

Cooper-Standard Holdings Inc.  
Form 10-K/A  
February 21, 2018

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

FORM 10-K/A  
Amendment No. 1

(Mark one)

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 (I.R.S. Employer  
incorporation or organization) 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<br>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  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

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

Indicate by check mark whether the registrant has submitted electronically 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  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.

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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  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

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.

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Explanatory Note

This Amendment No. 1 on Form 10-K/A (the “Amendment”) amends Cooper-Standard Holdings Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “Form 10-K”), as filed with the Securities and Exchange Commission on February 20, 2018, and is being filed solely to amend both of the reports titled “Report of Independent Registered Public Accounting Firm” contained in Item 8 of the Form 10-K (the “Audit Reports”) to correct a typographical error in the second paragraph of both reports. The second paragraph in both reports incorrectly referenced the date of the Audit Reports as February 16, 2018. The correct date of the Audit Reports in the Form 10-K is February 20, 2018.

Pursuant to Rule 12b-15 promulgated under the Securities and Exchange Act of 1934, as amended, we have included the entire text of Item 8 of the Form 10-K in this Amendment. However, there have been no changes made to the text of such item other than the change stated in the immediately preceding paragraph. Furthermore, there have been no changes to the XBRL data filed in Exhibit 101 of the Form 10-K.

Except as expressly set forth above, this Amendment does not, and does not purport to, amend, update or restate the information in the remainder of the Form 10-K or reflect any events that have occurred after the filing of the original Form 10-K.

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PART II

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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 20, 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 20, 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         | 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.



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

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

|  |      |            |       |           |           |            |             |           |            |
|--|------|------------|-------|-----------|-----------|------------|-------------|-----------|------------|
| loss   |      |            |       |           |           |            |             |           |            |
| Balance as of<br>December 31,<br>2016                | —    | 17,690,611 | 17    | 513,934   | 425,972   | (242,563   | )697,360    | 24,431    | 721,791    |
| Repurchase of<br>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<br>compensation, net                     | —    | 169,087    | 1     | 8,943     | (6,396    | )—         | 2,548       | —         | 2,548      |
| Dividends declared<br>to noncontrolling<br>interests | —    | —          | —     | —         | —         | —          | —           | (785      | )(785      |
| Net income for<br>2017                               | —    | —          | —     | —         | 135,303   | —          | 135,303     | 3,270     | 138,573    |
| Other<br>comprehensive<br>income                     | —    | —          | —     | —         | —         | 44,932     | 44,932      | 1,604     | 46,536     |
| Balance as of<br>December 31,<br>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    |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| 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):<br>Simplifying the Measurement of<br>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,<br>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         |
|------------------------------------|--------------|--------------|-------------------|
|                                    | 2017         | 2016         | Useful            |
|                                    |              |              | Lives             |
| Land and improvements              | \$ 73,419    | \$ 71,002    | 10 to 25<br>years |
| Buildings and improvements         | 305,231      | 265,824      | 10 to 40<br>years |
| Machinery and equipment            | 1,022,279    | 864,337      | 5 to 10<br>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 |          |           |
|---------------|---------------------|----------|-----------|
|               | 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<br>America | Europe    | Asia<br>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<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>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<br>Capital<br>Lease<br>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, December 31, |          | Input   |
|---|---------------------------|----------|---------|
|   | 2017                      | 2016     |         |
| 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, December 31, |            |
|---|---------------------------|------------|
|   | 2017                      | 2016       |
| Aggregate fair value                    | \$ 749,463                | \$ 735,850 |
| Aggregate carrying value <sup>(1)</sup> | 736,600                   | 740,000    |

<sup>(1)</sup> 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)<br>Recognized in<br>OCI<br>Year Ended<br>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:

|                                    | Classification                           | Gain (Loss)<br>Reclassified from<br>AOCI to Income<br>(Effective<br>Portion) |                                 | Gain (Loss)<br>Reclassified<br>from AOCI<br>to Income<br>(Ineffective<br>Portion) |                                 |
|------------------------------------|--|--|---------------------------------|---|---------------------------------|
|                                    |  | Year Ended December 31,<br>2017  | Year Ended December 31,<br>2016 | Year Ended December 31,<br>2017   | Year Ended December 31,<br>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,<br>2017 | December 31,<br>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<br>Arrangements |           | On-Balance<br>Sheet<br>Arrangements |          |
|------------------------------|-----------------------------------|-----------|-------------------------------------|----------|
|                              | Year Ended<br>December 31,        |           | Year Ended<br>December 31,          |          |
|                              | 2017                              | 2016      | 2017                                | 2016     |
| Accounts receivable factored | \$544,060                         | \$507,321 | \$23,794                            | \$24,053 |

