COOPER TIRE & RUBBER CO

FORM 10-Q
(Quarterly Report)

Filed 8/2/2005 For Period Ending 6/30/2005

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

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

FORM 10-Q

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

For the quarterly period ended June 30, 2005

OR

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

Commission File No. 1-4329

COOPER TIRE & RUBBER COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	34-4297750 (I.R.S. employer identification no.)

701 Lima Avenue, Findlay, Ohio 45840
(Address of principal executive offices)
(Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☑ No ☐

Number of shares of common stock of registrant outstanding
at June 30, 2005: 61,239,206

Part I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands except per-share amounts)

	December 31, 2004 (Note 1)	**June 30, 2005 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 881,728	**$ 444,747**
Short-term investments	46,064	**42,065**
Accounts receivable, less allowances of $4,868 in 2004 and $5,821 in 2005	344,695	**367,563**
Accounts receivable from sale of automotive operations	48,770	**—**
Inventories at lower of cost (last-in, first-out) or market:		
Finished goods	172,890	**242,435**
Work in process	16,726	**21,154**
Raw materials and supplies	59,166	**66,342**
	248,782	**329,931**
Prepaid expenses, income taxes refundable and deferred income taxes	65,425	**59,011**
Assets of discontinued operations and held for sale	10,813	**649**
Total current assets	1,646,277	**1,243,966**
Property, plant and equipment:		
Land and land improvements	35,034	**35,982**
Buildings	258,532	**258,898**
Machinery and equipment	1,308,498	**1,354,707**
Molds, cores and rings	206,457	**216,478**
	1,808,521	**1,866,065**
Less accumulated depreciation and amortization	1,079,101	**1,100,775**
Net property, plant and equipment	729,420	**765,290**
Goodwill	48,172	**48,172**
Intangibles, net of accumulated amortization of $15,038 in 2004 and $17,024 in 2005	34,098	**32,613**
Restricted cash	12,484	**13,362**
Other assets	197,633	**310,579**
	$2,668,084	**$2,413,982**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 459	**$ 98**
Accounts payable	182,061	**180,582**
Accrued liabilities	108,197	**129,828**
Income taxes	1,320	**1,266**
Liabilities related to the sale of automotive operations	19,201	**2,855**
Liabilities of discontinued operations	727	**68**
Total current liabilities	311,965	**314,697**
Long-term debt	773,704	**685,620**
Postretirement benefits other than pensions	169,484	**175,879**
Other long-term liabilities	178,282	**200,813**
Long-term liabilities related to the sale of automotive operations	23,116	**22,214**
Deferred income taxes	41,000	**44,227**
Stockholders' equity:		
Preferred stock, $1 par value; 5,000,000 shares authorized; none issued	—	**—**
Common stock, $1 par value; 300,000,000 shares authorized; 86,321,889 shares issued in 2004 and 86,322,514 in 2005	86,322	**86,323**
Capital in excess of par value	38,072	**36,812**
Retained earnings	1,397,268	**1,381,836**
Cumulative other comprehensive loss	(74,085)	**(72,647)**
	1,447,577	**1,432,324**
Less: 15,182,567 common shares in 2004 and 25,083,308 common shares in 2005 in treasury at cost	(277,044)	**(461,792)**
Total stockholders' equity	1,170,533	**970,532**
	$2,668,084	**$2,413,982**

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2004 AND 2005
(UNAUDITED)
(Dollar amounts in thousands except per-share amounts)

	2004	**2005**
Net sales	$509,186	**$510,930**
Cost of products sold	444,479	**473,020**
Gross profit	64,707	**37,910**
Restructuring	679	**—**
Selling, general and administrative	43,403	**37,497**
Operating profit	20,625	**413**
Interest expense	7,832	**14,349**
Debt extinguishment costs	—	**8,441**
Interest income	(307)	**(4,520)**
Other income — net	206	**(308)**
Income (loss) from continuing operations before income taxes	12,894	**(17,549)**
Provision (benefit) for income taxes	4,023	**(11,131)**
Income (loss) from continuing operations	8,871	**(6,418)**
Income (loss) from discontinued operations, net of income taxes	25,108	**(463)**
Net income (loss)	$ 33,979	**$ (6,881)**
Basic earnings (loss) per share:		
Income (loss) from continuing operations	$ 0.12	**$ (0.10)**
Income (loss) from discontinued operations	0.34	**(0.01)**
Net income (loss)	$ 0.46	**$ (0.11)**
Diluted earnings (loss) per share:		
Income (loss) from continuing operations	$ 0.12	**$ (0.10)**
Income (loss) from discontinued operations	0.33	**(0.01)**
Net income (loss)	$ 0.45	**$ (0.11)**
Weighted average number of shares outstanding (000's):		
Basic	74,432	**62,250**
Diluted	75,444	**62,250**
Dividends per share	$ 0.105	**$ 0.105**

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2004 AND 2005
(UNAUDITED)
(Dollar amounts in thousands except per-share amounts)

	2004	2005
Net sales	$989,196	**$1,024,987**
Cost of products sold	872,013	**938,395**
Gross profit	117,183	**86,592**
Restructuring	679	**—**
Selling, general and administrative	86,375	**80,298**
Operating profit	30,129	**6,294**
Interest expense	14,379	**28,564**
Debt extinguishment costs	—	**8,441**
Interest income	(729)	**(10,134)**
Other income — net	412	**(1,537)**
Income (loss) from continuing operations before income taxes	16,067	**(19,040)**
Provision (benefit) for income taxes	5,013	**(11,578)**
Income (loss) from continuing operations	11,054	**(7,462)**
Income from discontinued operations, net of income taxes	47,224	**5,797**
Net income (loss)	$ 58,278	**$ (1,665)**
Basic earnings (loss) per share:		
Income (loss) from continuing operations	$ 0.15	**$ (0.11)**
Income from discontinued operations	0.64	**0.09**
Net income (loss)	$ 0.79	**$ (0.03)***
Diluted earnings (loss) per share:		
Income (loss) from continuing operations	$ 0.15	**$ (0.11)**
Income from discontinued operations	0.62	**0.09**
Net income (loss)	$ 0.77	**$ (0.03)***
Weighted average number of shares outstanding (000's):		
Basic	74,241	**66,039**
Diluted	75,243	**66,039**
Dividends per share	$ 0.210	**$ 0.210**

