COOPER TIRE & RUBBER CO

FORM 10-K
(Annual Report)

Filed 3/1/2007 For Period Ending 12/31/2006

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, DC 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, 2006

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
☑ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant at June 30, 2006 was $659,584,218.

The number of shares outstanding of the registrant's common stock as of January 31, 2007 was 61,396,135.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information from the registrant's definitive proxy statement for its 2007 Annual Meeting of Stockholders is hereby incorporated by reference into Part III, Items 10 – 14, of this report.

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COOPER TIRE & RUBBER COMPANY — FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

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 ninth 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 and bias light truck tires and materials and equipment for the truck tire retread industry. The Company also manufactures and sells motorcycle and racing tires.

The Company is organized into two separate, reportable business segments: North American Tire Operations and International Tire Operations. Each segment is managed separately. 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 included 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.

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 10 manufacturing facilities and 32 distribution centers in 8 countries. As of December 31, 2006, the Company employed 13,361 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 other large automotive product retail chains. 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”).

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 2006 of approximately 15 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 materials and equipment to the commercial truck tire industry, there are numerous suppliers, of which Bandag, Inc. (recently acquired by Bridgestone Americas Holding Inc.), Goodyear Tire & Rubber Company and Groupe Michelin have a combined market share that is believed to exceed 80 percent.

Success in competing for the sale of replacement tires is dependent upon many factors, the most important of which are price, quality, line coverage, 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. The segment 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 requirements. Part of this capacity expansion is comprised of the outsourcing of opening price point and economy-type tires to a contract manufacturer 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 a manufacturing supply agreement with an Asian manufacturer to provide entry-level passenger tires from China for distribution in the United States. In total, the segment sourced approximately 1.4 million tires from China in 2006.

Both the replacement tire and retread products businesses of the segment have broad customer bases. 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 has manufacturing facilities in the United Kingdom and China. The segment is pursuing opportunities for future expansion of its joint venture operations in Asia. The segment has two administrative offices and a sales office in China through which it is managing and developing the Company’s increasing commercial relationships in Asia.

In the United Kingdom, the segment currently 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 has subsidiaries in France, Germany, Italy, Spain and Switzerland for marketing its products in continental Europe. 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.

In China, the segment currently produces passenger car, bias and radial light and medium truck tires and off-the-road tires. These products are manufactured for export to Europe and North America and are also marketed to dealers in the replacement tire market within China. Less than ten percent of the sales in China are to OEMs.

The segment has formed a joint venture with an Asian partner to build a manufacturing plant in China. Production in this facility commenced in the first quarter of 2007. 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 536,000 tires from China in 2005 and 548,000 tires in 2006.

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 Operations segment), which was exited in the fourth quarter of 2004.

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 were also produced. The main products include automotive body sealing systems and products, noise, vibration and harshness 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, 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 Company's inner tube operations faced increasing competition from foreign manufacturers. The resulting price erosion 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.

Raw Materials

The Company's principal raw materials include synthetic rubber, carbon black, natural rubber, chemicals and reinforcement components. The Company acquires its raw materials from multiple sources around the world to provide greater assurance of continuing supplies for its manufacturing operations.

The Company experienced significant increases in the costs of certain of its principal raw materials during 2006 when compared with the levels experienced during 2005. Approximately 65 percent of the Company's raw materials are petroleum-based, and crude oil set new price records during 2006. Natural rubber prices peaked at all-time price highs during the third quarter of 2006. The increases in the cost of natural rubber and petroleum-based materials were the most significant drivers of higher raw material costs during the year. The pricing volatility in these commodities contributed to the difficulty in managing the costs of raw materials. The increased price of crude oil and the growing global demand for its derivative products have contributed to the cost increases experienced for raw materials used by the Company.

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

The Company is an equity investor in RubberNetwork.com LLC, which was established by the major manufacturers in the tire and rubber industry to achieve cost savings, increased efficiencies and opportunities for relevant benchmarking in the procurement processes of raw materials, indirect materials and services through the application of strategic sourcing and supply chain management. The Company recognized significant savings in purchasing certain raw materials and indirect materials through the use of this procurement method during 2006.

The Company's contractual relationships with its raw material suppliers are generally based on long-term agreements and/or purchase order arrangements. For natural rubber and natural gas, procurement is managed by buying forward of production requirements and utilizing the spot market when advantageous. For other principal materials, procurement arrangements include supply agreements that may contain formula-based pricing based on commodity indices, multi-year agreements, or spot purchases contracts. 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 has been used for debt reduction, the repurchase of shares and investment in tire operations. At December 31, 2006, the Company held cash of $222 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 Operations 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. The Company conducts extensive testing of current tire lines, as well as new concepts in tire design, construction and materials. During 2006, approximately 58 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 manufactured 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 were $18.6 million, $15.9 million and $23.2 million during 2004, 2005 and 2006, respectively.

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 that will continue to be amortized over the next three to ten 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 9 to 22 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 2006 expense and capital expenditures for environmental matters at its facilities were not material, nor is it expected that expenditures in 2007 for such uses will be material.

Foreign Operations

The Company has a manufacturing facility located in the United Kingdom and six distribution centers and five sales offices in Europe. The Company has two manufacturing facilities, 13 distribution centers and two administrative offices and a sales office in China. The Company also has 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 instability that are associated with emerging markets.

The Company's 2006 net sales attributable to its foreign subsidiaries, and shipments of exports from the United States, approximated $865 million, or approximately 32 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 has 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 1A. RISK FACTORS

From time to time, information provided by our employees or information included in our filings with the Securities and Exchange Commission may contain forward-looking statements that are not historical facts. Those statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements and our future performance, operating results, financial position and liquidity are subject to a variety of factors that could materially affect results, including those described below. Any forward-looking statements made in this report or otherwise speak only as of the date of the statement and, except as otherwise required by law, we undertake no obligation to update those statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

You should carefully consider the risks described below and other information contained in this Annual Report on Form 10-K when considering an investment decision with respect to our securities. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. Any of the events discussed in the risk factors below may occur. If they do, our business, results of operations or financial condition could be materially adversely affected. In such an instance, the trading price of our securities could decline, and you might lose all or part of your investment.

Increases in the costs of certain raw materials, including steel, rubber and carbon black, may affect our profitability.

Costs for certain raw materials used in our operations, including natural rubber, chemicals, carbon black, steel reinforcements and synthetic rubber remain at unprecedented high levels. Increasing costs for raw materials supplies will increase our production costs and harm our margins and results of operations if we are unable to pass the higher production costs on to our customers in the form of price increases.

Further, if we are unable to obtain adequate supplies of raw materials in a timely manner, our operations could be interrupted.

If the price of natural gas or other energy sources increases, our operating expenses could increase significantly.

Our ten manufacturing facilities rely principally on natural gas, as well as electrical power and other energy sources. High demand and limited availability of natural gas and other energy sources have resulted in significant increases in energy costs in the past several years, which have increased our operating expenses and transportation costs. Overall, our energy costs were at high levels on average during 2006, and those costs may increase further. Increasing energy costs would increase our production costs and adversely affect our margins and results of operations.

Our industry is highly competitive, and we may not be able to compete effectively with low-cost producers and larger competitors.

The replacement tire industry is a highly competitive, global industry. Some of our competitors are large overseas companies with greater financial resources. We also compete against low-cost producers in Asia and South America. Increased competitive activity in the replacement tire industry has caused, and will continue to cause, pricing pressures on our business. Our ability to compete successfully will depend in part on our ability to reduce costs by reducing excess capacity, leveraging global purchasing of raw materials, improving productivity, eliminating redundancies and increasing production at low-cost supply sources. If we are unable to offset continued pricing pressures with improved operating efficiencies and reduced spending, our sales, margins, operating results and market share would decline.

We may be unable to recover new product development and testing costs, which could increase the cost of operating our business.

Our business strategy emphasizes the development of new equipment and new products and using new technology to improve quality and operating efficiency. Developing new products and technologies requires significant investment and capital expenditures, is technologically challenging and requires extensive testing and accurate anticipation of technological and market trends. If we fail to develop new products that are appealing to our customers, or fail to develop products on time and within budgeted amounts, we may be unable to recover our product development and testing costs.

We conduct our manufacturing, sales and distribution operations on a worldwide basis and are subject to risks associated with doing business outside the United States.

We have operations worldwide, including in the U.S., the United Kingdom, continental Europe and Asia (primarily in China). Recently, we have expanded our operations in Asia and are building a manufacturing plant in China. There are a number of risks in doing business abroad, including political and economic uncertainty, social unrest, shortages of trained labor and the uncertainties associated with entering into joint ventures or similar arrangements in foreign countries. These risks may impact our ability to expand our operations in Asia and elsewhere and otherwise achieve our objectives relating to our foreign operations. In addition, compliance with multiple and potentially conflicting foreign laws and regulations, import and export limitations and exchange controls is burdensome and expensive. Our foreign operations also subject us to the risks of international terrorism and hostilities and to foreign currency risks, including exchange rate fluctuations and limits on the repatriation of funds.

Our expenditures for pension and other post-retirement obligations could be materially higher than we have predicted if our underlying assumptions prove to be incorrect.

We provide defined benefit and hybrid pension plan coverage to union and non-union employees in the U.S. and a contributory defined benefit plan in the U.K. Our pension expense and our required contributions to our pension plans are directly affected by the value of plan assets, the projected and actual rates of return on plan assets and the actuarial assumptions we use to measure our defined benefit pension plan obligations, including the discount rate at which future projected and accumulated pension obligations are discounted to a present value. We could experience increased pension expense due to a combination of factors, including the decreased investment performance of our pension plan assets, decreases in the discount rate, increases in the salary increase rate and changes in our assumptions relating to the expected return on plan assets. We could also experience increased other post retirement expense due to decreases in the discount rate and/or increases in the health care trend rate.

Increases in our pension expense could have a significant negative impact on our profitability. Based on current guidelines, assumptions and estimates, including stock market prices and interest rates, we anticipate that we may be required to make a cash contribution of approximately $30-35 million to our defined benefit and hybrid pension plans in 2007. If our current assumptions and estimates are not correct, a contribution in years beyond 2007 may be greater than the projected 2007 contribution. We cannot predict whether changing market or economic conditions, regulatory changes or other factors will increase our pension expense or our pension funding obligations, thereby diverting funds we would otherwise apply to other uses.

The Financial Accounting Standards Board may propose changes to the current manner in which pension and other post-retirement benefit plan costs are expensed. These changes could result in higher pension and other post-retirement costs.

Compliance with the TREAD Act and similar regulatory initiatives could increase the cost of operating our business.

We are subject to the Transportation Recall Enhancement Accountability and Documentation Act, or TREAD Act, which was adopted in 2000. Proposed and final rules issued under the TREAD Act regulate test standards, tire labeling, tire pressure monitoring, early warning reporting, tire recalls and record retention. Compliance with TREAD Act regulations has increased, and will continue to increase, the cost of producing and distributing tires in the U.S. Compliance with the TREAD Act and other federal, state and local laws and regulations now in effect, or that may be enacted, could require significant capital expenditures, increase our production costs and affect our earnings and results of operations.

In addition, while we believe that our tires are free from design and manufacturing defects, it is possible that a recall of our tires, under the TREAD Act or otherwise, could occur in the future. A substantial recall could harm our reputation, operating results and financial position.

Any interruption in our skilled workforce could impair our operations and harm our earnings and results of operations .

Our operations depend on maintaining a skilled workforce and any interruption of our workforce due to shortages of skilled technical, production and professional workers could interrupt our operations and affect our operating results. Further, a significant number of our U.S. employees are currently represented by unions. The labor agreement at Findlay does not expire until 2009 and the labor agreement at Texarkana does not expire until 2010. Although we believe that our relations with our employees are generally good, we cannot assure you that we will be able to successfully maintain our relations with our employees or our collective bargaining agreements with those unions. If we fail to extend or renegotiate our agreements with the labor unions on satisfactory terms, or if our unionized employees were to engage in a strike or other work stoppages, our business and operating results could suffer. For example, we experienced a work stoppage in March and April 2005 at our Texarkana, Arkansas manufacturing facility during contract negotiations with the United Steelworkers of America, which resulted in lost volume of approximately 936,000 tires in 2005 and reduced our 2005 operating profit by $26 million.

We have a risk of exposure to products liability claims, which if successful could have a negative impact on our financial position, cash flows and results of operations.

Our operations expose us to potential liability for personal injury or death as an alleged result of the failure of or defects in the products that we design and manufacture. Specifically, we are a party to a number of products liability cases in which individuals involved in motor vehicle accidents seek damages resulting from allegedly defective tires that we manufactured. Products liability claims and lawsuits, including possible class action litigation, could have a negative effect on our financial position, cash flows and results of operations.

Those claims may result in material losses in the future and cause us to incur significant litigation defense costs. Further, we cannot assure you that our insurance coverage will be adequate to address any claims that may arise. A successful claim brought against us in excess of our available insurance coverage may have a significant negative impact on our business and financial condition.

Further, we cannot assure you that we will be able to maintain adequate insurance coverage in the future at an acceptable cost or at all.

We may be unable to access the financial markets on favorable terms if our credit ratings or our financial condition deteriorates.

We rely on access to financial markets as a significant source of liquidity for capital requirements that we cannot satisfy by cash on hand or operating cash flows. Various factors, including a deterioration of our credit ratings or our business or financial condition, could impair our access to the financial markets. Each of Standard & Poor's and Moody's Investor Services reduced our credit ratings in 2006. Further downgrades in our credit ratings would require us to pay a higher interest rate for future borrowing needs and any new borrowing facilities that we enter into may have stricter terms. Additionally, any inability to access the capital markets or incur additional debt in the future on favorable terms could impair our liquidity and operations, and could require us to consider deferring planned capital expenditures, reducing discretionary spending, selling assets or restructuring existing debt.

If we are unable to execute our Asian strategy effectively, our profitability and financial condition could decline.

In the replacement tire industry, an increasing percentage of replacement tires are sold in the high performance and ultra-high performance categories. We have increased our production capacity in the United States for these types of premium tires to keep up with increasing customer demand. We have also outsourced our manufacturing of certain economy-type tires to contract manufacturers in Asia. This outsourcing strategy, a component of our Asian strategy, is intended to free up essential production capacity within our North American facilities to manufacture additional high performance and ultra-high performance tires.

Our Asian strategy also calls for us to align with strategic partners we believe will provide access to the local market and position us to take advantage of the significant anticipated growth within Asia over the next five to ten years. For example, we have made an investment in Kumho Tire Co. Inc. of South Korea, have built a plant in the People's Republic of China with Kenda Tire of Taiwan ("Cooper-Kenda"), and have acquired 51% of Cooper Chengshan (Shandong) Passenger Tire Company Ltd. and Cooper Chengshan (Shandong) Tire Company, Ltd ("Cooper-Chengshan"). Our Asian strategy is subject to the risks of operating abroad and other operational and logistical challenges. Our failure to execute our Asian strategy effectively would harm our sales, margins and profitability.

We may not be able to successfully implement our cost savings initiatives.

We have numerous initiatives to improve profitability which are focusing on pricing and mix, increasing manufacturing efficiencies and implementing other cost reductions in an effort to offset increased raw material costs and other costs. We have three specific projects focused on profitability improvement. We intend to reduce inventory by $100 million from our June 30, 2006 levels. We are committed to identify, approve and implement $70 million in annualized cost reductions in 2007. We expect to realize $100 million in profit improvement through more contemporary product management, mix improvement, better pricing and a change in our manufacturing strategy. If these profit improvement and cost reduction initiatives are not successful, our margins and profitability would decline.

We may not be able to protect our intellectual property rights adequately.

Our success depends in part upon our ability to use and protect our proprietary technology and other intellectual property, which generally covers various aspects in the design and manufacture of our products and processes. We own and use tradenames and trademarks worldwide. We rely upon a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements and patent, copyright and trademark laws to protect our intellectual property rights. The steps we take in this regard may not be adequate to prevent or deter challenges, reverse engineering or infringement or other violations of our intellectual property, and we may not be able to detect unauthorized use or take appropriate and timely steps to enforce our intellectual property rights. In addition, the laws of some countries may not protect and enforce our intellectual property rights to the same extent as the laws of the United States.

We may not be successful in integrating future acquisitions into our operations, which could harm our results of operations and financial condition.

We routinely evaluate potential acquisitions and may pursue acquisition opportunities, some of which could be material to our business. While we believe there are a number of potential acquisition candidates available that would complement our business, we currently have no agreements to acquire any specific business or material assets other than as disclosed elsewhere in this report. We cannot predict whether we will be successful in pursuing any acquisition opportunities or what the consequences of any acquisition would be. Additionally, in any future acquisitions, we may encounter various risks, including:

- the possible inability to integrate an acquired business into our operations;
- increased intangible asset amortization;
- diversion of management’s attention;
- loss of key management personnel;
- unanticipated problems or liabilities; and
- increased labor and regulatory compliance costs of acquired businesses.

Some or all of those risks could impair our results of operations and impact our financial condition. These risks could also reduce our flexibility to respond to changes in our industry or in general economic conditions.

Future acquisitions and their related financings may adversely affect our liquidity and capital resources.

We may finance any future acquisitions, including those that are part of our Asian strategy, from internally generated funds, bank borrowings, public offerings or private placements of equity or debt securities, or a combination of the foregoing. Future acquisitions may involve the expenditure of significant funds and management time. Future acquisitions may also require us to increase our borrowings under our bank credit facilities or other debt instruments, or to seek new sources of liquidity. Increased borrowings would correspondingly increase our financial leverage, and could result in lower credit ratings and increased future borrowing costs.

We are required to comply with environmental laws and regulations that cause us to incur significant costs.

Our manufacturing facilities are subject to numerous laws and regulations designed to protect the environment, and we expect that additional requirements with respect to environmental matters will be imposed on us in the future. Material future expenditures may be necessary if compliance standards change or material unknown conditions that require remediation are discovered. If we fail to comply with present and future environmental laws and regulations, we could be subject to future liabilities or the suspension of production, which could harm our business or results of operations. Environmental laws could also restrict our ability to expand our facilities or could require us to acquire costly equipment or to incur other significant expenses in connection with our manufacturing processes.

A portion of our business is seasonal, which may affect our period-to-period results .

Although there is year-round demand for replacement tires, demand for passenger replacement tires is typically strongest during the third and fourth quarters of the year in the northern hemisphere where the majority of our business is conducted, principally due to higher demand for winter tires during the months of August through November. The seasonality of this portion of our business may affect our operating results from quarter-to-quarter.

The realizability of deferred tax assets may affect our profitability.

A valuation allowance is required to be recorded pursuant to Statement of Financial Accounting Standard ("SFAS") No. 109, "Accounting for Income Taxes," when, based upon an assessment which is largely dependent upon objectively verifiable evidence including recent operating loss history, expected reversal of existing deferred tax liabilities and tax loss carry back capacity, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are determined separately for each taxing jurisdiction in which the Company conducts its operations or otherwise generates taxable income or losses. In the U. S., the Company has recorded significant deferred tax assets, the largest of which relate to tax attribute carryforwards, products liability, pension and other post retirement benefit obligations. These deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relate to accelerated depreciation. Based upon this assessment, the Company has recorded a $128.6 million valuation allowance for the portion of U.S. deferred tax assets exceeding deferred tax liabilities with $18.1 million being recorded as an expense in 2006. The pension liability and associated deferred tax asset adjustment recorded to equity in the fourth quarter as a result of adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," accounts for $72.5 million of the total valuation allowance. The Company intends to evaluate the realizability of deferred tax assets on a quarterly basis.

The impact of new accounting standards on determining pension and other post retirement benefit plans' expense may have a negative impact on the Company's results of operations.

The Company has adopted SFAS No. 158 and the statement of financial position reflects the impacts of this accounting standard.

The Financial Accounting Standards Board is considering the second part of its review of accounting for pension and postretirement benefit plans. This second phase of this project may result in changes to the current manner in which pension and other postretirement benefit plan costs are expensed. These changes could result in higher pension and other postretirement costs.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

As shown in the following table, at December 31, 2006 the Company maintained 63 manufacturing, distribution, retail stores and office facilities worldwide. The Company owns a majority of the manufacturing facilities while some manufacturing, distribution and office facilities are leased.

		International Tire Operations		
Type of Facility	**North American Tire Operations**	**Europe**	**Asia**	**Total**
Manufacturing	7	1	2	10
Distribution	13	6	13	32
Retail stores	3	—	—	3
Technical centers and offices	7	7	4	18
Total	30	14	19	63

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. 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, 2006.

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, 2006.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and all positions and offices held by all executive officers of the Company are as follows:

Name	Age	Executive Office Held	Business Experience
Roy V. Armes	54	President, Chief Executive Officer and Director	President, Chief Executive Officer and Director since January 2007. Previously, Senior Vice President of Project Development since January 2006; Corporate Vice President and General Director at Whirlpool Mexico from 2002 to January 2006; Corporate Vice President of Global Procurement Operations from 1997 to 2002.
James E. Kline	65	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.
James H. Geers	59	Vice President	Vice President Global Human Resources since 2004. Previously, Vice President Corporate Human Resources from 1999 to 2004.
Harold C. Miller	54	Vice President	Vice President since March 2002. Previously, 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.
Philip G. Weaver	54	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer since 1999. Previously, Tire Operations Vice President from 1994 through 1998.

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

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, 2005	High	Low
First Quarter	$ 22.50	$ 18.15
Second Quarter	19.75	16.47
Third Quarter	20.99	15.04
Fourth Quarter	15.73	13.05

Year Ended December 31, 2006	**High**	**Low**
First Quarter	**$ 16.58**	**$ 13.86**
Second Quarter	**14.52**	**10.49**
Third Quarter	**11.77**	**7.71**
Fourth Quarter	**14.73**	**9.60**

Five-Year Stockholder Return Comparison

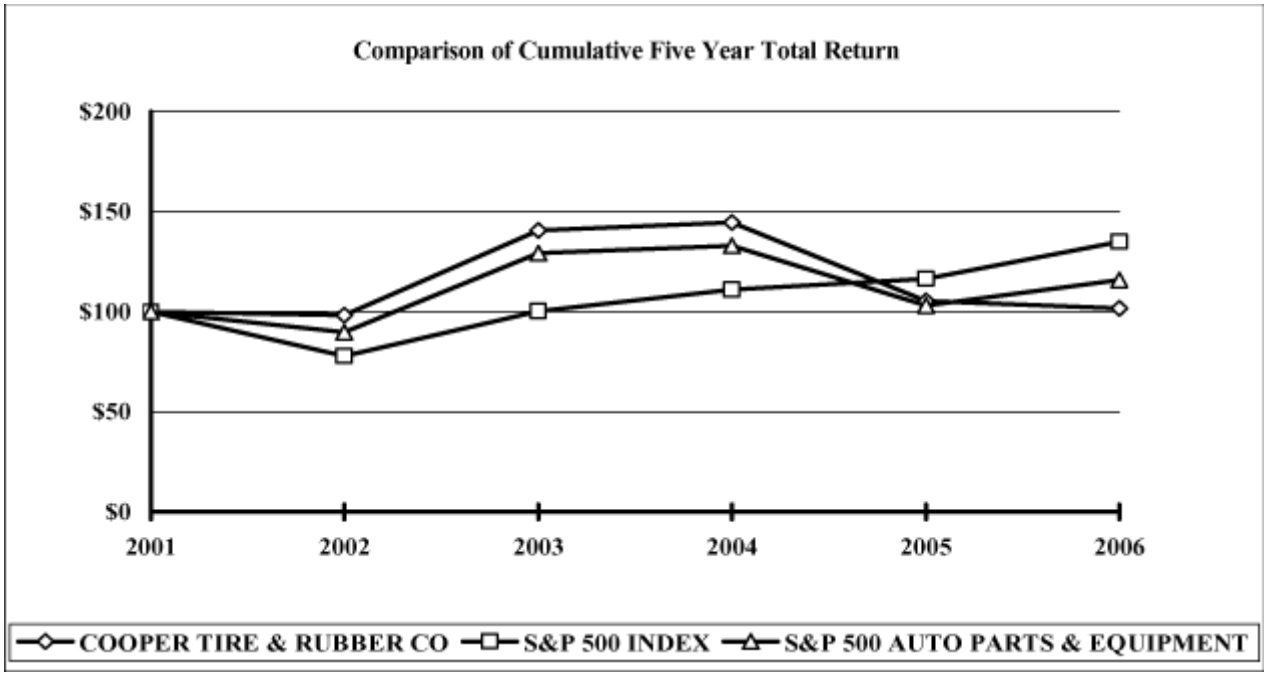
The SEC requires that the Company include in its annual report to shareholders a line graph presentation comparing cumulative five-year stockholder returns on an indexed basis with the Standard & Poor's ("S&P") Stock Index and either a published industry or line-of-business index or an index of peer companies selected by the Company. The Company in 1993 chose what is now the S&P 500 Auto Parts & Equipment Index as the most appropriate of the nationally recognized industry standards and has used that index for its stockholder return comparisons in all of its proxy statements since that time.

