COOPER TIRE & RUBBER CO

FORM 10-K
(Annual Report)

Filed 3/11/2005 For Period Ending 12/31/2004

Address	LIMA & WESTERN AVENUES
	FINDLAY, Ohio 45840
Telephone	419-423-1321
CIK	0000024491
Industry	Tires
Sector	Consumer Cyclical
Fiscal Year	12/31

Table of Contents

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

FORM 10-K

For Annual and Transition Reports Pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934

(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, 2004**
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 **001-04329**

COOPER TIRE & RUBBER COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE (State of incorporation)	34-4297750 (I.R.S. employer identification no.)
701 Lima Avenue, Findlay, Ohio (Address of principal executive offices)	45840 (Zip Code)

Registrant's telephone number, including area code: (419) 423-1321

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

(Title of each class)	(Name of each exchange on which registered)
Common Stock, $1 par value per share	New York Stock Exchange
Rights to Purchase Series A Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes ☑ No ☐

The aggregate market value of the voting common stock held by non-affiliates of the registrant at June 30, 2004 was $1,676,412,180.

The number of shares outstanding of the registrant's common stock as of February 28, 2005 was 70,170,779.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are incorporated by reference into the following Parts of this Form 10-K:

The registrant's definitive proxy statement dated March 22, 2005 for its 2005 Annual Meeting of Stockholders

Part III, Items 10 – 14

TABLE OF CONTENTS
COOPER TIRE & RUBBER COMPANY – FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

PART I

Item 1. BUSINESS

Cooper Tire & Rubber Company ("Cooper" or the "Company") is a leading manufacturer of replacement tires. It is the fourth largest tire manufacturer in North America and, according to a recognized trade source, is the eighth largest tire company in the world based on sales. Cooper focuses on the manufacture and sale of passenger and light truck replacement tires. It also manufactures radial medium truck tires and materials and equipment for the truck tire retread industry.

The Company is organized into two separate, reportable, business segments: North American Tire Operations and International Tire Operations. Each segment is managed separately because they operate in different geographic locations. Additional information on the

Company's segments, including their financial results, total assets, products, markets and presence in particular geographic areas, appears in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Business Segments" note to the consolidated financial statements.

In 2004, as a result of the anticipated sale of its automotive operations and the announced exiting of the inner tube business, Cooper designated certain plants and facilities as Discontinued Operations. These include the assets and facilities of Cooper-Standard Automotive, which was sold on December 23, 2004, and the Company's inner tube operations in Clarksdale, Mississippi which are being held for sale.

Cooper was incorporated in the State of Delaware in 1930 as the successor to a business originally founded in 1914. Based in Findlay, Ohio, Cooper currently operates 9 manufacturing facilities and 17 distribution centers in 5 countries. As of December 31, 2004, the Company employed 8,739 persons worldwide.

Business Segments

North American Tire Operations

The North American Tire Operations segment produces passenger car and light truck tires, primarily for sale in the United States replacement market, and materials and equipment for the tread rubber industry. Major distribution channels and customers include independent tire dealers, wholesale distributors, regional and national retail tire chains, and large retail chains that sell tires as well as other automotive products. The segment does not sell its products directly to end users and does not manufacture tires for sale to the automobile original equipment manufacturers (“OEMs”).

In addition to the passenger car and light truck tires, the segment currently produces radial medium truck tires in its Albany, Georgia facility. The segment has announced plans to transfer its radial medium truck tire production to China through contract manufacturing arrangements that will make domestic production capacity available for the production of larger light truck tires and other higher-margin products.

The segment operates in a highly competitive industry, which includes Bridgestone Corporation, Goodyear Tire & Rubber Company and Groupe Michelin. These competitors are substantially larger than the Company and serve the OEM as well as the replacement portion of the tire market. The segment also faces competition from low-cost producers in Asia and South America. Some of those producers are foreign subsidiaries of the segment’s competitors in North America. The segment had a market share in 2004 of approximately 17 percent of all light vehicle replacement tire sales in the United States. A small percentage of the products manufactured by the segment in the United States are exported throughout the world.

In the tread rubber industry, which supplies retread equipment and materials to the commercial truck tire industry, there are numerous suppliers, of which Bandag, Inc. and Goodyear Tire & Rubber Company have a combined market share that is believed to exceed 70 percent. The remaining significant competitors include the retread business of the segment and the retread business of one other major tire manufacturer.

Success in competing for the sale of replacement tires is dependent upon many factors, the most important of which are price, quality, availability through appropriate distribution channels and relationships with dealers. Other factors of importance are warranty, credit terms and other value-added programs. The segment has built close working relationships through the years with its independent dealers and believes those relationships have enabled it to obtain a competitive advantage in the replacement market. As a steadily increasing percentage of replacement tires are sold by large regional and national tire retailers, the segment has increased its penetration of those distribution channels, while maintaining a focus on its traditionally strong network of independent dealers. In addition, as an increasing percentage of replacement tires sold are in the high performance and ultra-high performance categories, the segment has worked aggressively to increase its production capacity of this type of premium tire so as to be able to keep up with increasing customer demand. Part of this capacity expansion is comprised of the outsourcing of opening price point and economy type tires to contract manufacturers in Asia. This outsourcing frees up essential production capacity within the segment’s North American facilities to build additional high performance and ultra-high performance premium products. The segment currently has manufacturing supply agreements with two Asian manufacturers to provide entry level passenger tires from China for distribution in the United States. In total, the segment sourced approximately 300,000 tires from China in 2004.

Both the replacement tire and retread products businesses of the segment have broad customer bases. No customer of the North American Tire segment accounted for ten percent or more of the consolidated net sales of the Company in 2004. Overall, a balanced mix of customers and the offering of both proprietary brand and private label tires help to protect the segment from the adverse effects that could result from the loss of a major customer. Customers place orders on a month to month basis and the segment adjusts production and inventory to meet those orders which results in varying backlogs of orders at different times of the year.

International Tire Operations Segment

The International Tire Operations segment produces passenger car, light truck, racing and motorcycle tires and markets these products primarily to dealers in the replacement markets in the United Kingdom, continental Europe and Scandinavia. The segment does not sell its products directly to end users and does not manufacture tires for sale to OEMs, other than several small contracts with specialty vehicle manufacturers in the United Kingdom.

The segment currently has manufacturing facilities in the United Kingdom under the Cooper-Avon subsidiary and is pursuing opportunities for future expansion in Asia through joint ventures and other forms of alliance, as well as through existing contract manufacturing arrangements. In 2004, the segment established an administrative and sales office in China through which it will manage and develop the Company’s increasing relationships in Asia.

The segment recently announced the formation of a joint venture with an Asian partner to build a manufacturing plant in China. Production in this facility is scheduled to commence in 2006. In addition, the segment currently has a manufacturing supply agreement with an Asian manufacturer to provide entry level passenger tires from China for distribution in the European market. In total, the segment sourced approximately 700,000 tires from China in 2004.

As in North America, the segment operates in a highly competitive industry, which includes Bridgestone Corporation, Goodyear Tire & Rubber Company and Groupe Michelin. These competitors are substantially larger than the Company and serve the OEM as well as the replacement portion of the tire market.

Discontinued Operations

The discontinued operations as reported in this Form 10-K include the operations of Cooper-Standard Automotive (formerly the Automotive segment) which was sold on December 23, 2004 and the operations of the Company's inner tube business in Clarksdale, Mississippi (formerly part of the North American Tire segment) which was exited in the fourth quarter of 2004.

During the year, Cooper-Standard Automotive produced components, systems, subsystems and modules for incorporation into the passenger vehicles and light trucks manufactured by the global automotive OEMs. Replacement parts for current production vehicles are also produced. The main products include automotive body sealing systems and products, noise, vibration and harshness ("NVH") control products and fluid systems products as well as a small amount of extruded plastic body side moldings.

Nearly all of Cooper-Standard's products were sold as original equipment directly to the OEMs for installation on new vehicles or, in a lesser number of cases, to Tier 1 suppliers who do the same. Accordingly, sales of such products were directly affected by the annual vehicle production of OEMs, and in particular, the production levels of the vehicles for which specific parts were being provided. In most cases, the Cooper-Standard's products were designed and engineered for a specific vehicle platform and could be used on other vehicles.

The company elected to sell Cooper-Standard Automotive in order to more fully focus management attention and company resources on the primary business of replacement tires. The sale was completed on December 23, 2004 for $1.221 billion.

The Company's inner tube operations have faced increasing competition from foreign manufacturers over the past several years. The resulting price erosion has made it extremely difficult to continue the operation profitably and so the decision was made in the third quarter of 2004 to exit this business. The Clarksdale, Mississippi facility is currently being held for sale.

Raw Materials

The principal raw materials for the Tire segment include synthetic rubber, carbon black, natural rubber, chemicals and reinforcement components. The Company acquires its raw materials from multiple sources both within and outside the United States to provide greater assurance of continuing supplies for its manufacturing operations. Because of the similarity of raw materials used in the processes of both the North American Tire and International Tire segments, the Company's purchasing efforts for the two segments are substantially centralized, which has resulted in efficiencies and reduced administrative costs.

Reliable supply of raw materials was a significant concern to the Company during 2004, and contributed to the volatility of the Company's costs for certain commodities. Supply was adversely affected by production curtailments resulting from scheduled and unplanned maintenance at supplier facilities, rationalization of supplier capacity through facility and processing line closures, and strong global demand primarily in Asia. Synthetic rubber and steel reinforcement materials were most significantly affected. The availability of the types of steel rod used to produce tire reinforcement components improved during the year as U.S. production came on stream in late 2004. The Company was successful in its efforts to manage supply and, as a result, did not experience shortages of the raw materials needed to meet its production requirements.

The Company has a purchasing office in Singapore to acquire natural rubber and various raw materials directly from producers in the Far East. This purchasing operation enables the Company to work directly with producers to maintain the consistency of quality and to reduce the costs of materials, delivery and transactions.

The Company is an equity investor in RubberNetwork.com LLC, which was established by a group of manufacturers in the tire and rubber industry to achieve cost savings in the procurement of raw materials and indirect materials and supplies through the application of e-business technology. The Company realized savings of $4.5 million in purchasing certain raw materials and supplies through the use of this procurement method during 2004.

The Company's contractual relationships with its raw material suppliers are generally based on purchase order arrangements. For natural rubber and natural gas, procurement is managed using long-term agreements, buying forward of production requirements and utilizing the spot market when advantageous. For steel-based tire reinforcement materials, procurement is managed through long-term supply contracts. For other principal materials, procurement arrangements include multi-year supply agreements that may contain formula-based pricing based on commodity indices. These arrangements only cover quantities needed to satisfy normal manufacturing demands.

Working Capital

The Company sold its automotive operations, known as Cooper-Standard Automotive, in a transaction which closed on December 23, 2004. The sale generated proceeds of approximately $1.2 billion which will be used for debt reduction, the repurchase of shares, investment in tire operations, or a combination thereof. At December 31, 2004 the Company held cash of $882 million and short-term investments of $46 million.

The Company maintains a strong working capital position. Inventories turn regularly and accounts receivable and accounts payable are well managed. The Company engages in a rigorous credit analysis of its independent tire dealers and monitors their financial positions. The North American Tire segment offers incentives to certain of its customers to encourage the payment of account balances prior to their scheduled due dates.

Research, Development and Product Improvement

The Company directs its research activities toward product development, improvements in quality, and operating efficiency. The Company continues to actively develop new light vehicle tires, primarily in the specialty light truck, sport truck and high performance categories. The Company conducts extensive testing of current tire lines, as well as new concepts in tire design, construction and materials. During 2004, approximately 81 million miles of tests were performed on indoor test wheels and in monitored road tests. The Company has a tire and vehicle test track in Texas that assists the Company's testing effects. Uniformity equipment is used to physically monitor its tires for high standards of ride quality. The Company continues to design and develop specialized equipment to fit the precise needs of its manufacturing and quality control requirements.

Research and development expenditures for the last three years are shown below:

Year	Expenditures
2002	$14.7 million
2003	$17.5 million
2004	$18.6 million

Patents, Intellectual Property and Trademarks

The Company owns and/or has licenses to use patents and intellectual property, covering various aspects in the design and manufacture of its products and processes, and equipment for the manufacture of its products which will continue to be amortized over the next five to 12 years. While the Company believes these assets as a group are of material importance, it does not consider any one asset or group of these assets to be of such importance that the loss or expiration thereof would materially affect its business.

The Company owns and uses tradenames and trademarks worldwide. While the Company believes such tradenames and trademarks as a group are of material importance, the trademarks the Company considers most significant to its business are those using the words "Cooper," "Mastercraft" and "Avon." The Company believes all of these significant trademarks are valid and will have unlimited duration as long as they are adequately protected and appropriately used. Certain other tradenames and trademarks are being amortized over the next 11 to 24 years.

Seasonal Trends

There is a year-round demand for passenger and truck replacement tires, but passenger replacement tire sales are generally strongest during the third and fourth quarters of the year. Winter tires are sold principally during the months of August through November.

Environmental Matters

The Company recognizes the importance of compliance in environmental matters and has an organizational structure to supervise environmental activities, planning and programs. The Company also participates in activities concerning general industry environmental matters.

The Company's manufacturing facilities, like those of the industry generally, are subject to numerous laws and regulations designed to protect the environment. In general, the Company has not experienced difficulty in complying with these requirements and believes they have not had a material adverse effect on its financial condition or the results of its operations. The Company expects additional requirements with respect to environmental matters will be imposed in the future. The Company's 2004 expense and capital expenditures for environmental matters at its facilities were not material, nor is it expected that expenditures in 2005 for such uses will be material.

Foreign Operations

The Company has a manufacturing facility located in the United Kingdom and four distribution centers and five sales offices in Europe. The Company has an administrative and sales office in China and a purchasing office in Singapore.

The Company believes the risks of conducting business in less developed markets, including China and other Asian countries, are somewhat greater than in the United States, Canadian and Western European markets. This is due to the potential for currency volatility, high interest and inflation rates, and the general political and economic stability that are associated with emerging markets.

The Company's 2004 net sales attributable to its foreign subsidiaries, and shipments of exports from the United States, approximated $400 million, or approximately 19 percent of consolidated net sales. Additional information on the Company's foreign operations can be found in the "Business Segments" note to the consolidated financial statements.

Available Information

The Company makes available free of charge on or through its Internet website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the U.S. Securities and Exchange Commission ("SEC"). The Company's Internet address is http://www.coopertire.com. The Company had adopted corporate governance guidelines, a code of business conduct and ethics and charters for each of its Audit Committee, Compensation Committee and Nominating and Governance Committee each of which are available on the Company's Internet website and will be available to any stockholder who requests them from the Company's Director of Investor Relations. The information contained on the Company's website is not incorporated by reference in this annual report on Form 10-K and should not be considered a part of this report.

Item 2. PROPERTIES

As shown in the following table, at December 31, 2004 the Company maintained 40 manufacturing, distribution, and office facilities worldwide. The Company owns a majority of the manufacturing facilities while some manufacturing, distribution and office facilities are leased.

Type of Facility	North America	Europe	Asia	Total
Manufacturing	8	1	—	9
Distribution	13	4	—	17
Technical Centers and Offices	7	5	2	14
Total	28	10	2	40

The Company believes its properties have been adequately maintained, generally are in good condition, and are suitable and adequate to meet the demands of each segment's business.

Item 3. LEGAL PROCEEDINGS

The Company is a defendant in various judicial proceedings arising in the ordinary course of business. A significant portion of these proceedings are products liability cases in which individuals involved in vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. Litigation of this type has increased significantly throughout the tire industry following the Firestone tire recall announced in 2000. In the future, products liability costs could have a materially greater impact on the consolidated results of operations and financial position of the Company than in the past. After reviewing all of these proceedings, and taking into account all relevant factors concerning them, the Company does not believe that any liabilities resulting from these proceedings are reasonably likely to have a material adverse effect on its liquidity, financial condition or results of operations in excess of amounts recorded at December 31, 2004.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2004.

Executive Officers of the Registrant

See Item 10 of Part III for information regarding the executive officers of the registrant.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market information

Cooper Tire & Rubber Company common stock is traded on the New York Stock Exchange under the symbol CTB. The following table sets forth, for the periods indicated, the high and low sales prices of the common stock as reported in the consolidated reporting system for the New York Stock Exchange Composite Transactions:

Year Ended December 31, 2003	High	Low
First Quarter	$16.24	$11.84
Second Quarter	17.93	12.13
Third Quarter	18.65	15.77
Fourth Quarter	21.80	15.95

Year Ended December 31, 2004	**High**	**Low**
First Quarter	**$23.36**	**$18.23**
Second Quarter	**23.60**	**19.65**
Third Quarter	**23.89**	**19.49**
Fourth Quarter	**22.48**	**17.20**

(b) Holders

The number of record holders at December 31, 2004 was 3,523.

(c) Dividends

The Company has paid consecutive quarterly dividends on its common stock since 1973. Future dividends will depend upon the Company's earnings, financial condition, and other factors. Additional information on the Company's liquidity and capital resources can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company's credit facilities, described in the "Debt" note to the consolidated financial statements, restrict the amount of retained earnings available for the payment of cash dividends and purchases of the Company's common shares. At December 31, 2004, retained earnings of $1.4 billion were available for these purposes. Quarterly dividends per common share for the most recent two years are as follows:

	2003	**2004**
March	$0.105	**$0.105**
June	0.105	**0.105**
September	0.105	**0.105**
December	0.105	**0.105**
Total:	$0.420	**$0.420**

(d) Issuer purchases of equity securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
Cumulative number @ January 1, 2002			1,304,400	8,695,600
October 1 thru 31, 2004	150,100	$ 18.95	1,454,500	8,545,500
November 1 thru 30, 2004	2,376,700	20.42	3,831,200	6,168,800
December 1 thru 31, 2004	1,503,300	21.08	5,334,500	4,665,500
Total	4,030,100			

These shares were purchased through open market transactions as part of a share repurchase program authorized by the Company Board of Directors in May of 2000. At its February 15, 2005 meeting, the Board authorized the repurchase of up to $200 million worth of the Company's common stock through open market transactions. This authorization to repurchase common shares also cancelled the May 2000 program.

Item 6. SELECTED FINANCIAL DATA

The following Selected Financial Data of the Company reflects its continuing operations after the sale of its automotive operations, known as Cooper-Standard Automotive, in a transaction which closed on December 23, 2004. The balance sheet data for 2003 and 2004 and income statement data for 2002, 2003 and 2004 were derived from audited financial statements. The balance sheet data for 2000, 2001 and 2002 and the income statement data for 2000 and 2001 are unaudited. However, these latter amounts were prepared using information from audited financial statements.

	Net Sales	Operating Profit	Income from Continuing Operations Before Income Taxes	Income from Continuing Operations	Earnings Per Share from Continuing Operations	
					Basic	Diluted
2000	$1,767,465	$171,266 *(a)*	$ 119,997 *(a)*	$ 72,478 *(a)*	$ 0.98 *(a)*	$ 0.98 *(a)*
2001	1,673,160	49,513 *(b)*	11,762 *(b)*	7,328 *(b)*	0.10 *(b)*	0.10 *(b)*
2002	1,742,218	113,716	83,635	55,032	0.75	0.74
2003	1,850,853	65,019 *(c)*	37,205 *(c)*	27,344 *(c)*	0.37 *(c)*	0.37 *(c)*
2004	2,081,609	63,224 *(d)*	35,006 *(d)*	27,446 *(d)*	0.37 *(d)*	0.37 *(d)*

	Stockholders' Equity	Total Assets	Net Property, Plant & Equipment	Capital Expenditures	Depreciation	Long-term Debt
2000	$ 952,556	$2,896,673	$ 756,547	$ 107,598	$ 103,922	$1,030,097
2001	910,240	2,764,250	728,775	77,806	106,892	877,748
2002	941,716	2,712,209	696,208	74,935	109,347	875,378
2003	1,030,389	2,876,319	691,374	96,081	109,709	863,892
2004	1,170,533	2,668,084	729,420	159,308	109,805	773,704

	Long-term Debt To Capitalization	Dividends Per Share	Average Common Shares (000)	Number of Employees
2000	56.2%	$ 0.42	73,585	8,681
2001	55.7	0.42	72,559	8,324
2002	48.8	0.42	73,312	8,012
2003	45.6	0.42	73,688	8,325
2004	39.8	0.42	74,201	8,739

(a) Amounts have been reduced by amortization of goodwill of $1,555 ($.01 per share).
(b) Amounts have been reduced by class action costs of $72,194 ($44,977 after tax, $.62 per share) and amortization of goodwill of $1,607 ($.01 per share).
(c) Amounts have been increased by the reversal of class action costs of $3,900 ($2,523 after tax, $.03 per share).
(d) Amounts have been increased by the reversal of class action costs of $11,273 ($8,838 after tax, $.12 per share).

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business of the Company

The Company produces and markets passenger, light truck, medium truck and motorcycle tires which are sold nationally and internationally in the replacement tire market to independent tire dealers, wholesale distributors, regional and national retail tire chains, and large retail chains that sell tires as well as other automotive and racing products, and supplies retread equipment and materials to the commercial truck tire industry.

The Company sold its automotive operations, known as Cooper-Standard Automotive, in a transaction which closed on December 23, 2004. Cooper-Standard produces body sealing systems, active and passive vibration control systems, and fluid handling systems, primarily for the global automotive original equipment manufacturing and replacement markets. The sale generated proceeds of approximately $1.2 billion and a gain of $112 million. The sale provides the Company significant opportunities to focus exclusively on its global tire business where it believes more value can be generated over the longer term.

In January 2005, the Company announced an agreement had been reached with Kumho Tire Co., Inc. ("Kumho") of Seoul, Korea to acquire approximately 11 percent of its common equity. The acquisition of the shares was completed on February 16, 2005 in connection with the initial public offering of common stock by Kumho listed on the Korean Stock Exchange and London Stock Exchange. The acquired shares are subject to a lock-up agreement for a three year period, to a put option by the Company after three years, and to a reciprocal call provision by Kumho. The Company and Kumho have also agreed to a standstill agreement relative to the shares of Kumho as well as to the shares of the Company. The Company believes it is important to form strategic relationships with other strong players in the global tire industry to realize a good return for shareholders and continue its planned growth in products, technology and market share. This investment will serve as a platform to explore synergies in various areas of shared interest.

The Company has evaluated the determination of its reporting segments as a result of changes in its organizational reporting structure and the classification of Cooper-Standard as discontinued operations. The Company has determined it has two reportable segments for continuing operations - North American Tire and International Tire. The Company's reportable segments are each managed separately because they operate in different geographic locations.

This Management's Discussion and Analysis of Financial Condition and Results of Operations presents information related to the consolidated results of the continuing operations of the Company, including the impact of restructuring costs on the Company's results, a discussion of past results and future outlook of each of the Company's segments, and information concerning both the liquidity and capital resources and critical accounting policies of the Company. A discussion of the past results of its discontinued operations and information related to the gain recognized on the sale of Cooper-Standard are also included. An important qualification regarding the "forward-looking statements" made in this discussion is then presented.

Consolidated Results of Continuing Operations

(Dollar amounts in millions except per share amounts)	2002	% Change	2003	% Change	2004
Revenues:					
North American Tire	$1,604.5	4.9%	$1,682.6	11.4%	$1,874.9
International Tire	170.5	22.9	209.6	22.7	257.2
Eliminations	(32.8)	26.2	(41.4)	22.0	(50.5)
Net sales	$1,742.2	6.2%	$1,850.8	12.5%	$2,081.6
Segment profit:					
North American Tire	$ 122.4	-37.3%	$ 76.8	-1.2%	$ 75.9
International Tire	11.4	-9.6	10.3	-8.7	9.4
Unallocated corporate charges and eliminations	(20.1)	10.0	(22.1)	—	(22.1)
Operating profit	113.7	-42.8	65.0	-2.8	63.2
Interest expense	31.6	-7.9	29.1	-5.2	27.6
Other income — net	(1.5)	-13.3	(1.3)	-146.2	0.6
Income before income taxes	83.6	-55.5	37.2	-5.9	35.0
Provision for income taxes	28.6	-65.4	9.9	-23.2	7.6
Net income from continuing operations	$ 55.0	-50.4%	$ 27.3	0.4%	$ 27.4
Basic earnings per share	$ 0.75	-50.7%	$ 0.37	—	$ 0.37
Diluted earnings per share	$ 0.74	-50.0%	$ 0.37	—	$ 0.37

2004 versus 2003

Consolidated net sales increased by $231 million in 2004. The increase was a result of improved pricing, net of volume-related sales offsets, and mix ($175 million), volume ($28 million) and favorable foreign currency translation ($28 million). Operating profit in 2004 was $2 million less than the operating profit reported in 2003. The favorable impacts of improved volume and pricing and mix ($144 million) were offset by increased raw material costs ($90 million), sales offsets ($20 million), increased product liability costs ($19 million), less efficient plant operations ($12 million), increased advertising costs ($12 million), increased restructuring costs ($7 million) and other items.

Selling, general, and administrative expenses were $172 million (8.3 percent of net sales) in 2004 compared to $146 million (7.9 percent of net sales) in 2003. The increased costs associated with an expanded advertising program, increases in salaries and fringe benefits associated with employee programs that provide for compensation based on the profitability of total Company financial results, and increased costs associated with professional services were the major factors causing this increase.

During 2004 the North American Tire segment conducted a review of the enhanced product warranty reserve established in connection with the 2001 settlement of class action litigation. This review resulted in an $11.3 million decrease to the segment's reserve. In 2003, the segment conducted a similar review and reduced the reserve $3.9 million.

The Company is a defendant in various judicial proceedings arising in the ordinary course of business. A significant portion of these proceedings are products liability cases in which individuals involved in vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. Litigation of this type has increased significantly throughout the tire industry following the Firestone tire recall announced in 2000.

Effective April 1, 2003, the Company established a new excess liability insurance program. The new program covers the Company's products liability claims occurring on or after April 1, 2003 and is occurrence-based insurance coverage which includes an increased per claim retention limit, increased policy limits, and the establishment of a captive insurance company. Premium costs for insurance coverage in excess of the self-insured amounts for the first policy year were $10.3 million higher than under the previous program, the per claim retention limit increased $13.3 million and the aggregate retention limit was eliminated, while excess liability coverage increased by $35 million. The program was renewed effective April 1, 2004 with a premium cost increase of less than one percent.

The products liability expense reported by the Company includes amortization of insurance premium costs, adjustments to settlement reserves, and legal costs incurred in defending claims against the Company offset by recoveries of legal fees. The Company is entitled to reimbursement under insurance contracts in place for periods ending prior to April 1, 2003 of legal fees expensed in prior periods based on events occurring in those periods. Products liability costs totaled $60.5 million in 2004 and $41.0 million in 2003. Recoveries of legal fees were $9.3 million in 2004 and $14.8 million in 2003. Policies applicable to claims occurring on April 1, 2003 and thereafter do not provide for recovery of legal fees. This new program was in place for the entire year in 2004 and for nine months in 2003, resulting in higher costs during 2004 compared to 2003. In the future, products liability costs could have a materially greater impact on the consolidated results of operations and financial position of the Company than in the past.

The Company experienced significant increases in the costs of certain of its principal raw materials and natural gas, the principal energy source used in its manufacturing processes, during 2004 compared with the levels experienced during 2003. The principal raw materials for the Company include synthetic rubber, carbon black, natural rubber, chemicals and reinforcement components. The increase in the cost of natural rubber was the most significant driver of higher raw material costs, increasing approximately 30 percent from 2003. The pricing volatility in commodities such as crude oil and steel contributed to the difficulty in managing the costs of related raw materials. Approximately 65 percent of the Company's raw materials are crude oil-based, a commodity which repeatedly set new price ceilings during 2004. The average cost of natural gas during 2004 increased approximately 14 percent from the average cost during 2003.

Reliable supply of raw materials was a significant concern during 2004, and contributed to the volatility of the Company's costs for certain commodities. Supply was adversely affected by production curtailments resulting from scheduled and unplanned maintenance at supplier facilities, rationalization of supplier capacity through facility and processing line closures, and strong global demand primarily in Asia. Synthetic rubber and steel reinforcement materials were most significantly affected. The availability of the types of steel rod used to produce tire reinforcement components improved during the year as new U. S. production came on stream in late 2004. The Company was successful in its efforts to manage supply and, as a result, did not experience shortages of the raw materials needed to meet its production requirements.

The Company manages the procurement of its raw materials and natural gas to guarantee supply and to obtain the most favorable pricing. For natural rubber and natural gas, procurement is managed using long-term agreements, buying forward of production requirements and utilizing the spot market when advantageous. For steel-based tire reinforcement materials, procurement is managed through long-term supply contracts. For other principal materials, procurement arrangements include multi-year supply agreements that may contain formula-based pricing based on commodity indices. These arrangements only cover quantities needed to satisfy normal manufacturing demands.

Interest expense decreased $1.5 million in 2004 reflecting the repayment of long-term debt. Other income was $1.9 million lower in 2004 as a result of the write-down of the Company's investment in Rubber Network.com.

The Company's effective income tax rate for continuing operations was 21.6 percent in 2004, lower than the 2003 rate of 26.5 percent. The net decrease is due primarily to the benefits of the Medicare prescription drug subsidy and other permanent differences.

The effects of inflation in areas other than raw materials and natural gas did not have a material effect on the results of operations of the Company in 2004.

2003 versus 2002

Consolidated net sales increased by $109 million in 2003 due to the positive impacts of improved net pricing and mix ($68 million), the Company's acquisition of Mickey Thompson ($24 million) and favorable foreign currency translation ($17 million). Operating profit in 2003 fell to $65 million as the impact of higher raw material costs ($47 million), the inefficiencies resulting from not being able to operate the plants at full capacity during the first six months of 2003 ($25 million) and increases in products liability costs ($12 million) were only partially offset by improvements in product and customer mix ($25 million).

Selling, general, and administrative expenses were $146 million (7.9 percent of net sales) in 2003 compared to $142 million (8.1 percent of net sales) in 2002.

During 2003 the Tire segment conducted a review of its reserves for tire product warranties. This review resulted in an additional $3.1 million increase to the segment's regular warranty reserve and a $3.9 million reduction of the estimated enhanced product warranty reserve established in connection with the 2001 settlement of class action litigation.

The Company is a defendant in various judicial proceedings arising in the ordinary course of business. A significant portion of these proceedings are products liability cases in which individuals involved in vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. Litigation of this type has increased significantly throughout the tire industry following the Firestone tire recall announced in 2000.

Effective April 1, 2003, the Company established a new excess liability insurance program. The new program covers the Company's products liability claims occurring on or after April 1, 2003 and is occurrence-based insurance coverage which includes an increased per claim retention limit, increased policy limits, and the establishment of a captive insurance company. Premium costs for insurance coverage in excess of the self-insured amounts for the first policy year were $10.3 million higher than under the previous program, the per claim retention limit increased $13.3 million and the aggregate retention limit was eliminated, while excess liability coverage increased by $35 million. This new program was in place for nine months in 2003, resulting in higher costs during 2003 compared to 2002.

The products liability expense reported by the Company includes amortization of insurance premium costs, adjustments to settlement reserves, and legal costs incurred in defending claims against the Company offset by recoveries of legal fees. The Company is entitled to reimbursement under insurance contracts in place for periods ending prior to April 1, 2003 of legal fees expensed in prior periods based on events occurring in those periods. Products liability costs totaled $41.0 million in 2003 and $29.0 million in 2002. Recoveries of legal fees were $14.8 million in 2003 and $8.0 million in 2002. Policies applicable to claims occurring on April 1, 2003 and thereafter do not provide for recovery of legal fees.

The Company experienced significant increases in the costs of certain of its principal raw materials and natural gas, the principal energy source used in its manufacturing processes, during 2003 compared with the levels experienced during 2002. The principal raw materials for the Tire segment include synthetic rubber, carbon black, natural rubber, chemicals and reinforcement components. The increase in the cost of natural rubber was the most significant driver of higher raw material costs, increasing approximately 60 percent from 2002. The average cost of natural gas during 2003 increased approximately 70 percent from the average cost during 2002. The Company manages the procurement of its raw materials and natural gas to guarantee supply and to obtain the most favorable pricing. For natural rubber and natural gas, procurement is managed using long-term agreements, buying forward of production requirements and buying in the spot market. For steel-based tire reinforcement materials, procurement is managed through supply contracts of one year or more. For other principal materials, procurement arrangements include multi-year supply agreements that may contain formula-based pricing based on commodity indices. These arrangements only cover quantities needed to satisfy normal manufacturing demands.

Interest expense decreased $2.5 million in 2003 reflecting the repayment of debt and lower interest rates. Other income was relatively unchanged from 2002.

The Company's effective income tax rate was 26.5 percent in 2003, lower than the 2002 rate of 34.2 percent. The rate decrease from 2002 is due to the impact of additional tax credits and the mix of earnings across foreign and domestic jurisdictions.

The effects of inflation in areas other than raw materials and natural gas did not have a material effect on the results of operations of the Company in 2003.

Restructuring

During 2002, the International Tire segment recorded $134,000 of restructuring costs related to employee terminations at its United Kingdom facility and the North American Tire segment recorded $37,000 of restructuring costs associated with the downsizing of a manufacturing facility.

During 2003, the North American Tire segment recorded $2.1 million of employee severance costs related to a management reorganization. All employees affected by this reorganization have left the Company and were paid their severance package in accordance with the terms of their separation. The segment also incurred an additional $90,000 of nonaccruable restructuring expenses associated with this initiative in 2003.

During 2004, the North American Tire segment initiated two restructuring plans. In the second quarter, the segment announced an initiative to consolidate its pre-cure retread operations in Asheboro, NC, and recorded a charge of $1.7 million to write certain related equipment down to its scrap salvage value (the fair market value) and recorded $102,000 in equipment disposal costs. In the third quarter, a plan to cease production of radial medium truck tires by the end of 2005 at the Albany, GA tire facility was announced. These tires will be sourced from Asian manufacturers in the future. No employees will be affected by this initiative. The segment recorded an impairment charge of $7.5 million for equipment associated with radial medium truck tire production to write the equipment down to its fair market value as determined by sales proceeds negotiated with a potential buyer.

Additional information related to these restructuring initiatives appears in the "Restructuring" note to the consolidated financial statements.

North American Tire Segment

(Dollar amounts in millions)	2002	Change %	2003	Change %	2004
Sales	$1,604.5	4.9%	$1,682.6	11.4%	$1,874.9
Operating profit	$ 122.4	-37.3%	$ 76.8	-1.2%	$ 75.9
Operating profit margin	7.6%	-3.1%	4.6%	-0.5%	4.0%
United States unit sales changes:					
Passenger tires					
Company		-%		-1.6%	
RMA members		1.4%		1.6%	
Light truck tires					
Company		-%		9.1%	
RMA members		-2.9%		1.6%	
Total light vehicle tires					
Company		-%		0.3%	
RMA members		0.7%		1.6%	
Total segment unit sales changes		2.0%		0.2%	

Overview

Sales of passenger car and light truck tire replacement units in the United States market by members of the Rubber Manufacturers Association ("RMA"), a group comprised of the largest eleven tire companies in the world including the segment, and which accounted for approximately 90 percent of the total United States tire market in both 2003 and 2004, increased 1.6 percent in 2004 from levels in 2003. In 2003, RMA member replacement unit sales increased by .7 percent from 2002 sales levels. Sales of replacement tire units in the United States by non-RMA members, which consist primarily of smaller manufacturers located outside the United States, increased by 11 percent in 2004 following an increase of approximately 17 percent during 2003.