* Amounts do not add due to rounding

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2004 AND 2005
(UNAUDITED)
(Dollar amounts in thousands)

	2004	**2005**
Operating activities:		
Income (loss) from continuing operations	$ 11,054	**$ (7,462)**
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) continuing operations:		
Depreciation	53,793	**52,351**
Amortization of intangibles	1,567	**1,485**
Deferred income taxes	659	**(342)**
Changes in operating assets and liabilities of continuing operations:		
Accounts receivable	(22,884)	**(28,119)**
Inventories	(52,611)	**(84,122)**
Prepaid expenses	(14,698)	**4,503**
Accounts payable	1,825	**265**
Accrued liabilities	61,043	**44,540**
Other non-current items	8,717	**12,780**
Net cash provided by (used in) continuing operations	48,465	**(4,121)**
Net cash provided by (used in) discontinued operations	*86,620*	***(17,907)***
Net cash provided by (used in) operating activities	135,085	**(22,028)**
Investing activities:		
Property, plant and equipment	(57,618)	**(89,118)**
Investment in Kumho Tire Co., Inc.	—	**(107,961)**
Proceeds from the sale of business	—	**54,270**
Investments in available-for-sale debt securities	—	**3,999**
Proceeds from the sale of assets	14	**2,691**
Net cash used in continuing operations	(57,604)	**(136,119)**
Net cash provided by (used in) discontinued operations	*(17,441)*	***3,170***
Net cash used in investing activities	(75,045)	**(132,949)**
Financing activities:		
Issuance of (payments on) debt	58,613	**(380)**
Payments on long-term debt	(168,353)	**(84,362)**
Purchase of treasury shares	—	**(189,764)**
Payment of dividends	(15,607)	**(13,767)**
Issuance of common shares	12,363	**3,757**
Net cash used in continuing operations	(112,984)	**(284,516)**
Net cash provided by discontinued operations	*24,692*	**—**
Net cash used in financing activities	(88,292)	**(284,516)**
Effects of exchange rate changes on cash of continuing operations	12,359	**2,512**
Effects of exchange rate changes on cash of discontinued operations	*(21,255)*	**—**
Changes in cash and cash equivalents	(37,148)	**(436,981)**
Cash and cash equivalents at beginning of year	66,426	**881,728**
Cash and cash equivalents at end of period	$ 29,278	**$ 444,747**
Cash and cash equivalents at end of period:		
Continuing operations	$ 10,748	**$ 444,747**
Discontinued operations	18,530	**—**
	$ 29,278	**$ 444,747**

See accompanying notes.

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

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. There is a year-round demand for the Company's 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. Operating results for the three-month and six-month periods ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005.

   The balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

   For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

2. On December 23, 2004 the Company sold its automotive operations, known as Cooper-Standard Automotive ("Cooper-Standard"), to an entity formed by The Cypress Group and Goldman Sachs Capital Partners. In September 2004, the North American Tire segment announced its intent to cease its inner tube business (see note 8). 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 the periods presented which differs from the approach used to report the Company's results in prior years.

   The Company's condensed 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 presented and the balance sheets related to the discontinued operations from those related to ongoing operations. Accordingly, the condensed consolidated statement of income for the three-month and six-month periods ended June 30, 2004 reflects this segregation as income from continuing operations and income from discontinued operations.

   In addition to the segregation of operating financial results, 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 $3,224 and $6,447 for the three-month and six-month periods ended June 30, 2004, respectively, is charged against continuing operations in the Company's condensed consolidated statement of income for those periods. The Company used the permitted allocation method for interest expense on corporate debt, which is based on the ratio of net assets sold or discontinued to the sum of total net assets of the consolidated Company plus consolidated debt. Under this method, interest expense of $7,966 and $15,811 for the three-month and six-month periods ended June 30, 2004 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 condensed consolidated statement of income for the three and six months ended June 30, 2004 are presented in the following table. These amounts, plus the results of other smaller discontinued operations, comprise the total income from discontinued operations.

	June 30, 2004	
	Three months Ended	Six months Ended
Net sales	$489,366	$978,722
Operating profit, including restructing costs	47,374	90,415
Interest expense	9,103	18,759
Other income — net	(893)	(1,101)
Income from discontinued operations before income taxes	39,164	72,757
Provision for income taxes	14,266	26,137
Income from discontinued operations	$ 24,898	$ 46,620

3. In February 2005, the Company purchased 15 million shares of Kumho Tire Co., Inc. of Korea for $108,000. This investment is included in the "Other assets" line of the Company's condensed consolidated balance sheets. The Company is accounting for this investment as an available-for-sale asset and adjusts the investment to fair market value through charges or credits to Other comprehensive income.

4. The following table details information on the Company's operating segments.

	Three months ended June 30		Six months ended June 30	
	2004	**2005**	2004	**2005**
Revenues from external customers:				
North American Tire	$456,344	**$459,807**	$884,291	**$ 923,677**
International Tire	63,129	**70,141**	128,418	**135,630**
Eliminations	(10,287)	**(19,018)**	(23,513)	**(34,320)**
Net sales	$509,186	**$510,930**	$989,196	**$1,024,987**
Segment profit (loss):				
North American Tire	$ 21,898	**$ 2,264**	$ 34,981	**$ 9,731**
International Tire	3,661	**1,602**	6,696	**766**
Corporate charges previously allocated to automotive operations	(3,224)	**—**	(6,447)	**—**
Unallocated corporate charges and eliminations	(1,710)	**(3,453)**	(5,101)	**(4,203)**
Operating profit	20,625	**413**	30,129	**6,294**
Interest expense	7,832	**14,349**	14,379	**28,564**
Debt extinguishment costs	—	**8,441**	—	**8,441**
Other — net	(101)	**(4,828)**	(317)	**(11,671)**
Income (loss) from continuing operations before income taxes	$ 12,894	**$ (17,549)**	$ 16,067	**$ (19,040)**

In 2004, corporate charges previously allocated to automotive operations of $3,224 for the three month period and $6,447 for the six month period ended June 30 are not included in segment profit. Accordingly, segment profit amounts reported above are not comparable. The unallocated corporate charges and eliminations result primarily from differences in timing of when corporate expenses were incurred versus related allocations to operating segments.

