instruments to manage our exposure to raw material, energy and commodity price fluctuations in the future.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Annual Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Cooper-Standard Holdings Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cooper-Standard Holdings Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of net income, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a)2 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2005.

Detroit, Michigan

February 20, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Cooper-Standard Holdings Inc.

Opinion on Internal Control over Financial Reporting

We have audited Cooper-Standard Holdings Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Cooper-Standard Holdings Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of net income, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a)2 and our report dated February 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Detroit, Michigan
February 20, 2018

COOPER-STANDARD HOLDINGS INC.
CONSOLIDATED STATEMENTS OF NET INCOME
(Dollar amounts in thousands except per share amounts)

	Year Ended December 31,		
	2017	2016	2015
Sales	$3,618,126	$3,472,891	$3,342,804
Cost of products sold	2,946,828	2,808,049	2,755,691
Gross profit	671,298	664,842	587,113
Selling, administration & engineering expenses	349,496	359,782	329,922
Amortization of intangibles	14,056	13,566	13,892
Impairment charges	14,763	1,273	21,611
Restructuring charges	35,137	46,031	53,844
Other operating loss (profit)	—	155	(8,033)
Operating profit	257,846	244,035	175,877
Interest expense, net of interest income	(42,112)	(41,389)	(38,331)
Equity in earnings of affiliates	5,519	7,877	5,683
Loss on refinancing and extinguishment of debt	(1,020)	(5,104)	—
Other (expense) income, net	(7,133)	(10,659)	9,759
Income before income taxes	213,100	194,760	152,988
Income tax expense	74,527	54,321	41,218
Net income	138,573	140,439	111,770
Net (income) loss attributable to noncontrolling interests	(3,270)	(1,451)	110
Net income attributable to Cooper-Standard Holdings Inc.	$135,303	$138,988	$111,880
Earnings per share:			
Basic	$7.61	$7.96	$6.50
Diluted	$7.21	$7.42	$6.08

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

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

	Year Ended December 31,		
	2017	2016	2015
Net income	$138,573	$140,439	$111,770
Other comprehensive income (loss):			
Currency translation adjustment	49,600	(13,930)	(80,331)
Benefit plan liabilities adjustment, net of tax	(3,137)	(13,488)	2,737
Fair value change of derivatives, net of tax	73	810	(269)
Other comprehensive income (loss), net of tax	46,536	(26,608)	(77,863)
Comprehensive income	185,109	113,831	33,907
Comprehensive (income) loss attributable to noncontrolling interests	(4,874)	(341)	451
Comprehensive income attributable to Cooper-Standard Holdings Inc.	$180,235	$113,490	$34,358

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

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

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$515,952	$480,092
Accounts receivable, net	494,049	460,503
Tooling receivable	112,561	90,974
Inventories	170,196	146,449
Prepaid expenses	33,205	37,142
Other current assets	100,778	81,021
Total current assets	1,426,741	1,296,181
Property, plant and equipment, net	952,178	832,269
Goodwill	171,852	167,441
Intangible assets, net	69,091	81,363
Deferred tax assets	33,834	46,419
Other assets	71,952	68,029
Total assets	$2,725,648	$2,491,702
Liabilities and Equity		
Current liabilities:		
Debt payable within one year	$34,921	$33,439
Accounts payable	523,296	475,426
Payroll liabilities	123,090	144,812
Accrued liabilities	145,650	105,665
Total current liabilities	826,957	759,342
Long-term debt	723,325	729,480
Pension benefits	180,173	172,950
Postretirement benefits other than pensions	61,921	54,225
Deferred tax liabilities	9,511	9,241
Other liabilities	68,672	44,673
Total liabilities	1,870,559	1,769,911
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; 19,920,805 shares issued and 17,914,599 outstanding as of December 31, 2017 and 19,686,917 shares issued and 17,690,611 outstanding as of December 31, 2016	18	17
Additional paid-in capital	512,815	513,934
Retained earnings	511,367	425,972
Accumulated other comprehensive loss	(197,631)	(242,563)
Total Cooper-Standard Holdings Inc. equity	826,569	697,360
Noncontrolling interests	28,520	24,431
Total equity	855,089	721,791
Total liabilities and equity	$2,725,648	$2,491,702

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

43

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

		Total Equity							
	Redeemable Noncontrolling Interests	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Cooper-Standard Holdings Inc. Equity	Noncontrolling Interest	Total Equity
Balance as of December 31, 2014	$ 3,981	17,039,328	$ 17	$ 492,959	$ 195,233	$ (139,243)	$ 548,966	$ (252)	$ 548,714
Shares issued under stock option plans	—	20,960	—	(289)	—	—	(289)	—	(289)
Warrant exercise	—	344,159	—	9,277	—	—	9,277	—	9,277
Share-based compensation, net	—	54,498	—	8,635	(400)	—	8,235	—	8,235
Excess tax benefit on stock options	—	—	—	320	—	—	320	—	320
Acquisition	—	—	—	—	—	—	—	11,836	11,836
Purchase of noncontrolling interest	(3,936)	—	—	2,862	—	(300)	2,562	192	2,754
Net income (loss) for 2015	(45)	—	—	—	111,880	—	111,880	(65)	111,815
Other comprehensive loss	—	—	—	—	—	(77,522)	(77,522)	(341)	(77,863)
Balance as of December 31, 2015	—	17,458,945	17	513,764	306,713	(217,065)	603,429	11,370	614,799
Cumulative effect of change in accounting principle	—	—	—	—	(473)	—	(473)	—	(473)
Repurchase of common stock	—	(350,000)	—	(8,470)	(15,330)	—	(23,800)	—	(23,800)
Warrant exercise	—	332,873	—	2,810	—	—	2,810	—	2,810
Share-based compensation, net	—	248,793	—	5,830	(3,926)	—	1,904	—	1,904
Consolidation of joint venture	—	—	—	—	—	—	—	13,300	13,300
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(580)	(580)
Net income for 2016	—	—	—	—	138,988	—	138,988	1,451	140,439
Other comprehensive	—	—	—	—	—	(25,498)	(25,498)	(1,110)	(26,608)

loss									
Balance as of December 31, 2016	—	17,690,611	17	513,934	425,972	(242,563)	697,360	24,431	721,791
Repurchase of common stock	—	(513,801)	(1)	(12,434)	(43,512)	—	(55,947)	—	(55,947)
Warrant exercise		568,702	1	2,372	—	—	2,373	—	2,373
Share-based compensation, net	—	169,087	1	8,943	(6,396)	—	2,548	—	2,548
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(785)	(785)
Net income for 2017	—	—	—	—	135,303	—	135,303	3,270	138,573
Other comprehensive income	—	—	—	—	—	44,932	44,932	1,604	46,536
Balance as of December 31, 2017	$ —	17,914,599	$ 18	$ 512,815	$ 511,367	$ (197,631)	$ 826,569	$ 28,520	$ 855,089

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

COOPER-STANDARD HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)

	Year Ended December 31,		
	2017	2016	2015
Operating Activities:			
Net income	$138,573	$140,439	$111,770
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	124,032	109,094	100,535
Amortization of intangibles	14,056	13,566	13,892
Impairment charges	14,763	1,273	21,611
Share-based compensation expense	24,963	24,032	13,955
Equity in earnings, net of dividends related to earnings	(137)	(4,855)	(3,766)
Loss on refinancing and extinguishment of debt	1,020	5,104	—
Gain on divestitures and sale of investment in affiliate	—	—	(8,033)
Gain on remeasurement of previously held equity interest	—	—	(14,199)
Deferred income taxes	11,076	9,082	(2,698)
Other	1,286	1,591	725
Changes in operating assets and liabilities:			
Accounts and tooling receivable	(26,428)	(579)	(72,546)
Inventories	(13,929)	6,651	12,848
Prepaid expenses	5,981	(7,010)	5,348
Accounts payable	11,415	70,066	61,063
Payroll and accrued liabilities	8,879	5,612	75,424
Other	(2,066)	(10,369)	(45,544)
Net cash provided by operating activities	313,484	363,697	270,385
Investing activities:			
Capital expenditures	(186,795)	(164,368)	(166,267)
Proceeds from divestitures and sale of investment in affiliate	—	—	33,500
Acquisition of businesses, net of cash acquired	(478)	(37,478)	(34,396)
Investment in joint ventures	—	—	(4,300)
Cash from consolidation of joint venture	—	3,395	—
Other	(13,349)	185	5,069
Net cash used in investing activities	(200,622)	(198,266)	(166,394)
Financing activities:			
Proceeds from issuance of long-term debt, net of debt issuance costs	—	393,060	—
Repayment and refinancing of term loan facility	—	(397,196)	—
Principal payments on long-term debt	(19,866)	(10,747)	(8,863)
Purchase of noncontrolling interest	—	—	(1,262)
Repurchase of common stock	(55,123)	(23,800)	—
Proceeds from exercise of warrants	2,373	2,810	9,277
Increase (decrease) in short term debt, net	10,683	(12,223)	(9,008)
Borrowings on long-term debt	—	—	151
Taxes withheld and paid on employees' share-based payment awards	(13,297)	(12,624)	(2,028)
Other	(297)	(2,196)	143
Net cash used in financing activities	(75,527)	(62,916)	(11,590)
Effects of exchange rate changes on cash and cash equivalents	(1,475)	(666)	18,572
Changes in cash and cash equivalents	35,860	101,849	110,973
Cash and cash equivalents at beginning of period	480,092	378,243	267,270