|       | Off-Balance Sheet<br>Arrangements |         |         | On-Balance<br>Sheet<br>Arrangements |       |       |
|-------|-----------------------------------|---------|---------|-------------------------------------|-------|-------|
|       | Year Ended<br>December 31,        |         |         | Year Ended<br>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, |          | December 31, |            |
|---|--------------|----------|--------------|------------|
|   | 2017         | 2016     | 2017         | 2016       |
|   | U.S.         | Non-U.S. | U.S.         | Non-U.S.   |
| Amounts recognized in the consolidated balance sheet: |              |          |              |            |
| Other assets  | \$ —         | \$ 405   | \$ —         | \$ —       |
| Accrued liabilities                                   | (1,014,295 ) | (1,080 ) | (3,947 )     | (3,947 )   |
| Pension benefits (long term)                          | (38,921 )    | (1,253 ) | (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 <sup>(1)</sup> | —        | —        | —       | 76,405    |
| Bond funds  | 34,997   | 29,607   | —       | 64,604    |
| Bond funds measured at net asset value <sup>(1)</sup>   | —        | —        | —       | 69,823    |
| Real estate measured at net asset value <sup>(1)</sup>  | —        | —        | —       | 15,656    |
| Hedge funds   | 3,603    | —        | 110     | 3,713     |
| Hedge funds measured at net asset value <sup>(1)</sup>  | —        | —        | —       | 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 <sup>(1)</sup> | —        | —        | —        | 76,961    |
| Bond funds  | 35,339   | 28,070   | —        | 63,409    |
| Bond funds measured at net asset value <sup>(1)</sup>   | —        | —        | —        | 47,123    |
| Real estate measured at net asset value <sup>(1)</sup>  | —        | —        | —        | 14,472    |
| Hedge funds   | 339      | —        | 341      | 680       |
| Hedge funds measured at net asset value <sup>(1)</sup>  | —        | —        | —        | 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 |

<sup>(1)</sup> 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.          |          |
| Amounts recognized in the consolidated balance sheet:  |                         |                   |                   |                   |          |
| Accrued liabilities  |                         | \$(2,098)         | \$(634 )          | \$(2,047)         |          |
| Postretirement benefits other than pension (long term)   |                         | (32,726 )         | (23,608 )         | (31,830 )         |          |
| 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 |
| <br>  |                         |            |            |
| 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 |
| <br>  |                         |            |            |
| Basic net income per share attributable to Cooper-Standard Holdings Inc.          | \$ 7.61                 | \$ 7.96    | \$ 6.50    |
| <br>  |                         |            |            |
| 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:

|   | Cumulative<br>currency<br>translation<br>adjustment | Benefit<br>plan<br>liabilities | Fair value<br>change of<br>derivatives | Total       |
|---|---|--------------------------------|--|-------------|
| Balance as of December 31, 2015   | \$(130,661)   | \$(84,124 )                    | \$ (2,280 )                            | \$(217,065) |
| Other comprehensive income (loss) before reclassifications              | (12,820 ) <sup>(1)</sup>                            | (14,757 ) <sup>(2)</sup>       | (3,676 ) <sup>(3)</sup>                | (31,253 )   |
| Amounts reclassified from accumulated other comprehensive income (loss) | —   | 1,269                          | (4) 4,486                              | (5) 5,755   |
| Balance as of December 31, 2016   | \$(143,481)   | \$(97,612 )                    | \$ (1,470 )                            | \$(242,563) |
| Other comprehensive income (loss) before reclassifications              | 47,996  | (1) (11,000 ) <sup>(6)</sup>   | 784                                    | (7) 37,780  |
| Amounts reclassified from accumulated other comprehensive income (loss) | —   | 7,863                          | (8) (711 )                             | (9) 7,152   |
| Balance as of December 31, 2017   | \$(95,485 )   | \$(100,749)                    | \$ (1,397 )                            | \$(197,631) |

(1) Includes \$11,844 and \$2,180 of other comprehensive income for the years ended December 31, 2017 and 2016, respectively, that are related to intra-entity foreign currency balances that are of a long-term investment nature.

(2) Net of tax benefit of \$3,369.

(3) Net of tax benefit of \$1,257. See Note 9.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- (4) Includes actuarial losses of \$2,084, offset by prior service credits of \$329, net of tax of \$486. See Note 11. and Note 12.
- (5) Net of tax benefit of \$1,942. See Note 9.
- (6) Net of tax benefit of \$788.
- (7) Net of tax expense of \$228. See Note 9.
- (8) Includes losses related to the U.K. pension settlement of \$6,288, other settlements of \$533, actuarial losses of \$3,329, offset by prior service credits of \$326, net of tax of \$1,961. See Note 11. and Note 12.
- (9) Net of tax benefit of \$69. See Note 9.

