Commercial Vehicle Group, Inc.
Form 10-Q
November 02, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2011

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 001-34365

COMMERCIAL VEHICLE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**41-1990662** **(I.R.S. Employer Identification No.)**
7800 Walton Parkway	
New Albany, Ohio **(Address of principal executive offices)**	**43054** **(Zip Code)**

(614) 289-5360

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes þ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No ¨

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

Large accelerated filer	¨	Accelerated filer	þ
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

The number of shares outstanding of the Registrant s common stock, par value $.01 per share, at September 30, 2011 was 28,769,133 shares.

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

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ITEM 1 FINANCIAL STATEMENTS

COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2011 (Unaudited)	Three Months Ended September 30, 2010 (Unaudited)	Nine Months Ended September 30, 2011 (Unaudited)	Nine Months Ended September 30, 2010 (Unaudited)
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
REVENUES	$ 216,909	$ 150,950	$ 606,194	$ 439,706
COST OF REVENUES	187,087	131,086	523,980	385,194
Gross Profit	29,822	19,864	82,214	54,512
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	16,210	14,533	48,427	41,412
AMORTIZATION EXPENSE	65	60	255	180
RESTRUCTURING COSTS		162	542	1,572
Operating Income	13,547	5,109	32,990	11,348
OTHER INCOME	(13)	(1,061)	(10)	(3,801)
INTEREST EXPENSE	5,345	4,418	14,391	12,839
LOSS ON EARLY EXTINGUISHMENT OF DEBT			7,448	
Income Before Provision (Benefit) for Income Taxes	8,215	1,752	11,161	2,310
PROVISION (BENEFIT) FOR INCOME TAXES	839	610	2,677	(201)
NET INCOME	$ 7,376	$ 1,142	$ 8,484	$ 2,511
INCOME PER COMMON SHARE:				
Basic	$ 0.27	$ 0.04	$ 0.31	$ 0.10
Diluted	$ 0.26	$ 0.04	$ 0.30	$ 0.09
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	27,768	27,340	27,767	25,770
Diluted	28,152	28,087	28,187	26,584

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

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (Unaudited)	December 31, 2010 (Unaudited)
	(In thousands, except share and per share amounts)	
ASSETS		
CURRENT ASSETS:		
Cash	$ 85,318	$ 42,591
Accounts receivable, net of reserve for doubtful accounts of $3,299 and $2,717, respectfully	138,007	91,101
Inventories	71,784	66,622
Prepaid expenses and other, net	8,989	11,109
Total current assets	304,098	211,423
PROPERTY, PLANT AND EQUIPMENT, net	73,021	59,321
INTANGIBLE ASSETS, net of accumulated amortization of $2,499 and $2,245, respectfully	7,360	3,848
OTHER ASSETS, net	16,314	11,615
TOTAL ASSETS	$ 400,793	$ 286,207
LIABILITIES AND STOCKHOLDERS INVESTMENT (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 77,767	$ 61,216
Accrued liabilities	40,003	34,130
Total current liabilities	117,770	95,346
LONG-TERM DEBT	250,000	164,987
PENSION AND OTHER POST-RETIREMENT BENEFITS	21,011	23,343
OTHER LONG-TERM LIABILITIES	2,485	2,643
Total liabilities	391,266	286,319
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS INVESTMENT (DEFICIT):		
Preferred stock $.01 par value; 5,000,000 shares authorized; no shares issued and outstanding; common stock $.01 par value; 60,000,000 shares authorized; 27,767,657 and 27,756,759 shares issued and outstanding, respectively	280	280
Treasury stock purchased from employees; 285,208 shares, respectively	(2,851)	(2,851)
Additional paid-in capital	218,043	215,491
Retained loss	(184,875)	(193,359)
Accumulated other comprehensive loss	(21,070)	(19,673)
Total stockholders investment (deficit)	9,527	(112)
TOTAL LIABILITIES AND STOCKHOLDERS INVESTMENT (DEFICIT)	$ 400,793	$ 286,207

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

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2011 (Unaudited)	2010 (Unaudited)
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 8,484	$ 2,511
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	9,455	8,842
Provision for doubtful accounts	3,008	3,735
Noncash amortization of debt financing costs	971	1,136
Loss on early extinguishment of debt	7,448	
Amortization of bond discount/premium, net	(345)	(936)
Paid-in-kind interest		3,569
Pension plan contributions	(2,277)	(1,705)
Shared-based compensation expense	2,552	1,998
Loss (gain) on sale of assets	244	(87)
Noncash gain on forward exchange contracts		(3,377)
Change in other operating items	(31,198)	(4,335)
Net cash (used in) provided by operating activities	(1,658)	11,351
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(14,555)	(5,783)
Proceeds from disposal/sale of property plant and equipment	57	97
Post-acquisition and acquisitions payments, net of cash received	(11,114)	
Long-term supply contracts, other	(351)	389
Net cash used in investing activities	(25,963)	(5,297)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net		25,359
Proceeds from issuance of common stock under equity incentive plans		1,126
Excess tax benefit from equity incentive plans		(52)
Repayment of long-term debt	(170,929)	
Borrowing of long-term debt	250,000	
Debt issuance costs and other	(6,963)	
Net cash provided by financing activities	72,108	26,433
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH	(1,760)	1,772
NET INCREASE IN CASH	42,727	34,259
CASH:		
Beginning of period	42,591	9,524
End of period	$ 85,318	$ 43,783
SUPPLEMENTAL CASH FLOW INFORMATION:		

Cash paid for interest	$	11,204	$	9,998
Cash paid (received) for income taxes, net	$	1,159	$	(21,116)
Unpaid purchases of property and equipment included in accounts payable	$	854	$	537

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

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Description of Business and Basis of Presentation

Commercial Vehicle Group, Inc. and its subsidiaries (CVG , Company or we) design and manufacture seat systems, interior trim systems (including instrument and door panels, headliners, cabinetry, molded products and floor systems), cab structures and components, mirrors, wiper systems, electronic wiring harness assemblies and controls and switches for the global commercial vehicle market, including the heavy-duty truck market, the construction, military, bus, agriculture and specialty transportation markets. We have facilities located in the United States in Alabama, Arizona, Indiana, Illinois, Iowa, North Carolina, Ohio, Oregon, Tennessee, Virginia and Washington and outside of the United States in Australia, Belgium, China, Czech Republic, Mexico, Ukraine and the United Kingdom.