The market was strong during the first six months of 2004, increasing six percent from the volumes of the first six months of 2003. It weakened, however, during the last six months of 2004 to a level slightly below the strong level of the comparable 2003 period.

2004 versus 2003

Sales of the North American Tire segment increased $192 million in 2004 from levels in 2003. Improved net pricing and product mix ($159 million), increased volume ($12 million), and the full year impact of the segment's March 2003 acquisition of Mickey Thompson Performance Tires & Wheels ($6 million) accounted for the sales increase. Increased demand resulting from a stronger market environment and new product offerings of high performance, sport utility vehicle and light truck tires contributed to the increased unit tire sales. The segment recorded increases in the sales of its proprietary, brand name tires and increased sales in the distributor and regional retail business. Declines in sales to the segment's mass merchandiser customers were primarily in the economy and broadline passenger tire lines.

In the United States, the segment's unit sales of passenger and light truck tires increased slightly from the 2003 levels. During the first six months of 2004, the segment's passenger and light truck tire sales increased 6.5 percent and 24.2 percent, respectively, compared to increases of 5.5 percent and 9.1 percent for RMA members. Passenger tires accounted for nearly 80 percent of the combined passenger and light and medium truck replacement tire market in 2004. The segment's increased sales of its high performance and sport utility vehicle tires were factors contributing to this performance. New light truck products introduced since 2003 helped the segment to outperform the RMA increase in that product category. For the year, the segment's sales of passenger tires decreased 1.6 percent and light truck tire sales increased 9.7 percent. The RMA increases in these categories each approximated two percent for the year. Limitations in product availability resulting from capacity constraints during the last six months of 2004 limited the segment's ability to satisfy customer requirements. The decreases in passenger tire sales occurred primarily in the broadline and economy products distributed through the segment's mass merchandiser customers. The incremental expansions initiated at the segment's United States tire facilities during the year are increasing capacity to support higher production levels of high performance tires in the future.

Segment operating profit in 2004 decreased less than $1 million from 2003. Operating margins in 2004 were .6 percentage points below 2003 levels. The impacts of higher raw material costs ($86 million), increasing production complexity, increases in products liability costs ($20 million), increased costs associated with an expanded advertising program ($12 million) and marketing and promotional programs were partially offset by higher volume and improved pricing and product mix.

2003 versus 2002

Sales of the North American Tire segment increased $78 million in 2003 from levels in 2002. Tire unit sales for 2003 were up two percent from 2002. Better economic conditions and new product offerings of high performance, sport utility vehicle and light truck tires contributed to the increased unit tire sales. The segment recorded increased sales of its proprietary, brand name tires and increased sales in the regional retail business. Sales from the segment's acquisition of Mickey Thompson Performance Tires & Wheels, completed in March 2003, increased sales for the year by approximately $24 million.

In the United States, the segment's unit sales of passenger and light truck tires were unchanged from 2002 levels. During the last six months of 2003, the segment's passenger tire sales increased more than seven percent compared to an increase of slightly more than five percent for RMA members. Passenger tires accounted for approximately 80 percent of the combined passenger and light and medium truck replacement tire market in 2003. The segment's increased sales of its high performance and sport utility vehicle tires were factors contributing to this performance. The segments' sales of its light truck tires increased more than nine percent during the last six months of 2003 compared to the comparable period in 2002. The RMA increase in this category was slightly more than two percent. New light truck products introduced earlier in the year helped the segment outperform the RMA increase in that product category.

Segment operating profit in 2003 decreased $46 million from the level achieved in 2002. Operating margins in 2003 were three percentage points below 2002 levels. Higher raw material costs of approximately $46 million, increases in products liability costs of $12 million, and the inefficiencies resulting from not being able to operate the plants at full capacity during the first six months of 2003 were partially offset by improvements in product and customer mix, and resulted in the lower operating profit.

Outlook

The segment is optimistic regarding its plans for 2005. New business launched during the first half of 2004 will be in effect for the entire year and additional new business is scheduled to launch beginning in the second quarter of 2005. Continued market share gains by several of its private brand customers, improved product availability, and increased volumes of high performance products are expected to contribute to 2005 sales. The segment continues to develop new products in its specialty light truck, sport truck, and high performance product offerings to satisfy current market demand. These new products are expected to improve the profitability of the segment by improving the mix of its products.

Outsourcing of radial medium truck and certain passenger tire products to Asian manufacturers and production expansions at the segment's domestic tire manufacturing facilities should provide adequate supply to meet customer demands by the third quarter. Investments in new and more efficient production equipment are currently underway to increase productivity and capacity and are expected to be fully implemented during 2005. These expansions will help to offset increased complexity in the segment's production facilities in future periods and provide additional annual production capacity of more than three million tires to meet the steadily increasing demand for the segment's tires.

The segment is transferring its radial medium truck tire production to China through contract manufacturing arrangements which will make domestic production capacity available for the production of larger light truck tires and other higher-margin products. In total, the segment sourced approximately 300,000 economy passenger and medium truck tires from China in 2004 and expects to source nearly two million tires in 2005 through various manufacturing initiatives. These initiatives are important to the segment's ability to profitably provide tire products to its customers in North America.

Raw material costs for natural rubber, synthetic rubber, chemicals, carbon black, and steel reinforcements remain at unprecedented high levels near term due to ongoing tight supply, production disruptions at supplier production facilities, and continued historically high prices for crude oil, steel wire rod and natural rubber. The segment believes raw material costs will significantly increase on average in the first quarter of 2005 compared to the first quarter of 2004. In January, the segment announced a price increase to be effective in March 2005. The Company is anticipating the supply concerns will begin to ease by the end of the second quarter and may contribute to the moderation of raw material costs. Natural gas cost also continues to remain at historical high levels. Supply and price of natural gas are managed through the use of long-term agreements and forward positions.

The Company is a defendant in various judicial proceedings arising in the ordinary course of business. A significant portion of these proceedings are products liability cases in which individuals involved in vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. Litigation of this type has increased significantly throughout the tire industry following the Firestone tire recall announced in 2000. Effective April 1, 2003, the Company established a new excess liability insurance

program. The new program covers the Company's products liability claims occurring on or after April 1, 2003 and is occurrence-based insurance coverage which includes an increased per claim retention limit, increased policy limits, and the establishment of a captive insurance company. Premium costs for insurance coverage in excess of the self-insured amounts for the current policy year are $10.4 million higher than under the previous program, the per claim retention limit increased $13.3 million and the aggregate retention limit was eliminated, while excess liability coverage increased by $35 million. It is possible the cost of this litigation and the number of claims brought against the Company will remain at the current levels during 2005. In the future, products liability costs could have a materially greater impact on the consolidated results of operations and financial position of the Company than in the past.

The Transportation Recall Enhancement Accountability and Documentation Act ("TREAD Act") which became law on November 1, 2000 will directly impact the tire industry. The TREAD Act and any rules promulgated under the TREAD Act are applicable to all tire manufacturers and importers of tires who sell tires in the United States, regardless of where such tires are manufactured. Pursuant to the statute, the National Highway Transportation Safety Administration ("NHTSA"), the federal agency that oversees certain aspects of the tire industry, has proposed rules relating to test standards, tire labeling, tire pressure monitoring, early warning reporting, tire recalls and record retention. Rules for certain of these issues have been finalized; however, petitions for reconsideration of certain of the finalized rules have been filed by the RMA on behalf of its member tire manufacturers with NHTSA and the outcome of those petitions cannot be predicted with any certainty. The segment incurred approximately $3.4 million of costs during 2004 to comply with changes mandated by the technical design rules of the TREAD Act and anticipates incurring approximately $500,000 of costs during 2005 and approximately $3 million during both 2006 and 2007 to comply with the rules phasing in during 2005.

The segment believes its operating profit levels will continue to improve beyond the first quarter of 2005 not only due to higher sales volumes and the implementation of announced price increases, but also due to the favorable impact of improved product mix. Aggressive growth plans for specific house brand and key private brand customers, growth in high performance product lines, and increasing demand for sport utility vehicle and light truck tire lines are expected to yield higher margins and contribute favorably to the segment's operating profit. Additionally, the segment continues to implement Lean manufacturing and other cost reduction initiatives, including improved manufacturing efficiencies, to help offset increased raw material and products liability costs.

International Tire Segment

(Dollar amounts in millions)	2002	Change %	2003	Change %	2004
Sales	$ 170.5	22.9%	$ 209.6	22.7%	$ 257.2
Operating profit	$ 11.4	-9.6%	$ 10.3	-8.7%	$ 9.4
Operating profit margin	6.7%	-1.8%	4.9%	-1.2%	3.7%
Unit sales change		12.8%		5.8%	

Overview

The International Tire segment manufactures and markets passenger car, light truck and motorcycle tires for the replacement market, as well as racing tires and materials for the tire retread industry, in Europe and the United Kingdom. The segment continues to pursue opportunities for expansion in Asia through joint ventures and other forms of alliance.

Shipments of passenger car and light truck tires in the segment's European markets, based on data published by the industry and other sources, increased approximately three percent in 2004 from 2003. During 2003, industry shipments increased approximately five percent from 2002.

2004 versus 2003

Sales of the International Tire segment increased almost $48 million, or 23 percent, in 2004 from the sales levels in 2003. The segment's unit sales increased 5.8 percent in 2004 from levels in 2003. Approximately $28 million of the increase was attributable to the foreign currency impact of a weakened United States dollar in relation to the British pound. The remaining sales growth resulted from increased sales volumes in established distribution channels, sales growth of new product offerings in the performance line of tires and improved pricing.

Operating profit for the segment in 2004 was approximately $1 million lower than in 2003 as the contributions of increased volume ($7 million) and improved pricing were offset by higher raw material costs ($3 million), expenses related to the startup of the segment's Asian operations ($1.5 million), and increases in utility and other plant costs.

2003 versus 2002

Sales of the segment's international operations increased $39 million, or 23 percent, in 2003 from 2002. The segment's unit sales increased 12.3 percent in 2003 from levels in 2002. Approximately $17 million of the increase in 2003 was attributable to the foreign exchange impact of a weakened United States dollar in relation to the British pound. The remaining sales growth resulted primarily from strong winter and sport utility vehicle tire sales in Europe, the addition of new accounts in 2003 and increased volumes in established distribution channels.

Operating profit for 2003 was almost $1 million below 2002 levels as less favorable pricing and mix, increased raw material costs and increased costs of plant operations were not entirely offset by the increased sales volumes.

Outlook

The segment's Asian strategy calls for alignment with strategic partners it believes will provide access to the local market and position the segment to take advantage of the significant growth anticipated within the region over the next five to ten years. The International Tire segment has formed a joint venture with Kenda Rubber Industrial Co., Ltd. of Taiwan ("Kenda") to build a tire manufacturing facility in China. The joint venture is waiting for final approvals of this project and expects to commence construction of the facility in the very near future. All tires produced at the facility during the first five years after startup will be exported by the segment to its customers in North America and the rest of the world. The segment also has a manufacturing supply agreement with Kenda to provide opening-price point passenger tires from China for distribution in the European market.

The segment continues to evaluate several other opportunities for small acquisitions or several strategic alliances which, when combined with its Kenda relationships, the Company's investment in Kumho and the North American tire segment's off-take agreement with Hangzhou Zhongce Rubber Co., Ltd. of China ("Hangzhou Zhongce") for the manufacture of passenger and radial medium truck tires, will be sufficient to provide an adequate competitive position, immediate market recognition, and a platform on which to build as the market develops.

Discontinued Operations

On December 23, 2004 the Company sold its automotive business, Cooper-Standard Automotive. In September 2004, the North American Tire segment announced its intent to cease its inner tube business and is currently in discussions with potential buyers for this business. These operations are considered to be discontinued operations as defined under Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and require specific accounting and reporting which differs from the approach used to report the Company's results in prior years. It also requires restatement of comparable prior periods to conform to the required presentation.

Automotive Operations

(Dollar amounts in millions)	2002	Change %	2003	Change %	2004
Sales	$1,586.0	4.8%	$1,662.2	11.4%	$1,852.0
Operating profit	$ 131.7	-15.9%	$ 110.8	24.4%	$ 137.8
Operating profit margin	7.4%	-0.7%	6.7%	0.8%	7.4%
Vehicle build (millions)					
North America	16.4	-3.7%	15.8	-0.6%	15.7
Europe	19.2	1.6%	19.5	3.1%	20.1
Sales to U.S.-based OEMs	79%		77%		78%

Overview

The Company sold its automotive operations, Cooper-Standard Automotive, in a transaction which closed on December 23, 2004. Cooper-Standard produces body sealing systems, active and passive vibration control systems, and fluid handling systems, primarily for the global automotive original equipment manufacturing and replacement markets. The sale generated proceeds of approximately $1.2 billion and a gain of $112 million. The sale provides the Company significant opportunities to focus exclusively on its global tire business where it believes more value can be generated over the longer term.

Light vehicle production in North America decreased slightly in 2004 when compared to 2003 levels, and was more than four percent lower than the production levels attained in 2002. Production in Europe increased three percent over the 2003 level and exceeded the level achieved in 2002 by more than four percent.

The business environment for the automotive industry continues to be challenging at the present time. Pricing pressure on the U.S.-based OEMs, as evidenced by continued high levels of discounting at the retail level, increased health care, pension and other retirement-related costs, and the impact of global overcapacity have reduced the overall profitability of the industry, and have resulted in continued pressure on suppliers for price concessions.

2004 versus 2003

Sales for the Automotive segment in 2004 increased $190 million from the 2003 level. Sales increases in North America of $111 million were the result of net new business and the impact of favorable foreign currency translation offset by lower production levels and price concessions. In the segment's international operations, a sales increase of $79 million was attributable to the favorable impact of foreign currency translation, the impacts of increased production and new business, and the inclusion of the sales of Cooper-Standard Automotive Korea, Inc. for the full year in 2004 compared to the last seven months of 2003.

Approximately 70 percent of sales in 2004 were in North America and 30 percent were outside of North America in Europe, Brazil, Korea, Australia and India, collectively. Comparable percentages in 2003 were approximately 71 percent in North America and 29 percent outside of North America. The automotive operations do business with all of the world's major automakers. Nearly all of its foreign sales were of body sealing components and fluid handling systems. Approximately 36 percent of the total sales of body sealing components and 35 percent of the total sales of fluid handling systems were derived from foreign operations in 2004 compared to approximately 38 percent of the total sales of body sealing components and 35 percent of the total sales of fluid handling systems in 2003.

Operating profit in 2004 was 27 million higher than the operating profit reported in 2003. Operating margins in 2004 were .7 percentage points higher than in 2003. The positive impacts of net new business ($64 million), foreign currency translation ($8 million) and Lean savings ($69 million) were offset by increased raw material costs ($42 million), price concessions ($40 million), restructuring expenses ($8 million), and increased manufacturing costs not related to volume.

Automotive's North American operations were less profitable in 2004 than in 2003. Net new business, Lean savings and favorable foreign currency translation did not fully offset price concessions, raw material increases, increased manufacturing costs not related to volume and lower volumes.

Automotive's business outside of North America was more profitable in 2004 than in 2003. This improvement was a result of the positive impacts of Lean savings, higher volumes and favorable foreign currency translation which exceeded price concessions.

2003 versus 2002

Sales for Automotive in 2003 increased $76 million from the 2002 level. Sales increases in North America of $5 million were the result of net new business and the impact of favorable foreign translation offset by lower production levels and price concessions. In Automotive's international operations, a sales increase of $71 million was attributable to the favorable impact of foreign currency translation and the inclusion of the sales of Cooper-Standard Automotive Korea, Inc. for the last seven months of the year following the acquisition of a majority interest. The impacts of new business and increased production volume offset lost business and price concessions.

Approximately 71 percent of Automotive's sales in 2003 were in North America and 29 percent were outside of North America in Europe, Brazil, Korea, Australia and India, collectively. Comparable percentages in 2002 were approximately 75 percent in North America and 25 percent outside of North America. Automotive does business with all of the world's major automakers. Its combined global sales in 2003 to Ford, DaimlerChrysler, and General Motors were lower than in 2002. Nearly all of its foreign sales were of body sealing components and fluid handling systems. Approximately 38 percent of the total sales of body sealing components and 35 percent of the total sales of fluid handling systems were derived from foreign operations in 2003 compared to approximately 30 percent of the total sales of each of these product lines in 2002.

Operating profit in 2003 was $21 million lower than the operating profit reported in 2002. Operating margins in 2003 were .7 percentage points lower than in 2002. The positive impacts of net new business ($18 million), foreign currency translation ($14

million) and Lean savings ($68 million) were offset by lower production volumes ($17 million), price concessions ($42 million), increased raw material costs ($11 million), restructuring expenses ($8 million), less efficient plant operations primarily resulting from the launch of a significant amount of new business and a net increase in the costs of certain employee benefits ($7 million).

Automotive's North American operations were less profitable in 2003 than in 2002. Net new business, Lean savings and favorable foreign currency translation did not fully offset lower volumes, price concessions, raw material increases and less efficient plant operations associated with the significant number of new products launched in 2003.

Automotive's business outside of North America was more profitable in 2003 than in 2002. This improvement was a result of the positive impacts of Lean savings and favorable foreign currency translation which exceeded price concessions and raw material increases.

In May 2003, the Company increased its ownership position in Jin Young Standard of South Korea from 49 percent to 90 percent and changed the name of the operations to Cooper-Standard Automotive Korea, Inc.

Inner Tube Business

On September 8, 2004 the Company announced its intent to cease its inner tube business and is currently in discussions with potential buyers for this business or its assets. The Company recorded restructuring charges of $5.1 million related to this decision, which included an impairment charge $2.9 million to write the inner tube assets down to their fair market value, severance costs of $1.1 million, employee benefit costs of $826,000 and other costs of $300,000.

Sales for the Company's inner tube business for 2004 declined to $17 million compared to sales in 2003 of $22 million. Without the restructuring charge, the operating loss in 2004 was $.7 million compared to an operating profit of $1.3 million in 2003. In 2002, the inner tube business had sales of $27 million and generated an operating profit of $3 million.

Gain on Sale of Cooper-Standard Automotive

On December 23, 2004, the Company sold its automotive operations, known as Cooper-Standard Automotive, to an entity formed by The Cypress Group and Goldman Sachs Capital Partners. Proceeds from the sale were $1.221 billion, including additional proceeds of approximately $48.8 million expected during 2005 based on the buyer's reported post-closing amounts. The expected additional proceeds are recorded as accounts receivable from the sale of automotive operations on the consolidated balance sheet at December 31, 2004.

The Company recorded a gain of $112.4 million on the sale based on the preliminary sales price, including a tax benefit of $6.4 million resulting primarily from currently deductible compensation expenses and other costs associated with the sale. Differences from the buyer's reported post-closing amounts and the final payment amount, if any, will be reflected as an adjustment to the gain on the sale after the final payment amount is agreed upon. There is no tax liability on the gain due to a capital loss in the United States resulting from book and tax bases differences and a statutory exemption from tax on the capital gain in the United Kingdom.

In connection with the sale, the Company agreed to indemnify the buyer against pre-closing income tax liabilities and other items specified in the Sale Agreement. For indemnity commitments where the Company believes future payments are probable, it also believes the expected outcomes can be estimated with reasonable accuracy. Accordingly, for such amounts, a liability has been recorded with a corresponding decrease in the gain on the sale. Other indemnity provisions will be monitored for possible future payments not presently contemplated. With the passage of time, additional information may become available to the Company which would indicate the estimated indemnification amounts require revision. Changes in estimates of the amount of indemnity payments will be reflected as an adjustment to the gain on sale in the periods in which the additional information becomes known.

Outlook for the Company

The Company will continue to pursue strategic investments in the tire business and advance its Asian strategy, including the development of its relationship with Kumho. In January 2005, the Company announced an agreement had been reached with Kumho to acquire approximately 11 percent of the common equity of Kumho. The acquisition of the shares was completed on February 16, 2005 in connection with the initial public offering of common stock by Kumho listed on the Korean Stock Exchange and London Stock Exchange. The Company believes it is important to form strategic relationships with other strong players in the global tire industry to realize a good return for shareholders and continue its planned growth in products, technology and market share. This investment will serve as a platform to explore synergies in various areas of shared interest.

The Company's Asian strategy calls for alignment with strategic partners it believes will provide access to the local market and position the Company to take advantage of the significant anticipated growth within the region over the next five to ten years. The Company and Kumho may explore opportunities together in China in the future. Kumho has valuable experience and relationships in China. The Company continues to evaluate other opportunities for a small acquisition or several strategic alliances which, when

combined with Kumho and its existing relationships with Hangzhou Zhongce and Kenda, will be sufficient to provide an adequate competitive position, immediate market recognition, and a platform on which to build as the market develops. Several other opportunities and areas for consideration involving Kumho include partnering on purchasing and procurement, product sourcing, cooperation in commercial products as well as possible technology agreements.

Challenging industry conditions, higher raw material costs, and some continuing capacity constraints will be obstacles in the near term to the Company's success. For the full year 2005, significant sales growth is anticipated due to new customer agreements and a favorable industry growth forecast. Product mix will continue to grow richer as new, premium products continue to be introduced. The Company is aggressively managing its exposure to products liability litigation.

Raw material costs for natural rubber, synthetic rubber, chemicals, carbon black, and steel reinforcements are expected to remain at unprecedented high levels near term due to ongoing tight supply, production disruptions at supplier production facilities, and continued historically high prices for crude oil, steel wire rod and natural rubber. The segment believes raw material costs will significantly increase on average in the first quarter of 2005 compared to the first quarter of 2004. In January, the Company announced a price increase to be effective in March 2005. The Company is anticipating the supply concerns will begin to ease by the end of the second quarter and may contribute to the moderation of raw material costs. Natural gas also continues to remain at historical high levels. Supply and price of natural gas are managed through the use of long-term agreements and forward positions.

The Company's Board of Directors, at its February 15, 2005 meeting, authorized the repurchase of up to $200 million of the Company's publicly traded notes. The repurchase of debt may be accomplished through open market transactions, a tender offer, or a combination of the two. In addition, the Board authorized the repurchase of up to $200 million worth of the Company's common stock through open market transactions. This authorization to repurchase common shares also cancelled the previous share purchase program authorized by the Board in May of 2000. That authorization provided for the repurchase of ten million shares of the Company's common stock. The Company had repurchased 5,334,500 shares under that authorization through the end of December 2004.

Liquidity and Capital Resources

Generation and uses of cash - Net cash used in operating activities of continuing operations was $7 million in 2004, $175 million less than the $168 million generated in 2003 due primarily to changes in operating assets and liabilities. In 2003, changes in operating assets and liabilities resulted in a source of cash of $20 million versus a use of cash in 2004 of $133 million. This change resulted from $56 million of cash consumed due to an increase in inventories at December 31, 2004 from unusually low 2003 levels and additional pension funding of $75 million in excess of expense in 2004.

Net cash provided by operating activities of continuing operations was $168 million in 2003, $82 million less than the $250 million generated in 2002. Net income after adjustments for non-cash items in 2003 decreased $9 million from 2002. Changes in operating assets and liabilities resulted in a source of $20 million in 2003 versus a source of $93 million in 2002. The change in operating assets and liabilities resulted primarily from increases in accounts receivable offset by lower inventory levels and higher accounts payable balances. Factors contributing to the higher accounts receivable balances are increased sales and the change in payment patterns of certain North American Tire segment customers. Inventories at December 31, 2003 were at unusually low levels and accounts payable increased as a result of extending vendor payment terms with the Company's suppliers and higher purchasing volumes near year-end.

Net cash generated from investing activities during 2004 reflects proceeds from the sale of Cooper-Standard Automotive in late December 2004. Capital expenditures in 2004 were $159 million, compared to $96 million in 2003 and $75 million in 2002. The Company's capital expenditures in 2005 are expected to approximate $140 million plus an additional $25 million to $30 million for the Company's portion of expenditures within its China joint venture to construct a tire production facility. The increases in 2004 are primarily attributable to the expansion of capacity in the North American Tire segment. The Company's capital expenditure commitments at December 31, 2004 are $67 million and are included in the "Unconditional purchase" line of the Contractual Obligations table which appears later in this section. These commitments, which primarily relate to plant expansions, will be satisfied with existing cash and cash flows from operations in early 2005. The Company invested $46 million of the proceeds from the sale of Cooper-Standard Automotive in short-term investments which it considers available-for-sale.

Net cash used in investing activities during 2003 included the acquisition of Max-Trac Tire Co., Inc., known as Mickey Thompson Performance Tires & Wheels. Mickey Thompson is a designer and distributor of specialty tires for the street, strip, track and off-road racing markets.

The Company's financing activities during 2004 reflect the repayment of a $90 million floating-rate note that was due in 2006. The Company has a global cash pooling arrangement which allows the efficient management of cash between its operations in various foreign countries. Prior to the sale of Cooper-Standard, the Company's continuing operations were a net debtor within the pool. This

position was settled prior to the sale transaction in late December, resulting in the repayment of $32 million of cash pool debt during 2004. The Company spent $83 million to repurchase shares of its common stock during the fourth quarter of 2004. The Company's financing activities during 2003 reflect no change in net debt; however, in 2002 the Company reduced its total debt by $179 million. In 2002, the Company met scheduled debt maturities of $127 million and repurchased $97 million of its public notes.

Dividends paid on the Company's common shares were $31 million in 2002, 2003 and 2004. The Company has maintained a quarterly dividend of 10.5 cents per share throughout the period.

Available credit facilities – On June 30, 2004, the Company restated and amended its revolving credit facility with a consortium of ten banks ("the Agreement"). Pursuant to the amendment, debt covenants based on the ratio of income before fixed charges and income taxes to fixed charges (the "fixed charge coverage ratio") was eliminated and replaced by an interest coverage ratio. This ratio (consolidated earnings before interest, taxes, depreciation and amortization divided by consolidated net interest expense) is required to be maintained at a minimum of 3.0 times by the Company. The amendment also eliminated a covenant based on the computation of the ratio of total debt to total capitalization and replaced it with the ratio of consolidated net indebtedness to consolidated capitalization. Consolidated net indebtedness is indebtedness measured in accordance with generally accepted accounting principles in the United States reduced by cash and eligible short term investments in excess of $30 million. The Company is required to maintain this ratio below 55 percent. At December 31, 2004 the Company was in compliance with the financial covenants contained it its credit agreements. At that date, the ratio of consolidated net indebtedness to consolidated capitalization was zero percent as a result of the high level of cash on hand at December 31, 2004. The interest coverage ratio was 6.31 times. The Company anticipates that it will remain in compliance with these covenants in 2005 based upon its business forecast for the year.

The Agreement, as amended, provides up to $175 million in credit facilities until August 31, 2008 and an additional $175 million in credit facilities until June 29, 2005. The Company has the option to convert any outstanding loans under the short-term commitment into a one-year term loan. The loans may be denominated in either U.S. Dollars or certain other currencies based upon Eurodollar interest rates or the agent bank's base rate. In addition, the terms of the Agreement permit the Company to request bid rate loans from banks participating in the Agreement. Borrowings under the Agreement bear a margin linked to the Company's long-term credit ratings from Moody's and Standard & Poor's. There are no compensating balances required and the facility fees are not material. The credit facilities also support issuance of commercial paper. There were no borrowings under the revolving credit facilities and no commercial paper was outstanding at December 31, 2004.

The Company's revolving credit facility also contains a covenant which prevents the disposition of a substantial portion of its assets. A waiver of this covenant was granted by the bank group in December 2004 to permit the disposition of Cooper-Standard Automotive.

In August 2001 a Canadian subsidiary of the Company entered into a $125 million loan agreement with Market Street Funding Corporation, an affiliated company of PNC Bank NA, which is secured by certain trade accounts receivable. At that time, $90 million was advanced under the loan agreement with a maturity date of August 2006. This loan was repaid in the second quarter of 2004.

The Company has entered into $150 million of interest rate swap contracts to convert a portion of the 2009 Senior Notes to floating rates. The carrying value of the 7.75 percent notes has been increased by the change in fair value of the related interest rate swap contracts of $3.9 million at December 31, 2003 and $3.7 million at December 31, 2004. The net amounts paid or received from these interest rate swap contracts are recorded as an adjustment to interest expense.

The Company established a $1.2 billion universal shelf registration in 1999 in connection with the acquisition of The Standard Products Company. Fixed rate debt of $800 million was issued pursuant to the shelf registration in December 1999 to fund the acquisition. The remaining $400 million available under the shelf registration continues to be available at December 31, 2004. Securities that may be issued under this shelf registration include debt securities, preferred stock, fractional interests in preferred stock represented by depositary shares, common stock, and warrants to purchase debt securities, common stock or preferred stock.

Available cash and contractual commitments - At December 31, 2004 the Company had cash and cash equivalents totaling $882 million and short-term investments totaling $46 million. The Company's additional borrowing capacity through use of its credit agreement with its bank group and other bank lines at December 31, 2004 was $375 million.

The Company's objectives related to the investment of cash not required for operations is to preserve capital, meet the Company's liquidity needs, and earn a return consistent with these guidelines and market conditions. Investments deemed eligible for the investment of the Company's cash include 1) U.S. Treasury securities and general obligations fully guaranteed with respect to principle and interest by the government, 2) obligations of U.S. government agencies, 3) commercial paper or other corporate notes of prime quality purchased directly from the issuer or through recognized money market dealers, 4) time deposits, certificates of deposit or bankers' acceptances of banks rated "A-" by Standard & Poor's or "A3" by Moody's, 5) collateralized mortgage obligations rated "AAA" by Standard & Poor's and "Aaa" by Moody's, 6) tax-exempt and taxable obligations of state and local governments of prime quality, and 7) mutual funds or outside managed portfolios that invest in the above investments. At December 31, 2004 the Company had cash and cash equivalents totaling $882 million and short-term investments totaling $46 million, resulting from the sale of Cooper-Standard on December 23, 2004, invested with one financial institution and in two large money market mutual funds pending more

diverse investment. The majority of the cash and cash equivalents was invested in eligible financial instruments in excess of amounts insured by the Federal Deposit Insurance Corporation and therefore subject to credit risk. During the month of January 2005, the these investments were reallocated to nine mutual funds and financial institutions to manage credit risk. The short-term investments are comprised of corporate notes and floating-rate securities.

The Company announced the completion of the sale of its automotive operations on December 23, 2004 and reiterated its prior disclosures that the proceeds from the sale will be used for debt reduction, the repurchase of shares, investment in its tire operations, or a combination thereof. Through December 31, proceeds were used to repurchase shares, fund capital expenditures, liquidate short-term debt arising from the disaggregation of the automotive operations, and fund pension contributions in excess of normal levels. In February, the Company acquired approximately 11 percent of Kumho Tire Co., Inc., a Korean company, for $107 million.

The Company's Board of Directors, at its February 15, 2005 meeting, authorized the repurchase of up to $200 million of the Company's publicly traded notes. The repurchase of debt may be accomplished through open market transactions, a tender offer, or a combination of the two. In addition, the Board authorized the repurchase of up to $200 million worth of the Company's common stock through open market transactions. As of March 4, 2005 the Company had repurchased 1,822,400 shares for $34.8 million under this authorization. This authorization to repurchase common shares also cancelled the previous share purchase program authorized by the Board in May of 2000. That authorization provided for the repurchase of ten million shares of the Company's common stock. The Company had repurchased 5,334,500 shares under that authorization through the end of December 2004.

The Company anticipates that cash flows from operations in 2005 will be positive and will approximate its projected capital expenditures and dividend goals. The Company expects to invest in China during 2005 through a joint venture formed to build a tire production facility and possibly by direct investments in existing Chinese tire companies. Projected investments in the joint venture for 2005 are $25 million to $30 million. Additional investment amounts relating to acquisitions, if any, are difficult to predict at this time. There are no significant long-term debt repayment obligations due until 2009.

The Company's cash requirements relating to contractual obligations at December 31, 2004 are summarized in the following table:

(Dollar amounts in thousands)	Payment Due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt	$ 768,621	$ —	$ —	$353,721	$414,900
Capital lease obligations	5,083	—	—	—	5,083
Operating leases	56,431	11,037	18,385	12,349	14,660
Notes payable	459	459	—	—	—
Unconditional purchase (a)	114,595	114,595	—	—	—
Postretirement benefits other than pensions (b)	169,484	—	35,813	37,856	95,815
Other long-term liabilities (b) (c)	201,398	—	39,730	2,592	159,076
Total contractual cash obligations	$1,316,071	$126,091	$93,928	$406,518	$689,534

(a) Noncancellable purchase order commitments for capital expenditures and raw materials, principally natural rubber, made in the ordinary course of business.
(b) Based on long-term amounts recorded under U.S. generally accepted accounting principles.
(c) Minimum pension liability, class action settlement, nonqualified benefit plans, warranty reserve, and other non-current liabilities.

Credit agency ratings – On February 24, 2005, Standard & Poor's reduced the Company's long-term corporate credit, senior unsecured debt and senior unsecured shelf registration rating to BBB- from BBB and the short-term credit and commercial paper rating to A-3 from A-2. On March 3, 2005, Moody's Investors Service reduced the Company's long-term debt rating to Baa3 from Baa2 and the short-term credit and commercial paper rating to P-3 from P-2. Both rating agencies removed the ratings from credit watch and assigned a stable outlook. Both agencies had indicated the ratings were under review and might be reduced depending upon the Company's use of proceeds from the sale of its automotive operations. These ratings are "investment grade." The Company believes it will continue to have access to the credit markets, although at higher borrowing costs than in the past.

New Accounting Standards

For a discussion of recent accounting pronouncements and their impact on the Company, see the "Significant Accounting Policies — Accounting pronouncements" note to the consolidated financial statements.

Critical Accounting Policies

"Management's Discussion and Analysis of Financial Condition and Results of Operations" discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. When more than one accounting principle, or the method of its application, is generally accepted, the Company selects the principle or method that is appropriate in its specific circumstances. The Company's accounting policies are more fully described in the "Significant Accounting Policies" note to the consolidated financial statements. Application of these accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Company believes that of its significant accounting policies, the following may involve a higher degree of judgment or estimation than other accounting policies.

Use of estimates in connection with the sale of the Company's automotive operations – The sale of the Company's automotive operations included contract provisions which require estimates to be made in accounting and reporting the impact of the sale. The most significant of these are estimates of final proceeds, estimates of future payments under provisions of the agreement which require the Company to indemnify the buyer upon the occurrence of certain liabilities, the amount of pension obligations and plan assets being transferred to the buyer, the amount of post-retirement pension obligations assumed by the buyer, and possible severance obligations for key executives of the automotive operations.

The agreement provides for various post-closing adjustments based on differences between estimated amounts of cash, debt and target working capital used at closing and final amounts later agreed to by the parties. The agreement provides for reporting by the buyer of final amounts in early February 2005 with subsequent periods for review by the Company and resolution of disputes, if any. Amounts used in determining the gain of the sale of the automotive operations at December 31, 2004 include the final amounts reported by the buyer. Differences, if any, from those amounts and the final payment amounts agreed to by both parties will be reflected as an adjustment to the gain on the sale in the period the final amounts are determined.