17. Equity

Common Stock

The Company is authorized to issue up to 190,000,000 shares of common stock, par value \$0.001 per share. As of December 31, 2017, an aggregate of 19,920,805 shares of its common stock were issued, and 17,914,599 shares were outstanding.

Holders of shares of common stock are entitled to one vote for each share on each matter on which holders of common stock are entitled to vote. Holders of common stock are entitled to ratably receive dividends and other distributions when, as and if declared by the Company's board of directors out of assets or funds legally available therefore. The ABL Facility, the Term Loan Facility and the Senior Notes each contain covenants that restrict the Company's ability to pay dividends or make distributions on the common stock, subject to certain exceptions. In the event of the liquidation, dissolution or winding up of the Company, holders of common stock are entitled to share ratably in the Company assets, if any, remaining after the payment of all the Company's debts and liabilities.

Secondary Offering and Share Repurchase

In March 2016, the Company's Board of Directors approved a securities repurchase program (the "Program") authorizing the Company to repurchase, in the aggregate, up to \$125,000 of its 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 the Company's management and in accordance with prevailing market conditions and federal securities laws and regulations. During the year ended December 31, 2017, the Company repurchased 513,801 shares at an average purchase price of \$108.87 per share, excluding commissions, for a total cost of \$55,935, of which \$55,123 was settled in cash as of December 31, 2017.

In March 2016, certain selling stockholders affiliated with Silver Point Capital, L.P., Oak Hill Advisors, L.P. and Capital World Investors (the "Selling Stockholders") sold 2,278,031 shares, including overallotments, of the Company's common stock at a public offering price of \$68.00 per share, in a secondary public offering. Of the 2,278,031 shares sold in the offering, 350,000 shares were purchased by the Company for \$23,800. The Company paid the underwriting discounts and commissions payable on the shares sold by the Selling Stockholders, excluding the shares the Company repurchased, resulting in \$5,900 of fees incurred during 2016, which is included in other (expense) income, net in the consolidated statement of net income. The Company also incurred approximately \$600 of other expenses related to legal and audit services which is included in selling, administration & engineering expenses in the consolidated statement of net income. The Company did not sell or receive any proceeds from the sales of shares by the Selling Stockholders.

As of December 31, 2017, the Company had approximately \$45,300 of repurchase authorization remaining under the Program.

18. Share-Based Compensation

The Company's long-term incentive plans allow for the grant of various types of share-based awards to key employees and directors of the Company and its affiliates. The Company generally awards grants on an annual basis. There are 2,300,000 shares of common stock authorized for awards granted under the current plan. Under previous plans, a total of 5,873,103 shares were authorized for awards. The plans provide for the grant of stock options, stock appreciation rights, shares of common stock, restricted stock, restricted stock units ("RSUs"), performance-vested restricted stock units ("PUs"), incentive awards and certain other types of awards to key employees and directors of the Company and its affiliates.

The Company measures share-based compensation expense at fair value and recognizes such expense on a straight-line basis over the vesting period of the share-based employee awards. The compensation expense related to stock options, restricted stock and performance units granted to key employees and directors of the Company, which is quantified below, does not represent payments actually made to these employees. Rather, the amounts represent the non-cash compensation expense recognized by the Company in connection with these awards for financial reporting purposes. The actual value of these awards

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

to the recipients will depend on the trading price of the Company's stock when the awards vest. In accordance with the Company's long-term incentive plans, share-based compensation awards that settle in shares of Company stock may be delivered on a gross settlement basis or a net settlement basis, as determined by the recipient.

In the second quarter of 2016, the Company early adopted ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, in which the provisions related to forfeitures were adopted on a modified retrospective basis to record actual forfeitures as they occur in the consolidated financial statements.

Share-based compensation expense was as follows:

|               | Year Ended December 31, |          |          |
|---------------|-------------------------|----------|----------|
|               | 2017                    | 2016     | 2015     |
| PUs           | \$12,145                | \$12,485 | \$4,899  |
| RSUs          | 9,183                   | 7,846    | 6,032    |
| Stock options | 3,635                   | 3,701    | 3,024    |
| Total         | \$24,963                | \$24,032 | \$13,955 |

## Stock Options

Stock option awards are granted at the fair market value of the Company's stock price at the date of the grant and have a 7 or 10 year term. The stock option grants vest over three, four or five years from the date of grant.

