COOPER TIRE & RUBBER CO
Form 10-K
February 26, 2009

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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)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2008

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 [X]

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 [X]

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 [X] 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. [X]

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

[ ] Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company
(Do not check if a smaller reporting company)

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

Yes [ ] No [X]

The aggregate market value of the voting common stock held by non-affiliates of the registrant at June 30, 2008 was $455,673,829.

The number of shares outstanding of the registrant s common stock as of January 31, 2009 was 58,932,281.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information from the registrant s definitive proxy statement for its 2009 Annual Meeting of Stockholders is hereby incorporated by reference into Part III, Items 10 14, of this report.

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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. 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.

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 8 manufacturing facilities and 40 distribution centers in 10 countries. As of December 31, 2008, the Company employed 13,311 persons worldwide.

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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. 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, except through three Company-owned retail stores, 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 OEMs 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 its competitors in North America. The segment had a market share in 2008 of approximately 13 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.

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. It 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 to keep up with increasing customer requirements. Part of this capacity expansion is comprised of the outsourcing of tires to manufacturers in Asia and Mexico. The segment currently has a manufacturing supply agreement with an Asian and a Mexican manufacturer to provide tires for distribution in the United States.

The replacement tire business has a broad customer base. 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 has two sales offices and an administrative 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 in Europe, other than several small contracts with specialty vehicle manufacturers in the United Kingdom.

In China, the segment currently produces passenger car, bias, 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. Only a small percentage of the tires manufactured in China are sold to OEMs.

The segment has a joint venture with an Asian partner and has constructed 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.

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 OEMs as well as the replacement portion of the tire market. The segment also faces competition from low-cost producers in Asia.

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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 Oliver Rubber Company (formerly a subsidiary which was part of the North American Tire Operations segment), which was sold on October 5, 2007.

Cooper-Standard Automotive produced components, systems, subsystems and modules for incorporation into the passenger vehicles and light trucks manufactured by the global automotive OEMs. The Company s Oliver Rubber Company subsidiary produced tread rubber and retreading equipment.

The Company elected to sell Cooper-Standard Automotive and Oliver Rubber Company in order to more fully focus management attention and Company resources on the primary business of replacement tires.

Raw Materials

The Company s principal raw materials include natural rubber, synthetic rubber, carbon black, chemicals and steel reinforcement components. The Company acquires its raw materials from various sources around the world to assure continuing supplies for its manufacturing operations and mitigate the risk of potential supply disruptions.

The Company experienced significant increases in the costs of certain of its principal raw materials during 2008 when compared with the levels experienced during 2007. Approximately 65 percent of the Company s raw materials are petroleum-based and crude oil continued its upward trend by setting new price highs in the third quarter of 2008. Natural rubber prices also peaked at all-time highs during 2008. 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. In the fourth quarter of 2008 the pricing of certain commodities began to decline. The pricing volatility of these commodities contributes to the difficulty in managing the costs of raw materials.

During 2008 the Company experienced difficulties in obtaining some of the raw materials it uses in production. These shortages were initially driven by changes in the quantity of production of certain raw materials by the Company s suppliers. This situation was further exacerbated in the third quarter by the impacts of Hurricane Ike in the gulf region of the United States.

The Company s International Tire Operations pre-purchased significant amounts of raw materials, particularly natural rubber during a period when prices for these commodities were high. This was done with the intent of assuring supply and minimizing future cost increases. At the end of 2008 demand for tires severely declined affecting the rate at which these raw materials could be used. The Company was required to record a charge of $5.8 million related to these raw materials at the end of 2008 to adhere to lower of cost or market accounting principles.

The Company has a purchasing office in Singapore to acquire natural rubber and various raw materials directly from producers in Southeast Asia. This purchasing operation enables the Company to work directly with producers to continually improve consistency and 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 through increased efficiencies and opportunities for relevant benchmarking in the procurement and processing 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, indirect materials and services through the use of this procurement method during 2008.

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 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. These arrangements only cover quantities needed to satisfy normal manufacturing demands.

Working Capital

The Company s working capital consists mainly of inventory, accounts receivable, and accounts payable. These working capital accounts are closely managed by the Company. Inventories turn regularly, but typically increase during the first half of the year before declining as a result of increased sales in the second half. Inventory balances as presented on the balance sheet are valued at a Last In First Out (LIFO) basis for the North American segment. Accounts receivable and accounts payable are also affected by this business cycle, typically requiring the Company to have greater working capital needs during the second and third quarters. The Company engages in a rigorous credit analysis of its customers and monitors their financial positions. The Company will offer incentives to certain customers to encourage the payment of account balances prior to their scheduled due dates.

At December 31, 2008, the Company held cash of $248 million. The Company s finished goods inventory at December 31, 2008 is higher than in the prior year as the Company built inventory to improve customer service levels. The reduced demand in the replacement tire industry due to the global economic slowdown has also contributed to higher finished goods and raw materials inventories.

Research, Development and Product Improvement

The Company directs its research activities toward product development, improvements in quality and operating efficiency. The Company conducts extensive testing of current tire lines, as well as new concepts in tire design, construction and materials. During 2008, approximately 61 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 with the Company s testing activities. 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 $23.2 million, $22.1 million and $23.1 million during 2006, 2007 and 2008, 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 21 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 2008 expense and capital expenditures for environmental matters at its facilities were not material, nor is it expected that expenditures in 2009 for such uses will be material.

Foreign Operations

The Company has a manufacturing facility, a technical center, a distribution center and its European headquarters office located in the United Kingdom. There are five distribution centers and five sales offices in Europe. The Company has two manufacturing facilities, 18 distribution centers, a technical center, two sales offices and an administrative office in China. The Company also has a purchasing office in Singapore. In Mexico, the Company has a sales office and four distribution centers.

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 2008 net sales attributable to its foreign subsidiaries, and shipments of exports from the United States, approximated $1,070 million, or approximately 37 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.

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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 charters for each of its Audit, Compensation and Nominating and Governance Committees, corporate governance guidelines and a code of business ethics and conduct 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

The Company has further updated risk factors related to the Company and its subsidiaries which follow:

The Company is facing heightened risks due to the current business environment.

The subprime mortgage crisis, decline in housing markets and disruptions in the financial markets, including the bankruptcy, restructuring, sale or acquisition of major financial institutions, may adversely affect the availability of credit already arranged, and the availability and cost of credit in the future. The disruptions in the financial markets also have affected business and consumer spending patterns. These disruptions could result in further volatility in raw material costs, reductions in sales of the Company s products, reductions in asset values, longer sales cycles, and increased price competition, as well as reductions in the borrowing base under the Company s credit facilities. There can be no assurances that U.S. and non-U.S. governmental responses to the disruptions in the financial markets will restore business or consumer confidence, stabilize markets or increase liquidity and the availability of credit.

The deterioration in the macroeconomic environment, including disruptions in the credit markets, is also impacting the Company s customers and retail consumers. Similarly, these macroeconomic disruptions are also impacting the Company s suppliers. Depending upon the severity and duration of these factors, the Company s profitability and liquidity position could be negatively impacted.

The above factors have created overcapacity in the industry which may lead to significantly increased price competition and product discounts, resulting in lower margins in the business.

Pricing volatility for raw materials, including rubber and carbon black, could result in increased costs and may affect the Company s profitability.

The pricing volatility for natural rubber and petroleum-based materials contribute to the difficulty in managing the costs of raw materials. Costs for certain raw materials used in the Company s operations, including natural rubber, chemicals, carbon black, steel reinforcements and synthetic rubber remain volatile. Increasing costs for raw materials supplies will increase the Company s production costs and affect its margins and results of operations if the Company is unable to pass the higher production costs on to its customers in the form of price increases.

Further, if the Company is unable to obtain adequate supplies of raw materials in a timely manner, its operations could be interrupted. In recent years, the severity of hurricanes and the consolidation of the supplier base have had an impact on the availability of raw materials.

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

The Company s eight 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 the Company s operating expenses and transportation costs. Overall, the Company s energy costs were at historically high levels on average during 2008. Increasing energy costs would increase the Company s production costs and adversely affect its margins and results of operations.