The following chart assumes three hypothetical $100 investments on December 31, 2001, and shows the cumulative values at the end of each succeeding year resulting from appreciation or depreciation in the stock market price, assuming dividend reinvestment.

Total Return To Shareholders
(Includes reinvestment of dividends)

	ANNUAL RETURN PERCENTAGE Years Ending				
Company / Index	Dec02	Dec03	Dec04	Dec05	Dec06
COOPER TIRE & RUBBER CO	-1.64	42.92	2.81	-27.14	-3.33
S&P 500 INDEX	-22.10	28.68	10.88	4.91	15.79
S&P 500 AUTO PARTS & EQUIPMENT	-10.12	43.89	2.78	-22.47	12.37

		INDEXED RETURNS Years Ending				
Company / Index	Base Period Dec01	Dec02	Dec03	Dec04	Dec05	Dec06
COOPER TIRE & RUBBER CO	100	98.36	140.58	144.53	105.31	101.80
S&P 500 INDEX	100	77.90	100.25	111.15	116.61	135.03
S&P 500 AUTO PARTS & EQUIPMENT	100	89.88	129.34	132.94	103.07	115.81



(b) Holders

The number of holders of record at December 31, 2006 was 3,232.

(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 retained earnings are available for the payment of cash dividends and the purchases of the Company's shares and are only limited by debt covenants, described in the "Debt" note to the consolidated financial statements. Quarterly dividends per common share for the most recent two years are as follows:

	2005		**2006**
March 31	$ 0.105	**March 31**	**$ 0.105**
June 30	0.105	**June 30**	**0.105**
September 30	0.105	**September 29**	**0.105**
December 30	0.105	**December 29**	**0.105**
Total:	$ 0.420	**Total:**	**$ 0.420**

(d) Issuer purchases of equity securities

There were no repurchases of Company stock during the fourth quarter of the fiscal year ended December 31, 2006.

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, 2004, 2005 and 2006 and income statement data for 2002, 2003, 2004, 2005 and 2006 were derived from audited financial statements. The balance sheet data for 2002 is unaudited.

(Dollar amounts in thousands except for per share amounts)

	Net Sales	Operating Profit (Loss)	Income (loss) from Continuing Operations Before Income Taxes	Income (loss) from Continuing Operations	Earnings (Loss) Per Share from Continuing Operations	
					Basic	Diluted
2002	1,742,218	113,716	83,635	55,032	0.75	0.74
2003	1,850,853	65,019	37,205	27,344	0.37	0.37
2004	2,081,609	63,224	35,006	27,446	0.37	0.37
2005	2,155,185	26,435	(14,351)	(15,033)	(0.24)	(0.24)
2006	2,676,242	(9,749)	(91,954)	(85,890)	(1.40)	(1.40)

	Stockholders' Equity	Total Assets	Net Property, Plant & Equipment	Capital Expenditures	Depreciation	Long-term Debt
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
2005	938,776	2,152,186	786,225	172,152	108,340	491,618
2006	639,891	2,235,279	991,816	188,525	132,860	513,213

	Long-term Debt To Capitalization	Dividends Per Share	Average Common Shares (000)	Number of Employees
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
2005	34.4	0.42	63,653	8,762
2006	44.5	0.42	61,338	13,361

As detailed in Note 2 – Acquisitions, effective February 4, 2006, the Company acquired a 51 percent ownership position in Cooper Chengshan (Shandong) Passenger Tire Company Ltd. and Cooper Chengshan (Shandong) Tire Company, Ltd. ("Cooper-Chengshan"). The acquisition has been accounted for as a purchase transaction and the fair value of fixed assets, liabilities, and tangible and identifiable intangible assets have been included in the Company's Consolidated Balance Sheet at December 31, 2006 along with the goodwill associated with the transaction. The operating results of Cooper-Chengshan have been included in the consolidated financial statements of the Company since the date of acquisition.

Note 12 – Pensions and Postretirement Benefits Other than Pensions describes the Company's adoption of SFAS No. 158 and discloses the impact of the adoption on the Company's Stockholders' Equity.

During 2006, the Company recorded an impairment charge of $51,546 related to goodwill and an indefinite-lived intangible asset as described in Note 6 – Goodwill and Intangibles.

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 is focused on profitable long-term growth in the replacement tire market. In December 2004, the Company sold its automotive operations, known as Cooper-Standard. The sale provided the Company significant opportunities to focus exclusively on its global tire business.

The Company has developed a strategy for growth in Asia. In February 2005, the Company purchased 15 million global depositary shares, representing approximately an 11 percent interest, of Kumho Tire Co. Inc. ("Kumho Tire") of Seoul, Korea. 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. Effective February 4, 2006, the Company acquired a 51 percent ownership position in Cooper Chengshan (Shandong) Passenger Tire Company Ltd. and Cooper Chengshan (Shandong) Tire Company, Ltd. ("Cooper-Chengshan"). The new companies, which were formed upon governmental approval of the transaction, together were known as Shandong Chengshan Tire Company, Ltd. ("Chengshan") of Shandong, China. The Company has recently completed construction of a tire manufacturing facility under a joint venture arrangement with Kenda Rubber Industrial Co., Ltd. of Taiwan.

In recent years, the Company has faced both general industry challenges and internal challenges. In 2006, the replacement tire market in North America was far weaker than anticipated. Raw material costs continued escalating reaching record high price levels. The Company incurred high production costs, rapidly expanded its finished goods inventory level and consumed cash at higher than expected rates.

The Company has directed its attention to cost reduction initiatives impacting every aspect of its business. Plans are in place to cut costs, reduce complexity and improve efficiency within its operations. A specific inventory reduction initiative has yielded dramatic results in the second half of 2006 and is planned to further reduce inventory levels in 2007.

The Company has focused its attention in recent years on the performance and ultra high performance markets. In 2007, new product introductions of premium broadline and touring tires will be aimed at improving the profitability of that segment of the Company's product offerings. The Company's marketing program will be more customer driven and more controlled emphasizing profitable sales growth and profitable product and customer mix.

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

The following discussion of financial condition and results of operations should be read together with "Selected Financial Data," the Company's consolidated financial statements and the notes to those statements and other financial information included elsewhere in this report.

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. This report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those indicated in the forward-looking statements. See Risk Factors in Item 1A for information regarding forward-looking statements.

Consolidated Results of Continuing Operations

(Dollar amounts in millions except per share amounts)	2004	% Change	2005	% Change	2006
Revenues:					
North American Tire	$1,862.9	4.9%	$1,954.7	7.2%	$2,096.2
International Tire	308.4	-1.0%	305.3	122.8%	680.1
Eliminations	(89.7)	16.8%	(104.8)	-4.5%	(100.1)
Net sales	$2,081.6	3.5%	$2,155.2	24.2%	$2,676.2
Segment profit (loss):					
North American Tire	$ 64.0	-48.8%	$ 32.8	-112.2%	$ (4.0)
International Tire	21.4	-103.3%	(0.7)	-1442.9%	9.4
Eliminations	0.5	-180.0%	(0.4)	50.0%	(0.6)
Unallocated corporate charges	(22.7)	-76.7%	(5.3)	173.6%	(14.5)
Operating profit	63.2	-58.2	26.4	-136.7	(9.7)
Interest expense	27.6	97.5	54.5	-13.4	47.2
Debt extinguishment (gains) losses	—		4.2		(0.1)
Interest income	(2.1)	781.0	(18.5)	-45.4	(10.1)
Dividend from unconsolidated subsidiary	—		—		(4.3)
Impairment of goodwill and indefinite-lived intangible asset	—		—		51.5
Other - net	2.7	-77.8	0.6	-433.3	(2.0)
Income (loss) from continuing operations before income taxes and minority interests	35.0	-141.1	(14.4)	538.2	(91.9)
Provision (benefit) for income taxes	7.6	-90.8	0.7	-1485.7	(9.7)
Income/(loss) from continuing operations before minority interests	27.4	-155.1%	(15.1)	444.4%	(82.2)
Minority interests	—		0.1		(3.7)
Income (loss) from continuing operations	$ 27.4	-154.7%	$ (15.0)	472.7%	$ (85.9)
Basic and diluted earnings (loss) per share	$ 0.37	—	$ (0.24)	—	$ (1.40)

2006 versus 2005

Consolidated net sales increased by $521 million in 2006. The acquisition of Cooper-Chengshan in February 2006 added $358 million in net sales in 2006. The remainder of the increase was primarily a result of improved net pricing and product mix. This increase was offset by lower unit volume. Operating profit in 2006 was $36 million less than the operating profit reported in 2005. The favorable impacts of the Cooper-Chengshan acquisition and improved pricing and mix were offset by increased raw material costs, lower sales volumes, higher products liability costs and restructuring costs related to five initiatives undertaken by the Company. These initiatives are described in more detail in the Restructuring section below.

The Company continued to experience significant increases in the costs of certain of its principal raw materials during 2006 compared with the levels experienced during 2005. The principal raw materials for the Company include synthetic rubber, carbon black, natural rubber, chemicals and reinforcement components. A significant portion of the Company's raw materials are crude oil-based, a commodity which set new price ceilings during 2006. The increases in the cost of natural rubber and petroleum-based materials were the most significant drivers of higher raw material costs during 2006, which were up approximately $129 million from 2005. The pricing volatility in these commodities 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. Approximately 65 percent of the Company's raw materials are crude oil-based, a commodity which repeatedly set new price records during 2006.

The Company manages the procurement of its raw materials to assure supply and to obtain the most favorable pricing. For natural rubber and natural gas, procurement is managed by buying forward of production requirements and utilizing the spot market when advantageous. For other principal materials, procurement arrangements include supply agreements that may contain formula-based pricing based on commodity indices, multi-year agreements, or spot purchase contracts. These arrangements provide quantities needed to satisfy normal manufacturing demands.

Selling, general and administrative expenses were $193 million (7.2 percent of net sales) in 2006 compared to $161 million (7.5 percent of net sales) in 2005. The addition of the Chinese operations, higher advertising costs in the North American Tire Operations segment and the expense associated with the severance component of payments made to the former chairman, president and chief executive officer of the Company accounted for this increase.

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.

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 continued 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 the policy years subsequent to April 1, 2005 is $25 million.

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 those periods. The Company records the reimbursements under such policies in the period if the conditions for reimbursement are met. Products liability costs totaled $52.3 million and $63.6 million in 2005 and 2006, respectively. Recoveries of legal fees were $12.7 million and $9.4 million in 2005 and 2006, respectively. Policies applicable to claims occurring on April 1, 2003 and, thereafter, do not provide for recovery of legal fees.

During 2006, the Company recorded $14.6 million in restructuring costs related to the five initiatives described below.

Interest expense decreased $7 million in 2006 from 2005 primarily due to the Company's repurchases of debt in 2005 and 2006.

Interest income decreased $8 million in 2006 from 2005 as a result of lower cash levels in 2006 than in 2005.

During 2006, the Company recorded dividend income from its investment in Kumho Tire Co., Inc. A dividend of approximately $0.57 per share was declared to shareholders of record on March 17, 2006. The Company owns the equivalent of 7,500,000 shares and recorded $4.3 million of dividend income.

During the fourth quarter of 2006, the Company completed its annual test for impairment and determined that impairment existed in the goodwill and in the indefinite-lived intangible assets of its North American Tire Operations segment. While the Company made good faith projections of future cash flow in 2005, it failed to meet those projections in 2006 due to industry conditions and other factors. The Company believes certain of these factors will continue to have an impact in 2007 and late in 2006, the Company implemented specific cost reduction initiatives to improve profitability. Following a review of the valuation of the segment's identifiable assets, the Company wrote off the goodwill of the North American Tire Operations segment which totaled $48.2 million and also recorded an impairment charge of $3.4 million related to the indefinite-lived intangible assets of the segment.

Other – net increased $3 million in 2006 from 2005 primarily as a result of foreign currency gains being recorded in 2006 compared to losses in 2005.

For the twelve months ended December 31, 2006, the Company recorded an income tax benefit of $9.7 million on a loss before taxes from continuing operations of $95.6 million which includes minority interest of $3.7 million and the impairment of non-deductible goodwill. Since a valuation allowance was recorded in income tax expense for the net deferred tax asset position of the U. S. operations during the year, the remaining income tax benefit relates primarily to the utilization of certain tax attributes, the release of certain tax contingencies plus income tax expense from non- U. S. operations. Comparable amounts for 2005 were an income tax expense of $.7 million on a loss before taxes of $14.3 million.

A valuation allowance is required to be recorded pursuant to SFAS No. 109, "Accounting for Income Taxes," when, based upon an assessment which is largely dependent upon objectively verifiable evidence including recent operating loss history, expected reversal of existing deferred tax liabilities and tax loss carry back capacity, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are determined separately for each taxing jurisdiction in which the Company conducts its operations or otherwise generates taxable income or losses. In the United States, the Company has recorded significant deferred tax assets, the largest of which relate to tax attribute carryforwards, products liability, pension and other post retirement benefit obligations. These deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relate to accelerated depreciation. Based upon this assessment, the Company has recorded a $128.6 million valuation allowance for the portion of U.S. deferred tax assets exceeding deferred tax liabilities with $18.1 million being recorded as an expense in 2006. The pension liability and associated deferred tax asset adjustment recorded to equity in the fourth quarter as a result of adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," accounts for $72.5 million of the total valuation allowance. The Company intends to evaluate the realizability of deferred tax assets on a quarterly basis.

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 2006.

2005 versus 2004

Consolidated net sales increased by $74 million in 2005. The increase was primarily a result of improved net pricing and product mix. This increase was offset by lower unit volume and unfavorable foreign currency translation. Operating profit in 2005 was $37 million less than the operating profit reported in 2004. The favorable impacts of improved pricing and mix, lower products liability costs and reductions to cost of sales resulting from settlements with raw material suppliers for reimbursements of previously expensed costs were offset by increased raw material costs, lower sales volumes, increasing production complexity and the impact of the work stoppage at the Texarkana, Arkansas tire manufacturing facility.

The North American Tire Operations segment reached a contract agreement with members of United Steelworkers of America Local No. 7521 on April 10, 2005 following a work stoppage at its Texarkana, Arkansas 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 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 2005 compared with the levels experienced during 2004. The principal raw materials for the Company include synthetic rubber, carbon black, natural rubber, chemicals and reinforcement components. The increases in the cost of crude oil based materials were the most significant driver of higher raw material costs, with synthetic rubber increasing approximately 30 percent from 2004. The pricing volatility in commodities such as crude oil and, to a lesser extent, steel continued to contribute 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 records during 2005. The average cost of natural gas during 2005 increased approximately 20 percent from the average cost during 2004.

Reliable supply of raw materials was a significant concern during 2005, and contributed to the volatility of the Company's costs for certain commodities. The increased price of crude oil, the growing global demand for its derivative products, and the recent supply disruption in the United States for certain commodities are contributing to the cost increases being experienced for raw materials used by the Company and adding to concerns regarding their availability. The disruption of supply in the United States for carbon black and synthetic rubber caused by hurricane Rita resulted in the Company's decision to reduce production levels for certain of its products in its domestic facilities during the fourth quarter. The production reductions were necessary to ensure the adequate and uninterrupted availability of these commodities to maintain production efficiencies and to assure the supply of certain products that are in high demand by the Company's customers.

The Company manages the procurement of its raw materials and natural gas to assure supply and to obtain the most favorable pricing. For natural rubber and natural gas, procurement is managed by 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 provide quantities needed to satisfy normal manufacturing demands. The Company reacted promptly to the supply disruptions occurring late in the third quarter by working to secure synthetic rubber and carbon black from alternative vendors.

Selling, general and administrative expenses were $161 million (7.5 percent of net sales) in 2005 compared to $172 million (8.3 percent of net sales) in 2004. The decrease resulted primarily from lower advertising costs and fringe benefits associated with employee programs that provide for compensation based on the profitability of total Company financial results.

The North American Tire Operations segment conducts annual reviews of the enhanced product warranty reserve established in connection with the 2001 settlement of class action litigation. This review resulted in a decrease to the reserve of $.3 million in 2005 compared to a decrease of $11.3 million recorded in 2004.

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 as more fully described in the discussion of 2006 versus 2005 results. Products liability costs totaled $60.5 million and $52.3 million in 2004 and 2005, respectively. Recoveries of legal fees were $9.3 million and $12.7 million in 2004 and 2005, respectively.

Interest expense increased $26.9 million in 2005 from 2004 primarily due to the allocation of $34.0 million of interest expense to discontinued operations in 2004. This increase was partially offset by the reductions in interest expense resulting from the Company's repurchases of debt in 2004 and 2005. Also included in interest expense in 2005 is a gain of $1.7 million from interest rate swap agreements on the Company's senior notes which were settled in the second quarter of 2005.

The Company incurred $4.2 million in costs associated with the repurchase of $278.4 million of its long-term debt during 2005. Interest income increased $16.4 million in 2005 from 2004 as a result of the high levels of cash on hand in 2005. Other–net decreased by $2.1 million in 2005 compared to 2004. In 2004, the Company recorded a write-down of its investment in RubberNetwork.com LLC of $1.9 million and, in 2005, recorded an additional write-down of $.2 million.

The Company recorded income tax expense of $.7 million on a loss before taxes of $14.3 million for 2005. This compares to income tax expense of $7.6 million on earnings before taxes of $35 million for 2004. The net tax expense results primarily from an $8.4 million tax expense related to the repatriation of $169 million under the provisions of the Homeland Investment Act, a provision of the American Jobs Creation Act of 2004, offset by deferred tax benefits from operations.

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 2005.

Restructuring

During 2004, the North American Tire Operations segment initiated two restructuring plans. In the second quarter, the segment announced an initiative to consolidate its pre-cure retread operations in Asheboro, North Carolina, 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 $.1 million 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, Georgia tire facility was announced. These tires are being sourced from Asian manufacturers. No employees were affected by this initiative. The segment

recorded an impairment charge of $7.3 million for equipment associated with radial medium truck tire production, writing it down to its fair market value, as determined by the Company's expectations for proceeds upon its disposition.

During 2006, there were five restructuring initiatives announced and these are described below:

In May of 2006, the North American Tire Operations segment announced the planned closure of its manufacturing facility in Athens, Georgia with an estimated cost of between $10 million and $11 million. The Company approved the manufacturing plant closure because this plant's production could be absorbed by other Company facilities. The facility was closed early in the third quarter. During 2006, restructuring costs of $11.1 million were recorded. The assets of the facility were written down to fair value resulting in a charge of $8.2 million. Severance costs totaling $1.5 million were recorded and payments totaling $1.1 million have been made resulting in an accrued severance balance at December 31, 2006 of $.4 million. Additional employee-related severance costs of $.1 million were recorded. Employee relocation costs of $.1 million have been incurred. Equipment relocation and closure costs of $1.2 million have been recorded to date. The assets of the facility, with a fair value of $4 million, are considered as "held for sale" and are included on the Other current assets line of the Company's Consolidated Balance Sheets.

In September, the North American Tire Operations segment announced its plans to reconfigure its tire manufacturing facility in Texarkana, Arkansas so that its production levels can "flex" to meet tire demand. This reconfiguration is expected to result in a workforce reduction of approximately 350 people. This reduction is expected to be accomplished through attrition and layoffs. Certain equipment in the facility will be relocated to meet the flexible production requirements. The Company has targeted the end of the third quarter of 2007 as the completion date for this plant reconfiguration. The cost of this initiative is estimated to range from between $8 million and $11.5 million. This amount consists of equipment relocation and associated costs of between $5 million and $7 million and personnel related costs of between $3 million and $4.5 million. During 2006, equipment relocation costs of $.7 million have been recorded.

In November, the Company announced a restructuring of salaried support positions. The restructuring will be accomplished through reductions in part-time assistance, normal attrition and targeted severance actions. Approximately 80 people will be impacted by this initiative and the end of the first quarter of 2007 is the targeted completion date. To date, $.9 million of severance benefits have been accrued for persons or positions identified and payments totaling $.1 million have been made, resulting in an accrued severance balance at December 31, 2006 of $.8 million.

In December, the North American Tire Operations segment initiated a plan to reduce the number of stock-keeping units manufactured in its facilities and to take tire molds out of service. Approximately 600 molds have been identified under this plan. At December 31, 2006, 449 molds have been taken out of service and written off. The service lives of the molds still in production have been reduced to reflect the remaining useful production life. Both the mold write-off and the increased depreciation expense associated with the change in the estimate of useful life are being recorded as restructuring expense. Through December 31, 2006, $.3 million of molds have been written-off and $.1 million of additional depreciation associated with this initiative has been recorded. The end of the second quarter is the expected date when all of the molds will be taken out of service and the total cost of this plan is estimated to be $.5 million.

During 2006, the International Tire Operations segment recorded $1.5 million in restructuring costs associated with a management reorganization in Cooper Tire Europe. This initiative was undertaken to reduce the European cost base to compensate for raw material cost increases in an increasingly competitive European market. There were 50 employees impacted by this initiative and all severance payments were made during 2006.

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

North American Tire Operations Segment

(Dollar amounts in millions)	2004	Change %	2005	Change %	2006
Sales	$1,862.9	4.9%	$1,954.7	7.2%	$2,096.2
Operating profit	$ 64.0	-48.8%	$ 32.8	-112.2%	$ (4.0)
Operating profit margin	3.4%	-1.7%	1.7%	-1.9%	-0.2%
Unit sales change		-3.7%		-0.5%	

Overview

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”).

2006 versus 2005

Sales of the North American Tire Operations segment increased $142 million in 2006 from levels in 2005. The increase in sales was a result of improved net pricing and product mix ($171 million), offset by lower unit volume ($29 million). The segment’s increased unit sales in the sport utility vehicle tire replacement market and new product offerings of high performance tires contributed to the improved product mix. The segment experienced a decrease in unit sales in the economy, broadline and light truck tire lines. The segment recorded increases in the sales of its proprietary brand tires and in sales to the segment’s distributor customers. These increases were offset by decreased sales to its mass merchandiser customers.

In the United States, the segment’s unit sales of total light vehicle tires decreased 0.5% in 2006 from 2005. The decrease in tire unit sales was due, in part, to a weakening of the tire replacement market as total industry shipments of light vehicle replacement tires in 2006 decreased 5% from 2005 levels. The segment also experienced increased competition from Asian tire manufacturers. The segment experienced higher unit sales during the fourth quarter 2006 partially as a result of the work stoppage at a competitor of the segment.

The segment also experienced decreased volume in mixed rubber pounds sold in the retread and custom mixing markets 2006 compared to 2005. The decrease in mixed rubber pounds was due primarily to the elimination of rubber mixing for automotive products previously supplied to Cooper-Standard Automotive.

Segment operating profit in 2006 decreased $37 million from 2005. The impacts of improved net pricing and product mix ($146 million) were offset by higher raw material costs ($101 million), restructuring charges ($13 million), products liability costs ($11 million) and unabsorbed overhead expenses associated with the reduced production schedule in 2006 ($18 million). The segment also experienced lower unit volumes, higher advertising costs, higher shipping and outside storage costs, higher utility costs and increases in other costs. During 2006, the segment reduced production levels as part of a temporary shutdown of its four tire manufacturing facilities in the United States in order to control inventory levels resulting from the weak North American replacement tire market. 2006 also includes the cost to convert one of the segment’s manufacturing facilities to a seven-day operation. 2005 included the cost of the work stoppage at the Texarkana, Arkansas tire manufacturing facility and a reduction to cost of sales resulting from the settlement with a raw material supplier for reimbursement of previously expensed costs.

During 2006, the North American Tire Operations segment recorded restructuring charges of $13 million related to four separate initiatives. See the discussion of these initiatives under the Restructuring section above.

2005 versus 2004

Sales of the North American Tire Operations segment increased $92 million in 2005 from levels in 2004. The increase in sales was a result of improved net pricing and product mix ($178 million), offset by lower unit volume ($86 million). The segment’s increased unit sales in the light truck tire replacement market and new product offerings of high performance tires contributed to the improved product mix. The segment recorded decreases in the sales of its proprietary brand tires and in sales to the segment’s mass merchandiser customers. These decreases were partially offset by increased sales to its distributor customers.