The agreement also provides for indemnification of the buyer by the Company for all income tax liabilities related to periods prior to closing and for various additional items outlined in the agreement. Indemnity payments would reduce the purchase price and the amount of gain on the sale. The recorded gain on the sale includes reductions for estimates of the expected tax liabilities and the other potential indemnity items to the extent they are deemed to be probable and estimable at December 31, 2004. Where amounts are probable and a range of loss is possible, the Company considered whether an amount within the range of outcomes was more likely than other amounts. If so, the most likely amount was recorded as a reduction of the gain with corresponding liabilities for the future indemnity payments. If no amount within the range of possible amounts was more likely than other amounts, the Company recorded the minimum amount believed to be probable. The Company will reevaluate the probability of indemnity payments being required quarterly and adjustments, if any, to the initial estimates will be reflected as a change in the gain on sale in the periods when revised estimates are determined.

In connection with the divestiture of the automotive operations, defined benefit plans relating to automotive operations were assumed by the buyer except those relating to previously closed automotive plants. Obligations assumed by the buyer consisted of 1) plans established under collective bargaining agreements, all of which related to discrete automotive employee units, which have been separately measured and were transferred to the buyer at closing and 2) obligations relating to active automotive employees and retirees who participated in the Company's non-bargained defined benefit plan which covered all eligible non-bargained employees. Pursuant to terms of the sale, an actuarial determination is to be made of the obligations and assets being split from the Company's non-bargained plan. That process is to be completed not later than June 2005 following which the computed obligation and plan assets will be transferred to the buyer.

In the interim the Company's actuary has provided estimates of the total obligations, computed using the Company's accounting methods and actuarial assumptions, and assets to be transferred to the buyer. The estimated amounts to be transferred to the buyer and amounts for plans to be retained by the Company were measured at December 31, 2004 and are reflected in the disclosures contained in footnotes to the financial statements. Actual amounts transferred will be determined at a future date and may differ from these estimates. As a result, the obligations and assets relating to continuing operations may differ from the amounts shown in the footnotes to the financial statements at December 31, 2004 but will not impact the gain on the sale.

Similarly, post-retirement benefit obligations relating to the automotive operations sold were transferred to the buyer. Actuarial estimates of the amount of obligation being assumed by the buyer and the remaining obligations of the Company are disclosed in the accompanying footnotes to financial statements. Final actuarial determinations will be completed in 2005 and may differ from the amounts shown in the footnotes to the financial statements at December 31, 2004 but will not impact the gain on the sale.

Under terms of an employment agreement with the president of the automotive operations and terms of a change in control severance pay plan for eight additional key automotive executives, such executives are entitled to specified severance payments if terminated by the buyer within predetermined time periods after the sale. The Company is obligated to pay the severance costs and related excise taxes, if any, if severance occurs on or prior

to December 31, 2007 in the case of the automotive operation's president and on or prior to December 22, 2006 for the eight other automotive executives. The Company was required to fund, immediately following the sale, its potential obligation for such severance payments into a rabbi trust with a third party trustee for the possible benefit of these executives. Based on the positions these executives retained after the sale, the ownership interests they acquired as a result of the transaction, and the incentives provided to them by the buyer after the sale, the Company does not believe it is presently probable that any of the executives will be terminated within the periods in which it is obligated to pay the severance costs. Accordingly, no accrual for severance has been recorded. If information becomes known to the Company at a later date which indicates severance of one or more of the covered executives is probable within the time period covered by the Company, accruals for severance will be required.

Certain operating leases related to property and equipment used in the operations of Cooper-Standard Automotive were guaranteed by the Company. These guarantees require the Company, in the event Cooper-Standard fails to honor its commitments, to satisfy the terms of the lease agreements. As part of the sale of the automotive operations, the Company is seeking releases of those guarantees but to date has been unable to secure releases from certain lessors. The most significant lease is for a manufacturing facility with a remaining term of 12 years and total remaining payments of approximately $11 million. Other leases cover manufacturing equipment with remaining terms of from less than one year to four years and total remaining payments of approximately $560,000. The Company does not believe it is presently probable that it will be called upon to make these payments. Accordingly, no accrual for these guarantees has been recorded. If information becomes known to the Company at a later date which indicates its performance under these guarantees is probable, accruals for the obligations will be required.

Products liability – The Company is a defendant in various products liability claims in which individuals involved in vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. Litigation of this type has increased significantly throughout the tire industry following the Firestone tire recall announced in 2000.

The Company accrues costs for products liability at the time a loss is probable and the amount of loss can be estimated. The Company believes the probability of loss can be established and the amount of loss can be estimated only after certain minimum information is available, including verification that Company-produced products were involved in the incident giving rise to the claim, the condition of the product purported to be involved in the claim, the nature of the incident giving rise to the claim, and the extent of the purported injury or damages. In cases where such information is known, each products liability claim is evaluated based on its specific facts and circumstances. A judgment is then made, taking into account the views of counsel and other relevant factors, to determine the requirement for establishment or revision of an accrual for any potential liability. In most cases, the liability cannot be determined with precision until the claim is resolved. Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. No specific accrual is made for individual unasserted claims or for asserted claims where the minimum information needed to evaluate the probability of a liability is not yet known. However, an accrual for such claims based, in part, on management's expectations for future litigation activity is maintained. Because of the speculative nature of litigation in the United States, the Company does not believe a meaningful aggregate range of potential loss for asserted and unasserted claims can be determined. The total cost of resolution of such claims, or increase in reserves resulting from greater knowledge of specific facts and circumstances related to such claims, could have a greater impact on the consolidated results of operations and financial position of the Company in future periods and, in some periods, could be material.

The Company's exposure for each claim occurring prior to April 1, 2003 is limited by the coverage provided by its excess liability insurance program. The program for that period includes a relatively low per claim retention and a policy year aggregate retention limit on claims arising from occurrences which took place during a particular policy year. Effective April 1, 2003, the Company established a new excess liability insurance program. The new program covers the Company's products liability claims occurring on or after April 1, 2003 and is occurrence-based insurance coverage which includes an increased per claim retention limit, increased policy limits, and the establishment of a captive insurance company. Premium costs for insurance coverage in excess of the self-insured amounts for the first policy year were $10.3 million higher than under the previous program, the per claim retention limit increased $13.3 million and the aggregate retention limit was eliminated, while excess liability coverage increased by $35 million. The program was renewed effective April 1, 2004 with a premium cost increase of less than one percent.

The products liability expense reported by the Company includes amortization of insurance premium costs, adjustments to settlement reserves, and legal costs incurred in defending claims against the Company offset by recoveries of legal fees. The Company is entitled to reimbursement under certain insurance contracts in place for periods ending prior to April 1, 2003 of legal fees expensed in prior periods based on events occurring in the those periods. Products liability costs totaled $29.0 million, $41.0 million and $60.5 million in 2002, 2003 and 2004, respectively. Recoveries of legal fees were $8.0 million, $14.8 million and $9.3 million in 2002, 2003 and 2004, respectively. Policies applicable to claims occurring on April 1, 2003 and thereafter do not provide for recovery of legal fees. This program was in place for the entire year in 2004 and for nine months in 2003, resulting in higher costs during 2004 compared to 2003 and during 2003 compared to 2002.

Income Taxes – The Company is required to make certain estimates and judgments to determine income tax expense for financial statement purposes. These estimates and judgments are made in the calculation of tax credits, tax benefits and deductions (such as the tax benefit for export sales) and in the calculation of certain tax assets and liabilities which arise from differences in the timing of the

recognition of revenue and expense for tax and financial statement purposes. Significant changes to these estimates may result in an increase or decrease to tax provisions in subsequent periods.

The Company must assess the likelihood that it will be able to recover its deferred tax assets. If recovery is not likely, the provision for income tax expense must be increased by recording a valuation allowance against the deferred tax assets that are deemed to be not recoverable. The Company has recorded a valuation allowance against a substantial portion of its net operating losses, capital losses and tax credits at December 31, 2004 as it does not anticipate the utilization of these assets before they expire. In the event there is a change in circumstances in the future which would affect the utilization of these deferred tax assets, the tax provision in that accounting period would be reduced by the amount of the assets then deemed to be realizable.

In addition, the calculation of the Company's tax liabilities involves a degree of uncertainty in the application of complex tax regulations. The Company recognizes liabilities for anticipated tax audit issues in the United States and other jurisdictions based on its estimates of whether, and the extent to which, additional tax payments are probable. If, and at the time, the Company determines payment of such amounts are not probable, the liability will be reversed and a tax benefit recognized to reduce the provision for income taxes. The Company will record an increase to its provision for income tax expense in the period it determines it is probable that recorded liabilities are less than the ultimate tax assessment.

Impairment of long-lived assets – The Company's long-lived assets include property, plant and equipment, long-term investments, goodwill and other intangible assets. If an indicator of impairment exists for certain groups of property, plant and equipment or definite-lived intangible assets, the Company will compare the forecasted undiscounted cash flows attributable to the assets to their carrying values. If the carrying values exceed the undiscounted cash flows, the Company then determines the fair values of the assets. If the carrying values exceed the fair values of the assets, then an impairment charge is recognized for the difference. During 2004, impairments of $7.5 million were recorded as part of the Company's restructuring expenses related to the discontinuation of its inner tube business. A decline in the value of the Company's investment in RubberNetwork.com of $1.9 million was recorded at December 31, 2004 based on the amount to be paid by a potential new consortium member for an equity share equal to the Company's share.

The Company assesses the potential impairment of its goodwill and other indefinite-lived assets at least annually or when events or circumstances indicate impairment may have occurred. The carrying value of these assets is compared to their fair value. If the carrying values exceed the fair values, then a hypothetical purchase price allocation is computed and the impairment charge, if any, is then recorded. As discussed in the notes to the consolidated financial statements, the Company assessed its goodwill and indefinite-lived intangible assets at December 1, 2004 and no impairment was indicated.

The Company cannot predict the occurrence of future impairment-triggering events. Such events may include, but are not limited to, significant industry or economic trends and strategic decisions made in response to changes in the economic and competitive conditions impacting the Company's businesses. Based on current facts, the Company believes there is no impairment.

Pension and postretirement benefits – The Company has recorded significant pension and other postretirement benefit liabilities that are developed from actuarial valuations, primarily for plans in the United States. The determination of the Company's pension liabilities requires key assumptions regarding discount rates used to determine the present value of future benefits payments, expected returns on plan assets, and the rates of future compensation increases. The discount rate is also significant to the development of other postretirement benefit liabilities. The Company determines these assumptions in consultation with, and after input from, its actuaries.

The discount rate reflects the estimated rate at which the Company's pension and other postretirement liabilities could be settled at the end of the year. When determining the discount rate, the Company considers the most recent available interest rates on Moody's Aa Corporate bonds, with maturities of at least twenty years, late in the fourth quarter and then factors into the rate its expectations for change by year-end. The Company discounted the expected pension disbursements over the next fifty years using a yield curve based on market data as of December 31, 2004 which validated the present value determined using the single benchmark rate for all years. Based upon this analysis, the Company reduced the discount rate used to measure its United States pension and postretirement benefit liabilities to 6 percent at December 31, 2004 from 6.25 percent at December 31, 2003. The effect of this one-quarter percent reduction in the discount rate assumption was to increase the projected benefit obligation at December 31, 2004 which will also result in increases of approximately $2 million in pension expense and approximately $500,000 in other postretirement benefits expense during 2005.

The rate of future compensation increases is used to determine the future benefits to be paid for salaried and non-bargained employees, because the amount of a participant's pension is partially attributable to the compensation earned during his or her career. The rate reflects the Company's expectations over time for salary and wage inflation and the impacts of promotions and incentive compensation, which is based on profitability. The Company used 3.25 percent for the estimated future compensation increases in measuring its United States pension liabilities at December 31, 2004 and December 31, 2003.

The assumed long-term rate of return on pension plan assets is applied to the market value of plan assets to derive a reduction to pension expense that approximates the expected average rate of asset investment return over ten or more years. A decrease in the expected long-term rate of return will increase pension expense whereas an increase in the expected long-term rate will reduce pension

expense. Decreases in the level of actual plan assets will serve to increase the amount of pension expense whereas increases in the level of actual plan assets will serve to decrease the amount of pension expense. Any shortfall in the actual return on plan assets from the expected return will increase pension expense in future years due to the amortization of the shortfall whereas any excess in the actual return on plan assets from the expected return will reduce pension expense in future periods due to the amortization of the excess.

The Company's investment policy for United States plans' assets is to maintain an allocation of 65 percent in equity securities and 35 percent in debt securities. Equity security investments are structured to achieve an equal balance between growth and value stocks. The Company determines the annual rate of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. This computed rate of return is reviewed by the Company's investment advisors and actuaries. Industry comparables and other outside guidance is also considered in the annual selection of the expected rates of return on pension assets.

The actual return on United States pension plans' assets approximated 9.6 percent in 2004 and 16 percent in 2003, exceeding the nine percent expected rate of return on plan assets used to derive pension expense. The higher actual return on plan assets reflects the recovery of the equity markets experienced in 2004 and 2003 from the depressed levels which have existed since the end of 2001. Based on recent and projected market and economic conditions, the Company maintained its estimate for the expected long-term return on its United States plan assets at nine percent, the same assumption used to derive 2004 expense.

The Company has accumulated net deferred gains and losses resulting from the shortfalls and excesses in actual returns on pension plan assets from expected returns and, in the measurement of pensions liabilities, decreases and increases in the discount rate and the rate of future compensation increases and differences between actuarial assumptions and actual experience totaling $266 million at December 31, 2004. These amounts are being amortized in accordance with the corridor amortization requirements of SFAS No. 87, "Employers' Accounting for Pensions," over periods ranging from 12 years to 15 years. Amortization of these net deferred gains and losses was $14 million in 2004 and $13.5 million in 2003.

The Company instituted per participant caps on the amounts of retiree medical benefits it will provide to future retirees at the time it adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," to mitigate the impact of medical cost inflation on the Company's retiree medical obligation. The caps do not apply to individuals who retired prior to certain specified dates. Costs in excess of these caps will be paid by plan participants. The medical care cost trend rate has a significant impact on the liabilities recorded by the Company. A one percent increase in the assumed health care cost trend rate would increase retiree medical obligations by $6.2 million and increase retiree medical benefits expense by $.4 million.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("the Act") was enacted in December 2003. The Act introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree health plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003." This FSP provided accounting and disclosure guidance for employers who sponsor postretirement health care plans that provide drug benefits. Regulations regarding implementation of provisions relevant to the Company's accounting are complex and contain acknowledged open issues. The Company recorded their potential effect during the third quarter of 2004, retroactive to January 1, 2004 as prescribed by FSP 106-2.

The Act reduced net periodic postretirement benefit cost by $2.2 million in 2004, including service cost, interest cost and amortization of the actuarial gain. The total impact on the Company's actuarial liability under all U. S. plans was a reduction of $15.3 million and is being accounted for as an actuarial gain that will be amortized as a reduction of the Company's periodic expense and balance sheet liability over periods from ten to twelve years.

During 2004, the Company 1) enforced previously established retiree medical cost caps for its salaried, non-bargained hourly and certain bargained retirees, 2) implemented cost sharing for salaried, non-bargained hourly and certain bargained hourly retirees not subject to medical cost caps, and 3) implemented plan design changes in the retiree medical coverage provided to domestic salaried, non-bargained and certain bargained hourly employees and retirees. Domestic salaried and non-bargained hourly employees hired on or after January 1, 2003 and certain bargained hourly employees hired after January 1, 2004 are not eligible for these benefits. In prior years the Company implemented changes to the health benefits it provides to its domestic salaried and non-bargained hourly employees. Subject to specific provisions contained in certain of its labor agreements, the Company has reserved the right to modify or terminate such benefits at any time.

Off-Balance Sheet Arrangements

At December 31, 2003 the Company had provided a guarantee of a portion of the bank loans made to its joint venture with Nishikawa Rubber Company. This debt guarantee was required of the partners by the joint-venture agreement and served to support the credit-worthiness of the joint venture, Nishikawa Standard Company ("NISCO"). On July 1, 2003, the joint venture entered into an additional bank loan with the joint venture partners each guaranteeing an equal portion of the amount borrowed. In accordance with

FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,” guarantees meeting the characteristics described in the Interpretation were required to be recorded at fair value. As of December 31, 2003 the Company had recorded a $36,000 liability related to the guarantee of this debt with a corresponding increase to the carrying value of its investment in the joint venture. The Company’s maximum exposure under the two guarantee arrangements at December 31, 2003 was $5 million. On December 23, 2004, the Company sold its automotive operations which included the NISCO joint venture and has been released from its guarantee. At December 31, 2004 the Company had no off-balance sheet arrangements.

Certain operating leases related to property and equipment used in the operations of Cooper-Standard Automotive were guaranteed by the Company. These guarantees require the Company, in the event Cooper-Standard fails to honor its commitments, to satisfy the terms of the lease agreements. As part of the sale of the automotive operations, the Company is seeking releases of those guarantees but to date has been unable to secure releases from certain lessors. The most significant lease is for a manufacturing facility with a remaining term of 12 years and total remaining payments of approximately $11 million. Other leases cover manufacturing equipment with remaining terms of from less than one year to four years and total remaining payments of approximately $560,000. The Company does not believe it is presently probable that it will be called upon to make these payments. Accordingly, no accrual for these guarantees has been recorded. If information becomes known to the Company at a later date which indicates its performance under these guarantees is probable, accruals for the obligations will be required.

Forward-Looking Statements

This report contains what the Company believes are “forward-looking statements,” as that term is defined under the Private Securities Litigation Reform Act of 1995, regarding projections, expectations or matters that the Company anticipates may happen with respect to the future performance of the industries in which the Company operates, the economies of the United States and other countries, or the performance of the Company itself, which involve uncertainty and risk. Such “forward-looking statements” are generally, though not always, preceded by words such as “anticipates,” “expects,” “believes,” “projects,” “intends,” “plans,” “estimates,” and similar terms that connote a view to the future and are not merely recitations of historical fact. Such statements are made solely on the basis of the Company’s current views and perceptions of future events, and there can be no assurance that such statements will prove to be true. It is possible that actual results may differ materially from those projections or expectations due to a variety of factors, including but not limited to:

- changes in economic and business conditions in the world, especially the continuation of the global tensions and risks of further terrorist incidents that currently exist;
- increased competitive activity, including the inability to obtain and maintain price increases to offset higher production or material costs;
- the failure to achieve expected sales levels;
- consolidation among the Company’s competitors and customers;
- technology advancements;
- unexpected costs and charges;
- fluctuations in raw material and energy prices, including those of steel, crude petroleum and natural gas and the unavailability of such raw materials or energy sources;
- changes in interest and foreign exchange rates;
- increased pension expense resulting from investment performance of the Company’s pension plan assets and changes in discount rate, salary increase rate, and expected return on plan assets assumptions;
- government regulatory initiatives, including the proposed and final regulations under the TREAD Act;
- changes in the Company’s customer relationships, including loss of particular business for competitive or other reasons;
- the impact of labor problems, including a strike brought against the Company or against one or more of its large customers;
- litigation brought against the Company;
- an adverse change in the Company’s credit ratings, which could increase its borrowing costs and/or hamper its access to the credit markets;
- the inability of the Company to execute the cost reduction/Asian strategies outlined for the coming year; and the impact of reductions in the insurance program covering the principal risks to the Company, and other unanticipated events and conditions.

It is not possible to foresee or identify all such factors. Any forward-looking statements in this report are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Prospective investors are cautioned that any such statements are not a guarantee of future performance and actual results or developments may differ materially from those projected. The Company makes no commitment to update any forward-looking statement included herein or to disclose any facts, events or circumstances that may affect the accuracy of any forward-looking statement.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to fluctuations in interest rates and currency exchange rates from its financial instruments. The Company actively monitors its exposure to risk from changes in foreign currency exchange rates and interest rates. Derivative financial instruments are used to reduce the impact of these risks. See the “Significant Accounting Policies — Derivative financial instruments” and “Fair Value of Financial Instruments” notes to the consolidated financial statements for additional information.

The Company has estimated its market risk exposures using sensitivity analysis. These analyses measure the potential loss in future earnings, cash flows or fair values of market sensitive instruments resulting from a hypothetical ten percent change in interest rates or foreign currency exchange rates.

A ten percent decrease in interest rates would have adversely affected the fair value of the Company’s fixed-rate, long-term debt by approximately $40.7 million at December 31, 2004 and approximately $42.5 million at December 31, 2003. A ten percent increase in the interest rates for the Company’s floating rate long-term debt obligations would not have been material to the Company’s results of operations and cash flows.

The Company uses interest rate swap agreements to manage its exposure to interest rate risk. The Company has entered into $150 million of interest rate swap contracts to convert a portion of its 2009 senior notes to floating rates. The Company’s exposure to changes in interest rates from its short-term notes payable issuances is not significant as such notes, which are not material to its financial position at December 31, 2003 and 2004, are issued at current market rates.

To manage the volatility of currency exchange exposures related to future sales and purchases, the Company nets the exposures on a consolidated basis to take advantage of natural offsets. For the residual portion, the Company enters into forward exchange contracts and purchases options with maturities of less than 12 months pursuant to the Company’s policies and hedging practices. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value of cash flows of the underlying exposures being hedged. The Company’s unprotected exposures to earnings and cash flow fluctuations due to changes in foreign currency exchange rates were not significant at December 31, 2004 and 2003.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31
(Dollar amounts in thousands except per share amounts)

	2002	2003	**2004**
Net sales	$1,742,218	$1,850,853	**$2,081,609**
Cost of products sold	1,486,555	1,641,468	**1,848,616**
Gross profit	255,663	209,385	**232,993**
Selling, general and administrative	141,776	146,076	**171,689**
Adjustments to class action warranty	—	(3,900)	**(11,273)**
Restructuring	171	2,190	**9,353**
Operating profit	113,716	65,019	**63,224**
Interest expense	31,623	29,146	**27,569**
Other income — net	(1,542)	(1,332)	**649**
Income from continuing operations before income taxes	83,635	37,205	**35,006**
Provision for income taxes	28,603	9,861	**7,560**
Income from continuing operations	55,032	27,344	**27,446**
Income from discontinued operations, net of income taxes	56,813	46,491	**61,478**
Gain on sale of discontinued operations including income tax benefit	—	—	**112,448**
Net income	$ 111,845	$ 73,835	**$ 201,372**
Basic earnings per share:			
Income from continuing operations	$ 0.75	$ 0.37	**$ 0.37**
Income from discontinued operations	0.77	$ 0.63	**$ 0.83**
Gain on sale of discontinued operations	—	—	**1.52**
Net income	$ 1.53*	$ 1.00	**$ 2.71***
Diluted earnings per share:			
Income from continuing operations	$ 0.74	$ 0.37	**$ 0.37**
Income from discontinued operations	0.77	$ 0.63	**$ 0.82**
Gain on sale of discontinued operations	—	—	**1.50**
Net income	$ 1.51	$ 1.00	**$ 2.68***

* Amounts do not add due to rounding

See Notes to Consolidated Financial Statements, pages 33 to 61.

CONSOLIDATED BALANCE SHEETS
December 31
(Dollar amounts in thousands)

	2003	**2004**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,550	**$ 881,728**
Short-term investments	—	**46,064**
Accounts receivable, less allowances of $4,842 in 2003 and $4,868 in 2004	324,373	**344,695**
Accounts receivable from sale of automotive operations	—	**48,770**
Inventories at lower of cost (last-in, first-out) or market:		
Finished goods	128,190	**172,890**
Work in process	14,012	**16,726**
Raw materials and supplies	47,516	**59,166**
	189,718	**248,782**
Prepaid expenses, income taxes refundable and deferred income taxes	41,481	**65,425**
Assets of discontinued operations and held for sale	1,397,128	**10,813**
Total current assets	1,981,250	**1,646,277**
Property, plant and equipment:		
Land and land improvements	35,030	**35,034**
Buildings	251,343	**258,532**
Machinery and equipment	1,191,811	**1,308,498**
Molds, cores and rings	178,692	**206,457**
	1,656,876	**1,808,521**
Less accumulated depreciation and amortization	965,502	**1,079,101**
Net property, plant and equipment	691,374	**729,420**
Goodwill	48,172	**48,172**
Intangibles, net of accumulated amortization of $12,038 in 2003 and $15,038 in 2004	37,232	**34,098**
Restricted cash	2,043	**12,484**
Other assets	116,248	**197,633**
	$2,876,319	**$2,668,084**

See Notes to Consolidated Financial Statements, pages 33 to 61.

December 31

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 161	**$ 459**
Accounts payable	136,244	**182,061**
Accrued liabilities	115,128	**108,197**
Income taxes	1,002	**1,320**
Current portion of long-term debt	—	**—**
Liabilities related to the sale of automotive operations	—	**19,201**
Liabilities of discontinued operations	339,613	**727**
Total current liabilities	592,148	**311,965**
Long-term debt	863,892	**773,704**
Postretirement benefits other than pensions	151,662	**169,484**
Other long-term liabilities	204,135	**178,282**
Long-term liabilities related to the sale of automotive operations	—	**23,116**
Deferred income taxes	34,093	**41,000**
Stockholders' equity:		
Preferred stock, $1 par value; 5,000,000 shares authorized; none issued	—	**—**
Common stock, $1 par value; 300,000,000 shares authorized; 85,268,000 shares issued in 2003 and 86,321,889 in 2004	85,268	**86,322**
Capital in excess of par value	24,813	**38,072**
Retained earnings	1,226,999	**1,397,268**
Cumulative other comprehensive loss	(109,679)	**(74,085)**
	1,227,401	**1,447,577**
Less: 11,303,900 common shares in treasury at cost in 2003 and 15,182,567 in 2004	(197,012)	**(277,044)**
Total stockholders' equity	1,030,389	**1,170,533**
	$2,876,319	**$2,668,084**

See Notes to Consolidated Financial Statements, pages 33 to 61.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollar amounts in thousands except per share amounts)

	Common Stock $1 Par Value	Capital In Excess of Par Value	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Common Shares in Treasury	Total
Balance at January 1, 2002	$ 83,904	$ 4,658	$1,103,080	$ (84,390)	$(197,012)	$ 910,240
Net income			111,845			111,845
Other comprehensive income:						
Minimum pension liability adjustment, net of $42,739 tax effect				(76,268)		(76,268)
Currency translation adjustment				13,359		13,359
Change in the fair value of derivatives and unrealized gain on marketable securities, net of $1,195 tax effect				(1,931)		(1,931)
Comprehensive income						47,005
Stock compensation plans	958	14,323				15,281
Cash dividends — $.42 per share			(30,810)			(30,810)
Balance at December 31, 2002	84,862	18,981	1,184,115	(149,230)	(197,012)	941,716
Net income			73,836			73,836
Other comprehensive income:						
Minimum pension liability adjustment, net of $7,113 tax effect				(12,555)		(12,555)
Currency translation adjustment				55,223		55,223
Change in the fair value of derivatives and unrealized gain on marketable securities, net of $1,919 tax effect				(3,117)		(3,117)
Comprehensive income						113,387
Stock compensation plans	406	5,832				6,238
Cash dividends — $.42 per share			(30,952)			(30,952)
Balance at December 31, 2003	85,268	24,813	1,226,999	(109,679)	(197,012)	1,030,389
Net income			**201,372**			**201,372**
Other comprehensive income:						
Minimum pension liability adjustment, net of $16,641 tax effect				**24,798**		**24,798**
Currency translation adjustment				**23,200**		**23,200**
Change in the fair value of derivatives and unrealized gain on marketable securities, net of $894 tax effect				**1,454**		**1,454**
Sale of Automotive				**(13,858)**		**(13,858)**
Comprehensive income						**236,966**
Purchase of treasury shares					**(83,064)**	**(83,064)**
Stock compensation plans	**1,054**	**13,259**			**3,032**	**17,345**
Cash dividends — $.42 per share			**(31,103)**			**(31,103)**
Balance at December 31, 2004	**$ 86,322**	**$38,072**	**$1,397,268**	**$ (74,085)**	**$(277,044)**	**$1,170,533**

See Notes to Consolidated Financial Statements, pages 33 to 61.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31
(Dollar amounts in thousands)

	2002	2003	**2004**
Operating activities:			
Net income from continuing operations	$ 55,032	$ 27,344	**$ 27,446**
Adjustments to reconcile net income from continuing operations to net cash provided by continuing operations:			
Depreciation	109,347	109,709	**109,805**
Amortization of intangibles	2,470	3,052	**3,133**
Deferred income taxes	(10,017)	11,532	**(12,296)**
Adjustments to class action warranty	—	(3,900)	**(11,273)**
Restructuring asset write-down	—	—	**9,251**
Changes in operating assets and liabilities of continuing operations:			
Accounts receivable	8,202	(65,529)	**(8,379)**
Inventories	42,810	13,599	**(55,823)**
Prepaid expenses	(32,552)	15,252	**(24,765)**
Accounts payable	2,798	39,772	**44,154**
Accrued liabilities	(42,172)	(22,624)	**1,106**
Other non-current items	113,799	39,631	**(89,676)**
Net cash provided by (used in) continuing operations	249,717	167,838	**(7,317)**
Net cash provided by discontinued operations	75,336	66,744	**109,289**
Net cash provided by operating activities	325,053	234,582	**101,972**
Investing activities:			
Property, plant and equipment	(74,935)	(96,081)	**(159,308)**
Investments in available-for-sale debt securities	—	—	**(46,064)**
Acquisition of businesses, net of cash acquired	(721)	(13,110)	**-**
Proceeds from the sale of business	—	—	**1,172,267**
Proceeds from the sale of assets	4,368	474	**37**
Net cash provided by (used in) continuing operations	(71,288)	(108,717)	**966,932**
Net cash used in discontinued operations	(57,427)	(53,310)	**(45,318)**
Net cash provided by (used in) investing activities	(128,715)	(162,027)	**921,614**
Financing activities:			
Payments on long-term debt	(223,938)	(12,504)	**(90,003)**
Net borrowings (repayments) under credit facilities	44,579	12,683	**(32,751)**
Purchase of treasury shares	—	—	**(83,064)**
Payment of dividends	(30,810)	(30,952)	**(31,103)**
Issuance of common shares	12,940	6,238	**17,345**
Net cash used in continuing operations	(197,229)	(24,535)	**(219,576)**
Net cash provided by (used in) discontinued operations	(37,193)	(36,306)	**14,495**
Net cash used in financing activities	(234,422)	(60,841)	**(205,081)**
Effects of exchange rate changes on cash of continuing operations	(951)	(10,183)	**9,757**
Effects of exchange rate changes on cash of discontinued operations	11,948	20,147	**(12,960)**
Changes in cash and cash equivalents	(27,087)	21,678	**815,302**
Cash and cash equivalents at beginning of year	71,835	44,748	**66,426**
Cash and cash equivalents at end of year	$ 44,748	$ 66,426	**$ 881,728**
Cash and cash equivalents at end of year:			
Continuing operations	$ 4,147	$ 28,550	**$ 881,728**
Discontinued operations	40,601	37,876	**-**
	$ 44,748	$ 66,426	**$ 881,728**

See Notes to Consolidated Financial Statements, pages 32 to 59.

Notes to Consolidated Financial Statements

(Dollar amounts in thousands except per share amounts)

Significant Accounting Policies

Reclassification - On December 23, 2004, the Company sold its automotive business, Cooper-Standard Automotive ("Cooper-Standard") to an entity formed by The Cypress Group and Goldman Sachs Capital Partners. Also in September 2004, the North American Tire Group announced its intent to cease its inner tube business. The Company is currently in discussions with potential buyers of the inner tube business or its assets. These operations are considered to be discontinued operations as defined under Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and require specific accounting and reporting for this year which differs from the approach used to report the Company's results in prior years.

The Company's consolidated financial statements reflect the accounting and disclosure requirements of SFAS No. 144, which mandate the segregation of operating results for the current year and comparable prior year periods and the balance sheets related to the discontinued operations from those related to ongoing operations. Accordingly, the consolidated statements of income for the years ended December 31, 2002, 2003 and 2004 reflect this segregation as income from continuing operations and income from discontinued operations and the consolidated balance sheets at December 31, 2003 and 2004 display the segregation of the total assets of the operations to be sold as an aggregated current asset and the related total liabilities as an aggregated current liability.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries. Acquired businesses are included in the consolidated financial statements from the dates of acquisition. All intercompany accounts and transactions have been eliminated.

The equity method of accounting is followed for investments in 20 percent to 50 percent owned companies. The cost method is followed in those situations where the Company's ownership is less than 20 percent and the Company does not have the ability to exercise significant influence over the affiliate.

Cash and cash equivalents and Short-term investments - The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents. Short-term investments consist of available-for-sale debt securities that the Company carries at fair value. Available-for-sale debt securities are classified as current assets based upon the Company's intent and ability to use any and all of these securities as necessary to support its current operations and near-term strategic initiatives related to debt reduction, the repurchase of shares, investment in its tire operations, or a combination thereof. The Company includes unrealized gains and losses on short-term investments, net of tax, in stockholders' equity.

The Company's objectives related to the investment of cash not required for operations is to preserve capital, meet the Company's liquidity needs, and earn a return consistent with these guidelines and market conditions. Investments deemed eligible for the investment of the Company's cash include 1) U.S. Treasury securities and general obligations fully guaranteed with respect to principle and interest by the government, 2) obligations of U.S. government agencies, 3) commercial paper or other corporate notes of prime quality purchased directly from the issuer or through recognized money market dealers, 4) time deposits, certificates of deposit or bankers' acceptances of banks rated "A-" by Standard & Poor's or "A3" by Moody's, 5) collateralized mortgage obligations rated "AAA" by Standard & Poor's and "Aaa" by Moody's, 6) tax-exempt and taxable obligations of state and local governments of prime quality, and 7) mutual funds or outside managed portfolios that invest in the above investments. At December 31, 2004 the Company had cash and cash equivalents totaling $881,728 and short-term investments totaling $46,064, resulting from the sale of Cooper-Standard on December 23, 2004, invested with one financial institution and in two large money market mutual funds pending more diverse investment. The majority of the cash and cash equivalents was invested in eligible financial instruments in excess of amounts insured by the Federal Deposit Insurance Corporation and therefore subject to credit risk. The short-term investments are comprised of corporate notes and floating-rate securities.

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.

Allowance for doubtful accounts - The allowance for doubtful accounts is established through charges to the provision for bad debts. The Company evaluates the adequacy of the allowance for doubtful accounts on a periodic basis. The evaluation includes 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. Accounts are determined to be uncollectible when the debt is deemed to be worthless or only recoverable in part, and are written off at that time through a charge against the allowance for doubtful accounts.

Inventories - Inventories are valued at cost, which is not in excess of market. Inventory costs have been determined by the last-in, first-out ("LIFO") method for substantially all domestic inventories. Costs of other inventories have been determined principally by the first-in, first-out ("FIFO") method.

Long-lived assets - Property, plant and equipment are recorded at cost and depreciated or amortized using the straight-line or accelerated methods over the following expected useful lives:

Buildings and improvements	10 to 40 years
Machinery and equipment	5 to 14 years
Furniture and fixtures	5 to 10 years
Molds, cores and rings	4 to 10 years

Intangibles with definite lives include trademarks, technology and intellectual property which are amortized over their useful lives which range from five years to 30 years. The Company evaluates the recoverability of long-lived assets based on undiscounted projected cash flows excluding interest and taxes when any impairment is indicated. Goodwill and other indefinite-lived intangibles are assessed for potential impairment at least annually or when events or circumstances indicate impairment may have occurred. The carrying value of these assets is compared to their fair value.

