Cooper-Standard Holdings Inc.
Form 10-Q
May 13, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

or

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

Commission File Number: 333-123708

COOPER-STANDARD HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware

20-1945088 (State or other jurisdiction
of incorporation or organization) (I.R.S. Employer
Identification No.)

39550 Orchard Hill Place Drive
Novi, Michigan 48375

(Address of principal executive offices)

(Zip Code)

(248) 596-5900

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of ''large accelerated filer'', ''accelerated filer'' and ''smaller reporting company'' in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

Number of shares of common stock of registrant outstanding, at May 5, 2008:

3,483,600 shares of common stock, $0.01 par value

PART I — FINANCIAL INFORMATION

Item 1.
Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2007 AND 2008
(UNAUDITED)
(Dollar amounts in thousands)

	2007	2008
Sales	$ 576,261	$ 756,021
Cost of products sold	482,784	636,902
Gross profit	93,477	119,119
Selling, administration, & engineering expenses	48,720	67,403
Amortization of intangibles	7,809	7,836
Restructuring	4,743	2,395
Operating profit	32,205	41,485
Interest expense, net of interest income	(21,844)	(24,215)
Equity earnings	332	2,145
Other income (expense)	(1,242)	3,475
Income before income taxes	9,451	22,890
Provision for income tax expense	4,777	7,218
Net income	$ 4,674	$ 15,672

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

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands)

	December 31, 2007	March 31, 2008 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 40,877	$ 41,323
Accounts receivable, net	546,794	610,247
Inventories, net	155,321	156,304
Prepaid expenses	19,603	18,860
Other	9,674	9,586
Total current assets	772,269	836,320
Property, plant, and equipment, net	722,373	747,477
Goodwill	290,588	290,398
Intangibles, net	256,258	253,984
Other assets	120,767	124,699
	$ 2,162,255	$ 2,252,878
Liabilities and Stockholders’ Equity		
Current liabilities:		
Debt payable within one year	$ 51,999	$ 75,853
Accounts payable	295,638	298,920
Payroll liabilities	103,161	119,391
Accrued liabilities	78,218	83,055
Total current liabilities	529,016	577,219
Long-term debt	1,088,162	1,083,039
Pension benefits	109,101	113,816
Postretirement benefits other than pensions	76,514	76,948
Deferred tax liabilities	28,331	30,883
Other long-term liabilities	62,573	69,640
Stockholders’ equity:		
Common stock, $0.01 par value, 4,000,000 shares authorized at December 31, 2007 and March 31, 2008, 3,483,600 shares issued and outstanding at December 31, 2007 and March 31, 2008	35	35
Additional paid-in capital	354,874	354,596
Accumulated deficit	(155,339)	(139,667)
Accumulated other comprehensive income	68,988	86,369
Total stockholders’ equity	268,558	301,333
	$ 2,162,255	$ 2,252,878

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2007 AND 2008
(UNAUDITED)
(Dollar amounts in thousands)

	March 2007	March 2008
Operating Activities:		
Net income	$ 4,674	$ 15,672
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	22,016	27,973
Amortization	7,809	7,836
Non-cash restructuring charges	2	58
Gain on bond repurchase	—	(1,696)
Amortization of debt issuance cost	1,301	1,128
Stock-based compensation expense	—	400
Changes in operating assets and liabilities	6,523	(29,220)
Net cash provided by operating activities	42,325	22,151
Investing activities:		
Property, plant, and equipment	(17,648)	(25,652)
Acquisition of business, net of cash acquired	(10,616)	—
Other	194	145
Net cash used in investing activities	(28,070)	(25,507)
Financing activities:		
Increase in short term debt	1,346	20,233
Principal payments on long-term debt	(20,412)	(7,513)
Repurchase of bonds	—	(5,306)
Other	(450)	127
Net cash provided by (used in) financing activities	(19,516)	7,541
Effects of exchange rate changes on cash	152	(3,739)
Changes in cash and cash equivalents	(5,109)	446
Cash and cash equivalents at beginning of period	56,322	40,877
Cash and cash equivalents at end of period	$ 51,213	$ 41,323

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

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

1. Overview

Description of business

Cooper-Standard Holdings Inc. (the ‘‘Company’’), through its wholly-owned subsidiary Cooper-Standard Automotive Inc., is a leading global manufacturer of body & chassis and fluid handling components, systems, subsystems and modules primarily for use in passenger vehicles and light trucks for global original equipment manufacturers (‘‘OEMs’’) and replacement markets. The Company conducts substantially all of its activities through its subsidiaries.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (‘‘SEC’’) for interim financial information and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K as of December 31, 2007, as filed with the SEC. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements include all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of the Company. The operating results for the interim period ended March 31, 2008 are not necessarily indicative of results for the full year.