In the United States, the segment's unit sales of total light vehicle tires decreased 3.7% in 2005 from 2004. The decrease in tire unit sales was primarily due to broadline economy tire lines, offset partially by increased unit sales in the high performance and sport utility vehicle tire lines. The increase in light truck tire units was due, in part, to the continuing expansion of light truck products into the marketplace and was accomplished in spite of the work stoppage at the Texarkana, Arkansas tire manufacturing facility.

Segment operating profit in 2005 decreased $31 million from 2004. Operating margins in 2005 were 1.7 percentage points below 2004 levels. The impacts of higher raw material costs ($126 million), lower sales volumes, partially attributable with the work stoppage at the Texarkana, Arkansas tire manufacturing facility ($36 million), and increasing production complexity and higher manufacturing costs associated with the Texarkana facility work stoppage ($16 million) were partially offset by improvements in pricing and product mix ($103 million), lower products liability costs ($8 million) and reductions to cost of sales resulting from the settlements with raw material suppliers for reimbursements of previously expensed costs ($18 million). In 2005 approximately $12 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 Operations segment.

Outlook

The segment is optimistic regarding its opportunities for 2007. The segment has developed new products in its premium touring and specialty light truck product offerings to satisfy current customer requirements. These new products are expected to improve the profitability of the segment by increasing sales and improving the mix of its products.

The segment has outsourced radial medium truck and certain passenger tire products to Asian manufacturers, making domestic production capacity available for the production of larger light truck tires and other higher-margin products. The segment expects to source over one million medium truck and economy passenger tires in 2007 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 proving very difficult to predict accurately as commodity markets remain volatile. Although the Company has seen some softening of the price of crude oil in the last quarter, it will take some time to filter into the raw material feedstock markets. The Company has also seen a downward trend in the natural rubber market since prices peaked in June 2006. Natural rubber prices have decreased 30 percent through late November, however, due to the lead times involved in the procurement and shipment of natural rubber, the Company will not see meaningful relief until early 2007. Natural rubber prices have rallied since November and the upward movement is gaining strength. While the Company believes raw material, energy and transportation costs will remain near current levels throughout 2007, these levels are substantially higher than those experienced during the first six months of 2006. The Company expects the pace of the increases to slow down and eventually stabilize or slightly decrease.

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. In the future, products liability costs could have a materially greater impact on the consolidated results of operations and financial position of the Company.

The Transportation Recall Enhancement Accountability and Documentation Act ("TREAD Act") became law on November 1, 2000 and directly impacts 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 with NHTSA by the RMA on behalf of its member tire manufacturers and the outcome of those petitions cannot be predicted with any certainty. The segment incurred approximately $1.7 million of costs during 2006 to comply with changes mandated by the technical design rules of the TREAD Act and anticipates incurring approximately $0.8 million in 2007 to comply with the rules phasing in during the period.

The segment believes its operating profit levels will improve beyond the first quarter of 2007 not only due to higher sales, but also due to the favorable impact of improved product mix, the implementation of cost reduction programs, the leveling of raw material costs, the reduction of manufacturing complexity and the conversion of its manufacturing facility in Texarkana, Arkansas to a flexible production schedule. Targeted growth plans for specific proprietary brand and key private brand customers, growth in high performance product lines, the introduction of a new premium touring tire 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.

International Tire Operations Segment

(Dollar amounts in millions)	2004	Change %	2005	Change %	2006
Sales	$308.4	-1.0%	$305.3	122.8%	$680.1
Operating profit	$ 21.4	-103.3%	$ (0.7)	n/m	$ 9.4
Operating profit margin	6.9%	-7.1%	-0.2%	1.6%	1.4%
Unit sales change		-0.5%		113.0%	

Overview

The International Tire Operations segment manufactures and markets passenger car, light truck and motorcycle tires for the replacement market, as well as racing tires and tire retread materials, in Europe and the United Kingdom. With the Company's ownership interest in Cooper-Chengshan, the International Tire Operations segment now manufactures and markets passenger car and light truck radial tires as well as radial and bias medium truck tires in the Asian market. The segment has completed construction of a plant in the Peoples Republic of China in a separate joint venture arrangement.

2006 versus 2005

Sales of the International Tire Operations segment increased $375 million in 2006 from the sales levels in 2005. The acquisition of Cooper-Chengshan contributed $365 million of sales in 2006. Foreign currency changes had a favorable impact on sales of approximately $2 million. The impact of the acquisition of Cooper-Chengshan and improved net pricing and product mix ($11 million) were partially offset by lower unit volumes in Europe ($3 million).

Operating profit for the segment in 2006 was approximately $10 million higher than in 2005. The impacts of the acquisition of Cooper-Chengshan and improved net pricing and product mix ($21 million) were partially offset by higher raw material costs ($10 million), higher expenses related to the startup of the segment's Asian operations ($7 million), restructuring costs ($2 million) and increases in utility and other plant costs ($2 million). During 2006, the International Tire Operations segment recorded approximately $2 million in restructuring costs related to a management reorganization in Cooper Tire Europe and the restructuring of salaried personnel. See the discussion of these initiatives under the Restructuring section above.

2005 versus 2004

Sales of the International Tire Operations segment decreased $3 million in 2005 from the sales levels in 2004. The segment's unit sales decreased .5 percent in 2005 from levels in 2004. The foreign currency impact of a strengthened United States dollar in relation to the British pound decreased sales in this segment approximately $1 million. The decrease in sales resulted from lower sales volumes ($13 million), partially offset by improved pricing and customer/product mix, including new product offerings in the performance line of tires ($11 million).

Operating profit for the segment in 2005 was approximately $22 million lower than in 2004 as the contributions of improved pricing and customer/product mix ($3 million) were offset by lower sales volumes, higher raw material costs ($6 million), expenses related to the startup of the segment's Asian operations ($5 million) and increases in utility and other plant costs.

Outlook

In Europe, the focus is on growing the Cooper and Avon brands in profitable channels using performance and niche products. The strategically placed subsidiaries should continue to increase sales volume. Opportunities are ongoing for motorsport and motorcycle business worldwide. The manufacturing facility in Melksham, England will concentrate on high performance, racing and motorcycle products and additional opportunities for outsourced products from low cost suppliers will be explored to round out the product mix to supply customer needs.

In Asia, the segment's strategy calls for alignment with strategic partners it believes will provide access to local markets and position the segment to take advantage of the significant growth anticipated in the region.

Effective February 4, 2006, the Company acquired a 51 percent ownership position in Cooper Chengshan (Shandong) Passenger Tire Co. Ltd. and Cooper Chengshan (Shandong) Tire Company, Ltd. The agreement includes a 25 percent position in the steel cord factory which is located adjacent to the tire manufacturing facility in Rongchen City, Shandong, China. The two companies together were known as Shandong Chengshan Tire Company, Ltd. ("Chengshan") of Shandong, China. The companies manufacture passenger car and light truck radial tires as well as radial and bias commercial tires primarily under the brand names of Chengshan and Austone.

The International Tire Operations segment has a joint venture with Kenda Rubber Industrial Co., Ltd. of Taiwan ("Kenda") which has constructed a tire manufacturing facility in the Peoples Republic of China. Initial production from this facility began in the first quarter of 2007. All tires produced at the facility during the first five years will be exported to markets outside of China. The segment also has a manufacturing supply agreement with Kenda to provide opening-price point passenger tires from China for distribution in the European and North American markets.

The segment has formed these agreements in Asia which it believes will be sufficient to provide an adequate competitive position, immediate market recognition in China and a platform on which to build as the Asian market develops.

Discontinued Operations

On December 23, 2004, the Company sold its automotive business, Cooper-Standard Automotive. In September 2004, the North American Tire Operations segment 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 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)	2004
Sales	$1,852.0
Operating profit	$ 137.8
Operating profit margin	7.4%
Vehicle build (millions)	
North America	15.7
Europe	20.1
Sales to U.S.-based OEMs	78%

Overview

The Company's former automotive operations produced 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 of these operations generated proceeds of approximately $1.2 billion and a gain of $112 million. The sale provided the Company significant opportunities to focus exclusively on its global tire business where it believes more value can be generated over the longer term.

Inner Tube Business

In September 2004 the Company announced its intent to cease its inner tube business. The Company recorded restructuring charges of $5.1 million related to this decision, which included an impairment charge of $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 $.8 million and other costs of $.3 million.

Sales for the Company's inner tube business for 2004 were $17 million. The operating loss in 2004 was $5.8 million, including the restructuring costs described above.

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 $1.226 billion, including additional proceeds of approximately $54.3 million received during 2005.

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, were to be reflected as adjustments to the gain on the sale after the final payment amount was agreed upon. There was 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.

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 $5.5 million and total proceeds of $1.227 billion. Other minor adjustments were recorded in subsequent quarters as additional information became known.

For 2005, the Company recorded a net additional gain of $5.5 million plus a tax benefit of $.2 million resulting primarily from deductible compensation expenses and other costs associated with the sale. There was no tax liability on the additional gain due to a non-tax-benefited 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 operations.

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 believes improving operating efficiencies, cost reduction projects and production realignment will enable it to improve profitability in 2007. The Company has specific projects focused on profitability improvement. It intends to reduce inventory by $100 million from the June 30, 2006 levels by the end of 2007. It is committed to identify, approve and implement $170 million in profit improvements through more contemporary product management, mix improvement, better pricing, a change in our manufacturing strategy and a multitude of cost reduction initiatives.

Modest growth in performance, sport utility vehicle and light truck tires will also contribute to margin improvement. After a year of extraordinary soft market demand, the industry is expected to return to more normal levels of growth in 2007. In addition, price increases implemented in 2006 will help the Company offset the continuing high costs of raw materials.

However, the Company continues to be cautious in its expectations of future profitability because of the unknown factors which impact this industry: consumer confidence, gasoline prices which relate to miles driven, raw material cost volatility, intense competition and currency fluctuations.

Significant sales growth is anticipated in 2007 due to a full year of Cooper-Chengshan operations, 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 prices are proving very difficult to predict accurately as commodity markets remain volatile. Although the Company has seen some softening of the price of crude oil in the last quarter, it will take some time to filter into the raw material feedstock markets. The Company has also seen a downward trend in the natural rubber market since prices peaked in June 2006. Natural rubber prices have decreased 30 percent through November, however, due to the lead times involved in the procurement and shipment of natural rubber, the Company will not see meaningful relief until early 2007. Natural rubber prices have rallied since November and the upward movement is gaining strength. While the Company believes raw material, energy and transportation costs will remain near current levels throughout 2007, these levels are substantially higher than those experienced during the first six months of 2006. The Company expects the pace of the increases to slow down and eventually stabilize or slightly decrease.

Liquidity and Capital Resources

Generation and uses of cash - Net cash provided by the operating activities of continuing operations was $115.5 million in 2006, $44.2 million more than the $71.3 million provided in 2005. Net income after adjustments for non-cash items increased $15.7 million to $99.8 million in 2006. Changes in operating assets and liabilities generated $15.7 million in 2006 compared to $12.8 million used in 2005. The inclusion of the Cooper-Chengshan operations has contributed to the increases in accounts receivable, inventories and accounts payable. Inventory levels in the North American Tire Operations segment at December 31, 2006 were below prior year levels.

Net cash used in investing activities during 2006 reflects the Company's acquisition of its ownership position in Cooper-Chengshan for $43.0 million, net of cash acquired, and capital expenditures of $187.7 million, an increase of $15.5 million from 2005. This increase is primarily due to investments in the Company's joint venture with Kenda to build a tire plant in China. The Company's capital expenditure commitments at December 31, 2006 are $24.6 million and are included in the "Unconditional purchase" line of the Contractual Obligations table which appears later in this section. These commitments will be satisfied with existing cash and cash flows from operations in early 2007.

During 2006, Cooper-Chengshan issued $15.3 million of long-term debt to its minority interest shareholder and $48.6 million in short-term debt to financial institutions. The Company's Cooper-Kenda joint venture issued $10.2 million of long-term debt to a Chinese financial institution and received $18.4 million from its joint venture partner for construction of the tire manufacturing facility in China.

Dividends paid on the Company's common shares in 2006 were $25.8 million, compared to $26.6 million in 2005. The Company has maintained a quarterly dividend of 10.5 cents per share for the three years ending December 31, 2006.

Available credit facilities – On June 30, 2004, the Company restated and amended its revolving credit facility with a consortium of ten banks ("the Agreement"). The Agreement contains two primary covenants. An interest coverage 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. A ratio of consolidated net indebtedness to consolidated capitalization below 55 percent is also required. 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. At December 31, 2006, 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 41.2 percent and the interest coverage was 3.9 times. The Company anticipates that it will remain in compliance with these covenants in 2007 based upon its business forecast for the year.

The Agreement, as amended, provides up to $175 million in credit facilities until August 31, 2008.

On August 30, 2006, the Company established an accounts receivable securitization facility of up to $175 million. Pursuant to the terms of the facility, the Company sells certain of its domestic trade receivables on a continuous basis to its wholly-owned, bankruptcy-remote subsidiary, Cooper Receivables LLC ("CRLLC"). In turn, CRLLC may sell from time-to-time an undivided ownership interest in the purchased trade receivables, without recourse, to a PNC Bank administered, asset-backed commercial paper conduit. The facility expires in August 2009. No ownership interests in the purchased trade receivables have been sold to the bank conduit through December 31, 2006.

Under the provisions of SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", the ownership interest in the trade receivables sold to the bank conduit will be recorded as legal transfers without recourse, with those accounts receivable removed from the consolidated balance sheet. The Company has agreed to service any sold trade receivables for the financial institution at market rates; accordingly, no servicing asset or liability will be recognized.

The Company established a $1.2 billion universal shelf registration in 1999 in connection with an acquisition. 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, 2006. 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, 2006, the Company had cash and cash equivalents totaling $222 million. The Company's additional borrowing capacity through use of its credit agreement with its bank group and other bank lines at December 31, 2006 was $346.9 million.

As part of the amounts payable to the non-controlling owner of Cooper-Chengshan, the Company has remaining obligations of $17.9 million due upon the signing of the share pledge agreement providing collateral against unknown liabilities or upon the resolution of post-closing adjustments, if any, for which the period extends to July 2007.

The Company anticipates that cash flows from operations in 2007 will be positive and, together with available cash and credit facilities, will be more than adequate to fund its projected capital expenditures, including its portion of expenditures in partially-owned subsidiaries and dividend goals. There are no significant long-term debt obligations due until 2009.

In connection with the Cooper-Chengshan acquisition, beginning January 1, 2009 and continuing through December 31, 2011, the minority interest partner has the right to sell, and, if exercised, the Company has the obligation to purchase, the remaining 49 percent minority interest share at a minimum price of $62.7 million. This put option is not included in the table below.

The Company's cash requirements relating to contractual obligations at December 31, 2006 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	$ 508,133	$ —	$217,675	$ —	$290,458
Capital lease obligations	5,080	—	—	—	5,080
Interest on long-term debt and capital lease obligations	412,550	39,415	77,403	46,257	249,475
Operating leases	67,399	15,739	22,732	18,162	10,766
Notes payable	112,803	112,803	—	—	—
Unconditional purchase (a)	71,617	71,617	—	—	—
Postretirement benefits other than pensions (b)	275,128	16,549	34,190	36,194	188,195
Other long-term liabilities (b) (c)	296,344	2,014	42,668	33,753	217,909
Total contractual cash obligations	$1,749,054	$258,137	$394,668	$134,366	$961,883

(a) Noncancelable 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) Pension liability, products liability, nonqualified benefit plans, warranty reserve and other non-current liabilities.

Credit agency ratings – Standard & Poor's has rated the Company's long-term corporate credit, senior unsecured debt and senior unsecured shelf registration at B+. Moody's Investors Service has assigned a B2 rating to the Company's long-term debt. 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.

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.

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. The liability often 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 those periods. The Company records the reimbursements under such policies in the period the conditions for reimbursement are met.

Products liability costs totaled $60,476, $52,323 and $63,649 in 2004, 2005 and 2006, respectively, and include recoveries of legal fees of $9,349, $12,700 and $9,434 in 2004, 2005 and 2006, respectively. Policies applicable to claims occurring on April 1, 2003, and thereafter, do not provide for recovery of legal fees.

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 U.S. tax incentive 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 full valuation allowance against its net U.S. deferred tax asset position at December 31, 2006 as it cannot assure 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 U. S. and other jurisdictions based on its estimates of whether, and the extent to which, additional tax payments are more likely than not. If, and at the time, the Company determines payment of such amounts are less likely than not, 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 more likely than not 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, 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 2006, the Company recorded impairment

charges related to two restructuring initiatives in the North American Tire segment. The segment closed its manufacturing facility in Athens, Georgia and recorded $8.2 million to write assets down to fair value. The segment also recorded $.4 million associated with the write-off of tire molds which were taken out of production in conjunction with the initiative to reduce the number of stock keeping units manufactured in its facilities.

During 2005, impairments of $.9 million were recorded related to molds used in the North American Tire Operations segment. During 2004, impairments of $7.5 million were recorded as part of the Company's restructuring expenses related to the decision to cease radial medium truck tire production.

During 2006, the Company recorded goodwill of $23.7 million and intangible assets of $14.1 million associated with the Chengshan acquisition. 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 footnotes to the financial statements, Note 6 – Goodwill and Intangible Assets, the Company assessed the goodwill and the indefinite-lived intangible asset in the North American Tire Operations segment at December 1, 2006 and determined that impairment existed. Following a review of the valuation of the segment's identifiable assets, the Company wrote off the goodwill of the segment. The Company reduced the value of the indefinite-lived intangible at December 31, 2006 to the value indicated by the annual review.

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.

Pension and postretirement benefits – The Company has recorded significant pension liabilities in the United States and the United Kingdom and other postretirement benefit liabilities in the United States that are developed from actuarial valuations. 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 its actuaries.

The discount rate reflects the rate used to estimate the value of the Company's pension and other postretirement liabilities for which they 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, 2006, which validated the present value determined using the single benchmark rate for all years. Based upon this analysis, the Company did not change the discount rate used to measure its United States pension and postretirement benefit liabilities from 5.75 percent. A similar analysis was completed in the United Kingdom and the Company reduced the discount rate used to measure its United Kingdom pension liabilities to 5.3 percent at December 31, 2006 from 5.5 percent at December 31, 2005. The effect of this reduction in the discount rate assumption was to increase the projected benefit obligation at December 31, 2006 by $3.6 million which will also result in an increase of less than $.1 million in pension expense during 2007.

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, 2006 and December 31, 2005. In the United Kingdom, the Company used 3.67 percent for the estimated future compensation increase at December 31, 2006 compared to a rate of 4.0 percent at December 31, 2005. The reduction is result of a pay reduction for process workers.

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 70 percent in equity securities and 30 percent in debt securities. The Company's investment policy for United Kingdom plan assets is to maintain an allocation of 65 percent in equity securities and 35 percent in fixed income 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 11.2 percent in 2006 and 8.0 percent in 2005. The higher actual return on plan assets reflects higher equity returns than in the prior year. The actual return on United Kingdom pension plan assets approximated 9.8 percent in 2006 and 19.4 percent in 2005. The lower returns in 2006 were mainly the result of lower returns on United Kingdom and overseas equities. Using 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 2005 and 2006 expense. The expected long-term return on United Kingdom plan assets used to derive the 2006 pension expense was 7.5 percent, compared to a rate of 8.75 percent used to derive the 2005 pension expense. The lower rate is the result of a reduction in real bond yields in 2005 which led to an expectation of lower investment returns in 2006, in addition to a .5 percent reduction in the underlying assumed level of inflation.

The Company has accumulated net deferred 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 $300 million at December 31, 2006. These amounts are being amortized in accordance with the corridor amortization requirements of SFAS No. 87, "Employers' Accounting for Pensions," over periods ranging from ten years to 15 years. Amortization of these net deferred losses was $15 million in 2006 and $13 million in 2005.

The Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions (SFAS No. 106)," in 1992 and, to mitigate the impact of medical cost inflation on the Company's retiree medical obligation, instituted per participant, or per household, 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 implemented increased cost sharing in 2004 in the retiree medical coverage provided to certain eligible current and future retirees. Since then cost sharing has expanded such that nearly all covered retirees pay a charge to be enrolled. 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 $3.6 million and increase retiree medical benefits expense by $.3 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 an option for 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 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 Act reduced the Company's 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 in 2004, under all U. S. plans, was a reduction of $15.3 million being accounted for as an actuarial gain to be amortized. Cumulative gains and losses are amortized as a portion of the Company's periodic expense over a period of fifteen years. At December 31, 2006, this actuarial gain has been reduced to $5.8 million as a result of amortization, the Company's revised expectations of the subsidy to be received and the impact of the Act on the health care benefits being provided to its participants. The Company applied to receive the federal drug subsidy in 2006 and received $.4 million relating to the first three quarters of the year. The Company intends to continue to analyze the options available with respect to the relationship of the Company health care benefits with all parts of Medicare to attain the most cost effective coordination.

On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. This statement required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its pension and other postretirement benefit (OPEB) plans in the December 31, 2006 consolidated balance sheet, with a corresponding adjustment to cumulative other comprehensive loss (a component of stockholders' equity), net of tax. The adjustment to cumulative other comprehensive loss at adoption represents the net unrecognized actuarial losses and unrecognized prior service costs, all of which were previously netted against the plans' funded status in the Company's consolidated balance sheets pursuant to the provisions of SFAS No. 87, "Employers' Accounting for Pensions (SFAS No. 87)" and SFAS No. 106. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit costs in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as components of net periodic benefit cost on the same basis as the amount recognized in cumulative other comprehensive loss at adoption of SFAS No. 158.

The adoption of SFAS No. 158 had no effect on the Company's consolidated statement of operations for the year ended December 31, 2006, or for any prior periods presented, and it will not effect the Company's operating results in future periods. Had the Company not been required to adopt SFAS No. 158 at December 31, 2006, it would have recognized an additional minimum liability pursuant to the provisions of SFAS No 87.

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 of those leases is for a U. S. manufacturing facility with a remaining term of 10 years and total remaining payments of approximately $11.5 million. Other leases cover two facilities in the United Kingdom and manufacturing equipment. These leases have remaining terms of from nine months to seven years and remaining payments of approximately $5.0 million. 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.

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 $25.1 million at December 31, 2006 and approximately $27.1 million at December 31, 2005. 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.

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, 2006 and 2005.

The Company enters into fair value, foreign exchange contracts to manage its exposure to foreign currency denominated receivables and payables. The impact from a ten percent change in foreign currency exchange rates on the Company's foreign currency denominated obligations and related foreign exchange contracts would not have been material to the Company's results of operations and cash flows.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	2004	2005	**2006**
Net sales	$2,081,609	$2,155,185	**$2,676,242**
Cost of products sold	1,848,616	1,967,835	**2,478,679**
Gross profit	232,993	187,350	**197,563**
Selling, general and administrative	171,689	161,192	**192,737**
Adjustments to class action warranty	(11,273)	(277)	**—**
Restructuring	9,353	—	**14,575**
Operating profit	63,224	26,435	**(9,749)**
Interest expense	27,569	54,511	**47,166**
Debt extinguishment costs	—	4,228	**(77)**
Interest income	(2,068)	(18,541)	**(10,067)**
Dividend from unconsolidated subsidiary	—	—	**(4,286)**
Impairment of goodwill and indefinite-lived intangible asset	—	—	**51,546**
Other — net	2,717	588	**(2,077)**
Income/(loss) from continuing operations before income taxes	35,006	(14,351)	**(91,954)**
Provision (benefit) for income taxes	7,560	704	**(9,727)**
Income/(loss) from continuing operations before minority interests	27,446	(15,055)	**(82,227)**
Minority interests	—	22	**(3,663)**
Income/(loss) from continuing operations	27,446	(15,033)	**(85,890)**
Income from discontinued operations, net of income taxes	61,478	—	**7,379**
Gain on sale of discontinued operations including income tax benefit	112,448	5,677	**—**
Net income/(loss)	$ 201,372	$ (9,356)	**$ (78,511)**
Basic earnings (loss) per share:			
Income/(loss) from continuing operations	$ 0.37	$ (0.24)	**$ (1.40)**
Income from discontinued operations	0.83	—	**0.12**
Gain on sale of discontinued operations	1.52	0.09	**—**
Net income/(loss)	$ 2.71*	$ (0.15)	**$ (1.28)**
Diluted earnings (loss) per share:			
Income/(loss) from continuing operations	$ 0.37	$ (0.24)	**$ (1.40)**
Income from discontinued operations	0.82	—	**0.12**
Gain on sale of discontinued operations	1.50	0.09	**—**
Net income/(loss)	$ 2.68*	$ (0.15)	**$ (1.28)**

* Amounts do not add due to rounding

See Notes to Consolidated Financial Statements, pages 38 to 67.