Restricted cash - In conjunction with the sale of Cooper-Standard, under terms of an employment agreement with the president of the automotive operations and terms of a change in control severance pay plan for eight additional key executives, such executives are entitled to specified severance payments if terminated by the buyer within predetermined time periods after the sale. The Company is obligated to pay the severance costs and related excise taxes, if any, if severance occurs on or prior to December 31, 2007 in the case of the automotive operation's president and on or prior to December 22, 2006 for the eight other executives. The Company was required to fund, immediately following the sale, its potential obligation for such severance payments into a rabbi trust with a third party trustee for the possible benefit of these executives. The balance of the trust at December 31, 2004 was $10,797 . Following the expiration of covered severance periods, remaining cash will revert back to the Company.

The Company also has restricted cash in a rabbi trust established in conjunction with the acquisition of the Standard Products Company. The balance in this trust was $2,043 and $1,687 at December 31, 2003 and 2004, respectively.

Earnings per common share - Net income per share is computed on the basis of the weighted average number of common shares outstanding each year. Diluted earnings per share from continuing operations includes the dilutive effect of stock options and other stock units. The following table sets forth the computation of basic and diluted earnings per share:

(Number of shares in thousands)	2002	2003	2004
Numerator for basic and diluted earnings per share — income from continuing operations available to common stockholders	$55,032	$27,344	$27,446
Denominator for basic earnings per share — weighted-average shares outstanding	73,312	73,688	74,201
Effect of dilutive securities — stock options and other stock units	712	515	984
Denominator for diluted earnings per share — adjusted weighted-average shares outstanding	74,024	74,203	75,185
Basic earnings per share from continuing operations	$ 0.75	$ 0.37	$ 0.37
Diluted earnings per share from continuing operations	$ 0.74	$ 0.37	$ 0.37

Options to purchase shares of the Company's common stock not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares were 2,336 in 2002, 563 in 2003 and 501 in 2004. These options could be dilutive in the future depending on the performance of the Company's stock.

The Company's Board of Directors, at its February 15, 2005 meeting, authorized the repurchase of up to $200 million worth of the Company's common stock through open market transactions. As of March 4, 2005 the Company had repurchased 1,822,400 shares for $34,819 under this authorization. This authorization to repurchase common shares also cancelled the previous share purchase program authorized by the Board in May of 2000. That authorization provided for the repurchase of ten million shares of the Company's common stock. The Company had repurchased 5,334,500 shares under that authorization through the end of December 2004.

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. The Company does not enter into financial instruments for trading or speculative purposes.

Interest rate swaps are used to convert portions of the Company's fixed rate debt to floating interest rates based on the Company's desire to maintain a debt portfolio of fixed and variable rate debt within defined parameters. The interest rate swaps meet the criteria for and are designated as fair value hedges. Accordingly, changes in the fair value of the derivative instruments are offset by changes in the carrying value of the hedged debt.

The Company uses foreign currency forward contracts as hedges of the fair value of certain non-U.S. dollar denominated asset and liability positions, primarily accounts receivable. Gains and losses resulting from the impact of currency exchange rate movements on these forward contracts are recognized in the accompanying consolidated statements of income in the period in which the exchange rates change and offset the foreign currency gains and losses on the underlying exposure being hedged.

Foreign currency forward contracts are also used to hedge variable cash flows associated with forecasted sales and purchases denominated in currencies that are not the functional currency of certain entities. The forward contracts have maturities of less than twelve months pursuant to the Company's policies and hedging practices. These forward contracts meet the criteria for and have been designated as cash flow hedges. Accordingly, unrealized gains and losses on such forward contracts are recorded as a separate component of stockholders' equity in the accompanying consolidated balance sheets and reclassified into earnings as the hedged transaction affects earnings.

The Company's hedges are designed to be highly effective at inception because the critical terms of the hedging instrument and the hedged item are identical. The Company, therefore, is not required to perform a detailed test of effectiveness. However, a reduction in the forecasted or actual hedged item below the hedged amount could result in an ineffective hedge. The Company monitors the forecasted cash flow exposures on an ongoing basis to determine if any ineffectiveness exists. Any hedge ineffectiveness is recorded as an adjustment in the accompanying consolidated statements of income in the period in which the ineffectiveness occurs. To date, no ineffectiveness has been identified.

Income taxes — Income tax expense for continuing operations and discontinued operations is based on reported earnings before income taxes in accordance with the tax rules and regulations of the specific legal entities within the various specific taxing jurisdictions where the Company's income is earned. The income tax rates imposed by these taxing jurisdictions vary substantially. Taxable income may differ from income before income taxes for financial accounting purposes. To the extent that differences are due to revenue or expense items reported in one period for tax purposes and in another period for financial accounting purposes, a provision for deferred income taxes is made using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is recognized if it is anticipated that some or all of a deferred tax asset may not be realized. Deferred income taxes are not recorded on undistributed earnings of international affiliates based on the Company's intention that these earnings will continue to be reinvested.

Products liability — The Company accrues costs for products liability at the time a loss is probable and the amount of loss can be estimated. The Company believes the probability of loss can be established and the amount of loss can be estimated only after certain minimum information is available, including verification that Company-produced products were involved in the incident giving rise to the claim, the condition of the product purported to be involved in the claim, the nature of the incident giving rise to the claim, and the extent of the purported injury or damages. In cases where such information is known, each products liability claim is evaluated based on its specific facts and circumstances. A judgment is then made, taking into account the views of counsel and other relevant factors, to determine the requirement for establishment or revision of an accrual for any potential liability. In most cases, the liability cannot be determined with precision until the claim is resolved. Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. No specific accrual is made for individual unasserted claims or for asserted claims where the minimum information needed to evaluate the probability of a liability is not yet known. However, an accrual for such claims based, in part, on management's expectations for future litigation activity is maintained. Because of the speculative nature of litigation in the United States, the Company does not believe a meaningful aggregate range of potential loss for asserted and unasserted claims can be determined. The total cost of resolution of such claims, or increase in reserves resulting from greater knowledge of specific facts and circumstances related to such claims, could have a greater impact on the consolidated results of operations and financial position of the Company in future periods and, in some periods, could be material.

The Company's exposure for each claim occurring prior to April 1, 2003 is limited by the coverage provided by its excess liability insurance program. The program for that period includes a relatively low per claim retention and a policy year aggregate retention limit on claims arising from occurrences which took place during a particular policy year. Effective April 1, 2003, the Company established a new excess liability insurance program. The new program covers the Company's products liability claims occurring on or after April 1, 2003 and is occurrence-based insurance coverage which includes an increased per claim retention limit, increased policy limits, and the establishment of a captive insurance company. Premium costs for insurance coverage in excess of the self-insured amounts for the current policy year are $10,419 higher than under the previous program, the per claim retention limit increased $13,250 and the aggregate retention limit was eliminated, while excess liability coverage increased by $35,000. This new program was in place for the entire year in 2004 and for nine months in 2003, resulting in higher costs during 2004 compared to 2003 and during 2003 compared to 2002.

The products liability expense reported by the Company includes amortization of insurance premium costs, adjustments to settlement reserves, and legal costs incurred in defending claims against the Company offset by recoveries of legal fees. Legal costs are expensed as incurred and products liability insurance premiums are amortized over coverage periods. The Company is entitled to reimbursement, under certain insurance contracts in place for periods ending prior to April 1, 2003, of legal fees expensed in prior periods based on events occurring in the those periods. The Company records the reimbursements under such policies in the period the conditions for reimbursement are met. Products liability costs totaled $29,020, $41,040 and $60,476 and in 2002, 2003 and 2004, respectively, and include recoveries of legal fees of $7,968, $14,752 and $9,349 in 2002, 2003 and 2004, respectively. Policies applicable to claims occurring on April 1, 2003 and thereafter do not provide for recovery of legal fees.

Advertising expense — Expenses incurred for advertising include production and media and are generally expensed when incurred. Dealer-earned cooperative advertising expense is recorded when earned. Advertising expense for 2002, 2003 and 2004 was $36,086, $42,002 and $51,745, respectively.

Stock-based compensation — The Company accounts for employee stock option plans in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123, "Accounting for

Stock-Based Compensation" requires, if APB Opinion No. 25 is followed, disclosure of pro forma information regarding net income and earnings per share determined as if the Company accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2002	2003	**2004**
Risk-free interest rate	2.9%	1.9%	**2.4%**
Dividend yield	2.8%	2.8%	**2.1%**
Expected volatility of the Company's common stock	0.330	0.341	**0.336**
Expected life in years	4.8	6.6	**6.7**

The weighted-average fair value of options granted in 2002, 2003 and 2004 was $3.47, $3.74 and $5.69, respectively. For purposes of pro forma disclosures, the estimated fair value of options is amortized to expense over the options' vesting period. The Company's reported and pro forma financial results are as follows:

	2002	2003	**2004**
Income from continuing operations as reported	$55,032	$27,344	**$27,446**
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(2,193)	(1,659)	**(1,322)**
Pro forma income from continuing operations	$52,839	$25,685	**$26,124**
Basic earnings per share from continuing operations:			
Reported	$ 0.75	$ 0.37	**$ 0.37**
Pro forma	0.72	0.35	**0.35**
Diluted earnings per share from continuing operations:			
Reported	$ 0.74	$ 0.37	**$ 0.37**
Pro forma	0.71	0.35	**0.35**

Warranties — The Company provides for the estimated cost of product warranties at the time revenue is recognized based primarily on historical return rates, estimates of the eligible tire population, and the value of tires to be replaced. During the third quarters of 2003 and 2004, as a result of the review of the adequacy of its warranty liabilities which is performed each quarter, the Company reduced the enhanced warranty accrual established in 2001 as a result of the class action settlement by $3,900 and $11,273, respectively, and increased the normal warranty accrual by $3,311 in 2003. The reduction to the enhanced warranty liability is attributed to a reduction in the eligible population of tires subject to the enhanced warranty due to the passage of time and to lower than expected claims. The increase in the normal warranty liability in 2003 resulted from the revision of estimates made during the third quarter. The following table summarizes the activity in the Company's product warranty liabilities:

	2003	**2004**
Reserve at January 1	$23,231	**$ 22,642**
Additions	9,403	**4,643**
Enhanced warranty adjustment	(3,900)	**(11,273)**
Payments	(6,092)	**(5,964)**
Reserve at December 31	$22,642	**$ 10,048**

Use of estimates — The preparation of consolidated financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of (1) revenues and expenses during the reporting period, and (2) assets and liabilities, as well as disclosure of contingent assets and liabilities, at the date of the consolidated financial statements. Actual results could differ from those estimates.

Revenue recognition — Revenues are recognized when title to the product passes to customers. Shipping and handling costs are recorded in cost of products sold. Allowance programs such as volume rebates and cash discounts are recorded at the time of sale based on anticipated accrual rates for the year.

Research and development — Costs are charged to cost of products sold as incurred and amounted to approximately $14,688, $17,496 and $18,582 in 2002, 2003 and 2004, respectively.

Accounting pronouncements — In November, 2004, the FASB issued SFAS No. 151, "Inventory Costs." This statement amends Accounting Research Bulletin ("ARB") No. 43, Chapter 4, "Inventory Pricing," to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges. The provisions of this Statement are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard will have no impact on the Company's consolidated financial statements.

On December 16, 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment," which is a revision of FASB No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123; however, this Statement requires all share-based payments to employees, including grants of employee stock options, be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative to financial statement recognition. SFAS No. 123(R) must be adopted no later than July 1, 2005. Early adoption will be permitted in periods in which financial statements have not yet been issued.

SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method, in which compensation cost is recognized beginning with the effective date based on the requirements of SFAS No. 123(R) for (a) all share-based payments granted after the effective date and (b) for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.

2. A "modified retrospective" method, which includes the requirements of the modified prospective method described above for new awards and unvested awards but also permits entities to restate based on the amounts previously determined under SFAS No. 123 for purposes of pro forma disclosures either (a) all prior periods presented of (b) prior interim periods of the year of adoption.

The Company currently accounts for share-based payments to employees using the intrinsic value method prescribed in Accounting Principles Board Opinion 25 and as currently permitted by SFAS No. 123. In accordance with that Standard, the Company generally recognizes no compensation cost for employee stock options. Accordingly, the Company's adoption of the fair value method prescribed in SFAS No. 123(R) will have an impact on its future results of operations. The impact of the adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS No. 123(R) in prior periods, the impact would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share in the "Significant Accounting Policies - Stock-based compensation" footnote to the consolidated financial statements. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior periods for such excess tax deductions were $2,341, $551, and $2,718 in 2002, 2003 and 2004, respectively.

The Company is currently evaluating the provisions of this Statement, the impact on its consolidated financial statements and the timing and approach to adoption of the Statement.

Acquisitions

On March 10, 2003, the Company purchased Max-Trac Tire Co., Inc., better known as Mickey Thompson Performance Tires & Wheels. The Company has been a supplier to Mickey Thompson for a number of years, providing specialty and off-road tires under the Mickey Thompson and Dick Cepek names. The results of operations of Max-Trac Tire Co., Inc. are included in the consolidated financial statements from the date of acquisition.

The acquisition in 2003 does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

Divestiture of Cooper-Standard Automotive

On December 23, 2004 the Company sold its automotive operations, known as Cooper-Standard Automotive, to an entity formed by The Cypress Group and Goldman Sachs Capital Partners. In addition to the segregation of operating financial results, assets, and liabilities, Emerging Issues Task Force ("EITF") No. 87-24, "Allocation of Interest to Discontinued Operations," mandates the reallocation to continuing operations of general corporate overhead previously allocated to discontinued operations and permits the allocation of interest to discontinued operations in accordance with specific guidelines. Corporate overhead that previously would have been allocated to Cooper-Standard of $12,392, $12,048 and $12,201 for the years ended 2002, 2003 and 2004 respectively, is charged against continuing operations in the Company's consolidated statements of income. The Company is using the permitted allocation method for interest expense on corporate debt, which is based on the ratio of net assets to be sold or discontinued to the sum of total net assets of the consolidated Company plus consolidated debt. Under this method, interest expense of $35,925, $31,165 and $34,019 for the years ended 2002, 2003 and 2004, respectively, was allocated to discontinued operations in addition to interest on debt held directly by Cooper-Standard. Operating results for Cooper-Standard included in income from discontinued operations, net of income taxes, on the Company's consolidated statements of income and are presented in the following table. These amounts plus the results of other, smaller discontinued operations comprise the total income from discontinued operations.

(Dollar amounts in millions except per share amounts)

	Years ended December 31		
	2002	2003	**2004**
Net sales	$1,585,953	$1,662,216	**$1,851,954**
Operating profit, including restructuring costs	131,677	110,834	**137,838**
Interest expense	43,964	38,789	**36,365**
Other — net	(2,846)	(3,584)	**(2,696)**
Income from discontinued operations before income taxes	90,559	75,629	**104,169**
Provision for income taxes	35,698	29,968	**39,053**
Income from discontinued operations, net of income taxes	$ 54,861	$ 45,661	**$ 65,116**

The total assets and total liabilities of Cooper-Standard presented as assets of discontinued operations and liabilities of discontinued operations at December 31, 2003 are detailed below.

	December 31, 2003
ASSETS	
Current assets	$ 440,287
Net property, plant, and equipment	506,225
Goodwill	384,568
Intangibles and other assets	55,749
Total assets of discontinued operations	$ 1,386,829
LIABILITIES	
Current liabilities	$ 215,913
Long-term debt	8,056
Postretirement benefits other than pensions	69,061
Other long-term liabilities	51,445
Deferred income taxes	(4,862)
Total liabilities of discontinued operations	$ 339,613

Gain on Sale of Cooper-Standard Automotive

Proceeds from the sale of Cooper-Standard Automotive were $1,221,037, including additional proceeds of approximately $48,770 expected during 2005 based on the buyer's reported post-closing amounts. The expected additional proceeds are recorded as accounts receivable from the sale of automotive operations on the consolidated balance sheet at December 31, 2004.

The Company recorded a gain of $112,448 on the sale based on the preliminary sales price, including a tax benefit of $6,362 resulting primarily from currently deductible compensation expenses and other costs associated with the sale. Differences from the buyer's reported post-closing amounts and the final payment amount, if any, will be reflected as an adjustment to the gain on the sale after the final payment amount is agreed upon. There is no tax liability on the gain due to a capital loss in the United States resulting from book and tax bases differences and a statutory exemption from tax on the capital gain in the United Kingdom.

In connection with the sale, the Company agreed to indemnify the buyer against pre-closing income tax liabilities and other items specified in the Sale Agreement. For indemnity commitments where the Company believes future payments are probable, it also believes the expected outcomes can be estimated with reasonable accuracy. Accordingly, for such amounts, a liability has been recorded with a corresponding decrease in the gain on the sale. Other indemnity provisions will be monitored for possible future payments not presently contemplated. With the passage of time, additional information may become available to the Company which would indicate the estimated indemnification amounts require revision. Changes in estimates of the amount of indemnity payments will be reflected as an adjustment to the gain on sale in the periods in which the additional information becomes known.

Other Discontinued Operations

In September 2004, the North American Tire segment announced its intent to cease its inner tube business and is currently in discussions with potential buyers for this business or its assets. The segment recorded restructuring charges of $5,163 related to this decision, which included an impairment charge of $2,922 to write the inner tube assets down to their fair market value, severance costs of $1,115, employee benefit costs of $826,000 and other costs of $300,000. All employees affected by this initiative have left the Company and are being paid their severance package in accordance with the terms of their separation. The following table summarizes the activity associated with this initiative since its announcement:

	Employee Separation Costs
Accrual at January 1, 2004	$ —
Severance costs accrued	1,115
Cash payments	(388)
Accrual at December 31, 2004	**$ 727**

The accrued severance is presented as "Liabilities of discontinued operations" on the Company's consolidated balance sheets.

Sales for the Company's inner tube business were $26,839, $22,019 and $17,301 for the years 2002, 2003 and 2004, respectively. Operating profit of $3,003 was generated in 2002 and $1,277 was generated in 2003. An operating loss of $5,821 was recorded in 2004, including the restructuring charges described above. Net income for the tube operation was $1,952 in 2002 and $830 in 2003. A net loss of $3,638 was recognized in 2004.

Restructuring

During 2002, the International Tire segment recorded $134 of restructuring costs related to employee terminations at its United Kingdom facility and the North American Tire segment recorded $37 of restructuring costs associated with the downsizing of a manufacturing facility.

During 2003, the North American Tire segment recorded $2,100 of employee severance costs related to a management reorganization. All employees affected by this reorganization have left the Company and were paid their severance package in accordance with the terms of their separation. The segment also recorded an additional $90 of restructuring costs associated with this initiative. The following table summarizes the activity related to the severance accrual since January 1, 2003:

	Employee Separation Costs
Accrual at January 1, 2003	$ —
Severance costs accrued	2,100
Cash payments	(1,800)
Accrual at December 31, 2003	300
Cash payments	**(300)**
Accrual at December 31, 2004	**$ —**

During 2004, the North American Tire segment initiated two restructuring plans. In the second quarter, the segment announced an initiative to consolidate its pre-cure retread operations in Asheboro, NC, and recorded a charge of $1,715 to write certain related equipment down to its scrap salvage value (the fair market value) and recorded $102 in equipment disposal costs. In the third quarter, a plan to cease production of radial medium truck tires by the end of 2005 at the Albany, GA tire facility was announced. These tires will be sourced from Asian manufacturers in the future. No employees will be affected by this initiative. The segment recorded an impairment charge of $7,536 million for equipment associated with radial medium truck tire production to write the equipment down to its fair market value as determined by sales proceeds negotiated with a potential buyer.

Assets Held for Sale

As a result of the sale of the Company's automotive business and the ongoing discussions with potential buyers of the Company's inner tube business or its assets, these operations are considered to be discontinued operations as defined under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and require specific accounting and reporting which differs from the approach used to report the Company's results in the prior year. The Standard also requires restatement of comparable prior periods to conform to the required presentation. The consolidated balance sheets at December 31, 2003 and 2004 display the segregation of the total assets of the operations to be sold as an aggregated current asset and the related total liabilities as an aggregated current liability. The Company's automotive operations were sold in December of 2004.

As a result of the closure of an Automotive manufacturing facility in the United Kingdom, the assets of that facility with a carrying value of $1,587, are classified as “Assets Held for Sale” on the consolidated balance sheets of the Company at December 31, 2004. The assets of the Cleveland manufacturing facility, a closed Cooper-Standard plastics parts operation, valued at $811, remain with the Company and are also classified as “Assets Held for Sale” on the consolidated balance sheets of the Company. The Company has binding contracts for the sale of these facilities with closings scheduled early in the second quarter of 2005.

Discussions continue with potential buyers of the Clarksdale assets and business. The assets of the Clarksdale facility with a carrying value of $6,965 are also classified as “Assets Held for Sale” at December 31, 2004.

The radial medium truck tire equipment located at the Albany, GA tire facility has a fair market value of $1,450 and is classified as “Assets Held for Sale” on the consolidated balance sheets of the Company at December 31, 2004. The Company is exploring the sale of this equipment as part of its intent to cease production of radial medium truck tires by the end of 2005 and source this product from Asian manufacturers.

Inventories

Under the LIFO method, inventories have been reduced by approximately $60,976 and $85,954 at December 31, 2003 and 2004, respectively, from current cost which would be reported under the first-in, first-out method. Approximately 75 percent of the Company’s inventories have been valued under the LIFO method at both December 31, 2003 and 2004.

Goodwill and Intangibles

Goodwill is recorded in the segment where it was generated by acquisitions. Purchased goodwill and indefinite-lived intangible assets are tested annually for impairment. The Company also reevaluated its intangible assets and determined that there were no significant changes in their useful lives. During the fourth quarters of 2003 and 2004, the Company completed its annual tests for goodwill impairment and no impairment was indicated at those times.

The following table presents intangible assets and accumulated amortization balances as of December 31, 2003 and 2004:

	December 31, 2003			**December 31, 2004**		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Definite-lived:						
Trademarks and tradenames	$16,500	$ (3,206)	$13,294	**$16,480**	**$ (4,141)**	**$12,339**
Patents and technology	14,131	(7,461)	6,670	**14,151**	**(8,898)**	**5,253**
Other	5,448	(1,371)	4,077	**5,314**	**(1,999)**	**3,315**
	36,079	(12,038)	24,041	**35,945**	**(15,038)**	**20,907**
Indefinite-lived:						
Trademarks	13,191	—	13,191	**13,191**	**—**	**13,191**
	$49,270	$ (12,038)	$37,232	**$49,136**	**$ (15,038)**	**$34,098**

Estimated amortization expense over the next five years is as follows: 2005 — $3,010, 2006 — $3,000, 2007 — $2,982, 2008 — $2,608, and 2009 — $1,028.

Debt

On June 30, 2004, the Company restated and amended its revolving credit facility with a consortium of ten banks. Pursuant to the amendment, debt covenants based on the ratio of income before fixed charges and income taxes to fixed charges (the “fixed charge coverage ratio”) was eliminated and replaced by an interest coverage ratio. This ratio (consolidated earnings before interest, taxes, depreciation and amortization divided by consolidated net interest expense) is required to be maintained at a minimum of 3.0 times by the Company. The amendment also eliminated a covenant based on the computation of the ratio of total debt to total capitalization and replaced it with the ratio of consolidated net indebtedness to consolidated capitalization. Consolidated net indebtedness is indebtedness measured in accordance with generally accepted accounting principles in the United States reduced by cash and eligible short term investments in excess of $30,000. The Company is required to maintain this ratio below 55 percent. The Agreement, as amended, provides up to $175,000 in credit facilities until August 31, 2008 and an additional $175,000 in credit facilities until June 29, 2005. The Company has the option to convert any outstanding loans under the short-term commitment into a one-year term loan. The loans may be denominated in either U.S. Dollars or certain other currencies based upon Eurodollar interest rates or the agent bank’s base rate. In addition, the terms of the Agreement permit the Company to request bid rate loans from banks participating in the Agreement.

Borrowings under the Agreement bear a margin linked to the Company's long-term credit ratings from Moody's and Standard & Poor's. There are no compensating balances required and the facility fees are not material. The credit facilities also support issuance of commercial paper. There were no borrowings under the revolving credit facilities and no commercial paper was outstanding at December 31, 2003 or 2004.

The Company's revolving credit facility also contains a covenant which prevents the disposition of a substantial portion of its assets. A waiver of this covenant was granted by the bank group in December 2004 to permit the disposition of Cooper-Standard Automotive.

In August 2001 a Canadian subsidiary of the Company entered into a $125,000 loan agreement with Market Street Funding Corporation, an affiliated company of PNC Bank NA, which was secured by certain trade accounts receivable. At that time, $90,000 was advanced under the loan agreement with a maturity date of August 2006. This loan was repaid in the second quarter of 2004 and the arrangement was cancelled.

The Company has a global cash pooling arrangement which allows the efficient management of cash between its operations in various foreign countries. Prior to the sale of Cooper-Standard, the Company's continuing operations were a net debtor within the pool. This position was settled prior to the sale transaction in late December, resulting in the repayment of $32 million of cash pool debt during 2004.

The Company has entered into $150,000 of interest rate swap contracts to convert a portion of the 2009 Senior Notes to floating rates. The carrying value of the 7.75 percent notes has been increased by the change in the fair value of the related interest rate swap contracts of $3,905 at December 31, 2003 and $3,721 at December 31, 2004. The net amounts paid or received from these interest rate swap contracts are recorded as an adjustment to interest expense.

The following table summarizes the long-term debt of the Company at December 31, 2003 and 2004:

	2003	**2004**
7.75% unsecured notes, aggregate principal payment due December 2009	$353,905	**$353,721**
8% unsecured notes, aggregate principal payment due December 2019	225,000	**225,000**
7.625% unsecured notes, aggregate principal payment due March 2027	189,900	**189,900**
Canadian floating rate note due 2006	90,000	**—**
Capitalized leases and other	5,087	**5,083**
	863,892	**773,704**
Less current maturities	—	**—**
	$863,892	**$773,704**

The Company has no long-term debt maturities due until December 2009 when $350,000 of notes mature.

The Company's debt agreements require it to maintain, among other things, certain financial ratios. Retained earnings of $1,397,268 at December 31, 2004 are available for the payment of cash dividends and purchases of the Company's common shares.

The Company and its subsidiaries also have, from various banking sources, approximately $25,900 of available short-term lines of credit of which $459, included in Notes payable on the consolidated balance sheet, is outstanding at December 31, 2004, at rates of interest approximating euro-based interest rates. The amounts available and outstanding vary based on exchange rates as borrowings may be in currencies other than the U.S. Dollar.

The weighted average interest rate of short-term notes payable at December 31, 2003 and 2004 was 4.0 percent and 5.25 percent, respectively.

Interest paid on debt, net of payments received under interest rate swap agreements, during 2002, 2003 and 2004 was $73,438, $64,027 and $61,723, respectively. The amount of interest capitalized was $418, $990 and $2,014 during 2002, 2003 and 2004, respectively.

Fair Value of Financial Instruments

The fair value of the Company's debt is computed using discounted cash flow analyses based on the Company's estimated current incremental borrowing rates. The carrying amounts and fair values of the Company's financial instruments as of December 31 are as follows:

	2003		2004	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	$ 28,550	$ 28,550	**$ 881,728**	**$ 881,728**
Short-term investments	—	—	**46,064**	**46,064**
Notes payable	(161)	(161)	**(459)**	**(459)**
Long-term debt	(863,892)	(992,192)	**(773,704)**	**(894,204)**
Derivative financial instruments	(17,688)	(17,688)	**(1,625)**	**(1,625)**

The derivative financial instruments include fair value and cash flow hedges of foreign currency exposures and fair value hedges of fixed rate debt. Exchange rate fluctuations on the foreign currency-denominated intercompany loans and obligations are offset by the change in values of the fair value foreign currency hedges. The Company presently hedges exposures in the Euro, Canadian dollar, British pound sterling, Swiss franc and Swedish kronar generally for transactions expected to occur within the next 12 months. The notional amount of these foreign currency derivative instruments at December 31, 2003 and 2004 was $350,298 and $187,000, respectively. The counterparties to each of these agreements are major commercial banks. Management believes that the probability of losses related to credit risk on investments classified as cash and cash equivalents and short-term investments is remote.

Preferred Stock Purchase Rights

Under the Company's rights plan, one right is associated with each outstanding common share. Each right entitles the holder to purchase 1/100th of a share of Series A Preferred Stock of the Company at an exercise price of $135. The rights will become exercisable only if a person or group (i) acquires beneficial ownership of 15 percent or more of the Company's outstanding common stock ("Acquiring Person"), or (ii) subject to extension of the date by the Board of Directors of the Company, commences a tender or exchange offer which upon consummation would result in such person or group beneficially owning 15 percent or more of the Company's outstanding common stock (ten days following the date of announcement of (i) above, the "Stock Acquisition Date").

If any person becomes an Acquiring Person, or if an Acquiring Person engages in certain self-dealing transactions or a merger transaction in which the Company is the surviving corporation and its common stock remains outstanding, or an event occurs which results in such Acquiring Person's ownership interest being increased by more than one percent, then each right not owned by such Acquiring Person or certain related parties will entitle its holder to purchase a number of shares of the Company's Series A Preferred Stock (or in certain circumstances, Company common stock, cash, property, or other securities of the Company) having a value equal to twice the then- current exercise price of the right. In addition, if, following the Stock Acquisition Date, the Company (i) is acquired in a merger or other business combination and the Company is not the surviving corporation, (ii) is involved in a merger or other business combination transaction with another person after which all or part of the Company's common stock is converted or exchanged for securities, cash or property of any other person, or (iii) sells 50 percent or more of its assets or earning power to another person, each right (except rights that have been voided as described above) will entitle its holder to purchase a number of shares of common stock of the ultimate parent of the Acquiring Person having a value equal to twice the then-current exercise price of the right.

The Company will generally be entitled to redeem the rights at one cent per right, subject to adjustment in certain events, payable in cash or shares of the Company's common stock at any time until the tenth business day following the Stock Acquisition Date.

Stock-Based Compensation

Stock Options

The Company's 1998 and 2001 incentive compensation plans allow the Company to grant awards to key employees in the form of stock options, stock awards, restricted stock units, stock appreciation rights, performance units, dividend equivalents and other awards. The 1986 and 1996 incentive stock option plans and the 1998 and 2001 incentive compensation plans provide for granting options to key employees to purchase common shares at prices not less than market at the date of grant. Options under these plans may have terms of up to ten years becoming exercisable in whole or in consecutive installments, cumulative or otherwise. The plans allow the granting of nonqualified stock options which are not intended to qualify for the tax treatment applicable to incentive stock options under provisions of the Internal Revenue Code. Options which were outstanding at December 31, 2002 under these plans had a term of ten years and become exercisable 50 percent after the first year and 100 percent after the second year. Options which were granted during 2003 and 2004 under the 2001 incentive compensation plan have terms of ten years and become exercisable 25 percent per year.

The 1998 employee stock option plan allowed the Company to make a nonqualified option grant to substantially all of its employees to purchase common shares at a price not less than market at the date of grant. Options granted under this plan have a term of ten years and became exercisable in full beginning three years after the date of grant.

The Company's 2002 nonqualified stock option plan provides for granting options to directors who are not current or former employees of the Company to purchase common shares at prices not less than market at the date of grant. Options granted under this plan have a term of ten years and are exercisable in full beginning one year after the date of grant.

Summarized information for the plans follows:

		Number of Shares	Weighted Average Exercise Price	Available For Grant
January 1, 2002				
	Outstanding	3,226,870	$ 17.26	
	Exercisable	*2,028,896*	*19.68*	
	Granted	868,300	15.14	
	Exercised	(583,666)	13.69	
	Expired	(22,320)	24.94	
	Cancelled	(137,374)	17.97	
December 31, 2002				5,799,699
	Outstanding	3,351,810	17.24	
	Exercisable	*2,166,410*	*18.67*	
	Granted	703,150	14.61	
	Exercised	(266,155)	14.23	
	Expired	(22,603)	25.17	
	Cancelled	(136,806)	17.75	
December 31, 2003				4,475,862
	Outstanding	3,629,396	16.89	
	Exercisable	*2,545,146*	*17.78*	
	Granted	705,900	19.81	
	Exercised	(394,012)	14.29	
	Expired	(20,629)	24.55	
	Cancelled	(127,627)	18.84	
December 31, 2004				3,987,480
	Outstanding	3,793,028	17.60	
	Exercisable	*2,599,954*	*17.56*	

The weighted average remaining contractual life of options outstanding at December 31, 2004 is 6.3 years.

Segregated disclosure of options outstanding at December 31, 2004 is as follows:

	Range of Exercise Prices		
	Less than or equal to $14.75	Greater than $14.75 and less than $19.80	Greater than or equal to $19.80
Options outstanding	1,279,185	1,284,467	1,229,376
Weighted average exercise price	$ 13.83	$ 17.62	$ 21.51
Remaining contractual life	6.9	8.0	3.8
Options exercisable	792,011	600,567	1,207,376
Weighted average exercise price	$ 13.35	$ 15.18	$ 21.51

Restricted Stock Units

Under the 1998 and 2001 Incentive Compensation Plans, restricted stock units may be granted to officers and other key employees. Deferred compensation related to the restricted stock units is determined based on the fair value of the Company's stock on the date of grant and is amortized to expense over the vesting period. The following table provides details of the restricted stock units granted by the Company:

	Restricted Stock Units Granted	Weighted Average Fair Value	Vesting Period	Restricted Stock Units Outstanding December 31, 2003	Restricted Stock Units Granted	Accrued Dividend Equivalents	Shares Issued	Restricted Stock Units Cancelled	Restricted Stock Units Outstanding December 31, 2004
1999	49,210	$ 16.50	1 to 3 years	38,524		706	(3,405)		35,825
2001	3,836	13.47	1 and 2 years	3,051		54	(546)		2,559
2002	23,000	14.98	5 years	22,792		483	(1,053)	(1,042)	21,180
2003	5,000	17.89	5 years	5,060		110			5,170
2003	1,000	17.89	3 years	1,012		22			1,034
2004	25,674	19.76	1 year		25,674	523			26,197
2004	5,400	19.76	3 years		5,400	110			5,510
2004	3,000	21.27	5 years		3,000	48			3,048
	116,120			70,439	34,074	2,056	(5,004)	(1,042)	100,523

Common Stock

There were 18,596,202 common shares reserved for grants under compensation plans and contributions to the Company's Spectrum Investment Savings Plan and Pre-Tax Savings plans at December 31, 2004. The Company matches contributions made by participants to these plans in accordance with a formula based upon the financial performance of the Company. Matching contributions are directed to the Company Stock Fund and must remain invested in that fund until an employee has attained three years of service with the Company. Once an employee has attained three years of service, any matching contributions may be transferred to any of the other investment funds offered under the plans.

Pensions and Postretirement Benefits Other than Pensions

The Company and its consolidated subsidiaries have a number of plans providing pension, retirement or profit-sharing benefits for substantially all domestic employees. These plans include defined benefit and defined contribution plans. The Company has an unfunded, nonqualified supplemental retirement plan covering certain employees whose participation in the qualified plan is limited by provisions of the Internal Revenue Code.