Stock option transactions and related information for the year ended December 31, 2017 was as follows:

|                                     | Options    | Weighted Average Exercise Price | Weighted Average Remaining Life (Years) | Contractual | Aggregate Intrinsic Value |
|-------------------------------------|------------|---------------------------------|---|-------------|---------------------------|
| Outstanding as of January 1, 2017   | 748,371    | \$ 53.24                        |   |             |                           |
| Granted                             | 109,431    | \$ 107.49                       |   |             |                           |
| Exercised                           | (273,026 ) | \$ 46.46                        |   |             |                           |
| Forfeited                           | (15,920 )  | \$ 72.85                        |   |             |                           |
| Outstanding as of December 31, 2017 | 568,856    | \$ 67.14                        | 7.6                                     |             | \$ 31,490                 |
| Exercisable as of December 31, 2017 | 316,295    | \$ 55.20                        | 5.9                                     |             | \$ 21,287                 |

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2017, 2016 and 2015 was \$33.33, \$20.26 and \$17.28, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2017, 2016 and 2015 was \$21,194, \$31,153 and \$2,307, respectively.

As of December 31, 2017, unrecognized compensation expense for stock options amounted to \$3,702. Such cost is expected to be recognized over a weighted average period of approximately 1.4 years.

The fair value of the options was estimated at the date of the grant using the Black-Scholes option pricing model. Expected volatility was based on the historical volatility of the Company's common stock. The expected option life was calculated using the simplified method. The risk-free rate is based on the U.S. Treasury zero-coupon issues with a term equal to the expected option life on the date the stock options were granted. The fair value of each option was estimated using the following assumptions:

|                              | 2017            | 2016            | 2015            |
|------------------------------|-----------------|-----------------|-----------------|
| Expected volatility          | 27.38% - 27.47% | 27.58% - 27.70% | 27.95% - 28.00% |
| Dividend yield               | 0.00            | % 0.00          | % 0.00          |
| Expected option life - years | 6.0             | 6.0             | 6.0             |
| Risk-free rate               | 1.9% - 2.1%     | 1.1% - 1.4%     | 1.5% - 1.7%     |





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## Restricted Stock and Restricted Stock Units

The fair value of the restricted stock and restricted stock units is determined based on the closing price of the common stock on the date of grant. The restricted stock and restricted stock units vest over one, three or four years.

Restricted stock and restricted stock units transactions and related information for the year ended December 31, 2017 was as follows:

|                                    | Restricted Stock<br>and<br>Restricted Units | Weighted<br>Average<br>Grant Date<br>Fair Value |
|------------------------------------|---|---|
| Non-vested as of January 1, 2017   | 371,559                                     | \$ 63.98  |
| Granted                            | 118,562                                     | \$ 107.57                                       |
| Vested                             | (104,608 )                                  | \$ 67.01  |
| Forfeited                          | (31,466 )                                   | \$ 71.29  |
| Non-vested as of December 31, 2017 | 354,047                                     | \$ 77.03  |

The weighted-average grant date fair value of restricted stock and restricted stock units granted during the years ended December 31, 2017, 2016 and 2015 was \$107.57, \$70.09 and \$56.85, respectively. The total fair value of restricted stock and restricted stock units vested during the years ended December 31, 2017, 2016 and 2015 was \$7,112, \$5,923 and \$4,146, respectively.

As of December 31, 2017, unrecognized compensation expense for restricted stock and restricted stock units amounted to \$12,301. Such cost is expected to be recognized over a weighted-average period of approximately 1.8 years.

## Performance-Vested Restricted Stock Units

The actual number of performance units that will vest depends on the Company's achievement of target performance goals related to the Company's return on invested capital ("ROIC") over a three-year period, which may range from 0% to 200% of the target award amount. PUs that are expected to be settled in shares of the Company's common stock are accounted for as equity awards, and the fair value is determined based on the closing price of the common stock on the date of grant. PUs that are expected to be settled in cash are accounted for as liability awards.

A summary of activity for performance-vested restricted stock units transactions and related information for the year ended December 31, 2017 was as follows:

|                                    | Performance<br>Units | Weighted<br>Average<br>Grant<br>Date Fair<br>Value |
|------------------------------------|----------------------|--|
| Non-vested as of January 1, 2017   | 247,967              | \$ 63.53   |
| Granted                            | 66,514               | \$ 107.49  |
| Vested                             | (60,286 )            | \$ 66.32   |
| Forfeited                          | (24,302 )            | \$ 69.44   |
| Non-vested as of December 31, 2017 | 229,893              | \$ 74.90   |

The weighted-average grant date fair value of performance units granted during the years ended December 31, 2017, 2016 and 2015 was \$107.49, \$68.71 and \$56.74, respectively. The total fair value of PUs vested during the year ended December 31, 2017 was \$5,641. Cash paid to settle PUs during the year ended December 31, 2017 was \$4,296. No performance units vested during the years ended December 31, 2016 and 2015.

As of December 31, 2017, unrecognized compensation expense for the performance units was \$6,014. Such cost is expected to be recognized over a weighted-average period of approximately 1.3 years.