CONSOLIDATED BALANCE SHEETS
December 31
(Dollar amounts in thousands, except par value amounts)

	2005	**2006**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 280,712	**$ 221,655**
Accounts receivable, less allowances of $5,765 in 2005 and $8,880 in 2006	338,793	**414,096**
Inventories at lower of cost or market:		
Finished goods	221,968	**240,100**
Work in process	21,820	**28,458**
Raw materials and supplies	62,258	**83,129**
	306,046	**351,687**
Other current assets	20,120	**21,686**
Deferred income taxes	23,130	**—**
Total current assets	968,801	**1,009,124**
Property, plant and equipment:		
Land and land improvements	39,152	**41,553**
Buildings	266,364	**298,706**
Machinery and equipment	1,396,248	**1,636,091**
Molds, cores and rings	225,555	**268,158**
	1,927,319	**2,244,508**
Less accumulated depreciation and amortization	1,141,094	**1,252,692**
Net property, plant and equipment	786,225	**991,816**
Goodwill	48,172	**24,439**
Intangibles, net of accumulated amortization of $18,028 in 2005 and $22,446 in 2006	31,108	**37,399**
Restricted cash	12,382	**7,550**
Other assets	305,498	**164,951**
	$2,152,186	**$2,235,279**

See Notes to Consolidated Financial Statements, pages 38 to 67.

December 31

	2005	2006
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 79	**$ 112,803**
Payable to non-controlling owner of subsidiary	—	**51,527**
Accounts payable	157,785	**238,181**
Accrued liabilities	99,659	**117,005**
Income taxes	15,390	**4,698**
Liabilities related to the sale of automotive operations	4,684	**3,038**
Total current liabilities	277,597	**527,252**
Long-term debt	491,618	**513,213**
Postretirement benefits other than pensions	181,997	**258,579**
Other long-term liabilities	220,896	**217,743**
Long-term liabilities related to the sale of automotive operations	14,407	**8,913**
Deferred income taxes	21,941	**—**
Minority interests in consolidated subsidiaries	4,954	**69,688**
Stockholders' equity:		
Preferred stock, $1 par value; 5,000,000 shares authorized; none issued	—	**—**
Common stock, $1 par value; 300,000,000 shares authorized; 86,322,514 shares issued in 2005 and in 2006	86,323	**86,323**
Capital in excess of par value	37,667	**38,144**
Retained earnings	1,361,269	**1,256,971**
Cumulative other comprehensive loss	(86,323)	**(282,552)**
	1,398,936	**1,098,886**
Less: common shares in treasury at cost (25,001,503 in 2005 and 24,943,265 in 2006)	(460,160)	**(458,995)**
Total stockholders' equity	938,776	**639,891**
	$2,152,186	**$2,235,279**

See Notes to Consolidated Financial Statements, pages 38 to 67.

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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, 2004	$ 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 4,030,100 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
Net loss			(9,356)			(9,356)
Other comprehensive income:						
Minimum pension liability adjustment, net of $4,238 tax effect				(4,818)		(4,818)
Currency translation adjustment				(10,714)		(10,714)
Change in the fair value of derivatives and unrealized gain on marketable securities, net of $2,034 tax effect				3,294		3,294
Comprehensive income (loss)						(21,594)
Purchase of 10,151,636 treasury shares					(189,764)	(189,764)
Stock compensation plans, including tax benefit of $1,273	1	(405)			6,648	6,244
Cash dividends — $.42 per share			(26,643)			(26,643)
Balance at December 31, 2005	86,323	37,667	1,361,269	(86,323)	(460,160)	938,776
Net loss			**(78,511)**			**(78,511)**
Other comprehensive income (loss):						
Minimum pension liability adjustment, net of $6,469 tax effect				**(15,795)**		**(15,795)**
Currency translation adjustment				**16,228**		**16,228**
Change in the fair value of derivatives and unrealized gain on marketable securities, net of $633 tax effect				**559**		**559**
Comprehensive income (loss)						**(77,519)**
Adjustment to initially apply SFAS No. 158, net of tax				**(197,221)**		**(197,221)**
Stock compensation plans, including tax benefit of $8		**477**	**(6)**		**1,165**	**1,636**
Cash dividends — $.42 per share			**(25,781)**			**(25,781)**
Balance at December 31, 2006	**$ 86,323**	**$38,144**	**$1,256,971**	**$ (282,552)**	**$(458,995)**	**$ 639,891**

See Notes to Consolidated Financial Statements, pages 38 to 67.

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

	2004	2005	**2006**
Operating activities:			
Net income/(loss)	$ 201,372	$ (9,356)	**$ (78,511)**
Adjustments to reconcile net income/(loss) to net cash provided by (used in) continuing operations:			
Income from discontinued operations, net of income taxes	(61,478)	(5,677)	**(7,379)**
Gain on sale of discontinued operations including income tax benefit	(112,448)	—	**—**
Depreciation	109,805	108,340	**132,860**
Amortization	4,792	7,327	**5,513**
Deferred income taxes	(12,296)	(16,522)	**(18,056)**
Stock based compensation	—	248	**1,572**
Noncontrolling shareholders' income (expense)	—	(22)	**3,663**
Adjustments to class action warranty	(11,273)	(277)	**—**
Restructuring asset write-down	9,251	—	**8,570**
Impairment of goodwill and indefinite-lived intangible asset	—	—	**51,546**
Changes in operating assets and liabilities of continuing operations:			
Accounts receivable	(8,379)	(2,952)	**(30,823)**
Inventories	(55,823)	(62,715)	**(1,557)**
Other current assets	(24,765)	28,156	**3,981**
Accounts payable	44,154	(21,329)	**14,779**
Accrued liabilities	1,106	15,931	**4,532**
Other items	(91,335)	30,100	**24,788**
Net cash provided by (used in) continuing operations	(7,317)	71,252	**115,478**
Net cash provided by (used in) discontinued operations	*109,289*	*(17,635)*	***239***
Net cash provided by operating activities	101,972	53,617	**115,717**
Investing activities:			
Property, plant and equipment	(159,308)	(172,152)	**(188,525)**
Investment in Kumho Tire Company	—	(107,961)	**—**
Proceeds from the sale of (investment in) available-for-sale debt securities	(46,064)	46,064	**—**
Acquisition of businesses, net of cash acquired	—	—	**(43,046)**
Proceeds from the sale of business	1,172,267	54,270	**—**
Proceeds from the sale of assets	37	3,709	**972**
Net cash provided by (used in) continuing operations	966,932	(176,070)	**(230,599)**
Net cash provided by (used in) discontinued operations	*(45,318)*	*3,170*	***—***
Net cash provided by (used in) investing activities	921,614	(172,900)	**(230,599)**
Financing activities:			
Payments on long-term debt	(90,003)	(278,362)	**(4,000)**
Net borrowings (repayments) under credit facilities	(32,751)	(354)	**74,097**
Contributions of joint venture partner	—	4,210	**18,424**
Purchase of treasury shares	(83,064)	(189,764)	**—**
Payment of dividends	(31,103)	(26,643)	**(25,781)**
Issuance of common shares and excess tax benefits on options	17,345	4,673	**149**
Net cash provided by (used in) continuing operations	(219,576)	(486,240)	**62,889**
Net cash provided by discontinued operations	*14,495*	—	**—**
Net cash provided by (used in) financing activities	(205,081)	(486,240)	**62,889**
Effects of exchange rate changes on cash of continuing operations	9,757	4,507	**(7,064)**
Effects of exchange rate changes on cash of discontinued operations	*(12,960)*	—	**—**
Changes in cash and cash equivalents	815,302	(601,016)	**(59,057)**
Cash and cash equivalents at beginning of year	66,426	881,728	**280,712**
Cash and cash equivalents at end of year	$ 881,728	$ 280,712	**$ 221,655**

See Notes to Consolidated Financial Statements, pages 38 to 67.

Notes to Consolidated Financial Statements

(Dollar amounts in thousands except per share amounts)

Note 1 - 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 Operations segment 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.

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 operations for the years ended December 31, 2004, 2005 and 2006 reflect this segregation as income from continuing operations and income from discontinued operations and the consolidated balance sheets at December 31, 2005 and 2006 display the current and long-term liabilities related to the sale of the automotive operations.

Certain amounts for prior years have been reclassified to conform to 2006 presentations.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its majority owned 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.

The Company has entered into a joint venture with Kenda Tire Company to construct and operate a tire manufacturing facility in China. The Company has determined it is the primary beneficiary of this variable interest entity and has included its assets, liabilities and operating results in its consolidated financial statements. The Company has recorded the minority interest related to the joint venture partners' ownership in minority interests in consolidated subsidiaries. The following table summarizes the balance sheets of this variable interest entity at December 31:

	2005	**2006**
Assets		
Cash and cash equivalents	$ 608	**$ 5,940**
Accounts receivable	106	**2,238**
Prepaid expenses	39	**960**
Total current assets	753	**9,138**
Net property, plant and equipment	9,563	**69,409**
Intangibles and other assets	—	**4,326**
Total assets	$ 10,316	**$ 82,873**
Liabilities and stockholders' equity		
Notes payable	$ —	**$ 10,083**
Accounts payable	404	**5,889**
Accrued liabilities	4	**48**
Current liabilities	408	**16,020**
Long-term debt	—	**10,234**
Stockholders' equity	9,908	**56,619**
Total liabilities and stockholders' equity	$ 10,316	**$ 82,873**

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.

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. The Company had cash and cash equivalents totaling $280,712 and $221,655 at December 31, 2005 and December 31, 2006, respectively. 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.

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 U. S. 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.

Pre-production costs related to long-term supply arrangements - When the Company has a contractual arrangement for reimbursement of costs incurred during the engineering and design phase of customer-owned mold projects by the customer, development costs are recorded in Other assets in the accompanying consolidated balance sheets. Reimbursable costs for customer-owned molds included in Other assets were $1,773 and $2,238 at December 31, 2005 and 2006, respectively. Upon completion and acceptance of customer-owned molds, reimbursable costs are recorded as accounts receivable. At December 31, 2005 and 2006, respectively, $1,664 and $2,110 were included in Accounts receivable for customer-owned molds.

Restricted cash - In conjunction with the sale of Cooper-Standard, under terms of an employment agreement with the president of the automotive operations, 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. Under the terms of a change in control severance pay plan for eight additional key executives, such executives were entitled to specified severance payments if terminated by the buyer on or prior to December 22, 2006. 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. During 2005 and 2006, payments were made as a result of the separation of two executives covered by this change in control agreement. Subsequent to December 22, 2006, the amounts in the rabbi trust relating to the obligation for severance payments of the six remaining executives covered by the change in control severance pay plan were returned to the general cash account of the Company. The balances of this and other smaller trusts at December 31, 2005 and 2006 were $12,382 and $7,550, respectively.

Earnings (loss) per common share – Net income (loss) per share is computed on the basis of the weighted average number of common shares outstanding each year. Diluted earnings (loss) 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 (loss) per share:

(Number of shares in thousands)	2004	2005	**2006**
Numerator for basic and diluted earnings (loss) per share — income (loss) from continuing operations available to common stockholders	$27,446	$(15,033)	**$(85,890)**
Denominator for basic earnings (loss) per share — weighted-average shares outstanding	74,201	63,653	**61,338**
Effect of dilutive securities — stock options and other stock units	984	—	**—**
Denominator for diluted earnings (loss) per share — adjusted weighted-average shares outstanding	75,185	63,653	**61,338**
Basic and diluted earnings (loss) per share from continuing operations	$ 0.37	$ (0.24)	**$ (1.40)**

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 501,000 in 2004. These options could be dilutive in the future depending on the performance of the Company's stock. Due to the loss recorded in 2005, 3,165,000 options were not included in the computation of diluted earnings (loss) per share. Due to the loss recorded in 2006, 2,597,000 options were not included in the computation of diluted earnings (loss) per share. During 2005, the Company repurchased 10,151,000 shares. No additional shares were repurchased in 2006.

Derivative financial instruments – Derivative financial instruments are utilized by the Company to reduce foreign currency exchange 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.

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 have been highly effective. The Company monitors the actual and forecasted foreign currency sales and purchases versus the amounts hedged to identify any hedge ineffectiveness. The Company also performs regression analysis comparing the change in value of the hedging contracts versus the underlying foreign currency sales and purchases, which confirms a high correlation and hedge effectiveness. Any hedge ineffectiveness is recorded as an adjustment in the accompanying consolidated financial statements of operations in the period in which the ineffectiveness occurs. To date, an immaterial amount of ineffectiveness has been identified and recorded.

Income taxes - Income tax expense for continuing operations and discontinued operations is based on reported earnings (loss) 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. The liability often 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 those periods. The Company records the reimbursements under such policies in the period the conditions for reimbursement are met.

Products liability costs totaled $60,476, $52,323 and $63,649 in 2004, 2005 and 2006, respectively, and include recoveries of legal fees of $9,349, $12,700 and $9,434 in 2004, 2005 and 2006, 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 2004, 2005 and 2006 was $51,745, $48,064 and $59,328, respectively.

Stock-based compensation - On January 1, 2006, the Company adopted SFAS No. 123(R), "Share-Based Payment," which is a revision of SFAS No. 123 and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." The Company adopted SFAS No. 123 (R) using the modified prospective method of transition. Accordingly, prior periods have not been restated.

On November 16, 2005, the Compensation Committee of the Company approved an acceleration of vesting of employee stock options and approximately 1,768 options with varying remaining vesting schedules became immediately exercisable. The action to accelerate vesting was done for the purpose of avoiding future expenses associated with any unvested stock options granted prior to the effective date of SFAS No. 123(R). In accordance with the adoption of SFAS No. 123 (R), the Company's pre-tax income from continuing operations for year ended December 31, 2006 was not materially affected because of the acceleration of the vesting.

Prior to the adoption of SFAS No. 123 (R), the Company presented all benefits of its tax deductions resulting from the exercise of share-based compensation as operating cash flows in its Statement of Cash Flows. SFAS No. 123(R) requires the benefits of tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. For the year ended December 31, 2006, the Company recognized $8 of excess tax benefits as a financing cash inflow.

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	**2006**
Risk-free interest rate	2.4%	3.5%	**4.6%**
Dividend yield	2.1%	1.9%	**2.9%**
Expected volatility of the Company's common stock	0.336	0.240	**0.350**
Expected life in years	6.7	6.8	**6.8**

The weighted-average fair value of options granted in 2004, 2005 and 2006 was $5.69, $5.28 and $4.55, 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:

	2004	2005
Income (loss) from continuing operations as reported	$ 27,446	$(15,033)
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(1,322)	(5,138)
Pro forma income (loss) from continuing operations	$ 26,124	$(20,171)
Basic earnings (loss) per share from continuing operations:		
Reported	$ 0.37	$ (0.24)
Pro forma	0.35	(0.32)
Diluted earnings (loss) per share from continuing operations:		
Reported	$ 0.37	$ (0.24)
Pro forma	0.35	(0.32)

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 2005, 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 $371. The following table summarizes the activity in the Company's product warranty liabilities which are recorded in Accrued liabilities and Other long-term liabilities in the Company's Consolidated Balance Sheets:

	2005	**2006**
Reserve at January 1	$ 10,048	**$ 9,064**
Acquisition of Cooper-Chengshan	—	**6,810**
Additions	5,789	**15,186**
Reduction to enhanced warranty reserve	(371)	**—**
Payments	(6,402)	**(15,093)**
Reserve at December 31	$ 9,064	**$ 15,967**

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 $18,582, $15,946 and $23,184 in 2004, 2005 and 2006, respectively.

Accounting pronouncements –

In June, 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109.” This Statement clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with SFAS No. 109 and also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Statement also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This Statement is effective for fiscal year beginning after December 15, 2006. The Company has not yet finalized its analysis of the impact from the change on its consolidated financial statements as of January 1, 2007, the date of the initial adoption by the Company; however, it does not believe there will be a material effect on its financial position or results of operations.

In September, 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” This Statement provides guidance for using fair value to measure assets and liabilities. The Statement defines fair value and establishes a fair value hierarchy that prioritizes the information used to develop assumptions market participants would use when pricing the asset or liability. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. 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.

In September, 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFAS Nos. 87, 88, 106 and 132(R)” (“SFAS No. 158”). This Statement requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, “postretirement benefit plans”) to recognize the funded status of their postretirement benefit plans in the balance sheet, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end balance sheet and provide additional disclosures. On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. The effect of adopting SFAS No. 158 on the Company’s financial condition at December 31, 2006 has been included in the accompanying consolidated balance sheet. SFAS No. 158 did not require restatement of the Company’s previously issued consolidated balance sheet at December 31, 2005, accordingly, the two balance sheets presented are not comparable. SFAS No. 158’s provisions regarding the change in measurement date of postretirement benefit plans are not applicable as the Company already uses a measurement date of December 31 for its pension plan. See Note 12 — Pensions and Postretirement Benefits Other than Pensions for further discussion of the effect of adopting SFAS No. 158 on the Company’s consolidated financial statements.

Note 2 - Acquisitions

Effective February 4, 2006, the Company acquired a 51 percent ownership position in Cooper Chengshan (Shandong) Passenger Tire Company Ltd. and Cooper Chengshan (Shandong) Tire Company, Ltd. ("Cooper-Chengshan"). The new companies, which were formed upon governmental approval of the transaction, together were known as Shandong Chengshan Tire Company, Ltd. ("Chengshan") of Shandong, China. The two companies were formed by transferring specified assets and obligations to newly formed entities and the Company acquired a 51 percent interest in each thereafter. Certain inventories and accounts receivable were not transferred to the newly formed entities and cash was provided by Chengshan to achieve the contractually required net value of the Cooper-Chengshan companies. Following formation of the companies, working capital increases consumed cash as accounts receivable and inventory balances grew to operating levels. The Company also acquired a 25 percent ownership position in the steel cord factory which is located adjacent to the tire manufacturing facility in Rongchen City, Shandong, China.

The purchase price of the acquisition was $79,782 which included $73,382 for the 51 percent ownership position in Cooper-Chengshan and $6,400 for the 25 percent position in the steel cord factory. The Company has paid $36,646 (net of cash acquired of $18,815) and an additional $17,921 is due upon the signing of the share pledge agreement providing collateral against unknown liabilities or upon the resolution of post-closing adjustments, if any, for which the period extends to July 2007. Debt of $61,750 was also transferred to the newly formed Cooper-Chengshan entities. The newly formed entities reflect an obligation of $35,739 to Chengshan at December 31, 2006 and this obligation will be funded by issuing new debt.

Cooper-Chengshan manufactures car and light truck radial tires as well as radial and bias medium truck tires primarily under the brand names of Chengshan and Austone.

The Cooper-Chengshan acquisition has been accounted for as a purchase transaction. The total purchase price has been allocated to fixed assets, liabilities and tangible and identifiable intangible assets based on independent appraisals of their respective fair values. The excess purchase price over the estimated fair value of the net assets acquired is allocated to goodwill. The operating results of Cooper-Chengshan have been included in the consolidated financial statements of the Company since the date of acquisition.

The purchase price and the final allocation for the 51 percent interest in Cooper-Chengshan are as follows:

Assets	
Cash	$ 18,815
Accounts receivable	23,863
Inventory	32,672
Other current assets	1,012
Property, plant & equipment	151,081
Goodwill	24,439
Intangible and other assets	25,265
Liabilities	
Payable to Chengshan	(35,739)
Accounts payable	(57,246)
Accrued liabilities	(10,767)
Deferred taxes	(617)
Minority interest	(37,646)
Debt	(61,750)
	$ 73,382

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

In connection with this acquisition, beginning January 1, 2009 and continuing through December 31, 2011, the minority interest partner has the right to sell, and, if exercised, the Company has the obligation to purchase, the remaining 49 percent minority interest share at a minimum price of $62,700.

Note 3 - Discontinued Operations

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 $12,201 for the year ended 2004 is charged against continuing operations in the Company's consolidated statements of operations. 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 $34,019 for the year ended 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 consolidated statements of operations 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 thousands)	Year Ended December 31, 2004
Net sales	$ 1,851,954
Operating profit, including restructuring costs	137,838
Interest expense	36,365
Other — net	(2,696)
Income from discontinued operations before income taxes	104,169
Provision for income taxes	39,053
Income from discontinued operations, net of income taxes	$ 65,116

Proceeds from the December 2004 sale of Cooper-Standard Automotive were $1,226,537. In December 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. During 2005, the Company recorded adjustments to the gain on sale totaling $5,463, plus a tax benefit of $214. There was 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 income or loss from discontinued operations in the periods in which the additional information becomes known.

In September 2004, the North American Tire Operations 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 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 and other costs of $300.

Sales for the Company's inner tube business were $17,301 for 2004. An operating loss of $5,821 was recorded in 2004, including the restructuring charges described above. A net loss of $3,638 was recognized in 2004.

Note 4 - Inventories

At December 31, 2005, approximately 77 percent of the Company's inventories had been valued under the LIFO method. With the acquisition of Cooper-Chengshan in February 2006, approximately 51 percent of the Company's inventories at December 31, 2006 have been valued under the LIFO method and the remaining inventories have been valued under the FIFO method. All inventories are stated at the lower of cost or market.

Under the LIFO method, inventories have been reduced by approximately $125,617 and $117,501 at December 31, 2005 and 2006, respectively, from current cost which would be reported under the first-in, first-out method. As a result of the Company's inventory management initiative, inventories in the United States which are accounted for using the LIFO cost method, at December 31, 2006 are lower than at December 31, 2005 and, for the year ended December 31, 2006, cost of products sold has been reduced by $8,790 as a result.

Note 5 - Assets Held for Sale

The assets of the Cleveland, Ohio manufacturing facility, a closed Cooper-Standard plastics parts operation, valued at $400, remained with the Company and were classified as "assets held for sale" in Other current assets on the consolidated balance sheet of the Company at December 31, 2005. During 2006, the $400 was transferred to Other assets as the Company continues to pursue the sale of the facility.

During 2006, the Company closed its manufacturing facility in Athens, Georgia and wrote the assets down to fair value. The land, building and certain manufacturing equipment are now classified as "assets held for sale" included in Other current assets on the consolidated balance sheet of the Company at December 31, 2006. In February 2007, the manufacturing facility was sold for $3,000.

During the fourth quarter of 2006, the Company removed one of its corporate aircraft from service and sold the aircraft in January 2007. At December 31, 2006 this asset has also been classified as an "asset held for sale" included in Other current assets on the consolidated balance sheet of the Company at December 31, 2006.

"Assets Held for Sale" are recorded at the lower of carrying value or fair value and adjusted if necessary in accordance with SFAS No. 144. The following table summarizes the activity in these assets since December 31, 2005:

	December 31, 2005	Assets Sold	Transferred (from)/to Held for Sale	Asset Writedown to Fair Value	**December 31, 2006**
Cleveland, Ohio manufacturing facility	$ 400	$ —	$ (400)	$ —	**$ —**
Athens, Georgia manufacturing facility	—	—	3,000	—	**3,000**
Athens, Georgia tire manufacturing equipment	—	—	1,000	—	**1,000**
Corporate aircraft	—	—	790	—	**790**
	$ 400	$ —	$ 4,390	$ —	**$ 4,790**

Note 6 - Goodwill and Intangibles

Goodwill is recorded in the segment where it was generated by acquisitions. During 2006, the Company recorded $24,439 of goodwill and $14,082 of definite-lived intangible assets associated with its acquisition of Cooper-Chengshan. Purchased goodwill and indefinite-lived intangible assets are tested annually for impairment unless indicators are present that would require an earlier test. During the fourth quarter of 2005, the Company completed its annual test for goodwill impairment and no impairment was indicated. During the fourth quarter of 2006, the Company completed its annual test for impairment and determined that impairment existed in the goodwill and in the indefinite-lived intangible assets of its North American Tire Operations segment. While the Company made good faith projections of future cash flow in 2005, it failed to meet those projections in 2006 due to industry conditions and other factors. The Company believes certain of these factors will continue to have an impact in 2007 and, late in 2006, the Company implemented specific cost reduction initiatives to improve profitability. Following a review of the valuation of the segment's identifiable assets, the Company wrote off the goodwill of the North American Tire Operations segment which totaled $48,172 and also recorded an impairment charge of $3,374 related to the indefinite-lived intangible assets of the segment.

The Company also reevaluates its intangible assets annually and determined that there were no significant changes in their useful lives in 2006. The following table presents intangible assets and accumulated amortization balances as of December 31, 2005 and 2006:

	December 31, 2005			**December 31, 2006**		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Definite-lived:						
Trademarks and tradenames	$16,500	$ (5,075)	$11,425	**$20,600**	**$ (6,261)**	**$14,339**
Patents and technology	14,131	(10,191)	3,940	**16,330**	**(11,719)**	**4,611**
Other	5,314	(2,762)	2,552	**13,098**	**(4,466)**	**8,632**
	35,945	(18,028)	17,917	**50,028**	**(22,446)**	**27,582**
Indefinite-lived:						
Trademarks	13,191	—	13,191	**9,817**	**—**	**9,817**
	$49,136	$ (18,028)	$31,108	**$59,845**	**$ (22,446)**	**$37,399**

Estimated amortization expense over the next five years is as follows: 2007 - $4,643, 2008 - $4,078, 2009 - $2,593, 2010 - $2,593 and 2011 - $2,593.