For defined benefit plans, benefits are generally based on compensation and length of service for salaried employees and length of service for hourly employees. Effective January 1, 2002 a new hybrid pension plan covering all domestic salaried and non-bargained hourly employees was established. Current employees meeting certain requirements were grandfathered in the previous defined benefit programs. The new pension plan resembles a savings account. Amounts

are credited based on a combination of age, years of service and percentage of earnings. A cash-out option is available upon termination or retirement.

The Company's general funding policy is to contribute more than minimum requirements but not in excess of amounts deductible for United States federal income tax purposes. Employees of certain of the Company's foreign operations are covered by either contributory or non-contributory trusteed pension plans.

Participation in the Company's defined contribution plans is voluntary and participants' contributions are limited based on their compensation and for certain supplemental contributions which are not eligible for company matching based on their age. The Company matches certain plan participants' contributions up to various limits. Company contributions for certain of these plans are dependent on operating performance. Expense for those plans was $6,078, $3,932 and $6,069 for 2002, 2003 and 2004, respectively.

The Company currently provides retiree health care and life insurance to a significant percentage of its domestic salaried and hourly employees. Domestic salaried and non-bargained hourly employees hired on or after January 1, 2003 are not eligible for retiree health care or life insurance coverage. Subject to specific provisions contained in certain of its labor agreements, the Company has reserved the right to modify or terminate such benefits at any time.

The Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," in 1992 and, to mitigate the impact of medical cost inflation on the Company's retiree medical obligation, instituted per participant caps on the amounts of retiree medical benefits it will provide to future retirees. The caps do not apply to individuals who retired prior to certain specified dates. Costs in excess of these caps will be paid by plan participants. The Company has implemented increased cost sharing in 2004 in the retiree medical coverage provided to certain eligible current and future retirees.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was enacted in December 2003. The Act introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree health plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003." This FSP provided accounting and disclosure guidance for employers who sponsor postretirement health care plans that provide drug benefits. Regulations regarding implementation of provisions relevant to the Company's accounting are complex and contain acknowledged open issues. The Company recorded their potential effect during the third quarter of 2004, retroactive to January 1, 2004 as prescribed by FSP 106-2.

The Act reduced net periodic postretirement benefit cost by $2,183 in 2004 including service cost, interest cost and amortization of the actuarial gain. The total impact on the Company's actuarial liability under all U. S. plans was a reduction of $15,300 and is being accounted for as an actuarial gain that will be amortized as a reduction of the Company's periodic expense and balance sheet liability over periods from ten to twelve years.

In connection with the divestiture of the automotive operations, defined benefit plans relating to automotive operations were assumed by the buyer except those relating to previously closed plants. Obligations assumed by the buyer consisted of 1) plans established under collective bargaining agreements all of which related to discrete automotive employee units and which have been separately measured and transferred to the buyer at closing and 2) obligations relating to active automotive employees and retirees who participated in the Company's non-bargained defined benefit plan which covered all eligible non-bargained employees. Pursuant to terms of the sale, an actuarial determination is to be made of the obligations and assets being split from the Company's non-bargained plan. At December 31, 2004, the Company's actuary has provided estimates of the total obligations, computed using the Company's accounting methods and actuarial estimates, and assets to be transferred to the buyer. The estimated amounts to be transferred, measured at December 31, 2004, are reflected in the table below. Actual amounts transferred will be actuarially determined by June 2005 and the computed obligation and plan assets will be transferred to the buyer at that time. As a result, the obligations and assets relating to continuing operations may differ from the amounts shown in the table below. Such differences, if any, will be reflected as an adjustment to the gain on the sale of the automotive operations. The Company does not believe such differences will be material.

The table below reflects changes in the projected obligations and fair market values of assets in all defined benefit pension and other postretirement benefit plans of the Company, including those relating to the automotive group through December 23, 2004, the date of the sale of the automotive operations, and, in 2004, are reduced by the estimated amounts assumed by the buyer to arrive at estimated amounts retained by the Company. The funded status of the plans, amounts recognized in the balance sheet at December 31, 2004 and components of periodic expense in a following table, relate only to the estimated amounts for continuing operations.

	Pension Benefits		Other Postretirement Benefits	
	2003	**2004**	2003	**2004**
Change in projected benefit obligation:				
Projected benefit obligation at January 1	$ 896,926	**$1,036,383**	$ 311,059	**$ 348,232**
Impact of the Medicare Act	—	**—**	—	**(15,300)**
Acquisition	720	**—**	—	**—**
Divestiture	—	**(252,312)**	—	**(92,421)**
Service cost	26,889	**32,336**	7,169	**7,857**
Plan curtailments	—	**668**	—	
Participant contributions	2,173	**2,327**	—	
Interest cost	61,550	**66,729**	20,692	**20,624**
Actuarial loss	69,460	**63,486**	30,857	**17,206**
Amendments	574	**5,852**	—	
Benefits paid	(50,757)	**(55,501)**	(22,607)	**(21,716)**
Foreign currency exchange rate effect	28,848	**20,686**	1,062	**360**
Projected benefit obligation at December 31	$1,036,383	**$ 920,654**	$ 348,232	**$ 264,842**
Change in plans' assets:				
Fair value of plans' assets at January 1	$ 696,478	**$ 835,977**	$ —	**$ —**
Actual return on plans' assets	108,263	**90,698**	—	**—**
Employer contributions	58,674	**115,210**	—	**—**
Participant contributions	2,173	**2,327**	—	**—**
Divestiture	—	**(185,162)**	—	**—**
Benefits paid	(50,402)	**(54,832)**	—	**—**
Foreign currency exchange rate effect	20,791	**14,836**	—	**—**
Fair value of plans' assets at December 31	$ 835,977	**$ 819,054**	$ —	**$ —**
Funded status of the plans	$ (200,406)	**$ (101,600)**	$(348,232)	**$(264,842)**
Unrecognized actuarial loss	301,615	**265,902**	107,499	**80,609**
Unrecognized prior service cost	(20,918)	**(18,309)**	120	**(2,430)**
Unrecognized net transition obligation	(77)	**(30)**	—	**—**
Adjustment for minimum liability	(216,825)	**(140,079)**	—	**—**
Net amount recognized	$ (136,611)	**$ 5,884**	$(240,613)	**$(186,663)**
Amounts recognized in the balance sheets:				
Other assets	$ 77,779	**$ 153,399**	$ —	**$ —**
Assets of discontinued operations	10,109	**—**	—	**—**
Accrued liabilities	—	**—**	(14,126)	**(17,179)**
Liabilities of discontinued operations	(40,600)	**—**	(74,824)	**—**
Postretirement benefits other than pensions	—	**—**	(151,663)	**(169,484)**
Other long-term liabilities	(183,899)	**(147,515)**	—	**—**
Net amount recognized	$ (136,611)	**$ 5,884**	$(240,613)	**$(186,663)**

The accumulated benefit obligation for all defined benefit pension plans was $973,623 and $846,527 at December 31, 2003 and 2004, respectively.

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Postretirement Benefits	
	2003	**2004**	2003	**2004**
All plans				
Discount rate	6.38%	**6.14%**	6.25%	**6.00%**
Rate of compensation increase	3.58%	**3.60%**	—	**—**
Domestic plans				
Discount rate	6.25%	**6.00%**	6.25%	**6.00%**
Rate of compensation increase	3.25%	**3.25%**	—	**—**
Foreign plans				
Discount rate	6.73%	**6.49%**	6.25%	**n/a**
Rate of compensation increase	4.47%	**4.48%**	—	

At December 31, 2004 the weighted average assumed annual rate of increase in the cost of health care benefits (health care cost trend rate) was 9.0 percent per year for 2005 and 2006 and 6.0 percent per year for 2007 and thereafter.

	Pension Benefits			Other Postretirement Benefits		
	2002	2003	**2004**	2002	2003	**2004**
Components of net periodic benefit cost:						
Service cost	$ 17,990	$ 17,692	**$ 20,782**	$ 4,042	$ 5,099	**$ 5,048**
Interest cost	46,167	47,791	**51,603**	16,479	15,249	**15,106**
Expected return on plan assets	(51,433)	(49,212)	**(58,426)**	—	—	**—**
Amortization of transition obligation	799	342	**(38)**	—	—	**—**
Plan curtailment	—	—	**826**	—	—	**—**
Amortization of prior service cost	2,620	3,253	**2,463**	1,323	1,081	**(122)**
Recognized actuarial loss	7,102	13,518	**14,031**	2,739	2,252	**3,047**
Net periodic benefit cost	$ 23,245	$ 33,384	**$ 31,241**	$24,583	$23,681	**$23,079**

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	Pension Benefits			Other Postretirement Benefits		
	2002	2003	**2004**	2002	2003	**2004**
All plans						
Discount rate	7.19%	6.81%	**6.38%**	7.25%	6.75%	**6.25%**
Expected return on plan assets	9.24%	8.98%	**8.98%**	—	—	**—**
Rate of compensation increase	4.80%	3.93%	**3.58%**	—	—	**—**
Domestic plans						
Discount rate	7.25%	6.75%	**6.25%**	7.25%	6.75%	**6.25%**
Expected return on plan assets	9.50%	9.00%	**9.00%**	—	—	**—**
Rate of compensation increase	4.75%	3.75%	**3.25%**	—	—	**—**
Foreign plans						
Discount rate	7.00%	7.00%	**6.73%**	n/a	n/a	**n/a**
Expected return on plan assets	8.43%	8.92%	**8.93%**			
Rate of compensation increase	4.97%	4.48%	**4.47%**			

The following table lists the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations and accumulated benefit obligations in excess of plan assets at December 31, 2003 and 2004:

	2003		**2004**	
	Projected benefit obligation exceeds plan assets	Accumulated benefit obligation exceeds plan assets	**Projected benefit obligation exceeds plan assets**	**Accumulated benefit obligation exceeds plan assets**
Projected benefit obligation	$1,033,977	$1,011,629	**$ 906,641**	**$ 503,334**
Accumulated benefit obligation	971,257	953,507	**832,513**	**487,720**
Fair value of plan assets	833,561	814,541	**804,023**	**423,894**

Assumed health care cost trend rates for other postretirement benefits have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point	
	Increase	Decrease
Increase (decrease) in total service and interest cost components	$ 363	$ (312)
Increase (decrease) in the postretirement benefit obligation	6,189	(5,322)

The Company's weighted average asset allocations for its domestic and foreign pension plans' assets at December 31, 2003 and December 31, 2004 by asset category are as follows:

	Domestic Plans		Foreign Plans	
Asset Category	2003	**2004**	2003	**2004**
Equity securities	65%	**64%**	72%	**73%**
Debt securities	32	**34**	28	**26**
Cash	3	**2**	—	**1**
Total	100%	**100%**	100%	**100%**

The Company's investment policy for United States plans' assets is to maintain an allocation of 65 percent in equity securities and 35 percent in debt securities. The Company's investment policy for United Kingdom plan assets is to maintain an allocation of 70 percent in equity securities and 30 percent in debt securities. Rebalancing of the asset portfolios occurs periodically if the mix differs from the target allocation. Equity security investments are structured to achieve an equal balance between growth and value stocks. The amount shown as cash represents Company contributions that occurred in late December and had not yet been invested. The Company also has a pension plan in Germany and the assets of that plan consist of investments in a German insurance company.

The fair value of domestic plan assets was $638,301 at December 31, 2003. At December 31, 2004, after the sale of Cooper-Standard, the fair market value of domestic plan assets was $624,135. The fair value of United States plans' assets at the end of each December are derived using assets held by the Trust at the end of each November, then adding contributions made during December and deducting benefits paid to the plans' participants during December. The fair value of United Kingdom plan assets was $163,240 and $192,399 at September 30, 2003 and 2004, respectively. The United Kingdom plan has a September 30 measurement date for the pension liabilities and assets. The plan assets at September 30 are the plan assets disclosed in this footnote. The fair value of the German pension plan assets was $2,417 and $2,520 at December 31, 2003 and 2004, respectively.

The Company determines the annual expected rates of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. These computed rates of return are reviewed by the Company's investment advisors and actuaries. Industry comparables and other outside guidance are also considered in the annual selection of the expected rates of return on pension assets.

The Company estimates it will contribute between $40,000 and $45,000 to its domestic and foreign pension plans in 2005 under its normal funding policy.

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

	Pension Benefits	Other Postretirement Benefits
2005	$ 40,000	$ 17,000
2006	40,000	18,000
2007	42,000	18,000
2008	44,000	19,000
2009	45,000	19,000
2010 through 2014	268,000	105,000

Income Taxes

Components of income from continuing operations before income taxes were as follows:

	2002	2003	**2004**
United States	$ 72,387	$ 27,147	**$ 21,666**
Foreign	11,248	10,058	**13,340**
Total	$ 83,635	$ 37,205	**$ 35,006**

The provision for income taxes for continuing operations consists of the following:

	2002	2003	**2004**
Current:			
Federal	$ 9,259	$ (2,559)	**$ 14,936**
State and local	971	448	**273**
Foreign	28,390	440	**4,647**
	38,620	(1,671)	**19,856**
Deferred:			
Federal	13,298	10,903	**(9,917)**
State and local	1,474	(219)	**(94)**
Foreign	(24,789)	848	**(2,285)**
	(10,017)	11,532	**(12,296)**
	$ 28,603	$ 9,861	**$ 7,560**

A reconciliation of income tax expense for continuing operations to the U.S. statutory rate is as follows:

	2002	2003	**2004**
Income tax provision at 35%	35.0%	35.0%	**35.0%**
State and local income tax, net of federal income tax effect	1.9	0.4	**0.5**
Medicare prescription benefit	—	—	**(2.2)**
Section 404(k) dividend	(1.4)	(2.9)	**(3.2)**
U.S. tax credits	(0.7)	(1.2)	**(2.3)**
Extraterritorial income exclusion	(0.9)	(2.0)	**(2.1)**
Difference in effective tax rates of international operations	(0.4)	(6.0)	**(6.6)**
Other — net	0.7	3.2	**2.5**
Effective income tax rate	34.2%	26.5%	**21.6%**

Payments for income taxes in 2002 and 2004, net of refunds, were $27,577 and $24,861, respectively. Refunds in 2003, net of payments, were $20,215.

Deferred tax assets and liabilities result from differences in the basis of assets and liabilities for tax and financial reporting purposes. Significant components of the Company's deferred tax assets and liabilities at December 31 were as follows:

	2003	**2004**
Deferred tax assets:		
Postretirement and other employee benefits	$ 151,773	**$ 133,961**
Net operating loss, capital loss, and tax credits carryforwards	19,456	**48,396**
All other items	22,649	**42,778**
Total deferred tax assets	193,878	**225,135**
Deferred tax liabilities:		
Property, plant and equipment	(136,085)	**(113,750)**
Pension benefits	(35,727)	**(58,503)**
All other items	(20,562)	**(24,792)**
Total deferred tax liabilities	(192,374)	**(197,045)**
	1,504	**28,090**
Valuation allowances	(12,783)	**(41,061)**
Net deferred tax liability	$ (11,279)	**$ (12,971)**

The net deferred taxes in the consolidated balance sheets are as follows:

	2003	**2004**
Current assets	$ 22,814	**$ 28,029**
Non-current liabilities	(34,093)	**(41,000)**
Net deferred tax liability	$ (11,279)	**$ (12,971)**

At December 31, 2004 the Company has $222,827 of state and $4,865 of foreign tax losses, $71,607 of capital losses, and $9,393 of federal and state credits available for carryforward. The state tax losses and credits are almost completely offset with valuation reserves and expire from 2004 through 2025. The foreign tax losses have an indefinite carryforward and the

federal tax credits generally expire in two to 20 years. The increase in the valuation reserve from 2003 relates to fully reserving the capital loss and state tax losses and credits generated in 2004.

During 2004, the Company generated a U.S. capital loss carryforward as a result of the sale of Cooper-Standard. This carryover will expire in 2009 and has been fully offset with a valuation reserve. The sale also generated a significant capital gain in the United Kingdom which the Company has determined will be exempt under the U.K. substantial shareholdings exemption.

United States income taxes were not provided on a cumulative total of approximately $142,000 of undistributed earnings for certain non-U.S. subsidiaries. The Company currently intends to reinvest these earnings in operations outside the United States. The American Jobs Creation Act of 2004 ("the Jobs Act") creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends-received deduction for certain dividends from controlled foreign corporations. The deduction is subject to certain limitations, and currently the Company is uncertain as to how to interpret numerous provision of the Jobs Act. The Company is not yet in a position to decide whether, and to what extent, foreign earnings that have not been remitted to the U.S. will be repatriated. Based on the analysis to date, however, it is reasonably possible that as much as $142,000 might be repatriated, with a respective tax liability of up to $8,645. The Company will complete its analysis during 2005.

Lease Commitments

The Company rents certain distribution facilities and equipment under long-term leases expiring at various dates. The total rental expense for the Company, including these long-term leases and all other rentals, was $20,081, $19,709 and $19,469 for 2002, 2003 and 2004, respectively. The Company rents certain distribution facilities and equipment under long-term leases expiring at various dates.

Future minimum payments for all non-cancelable operating leases through the end of their terms, which in aggregate total $56,431 are listed below. Certain of these leases contain provisions for renewal at the end of the lease terms.

2005	$11,037
2006	9,871
2007	8,514
2008	7,047
2009	5,302
Thereafter	14,660

Cumulative Other Comprehensive Loss

The balances of each component of Cumulative other comprehensive loss in the accompanying consolidated statements of stockholders' equity are as follows:

	2003	**2004**
Cumulative currency translation adjustment	$ 27,769	**$ 15,533**
Changes in the fair value of derivatives and unrealized gains/(losses) on marketable securities	(7,416)	**(5,068)**
Tax effect	2,829	**1,935**
Net	(4,587)	**(3,133)**
Minimum pension liability	(209,871)	**(133,771)**
Tax effect	77,010	**47,286**
Net	(132,861)	**(86,485)**
	$(109,679)	**$ (74,085)**

Net income reflects realized gains and losses on marketable securities and derivatives. Losses of $434, $8,262 and $3,724 were recognized in income in 2002, 2003 and 2004, respectively.

Other Assets

Other assets at December 31 are as follows:

	2003	**2004**
Pension funding in excess of amounts expensed	$ 76,899	**$153,399**
Other	39,349	**44,234**
	$116,248	**$197,633**

Accrued Liabilities

Accrued liabilities at December 31 are as follows:

	2003	**2004**
Payroll	$ 25,023	**$ 27,616**
Products liability	18,687	**23,289**
Other	71,418	**57,292**
	$115,128	**$108,197**

Other Long-term Liabilities

Other long-term liabilities at December 31 are as follows:

	2003	**2004**
Minimum pension liability	$177,308	**$140,080**
Other	26,827	**38,202**
	$204,135	**$178,282**

Other Income — Net

The components of Other income — net for the years 2002, 2003 and 2004 are as follows:

	2002	2003	**2004**
Foreign currency gains/(losses)	$ (555)	$ 259	**$(1,010)**
Interest income	2,187	1,170	**2,068**
Gain on sale of corporate aircraft	2,201	—	**—**
Debt extinguishment	(2,651)	—	**—**
Partial write-off of long term investment	—	—	**(1,940)**
Other	360	(97)	**233**
	$ 1,542	$1,332	**$ (649)**

Contingent Liabilities

Indemnities Related to the Sale of Cooper-Standard Automotive
The sale of the Company's automotive operations included contract provisions which provide for indemnification of the buyer by the Company for all income tax liabilities related to periods prior to closing and for various additional items outlined in the agreement. Indemnity payments would reduce the purchase price and the amount of gain on the sale. The recorded gain on the sale includes reductions for estimates of the expected tax liabilities and the other potential indemnity items to the extent they are deemed to be probable and estimable at December 31, 2004. For indemnity commitments where the Company believes

future payments are probable, it also believes the expected outcomes can be estimated with reasonable accuracy. Accordingly, for such amounts, a liability has been recorded with a corresponding decrease in the gain on the sale. Other indemnity provisions will be monitored for possible future payments not presently contemplated. The Company will reevaluate the probability and amounts of indemnity payments being required quarterly and adjustments, if any, to the initial estimates will be reflected as a change in the gain on sale in the periods when revised estimates are determined.

Guarantees

Certain operating leases related to property and equipment used in the operations of Cooper-Standard Automotive were guaranteed by the Company. These guarantees require the Company, in the event Cooper-Standard fails to honor its commitments, to satisfy the terms of the lease agreements. As part of the sale of the automotive operations, the Company is seeking releases of those guarantees but to date has been unable to secure releases from certain lessors. The most significant lease is for a manufacturing facility with a remaining term of 12 years and total remaining payments of approximately $11 million. Other leases cover manufacturing equipment with remaining terms of from less than one year to four years and total remaining payments of approximately $560,000. The Company does not believe it is presently probable that it will be called upon to make these payments. Accordingly, no accrual for these guarantees has been recorded. If information becomes known to the Company at a later date which indicates its performance under these guarantees is probable, accruals for the obligations will be required.

Products Liability

The Company is a defendant in various products liability claims in which individuals involved in vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. Litigation of this type has increased significantly throughout the tire industry following the Firestone tire recall announced in 2000.

Information concerning the Company's products liability exposures and its accounting policy relating to such claims are outlined in "Significant Accounting Policies — Products liability" in these notes to financial statements. The accounting process is based on estimates derived from information known by the Company when the reserves are determined. In most cases, the liability cannot be determined with precision until the claim is resolved. Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. No specific accrual is made for individual unasserted claims or for asserted claims where the minimum information needed to evaluate the probability of a liability is not yet known. However, an accrual for such claims based, in part, on management's expectations for future litigation activity is maintained. Because of the speculative nature of litigation in the United States, the Company does not believe a meaningful aggregate range of potential loss for asserted and unasserted claims can be determined. The total cost of resolution of such claims, or increase in reserves resulting from greater knowledge of specific facts and circumstances related to such claims, could have a greater impact on the consolidated results of operations and financial position of the Company in future periods and, in some periods, could be material.

Employment Contracts

The Company has employment arrangements with three key executive employees and has change in control severance agreements covering eight additional key executives. These arrangements provide for continuity of management and provide for 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. In addition, the Chief Executive Officer's agreement provides for retention payments which accrue at various amounts annually beginning with $225 if he leaves the Company at any time in 2005 and increase annually thereafter to a payment of $2,750 if he leaves in 2015, the year in which he will reach age 65.

Under terms of an employment agreement with the president of the automotive operations and terms of a change in control severance pay plan for eight additional key automotive executives, such executives are entitled to specified severance payments if terminated by the buyer within predetermined time periods after the sale. The Company is obligated to pay the severance costs and related excise taxes, if any, if severance occurs on or prior to December 31, 2007 in the case of the automotive operation's president and on or prior to December 22, 2006 for the eight other automotive executives. The Company was required to fund, immediately following the sale, its potential obligation for such severance payments into a rabbi trust with a third party trustee for the possible benefit of these executives. The Company does not believe it is presently probable that any of the executives will be terminated within the periods in which it is obligated to pay the severance costs. Accordingly, no accrual for severance has been recorded. If information becomes known to the Company at a later date which indicates severance of one or more of the covered executives is probable within the time period covered by the Company, accruals for severance will be required.

Unconditional Purchase Orders

Noncancellable purchase order commitments for capital expenditures and raw materials, principally natural rubber, made in the ordinary course of business were $66,783 at December 31, 2004.

Business Segments

The Company has two reportable segments — North American Tire and International Tire. The Company's reportable segments are each managed separately because they operate in different geographic locations.

North American Tire produces passenger and light truck tires, which are sold nationally and internationally in the replacement tire market to independent tire dealers, wholesale distributors, regional and national retail tire chains, and large retail chains that sell tires as well as other automotive products, and supplies retread equipment and materials to the commercial truck tire industry.

The International Tire segment currently manufactures and markets passenger car, light truck and motorcycle tires for the replacement market, as well as racing tires and materials for the tire retread industry, in Europe and the United Kingdom.

The following customer of the North American Tire segment contributed ten percent or more of the Company's total consolidated net sales in 2002 and 2003. Net sales and percentage of consolidated Company sales for this customer in 2002, 2003 and 2004 are as follows:

	2002		2003		**2004**	
Customer	Net Sales	Consolidated Net Sales	Net Sales	Consolidated Net Sales	**Net Sales**	**Consolidated Net Sales**
Pep Boys	$191,366	11%	$198,626	11%	**$169,721**	**8%**

The accounting policies of the reportable segments are consistent with those described in the Significant Accounting Policies note to the consolidated financial statements. Corporate administrative expenses are allocated to segments based principally on assets, employees and sales. The following table details segment financial information:

	2002	2003	**2004**
Revenues			
North American Tire	$1,604,530	$1,682,593	**$1,874,905**
International Tire	170,549	209,631	**257,220**
Eliminations and other	(32,861)	(41,371)	**(50,516)**
Consolidated	1,742,218	1,850,853	**2,081,609**
Segment profit			
North American Tire	122,419	76,783	**75,952**
International Tire	11,400	10,295	**9,420**
Unallocated corporate charges and eliminations	(20,103)	(22,059)	**(22,148)**
Operating profit	113,716	65,019	**63,224**
Other income — net	1,542	1,332	**(649)**
Interest expense	(31,623)	(29,146)	**(27,569)**
Income before income taxes	83,635	37,205	**35,006**
Depreciation and amortization expense			
North American Tire	98,697	99,107	**98,327**
International Tire	11,516	11,814	**12,612**
Corporate	1,604	1,840	**1,999**
Consolidated	111,817	112,761	**112,938**
Segment assets			
North American Tire	1,083,797	1,138,094	**1,222,723**
International Tire	163,528	181,802	**203,714**
Corporate and other	163,932	169,594	**1,241,647**
Consolidated	1,411,257	1,489,490	**2,668,084**
Expenditures for long-lived assets			
North American Tire	66,437	86,257	**143,290**
International Tire	6,874	9,094	**10,817**
Corporate	1,624	730	**5,201**
Consolidated	74,935	96,081	**159,308**

Geographic information for revenues, based on country of origin, and long-lived assets follows:

	2002	2003	**2004**
Revenues			
North America	$1,580,556	$1,650,743	**$1,830,858**
Europe	161,662	200,110	**250,751**
Consolidated	1,742,218	1,850,853	**2,081,609**
Long-lived assets			
North America	631,031	612,032	**648,879**
Europe	76,161	79,330	**81,178**
Other	15	12	**813**
Consolidated	707,207	691,374	**730,870**

Sales from the United States amounted to $1,580,556, $1,650,743 and $1,830,858 in 2002, 2003 and 2004, respectively. Shipments of domestically-produced products to customers outside the U. S. approximated seven percent of net sales in 2002, 2003, and 2004.

Subsequent Event

On January 10, 2005 the Company announced an agreement to acquire 15 million Global Depositary Shares, representing approximately 11 percent, of the common equity of Kumho Tire Co., Inc. (“Kumho”), a Korean company, at a share price determined by an initial public offering of shares by Kumho which was completed in February 2005. On February 16, 2005 the Company completed this acquisition at a cost of approximately $107 million. The acquired shares are subject to a lock-up agreement for a three year period, to a put option by the Company after three years, and to a reciprocal call provision by Kumho. The Company and Kumho have also agreed to a standstill agreement relative to the shares of Kumho as well as to the shares of the Company.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Cooper Tire & Rubber Company

We have audited the accompanying consolidated balance sheets of Cooper Tire & Rubber Company (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cooper Tire & Rubber Company at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Cooper Tire & Rubber Company's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 4, 2005 expressed an unqualified opinion thereon.

Toledo, Ohio
March 4, 2005

SELECTED QUARTERLY DATA
(Dollar amounts in thousands except per share amounts.)

	2003			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$391,210	$425,734	$519,171	$514,738
Gross profit	47,011	44,316	61,308	56,750
Net income	3,237	(794)	14,670	10,231
Basic earnings per share	0.04	(0.01)	0.20	0.14
Diluted earnings per share	0.04	(0.01)	0.20	0.14
Revenues from external customers:				
North American Tire	$349,767	$383,579	$477,819	$471,430
International Tire	50,864	53,294	54,759	50,714
Eliminations and other	(9,421)	(11,139)	(13,407)	(7,404)
Net sales	$391,210	$425,734	$519,171	$514,740
Segment profit:				
North American Tire	$ 12,756	$ 9,339	$ 31,041	$ 23,647
International Tire	3,161	4,311	2,650	173
Corporate	(4,945)	(6,143)	(4,680)	(6,291)
Operating profit	10,972	7,507	29,011	17,529
Interest expense	(8,320)	(7,098)	(7,001)	(6,727)
Other — net	2,276	(1,618)	318	356
Income before income taxes	$ 4,928	$ (1,209)	$ 22,328	$ 11,158

	2004			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Net sales	$480,010	$509,186	$551,446	$540,967
Gross profit	52,476	64,707	62,141	53,669
Net income	2,183	8,870	13,175	3,217
Basic earnings per share	0.03	0.12	0.18	0.04
Diluted earnings per share	0.03	0.12	0.17	0.04
Revenues from external customers:				
North American Tire	$427,947	$456,344	$499,372	$491,242
International Tire	65,289	63,129	65,985	62,817
Eliminations and other	(13,225)	(10,288)	(13,912)	(13,090)
Net sales	$480,011	$509,185	$551,445	$540,969
Segment profit:				
North American Tire	$ 13,083	$ 21,898	$ 26,807	$ 14,164
International Tire	3,035	3,661	2,802	(79)
Corporate	(6,614)	(4,934)	(3,874)	(6,725)
Operating profit	9,504	20,625	25,735	7,360
Interest expense	(6,547)	(7,832)	(6,580)	(6,610)
Other — net	216	101	(6)	(960)
Income before income taxes	$ 3,173	$ 12,894	$ 19,149	$ (210)

COOPER TIRE & RUBBER COMPANY

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2002, 2003 and 2004

	Balance at Beginning of Year	Additions		Deductions (a)	Balance at End of Year
		Charged To Income	Business Acquisitions		
Allowance for doubtful accounts					
2002	$6,464,246	$998,499	$ —	$2,171,313	$5,291,432
2003	$5,291,432	$ 87,758	$ 100,000	$ 637,524	$4,841,666
2004	$4,841,666	$961,322		$ 934,802	$4,868,186

(a) Accounts charged off during the year, net of recoveries of accounts previously charged off.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Pursuant to the requirements of the Sarbanes-Oxley Act of 2002, the Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, have evaluated, as of the end of the period covered by this Annual Report on Form 10-K, the effectiveness of the Company's disclosure controls and procedures, including its internal controls and procedures. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in identifying the information required to be disclosed in the Company's periodic reports filed with the SEC, including this Annual Report on Form 10-K, and ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 , management has conducted an assessment, including testing, using the criteria in *Internal Control-Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's system of internal control over financial reporting is 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. 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.

Based on its assessment, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2004, based on criteria in *Internal Control-Integrated Framework* issued by the COSO, and that the Company's internal control over financial reporting is effective. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report which is included herein.

(c) Attestation Report of the Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Cooper Tire & Rubber Company

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Cooper Tire & Rubber Company maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cooper Tire & Rubber 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. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

In our opinion, management's assessment that Cooper Tire & Rubber Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Cooper Tire & Rubber Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria .

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cooper Tire & Rubber Company as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004 and our report dated March 4, 2005 expressed an unqualified opinion thereon.

Ernst & Young LLP
Toledo, Ohio
March 4, 2005

(d) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the Company's directors, corporate governance guidelines, Compensation Committee and Nominating and Governance Committee appears in the Company's Proxy Statement dated March 22, 2005, which will be herein incorporated by reference. The names, ages, and all positions and offices held by all executive officers of the Company, as of the same date, are as follows:

Name	Age	Executive Office Held	Business Experience
Thomas A. Dattilo	53	Chairman of the Board, President and Chief Executive Officer and Director	Chairman of the Board and Chief Executive Officer since 2000. President since 1999 and Chief Operating Officer from 1999 to 2000. Director since 1999. Formerly with Dana Corporation, an automotive parts supplier, since 1977, having served as President, Sealing Products and previously in other senior management positions. Director of Harris Corporation.
James E. Kline	63	Vice President, General Counsel and Secretary	Vice President, General Counsel and Secretary since April 2003. Vice President from February to April 2003. Previously, Executive Vice President (real estate development) Cavista Corporation, an

			integrated real estate company, from 2000 through August 2001, and Vice President and General Counsel, Aeroquip-Vickers, Inc., a manufacturer of power and motion control and fluid conveyancing products, from 1989 to 1999.
Harold C. Miller	52	Vice President	Vice President since March 2002. Formerly Vice President and General Manager, Eaton Fluid Power Hose and Plastic Operations, Eaton Corporation, an automotive and truck parts producer, from January through March 2002. Director, Finance and Planning, Eaton Fluid Power Automotive Operations from 2001 through 2002. General Manager, Eaton Aeroquip Global Hose Division from 1998 through 2001.
D. Richard Stephens	57	Vice President	Vice President since 2001. President, Cooper Tire since 2001. President, International Tire Division, Cooper Tire from 2000 to 2001. Vice President, Technical and Commercial Tire Operations, Cooper Tire from March 2000 to December 2000. Vice President, Technical from 1994 to 2000.
Philip G. Weaver	52	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer since 1999. Tire Operations Vice President from 1994 through 1999.
Eileen B. White	54	Corporate Controller	Corporate Controller since 1997. Assistant Corporate Controller from 1994 to 1997.

Each such officer shall hold such office until a successor is selected and qualified.

AUDIT COMMITTEE

Information regarding the Audit Committee, including the identification of the Audit Committee members and the “audit committee financial expert,” appears in the Company’s Proxy Statement dated March 22, 2005, which will be herein incorporated by reference.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, appears in the Company’s Proxy Statement dated March 22, 2005, which will be herein incorporated by reference.

CODE OF ETHICS

Information regarding the Company’s code of business conduct and ethics appears in the Company’s Proxy Statement dated March 22, 2005, which will be herein incorporated by reference.

Item 11. EXECUTIVE COMPENSATION

Information regarding executive compensation appears in the Company’s Proxy Statement dated March 22, 2005, which will be herein incorporated by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information concerning the security ownership of certain beneficial owners and management of the Company's voting securities and equity securities appears in the Company's Proxy Statement dated March 22, 2005, which will be herein incorporated by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2004 regarding the Company's equity compensation plans, all of which have been approved by the Company's security holders:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	3,793,028	$17.60	2,599,954
Equity compensation plans not approved by stockholders	—	—	—
Total	3,793,028	$17.60	2,599,954

Additional information on equity compensation plans is contained in the "Stock-Based Compensation" note to the consolidated financial statements.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding the Company's independent auditor appears in the Company's Proxy Statement dated March 22, 2005, which will be herein incorporated by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements

	Page(s) Reference
Consolidated Statements of Income for the years ended December 31, 2002, 2003 and 2004	28
Consolidated Balance Sheets at December 31, 2003 and 2004	29 - 30
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2002, 2003 and 2004	31
Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2003 and 2004	32
Notes to Consolidated Financial Statements	33 - 58
Report of Independent Registered Public Accounting Firm	59
Quarterly Financial Data (Unaudited)	60

2. Financial Statement Schedule

Valuation and qualifying accounts — Allowance for doubtful accounts	61

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedules, or because the information required is included in the Consolidated Financial Statements or the notes thereto.

3. Exhibits

The exhibits listed on the accompanying exhibit index are filed as part of this Annual Report on Form 10-K.