## TSR Awards

In 2016, the Company granted performance awards to certain of the Company's executive officers. These grants are settled in shares of the Company's stock and vest over a three-year performance period. The payout of these awards is

based on the Company's relative total shareholder return ("TSR") compared to a pre-established comparator group during the performance period.

The fair value of the TSR-based performance units is estimated using the Monte Carlo simulation. Expected volatility was calculated based on a rolling average of the daily stock closing prices of the comparator group at the beginning of the

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

performance period. The risk-free rate was based on the U.S. Treasury yield curve, generally represented by U.S. Treasury securities, with a term equal to the expected life of the TSR-based performance units. The dividend yield was assumed to be zero based on Company's historical patterns and future expectation.

Assumptions used to estimate the fair value of the TSR-based performance grant were as follows:

|                       | Year Ended   |        |
|-----------------------|--------------|--------|
|                       | December 31, |        |
|                       | 2017         | 2016   |
| Expected volatility   | 26.00%       | 27.60% |
| Dividend yield        | 0.00%        | 0.00%  |
| Expected life - years | 1.57         | 3.00   |
| Risk-free rate        | 1.83%        | 0.87%  |

As of December 31, 2017, unrecognized compensation expense for the TSR awards was \$1,357. There were no TSR-based performance units granted during the years ended December 31, 2017 and 2015.

## 19. Lease Commitments

The Company leases certain manufacturing facilities and equipment under long-term leases expiring at various dates. Rental expense for operating leases was \$45,971, \$46,756 and \$42,129 for the years ended December 31, 2017, 2016 and 2015, respectively.

Future minimum payments for all non-cancelable operating leases are as follows:

| Year       | Minimum<br>Future<br>Operating<br>Lease<br>Commitments |
|------------|--|
| 2018       | \$ 30,301  |
| 2019       | 28,690   |
| 2020       | 20,965   |
| 2021       | 14,723   |
| 2022       | 11,858   |
| Thereafter | 33,113   |

## 20. Related Party Transactions

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

|                                   | December 31, | December 31, | December 31, |
|-----------------------------------|--------------|--------------|--------------|
|                                   | 2017         | 2016         | 2015         |
| Sales <sup>(1)</sup>              | \$ 33,949    | \$ 35,418    | \$ 35,843    |
| Purchases <sup>(1)</sup>          | 953          | 548          | 545          |
| Dividends received <sup>(2)</sup> | 5,382        | 3,022        | 1,917        |

<sup>(1)</sup> Relates to transactions with Nishikawa Cooper LLC ("NISCO")

<sup>(2)</sup> From NISCO and Nishikawa Tachaplalert Cooper Ltd.

Amounts receivable from NISCO and Sujana Cooper Standard AVS Private Limited as of December 31, 2017 and December 31, 2016 were \$3,109 and \$4,078, respectively.

In March 2016, as part of the secondary offering, the Company paid \$5,900 of fees incurred on behalf of certain selling stockholders as defined in Note 17. "Equity."

## 21. Contingent Liabilities

## Litigation and Claims

Various legal actions, proceedings, and claims (generally, "matters") are pending or may be instituted or asserted against the Company. The Company accrues for matters when losses are deemed probable and reasonably estimable. Any resulting adjustments, which could be material, are recorded in the period the adjustments are identified. As of

December 31, 2017, the Company does not believe that there is a reasonable possibility that any material loss exceeding the amounts already accrued for

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

matters, if any, has been incurred. However, the ultimate resolutions of these matters are inherently unpredictable and could require payment substantially in excess of the amounts that have been accrued or disclosed.

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.

Environmental

The Company is 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 those 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. The Company may incur substantial costs associated with hazardous substance contamination or exposure, including cleanup costs, fines, and civil or criminal sanctions, third party property or natural resource damage, personal injury claims or costs to upgrade or replace existing equipment as a result of violations of or liabilities under environmental laws or the failure to maintain or comply with environmental permits required at their locations. In addition, many of the Company’s current and former facilities are located on properties with long histories of industrial or commercial operations, and some of these properties have been subject to certain environmental investigations and remediation activities. The Company maintains environmental reserves for certain of these sites. As of December 31, 2017 and 2016, the Company had \$7,363 and \$6,484, respectively, reserved in accrued liabilities and other liabilities on the consolidated balance sheet on an undiscounted basis, which it believes are adequate. Because some environmental laws (such as the Comprehensive Environmental Response, Compensation and Liability Act and analogous state laws) can impose liability retroactively and regardless of fault on potentially responsible parties for the entire cost of cleanup at currently or formerly owned or operated facilities, as well as sites at which such parties disposed or arranged for disposal of hazardous waste, the Company could become liable for investigating or remediating contamination at their current or former properties or other properties (including offsite waste disposal locations). The Company may not always be in complete compliance with all applicable requirements of environmental laws or regulation, and the Company may receive notices of violation or become subject to enforcement actions or incur material costs or liabilities in connection with such requirements. In addition, new environmental requirements or changes to interpretations of existing requirements, or in their enforcement, could have a material adverse effect on the Company’s business, results of operations, and financial condition. The Company has made and will continue to make expenditures to comply with environmental requirements. While the Company’s costs to defend and settle known claims arising under environmental laws have not been material in the past and are not currently estimated to be material, such costs may be material in the future.