We have prepared the condensed consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of the results of operations and statements of financial position for the interim periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with our fiscal 2010 consolidated financial statements and the notes thereto included in Part II, Item 8 of our Annual Report on Form 10-K as filed with the SEC on March 15, 2011. Unless otherwise indicated, all amounts are in thousands except per share amounts.

Revenues and operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results to be expected in future operating quarters.

2. Recently Issued Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement*. This ASU clarifies the concepts related to highest and best use and valuation premise, blockage factors and other premiums and discounts, the fair value measurement of financial instruments held in a portfolio and of those instruments classified as a component of stockholders equity. The guidance includes enhanced disclosure requirements about recurring Level 3 fair value measurements, the use of nonfinancial assets, and the level in the fair value hierarchy of assets and liabilities not recorded at fair value. The provisions of this ASU are effective prospectively for interim and annual periods beginning on or after December 15, 2011. Early application is prohibited. We are currently evaluating the impact of this new ASU.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income*. This ASU intends to enhance comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. This ASU eliminates the option to present other comprehensive income components as part of the statement of changes in stockholders equity. The provisions of this ASU will be applied retrospectively for interim and annual periods beginning after December 15, 2011. Early application is permitted. We are currently evaluating the impact of this new ASU.

3. Business Combinations

On January 28, 2011, we acquired all of the assets and certain liabilities related to Bostrom Seating, Inc. (Bostrom) for cash consideration of approximately $8.8 million (the Bostrom acquisition). Bostrom is a seat supplier to the North American heavy truck, aftermarket, bus and specialty vehicle markets. Bostrom has one owned manufacturing facility in Piedmont, Alabama. The acquisition of Bostrom further expands our North American presence in certain key end markets and enhances our overall aftermarket position.

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On July 27, 2011, we acquired certain assets of Stratos Seating (Stratos) for cash consideration of approximately $2.3 million (the Stratos acquisition). Stratos is a seat supplier to the Australian military, truck and specialty vehicle markets. Stratos is located in Wetherill Park, Sydney, Australia. The acquisition of Stratos expands our Australian presence in the military and truck markets and enhances our overall product offering with the addition of the unique Stratos suspension system and military seating products.

The operating results of Bostrom and Stratos have been included in our consolidated financial statements since the dates of acquisition. From the dates of acquisition through September 30, 2011, we recorded revenues of approximately $25.2 million and $1.0 million for Bostrom and Stratos, respectively, and operating income of $0.7 million and $0.1 million, respectively. Acquisition related expenses for Bostrom and Stratos of approximately $0.4 million and $0.1million, respectively, were incurred for the nine months ended September 30, 2011 and have been recorded as selling, general and administrative expenses on our consolidated statements of operations.

The Bostrom and Stratos acquisitions were accounted for by the acquisition method of accounting. Under acquisition accounting, the total purchase price has been allocated to the tangible and intangible assets and liabilities of Bostrom and Stratos based upon their respective fair values. The purchase price and costs associated with the Bostrom and Stratos acquisitions exceeded the preliminary fair value of the net assets acquired by approximately $2.6 million and $1.3 million, respectively. During the three-month period ended June 30, 2011, the purchase price for the Bostrom acquisition was reduced by approximately $0.1 million. During the three-month period ended September 30, 2011, the purchase price for the Stratos acquisition was increased by approximately $0.1 million. During the three months ended September 30, 2011, we reduced the preliminary purchase price allocation for the Bostrom acquisition by approximately $0.6 million. In connection with the allocation of the purchase price for Bostrom and Stratos, we recorded definite-lived intangible assets of approximately $2.6 million and $1.3 million, respectively, as shown in the following table (in thousands):

	Bostrom	Stratos
Purchase price, net of post-acquisition adjustment	$ 8,699	$ 2,415
Net assets at fair value	6,140	1,070
Excess of purchase price over net assets acquired	$ 2,559	$ 1,345

The purchase price allocation for the Bostrom acquisition and the Stratos acquisition was as follows (in thousands):

	Bostrom	Stratos
Accounts receivable	$ 3,898	$
Inventories	2,274	840
Other current assets	4	
Property, plant and equipment	4,960	437
Definite-lived intangible assets	2,559	1,345
Current liabilities	(4,996)	(207)
Contract purchase price	$ 8,699	$ 2,415

The following pro forma information for the three and nine months ended September 30, 2011 and 2010 presents the result of operations as if the acquisitions of Bostrom and Stratos had taken place at the beginning of the periods. The pro forma results are not necessarily indicative of the financial position or result of operations had the acquisition taken place at the beginning of the periods. In addition, the pro forma results are not necessarily indicative of the future financial or operating results (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
Revenue	$ 217,615	$ 159,538	$ 612,731	$ 462,660
Operating income	$ 13,653	$ 4,734	$ 33,936	$ 10,456

Net income	$	7,482	$	770	$	9,431	$	1,621
Earnings Per Share:								
Basic	$	0.27	$	0.03	$	0.34	$	0.06
Diluted	$	0.27	$	0.03	$	0.33	$	0.06

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On September 6, 2011, we entered into a joint venture (the Joint Venture) with Hema Engineering Industries Limited (Hema) for the production of seats and seating components for the India commercial vehicle market and for the supply of seats and components to our other global locations. We hold a 90% ownership and Hema holds a 10% ownership in the Joint Venture.

We will lease a production facility in the Delhi NCR (Gurgaon) region of India, where Hema has its existing manufacturing facilities. Hema will initially supply components to the Joint Venture. We have been awarded India truck seating business and expect to begin production of this business in early to mid-2012. We will also transfer existing business to the Joint Venture where it will be manufactured and supplied to other global CVG locations. We have already shipped tooling for certain of our products to India to support its global requirements, including the development of new markets in India.

4. Fair Value Measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3 Unobservable inputs reflecting management s own assumptions about the inputs used in pricing the asset or liability.