5. 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 of option grants was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2004	**2005**
Risk-free interest rate	2.5%	**3.5%**
Dividend yield	2.1%	**1.9%**
Expected volatility of the Company's common stock	0.336	**0.240**
Expected life in years	6.6	**6.8**

The weighted-average fair value of options granted in 2004 and 2005 was $5.68 and $5.27, 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:

	Three months ended June 30		Six months ended June 30	
	2004	**2005**	2004	**2005**
Income (loss) from continuing operations as reported	$8,871	**$(6,418)**	$11,054	**$(7,462)**
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(329)	**(445)**	(662)	**(824)**
Pro forma income (loss)	$8,542	**$(6,863)**	$10,392	**$(8,286)**
Basic earnings (loss) per share from continuing operations:				
Reported	$ 0.12	**$ (0.10)**	$ 0.15	**$ (0.11)**
Pro forma	0.11	**(0.11)**	0.14	**(0.13)**
Diluted earnings (loss) per share from continuing operations:				
Reported	$ 0.12	**$ (0.10)**	$ 0.15	**$ (0.11)**
Pro forma	0.12	**(0.11)**	0.15	**(0.13)**

On December 16, 2004, the FASB issued SFAS No. 123(R), "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 will no longer be an alternative to financial statement recognition. On April 14, 2005, the Securities and Exchange Commission ("SEC") announced that it would provide for a phased-in implementation process for SFAS No. 123(R). The SEC now requires that registrants that are not small business issuers adopt SFAS No. 123(R)'s fair value method of accounting for share-based payments to employees not later than the beginning of the first fiscal year beginning after June 15, 2005. As a result, the Company will not be required to adopt SFAS No. 123(R) until January 1, 2006. The Company is continuing to evaluate the provisions of this Statement, the impact on its consolidated financial statements and the timing and approach to adoption of this Statement.

6. The following table discloses the amount of net periodic benefit costs for the three-month and six-month periods ended June 30, 2004 and 2005 for the Company's defined benefit plans and other postretirement benefits relating to continuing operations:

	Pension Benefits			
	Three months ended June 30		Six months ended June 30	
	2004	**2005**	2004	**2005**
Components of net periodic benefit cost:				
Service cost	$ 5,215	**$ 5,331**	$ 10,400	**$ 10,567**
Interest cost	13,117	**13,888**	26,035	**27,717**
Expected return on plan assets	(14,706)	**(17,746)**	(29,332)	**(35,571)**
Amortization of transition obligation	(10)	**(8)**	(20)	**(15)**
Amortization of prior service cost	570	**388**	1,186	**686**
Recognized actuarial loss	3,632	**4,042**	7,142	**8,112**
Net periodic benefit cost	$ 7,818	**$ 5,895**	$ 15,411	**$ 11,496**

	Other Postretirement Benefits			
	Three months ended June 30		Six months ended June 30	
	2004	**2005**	2004	**2005**
Components of net periodic benefit cost:				
Service cost	$1,262	**$1,362**	$ 2,524	**$ 2,749**
Interest cost	3,776	**3,921**	7,553	**7,860**
Amortization of prior service cost	(30)	**(55)**	(61)	**(110)**
Recognized actuarial loss	762	**916**	1,524	**1,847**
Net periodic benefit cost	$5,770	**$6,144**	$11,540	**$12,346**

7. During the first quarter of 2005, the Company recorded the final settlement on purchase price adjustments reached with the buyer of Cooper-Standard during April, resulting in additional sales proceeds of $5,500 and total proceeds of $1,226,537. The Company received the final $54,270 due from the buyer related to the sale in April.

   During the second quarter, the Company recorded a $463 adjustment to the previously reported gain on the sale of Cooper-Standard related to the resolution of responsibility for certain foreign employment-related liabilities. For the six-month period ended June 30, 2005, the Company recorded a net additional gain of $5,666 on the sale, including a tax benefit of $456 resulting primarily from currently deductible compensation expenses and other costs associated with the sale. There was no tax liability on the additional gain recorded in the first quarter of 2005, nor tax benefit for the additional liability recorded during the second quarter, 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. These amounts are included in "Income (loss) from discontinued operations, net of income taxes," on the Company's consolidated statements of income.

   In connection with the sale, the Company has 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 (see note 8). 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.

8. Prior to the sale of Cooper-Standard, certain operating leases related to property and equipment used in the operations of Cooper-Standard 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 of those leases are for a manufacturing facility with a remaining term of 12 years and total remaining payments of $13,129, a European headquarters facility in the United Kingdom with a remaining term of eight years and total remaining payments of $5,628, and a prototype manufacturing facility in the United Kingdom with a remaining term of seven years and total remaining payments of $352. Other leases cover manufacturing equipment with remaining terms of from less than one year to four years and have total remaining payments of approximately $451. 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.

9. In September 2004, the North American Tire segment announced its intent to cease its inner tube business. The segment recorded restructuring charges of $5,163 related to this decision, which included an accrual of $1,115 for severance costs. 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 December 31, 2004:

	Employee Separation Costs
Accrual at December 31, 2004	$ 727
Cash payments	(659)
Accrual at June 30, 2005	**$ 68**

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 $5,415 and $10,515 for the three-month and six-month periods ended June 30, 2004. Operating profit for the inner tube business was $323 for the three-month period and $928 for the six-month period ended June 30, 2004.