Employment Contracts

The Company has 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 that is believed to be consistent with comparable companies.

Other

The Company is participating in a voluntary foreign tax amnesty program, which allows for the settlement of certain tax matters at reduced amounts. During the year ended December 31, 2017, the Company incurred charges of \$4,623, of which \$4,388 was a non-cash charge offset by the utilization of tax net operating loss carryforwards, resulting in a net \$235 expense impact to net income. The Company does not expect to incur additional material losses under this

program, however the settlement of these tax matters is outstanding and the outcome of the program is uncertain.

## 22. Business Segments

The Company has determined that it operates in four reportable segments: North America, Europe, Asia Pacific and South America. The Company's principal products within each of these segments are sealing, fuel and brake delivery, fluid transfer, and anti-vibration systems. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

policies of the Company's segments are consistent with those described in Note 2. "Summary of Significant Accounting Policies."

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

|  | Year Ended December 31, |             |             |
|--|-------------------------|-------------|-------------|
|  | 2017                    | 2016        | 2015        |
| Sales to external customers                            |                         |             |             |
| North America  | \$1,882,670             | \$1,816,486 | \$1,778,621 |
| Europe   | 1,043,738               | 1,031,538   | 1,033,635   |
| Asia Pacific   | 585,161                 | 540,684     | 435,127     |
| South America  | 106,557                 | 84,183      | 95,421      |
| Consolidated   | \$3,618,126             | \$3,472,891 | \$3,342,804 |
| Intersegment sales                                     |                         |             |             |
| North America  | \$13,760                | \$13,325    | \$14,058    |
| Europe   | 15,985                  | 13,524      | 11,693      |
| Asia Pacific   | 5,256                   | 4,770       | 6,166       |
| South America  | 49                      | 31          | 49          |
| Eliminations and other                                 | (35,050)                | (31,650)    | (31,966)    |
| Consolidated   | \$—                     | \$—         | \$—         |
| Segment profit (loss)                                  |                         |             |             |
| North America  | \$236,165               | \$219,744   | \$215,487   |
| Europe   | (18,872)                | (15,989)    | (22,435)    |
| Asia Pacific   | 9,943                   | 9,206       | 4,063       |
| South America  | (14,136)                | (18,201)    | (44,127)    |
| Income before income taxes                             | \$213,100               | \$194,760   | \$152,988   |
| Net interest expense included in segment profit (loss) |                         |             |             |
| North America  | \$16,824                | \$13,013    | \$12,262    |
| Europe   | 12,287                  | 13,871      | 13,648      |
| Asia Pacific   | 11,884                  | 13,720      | 10,227      |
| South America  | 1,117                   | 785         | 2,194       |
| Consolidated   | \$42,112                | \$41,389    | \$38,331    |
| Depreciation and amortization expense                  |                         |             |             |
| North America  | \$66,734                | \$57,546    | \$54,160    |
| Europe   | 40,899                  | 37,992      | 36,845      |
| Asia Pacific   | 27,085                  | 24,635      | 18,856      |
| South America  | 3,370                   | 2,487       | 4,566       |
| Consolidated   | \$138,088               | \$122,660   | \$114,427   |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

|                      | Year Ended December 31, |           |           |
|----------------------|-------------------------|-----------|-----------|
|                      | 2017                    | 2016      | 2015      |
| Capital expenditures |                         |           |           |
| North America        | \$67,333                | \$61,321  | \$64,933  |
| Europe               | 45,881                  | 57,054    | 46,766    |
| Asia Pacific         | 51,182                  | 33,818    | 43,276    |
| South America        | 4,919                   | 2,064     | 2,783     |
| Corporate            | 17,480                  | 10,111    | 8,509     |
| Consolidated         | \$186,795               | \$164,368 | \$166,267 |

|                        | December 31, |             |
|------------------------|--------------|-------------|
|                        | 2017         | 2016        |
| Segment assets         |              |             |
| North America          | \$1,049,218  | \$985,809   |
| Europe                 | 644,586      | 582,385     |
| Asia Pacific           | 686,329      | 611,849     |
| South America          | 54,846       | 46,125      |
| Eliminations and other | 290,669      | 265,534     |
| Consolidated           | \$2,725,648  | \$2,491,702 |