Note 7 - Other Assets

In February 2005, the Company purchased 15 million global depositary shares of Kumho Tire Co. Inc. of Korea (“Kumho Tire”) for $107,961. In accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” the Company is accounting for this investment as restricted stock due to the contractual requirements of the Strategic Subscription Agreement with Kumho Tire.

Other assets at December 31 are as follows:

	2005	**2006**
Pension funding in excess of amounts expensed	$167,027	**$ —**
Investment in Kumho Tire Co., Inc.	107,961	**107,961**
Other	30,510	**56,990**
	$305,498	**$164,951**

With the Company’s adoption of SFAS No. 158, the pension funding in excess of amounts expensed has been removed as detailed in Note 12 – Pensions and Postretirement Benefits Other than Pensions.

Note 8 - Accrued Liabilities

Accrued liabilities at December 31 are as follows:

	2005	**2006**
Payroll and withholdings	$26,712	**$ 28,443**
Dealer incentive programs	12,622	**19,778**
Products liability	16,690	**16,056**
Other	43,635	**52,728**
	$99,659	**$117,005**

Note 9 - Income Taxes

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

	2004	2005	**2006**
United States	$21,666	$(26,358)	**$(111,412)**
Foreign	13,340	12,007	**19,458**
Total	$35,006	$(14,351)	**$ (91,954)**

The provision (benefit) for income tax for continuing operations consists of the following:

	2004	2005	**2006**
Current:			
Federal	$ 14,936	$ 4,283	**$ 3,814**
State and local	273	217	**203**
Foreign	4,647	4,263	**4,312**
	19,856	8,763	**8,329**
Deferred:			
Federal	(9,917)	(18,470)	**(16,492)**
State and local	(94)	(25)	**(631)**
Foreign	(2,285)	1,973	**(933)**
	(12,296)	(16,522)	**(18,056)**
Section 965 repatriation		8,463	**—**
	$ 7,560	$ 704	**$ (9,727)**

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

	2004	2005	**2006**
Income tax provision (benefit) at 35%	$ 12,252	$ (5,015)	**$(33,466)**
State and local income tax, net of federal income tax effect	163	125	**(757)**
Medicare prescription benefit	(764)	—	**—**
Section 404(k) dividend	(1,117)	(738)	**(783)**
U.S. tax credits	(825)	(237)	**(5,505)**
Extraterritorial income exclusion	(735)	(183)	**(1,982)**
Difference in effective tax rates of international operations	(2,307)	(2,661)	**(2,617)**
Section 965 repatriation	—	8,463	**—**
Impairment of goodwill	—	—	**16,849**
Valuation allowance	—	—	**18,136**
Tax exempt income	—	(272)	**—**
Tax on foreign deemed dividend	—	268	**—**
Adjustments to tax accruals	750	198	**—**
Other — net	143	756	**398**
Income tax expense	$ 7,560	$ 704	**$ (9,727)**

Payments for income taxes in 2004, 2005 and 2006, net of refunds, were $24,861, $1,017 and $4,505, respectively.

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:

	2005	**2006**
Deferred tax assets:		
Postretirement and other employee benefits	$ 141,479	**$ 162,610**
Net operating loss, capital loss, and tax credits carryforwards	45,609	**54,397**
All other items	56,452	**63,630**
Total deferred tax assets	243,540	**280,637**
Deferred tax liabilities:		
Property, plant and equipment	(114,648)	**(113,882)**
Pension benefits	(65,731)	**—**
All other items	(21,335)	**(24,793)**
Total deferred tax liabilities	(201,714)	**(138,675)**
	41,826	**141,962**
Valuation allowances	(40,637)	**(128,640)**
Net deferred tax asset	$ 1,189	**$ 13,322**

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

	2005	2006
Current assets	$ 23,130	**$ —**
Non-current assets	—	**13,322**
Non-current liabilities	(21,941)	**—**
Net deferred tax asset	$ 1,189	**$ 13,322**

At December 31, 2006, the Company has a U. S. federal tax loss carryforward of $4,362, as well as certain state tax losses, $18,646 of foreign tax losses, $76,464 of U. S. capital losses and $8,734 of U. S. federal and state credits available for carryforward. All U. S. federal and state tax attributes are offset with valuation allowances and expire from 2007 through 2026. The foreign tax losses have an indefinite carryforward period. The U. S. federal capital loss carryover will expire in 2009.

U. S. income taxes were not provided on a cumulative total of approximately $48,780 of undistributed earnings, as well as a minimal amount of other comprehensive income for certain non-U.S. subsidiaries. The Company currently intends to reinvest these earnings in operations outside the United States. It is not practicable to determine the amount of additional U.S. income taxes that could be payable upon remittance of these earnings since taxes payable would be reduced by foreign tax credits based upon income tax laws and circumstances at the time of distribution. The Company has joint ventures in the People's Republic of China that have been granted tax holidays. The holidays terminate after five years of profitability .

Note 10 - Debt

On June 30, 2004, the Company restated and amended its revolving credit facility with a consortium of ten banks ("the Agreement"). The Agreement contains two primary covenants. An interest coverage 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. A ratio of consolidated net indebtedness to consolidated capitalization below 55 percent is also required. 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. At December 31, 2006, 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 41.2 percent and the interest coverage ratio was adequate. The Agreement, as amended, provides up to $175,000 in credit facilities until August 31, 2008. 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 facility also supports issuance of commercial paper and letters of credit. There were no borrowings under the revolving credit facility and no commercial paper was outstanding at December 31, 2005 or 2006.

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.

On August 30, 2006, the Company established an accounts receivable securitization facility of up to $175,000. Pursuant to the terms of the facility, the Company sells certain of its domestic trade receivables on a continuous basis to its wholly-owned, bankruptcy-remote subsidiary, Cooper Receivables LLC ("CRLLC"). In turn, CRLLC may sell from time-to-time an undivided ownership interest in the purchased trade receivables, without recourse, to a PNC Bank administered, asset-backed commercial paper conduit. The facility expires in August 2009. No ownership interests in the purchased trade receivables have been sold to the bank conduit through December 31, 2006.

Under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", the ownership interest in the trade receivables sold to the bank conduit will be recorded as legal transfers without recourse, with those accounts receivable removed from the consolidated balance sheet. The Company continues to service any sold trade receivables for the financial institution at market rates; accordingly, no servicing asset or liability will be recognized.

The Company had entered into $150,000 of interest rate swap contracts to convert a portion of the 2009 Senior Notes to floating rates. In the second quarter of 2005, the Company settled these contracts, recording a gain of $1,700, which is included in interest expense.

During 2005, the Company repurchased $157,920 of its long-term debt due in 2009, $48,422 of its long-term debt due in 2019 and $72,020 of its long-term debt due in 2027. The Company incurred transaction-related costs of $4,228 related to these repurchases, including $3,026 of deferred financing costs written off. During 2006, the Company repurchased $3,000 of its long-term debt due in 2019 and $1,000 of its long-term debt due in 2027. Deferred financing costs of $65 were written off in conjunction with these repurchases.

The following table summarizes the long-term debt of the Company at December 31, 2005 and 2006:

	2005	**2006**
7.75% unsecured notes, aggregate principal payment due December 2009	$192,080	**$192,080**
8% unsecured notes, aggregate principal payment due December 2019	176,578	**173,578**
7.625% unsecured notes, aggregate principal payment due March 2027	117,880	**116,880**
5.58% unsecured notes, aggregate principal payment due March 2009	—	**15,360**
5.427% unsecured notes, aggregate principal payment due August 2009	—	**5,120**
6.2881% unsecured notes, aggregate principal payment due August 2009	—	**1,020**
4.725% unsecured notes, aggregate principal payment due September 2009	—	**3,585**
6.2206% unsecured notes, aggregate principal payment due September 2009	—	**510**
Capitalized leases and other	5,080	**5,080**
	491,618	**513,213**
Less current maturities	—	**—**
	$491,618	**$513,213**

The Company's revolving credit facility requires it to maintain, among other things, certain financial ratios. Retained earnings at December 31, 2006 are available for the payment of cash dividends and purchases of the Company's common shares and are limited by the above ratios.

The Company and its subsidiaries also have, from various banking sources, approximately $330,100 of available short-term lines of credit 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, 2005 and 2006 was 6.00 percent and 5.50 percent, respectively.

Interest paid on debt, net of payments received under interest rate swap agreements, during 2004, 2005 and 2006 was $61,723, $55,783 and $55,272, respectively. The amount of interest capitalized was $2,014, $2,612 and $2,894 during 2004, 2005 and 2006, respectively.

Note 11 - 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:

	2005		**2006**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	$ 280,712	$ 280,712	**$ 221,655**	**$ 221,655**
Notes payable	(79)	(79)	**(112,803)**	**(112,803)**
Long-term debt	(491,618)	(474,318)	**(513,213)**	**(484,213)**
Derivative financial instruments	616	616	**1,594**	**1,594**

The derivative financial instruments include fair value and cash flow hedges of foreign currency exposures. 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, 2005 and 2006 was $208,600 and $205,100, 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.

Note 12 - Pensions and Postretirement Benefits Other than Pensions

The Company and its consolidated U. S. 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. In 2002, a new hybrid pension plan covering all domestic salaried and non-bargained hourly employees was established. Employees at the effective date, meeting certain requirements, were grandfathered in the previous defined benefit rules. The new pension plan resembles a savings account. Nominal accounts 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. The Company matches certain plan participants' contributions up to various limits. Participants' contributions are limited based on their compensation and for certain supplemental contributions which are not eligible for company matching based on their age. Company contributions for certain of these plans are dependent on operating performance. Expense for those plans was $6,069, $0 and $0 for 2004, 2005 and 2006, respectively.

The Company currently provides retiree health care and life insurance benefits to a significant percentage of its U. S. salaried and hourly employees. U. S. salaried and non-bargained hourly employees hired on or after January 1, 2003 are not eligible for retiree health care or life insurance coverage. The majority of new hires covered by U. S. bargaining units are also 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 in 1992 and, to mitigate the impact of medical cost inflation on the Company's retiree medical obligation, instituted per participant, or per household, 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 implemented increased cost sharing in 2004 in the retiree medical coverage provided to certain eligible current and future retirees. Since then cost sharing has expanded such that nearly all covered retirees pay a charge to be enrolled.

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 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 Act reduced the Company's 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 in 2004, under all U. S. plans, was a reduction of $15,300 being accounted for as an actuarial gain to be amortized as a reduction of the Company's periodic expense and balance sheet liability over a period of fifteen years. At December 31, 2006, this actuarial gain has been reduced to $6,800 as a result of amortization, the Company's revised expectations of the subsidy to be received and the impact of the Act on the health care benefits being provided to its participants. With the adoption of SFAS No. 158, this actuarial gain is included in the pension liability and in Cumulative other comprehensive loss on the December 31, 2006 balance sheet. The amortization period is now estimated to be ten years. The Company applied to receive the federal drug subsidy in 2006 and received $406 relating to the first three quarters of the year. The Company intends to continue to analyze the options available with respect to the relationship of the Company health care benefits with all parts of Medicare to attain the most cost effective coordination.

In connection with the divestiture of the Company's 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 was made of the obligations and assets being split from the Company's non-bargained plan. As of December 31, 2004, the Company's actuary provided estimates of the obligations, computed using the Company's accounting methods and actuarial estimates, and trust assets to be transferred to the buyer. The final derivation of trust assets was agreed with the buyer and transferred during the third quarter of 2005.

On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. This statement required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its pension and other postretirement benefit ("OPEB") plans in the December 31, 2006 consolidated balance sheet, with a corresponding adjustment to cumulative other comprehensive loss (a component of stockholders' equity), net of tax. The adjustment to cumulative other comprehensive loss at adoption represents the net unrecognized actuarial losses and unrecognized prior service costs, all of which were previously netted against the plans' funded status in the Company's consolidated balance sheets pursuant to the provisions of SFAS No. 87, "Employers' Accounting for Pensions (SFAS No. 87)" and SFAS No. 106. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit costs in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as components of net periodic benefit cost on the same basis as the amount recognized in cumulative other comprehensive loss at adoption of SFAS No. 158.

The incremental effects of adopting the provisions of SFAS No. 158 on the Company's consolidated balance sheet at December 31, 2006 are presented in the following table. The adoption of SFAS No. 158 had no effect on the Company's consolidated statement of operations for the year ended December 31, 2006, or for any prior periods presented, and it will not effect the Company's operating results in future periods. Had the Company not been required to adopt SFAS No. 158 at December 31, 2006, it would have recognized an additional minimum liability pursuant to the provisions of SFAS No 87. The effect of recognizing the additional minimum liability is included in the table below in the column labeled "Before Application of Statement 158."

Incremental Effect of Applying SFAS No. 158
on Individual Line Items in the Consolidated Balance Sheet
December 31, 2006

		Adjustments			
	Before Application of Statement 158	Reverse Minimum Pension	Recognize Underfunded Pension	Recognize Unfunded OPEB	After Application of Statement 158
Intangible pension asset	$ 7,970	$ (7,970)	$ —	$ —	$ —
Pension funding in excess of expense	163,324	—	(163,324)	—	—
Deferred income tax assets	57,993	(57,993)	108,598	25,183	133,781
Deferred income tax valuation allowance	(39,249)	—	(47,342)	(25,183)	(111,774)
Other assets	336,245	(7,970)	(163,324)	—	**164,951**
Postretirement benefits other than pensions	(192,742)	—	—	(65,837)	**(258,579)**
Accrued pension liability	(3,893)	—	(136,414)		(140,307)
Minimum pension liability	(173,061)	173,061	—	—	—
Other long-term liabilities	(254,390)	173,061	(136,414)	—	**(217,743)**
Cumulative other comprehensive loss (portion applicable to post retirement plans)	107,098	(107,098)	238,482	65,837	304,319
Total stockholders' equity	(837,112)	(107,098)	238,482	65,837	**(639,891)**

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.

	Pension Benefits		Other Postretirement Benefits	
	2005	**2006**	2005	**2006**
Change in projected benefit obligation:				
Projected benefit obligation at January 1	$ 920,654	**$1,011,099**	$ 264,842	**$ 273,586**
Divestiture	148	**—**	—	**—**
Service cost	20,643	**22,824**	5,473	**5,725**
Participant contributions	2,363	**2,334**		
Interest cost	55,112	**57,501**	15,704	**15,605**
Actuarial (gain)/loss	82,309	**21,977**	183	**(5,870)**
Amendments	7,275	**(128)**	—	**—**
Benefits paid	(48,273)	**(52,063)**	(12,616)	**(13,918)**
Foreign currency translation effect	(29,132)	**38,883**	—	**—**
Projected benefit obligation at December 31	$1,011,099	**$1,102,427**	$ 273,586	**$ 275,128**
Change in plans' assets:				
Fair value of plans' assets at January 1	$ 819,054	**$ 871,174**	$ —	**$ —**
Actual return on plans' assets	87,085	**88,782**	—	**—**
Employer contributions	31,234	**21,063**	—	**—**
Participant contributions	2,363	**2,334**	—	**—**
Divestiture	2,475	**—**	—	**—**
Benefits paid	(48,273)	**(52,063)**	—	**—**
Foreign currency translation effect	(22,764)	**30,830**	—	**—**
Fair value of plans' assets at December 31	$ 871,174	**$ 962,120**	$ —	**$ —**
Funded status of the plans	$ (139,925)	**$ (140,307)**	$(273,586)	**$(275,128)**
Unrecognized actuarial loss	314,061	**—**	78,445	**—**
Unrecognized prior service cost	(13,270)	**—**	(3,541)	**—**
Adjustment for minimum liability	(152,507)	**—**	—	**—**
Net amount recognized	$ 8,359	**$ (140,307)**	$(198,682)	**$(275,128)**
Amounts recognized in the balance sheets:				
Other assets	$ 167,027	**$ —**	$ —	**$ —**
Accrued liabilities	—	**—**	(16,685)	**(16,549)**
Postretirement benefits other than pensions	—	**—**	(181,997)	**(258,579)**
Other long-term liabilities	(158,668)	**(140,307)**		

Included in cumulative other comprehensive loss at December 31, 2006 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service costs of $(17,196) ($(14,990) net of tax) and unrecognized actuarial losses of $382,771 ($319,310 net of tax). The prior service cost and actuarial loss included in cumulative other comprehensive loss and expected to be recognized in net periodic benefit cost during the fiscal year-ended December 31, 2007 is $172 and $17,437, respectively.

The underfunded status of the pension plans of $140,307 at December 31, 2006 is recognized in the accompanying consolidated balance sheets as Other long-term liabilities and the unfunded status of the other postretirement benefits is recognized as Accrued liabilities for the current portion and as Postretirement benefits other than pensions for the long-term portion. No pension plan assets are expected to be returned to the Company during the fiscal year-ended December 31, 2007.

The accumulated benefit obligation for all defined benefit pension plans was $930,322 and $1,031,780 at December 31, 2005 and 2006, respectively.

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

	Pension Benefits		Other Postretirement Benefits	
	2005	**2006**	2005	**2006**
All plans				
Discount rate	5.68%	**5.61%**	5.75%	**5.75%**
Rate of compensation increase	3.44%	**3.37%**	—	**—**
Domestic plans				
Discount rate	5.75%	**5.75%**	5.75%	**5.75%**
Rate of compensation increase	3.25%	**3.25%**	—	**—**
Foreign plans				
Discount rate	5.49%	**5.29%**	n/a	**n/a**
Rate of compensation increase	3.98%	**3.65%**		

At December 31, 2006, the weighted average assumed annual rate of increase in the cost of medical benefits was 7.0 percent per year for 2007 and 2008 and 6.0 percent per year for 2009 and thereafter. The weighted average assumed annual rate of increase in the cost of prescription drugs was 11.0 percent per year for 2007 and 2008 and 6.0 percent per year for 2009 and thereafter.

	Pension Benefits			Other Postretirement Benefits		
	2004	2005	**2006**	2004	2005	**2006**
Components of net periodic benefit cost:						
Service cost	$ 20,782	$ 20,643	**$ 22,824**	$ 5,048	$ 5,473	**$ 5,725**
Interest cost	51,603	55,112	**57,501**	15,106	15,704	**15,605**
Expected return on plan assets	(58,426)	(67,566)	**(71,030)**	—	—	**—**
Amortization of transition obligation	(38)	(30)	**—**	—	—	**—**
Plan curtailment	826	—	**—**	—	—	**—**
Amortization of prior service cost	2,463	1,445	**919**	(122)	(219)	**(308)**
Recognized actuarial loss	14,031	12,651	**15,335**	3,047	3,677	**3,507**
Net periodic benefit cost	$ 31,241	$ 22,255	**$ 25,549**	$ 23,079	$ 24,635	**$ 24,529**

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

	Pension Benefits			Other Postretirement Benefits		
	2004	2005	**2006**	2004	2005	**2006**
All plans						
Discount rate	6.38%	6.14%	**5.68%**	6.25%	6.00%	**5.75%**
Expected return on plan assets	8.98%	8.92%	**8.62%**	—	—	**—**
Rate of compensation increase	3.58%	3.60%	**3.44%**	—	—	**—**
Domestic plans						
Discount rate	6.25%	6.00%	**5.75%**	6.25%	6.00%	**5.75%**
Expected return on plan assets	9.00%	9.00%	**9.00%**	—	—	**—**
Rate of compensation increase	3.25%	3.25%	**3.25%**	—	—	**—**
Foreign plans						
Discount rate	6.73%	6.49%	**5.49%**	n/a	n/a	**n/a**
Expected return on plan assets	8.93%	8.66%	**7.45%**			
Rate of compensation increase	4.47%	4.49%	**3.98%**			

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, 2005 and 2006:

	2005		**2006**	
	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	$1,004,435	$553,459	**$1,102,427**	**$638,908**
Accumulated benefit obligation	923,659	533,721	**1,031,780**	**624,942**
Fair value of plan assets	864,087	461,202	**962,120**	**531,242**

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:

	Percentage Point	
	Increase	Decrease
Increase (decrease) in total service and interest cost components	$ 319	$ (279)
Increase (decrease) in the postretirement benefit obligation	3,573	(3,156)

The Company's weighted average asset allocations for its domestic and foreign pension plans' assets at December 31, 2005 and December 31, 2006 by asset category are as follows:

	U. S. Plans		U. K. Plan	
Asset Category	2005	**2006**	2005	**2006**
Equity securities	66%	**71%**	75%	**63%**
Debt securities	32	**29**	25	**37**
Cash	2	**0**	—	**—**
Total	100%	**100%**	100%	**100%**

The Company's investment policy for United States plans' assets is to maintain an allocation of 70 percent in equity securities and 30 percent in debt securities. The Company's investment policy for United Kingdom plan assets is to maintain an allocation of 65 percent in equity securities and 35 percent in fixed income 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 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 U. S. plan assets was $655,141 and $698,479 at December 31, 2005 and 2006, respectively. 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 market value of the United Kingdom plan assets was $213,977 and $261,472 at December 31, 2005 and 2006, respectively, using the method described above for the U. S. plan assets.

The fair value of the German pension plan assets was $2,056 and $2,169 at December 31, 2005 and 2006, 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 would contribute between $30,000 and $35,000 to its domestic and foreign pension plans in 2007 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
2007	$ 46,000	$16,000
2008	47,000	17,000
2009	48,000	17,000
2010	49,000	18,000
2011	51,000	18,000
2012 through 2016	291,000	98,000

Note 13 - Other Long-term Liabilities

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

	2005	**2006**
Minimum pension liability	$152,507	**$ —**
Long-term pension liability	—	**140,307**
Other	68,389	**77,436**
	$220,896	**$217,743**

Note 14 - 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.

Note 15 - Common Stock

There were 14,182 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, 2006. 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.

Note 16 - 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:

	2005	**2006**
Cumulative currency translation adjustment	$ 4,819	**$ 21,047**
Changes in the fair value of derivatives and unrealized gains/(losses) on marketable securities	260	**1,452**
Tax effect	(99)	**(732)**
Net	161	**720**
Minimum pension liability	(142,827)	**—**
Tax effect	51,524	**—**
Net	(91,303)	**—**
Underfunded postretirement benefit plans	—	**(365,575)**
Tax effect	—	**61,256**
Net	—	**(304,319)**
	$ (86,323)	**$(282,552)**

Net income (loss) reflects realized gains and losses on marketable securities and derivatives. Losses of $3,724, $153 and $1,083 were recognized in 2004, 2005 and 2006, respectively.

Note 17 - Stock-Based Compensation

Stock Options

The Company's 1998, 2001 and 2006 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 1996 incentive stock option plans and the 1998, 2001 and 2006 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 January 1, 2004 and options granted under the 2001 incentive compensation plan have terms of ten years and become exercisable 25 percent per year. On November 16, 2005, the Compensation Committee of the Company approved an acceleration of vesting of employee stock options and approximately 1,768 options with varying remaining vesting schedules became immediately exercisable. As a result of the acceleration, all of the options of the Company at December 31, 2005 were exercisable.

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 value 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 become exercisable 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, 2004	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*	
	Granted	446,585	21.45	
	Exercised	(209,155)	14.30	
	Expired	(26,168)	24.13	
	Cancelled	(343,171)	19.95	
December 31, 2005				3,405,990
	Outstanding	3,661,119	17.78	
	Exercisable	*3,661,119*	*17.78*	
	Granted	451,438	14.35	
	Exercised	(10,589)	13.30	
	Expired	(25,122)	18.70	
	Cancelled	(1,044,295)	17.12	
December 31, 2006				5,404,430
	Outstanding	3,032,551	17.76	
	Exercisable	*2,670,865*	*18.22*	

The weighted average remaining contractual life of options outstanding at December 31, 2006 is 5.3 years.