Cash and cash equivalents at end of period	$515,952	$480,092	$378,243
Supplemental Disclosure:			
Cash paid for interest	$47,424	$38,550	$39,192
Cash paid for income taxes, net of refunds	36,883	38,334	55,547

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share and share amounts)

1. Description of Business
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, fluid transfer, and anti-vibration 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.
The Company believes it is the largest global producer of sealing systems, the second largest global producer of the types of fuel and brake delivery products that it manufactures, the third largest global producer of fluid transfer systems, and one of the largest North American producers of anti-vibration systems. The Company designs and manufactures its products in each major region of the world through a disciplined and sustained approach to engineering and operational excellence. The Company operates in 92 manufacturing locations and 32 design, engineering, administrative and logistics locations in 20 countries around the world.
2. Basis of Presentation and Summary of Significant Accounting Policies
Basis of Presentation
The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”).
Summary of Significant Accounting Policies
Principles of Consolidation – The consolidated financial statements include the accounts of the Company and the wholly-owned and less than wholly-owned subsidiaries controlled by the Company. All material intercompany accounts and transactions have been eliminated. Acquired businesses are included in the consolidated financial statements from the dates of acquisition or when the Company gained control.
The equity method of accounting is followed for investments in which the Company does not have control, but does have the ability to exercise significant influence over operating and financial policies. Generally, this occurs when ownership is between 20% to 50%. The cost method is followed in those situations where the Company does not have the ability to exercise significant influence over operating and financial policies, generally when ownership is less than 20%.
Foreign Currency – The financial statements of foreign subsidiaries are translated to U.S. dollars at the end-of-period exchange rates for assets and liabilities and at a weighted average exchange rate for each period for revenues and expenses. Translation adjustments for those subsidiaries whose local currency is their functional currency are recorded as a component of accumulated other comprehensive income (loss) in stockholders’ equity. Transaction related gains and losses arising from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency are recognized in earnings as incurred, except for those intercompany balances which are designated as long-term.
Cash and Cash Equivalents – The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents as of December 31, 2017 includes $36,248 of cash collected on behalf of a factoring provider in connection with receivables sold under the Company’s accounts receivable factoring program. See Note 10. “Accounts Receivable Factoring.”
Accounts Receivable – The Company records trade accounts receivable when revenue is recorded in accordance with its revenue recognition policy and relieves accounts receivable when payments are received from customers. Accounts receivable are written off when it is apparent such amounts are not collectible. Generally, the Company does not require collateral for its accounts receivable, nor is interest charged on accounts receivable balances.
Allowance for Doubtful Accounts – An allowance for doubtful accounts is established through charges to the provision for bad debts when it is probable that the outstanding receivable will not be collected. The Company evaluates the adequacy of the allowance for doubtful accounts on a periodic basis, including historical trends in collections and write-offs, management’s judgment of the probability of collecting accounts and management’s evaluation of business

risk. This evaluation is inherently subjective, as it requires estimates that are susceptible to revision as more information becomes available. The allowance for doubtful accounts was $4,199 and $7,124 as of December 31, 2017 and 2016, respectively.

Advertising Expense – Expenses incurred for advertising are generally expensed when incurred. Advertising expense was $3,769, $3,553 and $3,418 for the years ended December 31, 2017, 2016 and 2015, respectively.

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

Inventories – Inventories are valued at lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. The Company records inventory reserves for inventory in excess of production and/or forecasted requirements and for obsolete inventory.

	December 31,	
	2017	2016
Finished goods	$47,613	$43,511
Work in process	35,455	32,839
Raw materials and supplies	87,128	70,099
	$170,196	$146,449

Derivative Financial Instruments – Derivative financial instruments are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. On the date the derivative is established, the Company designates the derivative as either a fair value hedge, a cash flow hedge or a net investment hedge in accordance with its established policy. The Company does not enter into derivative financial instruments for trading or speculative purposes.

Income Taxes – Deferred tax assets or liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax laws and rates. A valuation allowance is provided on deferred tax assets if the Company determines that it is more likely than not that the asset will not be realized.

Long-lived Assets – Property, plant and equipment are recorded at cost and depreciated using primarily the straight-line method over estimated useful lives. Leasehold improvements are amortized over the expected life of the asset or term of the lease, whichever is shorter. Intangibles with finite lives, which include technology and customer relationships, are amortized over estimated useful lives. The Company evaluates the recoverability of long-lived assets when events and circumstances indicate that the assets may be impaired and the undiscounted net cash flows estimated to be generated by those assets are less than their carrying value. If the net carrying value exceeds the fair value, an impairment loss exists and is calculated based on a discounted cash flow analysis or estimated salvage value. Discounted cash flows are estimated using internal budgets and assumptions regarding discount rates and other factors.

Pre-production Costs Related to Long Term Supply Arrangements – Costs for molds, dies and other tools owned by the Company to produce products under long-term supply arrangements are recorded at cost in property, plant and equipment and amortized over the lesser of three years or the term of the related supply agreement. The amounts capitalized were $2,091 and $2,874 as of December 31, 2017 and 2016, respectively. The Company expenses all pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer. Reimbursable tooling costs are recorded in tooling receivable in the accompanying consolidated balance sheets if considered to be receivable in the next twelve months, and in other assets if considered to be receivable beyond twelve months. Tooling receivable for customer-owned tooling as of December 31, 2017 and 2016 was $112,561 and $90,974, respectively. Reimbursable tooling costs included in other assets in the accompanying consolidated balance sheets were $21,506 and $16,393 as of December 31, 2017 and 2016, respectively.

Goodwill – The Company tests goodwill for impairment on an annual basis in the fourth quarter, or more frequently if an event occurs or circumstances indicate the carrying amount may be impaired. Goodwill impairment testing is performed at the reporting unit level. The impairment test involves first qualitatively assessing goodwill for impairment. If the qualitative assessment is not met, a quantitative assessment is performed by comparing the estimated fair value of each reporting unit to its carrying value. If the carrying value exceeds the fair value, then impairment may exist and further evaluation is required.

In the fourth quarter of 2017, the Company completed a qualitative goodwill impairment assessment for each of its reporting units, and after evaluating the results, events and circumstances of the Company, the Company concluded

that sufficient evidence existed to assert qualitatively that it was more likely than not that the estimated fair value of each reporting unit remained in excess of its carrying value. Therefore, a quantitative assessment was not necessary. In the fourth quarter of 2016, the Company completed a quantitative assessment and the estimated fair value of each reporting unit exceeded its respective carrying value. No goodwill impairments were recorded in 2017, 2016 or 2015.
Business Combinations – The purchase price of an acquired business is allocated to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. Determining the fair values of assets acquired and liabilities assumed requires management's judgment, the utilization of independent appraisal firms and often involves the use of significant estimates and assumptions with respect to the timing and amount of future cash flows, market rate assumptions, actuarial assumptions, and appropriate discount rates, among other items.

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

Revenue Recognition and Sales Commitments – Revenue is recognized when there is persuasive evidence of a sales agreement, the delivery of the goods has occurred, the sales price is fixed and determinable and collectability is reasonably assured. The Company generally enters into agreements with its customers to produce products at the beginning of a vehicle's life. Although such agreements do not generally provide for minimum quantities, once the Company enters into such agreements, fulfillment of its customers' purchasing requirements can be the Company's obligation for an extended period or the entire production life of the vehicle. These agreements generally may be terminated by the customer at any time. Historically, terminations of these agreements have been minimal. In certain limited instances, the Company may be committed under existing agreements to supply products to its customers at selling prices which are not sufficient to cover the direct cost to produce such products. In such situations, the Company recognizes losses as they are incurred.

The Company receives blanket purchase orders from many of its customers on an annual basis. Generally, such purchase orders and related documents set forth the annual terms, including pricing, related to a particular vehicle model. Such purchase orders generally do not specify quantities. The Company recognizes revenue based on the pricing terms included in the annual purchase orders generally as products are shipped to the customers. As part of certain agreements, the Company is asked to provide its customers with annual cost reductions. The Company recognizes such amounts as a reduction of revenue as products are shipped to customers. In addition, the Company has ongoing adjustments to pricing arrangements with its customers based on the related content and cost of the products. Such pricing adjustments are recorded when probable and estimable.