Our financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities and revolving credit facility. The carrying value of these instruments approximates fair value as a result of the short duration of such instruments or due to the variability of interest cost associated with such instruments.

The carrying amounts and fair values of our long-term debt obligations are as follows (in thousands):

	September 30, 2011		December 31, 2010	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Long-term debt	$ 250,000	$ 250,000	$ 164,987	$ 159,376

The fair value of long-term debt obligations is based on quoted market prices or on rates available on debt with similar terms and maturities. Based on these inputs, our long-term debt is classified as Level 2.

5. Stockholders Investment

Common Stock Our authorized capital stock consists of 60,000,000 shares of common stock with a par value of $0.01 per share, with 28,769,133 shares outstanding as of September 30, 2011.

Preferred Stock Our authorized capital stock consists of 5,000,000 shares of preferred stock with a par value of $0.01 per share, with no preferred shares outstanding as of September 30, 2011.

Earnings Per Share Basic earnings per share is determined by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share, and all other diluted per share amounts presented, is determined by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period as determined by the Treasury Stock Method. Potential common shares are included in the diluted earnings per share calculation when dilutive. Diluted earnings per share for the three and nine

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months ended September 30, 2011 and 2010 includes the effects of potential common shares consisting of common stock issuable upon exercise of outstanding stock options when dilutive (in thousands, except per share amounts):

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net income applicable to common stockholders basic and diluted	$ 7,376	$ 1,142	$ 8,484	$ 2,511
Weighted average number of common shares outstanding	27,768	27,340	27,767	25,770
Dilutive effect of outstanding stock options and restricted stock grants after application of the Treasury Stock Method	384	747	420	814
Dilutive shares outstanding	28,152	28,087	28,187	26,584
Basic income per share	$ 0.27	$ 0.04	$ 0.31	$ 0.10
Diluted income per share	$ 0.26	$ 0.04	$ 0.30	$ 0.09

For the three months ended September 30, 2011 and 2010, diluted earnings per share did not include approximately 0.5 million outstanding stock options, respectively, as the effect would have been antidilutive. For the nine months ended September 30, 2011 and 2010, diluted earnings per share did not include approximately 0.5 million outstanding stock options, respectively, as the effect would have been antidilutive.

Dividends We have not declared or paid any cash dividends in the past. The terms of our Loan and Security Agreement restrict the payment or distribution of our cash or other assets, including cash dividend payments.

6. Share-Based Compensation

Restricted Stock Awards Restricted stock is a grant of shares of common stock that may not be sold, encumbered or disposed of, and that may be forfeited in the event of certain terminations of employment, prior to the end of a restricted period set by the Compensation Committee of the Board of Directors. A participant granted restricted stock generally has all of the rights of a stockholder, unless the Compensation Committee determines otherwise. The following table summarizes information about restricted stock grants as of September 30, 2011:

Grant	Shares	Estimated Forfeiture Rate	Vesting Schedule
November 2008	798,450	9.2%	3 equal annual installments commencing on October 20, 2009
November 2009	638,150	8.2%	3 equal annual installments commencing on October 20, 2010
November 2010	404,000	8.2%	3 equal annual installments commencing on October 20, 2011

As of September 30, 2011, there was approximately $5.0 million of unearned compensation expense related to non-vested share-based compensation arrangements granted under our equity incentive plans. This expense is subject to future adjustments for vesting and forfeitures and will be recognized on a straight-line basis over the remaining period of one month for the November 2008 awards, 13 months for the November 2009 awards and 25 months for the November 2010 awards, respectively.

The following table summarizes information about the non-vested restricted stock grants as of September 30, 2011:

	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2010	1,023	$ 9.02

Granted			
Vested	(11)		2.47
Forfeited	(11)		7.60
Nonvested at September 30, 2011	1,001	$	9.02

As of September 30, 2011, 1,705,549 of the 4.6 million shares authorized for issuance were available for issuance under the Fourth Amended and Restated Equity Incentive Plan, including cumulative forfeitures.

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7. Accounts Receivable

Trade accounts receivable are stated at current value less an allowance for doubtful accounts, which approximates fair value. This estimated allowance is based primarily on management s evaluation of specific balances as the balances become past due, the financial condition of our customers and our historical experience of write-offs. If not reserved through specific identification procedures, our general policy for uncollectible accounts is to reserve at a certain percentage threshold, based upon the aging categories of accounts receivable and our historical experience with write-offs. Past due status is based upon the due date of the original amounts outstanding. When items are ultimately deemed uncollectible, they are charged off against the reserve previously established in the allowance for doubtful accounts.

8. Inventories

Inventories are valued at the lower of first-in, first-out (FIFO) cost or market. Cost includes applicable material, labor and overhead. Inventories consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Raw materials	$ 50,637	$ 46,194
Work in process	13,867	12,477
Finished goods	13,764	13,727
Less excess and obsolete	(6,484)	(5,776)
	$ 71,784	$ 66,622

Inventory quantities on-hand are regularly reviewed and, where necessary, provisions for excess and obsolete inventory are recorded based primarily on our estimated production requirements driven by expected market volumes. Excess and obsolete provisions may vary by product depending upon future potential use of the product.

9. Intangible Assets

We review definite-lived intangible assets for recoverability whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. If the estimated undiscounted cash flows are less than the carrying amount of such assets, we recognize an impairment loss in an amount necessary to write down the assets to fair value as estimated from expected future discounted cash flows. Estimating the fair value of these assets is judgmental in nature and involves the use of significant estimates and assumptions. We base our fair value estimates on assumptions we believe to be reasonable, but that are inherently uncertain.

Our intangible assets were comprised of the following (in thousands):

	September 30, 2011				December 31, 2010			
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:								
Trademarks/Tradenames	22 years	$ 9,421	$ (2,061)	$ 7,360	20 years	$ 5,655	$ (1,807)	$ 3,848

We recorded approximately $2.6 million and $1.2 million in definite-lived intangible assets (tradenames) with useful lives of 30 years in connection with the Bostrom and Stratos acquisitions, respectively.

The aggregate intangible asset amortization expense was approximately $0.1 million for the three months ended September 30, 2011 and 2010, respectively, and approximately $0.3 million and $0.2 million for the nine months ended September 30, 2011 and 2010, respectively.