Segregated disclosure of options outstanding at December 31, 2006 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	1,130,546	792,626	1,109,379
Weighted average exercise price	$ 14.01	$ 17.98	$ 21.41
Remaining contractual life	6.2	6.2	3.7
Options exercisable	772,360	789,126	1,109,379
Weighted average exercise price	$ 13.87	$ 18.00	$ 21.41

Restricted Stock Units

Under the 1998, 2001 and 2006 Incentive Compensation Plans, restricted stock units may be granted to officers and other key employees. 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 restricted stock units granted in 2005 and 2006 have vesting periods ranging from one to five years. With the adoption of SFAS No. 123 (R), the Company recognizes compensation expense based on the earlier of the vesting date or the date when the employee becomes eligible to retire. The following table provides details of the restricted stock units granted by the Company:

	2005	**2006**
Restricted stock units outstanding at beginning of period	100,523	**141,688**
Restricted stock units granted	63,534	**91,210**
Accrued dividend equivalents	4,165	**5,724**
Restricted stock units settled	(23,405)	**(112,147)**
Restricted stock units cancelled	(3,129)	**—**
Restricted stock units outstanding at end of period	141,688	**126,475**

At December 31, 2006, the Company has $1,669 of unvested compensation cost related to stock options and restricted stock units and this cost will be recognized as expense over a weighted average period of 31 months.

Note 18 - 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 $19,469, $24,122 and $29,815 for 2004, 2005 and 2006, respectively.

Future minimum payments for all non-cancelable operating leases through the end of their terms, which in aggregate total $67,399, are listed below. Certain of these leases contain provisions for optional renewal at the end of the lease terms.

2007	$15,739
2008	12,926
2009	9,806
2010	15,330
2011	2,832
Thereafter	10,766

Note 19 - Restructuring

During 2004, the North American Tire Operations segment initiated two restructuring plans. In the second quarter, the segment announced an initiative to consolidate its pre-cure retread operations in Asheboro, North Carolina, 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, Georgia tire facility was announced. These tires are being sourced from Asian manufacturers. No employees were affected by this initiative. The segment recorded an impairment charge of $7,536 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.

During 2006, five restructuring initiatives were announced.

In May of 2006, the North American Tire Operations segment announced the planned closure of its manufacturing facility in Athens, Georgia with an estimated cost of between $10,000 and $11,000. The Company approved the manufacturing plant closure because this plant's production could be absorbed by other Company facilities. The facility was closed early in the third quarter. During 2006, restructuring costs of $11,123 were recorded. The assets of the facility were written down to fair value resulting in a charge of $8 , 191. Severance costs totaling $1,522 were recorded and payments totaling $1,112 have been made resulting in an accrued severance balance at December 31, 2006 of $410. Additional employee-related severance costs of $95 were recorded. Employee relocation costs of $108 have been incurred. Equipment relocation and closure costs of $1,207 have been recorded to date. The assets of the facility, with a fair value of $4,000, are considered as "held for sale" and are included on the Other current assets line of the Company's Consolidated Balance Sheets.

In September, the North American Tire Operations segment announced its plans to reconfigure its tire manufacturing facility in Texarkana, Arkansas so that its production levels can "flex" to meet tire demand. This reconfiguration is expected to result in a workforce reduction of approximately 350 people. This reduction is expected to be accomplished through attrition and layoffs. Certain equipment in the facility will be relocated to meet the flexible production requirements. The Company has targeted the end of the third quarter of 2007 as the completion date for this plant reconfiguration. The cost of this initiative is estimated to range from $8,000 to $11,500. This amount consists of equipment relocation and associated costs of between $5,000 and $7,000 and personnel related costs of between $3,000 and $4,500. During 2006, equipment relocation costs of $723 have been recorded.

In November, a restructuring of salaried support positions was announced. The restructuring will be accomplished through reductions in part-time assistance, normal attrition and targeted severance actions. Approximately 80 people will be impacted by this initiative and the end of the first quarter of 2007 is the targeted completion date. To date, $847 of severance benefits has been accrued for persons or positions identified and payments totaling $38 have been paid, resulting in an accrued severance balance at December 31, 2006 of $809. Payments have been made for outplacement services totaling $17.

In December, the North American Tire Operations segment initiated a plan to reduce the number of stock-keeping units manufactured in its facilities and to take tire molds out of service. Approximately 600 molds have been identified under this plan. At December 31, 2006, 449 molds have been taken out of service and written off. The service lives of the molds still in production have been reduced to reflect the remaining useful production life. Both the mold write-off and the increased depreciation expense associated with the change in the estimate of useful life are being recorded as restructuring expense. Through December 31, 2006, $378 of molds has been written-off and $27 of additional depreciation associated with this initiative has been recorded. The end of the second quarter of 2007 is the expected date when all of the molds will be taken out of service and the total cost of this plan is estimated to be $535.

During 2006, the International Tire Operations segment recorded $1,461 in restructuring costs associated with a management reorganization in Cooper Tire Europe. This initiative was undertaken to reduce the European cost base to compensate for raw material cost increases in an increasingly competitive European market. There were 50 employees impacted by this initiative and all severance payments were made during 2006. At December 31, 2006 there was no balance remaining in the restructuring severance accrual.

Note 20 – Severance payments to former Chief Executive Officer

During the third quarter of 2006, the Company paid $6,797 in severance and benefits to Thomas A. Dattilo, the former chairman, president and chief executive officer of the Company, pursuant to the terms of his Employment Agreement which was filed as Exhibit (10) (ii) to the Company's Form 10-K for the year ended December 31, 2001 and the First Amendment which was filed as Exhibit (10) to the Company's Form 10-Q for the quarter ended June 30, 2003. An additional payment of $585 was paid to Mr. Dattilo in the first quarter of 2007. Expense of $5,069 was recorded in the third quarter in conjunction with this distribution relating to the severance component of the payments. The Company had previously accrued $2,313 under existing benefit programs. This additional expense appears as a component of Selling, general and administrative expense in the Condensed Consolidated Statements of Operations and within Unallocated corporate charges as presented in the operating segment footnote. Mr. Dattilo's August 2, 2006 resignation was deemed by the Board of Directors to be an involuntary termination without cause.

Note 21 - Other – Net

The components of Other — net in the statement of operations for the years 2004, 2005 and 2006 are as follows:

	2004	2005	**2006**
Foreign currency (gains)/losses	$ 1,010	$ 1,187	**$ (864)**
Partial write-off of long term investment	1,940	240	**—**
Equity in earnings from joint ventures	—	(76)	**(666)**
Other	(233)	(763)	**(547)**
	$ 2,717	$ 588	**$ (2,077)**

Note 22 - 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 be reflected as expenses of discontinued operations. 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, 2006. 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 of those leases is for a U. S. manufacturing facility with a remaining term of 10 years and total remaining payments of approximately $11,500. Other leases cover two facilities in the United Kingdom and manufacturing equipment. These leases have remaining terms of from nine months to seven years and remaining payments of approximately $5,000. 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.

The accounting process is based on estimates derived from information known by the Company when the reserves are determined. The liability often 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.

On July 13, 2006, the National Highway Traffic Safety Administration ("NHTSA") opened a Preliminary Evaluation (PE06-0027) regarding Dominator Sport A/T LT 265/75R16 tires manufactured by the Company between 2003 and 2005 based on the Early Warning Reporting data submitted by the Company. Approximately 101,600 tires are subject to the Preliminary Evaluation. The Company responded to the information request in October 2006. On December 27, 2006, NHTSA upgraded the investigation to an Engineering Analysis (EA06-021) to further assess the subject tires and the data provided in the Company's response.

Cooper-Chengshan Acquisition

In connection with the investment in Cooper-Chengshan, beginning January 1, 2009 and continuing through December 31, 2011, the minority interest partner has the right to sell, and, if exercised, the Company has the obligation to purchase, the remaining 49 percent minority interest share at a minimum price of $62,700.

Employment Contracts

The Company has employment arrangements with two 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.

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 were 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 operations' president. The Company was obligated to pay the severance costs and related excise taxes, if any, if severance occurred 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 paid one executive covered by the change in control agreement in 2005 and one in 2006. The Company does not believe it is presently probable that the automotive operations' president will be terminated within the period in which it is obligated to pay the severance costs. Accordingly, no additional accrual for severance has been recorded. If information becomes known to the Company at a later date which indicates severance of the automotive operations' president is probable within the time period covered by the Company, an accrual for severance will be required.

Unconditional Purchase Orders

Noncancelable purchase order commitments for capital expenditures and raw materials, principally natural rubber, made in the ordinary course of business were $71,617 at December 31, 2006.

Supplier Dispute

During 2005, the Company resolved a dispute with raw material suppliers resulting in an agreement for reimbursement of $18,000 of previously expensed costs. This recovery was recorded as a reduction to cost of goods sold in the financial results of the North American Tire Operations segment.

Note 23 - Business Segments

The Company has two reportable segments – North American Tire Operations and International Tire Operations. The Company's reportable segments are each managed separately.

The North American Tire Operations segment 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 Operations segment currently manufactures and markets passenger car, light and medium 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 manufactures and markets passenger car, bias and radial light and medium truck tires and off-the-road tires in China.

The following customers of the North American Tire Operations segment contributed ten percent or more of the Company's total consolidated net sales in 2004, 2005 and 2006. Net sales and percentage of consolidated Company sales for these customers in 2004, 2005 and 2006 are as follows:

	2004		2005		**2006**	
Customer	Net Sales	Consolidated Net Sales	Net Sales	Consolidated Net Sales	**Net Sales**	**Consolidated Net Sales**
TBC/Treadways	$279,172	13%	$323,815	15%	**$365,767**	**14%**

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:

	2004	2005	**2006**
Revenues			
North American Tire	$1,862,954	$1,954,685	**$2,096,174**
International Tire	308,383	305,291	**680,164**
Eliminations and other	(89,728)	(104,791)	**(100,096)**
Consolidated	2,081,609	2,155,185	**2,676,242**
Segment profit (loss)			
North American Tire	64,002	32,838	**(4,020)**
International Tire	21,370	(663)	**9,427**
Unallocated corporate charges and eliminations	(22,148)	(5,740)	**(15,156)**
Operating profit (loss)	63,224	26,435	**(9,749)**
Interest income	2,068	18,541	**10,067**
Dividend from unconsolidated subsidiary	—	—	**4,286**
Debt extinguishment costs	—	(4,228)	**77**
Other — net	(2,717)	(588)	**2,077**
Interest expense	(27,569)	(54,511)	**(47,166)**
Impairment of goodwill and indefinite-lived intangible asset	—	—	**(51,546)**
Income (loss) from continuing operations before income taxes and minority interest	35,006	(14,351)	**(91,954)**
Depreciation and amortization expense			
North American Tire	98,327	97,526	**104,786**
International Tire	12,612	12,186	**31,358**
Corporate	3,658	5,955	**2,229**
Consolidated	114,597	115,667	**138,373**
Segment assets			
North American Tire	1,222,723	1,320,557	**1,198,862**
International Tire	203,714	208,464	**687,204**
Corporate and other	1,241,647	623,165	**349,213**
Consolidated	2,668,084	2,152,186	**2,235,279**
Expenditures for long-lived assets			
North American Tire	143,290	146,686	**101,196**
International Tire	10,817	24,970	**86,859**
Corporate	5,201	496	**470**
Consolidated	159,308	172,152	**188,525**

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

	2004	2005	**2006**
Revenues			
North America	$1,779,694	$1,863,657	**$2,028,917**
Europe	285,488	272,923	**285,412**
Asia	16,427	18,605	**361,913**
Consolidated	2,081,609	2,155,185	**2,676,242**
Long-lived assets			
North America	648,879	700,006	**684,430**
Europe	81,178	76,279	**77,407**
Asia	813	9,940	**229,979**
Consolidated	730,870	786,225	**991,816**

Shipments of domestically-produced products to customers outside the U. S. approximated eight percent of net sales in both 2005 and 2006.

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, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedules listed in the index at Item 15(a) (2). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules 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, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for stock options in 2006. As discussed in Note 12 to the consolidated financial statements, the Company changed its method of accounting for pension and other postretirement benefit plans in 2006.

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, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP

Toledo, Ohio
February 26, 2007

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

(Unaudited)

	2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$514,057	$510,930	$557,795	$572,403
Gross profit	48,682	37,910	55,426	45,332
Net loss	(1,044)	(6,418)	(1,075)	(6,496)
Basic loss per share	(0.01)	(0.10)	(0.02)	(0.11)
Diluted loss per share	(0.01)	(0.10)	(0.02)	(0.11)
Revenues from external customers:				
North American Tire	$462,855	$458,874	$508,756	$524,200
International Tire	79,400	82,929	76,539	66,423
Eliminations and other	(28,198)	(30,873)	(27,500)	(18,220)
Net sales	$514,057	$510,930	$557,795	$572,403
Segment profit:				
North American Tire	$ 6,452	$ 1,330	$ 16,278	$ 8,778
International Tire	180	2,536	67	(3,446)
Eliminations	(370)	(208)	(114)	247
Corporate	(381)	(3,245)	(2,159)	490
Operating profit	5,881	413	14,072	6,069
Interest expense	(14,215)	(13,715)	(13,545)	(13,036)
Debt extinguishment gains (losses)	—	(9,075)	(1,328)	6,175
Interest income	5,614	4,520	3,857	4,550
Other – net	1,229	305	(1,296)	(826)
Income (loss) from continuing operations before income taxes and minority interest	$ (1,491)	$ (17,552)	$ 1,760	$ 2,932

	2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$596,582	$624,785	$715,795	$739,080
Gross profit	43,605	29,192	51,538	73,228
Net loss	(5,468)	(22,922)	(24,878)	(32,622)
Basic loss per share	(0.09)	(0.37)	(0.41)	(0.53)
Diluted loss per share	(0.09)	(0.37)	(0.41)	(0.53)
Revenues from external customers:				
North American Tire	$495,851	$463,448	$551,681	$585,194
International Tire	125,073	185,904	192,659	176,528
Eliminations and other	(24,342)	(24,567)	(28,545)	(22,642)
Net sales	$596,582	$624,785	$715,795	$739,080
Segment profit:				
North American Tire	$ (5,912)	$ (29,895)	$ (3,285)	$ 35,072
International Tire	3,415	7,710	3,137	(4,835)
Eliminations	(828)	(844)	1,673	(568)
Corporate	(1,014)	(2,863)	(8,846)	(1,866)
Operating profit	(4,339)	(25,892)	(7,321)	27,803
Interest expense	(10,813)	(11,584)	(12,964)	(11,805)
Debt extinguishment gains	77	—	—	—
Interest income	2,971	2,097	2,064	2,935
Dividend from unconsolidated subsidiary	4,609	(323)	—	—
Impairment of goodwill and indefinite-lived intangible asset	—	—	—	(51,546)
Other – net	33	(163)	1,704	503
Income (loss) from continuing operations before income taxes and minority interest	$ (7,462)	$ (35,865)	$ (16,517)	$ (32,110)

Certain amounts for 2005 have been reclassified to conform to the 2006 presentation. The operating results of Cooper-Chengshan have been included in the 2006 results since the February 4, 2006 acquisition date.

COOPER TIRE & RUBBER COMPANY
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2004, 2005 and 2006

	Balance at Beginning of Year	Additions		Deductions (a)	Balance at End of Year
		Charged To Income	Business Acquisitions		
Allowance for doubtful accounts					
2004	$4,841,666	$ 961,322		$ 934,802	$4,868,186
2005	$4,868,186	$2,154,686		$1,257,506	$5,765,366
2006	$5,765,366	$2,499,348	$2,540,263	$1,924,517	$8,880,460

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

	Balance at Beginning of Year	Additions		Deductions (a)	Balance at End of Year
		Charged To Income	Charged To Equity		
Tax valuation allowance					
2004	$12,782,892	$ —	$ —	$(28,279,100)	$ 41,061,992
2005	$41,061,992	$ —	$ —	$ 425,118	$ 40,636,874
2006	$40,636,874	$18,135,790	$72,524,882	$ 2,657,372	$128,640,174

(a) Change in reserve as a result of balance sheet reclassifications or charges to income from discontinued operations.

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.

In accordance with the Securities and Exchange Commission's published guidance, the Company's assessment of internal control over financial reporting excluded the 2006 acquisition of Cooper-Chengshan which represents approximately 13.6 percent of consolidated net sales for the year ended December 31, 2006, and 16.5 percent of consolidated total assets as of December 31, 2006.

Based on its assessment, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2006, 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, 2006, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) 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, 2006, 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.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the 2006 acquisition of Cooper-Chengshan, which is included in the consolidated statements of the Company and constituted 16.5 percent of consolidated total assets as of December 31, 2006 and 13.6 percent of consolidated net sales for the year then ended. Management did not include an assessment of the internal control over financial reporting for Cooper-Chengshan because it was acquired in a business combination on February 4, 2006.

In our opinion, management's assessment that Cooper Tire & Rubber Company maintained effective internal control over financial reporting as of December 31, 2006, 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, 2006, 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, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006 and our report dated February 26, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP
Toledo, Ohio
February 26, 2007

(d) Changes in Internal Control over Financial Reporting

During 2006, the Company experienced reorganization in its information technology area. The internal controls in this area were evaluated for effectiveness and the controls were assessed to be effective. The Company continues to assess and improve the design and effectiveness of its internal controls over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS AND CORPORATE GOVERNANCE

Information concerning the Company's directors, corporate governance guidelines, Compensation Committee and Nominating and Governance Committee appears in the Company's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders, which will be herein incorporated by reference.

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 definitive Proxy Statement for its 2007 Annual Meeting of Stockholders, 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 definitive Proxy Statement for its 2007 Annual Meeting of Stockholders, which will be herein incorporated by reference.

CODE OF ETHICS

Information regarding the Company's code of business conduct and ethics is available on the Company's website at http://www.coopertire.com . To access this information, first click on "Company", then click "Investors" and lastly click "Corporate Governance" of the Company's website. Then, select the "Code of Business Conduct and Ethics" link listed on the lower left side of the web page under Corporate Governance.

Item 11. EXECUTIVE COMPENSATION

Information regarding executive and director compensation, Compensation Committee Interlocks and Insider Participation, and the Compensation Committee Report appears in the Company's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders, which will be herein incorporated by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER 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 definitive Proxy Statement for its 2007 Annual Meeting of Stockholders, which will be herein incorporated by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2006 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	3,032,551	$ 17.76	5,447,607
Equity compensation plans not approved by stockholders	—	—	—
Total	3,032,551	$ 17.76	5,447,607

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, AND DIRECTOR INDEPENDENCE

There were no transactions with related persons during 2006.

Information regarding the independence of the Company's directors appears in the Company's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders, which will be herein incorporated by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding the Company's independent auditor appears in the Company's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders, 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

2. Financial Statement Schedule

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/ Roy V. Armes
Roy V. Armes
President and Chief Executive Officer

Date: March 1, 2007

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
/s/ Roy V. Armes ROY V. ARMES	President, Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2007
/s/ Philip G. Weaver PHILIP G. WEAVER	Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2007
/s/ Robert W. Huber ROBERT W. HUBER	Director of External Reporting (Principal Accounting Officer)	March 1, 2007
ARTHUR H. ARONSON*	Director	March 1, 2007
LAURIE J. BREININGER*	Director	March 1, 2007
STEVEN M. CHAPMAN*	Director	March 1, 2007
JOHN J. HOLLAND*	Director	March 1, 2007
JOHN F. MEIER*	Director	March 1, 2007
BYRON O. POND*	Director	March 1, 2007
JOHN H. SHUEY*	Director	March 1, 2007
RICHARD L. WAMBOLD*	Director	March 1, 2007

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to a Power of Attorney executed on behalf of the above-indicated directors of the registrant and filed herewith as Exhibit 24 on behalf of the registrant.

*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 as of February 28, 2007, are incorporated herein by reference from Exhibit 3.1 to the Company's Form 8-K dated February 28, 2007.

(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) 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 *

(ii) 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 *

(iii) 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 *

(iv) Second Amended and Restated Employment Agreement dated October 13, 2006 by and between Cooper Tire & Rubber Company and Philip G. Weaver is incorporated herein by reference from Exhibit (10)(1) for the Company's Form 8-K dated October 13, 2006*

(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) Employment Agreement dated as of December 19, 2006 between Cooper Tire & Rubber Company and Roy V. Armes incorporated by reference from Exhibit (10)(1) of the Company's Form 8-K dated December 19, 2006*

(viii) Description of management contracts, compensatory plans, contracts, or arrangements will be herein incorporated by reference from the Company's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders *

(ix) 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

(x) 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

(xi) 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

(xii) 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

(xiii) 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

(xiv) 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

(xv) 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

(xvi) 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

(xvii) 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

(xviii) Purchase and Sale Agreement dated as of August 30, 2006, by and among Cooper Tire & Rubber Company, Oliver Rubber Company and Cooper Receivables LLC is incorporated herein by reference from Exhibit (10)(1) of the Company's Form 8-K dated August 30, 2006

(xix) Receivables Purchase Agreement dated as of August 30, 2006, by and among Cooper Receivables LLC, Cooper Tire & Rubber Company, PNC Bank, National Association, and the various purchaser groups from time to time party thereto is incorporated herein by reference from Exhibit (10)(2) of the Company's Form 8-K dated August 30, 2006

(xx) First Amendment to Receivables Purchase Agreement, dated as of November 30, 2006, by and among Cooper Receivables LLC, Cooper Tire & Rubber Company and PNC Bank, National Association is incorporated herein by reference from Exhibit (10)(1) of the Company's Form 8-K dated November 30, 2006

(xxi) 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 *

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

(xxiii) 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 *

(xxiv) Amended and Restated 1998 Non-Employee Directors Compensation Deferral Plan is incorporated herein by reference from the Appendix to the Company's Proxy Statement dated March 24, 1998 *

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

(xxvi) 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 *

(xxvii) 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 *

(xxviii) 2006 Incentive Compensation Plan is incorporated herein by reference from Appendix A to the Company's Proxy Statement dated March 21, 2006*

(xxix) 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

(xxx) 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. is herein incorporated by reference from Exhibit (xxvi) of the Company's Form 10-K for the year ended December 31, 2004

(xxxi) Strategic Subscription Agreement dated as of January 7, 2005 between Kumho Tire Co. Inc. and Cooper Tire & Rubber Company is herein incorporated by reference from Exhibit (xxvii) of the Company's Form 10-K for the year ended December 31, 2004

(xxxii) Sino-Foreign Equity Joint Venture Contract for Cooper Chengshan (Shandong) Passenger Tire Company Ltd. by and among Shandong Chengshan Tire Company Limited by Shares and Cooper Tire Investment Holding (Barbados) Ltd. and Joy Thrive Investments Limited is incorporated herein by reference from Exhibit (xxvii) of the Company's Form 10-K for the year ended December 31, 2005

(xxxiii) Asset Purchase Agreement by and among Shandong Chengshan Tire Company Limited by Shares and Cooper Chengshan (Shandong) Passenger Tire Company Ltd. and Chengshan Group Limited is incorporated herein by reference from Exhibit (xxviii) of the Company's Form 10-K for the year ended December 31, 2005

(xxxiv) Sino-Foreign Equity Joint Venture Contract for Cooper Chengshan (Shandong) Tire Company Ltd. by and among Shandong Chengshan Tire Company Limited by Shares and Cooper Tire Investment Holding (Barbados) Ltd. and Joy Thrive Investments Limited is incorporated herein by reference from Exhibit (xxix) of the Company's Form 10-K for the year ended December 31, 2005

(xxxv) Asset Purchase Agreement by and among Shandong Chengshan Tire Company Limited by Shares and Cooper Chengshan (Shandong) Tire Company Limited and Chengshan Group Company Limited is incorporated herein by reference from Exhibit (xxx) of the Company's Form 10-K for the year ended December 31, 2005

(xxxvi) Sino-Foreign Equity Joint Venture Contract for Rongcheng Chengshan Steel Cord Company Ltd. by and between Chengshan Group Company Limited and CTB (Barbados) Investment Co. Ltd is incorporated herein by reference from Exhibit (xxxi) of the Company's Form 10-K for the year ended December 31, 2005

(xxxvii) Share Purchase Agreement by and among Chengshan Group Company Limited and CTB (Barbados) Investment Co. Ltd. is incorporated herein by reference from Exhibit (xxxii) of the Company's Form 10-K for the year ended December 31, 2005

(xxxviii) Supplementary Agreement by and among Shandong Chengshan Tire Company Limited by Shares, Cooper Tire Investment Holding (Barbados) Ltd., Joy Thrive Investments Limited, Chengshan Group Company Limited and CTB (Barbados) Investment Co., Ltd.

(13) Annual 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

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* Indicates management contracts or compensatory plans or arrangements.

EXHIBIT 10 (xxxviii)

SUPPLEMENTARY AGREEMENT

BY AND AMONG

SHANDONG CHENGSHAN TIRE COMPANY LIMITED BY SHARES

COOPER TIRE INVESTMENT HOLDING (BARBADOS) LTD.

JOY THRIVE INVESTMENTS LIMITED

CHENGSHAN GROUP COMPANY LIMITED

CTB (BARBADOS) INVESTMENT CO., LTD.