Shipping and Handling – Amounts billed to customers related to shipping and handling are included in sales in the Company's consolidated statements of net income. Shipping and handling costs are included in cost of products sold in the Company's consolidated statements of net income.

Research and Development – Costs are charged to selling, administration and engineering expenses as incurred and totaled $127,974, $117,791 and $108,764 for the years ended December 31, 2017, 2016 and 2015, respectively.

Share-based Compensation – The Company measures share-based compensation expense at fair value and generally recognizes such expenses on a straight-line basis over the vesting period of the share-based employee awards. See Note 18. "Share-Based Compensation" for additional information.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect amounts reflected in the consolidated financial statements, as well as disclosure of contingent assets and liabilities. Considerable judgment is often involved in making such estimates, and the use of different assumptions could result in different conclusions. Management believes its assumptions and estimates are reasonable and appropriate. However, actual results could differ from those estimates.

3. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

The Company adopted the following accounting standard update ("ASU") in 2017, which did not have a material impact on its consolidated financial statements:

Standard	Description	Effective Date
ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory	This ASU amended the guidelines for the measurement of inventory from lower of cost or market to the lower of cost and net realizable value.	January 1, 2017

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

Recently Issued Accounting Pronouncements
The Company considered the recently issued accounting pronouncements summarized as follows, which could have a material impact on its consolidated financial statements or disclosures:

Standard	Description	Impact	Effective Date
ASU 2014-09, Revenue from Contracts with Customers (Topic 606)	Replaces existing revenue recognition guidance with a five-step model and additional financial statement disclosures.	The Company's implementation plan included analyzing customer contracts and historical accounting policies, drafting new accounting policies and making changes to business processes and controls. Throughout the implementation process, the Company closely monitored FASB activities and worked with various non-authoritative groups to conclude on specific interpretative issues. The Company has concluded that adopting the new standard will not materially impact its consolidated financial statements, but will require additional disclosures. The Company will adopt the guidance using the modified retrospective method.	January 1, 2018
ASU 2016-02, Leases (Topic 842)	Requires lessees to recognize right-of-use assets and lease liabilities for all leases (except for short-term leases). 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. A modified retrospective transition approach is required with certain practical expedients available.	The Company continues to perform a comprehensive evaluation on the impacts of adopting this standard and believes this standard will primarily result in a material increase in assets and liabilities on its consolidated balance sheet and will not have a material impact on its consolidated income statement or statement of cash flows. The Company is in the process of implementing lease administration software and assessing the impact to our systems, processes and internal controls.	January 1, 2019

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

The Company considered the recently issued accounting pronouncements summarized as follows, none of which are expected to have a material impact on its consolidated financial statements:

Standard	Description	Effective Date
ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities	Eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item.	January 1, 2019
ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting	Clarifies that modification accounting is required only if there is a change in the fair value, vesting conditions, or classification (as equity or liability) of a share-based payment award due to changes in the terms or conditions.	January 1, 2018
ASU 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	Requires the service cost component of net periodic benefit cost to be recorded in the same income statement line item as other employee compensation costs arising from services rendered during the period. Other components of the net periodic benefit cost must be presented separately outside of operating income.	January 1, 2018
ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	Eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value.	January 1, 2020
ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash	Requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.	January 1, 2018
ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory	Requires companies to recognize the income tax effects of intercompany sales and transfers of assets other than inventory in the period in which the transfer occurs.	January 1, 2018
ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments	Provide guidance on eight specific cash flow issues, thereby reducing diversity in practice.	January 1, 2018

4. Acquisitions and Divestitures

AMI Acquisition

In 2016, the Company acquired the North American fuel and brake business of AMI Industries (the “AMI Business”) for cash consideration of $32,000 (the “AMI Acquisition”). This acquisition directly aligns with the Company’s growth strategy by expanding the Company’s fuel and brake business. The results of operations of the AMI Business are included in the Company’s consolidated financial statements from the date of acquisition, August 15, 2016, and reported within the North America segment. The pro forma effect of this acquisition would not materially impact 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 $19,410 and goodwill of $7,175. See Note 7. “Goodwill and Intangibles” for additional information. On January 31, 2018, the Company finalized its purchase of the China fuel and brake business of AMI Industries for cash consideration of $4,124.

Shenya Acquisition

In the first quarter of 2015, the Company completed the acquisition of an additional 47.5% of Huayu-Cooper Standard Sealing Systems Co. (“Shenya”), increasing its ownership to 95%, for cash consideration of $59,320, of which $41,474 was paid in 2015 and $17,846 was paid in 2014. The acquisition was accounted for as a business combination. The business acquired in the transaction is included in the Company’s Asia Pacific segment and is operated from Shenya’s manufacturing locations in China. Shenya primarily supplies sealing systems and components to the automotive industry. This acquisition is directly aligned with the Company’s growth strategy by strengthening important customer relationships in the automotive sealing systems

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

market. The results of operations of Shenya are included in the Company's consolidated financial statements from the date of acquisition, February 27, 2015. The pro forma effect of this acquisition would not materially impact the Company's reported results for any periods presented, and as a result no pro forma information has been presented. Prior to the acquisition, the Company held a 47.5% unconsolidated equity interest in Shenya. The estimated fair value of the equity interest at the date of acquisition was $41,378, resulting in a gain of $14,199 recorded in other (expense) income, net for the year ended December 31, 2015. The fair value of the Company's previous 47.5% equity interest, 47.5% purchased and 5% noncontrolling interest in Shenya were estimated using income and market approaches based on financial analysis methodologies (including the discounted cash flow analysis), projected financial information, management's estimates, available information, and reasonable and supportable assumptions. These fair value measurements are classified within Level 3 of the fair value hierarchy.

The following table summarizes the estimated fair value of Shenya assets acquired and liabilities assumed at the date of acquisition, updated as of December 31, 2015:

Cash and cash equivalents	$7,079
Accounts receivable	24,197
Inventories	12,708
Prepaid expenses	11,624
Other current assets	23,396
Property, plant, and equipment	70,082
Goodwill	19,812
Intangibles	15,340
Other assets	14,834
Total assets acquired	199,072
Debt payable within one year	19,164
Accounts payable	45,159
Other current liabilities	15,877
Other liabilities	9,005
Total liabilities assumed	89,205
Noncontrolling interest	9,386
Net assets acquired including noncontrolling interest	$100,481

Cash and cash equivalents, accounts receivable, prepaid expenses, other current assets, accounts payable and other current liabilities were stated at historical carrying values, which management believes approximates fair value given the short-term nature of these assets and liabilities. Inventories were recorded at fair value which is estimated for finished goods and work-in-process based upon the expected selling price less costs to complete, selling, and disposal costs, and a normal profit margin. Raw material inventory was recorded at historical carrying value as such value approximates the replacement cost. Deferred income taxes have been provided in the consolidated balance sheet based on the Company's estimates of the tax versus book basis of the estimated fair value of the assets acquired and liabilities assumed. The Company has estimated the fair value of property, plant and equipment, intangibles, certain other assets, certain liabilities and noncontrolling interest based upon third party valuations, management's estimates, available information and reasonable and supportable assumptions. Goodwill represents the excess of the acquisition price over the fair value of the identifiable assets acquired and liabilities assumed.

In the second quarter of 2016, the Company acquired a business in furtherance of the Company's Shenya operations. The total purchase price of the acquisition was $5,478. The Company recognized $2,972 of goodwill as a result of this acquisition.

In the third quarter of 2016, the Company obtained control of its 51%-owned joint venture, Shenya Sealing (Guangzhou) Company Limited ("Guangzhou") through an amendment of the joint venture governing document. This joint venture was previously accounted for as an investment under the equity method. The results of operations of Guangzhou are included in the Company's consolidated financial statements from the date of consolidation, August 4, 2016, and reported within the Asia Pacific segment. Business combination accounting was completed, resulting in the recognition of intangible assets of $6,605 and goodwill of $9,741. See Note 7. "Goodwill and Intangibles" for additional information. There was no gain or loss recognized on the remeasurement of the Company's equity method investment in Guangzhou.

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

Divestitures

In 2015, the Company completed the sale of its hard coat plastic exterior trim business, a non-core operation, to allow the Company to focus resources on its core product groups. The Company received proceeds of $33,500 and recognized a gain of $8,033, which is recorded in other operating loss (profit) in the consolidated statement of net income for the year ended December 31, 2015. This divestiture did not meet the discontinued operations criteria.