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 TIRE & RUBBER COMPANY

/s/ Thomas A. Dattilo
THOMAS A. DATTILO, Chairman of the Board, President, and Chief Executive Officer

Date: March 11, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
THOMAS A. DATTILO	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	March 11, 2005
PHILIP G. WEAVER	Vice President and Chief Financial Officer (Principal Financial Officer)	March 11, 2005
EILEEN B. WHITE	Corporate Controller (Principal Accounting Officer)	March 11, 2005
ARTHUR H. ARONSON*	Director	March 11, 2005
LAURIE J. BREININGER*	Director	March 11, 2005
DENNIS J. GORMLEY*	Director	March 11, 2005
JOHN J. HOLLAND*	Director	March 11, 2005
JOHN F. MEIER*	Director	March 11, 2005
BYRON O. POND*	Director	March 11, 2005
JOHN H. SHUEY*	Director	March 11, 2005
RICHARD L. WAMBOLD*	Director	March 11, 2005

*By: /s/ James E. Kline
JAMES E. KLINE, Attorney-in-fact

EXHIBIT INDEX

(3) Certificate of Incorporation and Bylaws

(i) Certificate of Incorporation, as restated and filed with the Secretary of State of Delaware on May 17, 1993, is incorporated herein by reference from Exhibit 3(i) of the Company's Form 10-Q for the quarter ended June 30, 1993

Certificate of Correction of Restated Certificate of Incorporation as filed with the Secretary of State of Delaware on November 24, 1998 is incorporated by reference from Exhibit 3(i) of the Company's Form 10-K for the year ended December 31, 1998

(ii) Bylaws, as amended May 5, 1987, are incorporated herein by reference from Exhibit 19 of the Company's Form 10-Q for the quarter ended June 30, 1987

(4) (i) Prospectus Supplement dated March 20, 1997 for the issuance of $200,000,000 notes is incorporated herein by reference from Form S-3 — Registration Statement No. 33-44159

(ii) Amended and Restated Rights Agreement, dated May 11, 1998, between the Company and The Fifth Third Bank as Rights Agent is incorporated herein by reference from Exhibit 4 to the Company's Form 8-K dated May 15, 1998

(iii) Amendment No. 1 to Amended and Restated Rights Agreement dated as of May 7, 2004, by and among Cooper Tire & Rubber Company, Fifth Third Bank and Computershare Investor Services, LLC is incorporated herein by reference from Exhibit 4 of the Company's Form 10-Q for the quarter ended September 30, 2004

(iv) Prospectus Supplement dated December 8, 1999 for the issuance of an aggregate $800,000,000 notes is incorporated herein by reference from Form S-3 — Registration Statement No. 333-89149

(10) (i) Cooper Tire & Rubber Company Executive Financial Planning Assistance is incorporated herein by reference from Exhibit (10) of the Company's Form 10-Q for the quarter ended September 30, 2000 *

(ii) Second Amended and Restated Employment Agreement dated as of February 6, 2002 between Cooper Tire & Rubber Company and Thomas A. Dattilo is incorporated herein by reference from Exhibit (10)(ii) of the Company's Form 10-K for the year ended December 31, 2001 *

(iii) First Amendment to Amended and Restated Employment Agreement dated as of July 18, 2003 between Cooper Tire & Rubber Company and Thomas A. Dattilo is incorporated herein by reference from Exhibit (10) of the Company's Form 10-Q for the quarter ended June 30, 2003 *

(iv) Employment Agreement dated as of June 6, 2000 between Cooper Tire & Rubber Company and Philip G. Weaver is incorporated herein by reference from Exhibit (10)(v) of the Company's Form 10-K for the year ended December 31, 2001 *

(v) Employment Agreement dated as of July 17, 2002 between Cooper Tire & Rubber Company and D. Richard Stephens incorporated herein by reference from Exhibit (10)(ii) of the Company's Form 10-Q for the quarter ended September 30, 2002 *

(vi) First Amendment to Employment Agreement dated as of February 4, 2004 between Cooper Tire & Rubber Company and D. Richard Stephens incorporated herein by reference from Exhibit (10)(i) of the Company's Form 10-Q for the quarter ended March 31, 2004 *

(vii) Description of management contracts, compensatory plans, contracts, or arrangements will be herein incorporated by reference from the Company's Proxy Statement dated March 22, 2005 *

(viii) Amended and Restated Credit Agreement dated as of September 1, 2000 by and among Cooper Tire & Rubber Company, the Banks and PNC Bank, National Association, as agent for the Banks is incorporated herein by reference from Exhibit (10)(i) of the Company's Form 10-Q for the quarter ended March 31, 2001

(ix) Amendment No. 1 to the Amended and Restated Credit Agreement dated as of March 27, 2001 by and among Cooper Tire & Rubber Company, the Banks and PNC Bank, National Association, as agent for the Banks is incorporated herein by reference from Exhibit (10)(ii) of the Company's Form 10-Q for the quarter ended March 31, 2001

(x) Amendment No. 2 to the Amended and Restated Credit Agreement dated as of August 30, 2001 among Cooper Tire & Rubber Company, the Banks, and PNC Bank, National Association, as agent for the Banks is incorporated herein by reference from Exhibit (10)(i) of the Company's Form 10-Q for the quarter ended September 30, 2001

(xi) Amendment No. 3 to the Amended and Restated Credit Agreement dated as of September 30, 2001 among Cooper Tire & Rubber Company, the Banks, and PNC Bank, National Association, as agent for the Banks is incorporated herein by reference from Exhibit (10)(ii) of the Company's Form 10-Q for the quarter ended September 30, 2001

(xii) Amendment No. 4 to the Amended and Restated Credit Agreement dated as of November 1, 2001 among Cooper Tire & Rubber Company, the Banks, and PNC Bank, National Association, as agent for the Banks is incorporated herein by reference from Exhibit (10)(iii) of the Company's Form 10-Q for the quarter ended September 30, 2001

(xiii) Amendment No. 5 to the Amended and Restated Credit Agreement dated as of December 21, 2001 among Cooper Tire & Rubber Company, the Banks, and PNC Bank, National Association, as agent for the Banks is incorporated herein by reference from Exhibit (10)(xiii) of the Company's Form 10-K for the year ended December 31, 2001

(xiv) Amendment No. 6 to the Amended and Restated Credit Agreement dated as of August 29, 2002 among Cooper Tire & Rubber Company, the Banks, and PNC Bank, National Association, as agent for the Banks is incorporated herein by reference from Exhibit (10)(i) of the Company's Form 10-Q for the quarter ended September 30, 2002

(xv) Amendment No. 7 to the Amended and Restated Credit Agreement dated as of August 28, 2003 among Cooper Tire & Rubber Company, the Banks, and PNC Bank, National Association, as agent for the Banks is incorporated herein by reference from Exhibit (10) of the Company's Form 10-Q for the quarter ended September 30, 2003

(xvi) Amendment No. 8 to the Amended and Restated Credit Agreement dated as of June 30, 2004 among Cooper Tire & Rubber Company, the Banks, and PNC Bank, National Association, as agent for the Banks is incorporated herein by reference from Exhibit (10) of the Company's Form 10-Q for the quarter ended June 30, 2004

(xvii) 1986 Incentive Stock Option Plan is incorporated herein by reference from the Appendix to the Company's Proxy Statement dated March 21, 1986 *

(xviii) 1991 Stock Option Plan for Non-Employee Directors is incorporated herein by reference from the Appendix to the Company's Proxy Statement dated March 26, 1991 *

(xix) 1996 Stock Option Plan is incorporated herein by reference from the Appendix to the Company's Proxy Statement dated March 26, 1996 *

(xx) 1998 Incentive Compensation Plan and 1998 Employee Stock Option Plan are incorporated herein by reference from the Appendix to the Company's Proxy Statement dated March 24, 1998 *

(xxi) Amended and Restated 1998 Non-Employee Directors Compensation Deferral Plan *

(xxii) 2001 Incentive Compensation Plan is incorporated herein by reference from the Appendix A to the Company's Proxy Statement dated March 20, 2001 *

(xxiii) Executive Deferred Compensation Plan is incorporated herein by reference from Exhibit (10)(iv) of the Company's Form 10-Q for the quarter ended September 30, 2001 *

(xxiv) 2002 Non-Employee Directors Stock Option Plan is incorporated herein by reference from Appendix A to the Company's Proxy Statement dated March 27, 2002 *

(xxv) Stock Purchase Agreement dated as of September 16, 2004 by and among Cooper Tire & Rubber Company, Cooper Tyre & Rubber Company UK Limited and CSA Acquisition Corp. is incorporated herein by reference from Exhibit (10) of the Company's Form 10-Q for the quarter ended September 30, 2004

(xxvi) First Amendment to Stock Purchase Agreement dated as of December 3, 2004 by and among Cooper Tire & Rubber Company, Cooper Tyre & Rubber Company UK Limited and CSA Acquisition Corp.

(xxvii) Strategic Subscription Agreement dated as of January 7, 2005 between Kumho Tire Co., Inc. and Cooper Tire & Rubber Company

(13) Annual report to security holders, Form 10-Q or quarterly report to security holders

(21) Subsidiaries of the Registrant

(23) Consent of Independent Registered Public Accounting Firm

(24) Power of Attorney

(31.1) Certification of Chief Executive Officer pursuant to Rule 13a—14(a)/15d—14(a) of the Exchange Act

(31.2) Certification of Chief Financial Officer pursuant to Rule 13a—14(a)/15d—14(a) of the Exchange Act

(32) Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Indicates management contracts or compensatory plans or arrangements.

EXHIBIT (10)(xxi)

COOPER TIRE & RUBBER COMPANY

1998 NON-EMPLOYEE DIRECTORS COMPENSATION DEFERRAL PLAN

(AS AMENDED AND RESTATED AS OF NOVEMBER 18, 2004)

1. Purpose. The purpose of the Plan is to provide qualified individuals who are not employees of the Company who serve as members of the Board with equity compensation in addition to their Director's Fees and with an opportunity to defer payment of a portion of their Director's Fees in accordance with the terms and conditions set forth herein.

2. Definitions. For the purposes of the Plan, the following capitalized words shall have the meanings set forth below:

"Annual Fees" means the cash portion of (i) any annual fee payable to a Non- Employee Director for service on the Board; (ii) any other fee determined on an annual basis and payable for service on, or for acting as chairperson of, any committee of the Board, and (iii) any similar annual fee or fees payable in respect of service on the board of directors of any Subsidiary or any committee of any such board of directors.

"Annual Meeting" means an annual meeting of the Company's stockholders.

"Annual Units" means Phantom Stock Units to be awarded to Non-Employee Directors as additional compensation for service on the Board pursuant to
Section 5(b).

"Beneficiary" or "Beneficiaries" means an individual or entity designated by a Non-Employee Director on a Beneficiary Designation Form to receive Deferred Benefits in the event of the Non-Employee Director's death; provided, however, that, if no such individual or entity is designated or if no such designated individual is alive at the time of the Non-Employee Director's death, Beneficiary shall mean the Non-Employee Director's estate.

"Beneficiary Designation Form" means a document, in a form approved by the Committee to be used by Non-Employee Directors to name their respective Beneficiaries. No Beneficiary Designation Form shall be effective unless it is signed by the Non-Employee Director and received by the Committee prior to the date of death of the Non-Employee Director.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable rules and regulations promulgated thereunder.

"Committee" means the committee of the Board that has been appointed to administer the Plan or, if no committee has been appointed, the Board.

"Common Stock" means the common stock, par value $1.00 per share, of the Company.

"Companies" means the Company and each Subsidiary.

"Company" means Cooper Tire & Rubber Company, a Delaware corporation, or any successor to substantially all of its business.

"Deferral Election Form" means a document, in a form approved by the Committee, pursuant to which a Non-Employee Director makes a deferral election under the Plan.

"Deferral Period" means each period commencing on the date of an Annual Meeting and ending on the date immediately preceding the next Annual Meeting. The first Deferral Period under the Plan shall commence on the first day of the first fiscal quarter of the Company to begin after May 5, 1998. If an individual becomes eligible to participate in the Plan after the commencement of a Deferral Period, the Deferral Period for the individual shall be the remainder of such Deferral Period.

"Deferred Benefit" means the sum of (i) any amount that will be paid on a deferred basis under the Plan to a Non-Employee Director who has made a deferral election pursuant to Section 5 plus (ii) the amount payable with respect to the Annual Units.

"Deferred Compensation Account" means the bookkeeping record established for each Non-Employee Director. A Deferred Compensation Account is established only for purposes of measuring a Deferred Benefit and not to segregate assets or to identify assets that may be used to pay a Deferred Benefit.

"Director's Fees" means the aggregate of a Non-Employee Director's Annual Fees and Per Diem Fees.

"Effective Date" means May 5, 1998.

"Election Date" means the December 31st immediately preceding the commencement of a Deferral Period. If an individual first becomes eligible to participate in the Plan on an Annual Meeting date or after the start of a Deferral Period, the Election Date shall be the thirtieth day following such Annual Meeting date or initial participation date, as the case may be.

"Fair Market Value" means the average of the highest and the lowest quoted selling price of a share of Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange, or such other national securities exchange as may be designated by the Committee, or, in the event that the Common Stock is not listed for trading on a national securities exchange but is quoted on an automated system, on such automated system, in any such case on the valuation date (or, if there were no sales on the valuation date, the average of the highest and the lowest quoted selling prices as reported on said composite tape or automated system for the most recent day during which a sale occurred).

"Non-Employee Director" means a member of the Board who is not, and has not been, an employee of the Company or any of its Subsidiaries.

"Per Diem Fees" means a fee paid for attendance at or participation in (i) each meeting of the Board, (ii) each meeting of a committee of the Board when such meeting is held on a day other than a day for which a fee is paid for a meeting of the Board, (iii) each day of services to the Company requested by the chairman of the Board, and (iv) services similar to those specified in (i),
(ii), or (iii) above, provided to any Subsidiary.

"Phantom Stock Unit" means a bookkeeping unit representing one share of Common Stock credited to a Deferred Compensation Account in accordance with
Section 5(d).

"Plan" means the Cooper Tire & Rubber Company 1998 Non-Employee Director Compensation Deferral Plan (as Amended and Restated as of November 18, 2004).

"Subsidiary" means a corporation or other entity with respect to which the Company, directly or indirectly, has the power, whether through the ownership of voting securities, by contract or otherwise, to elect at least a majority of the members of such corporation's board of directors or analogous governing body.

3. Administration.

(a) The Plan shall be administered by the Committee.

(b) The Committee shall be authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to make factual determinations in connection with the administration or interpretation of the Plan, and to make any other determinations that it believes are necessary or advisable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Deferral Election Form to the extent the Committee deems desirable to carry the Plan into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive. The Committee may act only by a majority of its members, except that the members thereof may authorize any one or more of the Committee members to execute and deliver documents on behalf of the Committee.

(c) The Committee shall be entitled to rely in good faith upon any report or other information furnished to it by any officer or employee of the Companies or from the financial, accounting, legal or other advisers of the Companies. Each member of the Committee, each individual designated by the Committee to administer the Plan and each other person acting at the direction of or on behalf of the Committee shall not be liable for any determination or anything done or omitted to be done by him or by any other member of the Committee or any other such individual in connection with the Plan, except for his own willful misconduct or as expressly provided by statute, and to the extent permitted by law and the bylaws of the Company, shall be fully indemnified and protected by the Company with respect to such determination, act or omission.

4. Shares Available. The Company is authorized to issue up to 200,000 shares of Common Stock under the Plan (the "Plan Limit"). Such shares of Common Stock may be newly issued shares of Common Stock or reacquired shares of Common Stock held in the treasury of the Company. The amount of any Annual Units paid in cash shall not be treated as issued under the Plan.

5. Deferral of Director's Fees and Crediting of Annual Units.

(a) Deferral Elections.

(i) General Provisions. Non-Employee Directors may elect to defer all or a specified percentage of their Director's Fees with respect to a Deferral Period in the manner provided in this Section 5. A Non-Employee Director's Deferred Benefit is at all times nonforfeitable.

(ii) Deferral Election Forms. Before the Election Date applicable to a Deferral Period, each Non-Employee Director will be provided with a Deferral Election Form and a Beneficiary Designation Form. In order for a Non-Employee Director to participate in the deferral portion of the Plan for a given Deferral Period, a Deferral Election Form, completed and signed by him, must be delivered to the Company on or prior to the applicable Election Date. A Deferral Election Form submitted by a Non-Employee Director for a Deferral Period shall be deemed to be a continuing election for all subsequent Deferral Periods, unless the Employee Director completes and files a subsequent Deferral Election Form with the Company prior to the Election Date applicable to that Deferral Period. A Non-Employee Director electing to participate in the Plan for a given Deferral Period shall indicate on his Deferral Election Form:

(A) the percentage of the Director's Fees for the Deferral Period to be deferred which shall be in multiples of 10%; and

(B) if the Deferral Election Form is the first such form filed by the Non-Employee Director, the Non-Employee Director's election, in accordance with Sections 5(f) and 5(g), as to the timing and manner of payment of the Deferred Benefits. A Non-Employee Director's election as to the timing and manner of payment of Deferred Benefits in the initial Deferral Election Form shall govern the timing and manner of payment of all subsequent deferrals under the Plan and may not be changed or revoked without the prior written consent of the Committee.

(iii) Effect of No Deferral Election. A Non-Employee Director who does not have a completed and signed Deferral Election Form on file with the Company on or prior to the applicable Election Date for a Deferral Period may not defer his Director's Fees for such Deferral Period.

(b) Award of Annual Units. Annual Units shall be awarded to each Non-Employee Director in December of each year (or at such other time as may be determined by the Committee) commencing December 2004. The number of Annual Units to be so awarded to each Non-Employee Director shall be 500 per year, unless and until a greater or lesser number is specified by the Committee.

(c) Establishment of Deferred Compensation Accounts. A Non-Employee Director's deferrals and the Annual Units will be credited to a Deferred Compensation Account set up for that Non-Employee Director by the Company in accordance with the provisions of this Section 5.

(d) Crediting of Phantom Stock Units to Deferred Compensation Accounts.

(i) Number of Phantom Stock Units. The portion of the Director's Fees that a Non-Employee Director elects to defer shall be credited to the Deferred Compensation Account as of the last business day of the fiscal quarter in which such portion of the Director's Fees would otherwise have been payable to the Non-Employee Director. The number of Phantom Stock Units to be so credited to the Deferred Compensation Account shall be determined by dividing (1) the amount of the Director's Fees over such quarter by (2) the Fair Market share of Common Stock as of the date of crediting. Any partial Phantom Stock Unit that results from the application of the previous sentence shall be rounded to the nearest whole Phantom Stock Unit. The number of Annual Units awarded to a Non-Employee Director shall be credited to the Deferred Compensation Account as of the date of grant.

(ii) Dividend Equivalents. In the event that the Company pays any cash or other dividend or makes any other distribution in respect of the Common Stock, the Deferred Compensation Account of a Non-Employee Director will be credited with additional Phantom Stock Units determined by dividing (A) the amount of cash, or the value (as determined by the Committee) of any securities or other property, paid or distributed in respect of a corresponding number of shares of Common Stock by (B) the Fair Market Value of a share of Common Stock as of the date of such payment or distribution. Any partial Phantom Stock Unit that results from the application of the previous sentence shall be rounded up to a whole Phantom Stock Unit. Such credit shall be made effective as of the date of the dividend or other distribution in respect of the Common Stock.

(iii) No Rights as Stockholder. The crediting of Phantom Stock Units to a Non-Employee Director's Deferred Compensation Account shall not confer on the Non-Employee Director any rights as a stockholder of the Company.

(e) Written Statements of Account. The Company will furnish each Non-Employee Director with a statement setting forth the value of such Non-Employee Director's Deferred Compensation Account as of the end of each Deferral Period and all credits to and payments from the Deferred Compensation Account during the Deferral Period. Such statement shall separately detail the portion of the Deferred Benefit representing deferred Director's Fees and the portion of the Deferred Benefit representing Annual Units. Such statement will be furnished no later than sixty days after the end of the Deferral Period.

(f) Manner of Payment of Deferred Benefit.

(i) Payment of any portion of the Deferred Benefit representing deferred Director's Fees shall be in shares of Common Stock. Payment shall be made either in a single lump sum or in a series of five or fewer annual installments. The amount of each installment payment to a Non-Employee Director shall be determined in accordance with the formula B/(N - P), where "B" is the value of the Deferred Compensation Account representing deferred Director's Fees as of the installment calculation date, "N" is the number of installments elected by the Non-Employee Director and "P" is the number of installments previously paid to the Non-Employee Director. Any partial unit resulting in the calculation above will be settled in cash.

(ii) Payment of the portion of the Deferred Benefits representing Annual Units shall be in cash or in shares of Common Stock at the Non-Employee Director's election. If the Non-Employee Director fails to make a timely election prior to distribution, the Annual Units will be paid in Common Stock. Payment shall be made either in a single lump sum or in a series of five or fewer annual installments. The amount of each installment payment to a Non-Employee Director shall be determined in accordance with the formula B/(N - P), where "B" is the value of the Deferred Compensation Account representing deferred Annual Units as of the installment calculation date, "N" is the number of installments elected by the Non-Employee Director and "P" is the number of installments previously paid to the Non-Employee Director. If the Non-Employee Director elects to receive payment of the Annual Units in Common Stock, any partial unit resulting in the calculation above will be settled in cash.

(g) Commencement of Payment of Deferred Benefit Attributable to Deferred Director's Fees. Payment of a Non-Employee Director's Deferred Benefit attributable to any portion of the Deferred Benefit representing Director's Fees shall commence as soon as practicable (but in no event more than sixty days) after the earlier to occur of:

(i) termination of service as a member of the Board; and

(ii) the date specified in the Deferral Election Form executed by the Non-Employee Director.

(h) Commencement of Payment of Annual Units. Payment of a Non- Employee Director's Annual Units shall commence as soon as practicable (but in no event more than sixty days) after termination of service as a member of the Board.

(i) Death. In the event of a Non-Employee Director's death, the Non-Employee Director's entire Deferred Benefit (including any unpaid portion

thereof corresponding to installments not yet paid at the time of death), to the extent not distributed earlier pursuant to Section 5(g), will be distributed in a lump sum to the Non-Employee Director's Beneficiary as soon as practicable after the date of death, but in no event more than six months after the Non-Employee Director's date of death.

(j) Restrictions on Transfer. The Company shall pay all Deferred Benefits payable under the Plan only to the Non-Employee Director or Beneficiary designated under the Plan to receive such amounts. Neither a Non-Employee Director nor his Beneficiary shall have any right to anticipate, alienate, sell, transfer, assign, pledge, encumber or change any benefits to which he may become entitled under the Plan, and any attempt to do so shall be void. A Deferred Benefit shall not be subject to attachment, execution by levy, garnishment, or other legal or aquitable process for a Non-Employee Director's or Beneficiary's debts or other obligations.

6. Designation of Beneficiary.

(a) Beneficiary Designations. Each Non-Employee Director may designate a Beneficiary to receive any Deferred Benefit due under the Plan on the Non-Employee Director's death by executing a Beneficiary Designation Form.

(b) Change of Beneficiary Designation. A Non-Employee Director may change an earlier Beneficiary designation by executing a later Beneficiary Designation Form and delivering it to the Committee. The execution of a Beneficiary Designation Form and its receipt by the Committee revokes and rescinds any prior Beneficiary Designation Form.

7. Recapitalization or Reorganization.

(a) Authority of the Company and Stockholders. The existence of the Plan shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks having rights superior to or affecting the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Change in Capitalization. Notwithstanding any other provision of the Plan, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reorganization, merger, consolidation, stock split, combination or exchange of shares (a "Change in Capitalization"): (i) such proportionate adjustments as may be necessary (in the form determined by the Committee in its sole discretion) to reflect such change shall be made to prevent

dilution or enlargement of the rights of Non-Employee Directors under the Plan with respect to the aggregate number of shares of Common Stock authorized to be awarded under the Plan, the number of Phantom Stock Units credited to a Non-Employee Director's Deferred Compensation Account and the number of Annual Units to be awarded pursuant to Section 5(b), and (ii) the Committee may make such other adjustments, consistent with the foregoing, as it deems appropriate in its sole discretion.

(c) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, all Deferred Benefits credited to the Non-Employee Director's Deferred Compensation Account as of the date of the consummation of a proposed dissolution or liquidation shall be paid in cash to the Non-Employee Director or, in the event of death of the Non-Employee Director prior to payment, to the Beneficiary thereof on the date of the consummation of such proposed action. The cash amount paid for each Phantom Stock Unit shall be the Fair Market Value of a share of Common Stock as of the date of the consummation of such proposed action.

8. Termination and Amendment of the Plan.

(a) Termination. Unless terminated earlier in accordance with Section 8(b), the Plan shall terminate on the tenth anniversary of the Effective Date. Following the tenth anniversary of the Effective Date, no further Director's Fees or Annual Units may be deferred by a Non-Employee Director but any amounts deferred prior to the date of such termination shall be paid in accordance with the Deferral Election Form.

(b) General Power of Board. Notwithstanding anything herein to the contrary, the Board may at any time and from time to time terminate, modify, suspend or amend the Plan in whole or in part and settle all Phantom Stock Units in shares of Common Stock; provided, however, that no such termination, modification, suspension or amendment shall be effective without stockholder approval if such approval is required to comply with any applicable law or stock exchange rule; and, provided further, that the Board may not, without stockholder approval, increase the maximum number of shares issuable under the Plan, except as provided in Section 7(b) above.

9. Miscellaneous.

(a) No Right to Reelection. Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any of its members for reelection by the Company's stockholders, nor confer upon any Non-Employee Director the right to remain a member of the Board for any period of time, or at any particular rate of compensation.

(b) Unfunded Plan.

(i) Generally. This Plan is unfunded. Amounts payable under the Plan will be satisfied solely out of the general assets of the Company subject to the claims of the Company's creditors.

(ii) Deferred Benefits. A Deferred Benefit represents at all times an unfunded and unsecured contractual obligation of the Company and each Non-Employee Director or Beneficiary will be an unsecured creditor of the Company. No Non-Employee Director, Beneficiary or any other person shall have any interest in any fund or in any specific asset of the Company by reason of any amount credited to him hereunder, nor shall any Non-Employee Director, Beneficiary or any other person have any right to receive any distribution under the Plan except as, and to the extent, expressly provided in the Plan. The Company will not segregate any funds or assets for Deferred Benefits or issue any notes or security for the payment of any Deferred Benefits. Any reserve or other asset that the Company may establish or acquire to assure itself of the funds to provide benefits under the Plan shall not serve in any way as security to any Non-Employee Director, Beneficiary or other person for the performance of the Company under the Plan.

(c) Other Compensation Arrangements. Benefits received by a Non- Employee Director pursuant to the provisions of the Plan shall not be included in, nor have any effect on, the determination of benefits under any other arrangement provided by the Company.

(d) Securities Law Restrictions. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission or any exchange upon which the Common Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put an any such certificates to make appropriate reference to such restrictions. No shares of Common Stock shall be issued hereunder unless the Company shall have determined that such issuance is in compliance with, or pursuant to an exemption from, all applicable federal and state securities laws.

(e) Expenses. The costs and expenses of administering the Plan shall be borne by the Company.

(f) Applicable Law. Except as to matters of federal law, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to conflicts of law principles.

(g) Effective Date. The Plan was effective as of the Effective Date, subject to the approval thereof by the stockholders of the Company at the Annual Meeting held on such date. The Plan was amended and restated, effective November 18, 2004, without further approval by the stockholders, to provide for Annual Units.

EXHIBIT (10)(xxvi)
EXECUTION VERSION

FIRST AMENDMENT

TO

STOCK PURCHASE AGREEMENT

BY AND AMONG

COOPER TIRE & RUBBER COMPANY,

COOPER TYRE & RUBBER COMPANY UK LIMITED

AND

CSA ACQUISITION CORP.

DATED AS OF DECEMBER 3, 2004

FIRST AMENDMENT TO STOCK PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO STOCK PURCHASE AGREEMENT (this "AMENDMENT"), dated as of December 3, 2004, amends that certain Stock Purchase Agreement, dated as of September 16, 2004 (the "AGREEMENT"), by and among Cooper Tire & Rubber Company, a Delaware corporation ("COOPER"), Cooper Tyre & Rubber Company UK Limited, a company organized under the laws of England and Wales ("COOPER UK" and, together with Cooper, the "SELLERS") and CSA Acquisition Corp., a Delaware corporation ("BUYER").

A. The parties hereto have previously executed and delivered the Agreement;

B. Pursuant to Section 9.4 of the Agreement, the Agreement may be amended with the written consent of the Sellers and Buyer; and

C. The parties desire to amend the Agreement as set forth in this Amendment;

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements herein contained and intending to be legally bound hereby, Buyer and Sellers hereby agree as follows:

ARTICLE I
DEFINITIONS

Unless otherwise stated in this Amendment, capitalized terms used herein but not defined have the meaning assigned to them in the Agreement.

ARTICLE II
AMENDMENT OF AGREEMENT

2.1 DEFINITIONS. Article I of the Agreement is hereby amended to add or amend and restate the following defined terms:

"FINAL PURCHASE PRICE" means an amount equal to the Preliminary Purchase Price, as adjusted to reflect the differences, if any, between (a) Estimated Cash and Cash Equivalents and Final Cash and Cash Equivalents, (b) Estimated Debt Obligations and Final Debt Obligations and (c)(i) Target Working Capital less $30,000,000 and (ii) Working Capital (as finally determined pursuant to SECTION 2.2(c)(II)). For clarification purposes, in calculating the Final Purchase Price, the Preliminary Purchase Price shall be (x) increased dollar for dollar to the extent (A) Working Capital exceeds Target Working Capital less $30,000,000, (B) Final Cash and Cash Equivalents exceeds Estimated Cash and Cash Equivalents and (C) Estimated Debt Obligations exceed Final Debt Obligations; and (y) decreased dollar for dollar to the extent (A) Target Working Capital less $30,000,000 exceeds Working Capital, (B) Estimated Cash and Cash Equivalents exceeds Final Cash and Cash Equivalents and (C) Final Debt Obligations exceed Estimated Debt Obligations.

"PER DIEM AMOUNT" means $150,000 multiplied by the number of calendar days from and including January 1, 2005 through and including the Closing Date.

"PERMANENT FINANCING" means the debt financing contemplated by the Debt Securities (as defined and described in the Debt Financing Commitment), excluding, for the sake of clarity, the Bridge Loan facility contemplated by the Debt Financing Commitments.

"TARGET WORKING CAPITAL" means $193,000,000.

"WORKING CAPITAL" means the amount, if any, by which the current assets of the Sold Companies and their consolidated Subsidiaries as of the opening of business on the Closing Date exceed (b) the current liabilities of the Sold Companies and their consolidated Subsidiaries as of the opening of business on the Closing Date.

For purposes of calculating Working Capital, current assets and current liabilities includes only those accounts reflected on Annex A under the column "Working Capital, as defined at Sept. 30, 2004". For the purposes of the foregoing, these accounts will be determined in accordance with GAAP and consistent with the accounting principles, procedures, policies and methods that were employed in preparing the accounts reflected in the column "CSA Sept. 30, 2004, as reported" on Annex A. For the avoidance of doubt, any adjustments to Working Capital due solely to the transactions contemplated by the Agreement and this Amendment (including any purchase accounting adjustments) will be disregarded for the purposes of the calculation of Working Capital. On Annex A, the column "CSA Sept. 30, 2004, as reported" is based on the internal Hyperion balance sheet of the Sold Companies and their consolidated Subsidiaries. Certain assets and liabilities relating to the Sold Companies and their consolidated Subsidiaries, as specified in Annex B, are retained on Cooper's records at September 30, 2004. To the extent that any of the assets and liabilities relating to the Sold Companies and their consolidated Subsidiaries, as specified in Annex B, is recorded on the internal Hyperion balance sheet of the Sold Companies and their consolidated Subsidiaries on the Closing Date, such assets and liabilities will be excluded from the calculation of Working Capital.

"WORKING CAPITAL STATEMENT" has the meaning set forth in SECTION 2.2(c)(I).

2.2 CONSIDERATION. Section 2.2 of the Agreement is hereby amended by deleting it and replacing it with the following:

"CONSIDERATION. (a) On the Closing Date and subject to the terms and conditions set forth in this Agreement, the Buyer will pay to Cooper and Cooper UK, in consideration of the sale, assignment and transfer of the Shares, the aggregate sum of $1,157,500,000 in cash (in U.S. dollars) plus all Estimated Cash and Cash Equivalents minus (i) all Estimated Debt Obligations and (ii) $30,000,000 (the "PRELIMINARY PURCHASE PRICE"). Such amount shall be paid to the applicable Seller on the Closing Date by means of one or more wire transfers of immediately available funds to an account or accounts designated in writing by Cooper at least one Business Day prior the Closing Date.

(b) (i) The Preliminary Purchase Price shall be allocated among the Shares sold by each Seller in accordance with applicable Law and as set forth on SCHEDULE 2.2(b) (the "PURCHASE PRICE ALLOCATION"). None of the Sellers, the Buyer or their respective Affiliates shall take any position inconsistent with the Purchase Price Allocation on any Tax Return or in any audit or other proceeding relating to Taxes unless otherwise required by applicable Law.

(ii) If an adjustment is made to the (A) Preliminary Purchase Price pursuant to SECTIONS 2.2(c) or 2.3 hereof or otherwise or (B) Final Purchase Price, the parties shall jointly agree to allocate such adjustment among the Shares sold by each Seller in accordance with applicable Law and consistent with the allocations set forth on SCHEDULE 2.2(b) (the "ADJUSTED PURCHASE PRICE ALLOCATION"). If after good faith negotiations, the parties cannot agree upon the allocation of such adjustment among the Shares sold by each Seller and such non-competition and non-solicitation covenants within thirty (30) days after such adjustment was made, then Cooper and Buyer jointly shall engage the Arbitration Firm to resolve such dispute and whose fees shall be borne equally by Cooper and Buyer. The determination by the Arbitration Firm shall be binding on the parties. None of the Sellers, the Buyer or their respective Affiliates shall take any position inconsistent with the Adjusted Purchase Price Allocation on any Tax Return or in any audit or other proceeding relating to Taxes unless otherwise required by Law.

(c) (i) Within 45 days following the Closing Date, Buyer shall prepare and deliver to Cooper a statement (the "WORKING CAPITAL STATEMENT") containing a certificate setting forth the calculation of the Working Capital as of the opening of business on the Closing Date, together with the workpapers used in the preparation thereof. The Working Capital Statement shall be prepared in accordance with the definition of Working Capital.