Stock-based compensation

Effective January 1, 2006, the Company adopted SFAS No. 123(R), Share-Based Payment, using the prospective method. The prospective method requires compensation cost to be recognized beginning on the effective date based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date of SFAS No. 123 (R). All awards granted prior to the effective date are accounted for in accordance with Accounting Principles Board Opinion (‘‘APB’’) No. 25, Accounting for Stock Issued to Employees.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

Recent accounting pronouncements

In March 2008, the Financial Accounting Standards Board (‘‘FASB’’) issued Statement of Financial Accounting Standards (‘‘SFAS’’) No. 161, ‘‘Disclosures About Derivative Instruments and Hedging Activities — an Amendment of FASB Statement No. 133’’. SFAS No. 161 requires entities, that utilize derivative instruments, to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit risk related contingent features contained within derivatives. SFAS No. 161 also requires entities to disclose additional information about the amounts and locations of derivatives located within the financial statements, how the provisions of SFAS No. 133 have been applied and the impact that hedges have on an entity’s financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is currently evaluating the impact adopting this statement will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), ‘‘Business Combinations.’’ This statement significantly changes the financial accounting and reporting of business combination transactions. The provisions of this statement are to be applied prospectively to business combination transactions in the first annual reporting period beginning on or after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, ‘‘Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51.’’ SFAS No. 160 establishes accounting and reporting standards for noncontrolling interests in subsidiaries. This statement requires the reporting of all noncontrolling interests as a separate component of stockholders’ equity, the reporting of consolidated net income (loss) as the amount attributable to both the parent and the noncontrolling interests and the separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. In addition, this statement provides accounting and reporting guidance related to changes in noncontrolling ownership interests. Other than the reporting requirements described above which require retrospective application, the provisions of SFAS No. 160 are to be applied prospectively in the first annual reporting period beginning on or after December 15, 2008.

In February 2007, the FASB issued SFAS No. 159 ‘‘The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment to FASB Statement 115’’. This statement permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS No. 159 as of January 1, 2008, but it had no impact on our financial condition or results of operations as we did not elect to apply the fair value option.

In September 2006, the FASB issued SFAS No. 158, ‘‘Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)’’. This statement requires employers to recognize the overfunded or underfunded status of a defined benefit post-retirement plan as an asset or liability in the statement of financial position. Further, this statement requires employers to recognize changes in the funded status in the year in which the changes occur through comprehensive income. In addition, this statement requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. SFAS No. 158 requires prospective application and is effective for non-public companies for fiscal years ending after June 15, 2007. The Company adopted the recognition provisions as of December 31, 2007, and the funded status of its defined benefit plans is reflected in its consolidated balance sheet as of December 31, 2007

This statement also requires the measurement of defined benefit plan asset and liabilities as of the annual balance sheet date. The measurement date provisions of SFAS No. 158 are effective for fiscal years ending after December 15, 2008. The Company previously measured its pension and other postretirement benefit obligations as of October 1 each year. The adoption of the measurement date provisions of SFAS No. 158 will increase long-term liabilities by approximately $3,700 and accumulated deficit by approximately $3,400, representing the net periodic benefit cost for the period between the measurement date utilized in 2007 and the beginning of 2008. There will be no effect on the Company’s results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, ‘‘Fair Value Measurements.’’ SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. This statement applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for the fiscal year beginning after November 15, 2007. The Company adopted SFAS No. 157 as of January 1, 2008. See Note 14, Derivative Instruments and Hedging Activities for additional discussion of SFAS No. 157.

2. Acquisitions

On August 31, 2007 the Company completed the acquisition of nine Metzeler Automotive Profile Systems sealing systems operations in Germany, Italy, Poland, Belarus, Belgium, and a joint venture interest in China (‘‘MAPS’’ or the ‘‘MAPS businesses’’), from Automotive Sealing Systems S.A. The MAPS businesses were acquired for $143,063 subject to an adjustment based on the difference between targeted working capital and working capital at the closing date. The adjustment is under

review by the respective parties and is expected to be settled in the first half of 2008. Additionally, the Company incurred approximately $5,517 of direct acquisition costs, principally for investment banking, legal, and other professional services, for a total acquisition value under purchase accounting of $148,580.