Subsequent Event

On February 7, 2018, the Company agreed to purchase the remaining 49% equity interest of Cooper-Standard INOAC Pte. Ltd., a fluid transfer systems joint venture, at a purchase price of $2,450.

5. 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.

In January 2015, the Company announced its intention to further restructure its European manufacturing footprint based on anticipated market demands. This initiative will be substantially complete by December 31, 2018. The estimated cost of this initiative is $119,000 to $124,000, of which approximately $108,000 has been incurred to date. We expect to incur total employee separation costs of approximately $61,000 to $64,000, other related exit costs of approximately $57,000 to $59,000 and non-cash asset impairments related to restructuring activities of approximately $500.

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.

Restructuring expense by segment for the years ended December 31, 2017, 2016 and 2015 was as follows:

	Year Ended December 31,		
	2017	2016	2015
North America	$5,963	$1,680	$5,232
Europe	25,862	42,008	47,868
Asia Pacific	2,324	2,343	744
South America	988	—	—
Total	$35,137	$46,031	$53,844

Restructuring activity for all restructuring initiatives for the years ended December 31, 2017 and 2016 was as follows:

	Employee Separation Costs	Other Exit Costs	Total
Balance as of December 31, 2015	$ 32,707	$1,768	$34,475
Expense	18,017	28,014	46,031
Cash payments	(28,665)	(27,434)	(56,099)
Foreign exchange translation and other	(132)	(37)	(169)
Balance as of December 31, 2016	$ 21,927	$2,311	$24,238
Expense	16,245	18,892	35,137
Cash payments	(25,077)	(14,473)	(39,550)
Foreign exchange translation and other	1,996	514	2,510
Balance as of December 31, 2017	$ 15,091	$7,244	$22,335

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

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31,		Estimated Useful Lives
	2017	2016	
Land and improvements	$ 73,419	$ 71,002	10 to 25 years
Buildings and improvements	305,231	265,824	10 to 40 years
Machinery and equipment	1,022,279	864,337	5 to 10 years
Construction in progress	198,358	153,924	
	$ 1,599,287	$ 1,355,087	
Accumulated depreciation	(647,109)	(522,818)	
Property, plant and equipment, net	$ 952,178	$ 832,269	

Due to the deterioration of financial results and equipment no longer being utilized at certain locations, the Company impaired property, plant and equipment of $10,493, $1,273, and $13,630, for the years ended December 31, 2017, 2016 and 2015, respectively. Fair value of buildings and machinery and equipment was determined using market value and estimated salvage value, respectively, which was deemed the highest and best use of the assets. Further, due to the Company's decision to divest two of its inactive European sites, the Company recorded impairment charges of $4,270 for the year ended December 31, 2017. Fair value was determined based on current real estate market conditions. A summary of these asset impairment charges is as follows:

	Year Ended December 31,		
	2017	2016	2015
North America	$1,895	$—	$—
Europe	6,327	—	2,285
Asia Pacific	6,541	1,273	—
South America	—	—	11,345
Total	$14,763	$1,273	$13,630

7. Goodwill and Intangibles

Goodwill

Changes in the carrying amount of goodwill by reportable operating segment for the years ended December 31, 2017 and 2016 were as follows:

	North America	Europe	Asia Pacific	Total
Balance as of December 31, 2015	$114,109	$11,056	$24,054	$149,219
Acquisitions	7,175	—	2,972	10,147
Consolidation of joint venture	—	—	9,741	9,741
Foreign exchange translation	712	(303)	(2,075)	(1,666)
Balance as of December 31, 2016	$121,996	$10,753	$34,692	$167,441
Acquisitions	178	236	—	414
Foreign exchange translation	221	1,465	2,311	3,997
Balance as of December 31, 2017	$122,395	$12,454	$37,003	$171,852

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

Intangible Assets

Intangible assets and accumulated amortization balances as of December 31, 2017 and 2016 were as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$135,927	$ (86,342)	$ 49,585
Developed technology	2,893	(2,893)	—
Other	22,298	(2,792)	19,506
Balance as of December 31, 2017	$161,118	$ (92,027)	$ 69,091
Customer relationships	$134,918	$ (73,088)	$ 61,830
Developed technology	8,762	(8,386)	376
Other	20,965	(1,808)	19,157
Balance as of December 31, 2016	$164,645	$ (83,282)	$ 81,363

In 2016, the Company acquired intangible assets of $19,410 in conjunction with the AMI Acquisition. These consisted of $19,000 related to customer relationships and $410 related to patents with weighted average amortization periods of 12 and 15 years, respectively.

Also in 2016, the Company recorded intangible assets of $6,605 in conjunction with the consolidation of Guangzhou. These consisted of $1,313 related to customer relationships and $5,292 related to land-use right with weighted average amortization periods of approximately 7 and 45 years, respectively.

In 2015, the Company acquired intangible assets of $15,340 as a result of the Shenya acquisition. These consisted of $5,110 of customer relationships, $180 of patents and $10,050 of land-use rights with weighted average amortization periods of approximately 15, 3 and 30 years, respectively.

In 2015, the customer relationship intangible asset related to the Company’s South America segment was determined to be fully impaired as a result of the deterioration of the economic conditions in the region, resulting in an impairment charge of $7,981. Fair value was determined using the excess earnings method, based on the reporting unit’s cash flow expectations and consideration of the discount rate.

Estimated amortization expense for the next five years is shown in the table below:

Year	Expense
2018	$ 13,598
2019	13,572
2020	7,580
2021	3,316
2022	3,316

8. Debt

A summary of outstanding debt as of December 31, 2017 and 2016 was as follows:

	December 31,	
	2017	2016
Senior Notes	$393,684	$393,060
Term Loan	330,781	332,827
Other borrowings	33,781	37,032
Total debt	$758,246	$762,919
Less current portion	(34,921)	(33,439)
Total long-term debt	$723,325	$729,480

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

The principal maturities of debt, at nominal value, as of December 31, 2017 are as follows:

Year	Debt and Capital Lease Obligations
2018	$ 35,964
2019	3,997
2020	3,810
2021	3,596
2022	3,414
Thereafter	719,600
Total	$ 770,381

5.625% Senior Notes due 2026

On November 2, 2016, the Company's wholly-owned subsidiary, CSA U.S. (the "Issuer"), issued $400,000 aggregate principal amount of its 5.625% Senior Notes due 2026 (the "Senior Notes"), pursuant to the Indenture, dated November 2, 2016 (the "Indenture"), by and among the Issuer, the Company and the other guarantors party thereto (collectively, the "Guarantors") and U.S. Bank National Association, as trustee, in a transaction exempt from registration under Rule 144A and Regulation S of the Securities Act of 1933 ("the Securities Act"). The net proceeds from the Senior Notes were used to repay the non-extended term loan outstanding under the Term Loan Facility, defined below, and to pay fees and expenses related to the refinancing.

The Senior Notes are guaranteed by the Company, CS Intermediate HoldCo 1 LLC, as well as each of the Issuer's wholly-owned existing or subsequently organized U.S. subsidiaries, subject to certain exceptions, to the extent such subsidiary guarantees the senior asset-based revolving credit facility ("ABL Facility") and the senior term loan facility ("Term Loan Facility").

The Issuer may redeem all or part of the Senior Notes at various points in time prior to maturity, as described in the Indenture. 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.

Upon the occurrence of certain events constituting a Change of Control (as defined in the Indenture), the Issuer will be required to make an offer to repurchase all of the Senior Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any.

The Indenture contains certain covenants that limit the Issuer's and its subsidiaries' ability to, among other things, make restricted payments; sell assets; create or incur liens; enter into sale and lease-back transactions; and merge or consolidate with other entities. These covenants are subject to a number of important limitations and exceptions. The Indenture also provides for events of default, which, if any occur, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding Senior Notes to be due and payable immediately.

The Company paid approximately $7,055 of debt issuance costs in connection with the transaction. The debt issuance costs are being amortized into interest expense over the term of the Senior Notes. As of December 31, 2017 and 2016, the Company had $6,316 and $6,940, respectively, of unamortized debt issuance costs related to the Senior Notes, which is classified as a discount in the consolidated balance sheet.

ABL Facility

On November 2, 2016, CS Intermediate Holdco 1 LLC ("Parent"), CSA U.S. (the "U.S. Borrower"), Cooper-Standard Automotive Canada Limited (the "Canadian Borrower"), Cooper-Standard Automotive International Holdings B.V. (the "Dutch Borrower", and, together with the U.S. Borrower and the Canadian Borrower, the "Borrowers") and certain subsidiaries of the U.S. Borrower, entered into a $210,000 Third Amended and Restated Loan Agreement with certain lenders, which amended and restated the previous $180,000 senior secured asset-based revolving credit facility, dated as of April 4, 2014, among the Company, the U.S. Borrower, the Canadian Borrower, the lenders and other parties thereto.