10. In May, 2005, the assets of a closed Automotive manufacturing facility in the United Kingdom that had been classified as “Assets Held for Sale” were sold.

The International Tire segment relocated its warehouse operations in Switzerland during the first quarter of 2005. In April 2005 the former warehouse building, that had been classified as “Assets Held for Sale” at March 31, 2005, was sold.

The radial medium truck tire equipment located at the Albany, GA tire manufacturing facility, that had been classified as “Assets Held for Sale” at December 31, 2004, was sold in April 2005.

The assets of the Clarksdale, MS facility with a carrying value of $6,965 were also classified as “Assets Held for Sale” at December 31, 2004. During the first quarter of 2005, inner tube manufacturing equipment was sold for $1,235. Discussions regarding the potential sale of the remaining assets of the facility ceased during the first quarter resulting in their reclassification from the “Assets Held for Sale” category to land, buildings and machinery and equipment on the condensed consolidated balance sheet of the Company. These assets are being depreciated over their remaining useful lives.

The assets of the Cleveland, OH manufacturing facility, a closed Cooper-Standard plastics parts operation, remained with the Company and are classified as "Assets Held for Sale" on the condensed consolidated balance sheets. A portion of these assets was sold in the first quarter of 2005, with the Company recording a gain of $131, net of income taxes, which is included in "Income from discontinued operations, net of income taxes," on the Company's condensed consolidated statements of income. The Company is in discussions with potential buyers for the remaining assets.

"Assets Held for Sale" are recorded at the lower of carrying value or fair value and adjusted each quarter if necessary in accordance with SFAS No. 144. The following table summarizes the activity in these assets since December 31, 2004:

	December 31, 2004	Assets Sold	Transferred (from)/to Held for Sale	**June 30, 2005**
United Kingdom manufacturing facility	$ 1,587	$(1,587)	$ —	**$ —**
Cleveland, OH manufacturing facility	811	(162)	—	**649**
Clarksdale, MS manufacturing facility	6,965	(1,235)	(5,730)	**—**
Albany, GA radial medium truck equipment	1,450	(1,450)	—	**—**
Switzerland tire warehouse	—	(764)	764	**—**
	$10,813	$(5,198)	$(4,966)	**$649**

11. On an annual basis, disclosure of comprehensive income is incorporated into the Statement of Shareholders' Equity. This statement is not presented on a quarterly basis. Comprehensive income includes net income and components of other comprehensive income, such as foreign currency translation adjustments, unrealized gains or losses on certain marketable securities and derivative instruments and minimum pension liability adjustments.

The Company's comprehensive income is as follows:

	Three months ended June 30		Six months ended June 30	
	2004	**2005**	2004	**2005**
Income (loss) from continuing operations	$ 8,871	**$(6,418)**	$11,054	**$(7,462)**
Other comprehensive income (loss):				
Currency translation adjustments	20,694	**(4,467)**	17,410	**(6,575)**
Changes in the fair value of derivatives and unrealized gains (losses) on marketable securities	(2,046)	**2,807**	1,890	**6,057**
Minimum pension liability adjustments	322	**1,287**	(237)	**1,956**
Comprehensive income (loss) from continuing operations	$27,519	**$(6,791)**	$30,354	**$(6,024)**

12. 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. The following table summarizes the activity in the Company's product warranty liabilities since December 31, 2004:

Reserve at December 31, 2004	$10,048
Additions	2,601
Payments	(3,332)
Reserve at June 30, 2005	**$ 9,317**

13. 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.

    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 April 1, 2004 to March 31, 2005 policy year were $10,419 higher than under the program in place prior to April 1, 2003, the per claim retention limit increased $13,250 and the aggregate retention limit was eliminated, while excess liability coverage increased by $35,000. The Company continued the program effective April 1, 2005 with an increase in the per claim retention limit of $10,000 and a premium cost reduction of $5,320. The total per claim retention limit for claims occurring in this policy year is $25,000.

    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. During the three-month periods ended June 30, 2004 and 2005, products liability expense totaled $10,595 and $15,612, respectively, and include recoveries of legal fees of $2,611 and $662, respectively. For the six-month periods ended June 30, 2004 and 2005, products liability expense totaled $27,717 and $29,606, respectively, and include recoveries of legal fees of $5,476 and $3,307, respectively. Policies applicable to claims occurring on April 1, 2003 and thereafter do not provide for recovery of legal fees.

14. The Company repurchased 10,151,636 shares of its common stock for $189,764 through June 30, 2005 under the authorization approved by its Board of Directors on February 15, 2005 which provides for the repurchase of up to $200,000 of the Company's common shares.

15. In May, the Company repurchased $84,362 of its long-term debt due in 2009. Costs of $8,441 were incurred in conjunction with the debt repurchase. The Company also settled interest rate swap agreements on the 2009 Senior Notes in April 2005, recognizing a gain of $726 which was recorded as an offset to interest expense.

    The Company has a revolving credit facility with a consortium of ten banks that provides up to $175,000 in credit facilities until August 31, 2008. On March 31, 2005, the Company cancelled the additional $175,000 short-term facility which would have expired on June 29, 2005. This action was taken due to the strong cash position of the Company resulting from the sale of the Company's automotive operations in December 2004. The Company generally renegotiates the short-term portion of its credit facility each year. The credit facility supports the issuance of commercial paper.