Further, if the Company is unable to obtain adequate sources of energy, its operations could be interrupted.

The Company s industry is highly competitive, and it 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 the Company s competitors are large companies with relatively greater financial resources. Some of the Company s competitors have operations in lower-cost countries. Increased competitive activity in the replacement tire industry has caused, and will continue to cause, pressures on the Company s business. The Company s ability to compete successfully will depend in part on its 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 the Company is unable to offset continued pressures with improved operating efficiencies and reduced spending, its sales, margins, operating results and market share would decline.

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

The Company s 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 the Company fails to develop new products that are appealing to its customers, or fails to develop products on time and within budgeted amounts, the Company may be unable to recover its product development and testing costs.

The Company conducts its manufacturing, sales and distribution operations on a worldwide basis and is subject to risks associated with doing business outside the United States.

The Company has operations worldwide, including in the U.S., the United Kingdom, continental Europe, Mexico and Asia (primarily in China). Recently, the Company has expanded its operations in Asia, constructed a manufacturing plant in China and invested in a tire manufacturing facility in Mexico. 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 the Company s ability to expand its operations in Asia and elsewhere and otherwise achieve its objectives relating to its 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. The Company s foreign operations also subject it to the risks of international terrorism and hostilities and to foreign currency risks, including exchange rate fluctuations and limits on the repatriation of funds.

The Company s expenditures for pension and other postretirement obligations could be materially higher than it has predicted if its underlying assumptions prove to be incorrect.

The Company provides defined benefit and hybrid pension plan coverage to union and non-union U.S. employees and a contributory defined benefit plan in the U.K. The Company s pension expense and its required contributions to its 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 the Company uses to measure its defined benefit pension plan obligations, including the discount rate at which future projected and accumulated pension obligations are discounted to a present value. The Company could experience increased pension expense due to a combination of factors, including the decreased investment performance of its pension plan assets, decreases in the discount rate, increases in the salary increase rate and changes in its assumptions relating to the expected return on plan assets. The Company could also experience increased other postretirement expense due to decreases in the discount rate and/or increases in the health care trend rate.

The market turmoil described in the first Risk factor above has caused disruption in the capital markets and losses during 2008 in the Company s pension investments. At December 31, 2008, on a global basis, the Company s pension funds obligations measured on a projected benefit obligation basis, exceeded plan assets by $269 million compared to underfunding of $43 million at the end of 2007. The Company expects global pension funding of between $45 million and $50 million in 2009 and, based on current assumptions, higher levels in 2010 and thereafter.

In the event of further declines in the market value of the Company s pension assets, the Company could experience changes to its Consolidated Balance Sheet which would include an increase to Other long-term liabilities and a corresponding decrease in Stockholders equity through Other comprehensive income.

In connection with the closure of the manufacturing facility in Albany, Georgia, the Company has been engaged in discussions with the Pension Benefit Guarantee Corporation (PBGC) regarding the potential for additional pension funding obligations. The Company s current estimates of pension funding for 2009 include amounts related to this initiative, however, if the PBGC determines additional pension funding is necessary, the Company will be required to utilize cash to make such additional contributions and such use of cash could have an adverse effect on the Company s results of operations, cash flow and financial results.

Cooper and the United Steelworkers entered into a series of letter agreements beginning in 1991 establishing maximum annual amounts that Cooper would contribute for funding the cost of health care coverage for certain union retirees who retired after specific dates. Prior to January 1, 2004, the maximum annual amounts had never been implemented. On January 1, 2004, however, Cooper implemented the existing letter agreement according to its terms and began requiring these retirees and surviving spouses to make contributions for the cost of their health care coverage.

On April 18, 2006, a group of Cooper union retirees and surviving spouses filed a lawsuit in the U.S. District Court for the Northern District of Ohio on behalf of a purported class claiming that Cooper was not entitled to impose *any* contribution requirement pursuant to the letter agreements and that Plaintiffs were promised lifetime benefits, at no cost, after retirement under the terms of the union-Cooper negotiated Pension and Insurance Agreements in effect at the time that they retired.

On May 13, 2008, in the case of *Cates, et al v. Cooper Tire & Rubber Company*, the United States District Court for the Northern District of Ohio entered an order holding that a series of pension and insurance agreements negotiated by the Company and its various union locals over the years conferred vested lifetime health care benefits upon certain Company hourly retirees. The court further held that these benefits were not subject to the caps on the Company s annual contributions for retiree health care benefits that the Company had negotiated with the union locals. Subsequent to that order, the court granted the plaintiffs motion for class certification. The Company has initiated the process of pursuing an appeal of the order to the Sixth Circuit of Appeals, while simultaneously reviewing other means of satisfactorily resolving the case through settlement discussions. As a result of the settlement discussions and in an attempt to resolve the claims relating to health care benefits for all of the Company s hourly union-represented retirees, a related lawsuit, *Johnson, et al v. Cooper Tire & Rubber Company*, was filed on February 3, 2009, with the court on behalf of a different, smaller group of hourly union-represented retirees. The second case has been stayed pending the parties settlement discussions.

Management cannot reasonably determine the scope or amount of possible liabilities that could result from an unfavorable settlement or resolution of these claims and no reserves for these claims have been established as of December 31, 2008. However, it is possible that an unfavorable resolution of these claims could have an adverse effect on the Company s financial condition, cash flow and results of operations, and there can be no assurance that the Company will be able to achieve a favorable settlement or resolution of these claims.

The Financial Accounting Standards Board may propose 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.

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

The Company is 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 the Company s production costs and affect its earnings and results of operations.

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

Beginning with the third quarter, 2003, the TREAD Act required that all tire companies submit quarterly data to NHTSA on fatalities, injuries and property damage claims on tires. On July 22, 2008, the U.S. District Court of Appeals for the District of Columbia Circuit ruled that this data is not subject to automatic exemption from disclosure made in response to requests under the Freedom of Information Act. Consequently, the Company s data, which is unverified at the time of submission to NHTSA, may be made public in the near future. The impact, if any, of this release on current or future litigation or on future sales is not known at this time.

Any interruption in the Company s skilled workforce could impair its operations and harm its earnings and results of operations.

The Company s operations depend on maintaining a skilled workforce and any interruption of its workforce due to shortages of skilled technical, production and professional workers could interrupt the Company s operations and affect its operating results. Further, a significant number of the Company s U.S. employees are currently represented by unions. The labor agreement at Findlay does not expire until October 2011 and the labor agreement at Texarkana does not expire until January 2012. Although the Company believes that its relations with its employees are generally good, the Company cannot provide assurance that it will be able to successfully maintain its relations with its employees or its collective bargaining agreements with those unions. If the Company fails to extend or renegotiate its agreements with the labor unions on satisfactory terms, or if its unionized employees were to engage in a strike or other work stoppages, the Company s business and operating results could suffer.

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

The Company s operations expose it to potential liability for personal injury or death as an alleged result of the failure of or conditions in the products that it designs and manufactures. Specifically, the Company is 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 it manufactured. Products liability claims and lawsuits, including possible class action litigation, could have a negative effect on the Company s financial position, cash flows and results of operations.

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

Further, the Company cannot provide assurance that it will be able to maintain adequate insurance coverage in the future at an acceptable cost or at all.

Capital and Financial Markets; Liquidity.

The Company periodically requires access to the capital and financial markets as a significant source of liquidity for capital requirements that it cannot satisfy by cash on hand or operating cash flows. As a result of the credit and liquidity crisis in the United States and throughout the global financial system, substantial volatility in world capital markets and the banking industry has occurred. This volatility and other events have had a significant negative impact on financial markets, as well as the overall economy. From a financial perspective, this unprecedented instability may make it difficult for the Company to access the credit market and to obtain financing or refinancing, as the case may be, on satisfactory terms or at all. In addition, various additional factors, including a deterioration of the Company s credit ratings or its business or financial condition, could further impair its access to the capital markets. See also related comments under There are risks associated with the Company s global strategy of using joint ventures and partially owned subsidiaries below.

During 2009, the Company has $147 million of long-term debt maturing of which approximately $97 million is in the parent company and an additional $185 million of short term notes payable in partially-owned, consolidated subsidiaries for a total amount due of $332 million.