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 and the lenders agree to fund such increase). No consent of any lender (other than those participating in the increase) is required to effect any such increase. On December 31, 2017, there were no borrowings under the ABL Facility, and subject to borrowing base availability, the Company had $206,935 in availability, less outstanding letters of credit of $8,542.

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

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

Borrowing Base. Loan and letter of credit availability under the ABL Facility is subject to a borrowing base, which at any time is limited to the lesser of: (A) the maximum facility amount (subject to certain adjustments) and (B) (i) up to 85% of eligible accounts receivable; plus (ii) the lesser of 70% of eligible inventory or 85% of the appraised net orderly liquidation value of eligible inventory; plus (iii) up to the lesser of $30.0 million and 75% of eligible tooling accounts receivable; minus reserves established by the Agent. The accounts receivable portion of the borrowing base is subject to certain formulaic limitations (including concentration limits). The inventory portion of the borrowing base is limited to eligible inventory, as determined by the Agent. The borrowing base is also subject to certain reserves, which are established by the Agent (which may include changes to the advance rates indicated above). Loan availability under the ABL Facility is apportioned as follows: $170,000 to the U.S. Borrower., which includes a $60,000 sublimit to the Dutch Borrower and $40,000 to the Canadian Borrower.

Guarantees; Security. The obligations of the U.S. Borrower, the Canadian Borrower and the Dutch Borrower under the ABL Facility, as well as certain cash management arrangements and interest rate, foreign currency or commodity swaps entered into by the such Borrowers and their subsidiaries, and certain credit lines entered into by non-U.S. subsidiaries, in each case with the lenders and their affiliates (collectively, “Additional ABL Secured Obligations”) are guaranteed on a senior secured basis by the Company and its U.S. subsidiaries (with certain exceptions), and the obligations of the Canadian Borrower under the ABL Facility and Additional ABL Secured Obligations of the Canadian Borrower and its Canadian subsidiaries are, in addition, guaranteed on a senior secured basis by the Canadian subsidiaries of the Canadian Borrower. The obligations under the ABL Facility and related guarantees are secured by (1) a first priority lien on all of each Borrower’s and each guarantor’s existing and future personal property consisting of accounts receivable, payment intangibles, inventory, documents, instruments, chattel paper and investment property, certain money, deposit accounts and securities accounts and certain related assets and proceeds of the foregoing, with various enumerated exceptions, including that: (i) the collateral owned by Canadian Borrower or any of its Canadian subsidiaries that are Guarantors only secure the obligations of Canadian Borrower and such subsidiaries arising under the ABL Facility and Additional ABL Secured Obligations and (ii) no liens have been granted on any assets or properties of the Dutch Borrower or any other non-U.S. subsidiaries of the Company (other than the Canadian Borrower and Canadian Guarantors, as otherwise specified above) in connection with the ABL Facility and (2) a second priority lien on all the capital stock in restricted subsidiaries directly held by the U.S. Borrower and each of the U.S. Guarantors, and equipment of the U.S. Borrower and the U.S.-domiciled guarantors and all other material personal property of the U.S. Borrower and the U.S.-domiciled guarantors.

Interest. Borrowings under the ABL Facility bear interest at a rate equal to, at the Borrowers’ option:

- in the case of borrowings by the U.S. Borrower, LIBOR or the base rate plus, in each case, an applicable margin; or
- in the case of borrowings by the Canadian Borrower, bankers’ acceptance (“BA”) rate, Canadian prime rate or Canadian base rate plus, in each case, an applicable margin; or
- in the case of borrowings by the Dutch Borrower, LIBOR plus an applicable margin.

The initial applicable margin was 1.50% with respect to the LIBOR or Canadian BA rate-based borrowings and 0.50% with respect to U.S. base rate, Canadian prime rate and Canadian base rate borrowings, until April 1, 2017. The applicable margin may vary between 1.25% and 1.75% with respect to the LIBOR or Canadian BA rate-based borrowings and between 0.25% and 0.75% with respect to U.S. base rate, Canadian prime rate and Canadian base rate borrowings. The applicable margin is subject, in each case, to quarterly pricing adjustments (based on average facility availability).

Fees. The Borrowers are required to pay a fee in respect of committed but unutilized commitments. The ABL Facility also requires the payment of customary agency and administrative fees.

Voluntary Prepayments. The Borrowers are able to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans, in each case, in whole or in part, at any time without premium or penalty (other than customary breakage and related reemployment costs with respect to repayments of LIBOR-based borrowings).

Covenants; Events of Default. The ABL Facility includes affirmative and negative covenants that will impose substantial restrictions on the Company’s financial and business operations, including its ability to incur and secure debt, make investments, sell assets, pay dividends or make acquisitions. The ABL Facility also includes a requirement to maintain a monthly fixed charge coverage ratio of no less than 1.0 to 1.0 when availability under the ABL Facility is less than specified levels. The ABL Facility also contains various events of default that are customary for comparable facilities.
Debt Issuance Costs. As of December 31, 2017 and 2016, the Company had $1,373 and $1,706, respectively, of unamortized debt issuance costs related to the ABL Facility.

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

Term Loan Facility
On November 2, 2016, CSA U.S., as borrower, entered into Amendment No. 1 to the Term Loan Facility. On May 2, 2017, the Company entered into Amendment No. 2 to the Term Loan Facility to 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 2.25% 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 1.25% per annum. As a result of the amendment, the Company recognized a loss on refinancing and extinguishment of debt of $1,020 in the second quarter of 2017, which was due to the partial write off of new and unamortized debt issuance costs and unamortized original issue discount.
The Term Loan Facility 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 revolving facility and ABL Facility to the extent commitments are reduced) not funded from proceeds of long-term indebtedness.
Maturity. The Term Loan Facility matures on November 2, 2023, unless earlier terminated.
Guarantees. All obligations of the borrower under the Term Loan Facility are guaranteed jointly and severally on a senior secured basis by the direct parent company of the borrower and each existing and subsequently acquired or organized direct or indirect wholly owned U.S. restricted subsidiary of the borrower.
Security. The obligations under the Term Loan Facility are secured by (a) a first priority security interest (subject to permitted liens and other customary exceptions) on (i) all the capital stock in restricted subsidiaries directly held by the borrower and each of the guarantors, (ii) substantially all plant, material owned real property located in the U.S. and equipment of the borrower and the guarantors and (iii) all other personal property of the borrower and the guarantors, including, without limitation, accounts and investment property, contracts, patents, copyrights, trademarks, other general intangibles, intercompany notes and proceeds of the foregoing, and (b) a second priority security interest (subject to permitted liens and other customary exceptions) in accounts receivable of the borrowers and the guarantors arising from the sale of goods and services, inventory, tax refunds, cash, deposit accounts and books and records related to the foregoing and, in each case, proceeds thereof, in each case, excluding certain collateral and subject to certain limitations.
Interest. 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 2.25% 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 1.25% per annum.
Voluntary Prepayments. The borrower may voluntarily prepay loans in whole or in part, with prior notice and without premium or penalty, subject to the actual LIBOR breakage costs, payment of accrued and unpaid interest, and customary limitations as to minimum amounts of prepayments.
Covenants. The Term Loan Facility contains incurrence-based negative covenants customary for high yield senior secured debt securities, including, but not limited to, restrictions on the ability of the borrower and its restricted subsidiaries to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, pay dividends or make other restricted payments, sell or otherwise transfer assets, or enter into transactions with affiliates. These negative covenants are subject to exceptions, qualifications and certain carveouts.
Events of Default. The Term Loan Facility provides that, upon the occurrence of certain events of default, obligations thereunder may be accelerated. Such events of default include payment defaults to the lenders, material inaccuracies of representations and warranties, covenant defaults, cross-defaults to other material indebtedness, voluntary and involuntary bankruptcy proceedings, material money judgments, material pension-plan events, certain change of control events and other customary events of default.

Debt Issuance Costs. As of December 31, 2017 and 2016, the Company had $3,537 and $4,352, respectively, of unamortized debt issuance costs and $2,281 and $2,821, respectively, of unamortized original issue discount related to the Term Loan Facility. Both the debt issuance costs and the original issue discount are amortized into interest expense over the term of the Term Loan Facility.

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

Debt Covenants

The Company was in compliance with all covenants of the ABL Facility, Term Loan Facility and Senior Notes, as of December 31, 2017.

Repayment of the Term Loan Facility

On November 2, 2016, the Company repaid the non-extended term loan outstanding under the Term Loan Facility of $393,125. As a result of the repayment, the Company recognized a loss on refinancing of $5,104, of which $4,071 was paid in cash, which was primarily due to the write off of unamortized original issue discount and debt issuance costs.