The condensed consolidated financial statements of the Company reflect the acquisition under the purchase method of accounting, in accordance with SFAS No. 141, ‘‘Business Combinations’’ (‘‘SFAS No. 141’’).

The acquisition of the MAPS businesses were accounted for as a purchase business combination and accordingly, the assets purchased and liabilities assumed were included in the Company’s condensed consolidated balance sheet as of March 31, 2008. The operating results of the MAPS businesses were included in the condensed consolidated financial statements from the date of acquisition. The following summarizes the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. This allocation may change materially in the future as additional information becomes available, such as settlement of the working capital adjustment and final third party valuations of certain assets and liabilities.

Cash and cash equivalents	$ 10,237
Accounts receivable, net	118,545
Inventories, net	33,902
Prepaid expenses	7,995
Property, plant, and equipment, net	130,697
Investments	16,531
Other assets	29,247
Total assets acquired	347,154
Accounts payable	66,211
Short-term notes payable	22,039
Payroll liabilities	28,806
Accrued liabilities	10,635
Long-term debt	14,556
Pension benefits	37,839
Other long-term liabilities	18,488
Total liabilities assumed	198,574
Net assets acquired	$ 148,580

Cash and cash equivalents, accounts receivable, 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 to the buyer. Raw material inventory was recorded at carrying value as such value approximates the replacement cost. Tooling in process, which is included in other assets, was recorded at fair value which is based upon expected selling price less costs to complete. The Company’s pension obligations have been recorded in the allocation of purchase price at the projected benefit obligation less plan assets at fair market value, based on computations made by independent actuaries. 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 assets acquired and liabilities assumed, adjusted to estimated fair values. Management has estimated the fair value of property, plant, and equipment, intangibles and other long-lived assets based upon financial estimates and projections prepared in conjunction with the transaction. These estimates are subject to change in future periods as the valuations are finalized.

The initial analysis determined that the estimated value assigned to all assets and liabilities assumed exceeded the acquisition price. Accordingly, an adjustment to reduce the value of long-lived assets was recorded in accordance with SFAS No. 141 and no goodwill was recorded related to this transaction as of March 31,2008.

The following unaudited pro forma financial data summarizes the results of operations for the three months ended March 31, 2007, as if the MAPS acquisition had occurred as of January 1, 2007. Pro forma adjustments include liquidation of inventory fair value write-up as it had occurred during the reporting periods, depreciation and amortization to reflect the fair value of property, plant, and equipment and identified finite-lived intangible assets, the elimination of the amortization of unrecognized pension benefit losses, additional interest expense to reflect the Company's new capital structure, and certain corresponding adjustments to income tax expense. These unaudited pro forma amounts are not necessarily indicative of the results that would have been attained if the acquisition had occurred at January 1, 2007, or that may be attained in the future and do not include other effects of the acquisition.

	2007
Sales	$ 685,132
Operating Profit	38,675
Net income	6,927

In March of 2007, the Company completed the acquisition of the El Jarudo fuel rail manufacturing business of Automotive Components Holdings, LLC (‘‘El Jarudo’’ or the ‘‘El Jarudo business’’). The business is located in Juarez, Mexico and is a producer of automotive fuel rails. This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

In December of 2007, the Company completed the acquisition of the 74% joint venture interest of Automotive Sealing Systems, S.A. (ASSSA) in Metzeler Automotive Profiles India Private Limited (‘‘MAP India’’). This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

3. Goodwill and Intangibles

The changes in the carrying amount of goodwill, by reportable operating segment for the three months ended March 31, 2008 are summarized as follows:

	Body & Chassis	Fluid	Asia Pacific	Total
Balance at January 1, 2008	$ 153,836	$ 135,331	$ 1,421	$ 290,588
Adjustments to the Acquisition of El Jarudo	—	(190)	—	(190)
Balance at March 31, 2008	$ 153,836	$ 135,141	$ 1,421	$ 290,398