The estimated intangible asset amortization expense for the fiscal year ending December 31, 2011, and for the five succeeding years is as follows (in thousands):

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Fiscal Year Ended December 31,	Estimated Amortization Expense
2011	$345
2012	$365
2013	$365
2014	$365
2015	$365
2016	$365

10. Restructuring Activities

In 2009, we announced the following restructuring plans:

A reduction in workforce and the closure of certain manufacturing, warehousing and assembly facilities. The facilities closed included an assembly and sequencing facility in Kent, Washington; seat sequencing and assembly facility in Statesville, North Carolina; manufacturing facility in Lake Oswego, Oregon; inventory and product warehouse in Concord, North Carolina; and seat assembly and distribution facility in Seneffs, Belgium. The decision to reduce our workforce was the result of the extended downturn of the global economy and, in particular, the commercial vehicle markets. We substantially completed these activities as of December 31, 2009.

The closure of our Vancouver, Washington manufacturing facility. The decision to close the facility was the result of the extended downturn of the global economy and, in particular, the commercial vehicle markets. We substantially completed this closure as of December 31, 2009.

The closure and consolidation of one of our facilities located in Liberec, Czech Republic and the closing of our Norwalk, Ohio truck cab assembly facility. The closure and consolidation of our Liberec, Czech Republic facility was a result of management s continued focus on reducing fixed costs and eliminating excess capacity. The closure of this facility was substantially completed as of December 31, 2009. The closure of our Norwalk, Ohio facility was a result of Navistar's decision to insource the cab assembly operations into its existing assembly facility in Escobedo, Mexico. We substantially completed the Norwalk closure as of September 30, 2010.

We estimate that we will record total cash expenditures for all of these restructurings of approximately $6.6 million, consisting of approximately $2.5 million of severance costs and $4.1 million of facility closure costs. We have incurred cumulative restructuring charges of $5.9 million consisting of approximately $2.5 million of severance costs and $3.4 million of facility closure costs as of September 30, 2011.

A summary of the restructuring liability for the nine months ended September 30, 2011 is as follows (in thousands):

	Employee Costs	Facility Exit and Other Contractual Costs	Total
Balance - December 31, 2010	$ 101	$ 1,362	$ 1,463
Provisions	128	414	542
Utilizations	(227)	(1,131)	(1,358)
Currency		59	59
Balance September 30, 2011	$ 2	$ 704	$ 706

11. Commitments and Contingencies

Warranty We are subject to warranty claims for products that fail to perform as expected due to design or manufacturing deficiencies. Customers continue to require their outside suppliers to guarantee or warrant their products and bear the cost of repair or replacement of such products. Depending on the terms under which we supply products to our customers, a customer may hold us responsible for some or all of the repair or replacement costs of defective products when the product supplied did not perform as represented. Our policy is to reserve for estimated future customer warranty costs based on historical trends and current economic factors. The following represents a summary of the warranty provision for the nine months ended September 30, 2011 (in thousands):

Balance December 31, 2010	$ 2,653
Increase due to acquisitions	297
Additional provisions recorded	1,390
Deduction for payments made	(1,392)
Balance September 30, 2011	$ 2,948

Leases We lease office and manufacturing space and certain equipment under non-cancelable operating lease agreements that require us to pay maintenance, insurance, taxes and other expenses in addition to annual rents. As of September 30, 2011, our equipment leases did not provide for any material guarantee of a specified portion of residual values.

Guarantees We accrue for costs associated with guarantees when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts, and where no amount within a range of estimates is more likely, the minimum is accrued. In accordance with accounting guidance for guarantees issued after December 31, 2002, we record a liability for the fair value of such guarantees in the balance sheet. As of September 30, 2011, we had no such guarantees.

Litigation We are subject to various legal actions and claims incidental to our business, including those arising out of alleged defects, product warranties, employment-related matters and environmental matters. Management believes that we maintain adequate insurance to cover these claims. We have established reserves for issues that are probable and estimable in amounts management believes are adequate to cover reasonable adverse judgments not covered by insurance. Based upon the information available to management and discussions with legal counsel, it is the opinion of management that the ultimate outcome of the various legal actions and claims that are incidental to our business will not have a material adverse impact on our consolidated financial position, results of operations or cash flows; however, such matters are subject to many uncertainties, and the outcomes of individual matters are not predictable with assurance.

12. Debt

Debt consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
8% senior notes due July 1, 2013	$	$ 97,810
15% second lien term loan due November 1, 2012 ($16,800 principal amount, net of $3,042 of original issue discount)		13,758
11%/13% third lien senior secured notes due February 15, 2013 ($42,124 principal amount and $5,463 of issuance premium)		47,587
Paid-in-kind interest on 11%/13% third lien senior secured notes due February 15, 2013		5,832
7.875% senior notes due April 15, 2019	250,000	
	$ 250,000	$ 164,987

<u>*Revolving Credit Facility*</u> On January 7, 2009, we and certain of our direct and indirect U.S. subsidiaries, as borrowers (the borrowers), entered into a Loan and Security Agreement with Bank of America, N.A., as agent and lender, which provided for a three-year asset-based revolving credit facility (the revolving credit facility) with an aggregate principal amount of up to $37.5 million (after giving effect to a second amendment to our Loan and Security Agreement entered into on August 4, 2009), which was subject to an availability block. On April 26, 2011,

we entered into an amendment and restatement to the loan and security agreement governing the revolving credit facility (as so amended and restated, the Loan and Security Agreement) which, among other things, extended the maturity of the revolving credit facility to April

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26, 2014, increased the revolving commitment to $40.0 million and revised the availability block to equal the amount of debt Bank of America, N.A. or its affiliates makes available to the Company s foreign subsidiaries. Up to an aggregate of $10.0 million is available to the borrowers for the issuance of letters of credit, which reduces availability under the revolving credit facility.

As of September 30, 2011, we did not have borrowings under the Loan and Security Agreement. In addition, as of September 30, 2011, we had outstanding letters of credit of approximately $3.2 million and borrowing availability of $36.8 million under the Loan and Security Agreement.