Date: October 27, 2005

TABLE OF CONTENTS

SUPPLEMENTARY AGREEMENT

This **Supplementary Agreement** (this " Agreement ") is entered into as of this 27 th day of October 2005, by and among the following:

(1) **SHANDONG CHENGSHAN TIRE COMPANY LIMITED BY SHARES** (" CST "), a company limited by shares duly organized and existing under the laws of the People's Republic of China (" China " or " PRC ") with its legal address at No. 98, Nanshan Road North, Rongcheng City, Shandong Province, PRC;

(2) **COOPER TIRE INVESTMENT HOLDING (BARBADOS) LTD.** (" SPV Barbados "), a company duly organized and existing under the laws of Barbados with its legal address at Whitepark House, White Park Road, Bridgetown, Barbados;

(3) **JOY THRIVE INVESTMENTS LIMITED** (" SPV BVI "), a company duly organized and existing under the laws of British Virgin Islands with its legal address at P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands;

(4) **CHENGSHAN GROUP COMPANY LIMITED** (" CSG "), a limited liability company registered and incorporated under the laws of the PRC with its registered address at No. 98, Nanshan Road North, Rongcheng City, Shandong Province, PRC; and

(5) **CTB (BARBADOS) INVESTMENT CO., LTD.** (" CTB BARBADOS "), a company duly organized and existing under the laws of Barbados with its legal address at Chancery House, High Street, Bridgetown, Barbados, W. I.

(Each party is hereinafter individually referred to as a " Party " and collectively as the " Parties ".)

WHEREAS , CST, SPV Barbados and SPV BVI have executed two (2) Sino-foreign equity joint venture contracts (the " JV Contracts ") on the date of this Agreement for the joint establishment of Cooper Chengshan (Shandong) Tire Company Ltd. and Cooper Chengshan (Shandong) Passenger Tire Company Ltd. (the " JVs ");

WHEREAS , the Parties agree that the JVs should merge as soon as practicable;

WHEREAS , the JVs have entered into two (2) asset purchase agreements with CST (the " Asset Purchase Agreements ") to acquire the assets and business of CST;

WHEREAS , CTB Barbados and CSG have executed a Sino-foreign equity joint venture contract (the " Steel Cord JV Contract ") for the establishment of Cooper Taiji (Shandong) Steel Cord Company Ltd. (the " Steel Cord JV ");

WHEREAS , to facilitate the cooperation in connection with the above contemplated transactions, the Parties have been contemplating certain terms and conditions supplementary to the relevant arrangements, covenants and undertakings agreed upon among the Parties.

NOW, THEREFORE , in consideration of the agreements set forth herein, the adequacy of which hereby is acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. INTERPRETATION

Terms and expressions defined in or construed for the purposes of the JV Contracts and Asset Purchase Agreement shall have the same meanings or be construed in the same manner when used in this Agreement, unless otherwise specifically referred to in this Agreement.

2. CAPITAL CONTRIBUTION

2.1 CST shall contribute all of the land use rights and buildings free of all liens and encumbrances to the JVs, as detailed in Schedule 1 of this Agreement, representing thirty five percent (35%) of the Registered Capital of the JVs respectively.

2.2 CST, SPV Barbados and SPV BVI hereby agree that their capital contributions to the JVs are conditional upon satisfaction of the following conditions:

(a) the Supplementary Contracts have been executed by the parties to the JV Contracts and ratified by the Board pursuant to Article 7.4 of the JV Contracts;

(b) all parties to the JV Contracts have obtained corporate approvals in respect of the JV Contracts and Supplementary Contracts from their respective board of directors and/or shareholders assembly as may be necessary;

(c) the conditions precedent stipulated in Article 5 of the Asset Purchase Agreements have been fully satisfied; and

(d) the approvals have been issued as required by the U.S. Hart-Scott-Rodino Antitrust Improvement Act of 1976 and any other appropriate governmental authority.

3. TRANSFER OF EQUITY INTERESTS

3.1 CST, SPV Barbados and SPV BVI hereby agree to be bound by the detailed rules set forth in Schedule 2 attached hereto, which rules are to implement the transfer of their equity interests in the JVs.

3.2 CST and SPV BVI shall have the right (but not the obligation) to sell, and SPV Barbados shall have the obligation to buy, SCT and SPV BVI's Percentage Interests in the JVs during the period commencing from January 1, 2009 until December 31, 2011 (the " Exercise Period "), at a price equal to the greater of:

(a) Sale Price = {A + [(B x C) x (1 - D) - A] x (1 - E)} x F; or

(b) A x F.

For purpose of the above formulas:

A = Agreed-upon value of CST (US$128,000,000)
B = Average net income of the JVs during the three (3) trailing years
C = Agreed PE multiple (10)
D = Liquidity discount (20%)
E = Discount for SPV Barbados's added value (20%)
F = Percentage Interests of CST and SPV BVI (49%)

The Parties agree that any income tax of the JVs exempted or reduced in accordance with applicable PRC tax laws and regulations shall be inputted in the calculation of the average net income during the three (3) trailing years as set out in item B above as though such income tax exemption or reduction were not available.

CST, SPV Barbados and SPV BVI hereby agree to exercise the right and obligation stated in this Article 3.2 in accordance with one of the following schedules:

(i) CST and SPV BVI shall have the right to sell in one lump sum the entire part of their Percentage Interests in both JVs to SPV Barbados during the Exercise Period, provided that as long as either of them exercises such right, both of them shall sell the entire part of their Percentage Interests in both JVs; or

(ii) CST and SPV BVI to sell one third (1/3) of their Percentage Interests in both JVs to SPV Barbados in 2009, to sell one third (1/3) of their Percentage Interests in both JVs to SPV Barbados in 2010, and to sell remaining one third (1/3) of their Percentage Interests in both JVs to SPV Barbados in 2011; or

(iii) CST and SPV BVI to sell half (1/2) of their Percentage Interests in both JVs to SPV Barbados in 2010, and to sell the other half (1/2) of their Percentage Interests in both JVs to SPV Barbados in 2011.

3.3 Upon the completion of the transfer as referred to in Article 3.2, CTB Barbados shall have the right (but not the obligation) to, and CSG shall have the obligation to buy, the entire part of CTB Barbados' Percentage Interest in the Steel Cord JV during the period commencing from January 1, 2009 until December 31, 2011, at a price equal to the greater of:

(a) Sale Price = {A + [(B x C) x (1 - D) - A]} x E; or

(b) A x E.

For purpose of the above formulas:

A = Agreed-upon value of Rongcheng Chengshan Steel Cord Company Ltd. (US$[25,600,000])
B = Average net income of the Steel Cord JV during the three (3) trailing years
C = Agreed PE multiple (10)
D = Liquidity discount (20%)
E = Percentage Interest of CTB Barbados (25%)

The Parties hereby agree that any income tax of the Steel Cord JV exempted or reduced in accordance with applicable PRC tax laws and regulations shall be inputted in the calculation of the average net income during the three (3) trailing years as set out in item B above as though such income tax exemption or reduction were not available.

4. SALE OF COOPER BRANDED PRODUCTS

CST, SPV Barbados and SPV BVI hereby acknowledge that the tire products to be produced by the JVs and branded with the trademarks belonging to Cooper to be licensed to the JVs (the " Cooper Branded Products ") will be merely sold to and distributed by Cooper or its Affiliates. Subject to the approval by the Board of the JVs, the Cooper Branded Products will be sold to Cooper or its Affiliate at a price equal to the formula set forth in the policies for sale of Cooper Branded Products attached as Schedule 3 hereto.

5. NON-COMPETE

5.1 CST hereby specifically undertakes that it shall, and shall cause its Affiliates or related companies to, refrain from directly or indirectly engaging in, whether by itself or through any individual or entity, any activities that compete with any business or activities of the JVs anywhere in the PRC, except as otherwise provided in this Article 5, during the period when it holds any Interest in the JVs and for a period of five (5) years after it has ceased to hold any Interest in the JVs, provided, however, that CST shall have the right to sell its inventories under Customs control outside of China within nine (9) months from the date of the JV Contracts.

5.2 Without prejudice to the terms and conditions under this Article 5, in the event that SPV Barbados or any of its Affiliate contemplates an investment in Shandong Province in a tire manufacturing entity other than the JVs during the period of CST or its permitted successor holding any Interest of the JVs, SPV Barbados or its said Affiliate will consider and support in good faith and with every best effort the opportunity for CST or its permitted successor to participate in such investment, subject to the following conditions that:

(a) SPV Barbados or its said Affiliate shall own majority percentage of such investment;

(b) CST or its permitted successor shall use its own funds for such investment;

(c) the extent of CST or its permitted successor's participation in such investment shall be agreed upon by SPV Barbados or its said Affiliate, CST or its permitted successor and the said tire manufacturing entity where such investment will be made; and

(d) the said investment of CST or its permitted successor shall originate from within the territory of China.

6. TRANSFER OF INTELLECTUAL PROPERTY

6.1 For purpose of this Article 6, "Intellectual Property" means all of the following which is owned by, issued to or licensed to CST in relation to the tire business of CST, along with all income, royalties, damages and payments due or payable at Closing or thereafter including, without limitation, damages and payments for past or future infringements or misappropriations thereof, the right to sue and recover for past infringements or misappropriations thereof and any and all corresponding rights that, now or hereafter, may be secured throughout the world: patents, patent applications, patent disclosures and inventions (whether or not patentable and whether or not reduced to practice) and any reissue, continuation, continuation-in-part, revision, extension or re-examination thereof; trademarks, service marks, logos, trade names, internet domain names and corporate names together with all goodwill associated therewith, including, without limitation, the use of the current corporate name and all translations, adaptations, derivations and combinations of the foregoing; copyrights and copyrightable works (including without limitation, web sites); and all registrations, applications and renewals for any of the foregoing; trade secrets and confidential information (including, without limitation, ideas, know-how, drawings, specifications, plans, proposals, financial, business and marketing plans, sales and promotional literature, and customer and supplier lists and related information); information technologies (including, without limitation, software programs, data and related documentation); and all copies and tangible embodiments of the foregoing (in whatever form or medium).

6.2 The JVs desire to acquire, and CST wishes to sell, the Intellectual Property as defined in Article 6.1 at the consideration agreed upon by the CST and JVs, in the manner of, including without limitation to, the execution of a trademark assignment contract and a patent and know-how assignment contract between CST and JVs.

6.3 Except for disclosure, CST warrants, represents and undertakes to the JVs in respect of the Intellectual Property as to the matters set forth hereunder:

(i) the Intellectual Property comprises all of the intellectual property rights necessary for the operation of the tire business as conducted by CST prior to the date hereof;

(ii) CST owns and possesses all right, title and interest in and to, or has a valid and enforceable license to use, the Intellectual Property necessary for the operation of the tire business as conducted by it prior to the date hereof, free and clear of all liens, licenses, security interests, encumbrances and other restrictions;

(iii) no claim by any third party contesting the validity, enforceability, use or ownership of any of the Intellectual Property in relation to the tire business of CST has been made, is currently outstanding or, is threatened and there are no grounds for the same;

(iv) no loss or expiration of any part of the Intellectual Property in relation to the tire business of CST is pending or reasonably foreseeable;

(v) CST has not received any notices of, and is not aware of any facts which indicate a likelihood of, any infringement or misappropriation by, or conflict with, any third party with respect to the Intellectual Property in relation to its tire business (including, without limitation, any demand or request that CST license any rights from a third party);

(vi) CST has not infringed, misappropriated or otherwise conflicted with any intellectual property rights or other rights of any third parties and CST is not aware of any infringement, misappropriation or conflict which will occur as a result of the continued operation of its business as conducted by CST prior to the date hereof or as currently proposed to be conducted; and

(vii) the transactions contemplated by this Agreement will have no effect on the CST's right, title and interest in and to the Intellectual Property in relation to the tire business (except for its transfer to the JVs). CST has taken all necessary action, in its reasonable business judgment, to maintain and protect such Intellectual Property so as to not affect the validity or enforceability of the Intellectual Property. The owners of any Intellectual Property in relation to the tire business licensed to CST have taken all necessary and desirable action to maintain and protect that portion of the Intellectual Property subject to such licenses.

6.4 The Parties hereby also agree that the total amount of the JVs' payment obligations under Article 5.1(b) of the Technical Assistance and Technology License Agreements entered into between Cooper Tire & Rubber Company (" **Cooper** ") and the JVs on October 27, 2005 (the " **Cooper Technology License Agreements** ") shall not exceed US$6,000,000 for any calendar year. In the event that the JVs are merged into a new company (the " **New Co.** "), the New Co. shall have the right to use the Cooper-licensed technologies under the Cooper Technology License Agreements and shall pay annually by quarterly payments to Cooper a royalty fee in the amount of (i) 0.5% of Net Sales Price (as such term defined in the Cooper Technology License Agreements) of the New Co.'s annual gross sales if such Net Sales Price is not more than RMB3,000,000,000; plus (ii) 1.6% of the amount in excess of RMB3,000,000,000 if such Net Sales Price is more than RMB3,000,000,000, provided that such royalty fee payment is up to a maximum of US$6,000,000 per calendar year.

7. PURCHASE OF INVENTORY

7.1 The JVs and CST have agreed that all the inventories owned by CST in connection with its tire business will be sold to the JVs by way of normal trade business at an estimated amount of Fifty Million United States Dollars (US$50,000,000), provided, however, that CST shall have the right to sell its inventories under Customs control outside of China and North America within nine (9) months from the date of the JV Contracts. The inventories shall be sold to the JVs at the price of the original cost of such inventories reduced by the increase in asset value of the Purchased Assets covered in the Asset Purchase Agreements as determined by the asset appraisal conducted in reference to the establishment of the JVs, and the valid value added tax invoices in connection with such sales which shall be issued by CST to the satisfaction of the JVs.

7.2 The JVs shall not be liable for any act, neglect or omission of CST in respect of any inventories purchased, and CST shall hold the JVs harmless and indemnified against any claim, expense, loss or damage arising from the purchase of any inventories, with the

exception of expenses or losses covered by reserves established on the balance sheet as of the Closing Audit.

8. PRICING ADJUSTMENT

CST and the JVs have agreed that upon Closing an audit of the balance sheet dated as of the Closing Date (the " Closing Audit ") shall be completed by an independent third party in accordance with the Chinese general accepted accounting principles (" GAAP ") and relevant PRC laws and regulations, the JVs shall not claim any compensation from CST as a result of balance sheet adjustments made to the Purchased Assets or Assumed Liabilities other than those described below as resulting from undisclosed information, untrue, inaccurate or incomplete information provided or items not in compliance with relevant PRC law. If CST has not disclosed some information which CST knows or should have known, or in the event some information CST has disclosed is not true, accurate or complete or is not in compliance with relevant PRC law, after the Closing Audit the JVs shall have the right to claim compensation from CST as a result of the adjustment due to the value change of the Purchased Assets or Assumed Liabilities.

9. Restrictions on the CST

CST shall not, between the date of the Asset Purchase Agreement and Closing (except as may be expressly provided in the Asset Purchase Agreement) without the prior written consent of the JVs, incur or enter into any agreement or commitment involving any capital expenditure (including without limitation any leasing, hire purchase or other agreement or arrangement for payment on deferred terms) in relation to CST's business in excess of RMB¥1,000,000 or a monthly accumulative amount of RMB¥8,000,000.

10. TIRE BUSINESS EXPANSION

After the formation of the JVs and provided that it is economically feasible to do so, with sufficient customer sales requirements, CST, SPV Barbados and SPV BVI shall agree to implement as soon as possible the new half steel radial tire project.

11. BREACH OF AGREEMENT

In the event that a breach of agreement committed by any Party to this Agreement results in the non-performance of or inability to fully perform this Agreement, the liabilities arising from the breach of agreement shall be borne by the Party in breach. In the event that the Parties commit a breach of agreement, each Party shall bear its individual share of the liabilities arising from the breach of agreement. Any breach of this Agreement by any Party's Affiliate shall be deemed a breach by such Party.

12. CONFIDENTIALITY

12.1 The Parties undertake with each other that they shall treat as strictly confidential all information received or obtained by them or their employees, agents or advisers as a result of entering into or performing this Agreement including information relating to the provisions of this Agreement, the negotiations leading up to this Agreement, the subject matter of this Agreement or the business or affairs of each Party and that it will not at any time hereafter make use of or disclose or divulge to any person any such information and shall use its best endeavors to prevent the publication or disclosure of any such information.

12.2 The restrictions contained in Article 12.1 shall not prevent Parties from making any disclosure required by law or by any supervisory or regulatory or governmental body or from making any disclosure to any professional adviser for the purposes of obtaining advice, nor shall the

restriction apply in respect of any information which comes into the public domain other than by a breach of this Article 12 by any Party.

13. EFFECTIVENESS AND TERMINATION

13.1 Once signed by legally authorized representatives of each Party, this Agreement shall be effective as of the date first above written (" Effective Date ").

13.2 This Agreement shall expire or may be terminated if and when any of the JV Contracts or Asset Purchase Agreements expires or is terminated in accordance therewith. This Agreement may also be terminated by written consent of both Parties.

14. DISPUTE RESOLUTION

14.1 Any and all disputes, controversies or claims (the " Dispute ") arising out of or relating to the formation, validity, interpretation, implementation or termination of this Agreement, or the breach hereof or relationships created hereby shall be settled through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Parties written notice of a Dispute, then it shall be resolved exclusively and finally by arbitration in Hong Kong at the Hong Kong International Arbitration Center (" HKIC ") in accordance with the arbitration rules of the HKIC (the " HKIC Rules ") for the time being in force which rules are deemed to be incorporated by reference to this clause.

14.2 Any arbitration shall be heard before a tribunal consisting of three (3) arbitrators. Each side of the Dispute shall appoint one (1) arbitrator. The two (2) arbitrators thus appointed shall choose the third arbitrator who will act as the presiding arbitrator of the tribunal. If the two arbitrators have not agreed on the choice of the presiding arbitrator, the presiding arbitrator shall be appointed by the Chairman of the HKIC. The language of the arbitration shall be English and Chinese. The arbitration shall be final and binding on the Parties, shall not be subject to any appeal, and the Parties agree to be bound thereby and to act accordingly. The award of the arbitration may be enforced by any court having jurisdiction to do so. Throughout any dispute resolution and arbitration proceedings, the Parties shall continue to perform this Agreement, to the extent practical, with the exception of those parts of this Agreement that are under arbitration. Except as otherwise determined by the arbitration tribunal, each Party shall be responsible for its expenses incurred in connection with resolving any Dispute, but the arbitration fees shall be borne by the losing side of the Dispute.

14.3 The Parties agree that in all agreements where the arbitration is in accordance with the arbitration rules of the HKIC, such arbitration shall be administered and conducted in accordance with the arbitration rules of the HKIC.

15. GOVERNING LAW

The formation of this Agreement, its validity, interpretation, execution and any performance of this Agreement, and the settlement of any Disputes hereunder, shall be governed by published and publicly available laws, rules and regulations of the PRC, the applicable provisions of any international treaties and conventions to which PRC is a party, and, if there are no published or publicly available PRC laws, rules or regulations, or treaties or conventions governing a particular matter, by general international commercial practices.

16. MISCELLANEOUS

16.1 This Agreement is written and executed in a Chinese version and in an English version. Both language versions of this Agreement are of equal validity and effect.

16.2 In the event of discrepancy between this Agreement and the Joint Venture Contracts, Assets Purchase Agreements, Joint Venture Contract for steel cord and any other arrangements, understandings, commitments relevant to this Agreement, this Agreement shall prevail.

16.3 No delay on the part of any Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or other exercise thereof hereunder. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any Party may otherwise have.

16.4 All notices or other communications under this Agreement shall be in writing and shall be delivered or sent to the correspondence addresses or facsimile numbers of the Parties set forth below or to such other addresses or facsimile numbers as may be hereafter designated in writing on seven (7) days' notice by the relevant Party. All such notices and communications shall be effective: (i) when delivered personally; (ii) when sent by telex, telefacsimile or other electronic means with sending machine confirmation; (iii) ten (10) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) four (4) days after deposit with a commercial overnight courier, with evidence of delivery provided by the courier.

CST	Address:	No. 98, Nanshan Road North, Rongcheng City, Shandong Province, PRC
	Tel:	0631-7523205
	Fax:	0631-7523888
	Attn:	Zhang Junquan
SPV Barbados	Address:	701 Lima Avenue Findlay, Ohio, U.S.A. 45840
	Tel:	1-419-427-4757
	Fax:	1-419-831-6876
	Attn:	Mr. Hal Miller
	Copy to:	Mr. James Kline
SPV BVI	Address:	P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands
	Tel:	00852-2526-8111
	Fax:	00852-2526-5322
	Attn:	Iris Yeung
CSG	Address:	No. 98, Nanshan Road North, Rongcheng City, Shandong Province, PRC
	Tel:	0631-7523206
	Fax:	0631-7506826
	Attn:	Zhang Junquan
CTB Barbados	Address:	701 Lima Avenue Findlay, Ohio, U.S.A. 45840
	Tel:	1-419-427-4757
	Fax:	1-419-831-6876
	Attn:	Mr. Hal Miller
	Copy to:	Mr. James Kline

16.5 If any provision of this Agreement should be or become fully or partially invalid, illegal or unenforceable in any respect for any reason whatsoever, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

16.6 No amendment or modification of this Agreement, whether by way of addition, deletion or other change of any of its terms, shall be valid or effective unless a variation is agreed to in writing and signed by authorized representatives of each of the Parties.

16.7 This Agreement shall inure to the benefit of and be binding upon each of the Parties and their respective permitted successors and permissible assignees.

16.8 This Agreement is executed in nine (9) original counterparts, each of which shall have equal effect in law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF , each of the Parties has executed this Agreement or has caused this Agreement to be executed by its duly authorized officer or officers as of the date first above written.

SHANDONG CHENGSHAN TIRE COMPANY LIMITED BY SHARES

By: /s/ Che Hong-Zhi
Name: Che Hong-Zhi
Title: Chairman

COOPER TIRE INVESTMENT HOLDING (BARBADOS) LTD.

By: /s/ Harold C. Miller
Name: Harold C. Miller
Title: Authorized Representative

JOY THRIVE INVESTMENTS LIMITED

By: /s/ Stacey Wong
Name: Stacey Wong
Title: Authorized Representative

CHENGSHAN GROUP COMPANY LIMITED

By: /s/ Che Hong-Zhi
Name: Che Hong-Zhi
Title: Chairman

CTB (BARBADOS) INVESTMENT CO., LTD.