16. For the quarter ended June 30, 2005, the Company recorded an income tax benefit of $11,131 on a loss before taxes from continuing operations of $17,549 and for the six months ended June 30, 2005, the Company recorded an income tax benefit of $11,578 on a loss before taxes from continuing operations of $19,040. This compares to income tax expense of $4,023 on earnings before taxes of $12,894 and income tax expense of $5,013 on earnings before taxes of $16,067 from continuing operations for the same periods in 2004. The net income tax benefits for the 2005 periods result primarily from income tax expense on earnings in international jurisdictions offset by the recognition of income tax benefits on current period losses in the United States in addition to certain tax credits and benefits that do not vary with pre-tax results of operations. Taxes were calculated utilizing anticipated effective tax rates by jurisdiction forecasted for the full year.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") presents information related to the consolidated results of operations of the Company, a discussion of the past results and future outlook of each of the Company's segments, and information concerning both the liquidity and capital resources of the Company. An important qualification regarding the "forward-looking statements" made in this discussion is then presented.

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. 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 the periods presented which differs from the approach used to report the Company's results in prior years.

The Company's condensed 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 presented and the balance sheets related to the discontinued operations from those related to ongoing operations. Accordingly, the condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2004 reflects this segregation as income from continuing operations and income from discontinued operations.

Consolidated Results of Operations

The following table presents the Company's results from continuing operations:

	Three months ended June 30			Six months ended June 30		
	2004	Change	**2005**	2004	Change	**2005**
Revenues:						
North American Tire	$456.4	0.7%	**$459.8**	$884.3	4.5%	**$ 923.7**
International Tire	63.1	11.1%	**70.1**	128.4	5.6%	**135.6**
Eliminations	(10.3)		**(19.0)**	(23.5)		**(34.3)**
Net sales	$509.2	0.3%	**$510.9**	$989.2	3.6%	**$1,025.0**
Segment profit:						
North American Tire	$ 21.8	-89.4%	**$ 2.3**	$ 34.9	-72.2%	**$ 9.7**
International Tire	3.7	-56.8%	**1.6**	6.7	-88.1%	**0.8**
Unallocated corporate charges and eliminations	(4.9)		**(3.5)**	(11.5)		**(4.2)**
Operating profit	20.6	-98.1%	**0.4**	30.1	-79.1%	**6.3**
Interest expense	7.8		**14.3**	14.4		**28.6**
Debt extinguishment costs	—		**8.4**	—		**8.4**
Interest income	(0.3)		**(4.5)**	(0.7)		**(10.1)**
Other income — net	0.2		**(0.3)**	0.3		**(1.6)**
Income (loss) before income taxes	12.9		**(17.5)**	16.1		**(19.0)**
Provision (benefit) for income taxes	4.0		**(11.1)**	5.0		**(11.5)**
Net income (loss) from continuing operations	$ 8.9		**$ (6.4)**	$ 11.1		**$ (7.5)**
Basic earnings (loss) per share	$ 0.12		**$ (0.10)**	$ 0.15		**$ (0.11)**
Diluted earnings (loss) per share	$ 0.12		**$ (0.10)**	$ 0.15		**$ (0.11)**

Consolidated net sales for the three-month period ended June 30, 2005 were $1.7 million higher than for the comparable period one year ago. Net sales for the North American Tire segment increased $3.4 million. The International Tire segment net sales increased by $7 million compared to the second quarter of 2004. In the North American Tire segment, price increases and an improved product mix were offset by lower volumes. In the International Tire segment, volume, price increases and favorable foreign currency translation were responsible for the increased sales. Operating profit in the second quarter of 2005 decreased by $20.2 million from the operating profit reported for second quarter of 2004. This reduction in operating profit was the result of higher raw material costs, the cost of the work stoppage at the Texarkana, AR tire manufacturing facility, which approximated $12.9 million, and lower unit sales volumes. Partially offsetting these factors were the impacts of improvements in pricing and mix.

The North American Tire segment reached a contract agreement with members of United Steelworkers of America Local 7521 on April 10, 2005 following a production stoppage at its Texarkana, AR facility which commenced on March 12, 2005. The facility employs approximately 1,700 production people and produces approximately 40,000 tires per day at capacity. The actual ramp-up of production after the settlement was more rapid than projected in early May.

Consolidated net sales for the six-month period ended June 30, 2005 were $35.8 million higher than for the comparable period one year ago. Net sales for the North American Tire segment increased $39.4 million. The International Tire segment net sales increased $7.2 million. In the North American Tire segment, price increases and an improved customer/product mix were partially offset by lower volumes. In the International Tire segment, increased volumes, improved pricing and favorable foreign currency translation were the factors responsible for the increase in sales. Operating profit in the first six months of 2005 decreased by $23.8 million from the operating profit reported for first six months of 2004. This reduction in operating profit was the result of higher raw material costs and the cost of the work stoppage at the Texarkana, AR tire manufacturing facility, which approximated $19.5 million, and lower unit sales volumes. Partially offsetting these factors were the impacts of improvements in pricing and mix and lower corporate charges.

The Company continued to experience significant increases in the costs of certain of its principal raw materials and high natural gas, the principal energy source used in its manufacturing processes, during the second quarter and the first six months of 2005 compared with the levels experienced during the comparable periods of 2004. The principal raw materials for the Company include synthetic rubber, carbon black, natural rubber, chemicals and reinforcement components. Approximately 65 percent of the Company's raw materials are petroleum-based, and crude oil again set new price ceilings during the second quarter of 2005. The increases in the cost of petroleum-based and steel reinforcement materials were the most significant drivers of higher raw material costs during the second quarter of 2005 which were up about $33.1 million from the second quarter of 2004 and for the six-month period ended June 30, 2005, were up $60.1 million from the comparable period in 2004. The pricing volatility in commodities such as crude oil and steel contributed to the difficulty in managing the costs of related raw materials. The increased price of crude oil and the growing global demand for its derivative products is contributing to the cost increases being experienced for raw materials used by the Company and adding to concerns regarding their availability.

The Company manages the procurement of its raw materials to assure supply and to obtain the most favorable pricing. For natural rubber, procurement is managed by buying forward of production requirements and by buying in the spot market. For metal-based components, 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 provide quantities needed to satisfy normal manufacturing demands.