Our Loan and Security Agreement contains financial covenants, including a minimum fixed charge coverage ratio, if we do not maintain certain availability requirements. Because we had borrowing availability in excess of $10.0 million from June 30, 2011 through September 30, 2011, we were not required to comply with the minimum fixed charge coverage ratio covenant during the quarter ended September 30, 2011.

Under the revolving credit facility, borrowings bear interest at various rates plus a margin based on certain financial ratios. The borrowers obligations under the revolving credit facility are secured by a first-priority lien (subject to certain permitted liens) on substantially all of the tangible and intangible assets of the borrowers, as well as 100% of the capital stock of the direct domestic subsidiaries of each borrower and 65% of the capital stock of each foreign subsidiary directly owned by a borrower. Each of CVG and each other borrower is jointly and severally liable for the obligations under the revolving credit facility and unconditionally guarantees the prompt payment and performance thereof.

The applicable margin for borrowings under the revolving credit facility is based upon the fixed charge coverage ratio for the most recently ended fiscal quarter, as follows:

Level	Ratio	Domestic Base Rate Loans	LIBOR Revolver Loans
III	£ 1.25 to 1.00	1.50%	2.50%
II	³ 1.25 to 1.00 but < 1.75 to 1.00	1.25%	2.25%
I	³ 1.75 to 1.00	1.00%	2.00%

The applicable margin shall be subject to increase or decrease following receipt by the agent of the financial statements and corresponding compliance certificate for each fiscal quarter. If the financial statements or corresponding compliance certificate are not timely delivered, then the highest rate shall be applicable until the first day of the calendar month following actual receipt. Until receipt by the agent of the financial statements and corresponding compliance certificate for the fiscal quarter ending September 30, 2011, the applicable margin was set at Level II, which corresponds to our June 30, 2011 financial statements and compliance certificate.

We pay a commitment fee to the lenders, which is calculated at a rate per annum based on a percentage of the difference between committed amounts and amounts actually borrowed under the revolving credit facility multiplied by an applicable margin. The commitment fee is payable quarterly in arrears. Currently, the unused commitment fees is (i) .500% per annum times the unused commitment during any fiscal quarter in which the aggregate average daily unused commitment is equal to or greater than 50% of the revolver commitments or (ii) .375% per annum times the unused commitment during any fiscal quarter in which the aggregate average daily unused commitment is less than 50% of the revolver commitments.

Terms, Covenants and Compliance Status The revolving credit facility requires the maintenance of a minimum fixed charge coverage ratio calculated based upon consolidated EBITDA (as defined in the revolving credit facility) as of the last day of each of our fiscal quarters. We are not required to comply with the fixed charge coverage ratio requirement for as long as we maintain at least $10.0 million of borrowing availability under the revolving credit facility. If borrowing availability is less than $10.0 million at any time, we would be required to comply with a fixed charge coverage ratio of 1.1:1.0 as of the end of any fiscal quarter, and would be required to continue to comply with these requirements until we have borrowing availability of $10.0 million or greater for 60 consecutive days.

The revolving credit facility, as amended, contains customary restrictive covenants, including, without limitation, limitations on the ability of the borrowers and their subsidiaries to incur additional debt and guarantees; grant liens on assets; make investments or acquisitions; dispose of assets; make payments on certain indebtedness; merge, combine with any other person or liquidate; amend organizational documents; file consolidated tax returns with entities other than other borrowers or their subsidiaries; make material changes in accounting treatment or reporting practices; enter into restrictive

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agreements; enter into hedging agreements; engage in transactions with affiliates; enter into certain employee benefit plans; amend subordinated debt or the indenture governing the notes; and other matters customarily restricted in loan agreements. In addition, subject to certain exceptions, the revolving credit facility does not permit the borrowers and their subsidiaries to pay dividends or make other distributions on any equity interests or to purchase or redeem any equity interests other than: (i) upstream payments to a borrower or a subsidiary of a borrower, (ii) the cashless exercise of options and warrants, (iii) the retirement of fractional shares and (iv) repurchases of equity interests deemed to occur in connection with the surrender of shares of equity interests to satisfy tax withholding obligations, subject to certain limitations. The revolving credit facility also contains customary reporting and other affirmative covenants. We were in compliance with these covenants as of September 30, 2011.

The revolving credit facility contains customary events of default, including, without limitation, nonpayment of obligations under the revolving credit facility when due; material inaccuracy of representations and warranties; violation of covenants in the revolving credit facility and certain other documents executed in connection therewith; breach or default of agreements related to debt in excess of $5.0 million that could result in acceleration of that debt; revocation or attempted revocation of guarantees; denial of the validity or enforceability of the loan documents or failure of the loan documents to be in full force and effect; certain judgments in excess of $2.0 million; the inability of an obligor to conduct any material part of its business due to governmental intervention, loss of any material license, permit, lease or agreement necessary to the business; cessation of an obligor s business for a material period of time; impairment of collateral through condemnation proceedings; certain events of bankruptcy or insolvency; certain Employee Retirement Income Securities Act (ERISA) events; and a change in control of CVG. Certain of the defaults are subject to exceptions, materiality qualifiers, grace periods and baskets customary for credit facilities of this type.

Voluntary prepayments of amounts outstanding under the revolving credit facility are permitted at any time, without premium or penalty.

The revolving credit facility requires us to make mandatory prepayments with the proceeds of certain asset dispositions and upon the receipt of insurance or condemnation proceeds to the extent we do not use the proceeds for the purchase of assets useful in our business.

7.875% Senior Secured Notes due 2019 The 7.875% notes were issued pursuant to an indenture, dated as of April 26, 2011 (the 7.875% Notes Indenture), by and among CVG, certain of our subsidiaries party thereto, as guarantors (the guarantors) and U.S. Bank National Association, as trustee. Interest is payable on the 7.875% notes on April 15 and October 15 of each year until their maturity date of April 15, 2019.