Other

Other borrowings as of December 31, 2017 and 2016 reflect borrowings under capital leases, local bank lines and accounts receivable factoring sold in on-balance sheet arrangements classified in debt payable within one year on the consolidated balance sheet.

9. 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 liabilities measured or disclosed at fair value on a recurring basis as of December 31, 2017 and 2016, was as follows:

	December 31, 2017	December 31, 2016	Input
Forward foreign exchange contracts - other current assets	$ 761	$ 764	Level 2
Forward foreign exchange contracts - accrued liabilities	(2,363)	(535)	Level 2
Interest rate swaps - accrued liabilities	(515)	(2,458)	Level 2
Interest rate swaps - other liabilities	—	(661)	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 2. "Summary of Significant Accounting Policies," Note 4. "Acquisitions and Divestitures" and Note 6. "Property, Plant and Equipment."

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

Items Not Carried At Fair Value

Fair values of the Company's debt instruments were as follows:

	December 31, 2017	December 31, 2016
Aggregate fair value	$ 749,463	$ 735,850
Aggregate carrying value [(1)]	736,600	740,000

[(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. Gains or losses on derivative instruments resulting from hedge ineffectiveness are reported in earnings. 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 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 consolidated statements of net income.

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 December 31, 2017, the notional amount of these contracts was $165,559 and consisted of hedges of transactions up to December 2018.

Interest Rate Swaps – The Company uses interest rate swap transactions to manage cash flow variability associated with its variable rate Term Loan Facility. The interest rate swap contracts, which fix the interest payments of variable rate debt instruments, are used to manage exposure to fluctuations in interest rates. As of December 31, 2017, the notional amount of these contracts was $150,000 with maturities through September 2018. The fair market value of all outstanding interest rate swap and other derivative contracts is subject to changes in value due to changes in interest rates.

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

	Gain (Loss) Recognized in OCI Year Ended December 31,	
	2017	2016
Forward foreign exchange contracts	$814	$(3,295)
Interest rate swaps	198	(1,638)
Total	$1,012	$(4,933)

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

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

		Gain (Loss) Reclassified from AOCI to Income (Effective Portion)		Gain (Loss) Reclassified from AOCI to Income (Ineffective Portion)	
		Year Ended December 31,			
	Classification	2017	2016	2017	2016
Forward foreign exchange contracts	Cost of products sold	$2,687	$(2,678)	$—	$—
Interest rate swaps	Interest expense, net of interest income	(2,398)	(3,188)	353	(562)
Total		$289	$(5,866)	$353	$(562)

The amount of losses to be reclassified from AOCI into income in the next twelve months related to the interest rate swap is expected to be approximately $515.

10. Accounts Receivable Factoring

As a part of its working capital management, the Company previously sold certain receivables through third party financial institutions in on- and off-balance sheet arrangements. In December 2017, the Company completed the transition from multiple factoring providers to a pan-European program under a single third party financial institution (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 and interest expense, net of interest income in the 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 consolidated balance sheet. Receivables sold prior to December 2017 that were considered on-balance sheet arrangements were accounted for as secured borrowings and were recorded in debt payable within one year.

Amounts outstanding under receivable transfer agreements entered into by various locations as of the period end were as follows:

	December 31, 2017	December 31, 2016
Off-balance sheet arrangements	$ 96,588	$ 56,936
On-balance sheet arrangements	$ —	$ 5,258

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

	Off-Balance Sheet Arrangements		On-Balance Sheet Arrangements	
	Year Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Accounts receivable factored	$544,060	$507,321	$23,794	$24,053

	Off-Balance Sheet Arrangements			On-Balance Sheet Arrangements		
	Year Ended December 31,			Year Ended December 31,		
	2017	2016	2015	2017	2016	2015
Costs	$1,904	$1,575	$2,144	$99	$257	$179

The Company continues to service sold receivables and acts as collection agent for the Factor. As of December 31, 2017, cash collections on behalf of the Factor that have yet to be remitted were $36,248 and are reflected in cash and cash equivalents in the consolidated balance sheet.

11. Pension

The Company maintains defined benefit pension plans covering employees located in the United States as well as certain international locations. The majority of these plans are frozen, and all are closed to new employees. Benefits generally are based

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

on compensation, length of service and age for salaried employees and on length of service for hourly employees. The Company's policy is to fund pension plans such that sufficient assets will be available to meet future benefit requirements and contribute amounts deductible for United States federal income tax purposes or amounts required by local statute.

The Company also sponsors voluntary defined contribution plans for certain salaried and hourly U.S. employees of the Company. The Company matches contributions of participants, up to various limits in all plans. The Company also sponsors retirement plans that include Company non-elective contributions. Non-elective and matching contributions under these plans totaled $16,747, $16,581 and $16,296 for the years ended December 31, 2017, 2016 and 2015, respectively.

Information related to the Company's defined benefit pension plans was as follows:

	Year Ended December 31,			
	2017		2016	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Change in projected benefit obligation:				
Projected benefit obligations at beginning of period	$303,446	$191,184	$306,760	$179,896
Service cost	814	4,025	807	3,346
Interest cost	11,700	4,341	12,580	5,041
Actuarial loss	17,230	4,450	3,633	17,582
Benefits paid	(17,492)	(7,048)	(20,334)	(7,735)
Foreign exchange translation	—	20,809	—	(5,085)
Settlements	—	(20,667)	—	(1,950)
Other	—	75	—	89
Projected benefit obligations at end of period	$315,698	$197,169	$303,446	$191,184
Change in plan assets:				
Fair value of plan assets at beginning of period	$253,483	$63,220	$248,387	$64,940
Actual return on plan assets	35,233	5,039	18,109	2,560
Employer contributions	4,543	7,238	7,321	6,969
Benefits paid	(17,492)	(7,048)	(20,334)	(7,735)
Foreign exchange translation	—	4,008	—	(1,753)
Settlements	—	(20,431)	—	(1,761)
Fair value of plan assets at end of period	$275,767	$52,026	$253,483	$63,220
Funded status of the plans	$(39,931)	$(145,143)	$(49,963)	$(127,964)

	December 31, 2017		December 31, 2016	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Amounts recognized in the consolidated balance sheet:				
Other assets	$ —	$ 405	$ —	$ —
Accrued liabilities	(1,010)	(4,295)	(1,030)	(3,947)
Pension benefits (long term)	(38,921)	(141,253)	(48,933)	(124,017)

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

Pre-tax amounts included in accumulated other comprehensive loss that have not yet been recognized in net periodic benefit (income) cost as of December 31, 2017 and 2016 were as follows:

	December 31, 2017		December 31, 2016	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Prior service costs	$(136)	$(1,206)	$(156)	$(1,273)
Actuarial losses	$(74,711)	$(48,491)	$(78,552)	$(49,862)

Pre-tax amounts included in accumulated other comprehensive loss that are expected to be recognized in net periodic benefit cost during the year ended December 31, 2018 are as follows:

	U.S.	Non-U.S.
Prior service costs	$(20)	$(240)
Actuarial losses	$(2,383)	$(2,553)

The Company uses the corridor approach when amortizing actuarial gains or losses. Under the corridor approach, net unrecognized actuarial losses in excess of 10% of the greater of i) the projected benefit obligation or ii) the fair value of plan assets are amortized over future periods.

The accumulated benefit obligation for all domestic and international defined benefit pension plans was $315,698 and $185,179 as of December 31, 2017 and $303,446 and $179,854 as of December 31, 2016, respectively. As of December 31, 2017, the fair value of plan assets for one of the Company's defined benefit plans exceeded the projected benefit obligation of $21,993 by $405.

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

	Year Ended December 31,					
	2017		2016		2015	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$814	$4,025	$807	$ 3,346	$926	$ 3,489
Interest cost	11,700	4,341	12,580	5,041	12,334	5,084
Expected return on plan assets	(16,012)	(2,617)	(15,835)	(3,133)	(17,685)	(3,373)
Amortization of prior service cost and actuarial loss	1,871	2,898	1,714	2,186	1,110	2,666
Settlements	—	6,427	—	538	—	132
Other	—	—	—	—	—	221
Net periodic benefit (income) cost	$(1,627)	$ 15,074	$(734)	$ 7,978	$(3,315)	$ 8,219

U.K. Pension Settlement

During 2016, the Company undertook an initiative to de-risk pension obligations in the U.K. by purchasing a bulk annuity policy designed to match the liabilities of the plan, and subsequently entered into a wind-up process. During the year ended December 31, 2017, the Company completed the wind-up process, resulting in a non-cash settlement charge of $5,717 and administrative expenses of $185, both of which are recorded in selling, administration & engineering expenses in the consolidated statements of net income. As a result of the settlement, the Company's overall projected benefit obligation as of December 31, 2016 was reduced by $17,100.