(ii) After receipt of the Working Capital Statement, Cooper shall have thirty (30) days to review the Working Capital Statement, together with the workpapers used in the preparation thereof. Cooper may dispute items reflected in the calculation of Working Capital only on the basis that such amounts (i) were not determined in accordance with GAAP or otherwise as required by the definition of Working Capital or (ii) contain arithmetic error. If within the 30-day period following receipt by Cooper of the Working Capital Statement, Cooper shall deliver written notice to the Buyer of any dispute it has with respect to the preparation and content of the Working Capital Statement. Such notice must describe in reasonable detail the items contained in the Working Capital Statement that Cooper disputes and the basis for any such disputes. If Cooper does not notify the Buyer of a dispute with respect to the Working Capital Statement within such 30-day period, such Working Capital Statement or any amounts thereon that are not disputed will be final, conclusive and binding on the parties. In the event of such notification of a dispute, the non-disputed items will be final, conclusive and binding on the parties and subject to payment in accordance with SECTION 2.3(e) and SECTION 2.3(f), and Cooper and Buyer shall negotiate in good faith to resolve any amounts in dispute. If Cooper and Buyer, notwithstanding such good faith effort, fail to resolve all amounts in dispute within ten (10) days after Cooper advises Buyer of its objections, then Cooper and Buyer jointly shall engage the Arbitration Firm to resolve the amounts in dispute. As promptly as practicable thereafter, Cooper and Buyer shall each prepare and submit a written presentation to the Arbitration Firm. As soon as practicable thereafter, Cooper and Buyer shall cause the Arbitration Firm to determine based solely upon the presentations by Cooper and Buyer, only those issues still in dispute and only as to whether such amounts were arrived at in conformity with GAAP, as modified by the manner used to calculate the Target Working Capital. All fees and expenses relating to this work of the Arbitration Firm shall be borne by the party whose position was not selected by the Arbitration Firm. All determinations made by the Arbitration Firm will be final, conclusive and binding on the parties. For purposes of clarification, if some but not all of the Working Capital Statement is not

disputed, such undisputed amounts shall be paid in accordance with SECTION 2.3(e) and SECTION 2.3(f) as they are finally determined pursuant to this
SECTION 2.2(c)(ii)."

(iii) For purposes of complying with the terms set forth in this SECTION 2.2(c), each party shall cooperate with and make available to the other parties and their respective representatives all information, records, data and working papers, and shall permit reasonable access to its facilities and personnel, as may be reasonably required in connection with the preparation and analysis of the Working Capital Statement and the resolution of any disputes thereunder.

(iv) The difference between Working Capital and Target Working Capital less $30,000,000 will be included in the computation of the Final Purchase Price and will be paid in accordance with SECTIONS 2.3(e) and (f).

(d) Notwithstanding anything in this Agreement to the contrary, if any of the Sellers fails to provide the Buyer with the certification provided in

SECTION 2.5(a)(v) in whole or in part, the Buyer shall be entitled to withhold the requisite amount from the Preliminary Purchase Price in accordance with
Section 1445 of the Internal Revenue Code of 1986, as amended (the "CODE"), and the Treasury Regulations promulgated thereunder or other applicable Law."

2.3 ADJUSTMENT TO CASH AND CASH EQUIVALENTS AND DEBT OBLIGATIONS.

(a) Section 2.3 of the Agreement is renamed "Adjustment to Cash and Cash Equivalents and Debt Obligations; Post-Closing Payments."

(b) The first sentence of Section 2.3(a) of the Agreement is hereby amended by deleting it and replacing it with the following:

"Five (5) Business Days prior to the Closing Date, Cooper shall prepare and deliver to Buyer a statement (the "ESTIMATED CASH AND DEBT STATEMENT") of (i) a good faith estimate of the amount of Cash and Cash Equivalents anticipated to exist immediately prior to the Closing (the "ESTIMATED CASH AND CASH EQUIVALENTS"), and (ii) a good faith estimate of the Debt Obligations of the Sold Companies and the wholly-owned Subsidiaries and the Venture Entity and Non-Wholly Owned Subsidiary Debt Obligations anticipated to be outstanding immediately prior to the Closing ("ESTIMATED DEBT Obligations")."

(c) Section 2.3(c) of the Agreement is hereby amended by deleting it and replacing it with the following:

"(c) Within fifteen (15) days following receipt by Cooper of the Final Cash and Debt Statement, Cooper shall deliver written notice to Buyer of any dispute it has with respect to the preparation or content of the Final Cash and Debt Statement. Such notice must describe in reasonable detail the items contained in the Final Cash and Debt Statement that Cooper disputes and the basis for any such disputes. If Cooper does not notify Buyer of a dispute with respect to the Final Cash and Debt Statement within such 15-day period, such Final Cash and Debt Statement will be final, conclusive and binding

on the parties. In the event of such notification of a dispute, the non-disputed items will be final, conclusive and binding on the parties and subject to payment in accordance with SECTION 2.3(e) and SECTION 2.3(f), and Cooper and Buyer shall negotiate in good faith to resolve any amounts in dispute. If Cooper and Buyer, notwithstanding such good faith effort, fail to resolve all amounts in dispute within ten (10) days after Cooper advises Buyer of its objections, then Cooper and Buyer jointly shall engage the Arbitration Firm to resolve the amounts in dispute. As promptly as practicable thereafter, Cooper and Buyer shall each prepare and submit a written presentation to the Arbitration Firm. As soon as practicable thereafter, Cooper and Buyer shall cause the Arbitration Firm to determine based solely upon the presentation by Cooper and Buyer only those issues still in dispute. All fees and expenses relating to this work of the Arbitration Firm shall be borne by the party whose position was not selected by the Arbitration Firm. All determinations made by the Arbitration Firm will be final, conclusive and binding on the parties. For purposes of clarification, if some but not all of the Final Cash and Debt Statement is not disputed, such undisputed amounts shall be paid in accordance with SECTION 2.3(e) and SECTION 2.3(f) as they are finally determined pursuant to this SECTION 2.3(c)."

(d) Sections 2.3(e) and (f) of the Agreement are hereby amended by replacing the four references to "Section 2.3(c)" with "Sections 2.2(c)(ii) and 2.3(c)."

(e) A new Section 2.3(g) of the Agreement is hereby added:

"(g) If the Closing occurs on or after January 1, 2005, at the time the first payment by Buyer or Cooper as contemplated by SECTIONS 2.3(e) and (F) is made, Buyer shall pay to Cooper by means of one or more wire transfers of immediately available funds to an account or accounts designated in writing by Cooper an amount in cash (in U.S. dollars) equal to the Per Diem Amount. Notwithstanding the foregoing, no payment will be due to Cooper under this SECTION 2.3(g) if (i)(A) a material adverse change or material disruption occurs after the date hereof in the financial, banking or capital markets generally (including, without limitation, the markets for loans to or debt securities issued by companies similar to Buyer or the Business) or (B) subsequent to September 30, 2004, any event or development has occurred relating to the Business (individually or in the aggregate), in either case that has had a material adverse effect on the Buyer's ability to complete the Permanent Financing prior to December 31, 2004 or (ii) any of the conditions set forth in SECTIONS 6.1 or 6.3 (including any failure of the Sellers to comply in all material respects with the agreements and covenants contained herein and excluding SECTION 6.3(e) except to the extent the failure of such condition to be satisfied is attributable to the Sellers or their subsidiaries (including the Sold Companies and the Subsidiaries)) has not been satisfied or waived by Buyer (or, with respect to those conditions which by their terms are not expected to be satisfied until the Closing Date, would have not been so satisfied) on or prior to December 31, 2004."

2.4 EMPLOYEES; BENEFIT PLANS COVENANTS.

(a) Subclause (ii) of Section 5.7(i)(ii)(C)(x) of the Agreement
(through the end of the parenthetical of which such subclause is a part) is hereby amended by deleting it and replacing it with the following:

"(ii) in the case of the Employment Agreement, arise from a termination of employment on or before December 31, 2007)"

(b) A new Section 5.7(w) is hereby added to the Agreement that reads as follows:

"(w) Promptly following December 3, 2004 and continuing through the Closing, Sellers shall use best efforts to amend the applicable Assumed Plans, the Standard Products Company (Gaylord, Michigan Plant) UAW Local 388 Collectively Bargained Savings and Retirement Plan and Cooper's Pension Plan to reflect applicable terms as set forth in items 4, 5 and 6 of SCHEDULE 5.1(h), including distribution options and contribution requirements. Prior to the Closing, Sellers shall also prepare and submit voluntary compliance filings to the Internal Revenue Service with respect to such amendments. Sellers shall provide Buyer copies of such filings prior to submission and provide Buyer with reasonable time to review and comment on such submissions, which Sellers shall incorporate. Commencing as of the Closing, Buyer shall take primary responsibility for completing the voluntary compliance filings with the Internal Revenue Service, and Sellers shall be entitled to reasonably consult with Buyer and comment, which Buyer shall in good faith take into account in respect of Buyer's completion of such voluntary compliance process, and Buyer shall notify Sellers of any proposal of the Internal Revenue Service to levy any tax, fine, cost or other charge in connection with such voluntary compliance process so as to allow Sellers a reasonable time to consult with Buyer with respect to such proposal."

2.5 FINANCING.

(a) Section 5.23 of the Agreement is hereby amended to add the following at the beginning thereof:

"Subject to Section 5.24,"

(b) A new Section 5.24 is hereby added to the Agreement that reads as follows:

"5.24 FINANCING. Buyer shall promptly use commercially reasonable efforts to market the Permanent Financing. If Buyer is unable to consummate the Permanent Financing on the terms set forth in the Debt Financing Commitment and otherwise acceptable to it on or prior to December 31, 2004, Buyer may instead use commercially reasonable efforts to market the Permanent Financing after December 31, 2004. If Buyer is unable to consummate the Permanent Financing on or prior to January 31, 2005, Buyer shall (subject to the satisfaction or waiver by Buyer of the conditions set forth in SECTIONS 6.1 and 6.3 of the Agreement) use commercially reasonable efforts to make borrowings under the bridge loan facility in place of the Permanent

Financing as contemplated by the Debt Financing Commitments, subject to the terms and conditions thereof, not later than January 31, 2005."

2.6 REAL PROPERTY. A new Section 5.25 is hereby added to the Agreement that reads as follows:

"5.25 REAL PROPERTY - GRIFFIN, GEORGIA. If it is determined that the facility located at 200 Wilson Road, Griffin, Georgia is Leased Real Property and not Owned Real Property, Sellers shall promptly endeavor to cause Standard to consummate the purchase of the fee interest in such facility from the Griffin Spalding Development Authority prior to Closing. In the event Sellers are not able to cause Standard to consummate the purchase of the fee interest in such facility prior to Closing, Sellers shall indemnify the Buyer Indemnified Parties for any Liabilities and Losses due to such inability to transfer the facility pursuant to SECTION 8.1(a)(xvi)."

2.7 TERMINATION. Section 7.1(b) of the Agreement is hereby amended by deleting it and replacing it with the following:

"(b) by Cooper or the Buyer, upon written notice to the other party, if the Closing has not occurred on or before January 31, 2005 (the "OUTSIDE DATE"), unless the failure of such consummation is due to the failure of the party wishing to terminate to comply in all material respects with the agreements and covenants contained herein;"

2.8 INDEMNIFICATION BY THE SELLERS.

(a) Section 8.1(a) of the Agreement is hereby amended to add the following at the end thereof:

"(xv) (I) the failure of any Assumed Plan, the Standard Products Company (Gaylord, Michigan Plant) UAW Local 388 Collectively Bargained Savings and Retirement Plan or Cooper's Pension Plan (for purposes of this subsection (XV), each a "Plan") to reflect applicable terms as set forth in items 4, 5 and 6 of SCHEDULE 5.1(h), including distribution options and contribution requirements, (II) the failure of a Plan prior to the Closing, or following the Closing in respect of the compliance issues set forth in items 4, 5 and 6 of SCHEDULE 5.1(h), to be administered pursuant to its terms, Plan amendments and/or Internal Revenue Service voluntary compliance filings described in SECTION 5.7(w) (provided that this clause
(II) shall not apply with respect to any such failure that results from the negligence of Standard), (III) the unwinding or other correction or alteration of the changes permitted in items 4, 5 and 6 of SCHEDULE 5.1(h) or (IV) any tax, fine, cost or other charge imposed by the Internal Revenue Service in connection with the Internal Revenue Service voluntary compliance filings described in SECTION 5.7(w); and (xvi) Sellers' inability to cause Standard to consummate the purchase of the fee interest in the facility located at 200 Wilson Road, Griffin, Georgia from the Griffin Spalding Development Authority prior to Closing."

(b) Section 8.4 of the Agreement is hereby amended by replacing the reference to "subclauses (ii)-(xiv)" with "subclauses (ii)-(xvi)."

2.9 INDEMNIFICATION BY THE BUYER. Section 8.2(a)(iii) is hereby amended by deleting it and replacing it with the following:

(iii) any payments required to be made by the Sellers after the Closing under the guarantees set forth as items 4, 5, 6, 9, 10, 14, 20, 21 and 22 on SCHEDULE 3.6(b).

ARTICLE III
AMENDMENT OF SCHEDULES

3.1 RESTRUCTURING. Notwithstanding Section 5.17(b) of the Agreement, a new Schedule B is hereby added to the disclosure schedules to the Agreement as set forth on Exhibit A hereto.

3.2 PURCHASE PRICE ALLOCATION SCHEDULE. Notwithstanding Section 5.17(b) of the Agreement, a new Schedule 2.2(b) is hereby added to the disclosure schedules to the Agreement as set forth on Exhibit B hereto.

3.3 SUBSIDIARY SCHEDULE. Notwithstanding Section 5.17(b) of the Agreement, Schedule 3.4(a) to the Agreement is hereby amended and restated as set forth on Exhibit C hereto.

3.4 CONSENT SCHEDULE. Notwithstanding Section 5.17(b) of the Agreement, Schedule 3.6(b) to the Agreement is hereby amended and restated as set forth on Exhibit D hereto.

3.5 REAL PROPERTY SCHEDULE. Notwithstanding Section 5.17(b) of the Agreement, Schedule 3.18(b) is amended by noting beside the property listed on such Schedule that is located at 200 Wilson Road, Griffin, Georgia that such property may be Leased Real Property and not Owned Real Property. Nothing contained in this Section 3.5 of this Amendment and Section 5.25 of the Agreement shall be taken into account for purposes of determining whether the conditions precedent in ARTICLE VI of the Agreement are satisfied.

3.6 DIRECTOR AND OFFICER SCHEDULE. Notwithstanding Section 5.17(b) of the Agreement, Schedule 3.26 to the Agreement is hereby amended and restated as set forth on Exhibit E hereto.

3.7 INTERIM COVENANT SCHEDULE. Notwithstanding Section 5.17(b) of the Agreement, Schedule 5.1 to the Agreement is hereby amended and restated as set forth on Exhibit F hereto.

ARTICLE IV
MISCELLANEOUS AND GENERAL

4.1 DELIVERIES. Concurrently with the execution and delivery of this Amendment, Buyer will deliver to Cooper amended Financing Commitments, which amendments extend the expiration of the Financing Commitments to January 31, 2005.

4.2 ARTICLE IX OF THE AGREEMENT. The provisions of Article IX of the Agreement are incorporated into, and made part of, this Amendment.

4.3 COMPLETE AGREEMENT. The Agreement, as amended by this Amendment, and the disclosure schedules and exhibits hereto and thereto and the other documents delivered by the parties in connection herewith, together with the Confidentiality Agreement, contain the complete agreement between the parties hereto with respect to the transactions contemplated hereby and thereby and supersede all prior agreements and understandings between the parties hereto with respect thereto.

4.4 CAPTIONS. The captions contained in this Amendment are for convenience of reference only and do not form a part of this Amendment.

4.5 AMENDMENT. This Amendment may be amended or modified only by an instrument in writing duly executed by Buyer and Sellers.

4.6 GOVERNING LAW. This Amendment will be construed under and governed by the Laws of the State of Delaware applicable to contracts made and to be performed in that State.

4.7 COUNTERPARTS. This Amendment may be executed in two or more counterparts, all of which will be considered one and the same agreement and each of which will be deemed an original.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Buyer and Sellers have executed or have caused this Amendment to be executed as of the day and year first above written.

COOPER TIRE & RUBBER COMPANY

By: /s/ Philip G. Weaver

Name: Philip G. Weaver
Title: Vice President and Chief Financial Officer

COOPER TYRE & RUBBER COMPANY UK LIMITED

By: /s/ Philip G. Weaver

Name: Philip G. Weaver
Title: Director

CSA ACQUISITION CORP.

By: /s/ David P. Spalding

Name: David P. Spalding
Title: Chief Executive Officer

EXHIBIT (10)(xxvii)

[EXECUTION COPY]

THIS STRATEGIC SUBSCRIPTION AGREEMENT (this "AGREEMENT") is dated January 7, 2005 and is made by and between KUMHO TIRE CO., INC., a limited liability company established under the laws of the Republic of Korea (the "COMPANY"), and COOPER TIRE & RUBBER COMPANY, a Delaware corporation (the "INVESTOR").

WHEREAS, the Company proposes to offer and sell its common shares, par value Won 5,000 per share (the "SHARES") and global depositary shares representing Shares (the "GDSS") by way of a global offering of Shares and GDSs, which may include a secondary offering (the "OFFERING"), comprising:

(i) an initial public offering of Shares in Korea (the "KOREAN OFFERING"), and

(ii) an international offering of GDSs without being registered under the U.S. Securities Act of 1933, as amended (the "SECURITIES ACT"), to (x) qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A under the Securities Act, (y) an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that is not a qualified institutional buyer and that is purchasing for its own account or for the account of another institutional accredited investor and (z) non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act (the "INTERNATIONAL OFFERING");

and to list the Shares and the GDSs for trading simultaneously on the Korea Stock Exchange and the London Stock Exchange, respectively; and

WHEREAS, the Company and the Investor wish to cooperate to promote their mutual interests and build a lasting and mutually beneficial strategic relationship and, consistent with this, the Investor is now willing to make an equity investment in the Company on the basis and terms set out in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Investment. The Investor agrees that, if the Offering of the Shares occurs as contemplated and described in this Agreement, the Company will use its best endeavors to enable the Investor to participate in the Offering to purchase the Investor Shares (as hereinafter defined) in the Offering at the aggregate Initial Price to Public (as hereinafter defined), and the Investor will purchase the Investor Shares at the aggregate Initial Price to Public under and as part of the Offering (the "TRANSACTION"), provided that the Investor's obligation to purchase the Investor Shares is conditioned upon the Initial Price to Public being at or below Won 19,000 per Share (the "PRICE CAP"). In the case that the Initial Price to Public is likely to be higher than the Price Cap in the judgment of the Company, then the Company will notify the Investor and the Investor will reconsider the Price Cap.

"INVESTOR SHARES" means 7,500,000 Shares (in the form of GDSs at the time of Closing (as hereinafter defined)) to be purchased by the Investor pursuant to the provisions of this Agreement at the Initial Price to Public per Share to be determined by the Company and J.P. Morgan Securities Ltd., as sole global coordinator and international bookrunner for the Offering ("JPMORGAN"). The Investor Shares will represent at least 10.7% of the Company's issued Shares on a fully diluted basis after the completion of the Offering.

"INITIAL PRICE TO PUBLIC" means the price per Investor Share at which Shares (in the form of GDSs) are acquired by investors under the International Offering and determined as referred to in Section 8(a)(ii).

SECTION 2. Agreement Conditional upon Completion of Offering. The Investor's agreements in Sections 1 and 3 hereof (and the right of the Investor to acquire the Investor Shares) are conditional upon underwriting agreements for each of the Korean Offering and the International Offering being entered into and the completion of the Offering (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by June 30, 2005. The Company intends to use its best efforts to ensure that the Offering is completed by June 30, 2005. No liability to the Investor or the Company will arise if the Offering is not completed by June 30, 2005.

SECTION 3. Closing. (a) Subject to Sections 1 and 2, the Investor will acquire the Investor Shares pursuant to this Agreement, as part of the International Offering and through JPMorgan in its capacity as underwriter of the International Offering. Accordingly, subject to this Section 3 (a), the Investor Shares will be acquired simultaneously with settlement of the International Offering. The closing of the Transaction (the "CLOSING") shall occur simultaneously with the closing date of the Offering (the "CLOSING DATE"), and the Company shall use reasonable endeavors to notify the Investor promptly as to the expected Closing Date. Payment for and delivery of the Investor Shares shall be made on the date notified to the Investor by JPMorgan which shall not be later than 31 days after the date of pricing of the International Offering as referred to in Section 8(a)(ii), but otherwise on the same basis on which GDSs are delivered to other investors which acquire GDSs in the International Offering through JPMorgan, as underwriter of the International Offering (or in any other manner which the Company, JPMorgan and the Investor may agree).

(b) In the event that any over-allotment Shares (the "OVER-ALLOTMENT SHARES") (in the form of GDSs) are issued upon exercise of any over-allotment option granted to the underwriters in connection with the Offering (the "OVER-ALLOTMENT OPTION"), the Investor shall not subscribe for any such Over-allotment Shares.

SECTION 4. Restrictions on Disposals by the Investor. The Investor agrees that it will not Dispose (as hereinafter defined) of any of the Investor Shares at any time without the prior written consent of the Company, except on or after the third anniversary of the Closing Date, the Investor may exercise the Put Option as defined in Section 5(a) (subject to the approval of the Bank of Korea as set forth in Section 5(a)). The Investor and the Company confirms that, if the Company fails to (x) deliver the Put Acceptance Notice (as defined in Section 5(a)) or (y) purchase the Investor Shares pursuant to Section 5(a) following the due exercise of the Put Option by the Investor pursuant to Section 5(a), the Investor shall have the right and discretion to sell the Investor Shares in any manner. Such right of the Investor shall not affect any of the Investor's

claims against the Company under this Agreement as a result of such failure on the part of the Company.

The Investor hereby acknowledges and agrees that the Investor Shares have not been registered under the Securities Act and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and it represents, warrants and agrees that it will comply with the securities laws of the United States, Korea and other jurisdictions that prohibit, inter alia, any investor who has received from the Company or any of the directors, officers, employees, representatives, agents or advisers of the Company material, non-public information relating to the Company or any of its subsidiaries from Disposing of any Investor Shares.

"DISPOSE," "DISPOSAL" or "DISPOSING" means (i) offering, pledging, selling, contracting to sell, selling any option or contracting to purchase any option, purchasing any option or contracting to sell any option, granting any option, right or warrant to purchase, or otherwise transferring or disposing of (including, without limitation, pursuant to the creation of a derivative security such as a hedge), directly or indirectly, any Shares, global, American or similar depositary shares representing the Company's capital stock or any securities convertible into or exercisable or exchangeable for, or representing interests in such securities, or other instruments, warrants or options or (ii) entering into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any Investor Shares (regardless of whether any of the transactions described in clause (i) or (ii)
is to be settled by the delivery of Investor Shares or such other securities, in cash or otherwise).

SECTION 5. Put Option/Call Option; Right of First Refusal. The Investor and the Company agrees that, subject to the approval of the Bank of Korea, on or after the day following the third anniversary of the Closing Date (the "POST-LOCKUP PERIOD"), (i) the Investor shall have the right to sell the Investor Shares to the Company (or any party or parties designated by the Company) (the "PUT OPTION") and (ii) the Company shall have the right to purchase (or cause any party or parties designated by the Company to purchase) the Investor Shares from the Investor (the "CALL OPTION"), subject to applicable laws and regulations. The Company shall use its commercially reasonable efforts to obtain the approval of the Bank of Korea in respect of the Put Option and the Call Option as promptly as practicable. Neither the Put Option nor the Call Option shall become effective unless and until the approval of the Bank of Korea shall have been obtained and, if the Company fails to obtain such approval,
Section 5(a) and Section 5(b) will become null and void. The Company shall make the application to the Bank of Korea for such approval within 90 days of the date of this Agreement and shall use its best efforts to secure such approval.

(a) (i) To exercise the Put Option, the Investor shall deliver a written notice to the Company (the "PUT NOTICE"), which shall be irrevocable, at any time during the Post-Lockup Period, stating that the Investor intends to exercise the Put Option pursuant to this Section 5(a), to sell to the Company (or such other party or parties designated by the Company) and to cause the Company (or such other party or parties designated by the Company) to purchase from the Investor, all of the Investor Shares held by the Investor for a per Share purchase price equal to the higher of (x) Initial Price to Public per Share and (y) the Average Market Price (as hereinafter defined).

(ii) The Company shall deliver a written notice to the Investor (the "PUT ACCEPTANCE NOTICE") within 21 calendar days from the date when it receives the Put Notice,

stating that it (or such other party or parties designated by the Company) will purchase all of the Investor Shares then held by the Investor and specifying the date on which the closing of such purchase shall take place, which shall be no later than 45 calendar days from the date of the Put Acceptance Notice.

(b) (i) To exercise the Call Option, the Company shall deliver a written notice to the Investor (the "CALL NOTICE"), which shall be irrevocable, at any time during the Post-Lockup Period, stating that the Company intends to exercise the Call Option pursuant to this Section 5 (b) and specifying the date for the closing of the purchase of the Investor Shares pursuant to the Call Option (the "CALL CLOSING DATE"), which shall be no earlier than 15 calendar days and no later than 45 calendar days from the date of the Call Notice.

(ii) On the Call Closing Date, the Company shall purchase from the Investor and the Investor shall sell to the Company, all of the Investor Shares for a per Share purchase price equal to the higher of (x) the Initial Price to Public per Share and (y) the Average Market Price.

(c) (i) In the event that the Put Option and the Call Option fail to become effective as a result of failure to obtain approval of the Bank of Korea, if at any time during the Post-Lockup Period, subject to Section 5(d), the Investor receives from any party a bona fide offer to purchase any of the Investor Shares (the "DISPOSED SHARES") that the Investor is willing to accept, the Investor shall provide written notice thereof (each, a "DISPOSITION NOTICE") to the Company in advance to provide reasonable time for the Company to take actions set out in this Section 5(c). Each Disposition Notice shall include the identity of the prospective buyer, the price per Share offered, the terms of the prospective buyer's financing and the other material terms of the offer.

(ii) Upon receipt of a Disposition Notice, the Company shall have the right to elect to acquire, or cause any party or parties designated by the Company to acquire, all but not less than all of the Disposed Shares to which such Disposition Notice relates by delivering to the Investor a written notice (an "EXERCISE NOTICE") within 21 calendar days from the date the Company received such Disposition Notice. In the event that the Company delivers an Exercise Notice with respect to such Disposed Shares as provided herein, the Company shall have the right to acquire, or cause any party or parties designated by the Company to acquire, all but not less than all of such Disposed Shares on terms no less favorable to the Investor than those set forth in the applicable Disposition Notice, to the extent permitted under applicable laws and regulations.

(iii) In the event that the Company does not deliver an Exercise Notice as provided in Section 5(c)(i), then the Investor, subject to Section 5(d), shall be entitled to:

(A) Dispose of all but not less than all of such Disposition Shares to the party and on the terms set forth in the Disposition Notice related to such Disposition Shares; provided, however, that if such Disposition is not consummated within 90 calendar days following the date of such Disposition Notice pursuant to such terms, such Disposed Shares shall be again subject to the Company's right of first refusal pursuant to this Section 5(c); or

(B) retain such Disposed Shares, in which case such Disposed Shares shall be again subject to the Company's right of first refusal pursuant to this Section 5(c).

(iv) The closing of a purchase by the Company (or such party or parties designated by the Company) of Disposed Shares in accordance with this
Section 5(c) shall be on the 45th calendar day following delivery of such applicable Exercise Notice, unless otherwise agreed by the Company and the Investor. At each such closing, the Investor shall deliver written instruments in form satisfactory to the Company, duly executed by the Investor, that such Disposed Shares have been delivered free and clear of any pledge, encumbrance, security interest, purchase option, call, lien or similar right under any applicable law arising by, through or under such Disposed Shares against payment of the purchase price therefor, subject to the applicable laws and regulations.

(d) In the event that the Put Option and the Call Option fail to become effective as a result of failure to obtain approval of the Bank of Korea, at any time during the Post-Lockup Period, the Investor agrees that:

(i) without the prior written consent of the Company, it will not Dispose of any Investor Shares to any Tire Company (as defined below) and will use its best endeavors to ensure that any purchaser of Investor Shares from it in such period does not Dispose of such Investor Shares to a Tire Company; and

(ii) it will not Dispose of any of the Investor Shares held by it other than (A) in one or more transactions in which no person or Group acquires more than 2% of the Voting Power of the outstanding Voting Securities of the Company, except with the prior written consent of the Company, or (B) in ordinary market transactions through a broker or directly with a market maker in the Investor Shares; provided that the amount of Investor Shares sold, together with all sales of any Investor Shares made within the preceding three-month period, shall not exceed the greater of (x) 1% of the Shares outstanding as shown by the most recent report or statement published by the Company, or (y) the average weekly reported volume of trading in the Shares on the Korea Stock Exchange during the four-week period preceding the date of receipt of the order to execute the transaction by the broker or the date of execution of the transaction directly with a market maker.

"AVERAGE MARKET PRICE" means the volume-weighted average Market Price of the Shares over the 20 Trading Day period ending on the Trading Day preceding the date of the Put Notice (in the case of Section 5(a)) or the Call Notice (in the case of Section 5(b)).

"MARKET PRICE" of a Share for any Trading Day means the closing sales price of a Share on the Korea Stock Exchange on such day as quoted on Bloomberg or, if no reported sales take place on such day, the arithmetic average of the reported closing bid and offered prices, in either case as reported by the Korea Stock Exchange for such day or, if Shares are not on such day listed or admitted to trading on the Korea Stock Exchange, the arithmetic average of the closing bid and offered prices of Shares for such day as furnished by a leading independent member firm of the Korea Stock Exchange selected from time to time by the Company.

"TRADING DAY" means when the Korea Stock Exchange (or, if applicable, with respect to another stock exchange, a day when such stock exchange) is open for business; provided, however, that if no transaction price or closing bid and offered prices are reported on Korea Stock Exchange or such other exchange in respect of the relevant securities for one or more Trading Days, such day or days will be disregarded in the relevant calculation relating to a period of consecutive Trading Days.

"TIRE COMPANY" means a company which is itself, or is a holding company or a subsidiary or an affiliate of a company which is, engaged in tire manufacturing and/or sales of tires or tire-related products.

SECTION 6. Standstill Agreement.

(a) The Investor covenants and agrees with the Company that, without the prior written approval of the Company, it will not:

(i) directly or indirectly, acquire, or offer, propose or agree to acquire, whether by purchase, tender or exchange offer, through the acquisition of control of another person, by joining a Group (as hereinafter defined), or otherwise, beneficial ownership of any Voting Securities (as hereinafter defined) of the Company if, upon completion of such acquisition, the number of Voting Securities beneficially owned by the Investor would exceed the maximum number of Voting Securities beneficially owned by the Investor immediately following the Closing;

(ii) propose or seek to effect, or request permission to propose or seek to effect, or initiate any other action with respect to, a Company Business Combination (as hereinafter defined) involving, or a tender or exchange offer for securities of, the Company or any of its subsidiaries or any material portion of their respective businesses or any other type of transaction that would result in a Company Control Transaction (as hereinafter defined);

(iii) become a member of or participate in a Group formed for the purpose of exercising joint influence with respect to the Voting Securities of the Company, other than a Group composed solely of itself;

(iv) solicit any proxies or stockholder consents, or become a participant (other than by voting), or encourage any person to become a participant, in a proxy or consent solicitation with respect to any of the Company's Voting Securities; or

(v) publicly suggest or announce its willingness or desire to engage in a transaction or series of transactions that could reasonably be expected to result in a Company Control Transaction.

(b) The Company covenants and agrees with the Investor that, without the prior written approval of the Investor, it will not:

(i) directly or indirectly, acquire, or offer, propose or agree to acquire, whether by purchase, tender or exchange offer, through the acquisition of control of another person, by joining a Group, or otherwise, beneficial ownership of any Voting Securities of the Investor if, upon completion of such acquisition, the number of Voting Securities beneficially owned by the Company would exceed the maximum number of Voting Securities beneficially owned by the Company immediately following the Closing;

(ii) propose or seek to effect, or request permission to propose or seek to effect, or initiate any other action with respect to, a Investor Business Combination (as hereinafter defined) involving, or a tender or exchange offer for securities of, the Investor or any of its subsidiaries or any material portion of their respective businesses or any other type of transaction that would result in a Investor Control Transaction (as hereinafter defined);

(iii) become a member of or participate in a Group formed for the purpose of exercising joint influence with respect to the Voting Securities of the Investor, other than a Group composed solely of itself;

(iv) solicit any proxies or stockholder consents, or become a participant (other than by voting), or encourage any person to become a participant, in a proxy or consent solicitation with respect to any of the Investor's Voting Securities; or

(v) publicly suggest or announce its willingness or desire to engage in a transaction or series of transactions that could reasonably be expected to result in an Investor Control Transaction.

"GROUP" means any "group" within the meaning of Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended.

"VOTING SECURITIES" means, (i) with respect to the Company, the equity securities of the Company entitled to vote generally for the election of directors of the Company, (ii) with respect to the Investor, the equity securities of the Investor entitled to vote generally for the election of directors of the Investor, an (iii) with respect to any other person, any securities of or interests in such person entitled to vote generally for the election of directors or any similar managing person of such person or entitled to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"VOTING POWER" means, with respect to any Voting Securities, the aggregate number of votes attributable to such Voting Securities that could generally be cast by the holders of such Voting Securities for the election of directors or any similar managing person at the time of determination (assuming such election were then being held).

"COMPANY BUSINESS COMBINATION" means (i) a merger, amalgamation, share exchange or consolidation in which the Company is a constituent corporation or (ii) a sale of all or substantially all of the assets of the Company and its subsidiaries taken as a whole, provided that, in each case, a "Company Business Combination" shall not include any transaction or series of transactions following which the stockholders of the Company immediately prior to such transaction or series of transactions continue to hold, by reason of their prior holdings of Voting Securities, an aggregate number of Voting Securities of the Company (or the surviving entity, as the case may be) representing at least two-thirds of the Voting Power (as hereinafter defined) of the Voting Securities of the Company (or the surviving entity).

"COMPANY CONTROL TRANSACTION" means any transaction or series of transactions that involves (i) a Company Business Combination or (ii) the sale or issuance of Company Voting Securities to any person or Group formed for the purpose of exercising joint influence with respect

thereto or (iii) the acquisition of equity securities of the Company by any person or Group formed for the purpose of exercising joint influence with respect thereto, other than, in each case a transaction or series of transactions following which the stockholders of the Company immediately prior to such transaction or series of transactions continue to hold, by reason of their prior holdings of Voting Securities, an aggregate number of Voting Securities of the Company (or the surviving entity, as the case may be) representing at least two-thirds of the Voting Power of the Voting Securities of the Company (or the surviving entity).

"INVESTOR BUSINESS COMBINATION" means (i) a merger, amalgamation, share exchange or consolidation in which the Investor is a constituent corporation or (ii) a sale of all or substantially all of the assets of the Investor and its subsidiaries taken as a whole, provided that, in each case, an "Investor Business Combination" shall not include any transaction or series of transactions following which the stockholders of the Investor immediately prior to such transaction or series of transactions continue to hold, by reason of their prior holdings of Voting Securities, an aggregate number of Voting Securities of the Investor (or the surviving entity, as the case may be) representing at least two-thirds of the Voting Power of the Voting Securities of the Investor (or the surviving entity).

"INVESTOR CONTROL TRANSACTION" means any transaction or series of transactions that involves (i) an Investor Business Combination or (ii) the sale or issuance of Investor Voting Securities to any person or Group formed for the purpose of exercising joint influence with respect thereto or (iii) the acquisition of equity securities of the Investor by any person or Group formed for the purpose of exercising joint influence with respect thereto, other than, in each case a transaction or series of transactions following which the stockholders of the Investor immediately prior to such transaction or series of transactions continue to hold, by reason of their prior holdings of Voting Securities, an aggregate number of Voting Securities of the Investor (or the surviving entity, as the case may be) representing at least two-thirds of the Voting Power of the Voting Securities of the Investor (or the surviving entity).