The 7.875% notes are senior secured obligations of CVG. Our obligations under the 7.875% notes are guaranteed by the guarantors. The obligations of CVG and the guarantors under the 7.875% notes are secured by a second-priority lien (subject to certain permitted liens) on substantially all of the property and assets of CVG and the guarantors, and a pledge of 100% of the capital stock of CVG s domestic subsidiaries and 65% of the voting capital stock of each foreign subsidiary directly owned by CVG and the guarantors. The liens, the security interests and all of the obligations of CVG and the guarantors and all provisions regarding remedies in an event of default are subject to an intercreditor agreement between the agent for the revolving credit facility and the collateral agent for the 7.875% notes.

The 7.875% Notes Indenture contains restrictive covenants, including, without limitation, limitations on our ability and the ability of our restricted subsidiaries to: incur additional debt; restrict dividends or other payments of subsidiaries; make investments; engage in transactions with affiliates; create liens on assets; engage in sale/leaseback transactions; and consolidate, merge or transfer all or substantially all of our assets and the assets of our restricted subsidiaries. In addition, subject to certain exceptions, the 7.875% Notes Indenture does not permit us to pay dividends on, redeem or repurchase our capital stock or make other restricted payments unless certain conditions are met, including (i) no default under the 7.875% Notes Indenture has occurred and is continuing, (ii) we and our subsidiaries maintain a consolidated coverage ratio of 2.0 to 1.0 on a pro forma basis and (iii) the aggregate amount of the dividends or payments made under this restriction would not exceed 50% of consolidated net income from October 1, 2010 to the end of the most recent fiscal quarter (or, if consolidated net income for such period is a deficit, minus 100% of such deficit), plus cash proceeds received from certain issuances of capital stock, plus certain other amounts. These covenants are subject to important qualifications set forth in the 7.875% Notes Indenture. We were in compliance with these covenants as of September 30, 2011.

The 7.875% Notes Indenture provides for events of default (subject in certain cases to customary grace and cure periods) which include, among others, nonpayment of principal or interest when due, breach of covenants or other agreements in the indenture governing the 7.875% notes, defaults in payment of certain other indebtedness, certain events of bankruptcy or insolvency and certain defaults with respect to the security interests. Generally, if an event of default occurs, the trustee or the holders of at least 25% in principal amount of the then outstanding 7.875% notes may declare the principal of and accrued but unpaid interest on all of the 7.875% notes to be due and payable immediately. All provisions regarding remedies in an event of default are subject to the Intercreditor Agreement.

We may redeem the 7.875% notes, in whole or in part, at any time prior to April 15, 2014 at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the make-whole premium set forth in the 7.875% Notes Indenture. We may redeem the 7.875% notes, in whole or in part, at any time on or after April 15, 2014 at the redemption prices set forth in the 7.875% Notes Indenture, plus accrued and unpaid interest, if any, to the redemption date. Not more than once during each twelve-month period ending on April 15, 2012, April 15, 2013 and April 15, 2014, we may redeem up to $25.0 million of the aggregate principal amount of the 7.875% notes at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time on or prior to April 15, 2014, on one or more occasions, we may redeem up to 35% of the aggregate principal amount of the 7.875% notes with the net proceeds of certain equity offerings, as described in the 7.875% Notes Indenture, at a redemption price equal to 107.875% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. If we experience certain change of control events, holders of the 7.875% notes may require us to repurchase all or part of their notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

13. Income Taxes

We, or one of our subsidiaries, file federal income tax returns in the United States and income tax returns in various states and foreign jurisdictions. With few exceptions, we are no longer subject to income tax examinations by any of the taxing authorities for years before 2007. There is currently one income tax examination in process.

As of September 30, 2011, we have provided a liability of approximately $0.8 million of unrecognized tax benefits related to various federal and state income tax positions, which would impact our effective tax rate if recognized.

We accrue penalties and interest related to unrecognized tax benefits through income tax expense, which is consistent with the recognition of these items in prior reporting periods. We had approximately $0.4 million accrued for the payment of interest and penalties at September 30, 2011, of which $0.2 million was accrued during the current year. Accrued interest and penalties are included in the $0.8 million of unrecognized tax benefits.

During the current quarter, we did not release any tax reserves associated with items falling outside the statute of limitations and the closure of certain tax years for examination purposes. Events could occur within the next 12 months that would have an impact on the amount of unrecognized tax benefits that would be required. Approximately $2 thousand of unrecognized tax benefits relate to items that are affected by expiring statutes of limitation within the next 12 months.

14. Foreign Currency Forward Exchange Contracts

We use forward exchange contracts to hedge certain of the foreign currency transaction exposures. We estimate our projected revenues and purchases in certain foreign currencies or locations and will hedge a portion or all of the anticipated long or short positions. As of September 30, 2011, we did not have any derivatives designated as hedging instruments. As of September 30, 2010, our forward foreign exchange contracts have been marked-to-market and the fair value of contracts recorded in the consolidated balance sheets with the offsetting non-cash gain or loss recorded in our consolidated statements of operations. We do not hold or issue foreign exchange options or forward contracts for trading purposes.

The following table summarizes the effect of derivative instruments on the consolidated statements of operations for derivatives not designated as hedging instruments (in thousands):

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	Location of Gain Recognized in Income on Derivatives	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
		Amount of Gain Recognized in Income on Derivatives		Amount of Gain Recognized in Income on Derivatives	
Foreign exchange contracts	Other income	$	$ 1,022	$	$ 3,377

15. Pension and Other Post-Retirement Benefit Plans

We sponsor pension and other post-retirement benefit plans that cover certain hourly and salaried employees in the United States and United Kingdom. Our policy is to make annual contributions to the plans to fund the normal cost as required by local regulations. In addition, we have a post-retirement benefit plan for certain U.S. operations, retirees and their dependents.