The following table presents intangible assets and accumulated amortization balances of the Company as of December 31, 2007 and March 31, 2008, respectively:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period
Customer contracts	$ 157,897	$ (59,100)	$ 98,797	7 to 9 years
Customer relationships	171,291	(25,484)	145,807	15 to 20 years
Developed technology	14,466	(4,603)	9,863	5 to 12 years
Trademarks and tradenames	1,700	(199)	1,501	12 to 20 years
Other	2,755	(2,465)	290	
Balance at December 31, 2007	$ 348,109	$ (91,851)	$ 256,258	
Customer contracts	$ 161,326	$ (65,486)	$ 95,840	7 to 9 years
Customer relationships	175,324	(28,299)	147,025	15 to 20 years
Developed technology	14,578	(5,094)	9,484	5 to 12 years
Trademarks and tradenames	1,700	(225)	1,475	12 to 20 years
Other	2,755	(2,595)	160	
Balance at March 31, 2008	$ 355,683	$ (101,699)	$ 253,984	

Amortization expense totaled $7,809 and $7,836 for the three months ended March 31, 2007 and 2008, respectively. Estimated amortization expense will total approximately $31,000 for the year ending December 31, 2008.

4. Restructuring

2005 Initiatives

In 2005, the Company implemented a restructuring strategy and announced the closure of two manufacturing facilities in the United States and the decision to exit certain businesses within and outside the U.S. Both of the closures were substantially completed as of March 31, 2008, although the Company will continue to incur costs until the facilities are sold.

During the first quarter of 2008, the Company recorded total costs of $667 related to the previously announced U.S. closures and workforce reductions in Europe. These costs consisted of severance and other exit costs of $31 and $769. In addition the Company received $133 for assets that were previously written off. The following table summarizes the activity for this initiative during the first quarter of 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$ 775	$ 542	$ —	$ 1,317
Expense incurred	31	769	(133)	667
Cash payments	(464)	(810)	133	(1,141)
Balance at March 31, 2008	$ 342	$ 501	$ —	$ 843

2006 Initiatives

In May 2006, the Company implemented a restructuring action and announced the closure of a manufacturing facility located in Canada and the transfer of related production to other facilities in North America. The closure was completed as of March 31, 2008 at a total cost of $3,809. During the quarter ended March 31, 2008 we reversed $9 of severance costs.

European Initiatives

In 2006, the Company implemented a European restructuring initiative, which addressed the operations of our non-strategic facilities. The initiative includes the closure of a manufacturing facility, terminations, and the transfer of production to other facilities in Europe and North America. The initiative is expected to be completed in 2008 at an estimated total cost of approximately $22,300. The Company recorded severance costs of $196 during the three months ended March 31, 2008. The following table summarizes the activity for this initiative during the first quarter ended March 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$ 1,442	$ —	$ —	$ 1,442
Expense incurred	196	—	—	196
Cash payments	(760)	—	—	(760)
Balance at March 31, 2008	$ 878	$ —	$ —	$ 878

FHS Acquisition Initiatives

In connection with the acquisition of the automotive fluid handling systems business of ITT Industries, Inc. (‘‘FHS’’), the Company formalized a restructuring plan to address the redundant positions created by the consolidation of the businesses. In connection with this restructuring plan, the Company announced the closure of several manufacturing facilities located in North America, Europe, and Asia and the transfer of related production to other facilities. The closures are expected to be completed in 2008 at an estimated total cost of approximately $20,100, including costs recorded through purchase accounting. As a result of this initiative, the Company recorded certain severance and other exit costs of $11,833 and $720, respectively, through purchase accounting. The following table summarizes the activity for this initiative during the first quarter ended March 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$ 6,450	$ 4,210	$ —	$ 10,660
Expense incurred	345	1,110	—	1,455
Cash payments	(1,323)	(4,785)	—	(6,108)
Balance at March 31, 2008	$ 5,472	$ 535	$ —	$ 6,007

2007 Initiatives

In 2007, the Company implemented a restructuring action and announced the closure of a manufacturing facility located in Mexico and the transfer of related production to other facilities in North America. The closure was substantially completed as of December 31, 2007. The estimated total cost of this closure is expected to be approximately $1,200, as the Company will continue to incur costs until the facility is sold. The following table summarizes the activity for this initiative during the first quarter ended March 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$ 56	$ —	$ —	$ 56
Expense incurred	—	28	58	86
Cash payments	(23)	(28)	—	(51)
Utilization of reserve	—	—	(58)	(58)
Balance at March 31, 2008	$ 33	$ —	$ —	$ 33

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5. Inventories

Inventories are comprised of the following:

	December 31, 2007	March 31, 2008
Finished goods	$ 50,679	$ 47,031
Work in process	32,665	35,738
Raw materials and supplies	71,977	73,535
	$ 155,321	$ 156,304

6. Debt

Outstanding debt consisted of the following at December 31, 2007 and March 31, 2008:

	December 31, 2007	March 31, 2008
Senior Notes	$ 200,000	$ 200,000
Senior Subordinated Notes	330,500	323,350
Term Loan A	40,062	36,722
Term Loan B	67,033	66,866
Term Loan C	167,531	167,099
Term Loan D	186,200	185,725
Term Loan E	93,508	100,905
Revolving Credit Facility	—	13,200
Capital leases and other borrowings	55,327	65,025
Total debt	1,140,161	1,158,892
Less: debt payable within one year	(51,999)	(75,853)
Total long-term debt	$ 1,088,162	$ 1,083,039

On April 17, 2008, the Company finalized an amendment to a factoring agreement existing between MAPS Italy and a local Italian factoring company. The amendment changes certain terms and conditions within the agreement which changes the nature of the transactions and allows factored receivables to be treated as true sales. On a prospective basis, receivables factored under this arrangement will not be included in the Company's consolidated accounts receivable and debt totals. As of March 31, 2008, MAPS Italy had related eligible outstanding receivables of approximately $24,500 USD equivalent. Management expects to utilize this program for the majority of eligible receivables for MAPS Italy going forward.

The Company had $13,200 of outstanding borrowings and $27,406 of standby letters of credit outstanding under the Revolving Credit Facility as of March 31, 2008, leaving $84,394 of undrawn availability.

During the first quarter ended March 31, 2008, the Company purchased and retired $7,150 of its $330,500 outstanding Senior Subordinated Notes on the open market. The purchase was accounted for as an extinguishment of debt and, accordingly, $1,696 was recognized as a gain on debt extinguishment, after writing off the related unamortized debt issuance costs. The gain is included in other income (expense) in the consolidated statement of income.

7. Pension and Postretirement Benefits other than Pensions

The following tables disclose the amount of net periodic benefit costs for the three month periods ended March 31, 2007 and 2008 for the Company’s defined benefit plans and other postretirement benefit plans:

Pension Benefits				
Three Months Ended March 31,	2007		2008	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ 3,007	$ 1,305	$ 2,533	$ 925
Interest cost	3,598	1,221	3,879	1,960
Expected return on plan assets	(4,235)	(930)	(4,538)	(1,103)
Amortization of prior service cost and recognized actuarial loss	60	165	48	97
Net periodic benefit cost	$ 2,430	$ 1,761	$ 1,922	$ 1,879

Other Postretirement Benefits		
Three Months Ended March 31,	2007	2008
Service cost	$ 855	$ 576
Interest cost	1,378	1,206
Amortization of prior service cost and recognized actuarial gain	(22)	(495)
Net periodic benefit cost	$ 2,211	$ 1,287

As a result of previous changes in plan design, discount rates and participant census data other postretirement benefits net periodic benefit cost has decreased compared to the prior year.

8. Income Taxes

Under Accounting Principles Board Opinion No. 28, Interim Financial Reporting, the Company is required to determine its effective tax rate each quarter based upon its estimated annual effective tax rate. The Company is also required to record the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year where no tax benefit can be recognized are excluded from the estimated annual effective tax rate.

The effective tax rate for the three months ended March 31, 2007, was 51% as compared to 32% for the three months ended March 31, 2008. The income tax rate for the three months ended March 31, 2008 varies from statutory rates due to income taxes on foreign earnings, valuation allowances in the U.S. and certain foreign jurisdictions, tax credits, income tax incentives, withholding taxes, and other permanent items. Further, the Company’s current and future provision for income taxes will be significantly impacted by the recognition of valuation allowances in certain countries, particularly the United States. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. Accordingly, income taxes are impacted by the U.S. valuation allowance and the mix of earnings among jurisdictions.

During March 2008, the Company became aware of a potential settlement of the bi-lateral Advance Pricing Agreement (‘‘APA’’) negotiations between the United States and Canada relating to the periods 2000 – 2007. Agreement between the two governments will impact transfer pricing matters between the Company and its wholly owned Canadian subsidiary. At this time, the Company is unable to estimate the potential impact from this settlement and will be unable to do so until a more definitive agreement between all affected parties, resolving the APA, is reached. At such time, an

estimate of the range of reasonably possible impacts of such APA settlement can be made, and, if significant, the Company will appropriately disclose such results.