## Product Line Information

Product line information for revenues was as follows:

|                                 | Year Ended December 31, |             |             |
|---------------------------------|-------------------------|-------------|-------------|
|                                 | 2017                    | 2016        | 2015        |
| Revenues                        |                         |             |             |
| Sealing systems                 | \$1,908,852             | \$1,816,924 | \$1,783,068 |
| Fuel and brake delivery systems | 757,198                 | 725,689     | 675,493     |
| Fluid transfer systems          | 521,553                 | 494,940     | 458,699     |
| Anti-vibration systems          | 326,684                 | 301,199     | 278,891     |
| Other                           | 103,839                 | 134,139     | 146,653     |
| Consolidated                    | \$3,618,126             | \$3,472,891 | \$3,342,804 |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## Geographic Information

Geographic information for revenues, based on country of origin, and property, plant and equipment, net, is as follows:

|               | Year Ended December 31, |             |             |
|---------------|-------------------------|-------------|-------------|
|               | 2017                    | 2016        | 2015        |
| Revenues      |                         |             |             |
| United States | \$872,025               | \$879,579   | \$901,089   |
| Mexico        | 723,423                 | 638,750     | 585,558     |
| China         | 494,727                 | 455,999     | 355,141     |
| France        | 299,257                 | 288,905     | 285,384     |
| Canada        | 287,222                 | 298,157     | 291,974     |
| Poland        | 253,109                 | 239,941     | 246,997     |
| Germany       | 192,959                 | 218,363     | 226,566     |
| Other         | 495,404                 | 453,197     | 450,095     |
| Consolidated  | \$3,618,126             | \$3,472,891 | \$3,342,804 |

|                                    | December 31, |           |
|------------------------------------|--------------|-----------|
|                                    | 2017         | 2016      |
| Property, plant and equipment, net |              |           |
| United States                      | \$193,132    | \$170,671 |
| Mexico                             | 114,762      | 108,585   |
| China                              | 199,271      | 163,171   |
| France                             | 72,285       | 61,226    |
| Canada                             | 43,347       | 49,509    |
| Poland                             | 73,282       | 67,686    |
| Germany                            | 86,297       | 85,026    |
| Other                              | 169,802      | 126,395   |
| Consolidated                       | \$952,178    | \$832,269 |

## Customer Concentration

Sales to customers of the Company which contributed 10% or more of its total consolidated sales and the related percentage of consolidated Company sales for 2017, 2016 and 2015 are as follows:

| Customer                  | 2017                    |   | 2016                    |   | 2015                    |   |
|---------------------------|-------------------------|---|-------------------------|---|-------------------------|---|
|                           | Percentage of Net Sales |   | Percentage of Net Sales |   | Percentage of Net Sales |   |
| Ford                      | 28                      | % | 27                      | % | 26                      | % |
| General Motors            | 19                      | % | 17                      | % | 16                      | % |
| Fiat Chrysler Automobiles | 11                      | % | 12                      | % | 12                      | % |

## 23. Investments in Affiliates

The Company's beneficial ownership in affiliates accounted for under the equity method was as follows:

| Name  | December 31, 2017 |   | December 31, 2016 |   |
|---|-------------------|---|-------------------|---|
|   |                   |   |                   |   |
| Sujan Cooper Standard AVS Private Limited   | 50                | % | 50                | % |
| Nishikawa Cooper LLC                        | 40                | % | 40                | % |
| Polyrub Cooper Standard FTS Private Limited | 35                | % | 35                | % |
| Nishikawa Tachaplalert Cooper Ltd.          | 20                | % | 20                | % |



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The Company's aggregate investment in unconsolidated affiliates was \$42,634 and \$42,606 as of December 31, 2017 and 2016, respectively. The Company received dividends from unconsolidated affiliates of \$5,382, \$3,022 and \$1,917 for the years ended December 31, 2017, 2016 and 2015, respectively.