Selling, general, and administrative expenses were $37.5 million in the second quarter of 2005 (7.3 percent of net sales) compared to $43.4 million (8.5 percent of net sales) in the same period in 2004. This decrease resulted from lower advertising and incentive compensation program costs and reduced overhead costs. For the six-months of 2005, selling, general and administrative costs were $80.3 million (7.8 percent of net sales) compared to $86.4 million (8.7 percent of net sales) in the comparable period of 2004 for the same reasons cited for the quarter decrease.

Interest expense increased $6.4 million in the second quarter of 2005 from the second quarter of 2004 as $8 million of interest expense was allocated to discontinued operations in 2004. For the six-month period of 2005, interest expense increased $14.2 million as $15.8 million of interest expense was allocated to discontinued operations. Also included in interest expense for the second quarter and first six months of 2005 is a gain of $1.2 million resulting from the settlement of interest rate swap agreements on the Company's senior notes and the amortization of the portion of deferred finance expense attributable to the debt repurchased.

The Company incurred $8.4 million in costs associated with the repurchase of a portion of its long-term debt during the second quarter of 2005.

Interest income increased $4.2 million and $9.4 million in the second quarter and first six months of 2005, respectively, from comparable 2004 periods as a result of the high levels of cash on hand in 2005.

Other — net increased by $1.9 million in the first six months of 2005 compared to 2004 due to foreign currency gains in 2005 versus losses in 2004.

The Company recorded income tax benefits for continuing operations during the second quarter and six months of 2005 of $11.1 million and $11.5 million, respectively, as a result of recognizing income tax expense on earnings in international jurisdictions offset by the recognition of income tax benefits on current period losses in the United States in addition to certain tax credits and benefits that do not vary with pre-tax results of operations. Taxes were calculated utilizing anticipated effective tax rates by jurisdiction forecasted for the full year.

North American Tire Segment

(Dollar amounts in millions)	Three months ended June 30 2004	Change	**2005**	Six months ended June 30 2004	Change	**2005**
Sales	$456.4	0.7%	**$459.8**	$884.3	4.5%	**$923.7**
Operating profit	$ 21.8	-89.4%	**$ 2.3**	$ 34.9	-72.2%	**$ 9.7**
United States unit sales changes:						
Passenger tires						
Company		-10.0%			-5.8%	
RMA members		2.3%			2.5%	
Light truck tires						
Company		-2.4%			2.8%	
RMA members		-3.5%			-2.5%	
Total light vehicle tires						
Company		-8.6%			-4.3%	
RMA members		1.5%			1.8%	
Total segment unit sales changes		-8.0%			-4.6%	

Overview

Shipments 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 more than 87 percent of the total United States tire market in recent years, increased approximately 1.5 percent in the second quarter of 2005 from shipment levels in the second quarter of 2004. Passenger tire unit shipments, which account for over 80 percent of the combined passenger and light truck tire markets, increased by 2.3 percent while light truck tire unit shipments decreased by approximately 3.5 percent.

For the first six months of 2005, shipments of passenger car and light truck tire replacement units increased approximately 1.8 percent from shipment levels in the first six months of 2004. Passenger tire unit shipments increased by 2.5 percent while light truck tire unit shipments decreased by approximately 2.5 percent.

Sales

Sales of the North American Tire segment increased $3.5 million in the second quarter of 2005 from levels in 2004. In the United States, the segment's unit sales of passenger tires decreased 10 percent and sales of light truck tires decreased by 2.4 percent in the second quarter of 2005 compared to the second quarter of 2004. The decrease in light truck tire units compares favorably to the RMA decrease of 3.5 percent while the decrease in passenger tire units contrasts with a 2.3 percent increase for RMA members. While tire unit sales were down mainly in the broadline, touring and economy passenger tire product lines, improved pricing and customer and product mix increased second quarter 2005 sales. Although the segment expanded its light truck product offering from the same period last year, an estimated 550,000 light truck units were not available due to the work stoppage at the Texarkana, AR tire manufacturing facility.

Sales of the North American Tire segment increased $39.4 million in the first six months of 2005 from levels in 2004. In the United States, the segment's unit sales of passenger tires decreased 5.8 percent while sales of light truck tires increased by 2.8 percent in the first six months of 2005 compared to the first six months of 2004. The increase in light truck tire units outpaced the RMA which experienced a decrease of 2.5 percent while the decrease in passenger tire units contrasts with a 2.5 percent increase for RMA members. While tire unit sales were down mainly in the broadline, touring and economy passenger tire product lines, improved pricing and customer and product mix increased sales. Although the segment increased in its light truck product offering from the same period last year, an estimated 640,000 light truck units were not available due to the work stoppage at the Texarkana, AR tire manufacturing facility. Sales in the house brands division were up during the first six months of 2005.

Operating Profit

Segment operating profit decreased $19.6 million in the second quarter of 2005 from the level in the second quarter of 2004. The impacts of higher raw material costs, the cost of the work stoppage at the Texarkana, AR tire manufacturing facility, and lower volumes were partially offset by improved pricing and improved customer/product mix. The segment continues to reduce its broadline product sales to less profitable distribution channels. In 2005 approximately $2 million of corporate general and administrative expenses, which would have been allocated to the Company's automotive operations in previous periods, were allocated to the North American Tire segment.

Segment operating profit decreased $25.2 million in the first six months of 2005 from the level in the first six months of 2004 for the same reasons cited for the quarter decrease. In 2005 approximately $5.2 million of corporate general and administrative expenses, which would have been allocated to the Company's automotive operations in previous periods, were allocated to the North American Tire segment.

Segment Outlook

The segment is optimistic the second half of 2005 will show strong sales improvement over the comparable period of 2004 in spite of continuing mixed opinions regarding the economic outlook for the domestic economy. Concerns continue to exist regarding the impact of the rising cost of gasoline on consumer confidence, in particular with discretionary spending and miles driven. However, positive indicators of domestic economic growth are evident in the improved statistics related to order backlogs, capital investment and capacity utilization.