By: _____
Name:
Title:

Schedule 1
DESCRIPTION OF LAND AND BUILDINGS (TO BE CONTRIBUTED BY CST)

Part 1
Land Use Right

(confirmed by Chengshan and only refer to tire business)

No.	Land Use Right Certificate No.	Area (M^2)	Use	Type of Land Use Right	Termination Date
1	13407	11,700	Cafeteria	Granted	2039.12.02
2	13408	48,913	Workshop for 300,000 unit bias tire	Granted	2038.09.21
3	13415	9,844	Mechanic workshop	Granted	2043.03.22
4	13416	19,933	Tube workshop	Granted	2042.12.02
5	13417	12,846	All-steel workshop	Granted	2022.04.24
6	13420	11,370	Workshop for 300,000 unit bias tire	Granted	2039.12.02
7	13421	186,373	Workshop for 1,000,000 unit all-steel tire, all-steel workshop, rubber refining workshop (phase II), warehouse A, warehouse B, water pump workshop (phase II), air-compressor station (phase II), battery car garage, security guard room (phase II), carbon black warehouse (phase II), sub-station (phase II)	Granted	2043.07.27
8	13422	13,000	All-steel workshop	Granted	2039.12.02
9	13423	2,198.8	/	Granted	2038.06.07
10	13529	117,731	Banburying workshop, carbon black warehouse, switch board room, original laboratory, semi-steel radial tire workshop, small tire forming workshop, dynamic workshop, weighing room, de-oxygen station, boiler room, original mechanic workshop, warehouse, de-bagging room, fluidized bed furnace, carbon black	Granted	2039.12.02

No.	Land Use Right Certificate No.	Area (M^2)	Use	Type of Land Use Right	Termination Date
			warehouse, semi-steel vulcanization, five store rooms, cogeneration, engineering tire workshop, original garage, mileage laboratory, original factory office, kitchen, rubber refining workshop, 2 big tire forming workshops, big tire vulcanization workshop		
11	131200	19,939.7	Semi-steel warehouse	Granted	2038.06.07

Schedule 1

Part 2
Buildings with Building Ownership Certificates

(confirmed by Chengshan and only refer to tire business)

No.	Building Ownership Certificate No.	Underlying Land Use Right Certificate No.	Construction Area (M^2)	Use	Used Term (Yrs)
1	200500856	13529	3402	Banburying workshop	12
		13529	658	Carbon black warehouse	29
		13529	662	Switch board room	6
		13529	1564	Original laboratory	
2	200500857	13417, 13422, 13421	59069.22	All-steel radial tire	6
3	200500858	13407	3588.3	Cafeteria	5
4	200500859	13421	41062.12	Rubber refining workshop (phase II)	1
5	200500862	13529	21000	Semi-steel radial tire workshop	10
6	200500863	13529	5424	Small tire forming workshop	7
7	200500864	13529	1766.25	Dynamic workshop	
		13529	186.75	Weighing room	
		13529	96	De-oxygen station	
		13529	2942.24	Boiler room	
		13529	2200.75	Original mechanic workshop	14
8	2005000865	13529	721.06	Warehouse	5
9	2005000866	13529	307.52	De-bagging room	14
10	2005000867	13529	264.1	Fluidized bed furnace	
11	2005000868	13529	485	Carbon black warehouse	9
12	2005000869	13529	5415	Semi-steel vulcanization	10
		13529	3935.1	Five store rooms	10
13	2005000870	13415	2757.83	Mechanic workshop	9
14	2005000871	13529	1470	Cogeneration	10

No.	Building Ownership Certificate No.	Underlying Land Use Right Certificate No.	Construction Area (M^2)	Use	Used Term (Yrs)
15	2005000872	13529	4406	Engineering tire workshop	8
16	2005000873	13416	5318.15	Tube workshop	12
17	2005000877	13421	1178	Water pump room (phase II)	8
18	2005000879	13421	1178	Air-compressor station (phase II)	2
19	2005000880	13529	1227	Original garage	
		13529	744	Mileage laboratory	5
		13529	431.2	Original factory office	5
		13529	452.4	Kitchen	6
20	2005000881	13421	771.75	Battery car garage	3
		13421	87.2	Security guard room (Phase II)	1
21	2005000882	13421	2435.56	Carbon black warehouse (phase II)	1
22	2005000883	13529	6300	Rubber refining workshop	14
23	2005000885	13421	1329.82	Sub-station (phase II)	8
24	2005000896	13529	6360	Big tire vulcanization workshop	11
		13529	6360	Big tire forming workshop	12
		13529	3903.88	Small tire vulcanization	12
25				Wei Hai Jia Cheng building	
	In Total		**201460.20**		

Schedule 1

Part 3
Buildings without Building Ownership Certificates

(confirmed by Chengshan and only refer to tire business)

No.	Underlying Land Use Right Certificate No.	Construction Area (M^2)	Use	Used Term (Yrs)
1	13421	5,400	Raw rubber warehouse A	2
2	13421	2,750	Raw rubber warehouse B	2
3	13421	1,003	Comprehensive house	2
4	13421	363	Carbon black warehouse	2
5	13407	480	East gate	2
6	13421	45	Security guard West room	2
7	13529	628	Parking lot	2
8	13421	430	Connection corridor	2
9	13421	1,667	Carbon black distribution room	2
10	13529	1,944	Rubber filter garage	4
11	13529	648	Nitrogen charging room	2
12	13408	28,830	Rubber refining workshop	3
13	13421	38,000	1,000,000 unit all-steel	3
14	13416	9,000	Tube east shed	8
15	131200	5,400	Tube south shed	8
16	131200	5,933	Tube east shed	8
17	13421	34.67	Weighing room (phase II)	
18	13529	313.5	De-oxygen station, No. 6 workshop West	
19	13529	1,812	Steel cord warehouse	
20	13529	620.4	Dynamic workshop de-oxygen station	
		11475.59	300,000 unit bias	
	In Total	**106,838.99**		

Schedule 2

Part 1
EQUITY TRANSFER/Pledge RULES

1. General Principles . Each of CST, SPV Barbados and SPV BVI undertakes that, except as permitted in this Schedule 2 or as otherwise agreed by the Parties, it shall not sell, transfer, assign or otherwise dispose of the legal or beneficial ownership of, or create any mortgage, charge, pledge, or other encumbrance over or security interest in, either the entire or any part of its equity interest in the JVs or its rights and obligations under the JV Contracts or otherwise in relation to the JVs whatsoever without the prior written consent of the other parties to the JV Contracts and subject to compliance with relevant PRC law.

2. Procedure for Transfers .

   (1) In the event that a Party (the " **Transferring Party")** desires to transfer or otherwise dispose of all or any portion of its Percentage Interest in either of the JVs (the " **Interest** ") (other than pursuant to the provisions of paragraph 2(3) below), it shall first notify the other Parties (the " **Non-Transferring Parties** ") in writing of (i) its intent to transfer or otherwise dispose of its Interest, (ii) the proposed percentage of the Interest to be transferred or disposed, (iii) the price and principal terms and conditions of the proposed transfer or disposal, and (iv) the identity of the proposed third party transferee (the " **Notice** "). The Non-Transferring Parties will have thirty (30) days from the receipt of the Notice to notify the Transferring Party whether they desire to purchase the Interest and, if so, the sale of Interest shall be completed in accordance with the terms and conditions set forth in the Notice within the longer of the period of ninety (90) days after receipt of the Notice or fifteen (15) days after such sale of Interest is duly approved by the Examination and Approval Authority and registered with the Registration Authority. If no response or a negative response is given by the Non-Transferring Parties in respect of a proposed transfer within the thirty (30) day period, the Non-Transferring Parties shall be deemed to have consented to the proposed transfer or disposal of the Interest between the Transferring Party and the proposed transferee identified in the Notice excluding any third party capable of competing against the Joint Venture. It shall be a condition of the transfer that such transferee shall agree to become party to and to be bound by the terms of the JV Contracts and thereafter any reference to a Party herein shall be deemed to include a reference to such transferee as if named herein as a Party. If both of the Non-Transferring Parties exercise their pre-emptive rights, each shall have the right to purchase a fraction of the Interest of the Transferring Party equal to its Percentage Interest divided by the sum of the Percentage Interests of both Non-Transferring Parties.

   (2) In circumstances of a transfer of Interest under paragraph 2(1), the Non-Transferring Parties shall be deemed to consent to, and shall cause all of the Directors nominated by it to vote in favor of, any such transfer carried out in accordance with the procedures stipulated herein.

   (3) Notwithstanding any other provisions in the JV Contracts or this Schedule, if a Party wishes to transfer all or any part of its portion of its Percentage Interest to an Affiliate, such Party shall notify the other Parties in writing, and shall provide documentary evidence of the relationship between the Party proposing the transfer and the relevant Affiliate. The other Parties shall immediately agree such transfer, waive its preemptive rights, and cause all Directors nominated by them to vote in favor of such transfer, and such transfer shall thereafter be duly presented to the Examination and Approval Authority for approval.

(4) No transfer of any part of a Party's Interest shall become effective until the transferee (whether an Affiliate or a third party) has delivered to the Non-transferring Parties a valid and effective undertaking to perform the obligations of the Transferring Party under the JV Contracts and be bound by its terms as if the transferee had been an original Party to the JV Contracts.

(5) Any sale, transfer, assignment, or disposal pursuant to this Schedule shall be submitted to the Examination and Approval Authority for examination and approval. Upon receipt of the approval document from the Examination and Approval Authority the JV(s) shall register the change in ownership with the Registration Authority.

3. Pledge of Interest

CST or its permitted successor may pledge not more than 70% of its Percentage Interest (the " **Pledged Interest** ") to any of the Qualified Lenders set forth in the Part 2 herein for its own financing purposes with the prior written consent of SPV Barbados, subject to the following conditions that:

any Qualified Lenders, at the time of execution of such financing agreements or other instruments in the similar effect, shall grant SPV Barbados in writing a first right of refusal to repay the borrowings of CST or its permitted successor and acquire the Pledged Interest pursuant to the applicable PRC laws and regulations in the event that such Qualified Lender forecloses at the default of CST or its permitted successor.

Schedule 2

Part 2
Qualified Lenders as selected by SPV BArbados

(a) licensed PRC national commercial banks (and their permitted branches or subsidiaries), such as, Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China;

(b) reputable international banks (and their permitted branches or subsidiaries) licensed to carry out financial business and service in China;

(c) licensed PRC national policy banks (and their permitted branches or subsidiaries), such as, Export and Import Bank of China, National Development Bank, Agricultural Development Bank of China; and

(d) PRC joint-stock commercial banks (and their permitted branches or subsidiaries) licensed to carry out nationwide financial business and service in China, such as, for example, Bank of Communications, Minsheng Bank, China Merchants Bank, etc.

Schedule 3

POLICIES FOR SALE OF COOPER BRANDED PRODUCTS

The method to compute the transferring price

(a) The formula will be reviewed and adjusted every six (6) months on the basis of the actual performance of the JVs during such six (6) months trailing period (January — June calculated in July, July — December calculated in January). Pricing adjustments may or may not be made depending on the amount of the change.

(b) For calculation purposes, products will be grouped into semi-steel PCT & RLT, all-steel TBR, bias, engineering (OTR) and related products produced by the JVs. The formula will be calculated for the said tire category only.

(c) Begin with the Joint Venture's GP Margin % (GPM_CS) for tires with Chengshan's brands. GP Margin is calculated as Net Sales less manufactured cost (which include materials, factory labor, factory overhead and depreciation on factory buildings and equipment).

(d) Deduct expense items (expressed as a percent of sales) not borne by tires with Cooper's brands. This is the GP Margin % for Cooper branded products.

(e) The selling price for Cooper branded products = the Manufactured Cost divided by (1 - GPM_CTB).

An example for half-steel tires

Chengshan		
Price	149.00	
Cost	125.00	
GPM_CS	24.00	16.1%
Selling Exp.	7.40	5.0%
Inventory Provision	1.50	1.0%
Advertising	1.50	1.0%
Bad debts	1.50	1.0%
Amortization of Intangible Assets	0.15	0.1%
GPM_CTB	11.95	8.0%

Cooper		
Price	135.90	
Cost	125.00	
GPM_CTB	10.90	8.0%

Explanation for this example

(a) The GPM_CS shall be the average margin for same product group in the trailing 6 months

(b) Deducted items:

(1) Selling expense: both parties need to work together on specific items that included here and will included, but not be limited to the following items:

- Customer Freight
- Salesmen and Marketing Employee salaries, fringes, social costs and business trips
- Distribution & Logistics costs
- Product Advertising and promotions
- Export Expenses

(2) Finish goods inventory

(3) Advertising: advertising to promote CST's brands not the JVs

(4) Bad debts

(5) Amortization of intangible assets: Mainly includes land use right for land used for producing non-radial tires

(c) Where possible, the excluded costs shall be identified by product type. Otherwise, the excluded item will be total Joint Venture costs for the item expressed as a percent of total sales.

(d) The unit cost for tires with Cooper's brands shall be determined by the actual cost if different from those with CST's brands

(e) The transfer price of Cooper brand shall be:

Transferring Price = Cost for Cooper brand / (1 - GPM_CTB)

Margin Premium

(a) In years 5 and 6, a 1% premium will be added to the Cooper Margin (GPM_CTB) in calculating the selling price. In the above example, the selling price would be calculated as: 125/(1 - (8.0% + 1%)) = 137.36

(b) In year 7 and beyond a 2% margin premium will be added to the GPM_CTB resulting in a calculated price of:

Cost for Cooper brand / (1 - (GPM_CTB+2%))
=125/ (1-10.0%)
=138.89

EXHIBIT 13

To our shareholders:

2006 was a year of tremendous challenge and change for Cooper Tire & Rubber Company. Challenges from general industry conditions as well as some challenges of our own making led to less than acceptable financial results, particularly in the first three quarters of the year. However, the changes we put in place, in response to these market challenges and through the implementation of our strategic plans, are already beginning to generate positive results. In addition, while raw material prices remain near all-time highs, we began to see some improvement in the trends for raw material prices late in the year. These positive changes of direction are starting to be reflected in many of the measures we use to manage our business as well as in the price of Cooper stock, which we believe is an indication that we have begun to turn the company around and we are headed in the right direction.

Throughout the year we faced some of the most difficult market conditions that we have ever encountered. Raw material prices continued escalating relentlessly as natural rubber and many petroleum based products hit all-time record high price levels. Replacement tire demand in North America was far weaker than anticipated, with shipments from manufacturers down more than 7 percent in the first 6 months and over 5 percent for the full year. This was the single greatest year-over-year decline in demand in the past quarter century, surpassing even the weak demand that occurred in the recessionary period of 2001 following the 9/11 tragedy.

In the first half of the year, these conditions, along with some of our own optimistic sales forecasts, drove higher production costs, rapidly expanding finished goods inventory, a higher than expected rate of cash consumption, and the need to significantly curtail production in our plants. Disappointing financial performance was the inevitable result requiring immediate action and change to improve our future financial results.

In the second half of the year our management team developed a plan to dramatically cut costs, reduce complexity and improve efficiency within our operations. The goals were established to deliver a combined $170 million in cost reductions and profit improvements through a wide range of projects touching every aspect of our business. The entire Cooper team stepped up to the challenge, providing enthusiastic support for the plan, and implementation began almost immediately. The combined cost cutting and profit improvement initiatives quickly began to show early results. With that initial success, the demeanor and attitude of our people changed and once again began to reflect that positive, can-do winning spirit that has been a hallmark of Cooper Tire & Rubber Company in the past.

Changes that drive results

Though it is still early, the implementation of some our initiatives have already driven improvements in various measures and in our results overall.

In our North American Tire Operations, sales increased steadily throughout the year and sales per employee improved by 27 percent from the first quarter to the fourth driven by our cost reduction and profit improvement initiatives. Production per employee was also up by nearly 7 percent and our operating margins improved from negative 1 percent in the first quarter to 6 percent in the fourth.

For the entire company, we were successful in reducing SG&A expenses as a percent of sales from 8.0 percent in the first quarter to 5.7 percent in the fourth quarter. Operating profit for the Company increased to $28 million in the fourth quarter following operating losses in two of the first three quarters of the year. Our initiative to reduce and control inventory was implemented beginning in August and resulted in a reduction of 2.5 million tires in inventory in the second half of the year. This contributed to the dramatic improvement in cash generation in the second half of the year, which culminated in the fourth quarter with $177 million in cash generated by our operations.

Finally, as we defined our turn around plans in early September and gained the confidence of the investment community that we could execute these plans, we saw a dramatic turn around in our stock price. We thank you for that support and confidence.

Long-term Strategy

Through the difficult transition of 2006, Cooper has not lost sight of the strategic plans and initiatives that we believe will be critical for our long-term growth and success. We continued the implementation of our plans in Asia with the acquisition of 51 percent interest in Cooper Chengshan Tire Company and Cooper Chengshan Passenger Tire Company. Cooper Chengshan has operated successfully throughout the year and their results have been in line with our pre-acquisition expectations. We also completed the construction of our Cooper Kenda joint venture production facility in Kunshan, China. Limited production began in this plant in early 2007. Together, we expect these operations to provide 15 to 20 percent of our total sales in 2007 and the low-cost output will improve our competitive position in the rapidly expanding Chinese market, as well as in North America and Europe.

Key new products

In 2006, Cooper gained market share in virtually every product category with the exception of winter tires. Although total market demand for broadline tires has been declining for the past several years, it remains the largest single replacement tire category in the U.S. market and for Cooper. Our new product introductions over the past few years have focused on the rapidly growing categories of high performance and ultra-high performance tires, which has been a critical step in meeting our customer requirements and maximizing sales growth opportunities. Having accomplished that, in 2007 we will introduce the Cooper CS4 line of premium broadline and touring tires. The CS4, with its technological advancements, will be perfectly suited for the largest segment of the replacement tire market. With this new product, we are confident that the broadline category of tires will again become a profitable area of growth and competitive advantage for Cooper.

Looking ahead to 2007

As we put the challenges of 2006 behind us, but keep the lessons learned from the year in our arsenal of management tools, here is what you should expect from Cooper in the coming years. We will continue to focus on improving our competitive cost structure. We recognize that the cost cutting measures in progress today will not be sufficient for the future, so we will aggressively pursue our lean initiatives, six sigma efforts and growth strategies in lower cost countries with renewed fervor. We will continue to reduce working capital requirements by

increasing inventory turns. You can expect tighter control of capital spending. Our current plans are to keep CAPEX at or below depreciation in our mature markets while allowing for some additional investments to take advantage of growth opportunities by expanding our Chinese operations. You can expect us to emphasize customer driven marketing that will also focus on more controlled, more profitable sales growth and more profitable product and customer mix. You can expect us to work diligently to reduce complexity in our manufacturing operations that hampers efficiency. Along with this, you can expect continuous improvement in our North American production facilities. Beyond North America, you can expect continuing improvements in our European operations and solid execution of our Asian expansion plans. Our strategy is sound and will provide us with tremendous opportunities when executed effectively.

Finally, you can expect continuation and improvement in our traditional focus on our customers. Our customer relationships have always been one of the keys to our success and they are becoming even more important as competition from low-cost tire importers intensifies. We can reassure our customers that Cooper is committed to their success and we will do what it takes to provide them with the greatest combined value in replacement tire products and service.

The Board of Directors and I are confident that we have implemented initiatives that will, when executed properly, dramatically improve our results in the near future. We believe we have the teams in place and the appropriate alignment throughout the organization to effectively execute our plans. We are optimistic and excited about our opportunities in 2007.

Thank you for your continued support.

Roy V. Armes
President and Chief Executive Officer

Our Customer relationships. Our Products.
We take great pride in everything we build.

Cooper customer service is considered the gold standard in the tire industry, and we're constantly re-setting the bar to higher levels. We care about what we do. Period. Our commitment to exceeding customer expectations has enabled us to build lasting relationships with some of the best distributors and dealers in the business. And that is what sets Cooper Tire apart from all others.

Cooper tires cover a wide range of the tire market, from ultra-high performance sports cars to SUVs and 4X4s, vans and trucks to motorcycles; and we make winter tires and tires specifically for use on the race track. Beyond Cooper, we have a suite of associate brands — Mastercraft, Avon, Starfire and Dean, along with Mickey Thompson and Dick Cepek tires and Oliver tread rubber products. All are designed specifically for a purpose, and all are made to exceptionally high quality standards. For those who know us, our products speak for themselves.

The new Cooper CS4 premium passenger tire will be a significant addition to our product line-up in 2007. It will be a perfect complement to our existing products and will bring dramatically improved performance, handling, ride comfort and grip to sedans and sports cars alike. Loaded with technology and features developed for the demands of racing, the Cooper CS4 brings performance and value together to exceed the expectations of the most demanding drivers.

The world has opened up. It brings challenge and change, but that gives Cooper an opportunity to focus on a business and industry that is at the heart and soul of its organization. Today, with the changes in the tire marketplace, changes in the consumer, and changes around the world, we will be right there at the top because of our technology, products, skilled workforce, dedication and experience.

So whether you measure Cooper by our customer service, by our technology or by our products, we are a leader in the tire industry. Since the beginning, our focus has never wavered: to be the easiest tire company to do business with and provide the greatest replacement tire value. We continue to stand by that principle today.

Shareholder Information

Executive Offices

Cooper Tire & Rubber Company
701 Lima Avenue
Findlay, OH 45840
(419) 423-1321

For Information

Tire products	(800) 854-6288
Investor Relations	(419) 427-4768
Web site	www.coopertire.com

Annual Meeting

The 2007 Annual Meeting of Stockholders of Cooper Tire & Rubber Company will be held at the Alumni Memorial Union, North Multi-Purpose Room at the University of Findlay, 1000 North Main Street, Findlay, Ohio, 45840, on Tuesday, May 1, 2007 at 10:00 a.m. Eastern Daylight Time. All stockholders are cordially invited to attend. Proxy material is sent to stockholders together with this report.

Transfer Agent & Registrar

Computershare Investor Services LLC
250 Royall Street, Mail Stop 1A
Canton, MA 02021

(888) 294-8217 (toll free)
24 hours automated or Monday — Friday
8:30 a.m. to 5:30 p.m. (central time)
www.computershare.com
web.queries@computershare.com

Stockholders requiring a change of name, address or ownership of stock as well as information about stockholder records, lost or stolen certificates, dividend checks, dividend direct deposit and dividend reinvestment should contact our transfer agent by mail, by telephone or through its website.

Filing Certifications

The Company has filed the certification required by Section 302 of the Sarbanes-Oxley Act of 2002 as an exhibit to its Form 10-K for the fiscal year ending December 31, 2006, filed with the Securities and Exchange Commission. On May 4, 2006, the Company filed with the New York Stock Exchange its Annual CEO Certification.

Direct Investment Plan

Computershare Investor Services serves as Administrator for a direct investment plan for the purchase, sale and/or dividend reinvestment of Cooper Tire & Rubber Company common stock. For information, call Computershare Investor Services at (888) 294-8217.

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 Receivables LLC (Delaware)
  - Cooper Tire Holding Company (Ohio)
  - Cooper Tire International Trading Company (Cayman Islands)
    - Cooper Tire & Rubber International Trading Limited (Cayman Islands)
    - Branch Office (Singapore)
  - Cooper Tire & Rubber Company (Barbados) Ltd. (Barbados)
    - Cooper Tire Asia-Pacific (Shanghai) Trading Company Ltd. (China)
  - Cooper Tire & Rubber Co. Shanghai Rep Office (China — Branch)
  - Cooper Tire & Rubber Foundation (Ohio)
  - Cooper Tire & Vehicle Test Center Inc. (Texas)
  - Cooper Tyre & Rubber Company UK Limited (England)
    - Cooper Tire & Rubber Company Deutschland GmbH (Germany)
    - Cooper Tire & Rubber Company Espana S.L. (Spain)
    - Cooper Tire & Rubber Company Europe Ltd. (England)
      - Cooper Tire & Rubber Company International Development Limited (England)
    - Cooper Tire & Rubber Company France Sarl (France)
    - Cooper Tire & Rubber Company Italia S.r.l. (Italy) (99% owned)
    - Cooper Tire & Rubber Company Suisse SA (Switzerland)
    - CTB (Barbados) Investment Co. Ltd. (Barbados)
      - Cooper Kenda Global Holding Co. Ltd. (Barbados) (50% owned)
        - Cooper Kenda Tire (Kunshan) Co. Ltd. (China)
      - Cooper Kenda Global Investment Co. Ltd. (Barbados) (80% owned)
        - Cooper (Shanghai) Trading Co. Ltd. (China)
      - Cooper Tire Investment Holding (Barbados) Ltd. (Barbados)
        - Cooper Chengshan (Shandong) Passenger Tire Company Ltd. (China) (51% owned)
        - Cooper Chengshan (Shandong) Tire Company Ltd. (China) (51% owned)
      - Rongcheng Chengshan Steel Cord Company Ltd. (China) (25% owned)
  - CTBX Company (Ohio)
  - CTTG Inc. (Ohio)
  - Ilpea Equity, LLC (0.6264% owned)
  - Kumho Tire Co. Inc. (Korea) (10.7% owned)
  - Master Assurance & Indemnity Ltd. (Bermuda)
  - Max-Trac Tire Co. Inc. (Ohio)
    - Mickey Thompson Performance Racing 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)
  - RubberNetwork.com LLC (Georgia) (5.56% Owned)

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 February 9, 2007, with respect to the consolidated financial statements and schedules 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, 2006:

Form S-3	No. 33-44159	$200,000,000 aggregate principal amount of the Company's Debt Securities
	No. 333-89149	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. 33-35071	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
	No. 333-138811	Pre-Tax Savings Plan (Findlay) and Pre-Tax Savings Plan (Texarkana)

/s/ Ernst & Young LLP
ERNST & YOUNG LLP

Toledo, Ohio
February 26, 2007

Exhibit (24)

POWER OF ATTORNEY

FOR EXECUTION OF ANNUAL REPORT ON FORM 10-K FOR FISCAL YEAR ENDED DECEMBER 31, 2006

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, 2006.

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 2006 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 24th day of January, 2007.

/s/ Arthur H. Aronson	/s/ John F. Meier
Arthur H. Aronson	John F. Meier
/s/ Laurie J. Breininger	/s/ Byron O. Pond
Laurie J. Breininger	Byron O. Pond
/s/ Steven M. Chapman	/s/ John H. Shuey
Steven M. Chapman	John H. Shuey
/s/ John J. Holland	/s/ Richard L. Wambold
John J. Holland	Richard L. Wambold

Exhibit (31.1)

CERTIFICATIONS

I, Roy V. Armes, 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 1, 2007

/s/ Roy V. Armes
Roy V. Armes
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 1, 2007

/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, 2006, 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: March 1, 2007

/s/ Roy V. Armes
Name: Roy V. Armes
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.