## 24. Selected Quarterly Information (Unaudited)

|  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|--|------------------|-------------------|------------------|-------------------|
| 2017   |                  |                   |                  |                   |
| Sales  | \$902,051        | \$909,145         | \$869,016        | \$937,914         |
| Gross profit   | 170,085          | 172,240           | 150,829          | 178,144           |
| Net income   | 42,504           | 41,650            | 25,458           | 28,961            |
| Net income attributable to Cooper-Standard Holdings Inc.                   | 41,706           | 40,456            | 24,640           | 28,501            |
| Basic net income per share attributable to Cooper-Standard Holdings Inc.   | \$2.35           | \$2.26            | \$1.39           | \$1.60            |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc. | \$2.20           | \$2.14            | \$1.32           | \$1.53            |
| 2016   |                  |                   |                  |                   |
| Sales  | \$862,497        | \$879,304         | \$855,656        | \$875,434         |
| Gross profit   | 159,824          | 171,961           | 164,672          | 168,385           |
| Net income   | 31,537           | (1) 40,240        | (1) 36,646       | 32,016            |
| Net income attributable to Cooper-Standard Holdings Inc.                   | 31,323           | (1) 40,189        | (1) 36,362       | 31,114            |
| Basic net income per share attributable to Cooper-Standard Holdings Inc.   | \$1.80           | (1) \$2.33        | (1) \$2.08       | \$1.76            |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc. | \$1.67           | (1) \$2.16        | (1) \$1.94       | \$1.65            |

(1) Amounts were adjusted due to the adoption of ASU 2016-09 in the second quarter of 2016. See Note 18. "Share-Based Compensation."

## SCHEDULE II

## Valuation and Qualifying Accounts

(dollars in millions)

| Description   | Balance at beginning of period | Charged to Expenses | Charged (credited) to other accounts <sup>(1)</sup> | Deductions | Balance at end of period |
|---|--------------------------------|---------------------|---|------------|--------------------------|
| Allowance for doubtful accounts deducted from accounts receivable |                                |                     |   |            |                          |
| Year ended December 31, 2017                                      | \$ 7.1                         | 1.1                 | 0.4   | (4.4 )     | \$ 4.2                   |
| Year ended December 31, 2016                                      | \$ 4.1                         | 4.0                 | (0.4 )  | (0.6 )     | \$ 7.1                   |
| Year ended December 31, 2015                                      | \$ 4.3                         | 0.5                 | (0.3 )  | (0.4 )     | \$ 4.1                   |

<sup>(1)</sup> Primarily foreign currency translation.

| Description                  | Balance at beginning of period | Additions Charged to Income | Charged to Equity <sup>(2)</sup> | Deductions | Balance at end of period |
|------------------------------|--------------------------------|-----------------------------|----------------------------------|------------|--------------------------|
| Tax valuation allowance      |                                |                             |                                  |            |                          |
| Year ended December 31, 2017 | \$ 149.8                       | 25.8                        | 13.8                             | —          | \$ 189.4                 |
| Year ended December 31, 2016 | \$ 137.0                       | 9.1                         | 3.7                              | —          | \$ 149.8                 |
| Year ended December 31, 2015 | \$ 144.1                       | 11.6                        | (18.7 )                          | —          | \$ 137.0                 |

<sup>(2)</sup> Includes foreign currency translation.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents Filed as Part of this Annual Report on Form 10-K/A:

|   | 10-K/A<br>Report<br>page(s) |
|---|-----------------------------|
| 1. Financial Statements   |                             |
| Report of Ernst & Young LLP, Independent Registered Public Accounting Firm  | <u>5</u>                    |
| Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, Internal Control over Financial Reporting | <u>6</u>                    |
| Consolidated statements of net income for the years ended December 31, 2017, 2016 and 2015                            | <u>7</u>                    |
| Consolidated statements of comprehensive income (loss) for the years ended December 31, 2017, 2016 and 2015           | <u>8</u>                    |
| Consolidated balance sheets as of December 31, 2017 and December 31, 2016   | <u>9</u>                    |
| Consolidated statements of changes in equity for the years ended December 31, 2017, 2016 and 2015                     | <u>10</u>                   |
| Consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015                            | <u>11</u>                   |
| Notes to consolidated financial statements  | <u>12</u>                   |

2. Financial Statement Schedules

|   |           |
|---|-----------|
| Schedule II—Valuation and Qualifying Accounts | <u>48</u> |
|---|-----------|

All other financial statement schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

3. Exhibits listed on the “Index to Exhibits”

Index to Exhibits

| Exhibit No. | Description of Exhibit   |
|-------------|--|
| 23.1*       | <u>Consent of Independent Registered Public Accounting Firm.</u>   |
| 31.1*       | <u>Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).</u> |
| 31.2*       | <u>Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).</u> |
| 32**        | <u>Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>                         |
| 101.INS***  | XBRL Instance Document   |
| 101.SCH***  | XBRL Taxonomy Extension Schema Document  |
| 101.CAL***  | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF***  | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB***  | XBRL Taxonomy Label Linkbase Document  |
| 101.PRE***  | XBRL Taxonomy Extension Presentation Linkbase Document   |

\* Filed with this Report.

\*\* Furnished with this Report

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



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

COOPER-STANDARD HOLDINGS INC.

Date: February 21, 2018 /s/ Peter C. Brusate

Peter C. Brusate  
Chief Accounting Officer  
(Principal Accounting Officer)