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. The segment's investment in its manufacturing facilities over the past 18 months gives it the ability to produce the products required by our customers. Focused efforts on growing sales of new products, programs implemented to increase business with current private brand and independent dealer customers, and increasing fill rates to achieve improved customer service will allow the segment to recover the market share reductions experienced during the second quarter. Improved product availability and increased volumes of high performance products are expected to contribute to second half 2005 sales.

The impact of the segment's recent work stoppage at its Texarkana, AR tire manufacturing facility will continue to be felt during the third quarter of 2005 as certain tire products remain in short supply and new product launches are delayed until manufacturing expansions progress. Outsourcing of radial medium truck and certain passenger tire products to Asian manufacturers and the 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 to meet the steadily increasing demand for the segment's tires.

The segment is close to completing the transfer of its radial medium truck tire production to China through contract manufacturing arrangements, making domestic production capacity available for the production of larger light truck tires and other higher-margin products. The segment expects to source nearly two million medium truck and economy passenger 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 prices are continuing to be very difficult to predict accurately. A significant jump in the spot price of natural rubber occurred in early July, and is being attributed to weather-related delays in near-term supply of product sourced from Thailand, Vietnam and Malaysia. The Company believes its supply position is protected and its exposure to the impact of spot pricing somewhat protected by forward purchase contracts. The recent market scarcity of steel for the segment's tire cord and bead components has abated somewhat but remains a concern and is being actively managed, although no interruption of supply has been experienced. The Company believes raw material costs will be approximately two percent higher on average in the third quarter of 2005 than in the second quarter of 2005. The Company implemented a price increase of up to four percent in March 2005 and another increase of up to eight percent in June.

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 April 1, 2004 to March 31, 2005 policy year were $10.4 million higher than under the program in place prior to April 1, 2003, 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 Company renewed the program effective April 1, 2005 with an increase in the per claim retention limit of $10 million and a premium cost reduction of $5.3 million. The total per claim retention limit for claims occurring in this policy year is $25 million. 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 segment believes its operating profit levels will improve during the second half of 2005 not only due to higher sales volumes and the implementation of recent price increases , but also due to the favorable impact of improved product and customer mix, improvements in operating efficiencies and manufacturing capacity, and the cost reductions generated through its Lean initiatives. 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 in the future. Additionally, the segment continues to implement Lean manufacturing and other cost reduction initiatives, including improved manufacturing efficiencies, to help offset increased raw material and high products liability costs.

International Tire Segment

	Three months ended June 30			Six months ended June 30		
(Dollar amounts in millions)	2004	Change	**2005**	2004	Change	**2005**
Sales	$63.1	11.1%	**$70.1**	$128.4	5.6%	**$135.6**
Operating profit	$ 3.7		**$ 1.6**	$ 6.7		**$ 0.8**
Unit sales change		4.3%			-1.0%	

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 markets, based on data published by the industry and other sources, increased approximately one percent in the second quarter of 2005 from 2004 levels and for the six-month period ended June 30, 2005, were approximately two percent lower than in the comparable period in 2004.

Sales

Sales of the segment for the second quarter of 2005 increased $7 million from the second quarter of 2004 due to increased volumes, improved pricing and favorable foreign currency translation. The segment's unit sales increased 4.3 percent in the second quarter of 2005 from the second quarter of 2004.

Sales of the segment for the six-month period ended June 30, 2005, increased 5.6 percent from the comparable period in 2004. Improved pricing and favorable foreign currency translation were responsible for the sales improvement as unit sales decreased by one percent from the six-month period ended June 30, 2004.

Operating Profit

Operating profit for the segment in the second quarter of 2005 was approximately $2.1 million lower than in 2004 as the contributions of improved pricing were offset by higher raw material costs, expenses related to the startup of the segment's Asian operations and increases in plant costs and advertising expense.

For the six-month period ended June 30, 2005, operating profit for the segment was approximately $5.9 million lower than in 2004 for the same reasons cited for the second quarter results.

Segment 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 received final approval of this project in April 2005 and construction of the facility began in July. All tires produced at the facility during the first five years after startup will be exported to 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 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 and in September 2004 the North American Tire segment announced its intent to cease its inner tube business. These operations are considered to be discontinued operations as defined under SFAS No. 144 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

Operating results for Cooper-Standard included in income from discontinued operations, net of income taxes, on the Company's consolidated statement of income for the three months and six months ended June 30, 2004 are presented in the following table.

	June 30, 2004	
	Three months Ended	Six months Ended
Net sales	$489.3	$978.7
Operating profit, including restructing costs	47.3	90.4
Interest expense	9.0	18.7
Other income — net	(0.8)	(1.0)
Income from discontinued operations before income taxes	39.1	72.7
Provision for income taxes	14.2	26.1
Income from discontinued operations	$ 24.9	$ 46.6

Inner Tube Business

In September 2004, the North American Tire segment announced its intent to cease its inner tube business. There was no activity in the inner tube business in 2005. Included in the Company's results from discontinued operations for the three-month and six-month periods ended June 30, 2004 were inner tube business sales of $5.4 and $10.5 million, respectively and operating profit of $323,000 and $928,000, respectively.

Outlook for Company

The Company believes improving operating efficiencies and production expansion projects will enable it to manufacture and sell more specialty high performance and large light truck tires during the second half of the year. In addition, recently implemented price increases will help the Company offset the forecasted higher cost of raw materials. Additional price increases may be required before the end of the year. The impact of the work stoppage at the Texarkana, AR tire manufacturing facility will continue to negatively impact the rest of the year due to continuing shortages of certain light truck products. Supply on certain lines will be tight and likely result in the loss of sales. The total impact of the strike, including direct costs and lost sales, could be as much as eight cents per share during the remainder of the year. The Company expects third quarter earnings per share in the range of ten to fourteen cents.