The components of net periodic benefit cost related to the pension and other post-retirement benefit plans was as follows (in thousands):

	U.S. Pension Plans Three Months Ended September 30, 2011	2010	Non-U.S. Pension Plans Three Months Ended September 30, 2011	2010	Other Post-Retirement Benefit Plans Three Months Ended September 30, 2011	2010
Service cost	$ 18	$ 58	$	$	$	$ 1
Interest cost	490	492	528	596	16	30
Expected return on plan assets	(479)	(426)	(448)	(451)		
Amortization of prior service cost					(32)	(25)
Recognized actuarial loss (gain)	26	24	71	104	(34)	2
Net periodic benefit cost	55	148	151	249	(50)	8
Special termination benefits		27				68
Net benefit cost	$ 55	$ 175	$ 151	$ 249	$ (50)	$ 76

	U.S. Pension Plans Nine Months Ended September 30, 2011	2010	Non-U.S. Pension Plans Nine Months Ended September 30, 2011	2010	Other Post-Retirement Benefit Plans Nine Months Ended September 30, 2011	2010
Service cost	$ 56	$ 170	$	$	$	$ 3
Interest cost	1,467	1,488	1,630	1,643	48	89
Expected return on plan assets	(1,436)	(1,273)	(1,380)	(1,246)		
Amortization of prior service cost					(96)	(50)
Recognized actuarial loss (gain)	77	79	220	286	(102)	4
Net periodic benefit cost	164	464	470	683	(150)	46
Special termination benefits		81				204
Net benefit cost	$ 164	$ 545	$ 470	$ 683	$ (150)	$ 250

We previously disclosed in our financial statements for the year ended December 31, 2010, that we expect to contribute approximately $2.8 million to our pension plans and $0.3 million to our other post-retirement benefit plans in 2011. As of September 30, 2011, approximately $2.3 million of contributions have been made to our pension plans. We anticipate contributing an additional $0.6 million to our pension plans in 2011 for total estimated contributions during 2011 of $2.9 million.

16. Comprehensive Loss

We follow the comprehensive income accounting guidance, which established standards for reporting and display of comprehensive loss and its components. Comprehensive loss reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. Comprehensive loss represents

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net income adjusted for foreign currency translation adjustments and minimum pension liability. In accordance with the accounting guidance, we have elected to disclose comprehensive loss in stockholders investment. The components of accumulated other comprehensive loss consisted of the following as of September 30, 2011 (in thousands):

Foreign currency translation adjustment	$ (9,243)
Pension liability	(11,827)
Accumulated other comprehensive loss	$ (21,070)

Comprehensive income was as follows (in thousands):

	Nine Months Ended September 30, 2011	2010
Net income	$ 8,484	$ 2,511
Other comprehensive income:		
Foreign currency translation adjustment	(1,397)	1,123
Pension liability		32
Comprehensive income	$ 7,087	$ 3,666

17. Related Party Transactions

In May 2008, we entered into a freight services arrangement with Group Transportation Services Holdings, Inc. (GTS), a third party logistics and freight management company. Under this arrangement, which was approved by our Audit Committee on April 29, 2008, GTS manages a portion of our freight and logistics program as well as administers its payments to additional third party freight service providers. In May 2010, GTS merged with Roadrunner Transportation Systems, Inc. (RRTS) in connection with the initial public offering of RRTS. Chad M. Utrup, our Chief Financial Officer, was elected to the Board of Directors of RRTS in May 2010. For the three months ended September 30, 2011 and 2010, we made payments (net of pass through payments to other third party freight service providers) to GTS/RRTS of approximately $0.1 million, respectively, for these services. For the nine months ended September 30, 2011 and 2010, we made payments (net of pass through payments to other third party freight service providers) to GTS/RRTS of approximately $0.3 million and $0.4 million, respectively, for these services.

18. Consolidating Guarantor and Non-Guarantor Financial Information

The following condensed consolidating financial information presents balance sheets, statements of operations and cash flow information related to our business. Each guarantor is a direct or indirect subsidiary of CVG and has fully and unconditionally guaranteed the 7.875% notes issued by CVG, on a joint and several basis.

The following condensed consolidating financial information presents the financial information of CVG (the parent company), the guarantor companies and the non-guarantor companies in accordance with Rule 3-10 under the Securities and Exchange Commission s Regulation S-X. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor companies or non-guarantor companies operated as independent entities. The guarantor companies and the non-guarantor companies include the consolidated financial results of their 100% owned subsidiaries accounted for under the equity method. All applicable corporate expenses have been allocated appropriately among the guarantor and non-guarantor subsidiaries.

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidated
			(In thousands)		
REVENUES	$	$ 169,512	$ 66,764	$ (19,367)	$ 216,909
COST OF REVENUES		145,981	60,473	(19,367)	187,087
Gross Profit		23,531	6,291		29,822
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		11,953	4,257		16,210
AMORTIZATION EXPENSE		57	8		65
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(5,851)	850		5,001	
Operating Income	5,851	10,671	2,026	(5,001)	13,547
OTHER INCOME		(5)	(8)		(13)
INTEREST EXPENSE	282	5,040	23		5,345
Income Before (Benefit) Provision for Income Taxes	5,569	5,636	2,011	(5,001)	8,215
(BENEFIT) PROVISION FOR INCOME TAXES	(1,807)	1,397	1,249		839
NET INCOME	$ 7,376	$ 4,239	$ 762	$ (5,001)	$ 7,376

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
REVENUES	$	$ 463,493	$ 198,870	$ (56,169)	$ 606,194
COST OF REVENUES		402,782	177,367	(56,169)	523,980
Gross Profit		60,711	21,503		82,214
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		35,524	12,903		48,427
AMORTIZATION EXPENSE		247	8		255
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(13,085)	572		12,513	
RESTRUCTURING COSTS		542			542
Operating Income	13,085	23,826	8,592	(12,513)	32,990
OTHER INCOME		(5)	(5)		(10)
INTEREST EXPENSE	970	13,362	59		14,391
LOSS ON EARLY EXTINGUISHMENT OF DEBT	7,448				7,448
Income Before (Benefit) Provision for Income Taxes	4,667	10,469	8,538	(12,513)	11,161
(BENEFIT) PROVISION FOR INCOME TAXES	(3,817)	4,012	2,482		2,677
NET INCOME	$ 8,484	$ 6,457	$ 6,056	$ (12,513)	$ 8,484