9. Comprehensive Income

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

	Three Months Ended March 31,	
	2007	2008
Net income	$ 4,674	$ 15,672
Currency translation adjustment	4,043	24,904
Pension and other postretirement benefits	(60)	32
Fair value change of derivatives	(297)	(7,555)
Comprehensive income	$ 8,360	$ 33,053

10. Other Income (Expense)

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

	Three Months Ended March 31,	
	2007	2008
Foreign currency gains (losses)	$ (963)	$ 1,803
Gain on debt repurchase	—	1,696
Minority interest	(281)	(33)
Gain on disposal of fixed assets	2	9
Other income (expense)	$ (1,242)	$ 3,475

11. Related Party Transactions

Sales to NISCO, a 50% owned joint venture, totaled $8,143 and $7,606 in the three months ended March 31, 2007 and 2008, respectively.

Purchases of materials from Guyoung Technology Co. Ltd, a Korean corporation of which the Company owns approximately 20% of the common stock, totaled $1,841 and $592 in the three months ended March 31, 2007 and 2008, respectively.

12. Business Segments

The Company operates in three business segments: Body & Chassis Systems, Fluid Systems, and Asia Pacific. The Body & Chassis segment consists mainly of body sealing products and components that protect vehicle interiors from weather, dust, and noise intrusion as well as systems and components that control and isolate noise vibration in a vehicle to improve ride and handling. The Fluid segment consists primarily of subsystems and components that direct, control, measure, and transport fluids and vapors throughout a vehicle. The Asia Pacific segment consists of both Body & Chassis and Fluid operations in that region with the exception of the Company's interest in a joint venture in China which was acquired as part of the MAPS acquisition, and the MAP India joint venture. These joint ventures are included in the Body & Chassis segment which is in line with the internal management structure.

The Company evaluates segment performance based on segment profit before tax. The following table details information on the Company's business segments:

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
Sales to external customers		
Body & Chassis	$ 291,132	$ 439,942
Fluid	262,766	291,226
Asia Pacific	22,363	24,853
Consolidated	$ 576,261	$ 756,021
Intersegment sales		
Body & Chassis	$ 5,882	$ 4,659
Fluid	913	1,024
Asia Pacific	701	2,851
Eliminations and other	(7,496)	(8,534)
Consolidated	$ —	$ —
Segment profit		
Body & Chassis	$ 7,214	$ 17,412
Fluid	5,196	8,886
Asia Pacific	(2,959)	(3,408)
Income before income taxes	$ 9,451	$ 22,890

	December 31, 2007	March 31, 2008
Segment assets		
Body & Chassis	$ 1,215,832	$ 1,268,449
Fluid	811,715	850,540
Asia Pacific	89,568	93,126
Eliminations and other	45,140	40,763
Consolidated	$ 2,162,255	$ 2,252,878

Restructuring costs included in segment profit for Body & Chassis totaled $4,565 and $592 for the three months ended March 31, 2007 and 2008, respectively, Fluid totaled $174 and $1,801 for the three months ended March 31, 2007 and 2008, respectively, Asia Pacific totaled $4 and $2 for the three months ended March 31, 2007 and 2008, respectively.

13. Guarantor and Non-Guarantor Subsidiaries

In connection with the December 2004 acquisition by the Company of the automotive segment of Cooper Tire & Rubber Company, Cooper-Standard Automotive Inc. (the ''Issuer''), a wholly-owned subsidiary, issued the Senior Notes and Senior Subordinated Notes with a total principal amount of $550,000. Cooper-Standard Holdings Inc. (the ''Parent'') and all wholly-owned domestic subsidiaries of Cooper-Standard Automotive Inc. (the ''Guarantors'') unconditionally guarantee the notes. The following condensed consolidated financial data provides information regarding the financial position, results of operations, and cash flows of the Guarantors. Separate financial statements of the Guarantors are not presented because management has determined that those would not be material to the holders of the notes. The Guarantors account for their investments in the non-guarantor subsidiaries on the equity method. The principal elimination entries are to eliminate the investments in subsidiaries and intercompany balances and transactions (dollars in millions). Cash flows from operating activities for the Non-Guarantors for the three months ended March 31, 2007, have been adjusted downwards by approximately $5,700, which does not affect the consolidated totals.