Liquidity and Capital Resources

Generation and uses of cash — Net cash used in the operating activities of continuing operations was $9.9 million in the first six months of 2005, a decrease of $58.4 million from the $48.5 million generated in the first six months of 2004 due in part to a $27.9 million decrease in net income after adjustments for non-cash items. Changes in operating assets and liabilities resulted in the use of $49.1 million in cash in 2005 versus a use of $18.6 million in 2004. Higher inventory levels are the major contributor to this change.

Net cash used in investing activities during the first six months of 2005 reflects the Company's investment in Kumho Tire Co., Inc. of Korea of $108.0 million. Capital expenditures in 2005 were $88.4 million, a $30.8 million increase from $57.6 million in 2004. This increase is primarily due to investments in the expansion of manufacturing capacity. The Company also increased its investment in available-for-sale debt securities during the first six months of 2005 by $4 million.

The Board of Directors authorized the repurchase of up to $200 million of the Company's outstanding debt on February 15, 2005 and in May, the Company repurchased $84.4 million of its Senior Notes due in 2009.

The Company paid $189.8 million to repurchase shares of its common stock during the first six months of 2005. Dividends paid on the Company's common shares in the first six months of 2005 were $13.8 million compared to $15.6 million in 2004.

Available credit facilities — The Company has a revolving credit facility with a consortium of ten banks that provides up to $175 million in credit facilities until August 31, 2008. On March 31, 2005, the Company cancelled the additional $175 million short-term portion of the credit facility which was scheduled to expire on June 29, 2005. This action was taken due to the strong cash position of the Company resulting from the sale of the Company's automotive operations in December, 2004. The Company generally renegotiates the short-term portion of its credit facility each year. The credit facility supports the issuance of commercial paper.

As of June 30, 2005 the Company was in compliance with the financial covenants contained in its credit agreements. At that date, the ratio of consolidated net indebtedness to consolidated capitalization was 22.0 percent as a result of the high level of cash on hand at June 30, 2005 and the interest coverage ratio was 4.4 times. The Company anticipates that it will remain in compliance with these covenants in 2005, based upon its business forecast for the year.

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.

Available cash and contractual commitments — The Company anticipates that cash flows from operations in 2005 will be positive, but will be exceeded by 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 companies. Projected Company 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 obligations due until 2009.

As of June 30, 2005 the Company had repurchased 10,151,636 shares of its common stock for $189.8 million under the authorization approved by its Board of Directors on February 15, 2005. This authorization provides for the repurchase of up to $200 million of the Company's common shares.

At June 30, 2005 the Company had cash of $444.7 million, short-term investments of $42.1 million and could borrow, under its credit agreement with its bank group and other bank lines, up to an additional $200 million without violating the financial covenants contained in its credit agreements.

Contingencies

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 June 30, 2005. The Company is aggressively managing its products liability costs.

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;
- 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;
- increases in 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;
- the failure of the Company's suppliers to timely deliver products in accordance with contract specifications; 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.

Further information covering issues that could materially affect financial performance is contained in the Company's periodic filings with the U. S. Securities and Exchange Commission ("SEC").

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk at June 30, 2005 from those detailed in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2004.

Item 4. 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 Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q, and ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There have been no changes in the Company's internal control over financial reporting during the first six months of 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. 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 June 30, 2005.

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

(a) The Company's Annual Meeting of Stockholders was held on May 3, 2005.

(b) All of the nominees for directors, as listed below under (c) and on pages 3 and 4 of the Company's Proxy Statement dated March 22, 2005, were elected. The following directors have terms of office which continued after the meeting.

Arthur H. Aronson	Thomas A. Dattilo
John J. Holland	John F. Meier
Byron O. Pond	John H. Shuey

(c) A description of each matter voted upon at that meeting is contained on pages 6 and 7 of the Company's Proxy Statement dated March 22, 2005, which pages are incorporated herein by reference.

The number of votes cast by common stockholders with respect to each matter is as follows:

(i) Election of directors

	Term Expires	Affirmative Votes	Withheld Votes
Laurie J. Breininger	2008	63,350,991	1,205,993
Dennis J. Gormley	2008	62,489,718	2,067,266
Richard L. Wambold	2008	63,347,174	1,209,809

(ii) Ratification of the selection of Ernst & Young LLP as the Company's independent auditors. The votes that had been submitted on the proposal were as follows:

Affirmative Votes	61,045,628
Negative Votes	3,077,840
Abstentions	433,515

(iii) Proposal to request that the Company issue annual sustainability reports. The votes that had been submitted on the proposal were as follows:

Affirmative Votes	11,685,628
Negative Votes	38,667,941
Abstentions	3,433,323

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(31.1)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(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

(b) Reports on Form 8-K

A Form 8-K (Items 8.01 and 9.01) was furnished on May 9, 2005 announcing the Company had commenced a tender offer to purchase its 7 3/4% Notes due 2009.

A Form 8-K (Item 1.01) was furnished on May 9, 2005 relating to revision in the Company's compensation policy for the Directors who are not employees of the Company.

A Form 8-K (Items 8.01 and 9.01) was furnished on May 26, 2005 announcing the tender offer previously announced had expired.

A Form 8-K (Items 2.02, 8.01 and 9.01) was furnished on August 2, 2005 relating to the release of the Company's second quarter earnings and announcement of the adoption by the Board of Directors of its Audit Committee's recommendation to maintain the Company's stockholder rights plan in its present form.

SIGNATURES

Pursuant to the requirements 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/ P. G. Weaver

P. G. Weaver
Vice President and Chief
Financial Officer
(Principal Financial Officer)

/s/ E. B. White

E. B. White
Corporate Controller
(Principal Accounting Officer)

August 2, 2005
(Date)

Exhibit (31.1)

CERTIFICATIONS

I, Thomas A. Dattilo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 2, 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 Quarterly Report on Form 10-Q 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: August 2, 2005

/s/ Philip G. Weaver

Philip G. Weaver
Vice President and Chief Financial Officer

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-Q for the period ended June 30, 2005, 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. § 1350, as adopted pursuant to § 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: August 2, 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. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

End of Filing

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