SECTION 7. "Kumho Tires" and "Kumho" Trademarks. The Company represents and warrants that it owns "Kumho Tires" as its registered trade mark. For so long as the Investor owns an amount of Shares in excess of 5% of the issued and outstanding Shares of the Company, the Company shall use its best endeavors to maintain the right to use the original trademarks of "Kumho" with respect to the tire business, free of royalty or other charges, subject to requirement of applicable law, and provided that Kumho Industrial Co., Ltd. continues to possess the right directly or indirectly to elect or nominate for election a majority of the board of directors of the Company.

SECTION 8. Acknowledgments, Representations, Warranties and Covenants.

(a) The Investor acknowledges and confirms that:

(i) it is not entitled to nominate or appoint any person to be a director of the Company as a result or through its purchase of the Investor Shares;

(ii) the Initial Price to Public is to be determined by agreement between the Company and JPMorgan (on behalf of the underwriters) following, and on the basis of, the "roadshow" and "bookbuilding" process in connection with the Offering;

(iii) the Investor Shares will be acquired by the Investor through JPMorgan as underwriter of the International Offering on the basis provided in Sections 1, 2 and 3 above, and on the basis that the Investor has not relied, and will not be entitled to rely on any legal opinion or other advice given by legal counsel to the Company (except as provided in Section 9(c)) or legal counsel to JPMorgan and underwriters in connection with the Offering, and has taken its own independent advice to the extent it has considered necessary or appropriate;

(iv) the Company and JPMorgan will have the absolute discretion to change or adjust (a) the number of Shares and GDSs comprising the Offering or any part thereof and (b) the ratio of Shares and GDSs to be offered by the Company under the Offering or any part thereof;

(v) the Investor is an accredited investor within the meaning of Rule 501(a)(3) under the Securities Act;

(vi) subject to the provisions herein, the Investor Shares may be offered, resold, pledged or otherwise transferred only (A) to the Company, (B) to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (C) outside the United States to a person other than a U.S. person (as such terms are defined in Regulation S under the Securities Act), (D) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available), or (E) pursuant to an effective registration statement under the Securities Act;

(vii) While any Investor Shares remain outstanding are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company, during any period which (x) the Company is not subject to and in compliance with Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), or (y) the Company is not exempt from the reporting obligations of the Exchange Act pursuant to Rule 12g3-2(b), the Company will furnish prospective purchasers of Investor Shares designated by the Investor pursuant to Section 4, upon the request of the Investor or such prospective purchasers, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act;

(viii) the Investor is purchasing the Investor Shares for investment purposes and not with a view to the distribution of such Shares; and

(ix) the Company and, for purposes of the opinions to be delivered pursuant to the Purchase Agreement in connection with the Offering, the counsels for the Company and the counsels for the underwriters of the International Offering, respectively, may rely upon the accuracy of the representations and warranties of the Investor, and the Investor hereby consents to such reliance.

(b) Each of the Investor and the Company represents and warrants as of the date hereof and as of the Closing Date that:

(i) it is a corporation duly organized and validly existing under the laws of its jurisdiction of incorporation;

(ii) the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate action on its part;

(iii) the execution, delivery and performance of this Agreement by it, the compliance by it with all the provisions hereof and the consummation of the transactions contemplated hereby will not (i) violate any provisions of the articles of incorporation or other constitutional documents, (ii) require any consent, approval, authorization or other order of, or qualification with, any court or governmental body or agency (except such as have been obtained or made and are in full force and effect as of the Closing Date), (iii) conflict with or constitute a breach of any of the terms or provisions of, or a default under, any indenture, loan agreement, mortgage, lease or other agreement or instrument to which it or any of its subsidiaries is a party or by which it or any of its subsidiaries or their respective property is bound, or (iv) violate or conflict with any applicable law or any rule, regulation, judgment, order or decree of any court or any governmental body or agency having jurisdiction over it, any of its subsidiaries or their respective property, except for such failures, violations, conflicts, breaches or defaults under clauses (ii), (iii) and (iv) that, individually or in the aggregate, neither have had nor are reasonably likely to have a material adverse effect on the ability of the party to perform its respective obligations under this Agreement;

(iv) this Agreement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligations and that no corporate, shareholder or other consents, approvals or authorizations are required by such party for the performance of its obligations under this Agreement (except such as have been obtained or made and are in full force and effect as of the Closing Date).

(c) The Company represents and warrants as of the date hereof that:

(i) the authorized capital stock of the Company consists of 200,000,000 Shares; as of the date hereof, 50,000,000 Shares are validly issued and outstanding; and Kumho Industrial Co., Ltd. owns of record 15,000,000 Shares as of December 31, 2004;

(ii) the Company has furnished to the Investor (x) the audited combined balance sheets of the Company and its subsidiaries (on a carve-out basis) as of December 31, 2001, December 31, 2002, and June 30, 2003 and the audited consolidated balance sheet of the Company and its subsidiaries as of December 31,2003, and related combined statements of income and combined statements of cash flows for each of the twelve-month periods ended December 31, 2001 and 2002, and related combined statement of income and combined statement of cash flows for the six-month period ending June 30, 2003, and related consolidated statement of income and consolidated statement of cash flows for the six-month period ended December 31, 2003, including, in each case, the notes thereto, and (y) the audited non-consolidated balance sheet of the Company as of September 30,

2004, and the related non-consolidated statement of income and non-consolidated statement of cash flows for the nine-month period then ended, including the notes thereto (collectively, the "FINANCIAL STATEMENTS"). The Financial Statements fairly present in all material respects the financial position of the Company as of such dates, the operation of the Company's business and its net income and cash flows for the periods then ended, and were prepared in accordance with generally accepted accounting principles in Korea;

(iii) no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company, any subsidiary or their respective properties or assets is pending or, to the reasonable knowledge of the Company, threatened, in each case, that (i) could have a material adverse effect on the performance by the Company of its obligations pursuant to this Agreement or the consummation of any of the transactions contemplated hereby or (ii) could result in a material adverse effect on the business, operations or financial condition of the Company and its subsidiaries, taken as a whole; and

(iv) the preliminary offering circular and the final offering circular, each relating to the International Offering, will not, as of their respective dates, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein in light of the circumstances under which they were made.

SECTION 9. Conditions Precedent. The rights and obligations of each party hereto shall be subject to the conditions precedent that:

(a) the Offering shall occur simultaneously with the Transaction;

(b) each of the Company and the Investor shall have given all notifications to, and received all consents and/or approvals of, third parties, including governmental authorities, that are or may be required for the purposes of or in connection with this Agreement, including, without limitation, expiration or termination of the waiting period (and any extension thereof) applicable to the transactions contemplated hereby under the Hart-Scott-Rodino Antitrust Improvements Act of 1974, as amended;

(c) the Investor shall have received from Shin & Kim, counsel for the Company, an opinion dated as of the Closing Date, in form and substance satisfactory to the Investor; and

(d) the representations of the Investor (with respect to the Company) and of the Company (with respect to the Investor) set forth in Section 8 herein shall be true and correct as in all respects as of the dates specified herein.

SECTION 10. Announcements. The parties hereto shall consult with each other prior to issuing any public announcement or statement with respect to this Agreement or the transaction contemplated hereby. The Investor will not make any announcement or other public statement with respect to this Agreement or the arrangements contemplated by it, except (i) for any announcement by the Investor which may be required in order to comply with the rules of any government authority or agency or stock exchange applicable to the Investor (but only after prior

consultation with the Company with respect to the form, timing and content of any such announcement) or (ii) as may be agreed by the Company. In addition, the Investor acknowledges and agrees (i) that this Agreement and the relationship and arrangements between the parties contemplated by this Agreement will be required to be described in the Offering Circular and any other marketing materials for the Offering and specifically, this Agreement will be a material contract required to be filed with regulatory authorities and/or made available for public inspection in connection with the Offering and (ii) to permit the Company to identify the Investor as a purchaser of Shares in the Offering Circular and in any required filings with the relevant regulatory authorities and/or stock exchanges or otherwise required in order to comply with the rules of any government authority or agency or stock exchange applicable to the Company.

SECTION 11. Further Efforts. (a) Each of the Investor and the Company shall use its best endeavors to enter into further agreements in respect of their business cooperation and/or strategic alliance.

(b) Each of the Investor and the Company shall use its best endeavors to hold periodic meetings of a strategic management committee, consisting of the Chairman of the Company's board of directors, the Company's President and the Investor's President/Chief Executive Officer.

(c) The Investor and the Company shall cooperate with respect to any notifications to, or consents and/or approvals of, third parties that are or may be required for the purposes of or in connection with this Agreement.

(d) From and after the date of this Agreement, upon the request of the Investor or the Company, the Company and the Investor shall execute and deliver such instruments, documents and other writings as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement.

SECTION 12. Miscellaneous.

(a) Termination.

(i) The Company or the Investor may terminate this Agreement at any time upon mutual agreement, or by giving written notice to the other party if the other party (either the Company or the Investor, as applicable) has committed a material breach of any agreement, representation, condition, covenant or other term of this Agreement and fails to cure such breach within thirty (30) days from receipt by the defaulting party of a written notice to cure from the non-defaulting party.

(ii) In the event that this Agreement is terminated without any default of either party (including as a result of the fact that the Offering shall not have been completed by June 30, 2005), the Investor shall no longer have any obligation to acquire the Investor Shares from the Company and the Company shall no longer have any obligation to sell the Investor Shares to the Investor; provided, however, the Company and the Investor may proceed (but are not obligated) to discuss, with participation of other concerned parties if necessary, the possible acquisition by the Investor of other equity stakes in the Company, including acquisition of an ownership equity stake.

(iii) Any termination of this Agreement shall not affect any accrued rights or liabilities of either party nor shall it affect the coming into force or the continuation in force of any provisions of this Agreement which are expressly or by implication intended to come into force or continue in force on or after that termination.

(b) Expenses. Each party hereto will pay its own expenses in connection with the transactions contemplated hereby, whether or not such transactions shall be consummated.

(c) Amendments and Waivers. This Agreement may be amended only by a written instrument signed by each party hereto.

(d) No Assignment. This Agreement, or any party hereof, may not be assigned by any party hereto without the prior written consent of the other party hereto. Any purported assignment in violation of this paragraph (d) shall be null and void.

(e) Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) when sent by facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) upon delivery if sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) upon delivery if deposited with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company:

Kumho Tire Co., Inc.
Kumho Asiana Building
57 Shinmunro 1-ga, Jongro-gu Seoul 110-713, Korea
Attention: Young Kyo Park
Facsimile: (822) 6303 8299

and

Kumho Asiana Group
Kumho Asiana Building
57 Shinmunro 1-ga, Jongro-gu Seoul 110-713, Korea
Attention: Park, Sam Koo, Chairman, Ahn Seok Kim and Young Ju Lee Facsimile: (822) 6303 1679

with a copy to:

J.P. Morgan Securities (Asia Pacific) Ltd. 28F, Chater House
8 Connaught Road
Central, Hong Kong SAR

Attention: Julian Ball and James Mak Facsimile: (852) 2836 9622

and

Simpson Thacher & Bartlett LLP 425 Lexington Avenue
New York, NY 10017
Attention: Paul B. Ford, Esq. and Youngjin Sohn, Esq.

Facsimile: (212) 455-2502

If to the Investor:

Cooper Tire & Rubber Company

701 Lima Avenue
Findlay, Ohio
Attention: Thomas A. Dattilo, Chairman of the Board, President and Chief Executive Officer Facsimile: (419) 420-6050

with a copy to:

Cooper Tire & Rubber Company 701 Lima Avenue
Findlay, Ohio
Attention: James E. Kline, Vice President, General Counsel and Secretary
Facsimile: (419) 420-6052,

or to such other address or addresses as shall be designated in writing. All notices shall be effective when received.

(f) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

(g) Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

(h) Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the Republic of Korea.

(i) Separability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(j) Entire Agreement. This Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects thereto and no party shall be liable or bound to any other in any manner

by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

(k) No Waiver; Cumulative Remedies. No failure or delay on the part of any party to this Agreement in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

(l) Submission to Jurisdiction. Each party hereto irrevocably consents, to the fullest extent permitted by applicable law, to the non-exclusive jurisdiction of Seoul Central District Court and in the courts hearing appeals therefrom, for the resolution of any dispute, action, suit or proceeding arising out of or relating to this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

KUMHO TIRE CO., INC.

By: /s/ Lee Young Ju

Name: Lee Young Ju
Title: Attorney-in-fact

COOPER TIRE & RUBBER COMPANY

By: /s/ Thomas A. Dattilo

Name: Thomas A. Dattilo
Title: Chairman, President and

Chief Executive Officer

EXHIBIT (13)

TO THE STOCKHOLDERS:

2004 was an eventful year for us and the revolutionary changes we made will reposition Cooper for the future. If you take a calendar and mark off the important dates for Cooper in 2004, it becomes pretty crowded.

We begin 2005 for the first time in our history as purely a tire company. And, it feels pretty good to have our focus on one product. When we divested Cooper-Standard we believe we harvested this asset in the best way for Cooper shareholders.

Automotive components manufacturing is a tough business that has gotten tougher during the past five years. We will miss the global scope of that business, but then, our plans for the tire business will take us around the globe too. We have the financial and human resources, as well as the strategic plans, to make this happen.

As we fine-tuned our plans for allocating the proceeds of the sale, as in everything we do, our first consideration was the creation of long-term shareholder value. It's important to us to maintain investment grade status, so we will be allocating between $100 and $200 million to debt reduction during the next several months.

In the fourth quarter, we used $83 million of the proceeds to purchase stock, allocated $60 million to pension funding and announced a $107 million investment in Kumho Tire. The rest of the proceeds will be used for a combination of share repurchase and keeping our "powder dry" for strategic investment in the tire business as opportunities are identified or for paying down additional debt.

By deploying the proceeds in this way, we will essentially recapitalize the company with lower debt and fewer shares outstanding, and then make the investments in the business that will allow us to grow substantially during the next several years.

A step toward that growth was Cooper's acquisition of 11 percent of Kumho Tire in February. This will provide value to shareholders in two ways: first, through the immediate return as it is an investment in a profitable company; second, through the long-term strategic value and opportunities it creates. This strategic relationship has the potential to provide us with key synergies that will help us advance both organizations in key areas such as global sales and distribution, purchasing, racing support, operational efficiencies and technology.

We have repeatedly said that we intend to be recognized as the #1 tire company in China, with the leading market share, within five years. This could be accomplished with one or two relatively small acquisitions or strategic investments. This would be sufficient to give us a competitive position, immediate market access and a platform to build on as the market in China develops. Additionally, our new relationship with Kumho Tire could lead to joint activities in China. As China develops, we will be a participant in that growth.

Although we are excited about the potential the Asian markets hold for us, our most critical market and business remains in North America. Our success in North America will enable us to pursue our global plans.

We have aggressively pursued the high performance market in North America during the past two years. During 2004, our high performance sales were up nearly 28 percent. We estimate that we currently have about six percent of this market but our plan is to capture 10 to 15 percent within the next three years. A key to continuing our success in North America is keeping abreast of the developments in the channel changes, size proliferations and product trends. During 2004, we introduced 1,225 new SKUs. This greatly improved our product mix and kept us on track to make sure a significant portion of our sales each year is in new products.

We know that 60 percent of consumers who have bought Cooper tires, come back to buy them again, according to a recent JD Power study of consumer satisfaction. That beats the brand loyalty of all of the major competitors and exceeds the industry average of 42 percent.

We are working very hard to improve our brand awareness and capitalize on this industry-leading consumer loyalty. A major objective during 2004 was to broaden our reach to consumers with a relevant message: Don't Give Up a Thing. The result was one of the most exciting marketing programs in our company's history. We leaped from 558 million impressions to nearly 1.5 billion impressions - three times as many people hearing and learning about the Cooper brand. That means more people will ask for and try Cooper. Those impressions came from many different media. You can look forward to our making sure that Cooper becomes known in a way befitting our top brand position. We have built the Cooper name globally and are committed to a strategy that exploits the elevated Cooper name.

Part of the strategy is to have a leadership position within the tire industry as a whole. We are introducing innovative products such as the new 20-inch Discoverer ATR with white-outline sidewall lettering. And, to ensure we are getting paid fairly for the value of our products and the services we provide, we've realized three price increases in 2004 and implemented another price increase at the

beginning of March 2005. Plus, very importantly, I have agreed to serve an unprecedented third term as the chairman of the Rubber Manufacturers Association. Cooper Tire is serving as a leader in a world that needs leadership.

Looking toward 2005, Cooper's opportunities are unprecedented. We have an excellent financial position, a committed management team and a focus on strong relationships with our customers. We all know we have a great deal of work to do to execute our plans and strategies, but we are excited about our future to move revolutions ahead. Our focus continues to be on the customer and on you, our shareholder. Our purpose is to increase the value of your investment. We do that by making sure we are driving the changes inside our company that will keep us solid in the tire world. Thank you for your continued support and investment in Cooper Tire & Rubber Company.

Thomas A. Dattilo
Chairman, President and CEO

The information which follows is included in the Company's 2004 Annual Report.

Cooper Tire & Rubber Company generated a substantial level of activity during 2004. The accomplishments and revolutionary changes of 2004 will be leveraged to grow our business and improve profitability to significantly increase the value of our shareholders' investments well into the future.

One of the major initiatives during 2004 -- and a cornerstone to achieving our strategic objectives -- is enhancing our product mix. Last year we introduced about 1,225 new SKUs with the emphasis on premium products such as high performance, ultra-high performance, racing and light truck products. That total also includes new products in winter tires, broadline, and motorcycle lines. A rich product mix enables Cooper and our customers to capitalize on the rapidly growing performance segment. This segment is the most profitable and fastest growing in the tire industry.

Cooper today holds about six percent of the high performance market, but our plan is to capture 10 to 15 percent during the next three years. Cooper's high performance tire sales during 2004 were up nearly 28 percent. Our success in this arena is already creating new business opportunities for us with important, high profile, successful marketers.

One such opportunity is Cooper's exclusive distribution agreement with The Tire Rack for our Avon brand in the United States. Using the Internet and mail order, The Tire Rack promotes and sells various high performance tires that we produce exclusively for them. Recognized as a clear industry leader in high performance tires, The Tire Rack has become a solid customer. We believe that their strong acceptance and endorsement of our products truly solidifies our position among the top providers of high performance tires.

Our improved product offering also has enabled us to increase our penetration in the retail distribution channel and we continue to win new business for 2005, with retailers such as Discount Tire and Kauffman Tire as well as respected program marketers such as TBC and Treadways.

We also experienced strong growth in our more traditional high-end products for light truck and SUV applications. Sales of our SUV and light truck products increased 21 percent during 2004, adding to our market share and improving our product mix.

Our emphasis on new product development is already paying off as we expect a minimum of 15 percent of our revenue in 2005 coming from new products. Utilizing cross-functional product launch teams provides us more precision in our market delivery. This approach helps ensure our new products meet the performance requirements of the market and are manufactured at peak operating efficiency.

Cooper and American Kenda Rubber Industrial, Co., announced an agreement late last year naming Cooper as a marketer of Kenda radial passenger and light truck products in the United States and Canada. The new products, which include the lines Kenetica and Klever, are designed to complement the current Cooper product offerings. This strategy provides us with additional flexibility in the range of products we offer to meet the needs of today's tire consumers.

While expanding markets is an important strategy for Cooper, during 2004 we chose to exit the inner tube market. During the past 10 years, industry shipments have continuously declined while imports increased to more than 70 percent of shipments into the U.S. market. Cooper exited this market in order to dedicate our resources to those product categories that help grow the business globally and provide shareholder value.

We continually monitor the marketplace and evaluate our product and price positioning to ensure that we are getting paid fairly for the value our products and services provide. During 2004 we realized three price increases. And, the pricing environment remains strong in the industry. In fact, we implemented another price increase at the beginning of March 2005.

The North American replacement tire market grew about 3.3 percent in passenger and light truck tires and 4.5 percent in medium truck tires during 2004. The hot sellers continue to be the H, V and Z rated performance tires as well as p-metric light truck tires. The

Rubber Manufacturers Association (RMA) predicts this trend to continue far into the future as Detroit focuses on style and performance to attract consumers.

Looking toward the future most marketers, including Cooper, have their eye on Generation Y or those born between 1977 and 1994. This is almost as large a group as the baby boomers and accounts for 28 percent of the population. While many of these future consumers are not yet thinking about buying tires, brand loyalties are being formed now and we must begin to position our brands to attract this huge buying group.

According to a recent JD Power study of customer satisfaction, 60 percent of consumers who have purchased Cooper tires, come back to buy them again. That beats the brand loyalty of all of the major US tire competitors and exceeds the industry average of 42 percent.

Knowing that people who have tried Cooper tires are satisfied enough to purchase them again, during 2004 Cooper increased our reach toward consumers. To heighten brand awareness, we launched a multi-million dollar advertising campaign aimed at reinforcing Cooper's image of strong performance and value. The theme Don't Give Up a Thing focuses on the emotional considerations of buying tires. The ads helped claim the brand's stake in becoming one of the most recognizable brands in the market.

Brand loyalty also is found among the enthusiastic fans of collegiate sports. Studies show sports fans often are loyal to brands that are associated with their favorite teams or collegiate conferences. Cooper serves as the official tire of the Big East, Big Ten, Big 12, Mountain West, Pac-10, the Southeastern conferences, and is a media partner with the ACC. In 2004, Cooper was the presenting sponsor of Thursday Night Football on ESPN, featuring weekly marquis match-ups. We served as the presenting sponsor of the 2005 Bowl Challenge Cup which was awarded to the Mountain West for the conference with the best winning percentage during the bowl season. And, during both the football and basketball seasons, the Cooper Tire Defensive Player of the Game winners were named during ESPN regional broadcasts.

The world of motorsports also garners a loyal following and serves as the ultimate proving ground for tire performance. During 2004, Cooper embarked on racing sponsorships that reflect our commitment to excellence in ultra-high performance tires. In the spring, we celebrated the inaugural race of the Cooper Tire Championship Series, which is home to the Formula Ford 2000 Zetec racing program. We also partnered with Team Lexus, which participated in the U.S. Drift series during 2004, to run on our Zeon 2XS tires and served as a sponsor of the newly sanctioned Formula Drift Series.

The new World Cup of Motorsports will offer us global brand exposure as we serve as the official tire supplier to the A1 Grand Prix, a new FIA approved motorsports series that will commence in September 2005. Our three-year sponsorship calls for all the drivers in this series to run on Cooper-A1 Grand Prix branded racing radials. The A1 Grand Prix is an innovative, global series and is a perfect fit for Cooper Tire which is an exciting, growing global brand.

As we continue our global expansion and escalate our presence, it is vital the Cooper brand is elevated and is presented consistently across the globe. Our global tire brand strategy positions our brands for maximum profitability throughout North America, Europe and Asia.

Cooper has significant growth opportunities throughout Europe. In Western Europe, the ultra-high performance market has grown more than 220 percent in the past four years primarily due to the proliferation of high performance vehicles. To meet that demand, we are capitalizing on the Avon brand -- which has a long-standing reputation for high performance -- and are ramping up the presence of the Cooper branded high performance products. Combined, these brands provide us the opportunity to serve as a niche player focusing on the ultra-high performance, racing, winter and 4x4 tire products. Additionally, the tire markets in Eastern Europe are projected to grow at double digit rates, providing opportunities for all products.

The potential in Asia is proving to be even more significant. We are implementing a strategy in China that not only helps Cooper meet expected capacity demands for North America but also aligns us with strategic partners that we believe will provide access to the local market and position us to take advantage of anticipated growth within the region - and it will grow dramatically during the next 5 to 10 years.

In February we acquired 11 percent interest in Kumho Tire which is the 11th largest tire manufacturer in the world and is also one of the most profitable, with a significant market share in Korea and a growing presence in China.

Our investment in Kumho is another step in our strategy. There are other opportunities to make relatively small but very meaningful acquisitions in Asia and we continue to study those opportunities. We have made good progress so far and, with the proper relationships, we can become a top brand in China. In fact, we believe that the market will be growing quickly enough during the next five years that we could exceed $1 billion in sales.

To meet the demand for Cooper products across the globe, our manufacturing facilities must operate at peak efficiency. During 2004 we expanded all of our plants and added new and more efficient equipment necessary to meet the production requirements for the

premium products our customers are expecting from us. These projects are now largely complete in our plants in Findlay, Ohio; Tupelo, Mississippi; and Melksham, England; and will continue throughout 2005 in Albany, Georgia; and Texarkana, Arkansas. These expansions will provide us with an additional two to three million tires.

There were challenges within our North American manufacturing operations during 2004 as we converted our machinery and processes to accommodate our advancement in high performance and premium products. Adjusting to the increased complexity of these products at the same time we were expanding, challenged our ability to meet customer demand. However, our efficiencies are improving as we move up the learning curve on the performance lines. We continue to add new equipment and push our Lean initiatives to reduce waste, manage the complexities and improve our output.

At the same time, our Melksham, England, operations continue to make significant advancements in production efficiencies. The facility continues to apply Lean tools and reduce waste as we continue to execute our strategy to produce primarily premium products at that facility while outsourcing broadline products in Asia.

To supplement Cooper production, we have established outsourcing arrangements in China with Kenda Rubber Industrial Co., and Hangzhou Zhongce Rubber Company which combined will increase our overall capacity by two million units in 2005. And, we anticipate beginning construction on a joint venture plant in China in the very near future with an eventual capacity of 10 to 12 million units.

During 2005, we will begin production of high performance and racing tires in our Athens, Georgia, facility, which formerly produced tread rubber materials. The conversion of this facility also provides us with the potential to add production of high performance motorcycle tires which we currently only produce in Melksham, England.

Late in 2004, we completed our new 4x4 test track at our San Antonio testing facility which should help us facilitate new product testing and development. In other words, we continue making revolutionary changes to drive our results.

As we continue to enhance our product mix, improve our efficiencies, and seize growth opportunities around the globe, we are confident that our goal of 10 percent operating margins is achievable again in the foreseeable future.

The performance of Mickey Thompson operations excelled during 2004 with increased sales of 34 percent, on a year over year comparison.

The "drivers" of that success can be attributed to four major factors:

o New products represent 25 percent of our total sales and serve as the foundation for the success of an organization such as Mickey Thompson.

o Mickey Thompson motorsports sales were greatly enhanced with the introduction of the new ET Street Radial and the continued success of our radial drag slick products.

o The success of the new Dick Cepek FC II line, new specialty light truck (SLT) sizes and new customers fueled the success of radial light truck products.

o Wheels, which provide Mickey Thompson an accessory that complements our tires, experienced great sales growth.

During 2004, Mickey Thompson Motorsports identified all sponsorship activities and trackside service and equipment under the Cooper Motorsports banner. These motorsport activities include drag racing, road racing, off-road racing and land speed racing.

In April, the Saturn ION Sport Compact Drag car, running on Mickey Thompson ET Drag slicks, became the first front-wheel drive sport compact car to break the seven-second barrier in the quarter mile.

And, as a part of our agreement with Saturn Motorsports, we are selling mounted and balanced tire and wheel packages that are, in turn, sold to Saturn dealers nationwide for consumer use. The tire and wheel packages are intended to replace original equipment tires and wheels on new Saturn IONs and are one of many sport compact tuner accessories available to the Saturn retailers. These packages feature Cooper Zeon 2XS and ZPT tires and two newly developed Cooper Zeon wheels.

The focus for Cooper's retreading operations -- Oliver Rubber -- is in tandem with the strategies of the North American tire division. Oliver's core initiatives are to expand our customer base, improve product mix and capitalize on growth opportunities.

Obtaining an exclusive 10-year contract to retread the United States Postal Service fleet of vehicles was an important achievement during 2004. With a focus on becoming more environmentally conscious, the Postal Service selected Oliver to help it increase the use

of retreads from its current 20 percent to 70 percent of their more than 200,000 vehicles within two years. Many of our retread customers are experiencing an increase in business now that they are servicing their local Postal Service vehicles. And of course, as our customers succeed, Oliver reaps the benefits of the new program as well.

In addition to the Postal Service contract, Oliver is bringing new business to our customers by facilitating new contracts from trucking fleets of various sizes. Oliver is putting new emphasis on convincing larger fleets to approve the use of Oliver products on their vehicles.

Although the number of retreads being sold nationally continues to increase moderately, the number of retreaders is declining due to consolidations within the industry. Working to counteract that trend, Oliver has embarked on a revolutionary program to encourage commercial tire dealers who market retread tires to enter into the business and, of course, become licensed Oliver retreaders.

As 2005 commences, Oliver is improving its product mix by introducing new compounds to enhance our already well-established reputation for performance in the marketplace. The new rubber formulas will be used in retreads designed for on and off-highway applications, the waste hauling industry, and a premium performance compound for the traditional over-the-road applications.

Growth opportunities are abundant as Cooper's global strategy develops and Oliver looks toward prospects beyond traditional markets. Additionally, synergies between Cooper's commercial tire business and Oliver are progressing. Oliver also has the capacity to seek new business through consumers of rubber products outside the tire industry.

EXHIBIT (21)

COOPER TIRE & RUBBER COMPANY
SUBSIDIARIES

Cooper Tire & Rubber Company (Parent) (Delaware) Alga Investments Company (Georgia)
Cooper International Holding Corporation (Delaware) Cooper International Rubber, Limited (Jamaica) (Inactive) Cooper International Trading Inc. (Ohio) Cooper Tire Holding Company (Ohio)
Cooper Technology Services, LLC (Ohio) Cooper Tire International Trading Company (Cayman Islands) Cooper Tire & Rubber International Trading Limited (Cayman Islands) Branch Office (Singapore)
Cooper Tire & Rubber Co. Shanghai Rep Office (China) (Branch) Cooper Tire & Rubber Foundation (Ohio) Cooper Tyre & Rubber Company UK Limited (England) Cooper-Avon Pneumatiques Sarl (France) Cooper-Avon Reifen (Deutschland) GmbH (Germany) Cooper-Avon (Suisse) SA (Switzerland) Cooper-Avon Tyres Limited (England) Cooper-Avon International Development Limited (England) Cooper-Avon Italia S.r.l. (Italy) CTB (Barbados) Investment Co. Ltd.
Cooper Kenda Global Holding Co. Ltd. (Barbados (50 % owned) Cooper Kenda Tire (Kunshan) Co., Ltd.
Cooper Kenda Global Holding Investment Co. Ltd. (Barbados) (80 % owned) Cooper (Shanghai) Trading Co., Ltd. CTBX Company (Ohio) Ilpea Equity, LLC (0.6264 % owned)
Master Assurance & Indemnity Ltd (Bermuda) Max-Trac Tire Co., Inc. (Ohio)
Mickey Thompson International, Inc. (Virgin Island) (Inactive) Nishikawa Rubber Co., Ltd (Japan) (1.43 % owned) Oliver Rubber Company (California)
Admiral Remco Inc. (Ohio)
BFNZ-ORC Limited (New Zealand) (50 % owned) Oliver Rubber Canada Limited (Canada) Oliver Rubber Ltd. (Canada) (Inactive) RubberNetwork.com LLC (Georgia) (6.58% Owned) TVTC Inc. (Texas)

EXHIBIT (23)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Cooper Tire & Rubber Company listed below, and in the related Prospectuses, of our reports dated March 4, 2005, with respect to the consolidated financial statements and schedule of Cooper Tire & Rubber Company, Cooper Tire & Rubber Company management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Cooper Tire & Rubber Company, included in this Annual Report (Form 10-K) for the year ended December 31, 2004:

Form S-3	No. 33-44159 No. 333-89149	$200,000,000 aggregate principal amount of the Company's Debt Securities Registration of securities not to exceed an initial public offering price of $1,200,000,000
Form S-8	No. 2-58577	Thrift and Profit Sharing Plan
	No. 33-5483	1986 Incentive Stock Option Plan
	No. 33-35071	Texarkana Pre-Tax Savings Plan
	No. 33-47980	1991 Stock Option Plan for Non-Employee Directors
	No. 33-47981	Pre-Tax Savings Plan at the Findlay Plant
	No. 333-09619	1996 Stock Option Plan
	No. 333-83311	Pre-Tax Savings Plan (Clarksdale)
	No. 333-83309	1998 Employee Stock Option Plan 1998 Incentive Compensation Plan
	No. 333-83589	1998 Non-Employee Directors Compensation Deferral Plan
	No. 333-84815	Thrift & Profit Sharing Plan
	No. 333-84813	Texarkana Pre-Tax Savings Plan
	No. 333-84811	Pre-Tax Savings Plan at the Findlay Plant
	No. 333-103007	2001 Incentive Compensation Plan
	No. 333-113315	Pre-Tax Savings Plan at the Auburn Plant, Pre-Tax Savings Plan (Bowling Green -- Hose), Pre-Tax Savings Plan (Bowling Green -- Sealing), Pre-Tax Savings Plan (Clarksdale), Pre-Tax Savings Plan at the El Dorado Plant, Pre-Tax Savings Plan at the Findlay Plant, Texarkana Pre-Tax Savings Plan

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

Toledo, Ohio
March 4, 2005

EXHIBIT (24)

POWER OF ATTORNEY

FOR EXECUTION OF ANNUAL REPORT ON FORM 10-K FOR FISCAL YEAR ENDED DECEMBER 31, 2004

KNOW ALL BY THESE PRESENTS, that each of the undersigned hereby constitutes and appoints James E. Kline as a true and lawful attorney-in-fact of the undersigned for the purpose of executing for and on behalf of all of the undersigned members of the Board of Directors of Cooper Tire & Rubber Company, the Company's Annual Report on Form 10-K for the fiscal year of the Company ended December 31, 2004.

The undersigned hereby grants such attorney-in-fact full power and authority to do and perform all and every act and thing whatsoever requisite, necessary and proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact shall lawfully do or cause to be done by virtue of this Power of Attorney and the rights and powers herein granted.

This Power of Attorney shall remain in full force and effect until the filing by the Company of the Annual Report on Form 10-K for fiscal year 2004 with the Securities and Exchange Commission, unless earlier revoked by the undersigned in a signed writing delivered to the foregoing attorney-in-fact.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 9th day of March, 2005.

/s/ Arthur H. Aronson

Arthur H. Aronson

/s/ Laurie J. Breininger

Laurie J. Breininger

/s/ Thomas A. Dattilo

Thomas A. Dattilo

/s/ Dennis J. Gormley

Dennis J. Gormley

/s/ John J. Holland

John J. Holland

/s/ John F. Meier

John F. Meier

/s/ Byron O. Pond

Byron O. Pond

/s/ John H. Shuey

John H. Shuey

/s/ Richard L. Wambold

Richard L. Wambold

EXHIBIT (31.1)

CERTIFICATIONS

I, Thomas A. Dattilo, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cooper Tire & Rubber Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (As defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2005

/s/ Thomas A. Dattilo

Thomas A. Dattilo
Chairman, President and Chief Executive Officer

EXHIBIT (31.2)

CERTIFICATIONS

I, Philip G. Weaver, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cooper Tire & Rubber Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (As defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2005

/s/ Philip G. Weaver

Philip G. Weaver
Vice President and Chief Financial Officer

EXHIBIT (32)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cooper Tire & Rubber Company (the "Company") on Form 10-K for the period ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C.
Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: March 11, 2005

/s/Thomas A. Dattilo

Name: Thomas A. Dattilo
Title: Chief Executive Officer

/s/Philip G. Weaver

Name: Philip G. Weaver
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C.
Section 1350 and is not being filed as part of the Report or as a separate disclosure document.