CONSOLIDATING STATEMENT OF INCOME
For the Three Months Ended March 31, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Totals Sales	$ —	$ 123.8	$ 168.8	$ 312.6	$ (28.9)	$ 576.3
Cost of products sold	—	111.9	134.7	265.1	(28.9)	482.8
Selling, administration, & engineering expenses	—	28.5	6.7	13.6	—	48.8
Amortization of intangibles	—	5.3	0.7	1.8	—	7.8
Restructuring	—	0.7	—	4.0	—	4.7
Operating profit (loss)	—	(22.6)	26.7	28.1	—	32.2
Interest expense, net of interest income	—	(19.1)	—	(2.7)	—	(21.8)
Equity earnings	—	(0.1)	0.4	—	—	0.3
Other income (expense)	—	9.7	—	(10.9)	—	(1.2)
Income (loss) before income taxes	—	(32.1)	27.1	14.5	—	9.5
Provision for income tax expense (benefit)	—	1.8	(2.2)	5.2	—	4.8
Income (loss) before equity in income (loss) of subsidiaries	—	(33.9)	29.3	9.3	—	4.7
Equity in net income of subsidiaries	4.7	38.6	—	—	(43.3)	—
NET INCOME	$ 4.7	$ 4.7	$ 29.3	$ 9.3	$ (43.3)	$ 4.7

CONSOLIDATING STATEMENT OF INCOME
For the Three Months Ended March 31, 2008

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Totals Sales	$ —	$ 116.4	$ 167.0	$ 501.6	$ (29.0)	$ 756.0
Cost of products sold	—	101.5	136.7	427.7	(29.0)	636.9
Selling, administration, & engineering expenses	—	31.8	7.1	28.5	—	67.4
Amortization of intangibles	—	5.1	0.6	2.1	—	7.8
Restructuring	—	0.7	0.4	1.3	—	2.4
Operating profit (loss)	—	(22.7)	22.2	42.0	—	41.5
Interest expense, net of interest income	—	(19.7)	—	(4.5)	—	(24.2)
Equity earnings	—	(0.1)	1.7	0.5	—	2.1
Other income (expense)	—	14.4	0.1	(11.0)	—	3.5
Income (loss) before income taxes	—	(28.1)	24.0	27.0	—	22.9
Provision for income tax expense (benefit)	—	2.2	(1.9)	6.9	—	7.2
Income (loss) before equity in income (loss) of subsidiaries	—	(30.3)	25.9	20.1	——	15.7
Equity in net income of subsidiaries	15.7	46.0	—	—	(61.7)	—
NET INCOME	$ 15.7	$ 15.7	$ 25.9	$ 20.1	$ (61.7)	$ 15.7

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CONSOLIDATING BALANCE SHEET
December 31, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 42.6	$ —	$ (1.7)	$ —	$ 40.9
Accounts receivable, net	—	52.3	105.6	388.9	—	546.8
Inventories	—	24.4	28.9	102.0	—	155.3
Prepaid Expenses	—	(2.3)	1.0	20.9	—	19.6
Other	—	9.7	—	—	—	9.7
Total current assets	—	126.7	135.5	510.1	—	772.3
Investments in affiliates and intercompany accounts, net	268.5	360.4	490.4	177.5	(1,260.1)	36.7
Property, plant, and equipment, net	—	76.7	129.2	516.5	—	722.4
Goodwill	—	248.7	17.3	24.6	—	290.6
Other assets	—	199.7	35.0	105.6	—	340.3
	$ 268.5	$ 1,012.2	$ 807.4	$ 1,334.3	$ (1,260.1)	$ 2,162.3
LIABILITIES & STOCKHOLDERS’ EQUITY						
Current liabilities:						
Debt payable within one year	$ —	$ 7.6	$ —	$ 44.4	$ —	$ 52.0
Accounts payable	—	60.1	33.3	202.2	—	295.6
Accrued liabilities	—	54.6	8.1	118.7	—	181.4
Total current liabilities	—	122.3	41.4	365.3	—	529.0
Long-term debt	—	970.8	—	117.4	—	1,088.2
Other long-term liabilities	—	138.6	6.9	131.1	—	276.6
	—	1,231.7	48.3	613.8	—	1,893.8
Total stockholders’ equity	268.5	(219.5)	759.1	720.5	(1,260.1)	268.5
	$ 268.5					