Additionally, any inability to access the capital markets, including the ability to refinance existing debt when due, could require the Company to defer critical capital expenditures, reduce or not pay dividends, reduce spending in areas of strategic importance, sell important assets or, in extreme cases, seek protection from creditors.

If assumptions used in developing the Company s strategic plan are inaccurate or the Company is unable to execute its strategic plan effectively, its profitability and financial position could decline.

In February 2008, the Company announced its strategic plan which contains four imperatives:

Build a sustainable, competitive cost position,
Secure cost effective supply,
Drive profitable top line growth, and
Build bold capabilities and enablers to support strategic goals.

In October 2008 the Company announced a network capacity study for its United States operations. This study was triggered by recent market supply and demand conditions. At the conclusion of this study, on December 17, 2008, the Company announced its intent to close its Albany, Georgia manufacturing facility. This initiative is discussed under Restructuring in the Management Discussion and Analysis. Estimates of charges and cash outlays related to the plant closing are based on various assumptions which could differ from actual costs and cash outlays required to complete the plant closure.

If the assumptions used in developing the strategic plan or restructuring costs and cash outlays vary significantly from actual conditions and/or the Company does not successfully execute specific tactics supporting the plan or the transfer of products from the Albany, Georgia facility to its other North America facilities, the Company s sales, margins and profitability could be harmed.

The Company may not be able to protect its intellectual property rights adequately.

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

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

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

- the possible inability to integrate an acquired business into its 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 the Company s results of operations and impact its financial condition. These risks could also reduce the Company s flexibility to respond to changes in its industry or in general economic conditions.

Future acquisitions and their related financings may adversely affect the Company s liquidity and capital resources.

The Company may finance any future acquisitions, including those that are part of its 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. In connection with its acquisition of 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 $62.7 million. Future acquisitions may also require the Company to increase its borrowings under its bank credit facilities or other debt instruments, or to seek new sources of liquidity. Increased borrowings would correspondingly increase the Company s financial leverage, and could result in lower credit ratings and increased future borrowing costs.

The Company is required to comply with environmental laws and regulations that cause it to incur significant costs.

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

A portion of the Company s business is seasonal, which may affect its 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 the Company s business is conducted, principally due to higher demand for winter tires during the months of August through November. The seasonality of this portion of the Company s business may affect its operating results from quarter-to-quarter.

The realizability of deferred tax assets may affect the Company s profitability and cash flows.

A valuation allowance is required 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 liabilities, pension and other post retirement benefit obligations. These deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relates to accelerated depreciation. Based upon this assessment, the Company maintains a $222.1 million valuation allowance for the portion of U.S. deferred tax assets exceeding deferred tax liabilities. As a result of changes in the amount of U.S and certain foreign net deferred tax assets during the year, the valuation allowance was increased in 2008 by $135.5 million. In addition, the Company has recorded valuation allowances of $9.2 million for net

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deferred tax assets primarily associated with losses in foreign jurisdictions. The pension liability and associated deferred tax asset adjustment recorded to equity as a result of SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, accounts for $142.3 million of the total valuation allowance at December 31, 2008.

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

The Company adopted SFAS No. 158 in December 2006 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.

There are risks associated with the Company s global strategy of using joint ventures and partially owned subsidiaries.

The Company s strategy includes expanding its global footprint through the use of joint ventures and other partially owned subsidiaries. These entities operate in countries outside of the U.S., are generally less well capitalized than the Company and bear risks similar to the risks of the Company. However, there are specific additional risks applicable to these subsidiaries and these risks, in turn, add potential risks to the Company. Such risks include: somewhat greater risk of sudden changes in laws and regulations which could impact their competitiveness, risk of joint venture partners or other investors failing to meet their obligations under related shareholders agreements and risk of being denied access to the capital markets which could lead to resource demands on the Company in order to maintain or advance its strategy. The Company s outstanding notes and primary credit facility contain cross default provisions in the event of certain defaults by the Company under other agreements with third parties, including certain of the agreements with the Company s joint venture partners or other investors. In the event joint venture partners or other investors do not satisfy their funding or other obligations and the Company does not or cannot satisfy such obligations, the Company could be in default under its outstanding notes and primary credit facility and, accordingly, be required to repay or refinance such obligations. There is no assurance that the Company would be able to repay such obligations or that the current noteholders or creditors would agree to refinance or to modify the existing arrangements on acceptable terms or at all. For further discussion of access to the capital markets, see above Capital and Financial Markets; Liquidity.

The two consolidated Chinese joint ventures have been financed in part using multiple loans from several lenders to finance facility construction, expansions and working capital needs. These loans are generally for terms of three years or less. Therefore, debt maturities occur frequently and access to the capital markets is crucial to their ability to maintain sufficient liquidity to support their operations.

In connection with its acquisition of 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 $62.7 million.

The minority investment in a tire plant in Mexico, which is not consolidated with the Company s results, is being funded largely by loans from the Company. The amount of such loans fluctuates with its results of operations and working capital needs and its ability to repay the existing loans is heavily dependent upon successful operations and cash flows.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

As shown in the following table, at December 31, 2008 the Company maintained 70 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.

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	North American Tire Operations		International Tire Operations		
Type of Facility	**United States**	**Mexico**	**Europe**	**Asia**	**Total**
Manufacturing	5	-	1	2	8
Distribution	12	4	6	18	40
Retail stores	3	-	-	-	3
Technical centers and offices	6	1	7	5	19
Total	26	5	14	25	70

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, 2008.

Cooper and the United Steelworkers entered into a series of letter agreements beginning in 1991 establishing maximum annual amounts that Cooper would contribute for funding the cost of health care coverage for certain union retirees who retired after specific dates. Prior to January 1, 2004, the maximum annual amounts had never been implemented. On January 1, 2004, however, Cooper implemented the existing letter agreement according to its terms and began requiring these retirees and surviving spouses to make contributions for the cost of their health care coverage.

On April 18, 2006, a group of Cooper union retirees and surviving spouses filed a lawsuit in the U.S. District Court for the Northern District of Ohio on behalf of a purported class claiming that Cooper was not entitled to impose *any* contribution requirement pursuant to the letter agreements and that Plaintiffs were promised lifetime benefits, at no cost, after retirement under the terms of the union-Cooper negotiated Pension and Insurance Agreements in effect at the time that they retired.

On May 13, 2008, in the case of *Cates, et al v. Cooper Tire & Rubber Company*, the United States District Court for the Northern District of Ohio entered an order holding that a series of pension and insurance agreements negotiated by the Company and its various union locals over the years conferred vested lifetime health care benefits upon certain Company hourly retirees. The court further held that these benefits were not subject to the caps on the Company s annual contributions for retiree health care benefits that the Company had negotiated with the union locals. Subsequent to that order, the court granted the plaintiffs motion for class certification. The Company has initiated the process of pursuing an appeal of the order to the Sixth Circuit of Appeals, while simultaneously reviewing other means of satisfactorily resolving the case through settlement discussions. As a result of the settlement discussions and, in an attempt to resolve the claims relating to health care benefits for all of the Company s hourly union-represented retirees, a related lawsuit, *Johnson, et al v. Cooper Tire & Rubber Company*, was filed on February 3, 2009, with the court on behalf of a different, smaller group of hourly union-represented retirees. The second case has been stayed pending the parties settlement discussions.

Management cannot reasonably determine the scope or amount of possible liabilities that could result from an unfavorable settlement or resolution of these claims and no reserves for these claims have been established as of December 31, 2008. However, it is possible that an unfavorable resolution of these claims could have an adverse effect on the Company s financial condition, cash flow and results of operations, and there can be no assurance that the Company will be able to achieve a favorable settlement or resolution of these claims.

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, 2008.