Plan Assumptions

Weighted average assumptions used to determine benefit obligations as of December 31, 2017 and 2016 were as follows:

	2017		2016	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	3.55%	2.17 %	3.99%	2.23 %
Rate of compensation increase	N/A	3.17 %	N/A	3.15 %

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

Weighted average assumptions used to determine net periodic benefit costs for the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017		2016		2015	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	3.99%	2.23 %	4.24%	2.80 %	3.94%	2.66 %
Expected return on plan assets	6.60%	5.94 %	6.60%	4.39 %	6.70%	4.80 %
Rate of compensation increase	N/A	3.15 %	N/A	3.15 %	N/A	3.11 %

To develop the expected return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. As the U.S. plans are frozen, the rate of compensation increase was not applicable in determining net periodic benefit cost.

Plan Assets

The goals and investment objectives of the asset strategy are to ensure that there is an adequate level of assets to meet benefit obligations to participants and retirees over the life of the participants and maintain liquidity in the plan assets sufficient to cover monthly benefit obligations. Risk is managed by investing in a broad range of investment vehicles, e.g., equity mutual funds, bond mutual funds, real estate mutual funds, hedge funds, etc. There are no equity securities of the Company in the equity asset category.

Investments in equity securities and debt securities are valued at fair value using a market approach and observable inputs, such as quoted market prices in active markets (Level 1). Investments in balanced funds are valued at fair value using a market approach and inputs that are primarily directly or indirectly observable (Level 2). Investments in equity securities and balanced funds in which the Company holds participation units in a fund, the net asset value of which is based on the underlying assets and liabilities of the respective fund, are considered an unobservable input (Level 3). Investments in real estate funds are primarily valued at net asset value depending on the investment.

The fair value of the Company's pension plan assets by category using the three-level hierarchy (see Note 9. "Fair Value Measurements and Financial Instruments") as of December 31, 2017 and 2016 was as follows:

2017	Level 1	Level 2	Level 3	Total
Equity funds	$41,080	$22,419	$—	$63,499
Equity funds measured at net asset value (1)	—	—	—	76,405
Bond funds	34,997	29,607	—	64,604
Bond funds measured at net asset value (1)	—	—	—	69,823
Real estate measured at net asset value (1)	—	—	—	15,656
Hedge funds	3,603	—	110	3,713
Hedge funds measured at net asset value (1)	—	—	—	29,195
Insurance contracts	—	—	—	—
Cash and cash equivalents	4,898	—	—	4,898
Total	$84,578	$52,026	$110	$327,793

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

2016	Level 1	Level 2	Level 3	Total
Equity funds	$36,710	$18,531	$—	$55,241
Equity funds measured at net asset value [1]	—	—	—	76,961
Bond funds	35,339	28,070	—	63,409
Bond funds measured at net asset value [1]	—	—	—	47,123
Real estate measured at net asset value [1]	—	—	—	14,472
Hedge funds	339	—	341	680
Hedge funds measured at net asset value [1]	—	—	—	30,676
Insurance contracts	—	—	16,113	16,113
Cash and cash equivalents	12,028	—	—	12,028
Total	$84,416	$46,601	$16,454	$316,703

[1] In accordance with ASC 820, investments measured at fair value using the net asset value ("NAV") practical expedient are excluded from the fair value hierarchy. These fair value amounts are presented in this table to allow for reconciliation to the fair value of plan assets presented within the statement of financial position.

The reconciliation for which Level 3 inputs were used in determining fair value is as follows:

Beginning balance of assets classified as Level 3 as of January 1, 2016	$4,709
Purchases, sales and settlements, net	(4,380)
Total gain	12
Transfers into (out of) Level 3	16,113
Ending balance of assets classified as Level 3 as of December 31, 2016	$16,454
Purchases, sales and settlements, net	(16,348)
Total gain	4
Transfers into (out of) Level 3	—
Ending balance of assets classified as Level 3 as of December 31, 2017	$110

Expected Future Benefit Payments

The Company estimates its benefit payments for its domestic and foreign pension plans during the next ten years to be as follows:

Years Ending December 31,	U.S	Non-U.S	Total
2018	$21,183	$ 6,337	$27,520
2019	18,893	8,168	27,061
2020	18,875	7,908	26,783
2021	19,035	8,737	27,772
2022	19,236	10,767	30,003
2023-2027	95,413	57,731	153,144

Contributions

The Company estimates it will make minimum funding cash contributions of approximately $8,500 to its U.S. pension plans and funding cash contributions of approximately $6,210 to its non-U.S. pension plans in 2018.

12. Postretirement Benefits Other Than Pensions

The Company provides certain retiree health care and life insurance benefits covering certain U.S. salaried and hourly employees and employees in Canada. Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. The Company's policy is to fund the cost of these postretirement benefits as these benefits become payable.

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

Information related to the Company's postretirement benefit plans was as follows:

	Year Ended December 31,			
	2017		2016	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Change in benefit obligation:				
Benefit obligations at beginning of year	$33,877	$18,350	$33,955	$16,455
Service cost	314	423	361	372
Interest cost	1,297	693	1,383	678
Actuarial loss	1,021	4,002	112	926
Benefits paid	(1,690)	(651)	(1,939)	(601)
Other	5	—	5	—
Foreign currency exchange rate effect	—	1,425	—	520
Benefit obligation at end of year	$34,824	$24,242	$33,877	$18,350
Funded status of the plan	$(34,824)	$(24,242)	$(33,877)	$(18,350)
Net amount recognized as of December 31	$(34,824)	$(24,242)	$(33,877)	$(18,350)

	December 31, 2017		December 31, 2016	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Amounts recognized in the consolidated balance sheet:				
Accrued liabilities	$(2,098)	$ (634)	$(2,047)	$ (548)
Postretirement benefits other than pension (long term)	(32,726)	(23,608)	(31,830)	(17,803)

Pre-tax amounts included in accumulated other comprehensive loss that have not yet been recognized in net periodic benefit (income) cost as of December 31, 2017 and 2016 were as follows:

	December 31, 2017		December 31, 2016	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Prior service credits	$676	$714	$970	$940
Actuarial gains (losses)	$13,930	$(9,127)	$16,572	$(4,926)

Pre-tax amounts included in accumulated other comprehensive loss that are expected to be recognized in net periodic benefit cost during the year ended December 31, 2018 are as follows:

	U.S.	Non-U.S.
Prior service credits	$294	$ 292
Actuarial gains (losses)	$1,378	$ (609)

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

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

	Year Ended December 31,					
	2017		2016		2015	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$314	$ 423	$361	$ 372	$434	$ 380
Interest cost	1,297	693	1,383	678	1,411	678
Amortization of prior service credit and recognized actuarial gain	(1,915)	(15)	(2,026)	(62)	(1,584)	(20)
Other	5	—	5	—	25	—
Net periodic benefit (income) cost	$(299)	$ 1,101	$(277)	$ 988	$286	$ 1,038

Plan Assumptions

Weighted average assumptions used to determine benefit obligations as of December 31, 2017 and 2016 were as follows:

	2017		2016	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	3.55%	3.40 %	3.95%	3.70 %

Weighted average assumptions used to determine net periodic benefit costs for the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017		2016		2015	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	3.95%	3.70 %	4.20%	4.00 %	3.85%	3.90 %

These assumed health care cost trend rates used to measure the postretirement benefit obligation as of December 31, 2017 were as follows:

	U.S.	Non-U.S.
Health care cost trend rate	5.50 %	5.00 %
Ultimate health care cost trend rate	4.20 %	5.00 %
Year that the rate reaches the ultimate trend rate	2025	2018

The sensitivity to changes in the assumed health care cost trend rates are as follows:

	Impact on service cost and interest cost	Impact on PBO as of December 31, 2017
1% increase in health care cost trend rate	$ 225	$ 4,417
1% decrease in health care cost trend rate	$ (178)	$ (3,538)

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

Expected Future Postretirement Benefit Payments

The Company estimates its benefit payments for its postretirement benefit plans during the next ten years to be as follows:

	U.S.	Non-U.S.	Total
2018	$2,135	$ 644	$ 2,779
2019	2,220	717	2,937
2020	2,249	766	3,015
2021	2,279	816	3,095
2022	2,304	847	3,151
2023 - 2027	11,352	4,875	16,227

Other

Other postretirement benefits recorded in the Company’s consolidated balance sheets include $5,587 and $4,592 as of December 31, 2017 and 2016, respectively, for termination indemnity plans for two of the Company’s European locations.