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2011

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
	ASSETS				
CURRENT ASSETS:					
Cash	$ 70,414	$ 47	$ 14,857	$	$ 85,318
Accounts receivable, net	219	103,673	34,115		138,007
Intercompany receivable	85,228	17,833		(103,061)	
Inventories		43,172	28,612		71,784
Prepaid expenses and other, net		4,706	4,284	(1)	8,989
Total current assets	155,861	169,431	81,868	(103,062)	304,098
PROPERTY, PLANT AND EQUIPMENT, net		62,905	10,116		73,021
EQUITY INVESTMENT IN SUBSIDIARIES	105,477	17,488	310	(123,275)	
INTANGIBLE ASSETS, net		6,159	1,201		7,360
OTHER ASSETS, net	7,459	8,719	135	1	16,314
TOTAL ASSETS	$ 268,797	$ 264,702	$ 93,630	$ (226,336)	$ 400,793
	LIABILITIES AND STOCKHOLDERS INVESTMENT				
CURRENT LIABILITIES:					
Accounts payable	$	$ 51,160	$ 26,607	$	$ 77,767
Intercompany payable		83,261	19,800	(103,061)	
Accrued liabilities	8,449	22,262	9,292		40,003
Total current liabilities	8,449	156,683	55,699	(103,061)	117,770
LONG-TERM DEBT	250,000				250,000
PENSION AND OTHER POST-RETIREMENT BENEFITS		11,473	9,538		21,011
OTHER LONG-TERM LIABILITIES	821	966	698		2,485
Total liabilities	259,270	169,122	65,935	(103,061)	391,266
STOCKHOLDERS INVESTMENT	9,527	95,580	27,695	(123,275)	9,527
TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT	$ 268,797	$ 264,702	$ 93,630	$ (226,336)	$ 400,793

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	$ 5,959	$ (12,208)	$ 4,590	$ 1	$ (1,658)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property, plant and equipment		(10,745)	(3,810)		(14,555)
Proceeds from disposal/sale of property plant and equipment		12	45		57
Post-acquisition and acquisition payments, net of cash received		(8,699)	(2,415)		(11,114)
Long-term supply contracts, other		(351)			(351)
Net cash used in investing activities		(19,783)	(6,180)		(25,963)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Change in intercompany receivables/payables	(39,126)	32,012	7,115	(1)	
Repayment of long-term debt	(170,929)				(170,929)
Borrowing of long-term debt	250,000				250,000
Debt issuance costs and other	(6,963)				(6,963)
Net cash provided by financing activities	32,982	32,012	7,115	(1)	72,108
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH		(1)	(1,759)		(1,760)
NET INCREASE IN CASH	38,941	20	3,766		42,727
CASH:					
Beginning of period	31,473	27	11,091		42,591
End of period	$ 70,414	$ 47	$ 14,857	$	$ 85,318

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
REVENUES	$	$ 111,946	$ 49,477	$ (10,473)	$ 150,950
COST OF REVENUES		98,683	42,876	(10,473)	131,086
Gross Profit		13,263	6,601		19,864
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		11,031	3,502		14,533
AMORTIZATION EXPENSE		60			60
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(4,970)	(91)		5,061	
RESTRUCTURING COSTS		162			162
Operating Income	4,970	2,101	3,099	(5,061)	5,109
OTHER INCOME			(1,061)		(1,061)
INTEREST EXPENSE (INCOME)	4,408	(48)	58		4,418
Income Before (Benefit) Provision for Income Taxes	562	2,149	4,102	(5,061)	1,752
(BENEFIT) PROVISION FOR INCOME TAXES	(580)	895	295		610
NET INCOME	$ 1,142	$ 1,254	$ 3,807	$ (5,061)	$ 1,142

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
REVENUES	$	$ 336,837	$ 132,264	$ (29,395)	$ 439,706
COST OF REVENUES		296,815	117,774	(29,395)	385,194
Gross Profit		40,022	14,490		54,512
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		32,014	9,398		41,412
AMORTIZATION EXPENSE		180			180
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(9,687)	(672)		10,359	
RESTRUCTURING COSTS		1,572			1,572
Operating Income	9,687	6,928	5,092	(10,359)	11,348
OTHER INCOME	(35)		(3,766)		(3,801)
INTEREST EXPENSE (INCOME)	12,904	(205)	140		12,839
(Loss) Income Before (Benefit) Provision for Income Taxes	(3,182)	7,133	8,718	(10,359)	2,310
(BENEFIT) PROVISION FOR INCOME TAXES	(5,693)	3,531	1,961		(201)
NET INCOME	$ 2,511	$ 3,602	$ 6,757	$ (10,359)	$ 2,511

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2010

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
	ASSETS				
CURRENT ASSETS:					
Cash	$ 31,473	$ 27	$ 11,091	$	$ 42,591
Accounts receivable, net	220	63,172	27,708	1	91,101
Intercompany receivable	46,102	942		(47,044)	
Inventories		38,284	28,340	(2)	66,622
Prepaid expenses and other, net		6,490	4,659	(40)	11,109
Total current assets	77,795	108,915	71,798	(47,085)	211,423
PROPERTY, PLANT AND EQUIPMENT, net		52,875	6,446		59,321
EQUITY INVESTMENT IN SUBSIDIARIES	91,238	9,559		(100,797)	
INTANGIBLE ASSETS, net		3,848			3,848
OTHER ASSETS, net	2,600	8,986	28	1	11,615
TOTAL ASSETS	$ 171,633	$ 184,183	$ 78,272	$ (147,881)	$ 286,207
LIABILITIES AND STOCKHOLDERS (DEFICIT) INVESTMENT					
CURRENT LIABILITIES:					
Accounts payable	$	$ 37,657	$ 23,559	$	$ 61,216
Intercompany payable		34,359	12,685	(47,044)	
Accrued liabilities	6,092	19,931	8,147	(40)	34,130
Total current liabilities	6,092	91,947	44,391	(47,084)	95,346
LONG-TERM DEBT	164,987				164,987
PENSION AND OTHER POST-RETIREMENT BENEFITS		13,253	10,090		23,343
OTHER LONG-TERM LIABILITIES	666	911	1,066		2,643
Total liabilities	171,745	106,111	55,547	(47,084)	286,319
STOCKHOLDERS (DEFICIT) INVESTMENT	(112)	78,072	22,725	(100,797)	(112)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) INVESTMENT	$ 171,633	$ 184,183	$ 78,272	$ (147,881)	$ 286,207

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidated
			(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash (used in) provided by operating activities					