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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	56	Chairman of the Board, President, Chief Executive Officer and Director	Chairman of the Board since December 2007, President, Chief Executive Officer and Director since January 2007. Previously, Senior Vice President of Project Development at Whirlpool Corporation, a marketer and manufacturer of home appliances, since January 2006; Corporate Vice President and General Director at Whirlpool Mexico from 2002 to January 2006.
James E. Kline	67	Vice President, General Counsel and Secretary	Vice President, General Counsel and Secretary since April 2003. Vice President from February to April 2003.
Mark W. Krivoruchka	54	Senior Vice President	Senior Vice President, Global Human Resources and Communication since July 2008. Senior Vice President, Global Human Resources from August 2007 to July 2008. Previously, Senior Vice President of Human Resources Integration of Whirlpool Corporation, a marketer and manufacturer of home appliances, since 2006; and Senior Vice President -- Human Resources of Maytag Corporation, a marketer and manufacturer of home appliances, from 2002 to 2006.
Harold C. Miller	56	Vice President	Vice President since March 2002.
Philip G. Weaver	56	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer since 1999.

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

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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, 2007	High	Low
First Quarter	$ 19.19	$ 14.36
Second Quarter	28.18	18.39
Third Quarter	28.50	18.68
Fourth Quarter	25.85	14.04

Year Ended December 31, 2008	**High**	**Low**
First Quarter	**$ 20.80**	**$ 13.21**
Second Quarter	**15.81**	**7.74**
Third Quarter	**12.15**	**7.05**
Fourth Quarter	**8.86**	**3.67**

Five-Year Stockholder Return Comparison

The SEC requires that the Company include in its annual report to stockholders 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, 2003, 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.

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Total Return To Shareholders
(Includes reinvestment of dividends)

Company / Index	ANNUAL RETURN PERCENTAGE Years Ending Dec04	Dec05	Dec06	Dec07	Dec08
COOPER TIRE & RUBBER COMPANY	2.81	-27.14	-3.33	18.42	-60.98
S&P 500 INDEX	10.88	4.91	15.79	5.49	-37.00
S&P 500 AUTO PARTS & EQUIPMENT	2.78	-22.47	12.37	27.49	-48.66

Company / Index	Base Period Dec03	INDEXED RETURNS Years Ending Dec04	Dec05	Dec06	Dec07	Dec08
COOPER TIRE & RUBBER COMPANY	**100**	102.81	74.91	72.42	85.76	33.47
S&P 500 INDEX	**100**	110.88	116.33	134.70	142.10	89.53
S&P 500 AUTO PARTS & EQUIPMENT	**100**	102.78	79.69	89.54	114.16	58.61

Comparison of Cumulative Five Year Total Return

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(b) Holders

The number of holders of record at December 31, 2008 was 2,865.

(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. Quarterly dividends per common share for the most recent two years are as follows:

2007			2008		
March 30	$	0.105	**March 31**	**$**	**0.105**
June 29		0.105	**June 30**		**0.105**
September 28		0.105	**September 30**		**0.105**
December 28		0.105	**December 30**		**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 year ended December 31, 2008.

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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 and the sale of the Oliver Rubber Company in a transaction which closed on October 5, 2007.

(Dollar amounts in thousands except for per share amounts)

	Net Sales	Operating Profit (Loss)	Income (loss) from Continuing Operations Before Income taxes and Noncontrolling Shareholders Interests	Income (loss) from Continuing Operations	Earnings (Loss) Per Share from Continuing Operations Basic	Earnings (Loss) Per Share from Continuing Operations Diluted
2004	$ 1,951,881	$ 58,769	$ 30,317	$ 24,399	$ 0.33	$ 0.33
2005	2,035,623	25,150	(15,953)	(16,016)	(0.25)	(0.25)
2006	2,575,218	(45,252)	(75,995)	(74,320)	(1.21)	(1.21)
2007	2,932,575	134,392	116,030	91,435	1.48	1.46
2008	2,881,811	(216,633)	(257,775)	(219,444)	(3.72)	(3.72)

	Stockholders Equity	Total Assets	Net Property, Plant & Equipment	Capital Expenditures	Depreciation	Long-term Debt
2004	$ 1,170,533	$ 2,668,084	$ 700,800	$ 153,360	$ 104,199	$ 773,704
2005	938,776	2,152,186	751,767	160,273	103,047	491,618
2006	639,891	2,235,515	970,633	186,190	127,693	513,213
2007	792,291	2,298,490	992,215	140,972	131,007	464,608
2008	294,116	2,042,896	901,274	128,773	138,805	325,749

	Long-term Debt To Capitalization	Dividends Per Share	Average Common Shares (000)	Number of Employees
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
2007	41.0	%	0.42	61,938	13,355
2008	52.6	%	0.42	59,048	13,311

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 Sheets at December 31, 2007 and 2008 along with the goodwill associated with the transaction which was written off in 2008. 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 at December 31, 2006 and discloses the impact of the adoption on the Company s Stockholders Equity.

The Company s continuing operations recorded an impairment charge during 2006 of $47,973 related to goodwill and an indefinite-lived intangible asset and recorded an impairment charge during 2008 of $31,340 related to goodwill as described in Note 6 Goodwill and Intangibles.

In 2008, the Company s continuing operations recorded $76,402 of restructuring charges associated with the planned closures of its Albany, Georgia manufacturing facility and Dayton, New Jersey distribution center as described in Note 18 Restructuring.

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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, motorsport 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.

The Company is focused on profitable long-term growth in the replacement tire market. In December 2004, the Company sold its automotive segment, known as Cooper-Standard Automotive, and in 2007 it sold Oliver Rubber Company, a subsidiary which was part of the North American Tire Operations segment. These sales provided the Company opportunities to focus exclusively on its global tire business.

In recent years the Company has faced both general industry and internal challenges. These have included escalating raw material costs, increasing product complexity, and pressure from competitors with manufacturing in lower-cost regions. Additionally industry demand for tires has been weak since 2006. The global economic environment began to severely decline in 2007 with a global recession beginning in 2008. This has affected the Company as projections developed during the strategic planning process included global growth for demand in tires. The Company also assumed that the credit markets would be stable. As the credit crisis developed it has had an impact on the cost and availability of credit to the Company.

To address these conditions and position the Company for future success, a Strategic Plan was developed which the Company is implementing. This plan has four imperatives:

Build a sustainable, competitive cost position,
Secure cost effective supply,
Drive profitable top line growth, and
Build bold capabilities and enablers to support strategic goals.

To support these imperatives the Company has undertaken a number of cost saving and profit improvement initiatives. These have included a wide variety of projects in the areas of manufacturing, selling and general administrative and logistics. The implementation of these projects had a favorable impact on the Company s profitability in 2008.

The Company also is expanding operations in what are considered lower-cost countries. These initiatives include the Cooper Kenda Tire manufacturing joint venture in China, the Cooper Chengshan joint venture in China and the investment in a manufacturing facility in Mexico. Products from these operations will both provide a lower cost source of tires for existing markets and be used to expand the Company s market share in Mexico and China.

The Company has launched new and innovative products in the premium broadline segment where it is pursuing profitable growth. The Company s marketing programs will continue to be customer driven and emphasize controlled growth of profitable products.

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 gains recognized on the sales of Cooper-Standard Automotive and Oliver Rubber Company are also included. This report contains forward-looking statements that involve risks and uncertainties. The Company s 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.

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Consolidated Results of Continuing Operations

(Dollar amounts in millions except per share amounts)	2006	% Change	2007	% Change	2008
Revenues:					
North American Tire	$ 1,995.2	10.8%	$ 2,209.8	-3.1%	$ 2,142.1
International Tire	680.1	29.6%	881.3	10.6%	975.0
Eliminations	(100.1)	58.3%	(158.5)	48.5%	(235.3)
Net sales	$ 2,575.2	13.9%	$ 2,932.6	-1.7%	$ 2,881.8
Operating profit (loss):					
North American Tire	$ (39.5)	n/m	$ 119.4	n/m	$ (174.1)
International Tire	9.4	n/m	28.9	n/m	(30.1)
Eliminations	(0.6)	-16.7%	(0.5)	n/m	(1.3)
Unallocated corporate charges	(14.5)	-7.6%	(13.4)	-17.2%	(11.1)
Operating profit (loss)	(45.2)	n/m	134.4	n/m	(216.6)
Interest expense	47.2	2.8%	48.5	4.1%	50.5
Debt extinguishment (gains) losses	(0.1)	n/m	2.6	n/m	0.6
Interest income	(10.1)	78.2%	(18.0)	-28.3%	(12.9)
Dividend from unconsolidated subsidiary	(4.3)	-53.5%	(2.0)	-5.0%	(1.9)
Other - net	(2.0)	n/m	(12.7)	n/m	4.9
Income (loss) from continuing operations before income taxes and noncontrolling shareholders interests	(75.9)	n/m	116.0	n/m	(257.8)
Provision (benefit) for income taxes	(5.3)	n/m	15.8	n/m	(30.3)
Income (loss) from continuing operations before noncontrolling shareholders interests	(70.6)	n/m	100.2	n/m	(227.5)
Noncontrolling shareholders interests	(3.7)	n/m	(8.8)	n/m	8.1
Income (loss) from continuing operations	$ (74.3)	n/m	$ 91.4	n/m	$ (219.4)
Basic earnings (loss) per share	$ (1.21)	-	$ 1.48	-	$ (3.72)
Diluted earnings (loss) per share	$ (1.21)	-	$ 1.46	-	$ (3.72)

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2008 versus 2007

Consolidated net sales decreased by $50.8 million in 2008. The decrease in net sales was primarily a result of lower volume, primarily in the North American Tire Operations segment. Partially offsetting the lower volumes were improved pricing and product mix in both the North American Tire Operations and International Tire Operations segments. The Company recorded an operating loss in 2008 of $216.6 million compared to an operating profit of $134.4 million in 2007. The favorable impacts of improved pricing and mix, along with lower incentive-related compensation were offset by lower volumes, higher raw material costs, production curtailment costs, higher products liability costs and a lower of cost or market inventory adjustment in the International Tire Operations segment. During 2007, the Company recognized a benefit in its North American Tire Operations segment from inventory valuations as a result of the decline in finished goods inventory. In 2008 when the Company conducted its annual test for impairment, it concluded that impairment did exist and the Company wrote off the goodwill of the International Tire Operations segment which totaled $31.3 million. In December 2008, the Company announced the planned closure of its Albany, Georgia manufacturing facility and its Dayton, New Jersey distribution center. The Company recorded $76.4 million of restructuring expenses associated with these initiatives in 2008.

The Company continued to experience significant increases in the costs of certain of its principal raw materials during 2008 compared with the levels experienced during 2007. The principal raw materials for the Company include natural rubber, synthetic rubber, carbon black, chemicals and reinforcement components. Approximately 65 percent of the Company s raw materials are petroleum-based and crude oil prices reached record high levels during 2008. Natural rubber prices also peaked at all-time highs during 2008. The increases in the cost of natural rubber and petroleum-based materials were the most significant drivers of higher raw material costs during 2008, which were up approximately $302.9 million from 2007. The pricing volatility in these commodities contributes to the difficulty in managing the costs of raw materials. The increased price of crude oil and natural rubber along with the growing global demand remains a fundamental factor to the cost increases experienced for raw materials used by the Company.

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 typically provide quantities necessary to satisfy normal manufacturing demands.

Selling, general and administrative expenses were $185.1 million (6.4 percent of net sales) in 2008 compared to $177.5 million (6.1 percent of net sales) in 2007. The increase in selling, general and administrative expenses was due primarily to higher advertising costs in the International Tire Operations segment and the continued ramp-up of the Company s Chinese operations, partially offset by lower incentive-related compensation costs.

Products liability costs totaled $70.3 million and $81.3 million in 2007 and 2008, respectively, and include recoveries of legal fees of $9.8 million and $5.7 million in 2007 and 2008, respectively. Policies applicable to claims occurring on April 1, 2003 and thereafter, do not provide for recovery of legal fees.

Additional information related to the Company s accounting for products liability costs appears in the Critical Accounting Policies portion of this Management s Discussion and Analysis.

During 2008, the Company recorded $76.4 million in restructuring costs related to the closure of its Albany, Georgia manufacturing facility and the closure of a distribution center in Dayton, New Jersey. The Company recorded $3.5 million in restructuring costs in 2007 related to the four initiatives described in the Restructuring section below.

Interest expense increased $2.0 million in 2008 from 2007 primarily due to debt related to investments in China, partially offset by the Company s repurchases of debt in 2008.

The Company incurred $.6 million in costs associated with the repurchase of $14.3 million of its long-term debt during 2008. During 2007, the Company incurred $2.6 million in costs associated with the repurchase of $80.9 million of its long-term debt.

Interest income decreased $5.1 million in 2008 from 2007 as a result of lower cash levels and short-term investments in 2008 than in 2007.

The Company recorded dividend income from its investment in Kumho Tire Co., Inc. in both 2008 and 2007. The dividend rate in both years was approximately $.27 per share. Until August 2008, the Company owned 15 million global depositary shares (the equivalent of 7,500,000 common shares) and recorded dividend income of $2.0 million and $1.9 million in 2007 and 2008, respectively.

Other net decreased $17.5 million in 2008 from 2007 as a result of the Company recording a $3.1 million gain on the sale of stock in Nishikawa Rubber Co., Ltd. and a $4.2 million gain on the sale of a corporate aircraft in 2007. Foreign currency losses were recorded in

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2008 compared to foreign currency gains in 2007 accounting for a $6.9 million decrease. The Company recorded losses from an unconsolidated subsidiary of $2.4 million in 2008 compared to earnings of $1.7 million in 2007.

For the twelve months ended December 31, 2008, the Company recorded an income tax benefit of $30.3 million on a loss before taxes from continuing operations of $257.8 million which includes a loss on minority interest of $8.1 million. Worldwide tax expense was unfavorably impacted by the increase in the valuation allowance against U.S. net deferred tax assets and certain foreign net deferred tax assets. It was favorably impacted by the continuation of tax holidays for some of the Company s Asian operations and a tax benefit for U.S. specified liability loss carry backs. Comparable amounts for 2007 were an income tax expense of $15.8 million on income before taxes of $116.0 million.

The Company continues to maintain a valuation allowance on the U.S. net deferred tax assets and certain foreign net operating losses existing at December 31, 2008. A valuation allowance is required 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 liabilities, pension and other post retirement benefit obligations. These deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relates to accelerated depreciation. Based upon this assessment, the Company maintains a $222.1 million valuation allowance for the portion of U.S. deferred tax assets exceeding deferred tax liabilities. As a result of changes in the amount of U.S. and certain foreign net deferred tax assets during the year, the valuation allowance was increased in 2008 by $135.5 million. In addition, the Company has recorded valuation allowances of $9.2 million for net deferred tax assets primarily associated with losses in foreign jurisdictions. The pension liability and associated deferred tax asset adjustment recorded to equity as a result of SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, accounts for $142.3 million of the total valuation allowance at December 31, 2008.

During 2008 the Company became aware of a potentially favorable settlement of the pending bilateral Advance Pricing Agreement (APA) negotiations between the U.S. and Canada. This relates to pre-disposition years (2000-2004) of a discontinued operation. Pursuant to the related sales agreement, the Company is responsible for all pre-disposition tax obligations and is entitled to all tax refunds applicable to that period. The Company believes the settlement could be significant but is unable to quantify with certainty the overall impact to the Company until the APA agreement is finalized and signed by all parties. Complex recalculations will be required for the affected income tax returns of the discontinued operation s Canadian subsidiary to quantify the tax refund. This overpayment is ultimately due to the Company under the sales agreement. However, the party obligated to pay the Company may not be able to pay the Company any or all of the amount of such obligation due to certain legal limitations or restrictions that may be imposed on such party. The revised intercompany transfer pricing terms will also result in an increased tax obligation to the Company on its consolidated U.S. income tax returns for the pre-disposition years. At such time as a more definitive estimate of the overall impact from the resolution of the APA can be made and the certainty as to the amount of such payment to the Company is assured, the Company will record the outcome to discontinued operations.

The effects of inflation in areas other than raw materials and utilities did not have a material effect on the results of operations of the Company in 2008.

2007 versus 2006

Consolidated net sales increased by $357.4 million in 2007. The increase in net sales was primarily a result of improved net pricing and product mix in both the North American Tire Operations and International Tire Operations segments and higher unit volumes in the International Tire Operations segment. Operating profit in 2007 was $179.6 million higher than the operating loss reported in 2006. The favorable impacts of improved pricing, mix and volume, along with lower advertising costs in the North American Tire Operations segment, were partially offset by higher raw material costs, higher products liability costs and higher incentive-related compensation expense. The Company also recognized a benefit in 2007 in its North American Tire Operations segment from inventory valuations as a result of the decline in finished goods inventory. In 2006 when the Company conducted its annual test for impairment, it concluded that impairment did exist and the Company wrote off the goodwill of the North American Tire Operations segment which totaled $44.6 million and also recorded an impairment charge of $3.4 million related to the indefinite-lived intangible assets of the segment. During the fourth quarter of 2007, the Company completed its annual test for impairment and determined that no impairment existed.

The Company continued to experience significant increases in the costs of certain of its principal raw materials during 2007 compared with the levels experienced during 2006. The principal raw materials for the Company include natural rubber, synthetic rubber, carbon black, chemicals and reinforcement components. Approximately 65 percent of the Company s raw materials are petroleum-based and crude oil continued its upward trend by setting new price ceilings by the fourth quarter of 2007. Natural rubber prices also peaked at all-time highs during the fourth quarter of 2007. The increases in the cost of natural rubber and petroleum-based materials were the most significant drivers of higher raw material costs during 2007, which were up approximately $30.5 million from 2006. The pricing

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volatility in these commodities contributes to the difficulty in managing the costs of raw materials. The increased price of crude oil and natural rubber along with the growing global demand remains a fundamental factor to the cost increases experienced for raw materials used by the Company.

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 necessary to satisfy normal manufacturing demands.

Selling, general and administrative expenses were $177.5 million (6.1 percent of net sales) in 2007 compared to $187.1 million (7.3 percent of net sales) in 2006. The decrease in selling, general and administrative expenses was due primarily to lower advertising costs in the North American Tire Operations segment, partially offset by higher incentive-related compensation costs and the continued ramp-up of the Company s Chinese operations. The Company also incurred expense in 2006 associated with the severance component of payments made to the former chairman, president and chief executive officer of the Company.

Products liability costs totaled $63.6 million and $70.3 million in 2006 and 2007, respectively, and include recoveries of legal fees of $9.4 million and $9.8 million in 2006 and 2007, respectively. Policies applicable to claims occurring on April 1, 2003, and thereafter, do not provide for recovery of legal fees.

Additional information related to the Company s accounting for products liability costs appears in the Critical Accounting Policies portion of this Management s Discussion and Analysis.

During 2007, the Company recorded $3.5 million in restructuring costs related to the four initiatives described in the Restructuring section below.

Interest expense increased $1.3 million in 2007 from 2006 primarily due to debt related to investments in China, partially offset by the Company s repurchases of debt in 2007.

The Company incurred $2.6 million in costs associated with the repurchase of $80.9 million of its long-term debt during 2007.

Interest income increased $7.9 million in 2007 from 2006 as a result of higher cash levels in 2007 than in 2006.

The Company recorded dividend income from its investment in Kumho Tire Co., Inc. in both 2007 and 2006. The dividend rate in 2007 was approximately $0.27 per share and the rate in 2006 was approximately $0.57 per share. The Company owned 15 million global depositary shares (the equivalent of 7,500,000 common shares) and recorded dividend income of $4.3 million and $2.0 million in 2006 and 2007, respectively.

Other net increased $10.7 million in 2007 from 2006 as a result of the Company recording a $3.1 million gain on the sale of stock in Nishikawa Rubber Co., Ltd., a $4.2 million gain on the sale of a corporate aircraft and an increase in foreign currency gains in 2007 compared to 2006.

For the twelve months ended December 31, 2007, the Company recorded an income tax expense of $15.8 million on income before taxes from continuing operations of $116.0 million which includes income of minority interest of $8.8 million. Worldwide tax expense was favorably impacted by the release of a portion of the valuation allowance against U.S. net deferred tax assets and the continuation of tax holidays for some of the Company s Asian operations. Comparable amounts for 2006 were an income tax benefit of $5.3 million on a loss before taxes of $75.9 million.

The Company continues to maintain a valuation allowance on the U.S. net deferred tax assets. A valuation allowance is required 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 liabilities, pension and other post retirement benefit obligations. These deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relates to accelerated depreciation. Based upon this assessment, the Company maintained an $86.6 million valuation allowance for the portion of U.S. deferred tax assets exceeding deferred tax liabilities at December 31, 2007. As a result of changes in the amount of U.S. net deferred tax assets, $15.6 million of the valuation allowance was reversed in 2007, reducing tax expense. In addition, the Company had recorded valuation allowances of $.8 million for deferred tax assets associated with initial start up losses in foreign jurisdictions.

The effects of inflation in areas other than raw materials and natural gas did not have a material effect on the results of operations of the Company in 2007.

Restructuring

During 2008, the Company incurred restructuring expenses related to the planned closure of its Albany, Georgia manufacturing facility and the distribution center in Dayton, New Jersey.

On October 21, 2008, the Company announced it would conduct a capacity study of its United States manufacturing facilities. The study was an evolution of the Strategic Plan as outlined by the Company in February 2008. All of the Company s U.S. manufacturing facilities were included for review and were analyzed based on a combination of factors, including long term financial benefits, labor relations and productivity.

At the conclusion of the capacity study, on December 17, 2008, the North American Tire Operations segment announced its plans to close its tire manufacturing facility in Albany, Georgia. This closure is expected to result in a workforce reduction of approximately 1,400 people. Certain equipment in the facility will be relocated to other manufacturing facilities of the Company. The segment has targeted the first quarter of 2010 as the completion date for this plant closure.

The cost of this initiative is estimated to range from between $120 million and $145 million. This amount consists of personnel related costs of between $25 million and $35 million. Equipment related and other costs are estimated to be between $95 million and $110 million including asset write downs of between $75 million and $85 million. The above estimates of costs for this initiative include pension curtailment and settlement costs. The Company s estimate of global pension funding for 2009 included in Note 12 Pensions and Postretirement Benefits Other than Pensions, includes the Company s current estimates of funding for this initiative.

During the fourth quarter, the Company recorded $.4 million of personnel related costs ($.4 million after-tax and $.01 per share) and no severance payments were made, resulting in an accrued severance balance at December 31, 2008 of $.4 million. Also during the fourth quarter, the Company recorded an impairment loss of $75.2 million ($75.2 million after-tax and $1.27 per share) to write the Albany land, building and equipment down to fair value. The fair value of the land and buildings was determined using a sales comparison approach based on using recent market data and comparing values to the Albany, Georgia location. The fair value of the machinery and equipment which will not be transferred to other Company locations was determined using the market value approach.

The Company also recorded $.4 million in other Albany-related restructuring costs.

In December 2008, the Company also announced the planned closure of its Dayton, New Jersey distribution center. This initiative is expected to cost between $.5 million and $.6 million. This amount includes personnel related costs of $.1 million and equipment related costs between $.4 million and $.5 million. This initiative is expected to be completed by the end of the first quarter 2009 and will impact nine people.

During the fourth quarter, the Company recorded $.02 million of severance costs and did not make any severance payments. The Company also recorded asset write-downs of $.4 million.

The continuing operations of the Company incurred restructuring expenses in 2006 and 2007 related to four initiatives.

In September of 2006, 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. The

Company completed this initiative during the third quarter of 2007 at a total cost of $3.5 million. The Company recorded restructuring costs of $.7 million in 2006 and $2.8 million in 2007 associated with this initiative.

In November of 2006, a restructuring of salaried support positions was announced. This initiative was completed at the end of the first quarter of 2007 at a total cost of $1.1 million. The Company recorded $.6 million of costs related to this initiative in 2006 and $.5 million of costs during 2007.

In December of 2006, 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. The Company recorded $.4 million of restructuring expense in 2006 and $.1 million in 2007.

During 2006, the International Tire Operations segment recorded $1.5 million in restructuring costs associated with a management reorganization in Cooper Tire Europe. During 2007, a restructuring program to reduce 15 positions was completed at a cost of $.2 million.

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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)	2006	Change %	2007	Change %	2008
Sales	$ 1,995.2	10.8%	$ 2,209.8	-3.1%	$ 2,142.1
Operating profit	$ (39.5)	n/m	$ 119.4	n/m	$ (174.1)
Operating profit margin	-2.0%	n/m	5.4%	n/m	-8.1%
United States unit shipments changes:					
Passenger tires					
Segment		0.0%		-16.1%	
RMA members		-4.0%		-8.1%	
Total Industry		-5.4%		-4.6%	
Light truck tires					
Segment		-2.8%		-18.6%	
RMA members		-7.2%		-15.0%	
Total Industry		-3.9%		-15.1%	
Total light vehicle tires					
Segment		-0.5%		-16.6%	
RMA members		-4.4%		-9.1%	
Total Industry		-5.1%		-6.1%	
Total segment unit sales changes		-0.5%		-11.2%	

Overview

The North American Tire Operations segment produces passenger car and light truck tires, primarily for sale in the United States replacement market. 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, except through three Company-owned retail stores, and does not manufacture tires for sale to OEMs. The segment also distributes radial medium truck tires and motorcycle tires in North America that are manufactured in the Company s foreign subsidiaries.

2008 versus 2007

Sales of the North American Tire Operations segment decreased slightly in 2008 from levels in 2007. The decrease in sales was a result of lower unit volume ($312.3 million) offset by improved pricing and product mix ($244.6 million). The improved pricing was the result of price increases implemented during 2007 and 2008. The improved mix was primarily the result of increased sales volumes of the Cooper brand, which continues to gain market share, while unit sales to private brand distributors declined from the prior year. The volume decline in the segment was the result of lower unit sales in almost all product segments, but primarily in broadline and light truck tires similar to the decrease experienced in the industry.

In the United States, the segment s unit shipments of total light vehicle tires decreased 16.6 percent in 2008 from 2007. This decrease exceeded the 9.1 percent decrease in total light vehicle shipments experienced by all members of the Rubber Manufacturers Association (RMA) and also exceeded the 6.1 percent decrease in total light vehicle shipments for the total industry (which includes an estimate for non-RMA members) for 2008. Partially offsetting this decrease in the United States were increased shipments by the segment to Mexico and Canada. The industry decrease in light vehicle tire units was primarily due to the macroeconomic conditions in North America. Higher fuel prices during the first half of the year and recession concerns during the latter half of the year reduced consumer replacement tire purchases. Volumes in the segment decreased more significantly than the industry due to a tougher comparable period as the segment

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benefited in 2007 from a competitor s strike. Further impacting the segment s volumes were strategic decisions made by the Company to eliminate one brand and to exit unprofitable lines of business. Sales to both private brand distributors and to wholesale channel customers decreased as competition increased in these price sensitive channels.

Segment operating profit in 2008 decreased $293.5 million from 2007. The decreased operating profit was due to higher raw material costs ($258.7 million), increased restructuring costs ($73.1 million), lower unit volumes ($68.6 million), higher products liability costs ($11.0 million) and LIFO inventory liquidation benefits experienced in 2007 that were not available in 2008 ($22.1 million). Production curtailments caused by raw material shortages and management actions to control inventories in response to the weak North American replacement tire market negatively impacted operating profit ($41.9 million). Partially offsetting these factors were improvements in pricing and mix ($164 million) and lower incentive-related compensation expense and other costs.

The United States based operations of the segment determines its inventory costs using the last-in, first-out (LIFO) method. During 2007, inventory levels declined as a result of the segment s inventory management initiative. This 2007 decline resulted in the segment recognizing a $22.1 million benefit in operating profit from inventory liquidations due to the elimination of LIFO inventory layers at historically lower costs.

During 2008, the North American Tire Operations segment recorded restructuring charges of $76.4 million related to the decisions to close its Albany, Georgia manufacturing facility and its Dayton, New Jersey distribution center. During 2007, the North American Tire Operations segment recorded restructuring charges of $3.3 million, primarily related to the reconfiguration of the Texarkana, Arkansas manufacturing facility and the reduction of salaried support positions. See the discussion of these initiatives under the Restructuring section above.

2007 versus 2006

Sales of the North American Tire Operations segment increased $214.6 million in 2007 from levels in 2006. The increase in sales was a result of improved pricing and product mix ($232.0 million), offset by lower unit volume ($17.4 million). The segment s increased unit sales in the SUV and premium light truck tire replacement markets, along with the introduction of a new premium touring replacement tire in the second quarter of 2007, contributed to the improved product mix. The segment experienced a decrease in unit sales in the economy, high performance and winter tire lines.

In the United States, the segment s unit sales of total light vehicle tires increased 0.8 percent in 2007 from 2006. This increase exceeded the 0.5 percent increase in total light vehicle shipments experienced by all members of the Rubber Manufacturers Association (RMA), but was less than the 2.5 percent increase in total light vehicle shipments for the total industry (which includes an estimate for non-RMA members) for 2007. The increased shipments were driven by higher shipments of passenger car tire replacement units, where increases in 2007 compared to 2006 were 1.5 percent, 0.5 percent and 2.7 percent, respectively, for the segment, RMA and total industry. Shipments of light truck tire replacement units were lower for the segment by 2.0 percent but higher for the RMA and total industry by 0.7 percent and 1.5 percent, respectively. The lower unit volume in total for the segment was driven by increased competition from Asian tire manufacturers and higher unit sales in the fourth quarter of 2006 as a result of the work stoppage at a competitor of the segment.

Segment operating profit in 2007 increased $158.9 million from 2006. The increased operating profit was due to improved net pricing and product mix ($134.8 million), lower advertising costs ($16.3 million), and lower shipping and outside storage costs as a result of lower finished goods inventory levels maintained by the segment. These increases to operating profit were partially offset by higher raw material costs ($14.9 million), higher products liability costs ($6.7 million), lower unit volumes and higher incentive-related compensation expense. Also included in 2006 was the write off of goodwill and the impairment charge for indefinite-lived intangible assets as discussed under the

Consolidated Results of Continuing Operations section above. The 2006 year included the cost of reduced production levels as the segment temporarily shutdown its four tire manufacturing facilities in order to control inventories resulting from the weak North American replacement tire market and included the cost to convert one of the segment s manufacturing facilities to a seven-day operation.

The segment determines its inventory costs using the last-in, first-out (LIFO) method. During 2007, inventory levels declined as a result of the segment s inventory management initiative. This decline resulted in the segment recognizing a $22.0 million benefit from inventory liquidations. Inventory levels declined in 2006 resulting in an $8.7 million benefit from inventory liquidations.

During 2007, the North American Tire Operations segment recorded restructuring charges of $3.3 million, primarily related to the reconfiguration of the Texarkana, Arkansas manufacturing facility and the reduction of salaried support positions. See the discussion of these initiatives under the Restructuring section above.

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Outlook

The segment will continue implementing the Company s strategic plan during 2009. The plan initially communicated in February 2008 calls for the segment to increase sourcing from lower-cost countries, improve operations in existing facilities, improve organizational capabilities and to pursue profitable top line growth.

New products will be launched in the economy and value segment of the market to support growth. The recently launched premium passenger touring, premium SUV and light truck product offerings are intended to continue satisfying customer requirements and supporting growth. The segment will also pursue business in channels where it believes it is under-represented. Demand for light vehicle replacement tires is expected to remain soft in 2009 as consumers around the globe are affected by the recession. This will continue to put pressure on the segment s results until capacity can be aligned to market demands, or demand recovers.

To align capacity to projected demand, the segment will be closing its Albany, Georgia facility in an initiative scheduled to be completed during the first quarter of 2010. Production of certain of the products manufactured at that facility will be transferred to the Company s remaining facilities. The manufacturing operations are expected to improve in cost competitiveness as Six Sigma, LEAN, automation and other projects are also implemented. Cooper Tire Lean Six Sigma (CTLSS) is an operational excellence program that was initiated in 2008. CTLSS will continue to be implemented in 2009 and will be utilized to develop a culture of continuous improvement in all manufacturing, logistic and business centers of the Company.

Radial medium truck and certain light vehicle tire products will continue to be sourced from partially-owned manufacturers in China and Mexico. During 2009 the amount of product imported into the United States should increase over the amount imported during 2008. The quantity of tires imported will be influenced by the demand in the United States.

Raw material prices have proven very difficult to accurately predict as commodity markets remain volatile. The segment expects prices for commodities will stabilize at lower levels in the first half of 2009 and then begin to increase as demand for commodities strengthens.

The segment believes as it continues implementing projects aligned with its strategic plan and/or market/industry conditions begin to strengthen, that its ability to generate operating profits will improve by the end of 2009.

International Tire Operations Segment

	2006	Change %	2007	Change %	2008
(Dollar amounts in millions)					
Sales	$ 680.1	29.6%	$ 881.3	10.6%	$ 975.0
Operating profit (loss)	$ 9.4	n/m	$ 28.9	n/m	$ (30.1)
Operating profit margin	1.4%	137.3%	3.3%	n/m	-3.1%
Unit sales change		18.6%		7.3%	

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. The segment s Cooper

Chengshan joint venture manufactures and markets passenger car and light truck radial tires as well as radial and bias medium truck and off-the-road tires both in the Asian market and for export. The segment s Cooper Kenda joint venture manufactures tires to be exported to markets outside of China. Until May 2012, all of the tires produced by this joint venture will be exported and sold through Cooper Tire & Rubber Company and its affiliates.

2008 versus 2007

Sales of the International Tire Operations segment increased $93.7 million in 2008 from the sales levels in 2007. The foreign currency impact increased sales $26.7 million in 2008. The remainder of the increase in sales was due to higher unit volumes ($35.5 million) and improved pricing and mix ($31.5 million). The increase in unit sales was the result of increased transfers to the Company s North American segment. During the first three quarters of 2008 the segment experienced strong sales in its Asian operations. These increases declined during the fourth quarter as a result of the global economic slow down and its effects on both the Chinese market and the segments exports. European volumes decreased slightly for the year. Throughout 2008 the segment increased prices to offset raw material cost increases. These contributed to a positive price impact, while a higher relative percentage of passenger tires versus radial medium truck tires resulted in an offsetting negative mix impact.

Operating profit for the segment in 2008 was $59.0 million lower than in 2007. The impacts of improved pricing and mix ($76 million) and volume ($2 million) were offset by higher raw material costs ($82 million), including a lower of cost or market inventory adjustment to reflect current prices in China ($10 million), the write-off of goodwill ($31 million) and higher advertising, utility and Cooper Kenda ramp up costs. The segments operations reacted to the declining global demand for tires by curtailing operations in its manufacturing facilities to align inventory. During 2007, the segment recorded a gain on the sale of land in Europe ($2.2 million).

2007 versus 2006

Sales of the International Tire Operations segment increased $201.2 million in 2007 from the sales levels in 2006. During 2007, the sales of Cooper Chengshan were included for all twelve months while in 2006 only the sales from the acquisition date of February 4, 2006 were included. This accounted for $31.6 million of the sales increase. The foreign currency impact of a weakened United States dollar in relation to the British pound and the Chinese renminbi increased sales $37.1 million. The remainder of the increase in sales in 2007 compared to 2006 was due to improved pricing and product mix ($26.4 million) and higher unit volumes, primarily from Cooper Chengshan and the start-up of Cooper Kenda ($106.1 million).

Operating profit for the segment in 2007 was $19.5 million higher than in 2006. The impacts of owning Cooper Chengshan for the entire year in 2007, the segment s improved net pricing and product mix ($23.5 million), higher unit volumes ($24.6 million) and a gain on the sale of land in Europe ($2.2 million) were partially offset by higher raw material costs ($15.6 million), higher advertising costs in Asia and higher expenses related to the continued start-up of the segment s Asian operations.

During 2007, the International Tire Operations segment recorded restructuring charges of $0.2 million related to a management reorganization in Cooper Tire Europe. See the discussion of this initiative under the Restructuring section above.

Outlook

The European operations will continue to focus on growing in profitable products and channels. New products that will meet the needs of niche segments will continue to be released in 2009. The manufacturing facility in Melksham, England will concentrate on high performance, racing and motorcycle products. Demand in Europe is projected to be weak throughout 2009.

The segment will continue efforts to expand its presence in Asia. This will be supported by the technical facility in China where products will be developed specifically to meet the needs of customers in that market. Due to the global and Asian economic recession, the level of growth in Asia is likely to be less than in recent years.

Manufacturing operations in China will continue to export products around the globe, but expect to be affected by the weakened global demand for light vehicle tires. All of the segment s manufacturing facilities will be implementing projects to improve competitiveness as a part of the Cooper Tire Lean Six Sigma (CTLSS) operational excellence program.

The segment s margins will likely remain under pressure in 2009 unless global demand for light vehicle and radial medium tires improves.

Discontinued Operations

On October 5, 2007, the Company sold its Oliver Rubber Company subsidiary. 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.

Oliver Rubber Company

	2006	2007
(Dollar amount in thousands)		
Sales	$ 101,024	$ 62,277
Operating profit (loss)	(12,470)	5,155

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The Company s former Oliver Rubber Company subsidiary manufactured tread rubber and retreading equipment. In 2006, the subsidiary recorded restructuring expenses of $11.3 million associated with the closure of its Athens, Georgia manufacturing facility.

The following table provides details of the Company s discontinued operations:

	2006	2007	2008
Income (loss) related to former automotive operations, net of tax	$ 7,379	$ (1,808)	$ 274
Income (loss) from Oliver Rubber subsidiary, net of tax	(11,570)	3,468	(210)
	$ (4,191)	$ 1,660	$ 64

Gain on Sale of Oliver Rubber Company

On October 5, 2007, the Company sold its Oliver Rubber Company subsidiary to Michelin North America, Inc. Proceeds from the sale were $66.3 million. The sale resulted in a gain of $26.5 million, net of taxes in the fourth quarter of 2007 and included the release of a tax valuation allowance, a portion of which was recorded in the third quarter.

Outlook for the Company

The Company expects continued pressure on the industry as demand for tires is affected by global economic conditions. The Company is implementing a plan that will both deal with those conditions and position the Company to capitalize on future opportunities.

Maintaining adequate levels of liquidity will be a primary focus for the Company and it will continue to rigorously control all cash expenditures. Expansion and other uses of capital including share purchases and debt pay downs are likely to be restricted until capital markets resume a more normal level of activity.

Prices for raw materials are likely to stabilize during 2009 and then begin to increase as demand for commodities increases.

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

Liquidity and Capital Resources

Generation and uses of cash Net cash used in the operating activities of continuing operations was $165.0 million in 2008 compared to $360.7 million provided in 2007. Net income after adjustments for non-cash items decreased $135.0 million to $132.8 million in 2008. Changes in operating assets and liabilities used $297.8 million in 2008 compared to $92.9 million generated in 2007. The Company s inventory levels at December 31, 2008 were above prior year levels and included higher levels of raw materials than normally maintained. The higher raw material inventory levels led to reduced purchases during the fourth quarter resulting in lower accounts payable balances. The Company plans to reduce raw material inventory quantities to normal levels during 2009.

Net cash used in investing activities during 2008 reflects capital expenditures of $128.8 million, a decrease of $12.2 million from 2007. During the third quarter of 2008, the Company received $107.0 million as a result of exercising its put option on its investment in Kumho Tire Co., Inc. The Company sold the available-for-sale securities purchased in 2007. During 2008, the Company acquired an approximately 38 percent ownership share of a manufacturing facility in Mexico with an investment of $29.2 million. The facility is located in Guadalajara, Mexico and is the second largest tire plant in Mexico. The Company made the final payment related to the purchase of Cooper Chengshan in 2008. The Company, in 2007, realized proceeds of $66.3 million from the sale of Oliver Rubber Company. In 2007, Proceeds from the sale of assets related primarily to the sale of the Company s 25 percent interest in the steel cord facility acquired with the Chengshan acquisition, the sale of a corporate aircraft and the sale of a stock investment. The Company s capital expenditure commitments at December 31, 2008 are $10.2 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 2009.