13. Other (Expense) Income, net

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

	Year Ended December 31,		
	2017	2016	2015
Foreign currency losses	$(7,913)	$(3,958)	$(3,379)
Secondary offering underwriting fees	—	(5,900)	—
Losses on sales of receivables	(931)	(801)	(1,017)
Miscellaneous income (expense)	1,711	—	(44)
Gain on remeasurement of previously held equity interest	—	—	14,199
Other (expense) income, net	$(7,133)	$(10,659)	$9,759

14. Income Taxes

Components of the Company’s income before income taxes and adjustment for noncontrolling interests were as follows:

	Year Ended December 31,		
	2017	2016	2015
Domestic	$138,477	$121,301	$117,388
Foreign	74,623	73,459	35,600
	$213,100	$194,760	$152,988

The Company’s income tax expense consists of the following:

	Year Ended December 31,		
	2017	2016	2015
Current			
Federal	$40,607	$22,109	$26,240
State	500	1,063	1,218
Foreign	22,344	22,067	16,458
Deferred			
Federal	17,594	1,828	6,410
State	419	904	281
Foreign	(6,937)	6,350	(9,389)
	$74,527	$54,321	$41,218

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

A reconciliation of the U.S. statutory federal rate to the income tax provision was as follows:

	Year Ended December 31,		
	2017	2016	2015
Tax at U.S. statutory rate	$74,585	$68,166	$53,546
State and local taxes	1,177	2,564	3,441
Tax credits	(11,436)	(10,348)	(8,139)
Changes in tax law, other	7,279	8,813	3,630
U.S. tax reform	33,493	—	—
Effect of foreign tax rates	(23,158)	(19,600)	(6,465)
Nonrecurring permanent items	(13,947)	—	(11,300)
Capital loss	(19,931)	—	—
Outside basis difference	9,562	—	—
Stock compensation (ASU 2016-09)	(3,563)	(5,305)	—
Other change in tax reserves	730	116	(368)
Valuation allowance	25,761	9,112	11,638
Other, net	(6,025)	803	(4,765)
Income tax provision	$74,527	$54,321	$41,218
Effective income tax rate	35.0 %	27.9 %	26.9 %

On December 22, 2017, the U.S. Tax Cuts and Jobs Act was enacted into law. The new tax legislation contains several key tax provisions including the reduction of the corporate income tax rate to 21% effective January 1, 2018 as well as a variety of other changes including the limitation on the tax deductibility of interest expense, acceleration of expensing of certain business assets, reductions in the amount of executive pay that could qualify as a tax deduction, as well as certain foreign related provisions. The Company is currently assessing the overall impact of the enacted tax law on its business and its consolidated financial statements and has recorded a discrete tax expense of $33,493 related to the transition tax on foreign earnings, the remeasurement of its deferred tax assets and liabilities for the reduced federal tax rate, and changes to the deductibility of executive compensation in the period ended December 31, 2017. The Company is required to recognize the effect of tax law changes in the period of enactment. However, on December 22, 2017, the SEC staff issued Staff Accounting Bulletin (“SAB”) 118 which allows the Company to record provisional amounts and reflect changes to such amounts through income tax expense during a one year measurement period following enactment. Amounts recorded for the above items are provisional amounts and as such, the Company will continue to assess the impact of the recently enacted tax law on its business and consolidated financial statements over the measurement period.

Nonrecurring permanent items in 2017 relate to a worthless security deduction and in 2015 relate to the impact of the gain on the Shenya acquisition and realized exchange losses. The Company also generated a capital loss in the U.S. during 2017. Capital losses can only be realized to the extent they offset realized capital gains.

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

Deferred tax assets and liabilities reflect the estimated tax effect of accumulated temporary differences between the basis of assets and liabilities for tax and financial reporting purposes, as well as net operating losses, tax credit and other carryforwards. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2017 and 2016 were as follows:

	2017	2016
Deferred tax assets:		
Pension, postretirement and other benefits	$57,700	$78,194
Capitalized expenditures	1,471	1,001
Capital loss carryforward	13,780	—
Net operating loss and tax credit carryforwards	145,528	132,057
All other items	38,205	29,826
Total deferred tax assets	256,684	241,078
Deferred tax liabilities:		
Property, plant and equipment	(21,507)	(30,310)
Intangibles	(9,665)	(16,210)
All other items	(11,834)	(7,623)
Total deferred tax liabilities	(43,006)	(54,143)
Valuation allowances	(189,355)	(149,757)
Net deferred tax assets	$24,323	$37,178

As of December 31, 2017, the Company's foreign subsidiaries, primarily in France, Brazil, Italy and Germany, have operating loss carryforwards aggregating $326,000, with indefinite expiration periods. Other foreign subsidiaries in China, Mexico, Netherlands, Spain, India and Korea have operating losses aggregating $142,000, with expiration dates beginning in 2018. The Company and its domestic subsidiaries have capital loss carryforwards totaling $66,000 with expiration dates beginning in 2021. The Company has tax credit carryforwards totaling $11,700 in Poland with expiration dates beginning in 2024. The Company and its domestic subsidiaries have anticipated tax benefits of state net operating losses and credit carryforwards of $11,400 with expiration dates beginning in 2018.

The Company continues to maintain a valuation allowance related to our net deferred tax assets in several foreign jurisdictions. As of December 31, 2017, the Company had valuation allowances of $189,355 related to tax loss, capital loss, credit carryforwards, and other deferred tax assets in the U.S. and several foreign jurisdictions. The Company's valuation allowance increased in 2017 as a result of current year losses with no benefit in certain foreign jurisdictions. The Company's current and future provision for income taxes is significantly impacted by the initial recognition of and changes in valuation allowances in certain countries. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. The Company's future provision for income taxes will include no tax benefit with respect to losses incurred and no tax expense with respect to income generated in these countries until the respective valuation allowance is eliminated.

A liability for U.S. income tax has been recorded on the undistributed earnings of foreign subsidiaries in accordance with the enacted U.S. Tax Cuts and Jobs Act. As a result, all undistributed earnings are now previously taxed income for U.S. tax purposes, although the undistributed earnings may be subject to withholding taxes upon distribution. The Company has not recorded any deferred taxes for withholding taxes on approximately $608,000 of undistributed earnings of foreign subsidiaries as such amounts are considered indefinitely reinvested. The Company expects to repatriate to the U.S. approximately $50,000 of foreign earnings with no significant related tax costs in 2018.

As of December 31, 2017, the Company had $8,029 ($9,242 including interest and penalties) of total unrecognized tax benefits, all of which represented the amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate.

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

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	2017	2016
Balance at beginning of period	$7,851	$7,753
Tax positions related to the current period		
Gross additions	720	516
Gross reductions	—	—
Tax positions related to prior years		
Gross additions	92	31
Gross reductions	(223)	(70)
Settlements	(411)	(379)
Lapses on statutes of limitations	—	—
Balance at end of period	$8,029	$7,851

The Company, or one of its subsidiaries, files income tax returns in the United States and other foreign jurisdictions. The Internal Revenue Service completed an examination of the Company's U.S. income tax returns through 2011. The statute of limitations for U.S. state and local jurisdictions is closed for taxable years ending prior to 2014. The Company's major foreign jurisdictions are Brazil, Canada, China, France, Germany, Italy, Mexico, and Poland. The Company is no longer subject to income tax examinations in major foreign jurisdictions for years prior to 2013.
During the next twelve months, it is reasonably possible that, as a result of audit settlements and the conclusion of current examinations, the Company may decrease the amount of its gross unrecognized tax benefits by approximately $5,196, all of which, if recognized, would impact the effective tax rate.
The Company classifies all tax related interest and penalties as income tax expense. The Company has recorded in liabilities $1,213 and $1,042 as of December 31, 2017 and 2016, respectively, for tax related interest and penalties on its consolidated balance sheet.

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

15. 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:

	Year Ended December 31,		
	2017	2016	2015
Net income attributable to Cooper-Standard Holdings Inc.	$135,303	$138,988	$111,880
Increase in fair value of share-based awards	—	63	48
Diluted net income available to Cooper-Standard Holdings Inc. common stockholders	$135,303	$139,051	$111,928
Basic weighted average shares of common stock outstanding	17,781,272	17,459,710	17,212,607
Dilutive effect of common stock equivalents	995,381	1,270,668	1,202,387
Diluted weighted average shares of common stock outstanding	18,776,653	18,730,378	18,414,994
Basic net income per share attributable to Cooper-Standard Holdings Inc.	$7.61	$7.96	$6.50
Diluted net income per share attributable to Cooper-Standard Holdings Inc.	$7.21	$7.42	$6.08

Approximately 2,000 securities were excluded from the calculation of diluted earnings per share for the year ended December 31, 2017, because the inclusion of such securities in the calculation would have been anti-dilutive. There were no anti-dilutive securities during the years ended December 31, 2016 and 2015.

16. Accumulated Other Comprehensive Income (Loss)
Changes in accumulated other comprehensive income (loss) by component, net of related tax, were as follows: