COOPER TIRE & RUBBER CO
Form 10-Q
August 05, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

Commission File No. 1-4329
COOPER TIRE & RUBBER COMPANY
(Exact name of registrant as specified in its charter)

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

701 Lima Avenue, Findlay, Ohio 45840
(Address of principal executive offices)
(Zip code)
(419) 423-1321
(Registrant s telephone number, including area code)

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

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o
(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 o No þ

Number of shares of common stock of registrant outstanding
at July 31, 2010: 61,453,598

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Part I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands except per-share amounts)

	December 31, 2009 (Note 1)	**June 30, 2010 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 426,981	**$ 379,082**
Accounts receivable, less allowances of $10,928 in 2009 and $11,089 in 2010	367,023	**459,177**
Inventories at lower of cost or market:		
Finished goods	188,323	**238,820**
Work in process	22,090	**27,282**
Raw materials and supplies	88,022	**121,248**
	298,435	**387,350**
Other current assets	39,392	**51,761**
Total current assets	1,131,831	**1,277,370**
Property, plant and equipment:		
Land and land improvements	33,321	**33,385**
Buildings	320,021	**319,287**
Machinery and equipment	1,587,306	**1,604,161**
Molds, cores and rings	246,395	**250,670**
	2,187,043	**2,207,503**
Less accumulated depreciation and amortization	1,336,072	**1,371,821**
Net property, plant and equipment	850,971	**835,682**
Intangibles, net of accumulated amortization of $23,165 in 2009 and $23,813 in 2010	18,546	**17,898**
Restricted cash	2,219	**2,261**
Other assets	96,773	**93,291**
Total assets (1)	$ 2,100,340	**$ 2,226,502**
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	$ 156,719	**$ 155,891**
Accounts payable	300,448	**388,023**
Accrued liabilities	158,643	**139,875**
Income taxes	3,955	**4,725**
Liabilities of discontinued operations	1,061	
Current portion of long term debt	15,515	**5,019**

Total current liabilities	636,341	**693,533**
Long-term debt	330,971	**326,853**
Postretirement benefits other than pensions	244,905	**238,533**
Pension benefits	272,050	**259,469**
Other long-term liabilities	145,978	**177,913**
Long-term liabilities related to the sale of automotive operations	6,043	
Redeemable noncontrolling shareholders interests	83,528	**60,344**
Equity:		
Preferred stock, $1 par value; 5,000,000 shares authorized; none issued		
Common stock, $1 par value; 300,000,000 shares authorized; 87,850,292 shares issued in 2009 and in 2010	87,850	**87,850**
Capital in excess of par value	70,645	**57,567**
Retained earnings	1,133,133	**1,175,334**
Cumulative other comprehensive loss	(470,272)	**(434,400)**
	821,356	**886,351**
Less: common shares in treasury at cost (27,327,646 in 2009 and 26,491,869 in 2010)	(490,548)	**(473,561)**
Total parent stockholders equity	330,808	**412,790**
Noncontrolling shareholders interests in consolidated subsidiaries	49,716	**57,067**
Total equity	380,524	**469,857**
Total liabilities and equity(1)	$ 2,100,340	**$ 2,226,502**

(1) Assets of consolidated variable interest entities (VIEs) were $204,995 and $206,614 at December 31, 2009 and March 31, 2010, respectively. The assets (principally Property, plant and equipment) of the VIEs can only be used to settle obligtations of those VIEs. Liabilities (principally

Notes payable) of consolidated VIEs were $105,806 and $92,421 at December 31, 2009 and March 31, 2010, respectively and represent claims against the specific assets of the VIEs.

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2009 AND 2010
(UNAUDITED)
(Dollar amounts in thousands except per-share amounts)

	2009	**2010**
Net sales	$ 631,729	**$ 803,959**
Cost of products sold	531,269	**708,577**
Gross profit	100,460	**95,382**
Selling, general and administrative	50,278	**54,274**
Restructuring	8,709	**7,426**
Operating profit	41,473	**33,682**
Interest expense	12,097	**9,149**
Interest income	(1,105)	**(771)**
Other income	(1,249)	**(988)**
Income from continuing operations before income taxes	31,730	**26,292**
Income tax expense	967	**1,247**
Income from continuing operations	30,763	**25,045**
Income (loss) from discontinued operations, net of income taxes	(37,085)	**25,126**
Net income (loss)	(6,322)	**50,171**
Net income attributable to noncontrolling shareholders interests	6,638	**6,094**
Net income (loss) attributable to Cooper Tire & Rubber Company	$ (12,960)	**$ 44,077**
Basic earnings per share:		
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	$ 0.52 *1*	**$ 0.31**
Income (loss) from discontinued operations	(0.63)	**0.41**
Net income (loss) available to Cooper Tire & Rubber Company common stockholders	$ (0.11) *1*	**$ 0.72**

Diluted earnings per share:				
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	$	0.51 [1]	**$**	**0.30**
Income (loss) from discontinued operations		(0.62)		**0.40**
Net income (loss) available to Cooper Tire & Rubber Company common stockholders	$	(0.11) [1]	**$**	**0.70**
Dividends per share	$	0.105	**$**	**0.105**

[1] *Amounts have been restated , see Footnote 1 for additional information.*

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2009 AND 2010
(UNAUDITED)
(Dollar amounts in thousands except per-share amounts)

	2009	**2010**
Net sales	$ 1,203,137	**$ 1,558,402**
Cost of products sold	1,052,408	**1,377,848**
Gross profit	150,729	**180,554**
Selling, general and administrative	95,384	**98,879**
Restructuring	23,061	**15,038**
Settlement of retiree medical case	7,050	
Operating profit	25,234	**66,637**
Interest expense	24,752	**17,879**
Interest income	(2,480)	**(1,984)**
Other income	(2,072)	**(1,225)**
Income from continuing operations before income taxes	5,034	**51,967**
Income tax expense (benefit)	(2,806)	**8,990**
Income from continuing operations	7,840	**42,977**
Income (loss) from discontinued operations, net of income taxes	(37,449)	**24,366**
Net income (loss)	(29,609)	**67,343**
Net income attributable to noncontrolling shareholders interests	4,618	**11,690**
Net income (loss) attributable to Cooper Tire & Rubber Company	$ (34,227)	**$ 55,653**
Basic earnings per share:		
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	$ 0.15 *1*	**$ 0.51**
Income (loss) from discontinued operations	(0.64)	**0.40**
Net income (loss) available to Cooper Tire & Rubber Company common stockholders	$ (0.49) *1*	**$ 0.91**

Diluted earnings per share:				
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	$	0.14 [1]	**$**	**0.50**
Income (loss) from discontinued operations		(0.63)		**0.39**
Net income (loss) available to Cooper Tire & Rubber Company common stockholders	$	(0.48) [1, 2]	**$**	**0.89**
Dividends per share	$	0.210	**$**	**0.210**

[1] *Amounts have been restated, see Footnote 1 for additional information.*

[2] *Amounts do not add due to rounding.*

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2009 AND 2010
(UNAUDITED)
(Dollar amounts in thousands)

	2009	**2010**
Operating activities:		
Net income (loss)	$ (29,609)	**$ 67,343**
Adjustments to reconcile net income (loss) to net cash provided by (used in) continuing operations:		
Loss (income) from discontinued operations, net of income taxes	37,449	**(24,366)**
Depreciation	61,346	**58,991**
Amortization	1,113	**997**
Deferred income taxes	(1,894)	**(551)**
Stock based compensation	2,334	**3,532**
Change in LIFO inventory reserve	(115,753)	**46,627**
Amortization of unrecognized postretirement benefits	14,342	**16,505**
Loss (gain) on sale of assets	(94)	**209**
Changes in operating assets and liabilities of continuing operations:		
Accounts receivable	(42,937)	**(108,959)**
Inventories	163,959	**(137,258)**
Other current assets	(7,727)	**(3,662)**
Accounts payable	25,195	**87,683**
Accrued liabilities	47,180	**(1,919)**
Other items	10,083	**24,081**
Net cash provided by continuing operations	164,987	**29,253**
Net cash provided by (used in) discontinued operations	*(1,204)*	***17,262***
Net cash provided by operating activities	163,783	**46,515**
Investing activities:		
Property, plant and equipment	(42,306)	**(45,048)**
Investments in unconsolidated subsidiary	(86)	
Proceeds from the sale of assets	758	**292**
Net cash used in investing activities	(41,634)	**(44,756)**
Financing activities:		
Issuance of (payments on) short-term debt	(20,862)	**(4,776)**
Payments on long-term debt	(29,200)	**(10,600)**
Contributions of joint venture partner		**5,250**
Acquisition of noncontrolling shareholder interest		**(17,920)**
Payment of dividends to noncontrolling shareholders		**(11,637)**
Payment of dividends	(12,381)	**(12,856)**
Issuance of common shares and excess tax benefits on options	13	**3,640**
Net cash used in financing activities	(62,430)	**(48,899)**

Effects of exchange rate changes on cash of continuing operations	(4,932)	**(759)**
Changes in cash and cash equivalents	54,787	**(47,899)**
Cash and cash equivalents at beginning of year	247,672	**426,981**
Cash and cash equivalents at end of period	$ 302,459	**$ 379,082**

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per-share amounts)

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. There is a year-round demand for the Company s passenger and truck replacement tires, but sales of passenger replacement tires are generally strongest during the third and fourth quarters of the year. Winter tires are sold principally during the months of June through November. Operating results for the three-month and six-month periods ended June 30, 2010, are not necessarily indicative of the results that may be expected for the year ended December 31, 2010.

   On August 5, 2010, the Company filed an amendment to its Annual Report on Form 10-K (Form 10-K/A) for the fiscal year ended December 31, 2009, which was filed with the Securities and Exchange Commission (SEC) on March 2, 2010 (the Original Filing). The Company filed this Form 10-K/A to reflect restatements of its consolidated balance sheets at December 31, 2009 and December 31, 2008, and its consolidated statements of operations and equity for the fiscal years ended December 31, 2009, December 31, 2008 and December 31, 2007, and the related notes thereto, as a result of a review of the Company s accounting for its noncontrolling shareholders interests. The balance sheet at December 31, 2009 included herein has been derived from the audited restated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

   The restatement relates, in part, to the Company s classification of the noncontrolling shareholders interests in Cooper Chengshan. Historically, the Company classified the Cooper Chengshan noncontrolling shareholders interests as permanent equity. After consideration of the applicable financial accounting guidance and evaluation of the related agreements, classification of the noncontrolling interest as redeemable noncontrolling shareholders interest within mezzanine equity was deemed appropriate. Further, the restatement reflects the reclassification of a portion of the currency translation adjustment recorded in the Company s comprehensive income (loss) which should have been allocated to comprehensive income attributable to noncontrolling shareholders interest in consolidated subsidiaries. The reclassification of the currency translation adjustment also impacted the related equity accounts.

   In connection with the investment in Cooper Chengshan, beginning January 1, 2009 and continuing through December 31, 2011, the noncontrolling shareholders have the option, which is embedded in the noncontrolling interest, to require the Company to purchase the remaining 49 percent noncontrolling share at the greater of a minimum price of $62,700 or a formula price that varies based on operating results of the entity. The combination of a noncontrolling interest and a put option resulted in a redeemable noncontrolling shareholder interest. The put option is not separated from the shares as an embedded derivative because the underlying shares are not readily convertible into cash.

   The noncontrolling interest is redeemable at other than fair value as the put value is determined based on a specified formula as described above. The Company records the noncontrolling shareholders interests in Cooper Chengshan at the greater of 1) the initial carrying amount, increased or decreased for the noncontrolling shareholders share of net income or loss and its share of other comprehensive income or loss and dividends (carrying amount) or 2) the value of the put option which is determined based on the greater of the minimum amount or the formula derived amount. Prior to exercisability of the put option on January 1, 2009, the noncontrolling shareholders interest has been recorded at the greater of 1) the carrying amount or 2) the

cumulative amount required to accrete the initial carrying amount to the redemption value using the effective interest method which resulted in the reversal of accretion of $6,504 and $5,394 during the quarter and six month period ended June 30, 2010, respectively, with an offset to Retained earnings. According to

authoritative accounting guidance, the redeemable noncontrolling shareholders interests are classified outside of permanent equity, as a mezzanine item, on the Company s Consolidated Balance Sheets.

According to authoritative accounting guidance for redeemable noncontrolling shareholders interests, to the extent the noncontrolling shareholders have a contractual right to receive an amount upon exercise of a put option that is other than fair value, and such amount is greater than carrying value, then the noncontrolling shareholder has, in substance, received a dividend distribution that is different than other common stockholders. Therefore accretion adjustments to the carrying value of noncontrolling shareholders interests to reflect the put option amount should also be reflected in the computation of earnings per share available to the Company s common stockholders. The tables below present the impact of these adjustments on the Company s earnings per share, selected components of the Condensed Consolidated Balance Sheets and the Company s comprehensive income (loss):

	Three months ended June 30, 2009		Six months ended June 30, 2009	
	As Originally Reported	**Restated**	As Originally Reported	**Restated**
Basic earnings per share:				
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	$ 0.41	**$ 0.52**	$ 0.05	**$ 0.15**
Loss from discontinued operations	(0.63)	**(0.63)**	(0.64)	**(0.64)**
Net loss available to Cooper Tire & Rubber Company common stockholders	$ (0.22)	**$ (0.11)**	$ (0.58)*	**$ (0.49)**
Diluted earnings per share:				
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	$ 0.40	**$ 0.51**	$ 0.05	**$ 0.14**
Loss from discontinued operations	(0.62)	**(0.62)**	(0.63)	**(0.63)**
Net loss available to Cooper Tire & Rubber Company common stockholders	$ (0.22)	**$ (0.11)**	$ (0.57)*	**$ (0.48)***

* *Amounts do not add due to rounding*

	Three months ended June 30, 2009		Six months ended June 30, 2009	
	As Originally Reported	**Restated**	As Originally Reported	**Restated**
Net loss attributable to Cooper Tire & Rubber Company	$ (12,960)	**$ (12,960)**	$ (34,227)	**$ (34,227)**
Other comprehensive income (loss):				
Currency translation adjustments	13,957	**14,244**	10,975	**11,161**
	(7,980)	**(7,980)**	(4,613)	**(4,613)**

Unrealized net gains (losses) on derivative instruments and marketable securities, net of tax				
Unrecognized postretirement benefit plans, net of tax	1,146	**1,146**	1,500	**1,500**
Comprehensive loss attributable to Cooper Tire & Rubber Company	(5,837)	**(5,550)**	(26,365)	**(26,179)**
Net income attributable to noncontrolling shareholders interests	6,638	**6,638**	4,618	**4,618**
Other comprehensive income (loss):				
Currency translation adjustments		**(287)**		**(186)**
Comprehensive income attributable to noncontrolling shareholders interests	6,638	**6,351**	4,618	**4,432**
Total comprehensive income (loss)	$ 801	**$ 801**	$ (21,747)	**$ (21,747)**

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The consolidated financial statements include the accounts of the Company, its majority-owned (based on voting interests) subsidiaries and variable-interest entities for which the Company is the primary beneficiary. Acquired businesses are included in the consolidated financial statements from the dates of acquisition. The Company consolidates certain joint ventures in which it has a variable interest based on power to direct the activities and significant participation in expected returns of the joint venture. On January 1, 2010, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 167, Amendments to FASB Interpretation No. 46(R) . The requirements of SFAS No. 167 have been incorporated into Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation . SFAS No. 167 changes the consolidation guidance for variable interest entities and the adoption of this standard did not have a material impact on the Company s consolidated financial statements. All intercompany accounts and transactions have been eliminated.

The equity method of accounting is followed for investments in 20 percent to 50 percent owned companies that are not otherwise consolidated based on variable interests. The Company s investment in the Mexican tire manufacturing facility represents an approximate 38 percent ownership interest.

The cost method is followed in those situations where the Company s ownership is less than 20 percent and the Company does not have the ability to exercise significant influence over the affiliate.

The Company entered into a joint venture with Kenda Tire Company to construct and operate a tire manufacturing facility in the People s Republic of China (PRC) which began production in 2007. Until May 2012, all of the tires produced by this joint venture are required to be exported and sold to Cooper Tire & Rubber Company and its affiliates at a price that provides an acceptable return to the joint venture. Due to this requirement, the Company has the power to direct the manufacturing operations of the joint venture to produce the types of tires required by the Company to meet its global demands. The Company has determined it is the primary beneficiary of this joint venture because of the operational control and the fact it currently receives all of the tires produced by this manufacturing operation.

The Company has also entered into a joint venture with Nemet International to market and distribute Cooper, Pneustone and associated brand tires in Mexico. The Company has determined it has the power to control the purchasing and marketing of tires for this joint venture. The Company has also provided additional financial support to this joint venture in order to allow it to finance its business activities. The joint venture partner has not provided such additional support. The Company has determined it is the primary beneficiary of this joint venture due to its ability to control the primary economic activity.

Since the Company has determined that each of these entities is a Variable Interest Entity (VIE) and it is the primary beneficiary, it has included their assets, liabilities and operating results in its consolidated financial statements. Assets recognized s a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against the Company s general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims against the Company s general assets, rather, they represent claims against the specific assets of the consolidated VIEs. The Company has recorded the interest related to the joint venture partners ownership in noncontrolling shareholders interests in consolidated subsidiaries.

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The following table summarizes the balance sheets of these variable interest entities at December 31, 2009 and June 30, 2010:

	December 31, 2009	**June 30, 2010**
Assets		
Cash and cash equivalents	$ 23,998	**$ 13,893**
Accounts receivable	9,359	**12,414**
Inventories	16,472	**27,236**
Prepaid expenses	2,688	**6,869**
Total current assets	52,517	**60,412**
Net property, plant and equipment	139,705	**134,084**
Intangibles and other assets	12,773	**12,118**
Total assets	$ 204,995	**$ 206,614**
Liabilities and stockholders equity		
Notes payable	$ 87,016	**$ 83,366**
Accounts payable	7,147	**9,485**
Accrued liabilities	1,118	**(430)**
Current portion of long-term debt	10,525	
Current liabilities	105,806	**92,421**
Stockholders equity	99,189	**114,193**
Total liabilities and stockholders equity	$ 204,995	**$ 206,614**

Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires disclosure of transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of the assets and liabilities measured under Level 3 of the fair value measurement hierarchy. The Company has adopted this guidance as of January 1, 2010 and it did not have a material impact on the Company s consolidated financial statements.

In June 2009, the FASB issued accounting guidance on accounting for transfers of financial assets. This guidance amends previous guidance by including: the elimination of the qualifying special-purpose entity (QSPE) concept; a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting; clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale; and a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor. Additionally, the guidance requires extensive new disclosures regarding an entity s involvement in a transfer of financial assets. Finally, existing QSPEs (prior to the effective date of this guidance) must be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance upon the elimination of this concept. The Company adopted this new guidance effective January 1, 2010 and it did not have an impact on the Company s consolidated financial statements.

In February 2010, the FASB amended its guidance on the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued, otherwise known as subsequent events. Specifically, these changes clarify that an entity that is required to file or furnish its financial statements with the Securities and Exchange Commission is not required to disclose the date through which subsequent events have been evaluated. Other than the elimination of disclosing the date through which management has performed its evaluation for subsequent events, the adoption of these changes had no impact on the Company s consolidated financial statements.

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

	Three months ended June 30		Six months ended June 30	
	Restated 2009	**2010**	Restated 2009	**2010**
Numerator				
Income from continuing operations attributable to Cooper Tire & Rubber Company	$ 24,125	**$ 18,951**	$ 3,222	**$ 31,287**
Accretion of redeemable noncontrolling shareholders interest	6,504		5,394	
Numerator for basic and diluted earnings (loss) per share income (loss) from continuing operations available to common stockholders	$ 30,629	**$ 18,951**	$ 8,616	**$ 31,287**
Denominator				
Denominator for basic earnings (loss) per share - weighted average shares outstanding	58,958	**61,292**	58,950	**61,104**
Effect of dilutive securities stock options and other stock units	845	**1,317**	660	**1,349**
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	59,803	**62,609**	59,610	**62,453**
Basic earnings (loss) per share:				
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	$ 0.52	**$ 0.31**	$ 0.15	**$ 0.51**
Income (loss) from discontinued operations, net of income taxes	(0.63)	**0.41**	(0.64)	**0.40**
Net income (loss) available to Cooper Tire & Rubber Company common stockholders	$ (0.11)	**$ 0.72**	$ (0.49)	**$ 0.91**
Diluted earnings (loss) per share:				
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	$ 0.51	**$ 0.30**	$ 0.14	**$ 0.50**
	(0.62)	**0.40**	(0.63)	**0.39**

Income (loss) from discontinued operations, net of income taxes				
Net income (loss) available to Cooper Tire & Rubber Company common stockholders	$ (0.11)	**$ 0.70**	$ (0.48)*	**$ 0.89**

* *Amounts do not add due to rounding*

3. Derivative financial instruments are utilized by the Company to reduce foreign currency exchange risks. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes. The derivative financial instruments include fair value and cash flow hedges of foreign currency exposures. The change in values of the fair value foreign currency hedges offset exchange rate fluctuations on the foreign currency-denominated intercompany loans and obligations. The Company presently hedges exposures in the Euro, Canadian dollar, British pound sterling, Swiss franc, Swedish krona, Norwegian krone, Mexican peso and Chinese yuan generally for transactions expected to occur within the next 12 months. The notional amount of these foreign currency derivative instruments at December 31, 2009 and June 30, 2010 was $207,600 and $176,400, respectively. The counterparties to each of these agreements are major commercial banks.

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

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Foreign currency forward contracts are also used to hedge variable cash flows associated with forecasted sales and purchases denominated in currencies that are not the functional currency of certain entities. The forward contracts have maturities of less than twelve months pursuant to the Company s policies and hedging practices. These forward contracts meet the criteria for and have been designated as cash flow hedges. Accordingly, the effective portion of the change in fair value of such forward contracts (approximately $(2,160) and $3,838 as of December 31, 2009 and June 30, 2010, respectively) are recorded as a separate component of stockholders equity in the accompanying consolidated balance sheets and reclassified into earnings as the hedged transaction affects net sales.

The Company assesses hedge ineffectiveness quarterly using the hypothetical derivative methodology. In doing so, the Company monitors the actual and forecasted foreign currency sales and purchases versus the amounts hedged to identify any hedge ineffectiveness. Any hedge ineffectiveness is recorded as an adjustment in the accompanying consolidated financial statements of operations in the period in which the ineffectiveness occurs. The Company also performs regression analysis comparing the change in value of the hedging contracts versus the underlying foreign currency sales and purchases, which confirms a high correlation and hedge effectiveness.

The following table presents the location and amounts of derivative instrument fair values in the Statement of Financial Position:

(assets)/liabilities	December 31, 2009		June 30, 2010	
Derivatives designated as hedging instruments	Accrued liabilities	$ 2,158	Accrued liabilities	$ (3,938)
Derivatives not designated as hedging instruments	Accrued liabilities	$ (78)	Accrued liabilities	$ (45)

The following table presents the location and amount of gains and losses on derivative instruments in the consolidated statement of operations:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)		Amount of (Gain) Loss Reclassified from Other Comprehensive Income into Income (Effective Portion)		Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	
Derivatives in Cash Flow Hedging Relationships	Three Months Ended June 30, 2009	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Three Months Ended June 30, 2010
Foreign exchange contracts	$ (6,107)	$ 5,013	$ 862	$ (236)	$ (366)	$ (186)
Derivatives in Cash Flow Hedging Relationships	Six Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Six Months Ended June 30, 2010
Foreign exchange contracts	$ (4,655)	$ 7,563	$ (2,101)	$ (1,565)	$ (288)	$ (215)

Derivatives not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives			
		Three Months Ended June 30, 2009	Three Months Ended June 30, 2010	Six Months Ended June 30, 2009	Six Months Ended June 30, 2010
Foreign exchange contracts	Other income	$ (1,384)	$ 457	$ (929)	$ (156)
Interest rate swap contracts	Other income	(248)		1,997	
		$ (1,632)	$ 457	$ 1,068	$ (156)

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The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into the three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within the different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Consolidated Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access.

Level 2. Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a. Quoted prices for similar assets or liabilities in active markets;

b. Quoted prices for identical or similar assets or liabilities in non-active markets;

c. Pricing models whose inputs are observable for substantially the full term of the asset or liability; and

d. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table presents the Company s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010, and December 31, 2009:

Foreign Exchange Contracts	Total Derivative (Assets) Liabilities	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
June 30, 2010	$ (3,983)	$	$ (3,983)	$
December 31, 2009	$ 2,080	$	$ 2,080	$

The land, building and certain manufacturing equipment located at Albany, Georgia are now classified as assets held for sale at a fair value determined based on discussions with interested third parties. See footnote 9 for additional details on the Albany restructuring initiative.

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The carrying amounts and fair values of the Company s financial instruments are as follows:

	December 31, 2009		**June 30, 2010**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	$ 426,981	$ 426,981	**$ 379,082**	**$ 379,082**
Notes payable	(156,719)	(156,719)	**(155,891)**	**(155,891)**
Current portion of long-term debt	(15,515)	(15,515)	**(5,019)**	**(5,019)**
Long-term debt	(330,971)	(309,371)	**(326,853)**	**(308,753)**
Derivative financial instruments	(2,080)	(2,080)	**3,983**	**3,983**

The fair value of the Company s debt is computed using discounted cash flow analyses based on the Company s estimated current incremental borrowing rates.

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

	Three months ended June 30		Six months ended June 30	
	2009	**2010**	2009	**2010**
Revenues from external customers:				
North American Tire	$ 427,333	**$ 574,968**	$ 866,650	**$ 1,106,685**
International Tire	257,182	**312,156**	423,394	**605,713**
Eliminations	(52,786)	**(83,165)**	(86,907)	**(153,996)**
Net sales	$ 631,729	**$ 803,959**	$ 1,203,137	**$ 1,558,402**
Segment profit (loss):				
North American Tire	$ 27,951	**$ 19,680**	$ 24,331	**$ 33,282**
International Tire	19,204	**20,528**	16,383	**43,078**
Eliminations	(786)	**42**	(1,059)	**(467)**
Unallocated corporate charges	(4,896)	**(6,568)**	(14,421)	**(9,256)**
Operating profit	41,473	**33,682**	25,234	**66,637**
Interest expense	12,097	**9,149**	24,752	**17,879**
Interest income	(1,105)	**(771)**	(2,480)	**(1,984)**
Other income	(1,249)	**(988)**	(2,072)	**(1,225)**
Income from continuing operations before income taxes	$ 31,730	**$ 26,292**	$ 5,034	**$ 51,967**

5. At December 31, 2009, approximately 45 percent of the Company s inventories had been valued under the LIFO method. At June 30, 2010, approximately 41 percent of the Company s inventories are valued under the LIFO method. The remaining inventories have been valued under the FIFO method or average cost method. All inventories are stated at the lower of cost or market.

   Under the LIFO method, inventories have been reduced by approximately $127,064 and $173,691 at December 31, 2009 and June 30, 2010, respectively, from current cost which would be reported under the first-in,

first-out method.

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6. The Company s incentive compensation plans allow the Company to grant awards to key employees in the form of stock options, stock awards, restricted stock units, stock appreciation rights, performance units, dividend equivalents and other awards. Compensation related to these awards is determined based on the fair value on the date of grant and is amortized to expense over the vesting period. For restricted stock units and performance based units, the Company recognizes compensation expense based on the earlier of the vesting date or the date when the employee becomes eligible to retire. If awards can be settled in cash, these awards are recorded as liabilities and marked to market.

The following table discloses the amount of stock based compensation expense for the three and six-month periods ended June 30, 2009 and 2010 relating to continuing operations:

Stock Based Compensation

	Three months ended June 30		Six months ended June 30	
	2009	**2010**	2009	**2010**
Stock options	$ 81	**$ 396**	$ 167	**$ 617**
Restricted stock units	380	**477**	780	**644**
Performance based units	1,035	**1,572**	1,387	**2,271**
Total stock based compensation	$ 1,496	**$ 2,445**	$ 2,334	**$ 3,532**

Executives participating in the Company s Long-Term Incentive Plan for the plan year 2007 2009 and 2008 2010, earn performance based units based on the Company s financial performance. As part of the 2007 2009 plan, the units earned in 2007 and 2009 vested in February 2010. As part of the 2008 2010 plan, the units earned in 2009 and any units earned in 2010 will vest at December 31, 2010. No units were earned in 2008.

In April 2009, executives participating in the 2009 2011 Long Term Incentive Plan were granted stock options which vest one third each year from April 2010 through April 2012.

Executives participating in the Company s Long-Term Incentive Plan for the plan year 2010 2012, earn performance based units and cash. Any units and cash earned during 2010 will vest at December 31, 2012. The executives also received stock options which will vest one third each year from March 2011 through March 2013.

The fair value of options granted was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2009	**2010**
Risk-free interest rate	2.2%	**2.8%**
Dividend yield	2.7%	**2.2%**
Expected volatility of the Company s common stock	0.570	**0.604**
Expected life in years	6.0	**6.0**

The weighted-average fair value of options granted in April of 2009 was $2.08, and of options granted in March of 2010 was $9.01. The estimated fair value of options is amortized to expense over the options vesting period.

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The following table provides details of the stock option activity for the six months ended June 30, 2010:

	Long-Term Incentive Plan Years	
	2009 - 2011	**2010 - 2012**
January 1, 2010		
Outstanding	1,037,000	
Exercisable	*59,000*	
Granted		303,120
Exercised	(144,500)	
June 30, 2010		
Outstanding	892,500	303,120
Exercisable	*240,500*	

The following table provides details of the restricted stock unit activity for the six months ended June 30, 2010:

Restricted stock units outstanding at January 1, 2010	526,809
Restricted stock units granted	
Accrued dividend equivalents	2,981
Restricted stock units settled	(250,021)
Restricted stock units cancelled	(4,149)
Restricted stock units outstanding at June 30, 2010	275,620

The following table provides details of the performance based units earned under the Company s Long-Term Incentive Plans for the six months ended June 30, 2010:

	Long-Term Incentive Plan Years	
	2007-2009	2008-2010
Performance-based units outstanding at January 1, 2010	559,951	290,860
Accrued dividend equivalents		3,138
Performance-based units settled	(559,951)	
Performance-based units outstanding at June 30, 2010	0	293,998

The Company s restricted stock units and performance based units are not participating securities. These units entitle the participant to convert the units into shares of Company common stock upon vesting and in accordance with the distribution date indicated in the agreements. Restricted stock units earn dividend equivalents from the time of the award until distribution is made in common shares. Performance based units earn dividend equivalents from the time the units have been earned based upon Company performance metrics until distribution is made in common shares. Dividend equivalents are only earned subject to vesting of the underlying restricted stock units or performance based units, accordingly, such units do not represent participating securities.

7. The following tables disclose the amount of net periodic benefit costs for the three-month and six-month periods ended June 30, 2009 and 2010 for the Company s defined benefit plans and other postretirement benefits relating to continuing operations:

	Pension Benefits			
	Three months ended June 30		Six months ended June 30	
	2009	**2010**	2009	**2010**
Components of net periodic benefit cost:				
Service cost	$ 3,139	$ 1,640	$ 6,526	$ 3,307
Interest cost	14,607	15,432	29,225	31,056
Expected return on plan assets	(13,892)	(16,206)	(27,579)	(32,585)
Amortization of prior service cost	923	(149)	(533)	(307)
Recognized actuarial loss	7,463	8,372	17,688	16,812
Spectrum plan freeze	(10,133)		(10,133)	
Albany curtailment gain	(2,413)		(3,713)	
Albany settlement loss	900	1,421	900	4,751
Net periodic benefit cost	$ 594	$ 10,510	$ 12,381	$ 23,034

	Other Postretirement Benefits			
	Three months ended June 30		Six months ended June 30	
	2009	**2010**	2009	**2010**
Components of net periodic benefit cost:				
Service cost	$ 1,047	**$ 791**	$ 1,900	**$ 1,581**
Interest cost	3,694	**3,529**	7,400	**7,058**
Amortization of prior service cost	(73)	**(136)**	(150)	**(272)**
Recognized actuarial loss	132		150	
Net periodic benefit cost	$ 4,800	**$ 4,184**	$ 9,300	**$ 8,367**

During 2010, the Company expects to contribute between $35,000 and $40,000 to its domestic and foreign pension plans. On May 11, 2010, the Company filed a Form S-3 which will permit the Company to fund a portion of the expected domestic contributions in the form of Company common stock.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Act of 2010 (the Act) was enacted. The primary focus of the Act is to significantly reform health care in the U.S. The Act will reduce the tax deduction available to the Company to the extent of receipt of Medicare Part D prescription drug subsidy; however, this will not have a material impact on the Company s financial results. The Company is currently evaluating other prospective effects of the Act.

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8. The following table reconciles the beginning and end of the period equity accounts attributable to Cooper Tire & Rubber Company and to the noncontrolling shareholder interests.

	Total Parent Stockholders Equity	Noncontrolling Shareholders Interests in Consolidated Subsidiaries	Total Stockholders Equity	Redeemable Noncontrolling Shareholders Interests

The following table provides the details of the Company s comprehensive income (loss). Comprehensive income (loss) includes net income (loss) and components of other comprehensive income (loss), such as foreign currency translation adjustments, unrealized gains or losses on certain marketable securities and derivative instruments and unrecognized postretirement benefit plans.

The Company s comprehensive income (loss) is as follows:

	Three months ended June 30		Six months ended June 30	
	2009	**2010**	2009	**2010**
Net income (loss) attributable to Cooper Tire & Rubber Company	$ (12,960)	**$ 44,077**	$ (34,227)	**$ 55,653**
Other comprehensive income (loss):				
Currency translation adjustments	14,244 *1*	**(584)**	10,789 *1*	**(5,156)**
Unrealized net gains (losses) on derivative instruments and marketable securities, net of tax	(7,980)	**4,031**	(4,613)	**5,393**
Unrecognized postretirement benefit plans, net of tax	1,146	**18,969**	1,500	**35,635**
Comprehensive income (loss) attributable to Cooper Tire & Rubber Company	(5,550) *1*	**66,493**	(26,551) *1*	**91,525**
Net income attributable to noncontrolling shareholders interests	6,638	**6,094**	4,618	**11,690**
Other comprehensive income (loss):				
Currency translation adjustments	(287) *1*	**820**	186 *1*	**(1,832)**
Comprehensive income attributable to noncontrolling shareholders interests	6,351 *1*	**6,914**	4,804 *1*	**9,858**
Total comprehensive income (loss)	$ 801	**$ 73,407**	$ (21,747)	**$ 101,383**

1 *Amounts have been restated, see Footnote 1 for additonal information.*

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9. The table below details the Company s restructuring expenses for the periods indicated:

	Three months ended June 30		Six months ended June 30	
	2009	**2010**	2009	**2010**
Albany plant closure				
Asset writedowns	$	**$ 1,000**	$	**$ 1,000**
Equipment relocated and other costs	6,169	**4,227**	11,021	**8,509**
Employee related costs	1,842	**1,421**	11,296	**4,751**
	8,011	**6,648**	22,317	**14,260**
Distribution center				
Employee related costs	294		340	
Europe headcount reduction				
Employee related costs	404	**778**	404	**778**
Total restructuring costs	$ 8,709	**$ 7,426**	$ 23,061	**$ 15,038**

During the second quarter of 2010, the Company recorded restructuring expenses associated with the two initiatives described below.

Albany manufacturing facility closure

The Company recorded $6,648 of restructuring expense associated with the planned closure of its Albany, Georgia manufacturing facility. This initiative, announced December 17, 2008, resulted in a workforce reduction of approximately 1,330 people with an estimated cost between $140,000 and $145,000 for restructuring expense and asset impairment. This initiative is expected to be completed by September 30, 2010.

During the second quarter, the Company reduced the fair value of the land, building and certain manufacturing equipment at the Albany, Georgia location based on discussions with parties interested in purchasing the facility.

During the first six months of 2010, the Company has recorded $14,260 of restructuring expense related to the Albany closure and through June 30, 2010, the Company has recorded a total of $136,949 of restructuring expense for this initiative.

At January 1, 2010, the accrued severance balance was $848 and the Company made $678 of severance payments during the first six months of 2010 resulting in an accrued severance balance at June 30, 2010, of $170.

European headcount reduction

In Cooper Europe, a workforce reduction program was implemented during the second quarter of 2010. This initiative is expected to impact 67 employees with a total cost of approximately $930. This initiative is expected to be completed during the third quarter of 2010. Employee severance of $778 was accrued during the second quarter and no payments have been made resulting in an accrued severance balance of $778 at June 30, 2010.

10. The Company provides for the estimated cost of product warranties at the time revenue is recognized based primarily on historical return rates, estimates of the eligible tire population and the value of tires to be replaced. The following table summarizes the activity in the Company s product warranty liabilities:

	2009	**2010**
Reserve at January 1	$ 18,244	**$ 23,814**
Additions	7,021	**9,813**
Payments	(7,546)	**(9,370)**
Reserve at June 30	$ 17,719	**$ 24,257**

11. The Company is a defendant in various products liability claims brought in numerous jurisdictions in which individuals seek damages resulting from automobile accidents allegedly caused by defective tires manufactured by the Company. Each of the products liability claims faced by the Company generally involve different types of tires, models and lines, different circumstances surrounding the accident such as different applications, vehicles, speeds, road conditions, weather conditions, driver error, tire repair and maintenance practices, service life conditions, as well as different jurisdictions and different injuries. In addition, in many of the Company s products liability lawsuits the plaintiff alleges that his or her harm was caused by one or more co-defendants who acted independently of the Company. Accordingly, both the claims asserted and the resolutions of those claims have an enormous amount of variability. The aggregate amount of damages asserted at any point in time is not determinable since often times when claims are filed, the plaintiffs do not specify the amount of damages. Even when there is an amount alleged, at times the amount is wildly inflated and has no rational basis.

    The fact that the Company is a defendant in products liability lawsuits is not surprising given the current litigation climate which is largely confined to the United States. However, the fact that the Company is subject to claims does not indicate that there is a quality issue with the Company s tires. The Company sells approximately 30 to 35 million passenger, light truck, SUV, high performance, ultra high performance and radial medium truck tires per year in North America. The Company estimates that approximately 300 million Cooper-produced tires made up of thousands of different specifications are still on the road in North America. While tire disablements do occur, it is the Company s and the tire industry s experience that the vast majority of tire failures relate to service-related conditions which are entirely out of the Company s control such as failure to maintain proper tire pressure, improper maintenance, road hazard and excessive speed.

    The Company s exposure for each claim occurring prior to April 1, 2003 is limited by the coverage provided by its excess liability insurance program. The program for that period includes a relatively low per claim retention and a policy year aggregate retention limit on claims arising from occurrences which took place during a particular policy year. Effective April 1, 2003, the Company established a new excess liability insurance program. The new program covers the Company s products liability claims occurring on or after April 1, 2003 and is occurrence-based insurance coverage which includes an increased per claim retention limit, increased policy limits and the establishment of a captive insurance company.

    The Company accrues costs for products liability at the time a loss is probable and the amount of loss can be estimated. The Company believes the probability of loss can be established and the amount of loss can be estimated only after certain minimum information is available, including verification that Company-produced products were involved in the incident giving rise to the claim, the condition of the product purported to be involved in the claim, the nature of the incident giving rise to the claim and the extent of the purported injury or damages. In cases where such information is known, each products liability claim is evaluated based on its specific facts and circumstances. A judgment is then made to determine the requirement for establishment or revision of an accrual for any potential liability. The liability often cannot be determined with precision until the

claim is resolved.

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Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. The Company uses a range of settlements because an average settlement cost would not be meaningful since the products liability claims faced by the Company are unique and widely variable. The cases involve different types of tires, models and lines, different circumstances surrounding the accident such as different applications, vehicles, speeds, road conditions, weather conditions, driver error, tire repair and maintenance practices, service life conditions, as well as different jurisdictions and different injuries. In addition, in many of the Company s products liability lawsuits the plaintiff alleges that his or her harm was caused by one or more co-defendants who acted independently of the Company. Accordingly, the claims asserted and the resolutions of those claims have an enormous amount of variability. The costs have ranged from zero dollars to $12 million in one case with no average that is meaningful. No specific accrual is made for individual unasserted claims or for premature claims, asserted claims where the minimum information needed to evaluate the probability of a liability is not yet known. However, an accrual for such claims based, in part, on management s expectations for future litigation activity and the settled claims history is maintained. Because of the speculative nature of litigation in the United States, the Company does not believe a meaningful aggregate range of potential loss for asserted and unasserted claims can be determined. The Company s experience has demonstrated that its estimates have been reasonably accurate and, on average, cases are settled at amounts close to the reserves established. However, it is possible an individual claim from time to time may result in an aberration from the norm and could have a material impact.

The Company determines its reserves using the number of incidents expected during a year. During the second quarter of 2010, the Company increased its products liability reserve by $13,256. The addition of another quarter of self-insured incidents accounted for $9,890 of this increase. Amounts on existing reserves increased by $3,366.

During the first six months of 2010, the Company increased its products liability reserve by $50,077. The addition of another six months of self-insured incidents accounted for $19,780 of this increase. The Company revised its estimates of future settlements for unasserted and premature claims, which increased the reserve by $1,065. Finally, amounts on existing reserves increased by $29,232. Of this amount, $21,800 was the result of the Company increasing its self-insured portion of a jury verdict in one case during the first quarter. The Company considered the impact of this case when evaluating the assumptions used in establishing reserve balances and did not adjust its assumptions based solely on this case.

The time frame for the payment of a products liability claim is too variable to be meaningful. From the time a claim is filed to its ultimate disposition depends on the unique nature of the case, how it is resolved claim dismissed, negotiated settlement, trial verdict and appeals process and is highly dependent on jurisdiction, specific facts, the plaintiff s attorney, the court s docket and other factors. Given that some claims may be resolved in weeks and others may take five years or more, it is impossible to predict with any reasonable reliability the time frame over which the accrued amounts may be paid.

The Company paid $12,079 during the second quarter of 2010 to resolve cases and claims and has paid $16,860 through the first six months of 2010. The Company s products liability reserve balance at December 31, 2009 totaled $151,421 (current portion of $30,805) and the balance at June 30, 2010, totaled $184,638 (current portion of $31,893).

The products liability expense reported by the Company includes amortization of insurance premium costs, adjustments to settlement reserves and legal costs incurred in defending claims against the Company offset by recoveries of legal fees. Legal costs are expensed as incurred and products liability insurance premiums are amortized over coverage periods. The Company is entitled to reimbursement, under certain insurance contracts in place for periods ending prior to April 1, 2003, of legal fees expensed in prior periods based on events occurring in those periods. The Company records the reimbursements under such policies in the period the conditions for reimbursement are met.

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For the three-month periods ended June 30, 2009 and 2010, products liability expenses totaled $20,352 and $15,120, respectively, and include recoveries of legal fees of $515 and $5,569 in the periods ended June 30, 2009 and 2010, respectively. For the six-month periods ended June 30, 2009 and 2010, products liability expenses totaled $40,920 and $59,718, respectively, and include recoveries of legal fees of $1,941 and $5,575 in the periods ended June 30, 2009 and 2010, respectively. Policies applicable to claims occurring on April 1, 2003 and thereafter do not provide for recovery of legal fees.

12. For the quarter ended June 30, 2010, the Company recorded an income tax expense for continuing operations of $1,247 as compared to $967 for the comparable period in 2009. The provision includes a tax benefit for discrete items of $5,059 relating primarily to return to provision changes in estimates for the 2009 U.S. tax return principally resulting from additional pension funding for the 2009 plan year. The effective tax rate for the quarter and six month period ended June 30, 2010, for continuing operations is 24.0 and 21.4 percent, respectively, exclusive of discrete items, using the applicable effective tax rate determined using forecasted multi-jurisdictional annual effective tax rates. For comparable periods in 2009, the effective tax rate for continuing operations, exclusive of discrete items, was -0.4 percent and -88.42 percent, respectively, using forecasted jurisdictional annual effective tax rates.

The $280 increase in tax expense for the quarter relates primarily to the impact from decreased earnings at the U.S. statutory rate of $(1,905); the impact from changes to the U.S. valuation allowances of $7,329; differences in the effective tax rates of international operations of $1,013; and changes in discrete items of $(6,157).

For the six month period ended June 30, 2010, the Company recorded income tax expense for continuing operations of $8,990 compared to a tax benefit of $2,806 recorded for the six month period ended June 30, 2009. The $11,796 increase in tax expense relates primarily to the impact from increased earnings at the U.S. statutory rate of $16,426; the impact from changes to the U.S. valuation allowances of $2,902; differences in the effective tax rates of international operations of $(3,730); and changes in discrete items of $(3,802).

The Company maintains a valuation allowance pursuant to ASC 740, Accounting for Income Taxes, on its net U.S. deferred tax asset position. The valuation allowance will be maintained as long as it is more likely than not that some portion of the deferred tax asset may not be realized. Deferred tax assets and liabilities are determined separately for each taxing jurisdiction in which the Company conducts its operations or otherwise generates taxable income or losses. In the U.S., the Company has recorded significant deferred tax assets, the largest of which relate to products liability, pension and other postretirement 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 $176,243 valuation allowance for the portion of U.S. deferred tax assets exceeding its U.S. deferred tax liabilities. In addition, the Company has recorded valuation allowances of $2,392 for deferred tax assets associated with losses in foreign jurisdictions.

The Company maintains an ASC 740-10, Accounting for Uncertainty in Income Taxes liability for unrecognized tax benefits for permanent and temporary book/tax differences for continuing operations. At June 30, 2010, the Company s liability, exclusive of interest, totals approximately $7,467. The Company accrued approximately $20 of interest expense for the quarter which has been recorded as a discrete item in the tax provision.

At June 30, 2010, the Company has a receivable for approximately $27,425 of primarily U.S. cash tax refunds, including interest. It is anticipated that approximately $14 million of these receivables will be collected in 2010.

In 2003 the Company initiated bilateral Advance Pricing Agreement (APA) negotiations with the Canadian and U.S. governments to change its intercompany transfer pricing process between a formerly owned subsidiary, Cooper-Standard Automotive, Inc., (CSA) and its Canadian affiliate. In 2009 the governments settled the APA between the governments and the taxpayers for periods 2000-2007. On August 19, 2009, the Company filed an

action in the United States Bankruptcy Court, District of Delaware, in response to the

Bankruptcy petition filed by Cooper-Standard Holdings Inc. on August 3, 2009. The action related to the tax refunds owed to the Company pursuant to the September 16, 2004 sale agreement of CSA for pre-disposition periods ending December 23, 2004. On March 17, 2010, the Company entered into a settlement agreement with Cooper Standard Holdings, Inc., et al. to resolve the subject proceedings. The approved settlement agreement was docketed by the Court on April 15 and became final and non-appealable on April 29, 2010. Pursuant to the settlement agreement, CSA paid the Company approximately $17,639. In addition CSA provided a letter of credit to be issued for the benefit of the Company in the initial amount of $7,000 in connection with the Company s guaranty of a lease for certain property in Surgoinsville, Tennessee. The letter of credit will be payable to the Company for amounts that the Company is called upon to pay in connection with the Company s guaranty. The settlement agreement also provides for mutual releases with only certain limited obligations under the 2004 sale agreement to remain in force. Based upon the settlement, the Company released liabilities recorded on its books relating to the disposition of CSA in the amount of $7,400 through Discontinued Operations net of the tax impact.

The Company and its subsidiaries are subject to income taxes in the U.S. federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and foreign tax examinations by tax authorities for years prior to 2000.

13. On February 2, 2010, 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 approving the settlement agreement negotiated by the parties in April 2009, in its entirety, as being fair, reasonable and adequate and dismissed, with prejudice, the case and a related lawsuit, *Johnson, et al v. Cooper Tire & Rubber Company*. The settlement agreement provides for 1) a cash payment of $7,050 to the Plaintiffs for reimbursement of costs; and 2) modification to the Company s approach and costs of providing future health care to specified current retiree groups which will result in an amendment to the Company s retiree medical plan.

   A group of the Company s union retirees and surviving spouses filed the Cates lawsuit on behalf of a purported class claiming that the Company was not entitled to impose any contribution requirement for the cost of their health care coverage pursuant to a series of letter agreements entered into by the Company and the United Steelworkers and that Plaintiffs were promised lifetime benefits, at no cost, after retirement. As a result of settlement discussions, the related Johnson case was filed with the Court on behalf of a different, smaller group of hourly union-represented retirees.

   The Company has amended its retiree medical plan to reflect the changed method of providing future health care to specified current retiree groups. As a consequence of the settlement agreement, the Company recorded $7,050 of expense during the first quarter of 2009 relating to the specified payments. Also during the first quarter of 2009, the actuarial value of costs related to the plan amendment was estimated to be approximately $7,700 which was reflected as an increase in the accrual for Other Post-employment Benefits with an offset to the Cumulative Other Comprehensive Loss component of Shareholders Equity. The Company has finalized the impact of the amendment on its accrual for Other Post-employment Benefits and has recorded the impact during the second quarter of 2010. As a result of plan design changes, lower per capita health care costs experienced compared to the costs assumed in early 2009 and other assumption updates, the Company has recorded a reduction of $9,700 to the accrual for Other Post-employment Benefits with an offset to the Cumulative Other Comprehensive Loss component of Shareholders Equity as a change in actuarial assumptions.

14. In connection with the investment in Cooper Chengshan, beginning January 1, 2009 and continuing through December 31, 2011, the noncontrolling shareholders have the option, which is embedded in the noncontrolling interest, to require the Company to purchase the remaining 49 percent noncontrolling share at the greater of a minimum price of $62,700 or a formula price that varies based on operating results of the entity. The combination of a noncontrolling interest and a put option resulted in a redeemable noncontrolling shareholder interest. The put option is not separated from the shares as an embedded derivative because the underlying shares are not readily

convertible into cash.

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The noncontrolling interest is redeemable at other than fair value as the put value is determined based on a specified formula as described above. The Company records the noncontrolling shareholders interests in Cooper Chengshan at the greater of 1) the initial carrying amount, increased or decreased for the noncontrolling shareholders share of net income or loss and its share of other comprehensive income or loss and dividends (carrying amount) or 2) the value of the put option which is determined based on the greater of the minimum amount or the formula derived amount. Prior to exercisability of the put option on January 1, 2009, the noncontrolling shareholders interest has been recorded at the greater of 1) the carrying amount or 2) the cumulative amount required to accrete the initial carrying amount to the redemption value using the effective interest method which resulted in the reversal of accretion of $6,504 and $5,394 during the quarter and six month period ended June 30, 2009, respectively, with an offset to Retained earnings. According to authoritative accounting guidance, the redeemable noncontrolling shareholders interests are classified outside of permanent equity, as a mezzanine item, on the Company s Condensed Consolidated Balance Sheets.

According to authoritative accounting guidance for redeemable noncontrolling shareholders interests, to the extent the noncontrolling shareholders have a contractual right to receive an amount upon exercise of a put option that is other than fair value, and such amount is greater than carrying value, then the noncontrolling shareholder has, in substance, received a dividend distribution that is different than other common stockholders. Therefore accretion adjustments to the carrying value of noncontrolling shareholders interests to reflect the put option amount should also be reflected in the computation of earnings per share available to Cooper Tire & Rubber Company common stockholders. During 2009, the Company recorded adjustments to the redeemable noncontrolling shareholders interests which are shown in footnote 2.

In 2009, the Company was notified by a noncontrolling shareholder that it had exercised its put option and after governmental approval, the Company purchased the 14 percent share for $17,920 on March 31, 2010. The remaining noncontrolling shareholder has the right to sell its 35 percent share to the Company at a minimum price of $44,780. At June 30, 2010, the formula price of $45,417 exceeds the minimum price, however, the carrying value exceeds the formula price and the carrying value is the amount shown on the Company s Consolidated Balance Sheets.

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

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

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Consolidated Results of Operations

(Dollar amounts in millions except per share amounts)	Three months ended June 30			Six months ended June 30		
	2009	Change	2010	2009	Change	2010
Revenues:						
North American Tire	$ 427.3	34.6%	**$ 575.0**	$ 866.7	27.7%	**$ 1,106.7**
International Tire	257.2	21.4%	**312.2**	423.4	43.1%	**605.7**
Eliminations	(52.8)	57.6%	**(83.2)**	(87.0)	77.0%	**(154.0)**
Net sales	$ 631.7	27.3%	**$ 804.0**	$ 1,203.1	29.5%	**$ 1,558.4**
Segment profit						
North American Tire	$ 28.0	-29.6%	**$ 19.7**	$ 24.3	37.0%	**$ 33.3**
International Tire	19.2	6.8%	**20.5**	16.4	162.8%	**43.1**
Eliminations	(0.8)	n/m	**0.1**	(1.1)	-54.5%	**(0.5)**
Unallocated corporate charges	(4.9)	34.7%	**(6.6)**	(14.4)	-36.1%	**(9.2)**
Operating profit	41.5	-18.8%	**33.7**	25.2	164.7%	**66.7**
Interest expense	12.1	-24.0%	**9.2**	24.8	-27.8%	**17.9**
Interest income	(1.1)	-27.3%	**(0.8)**	(2.5)	-20.0%	**(2.0)**
Other income	(1.2)	-16.7%	**(1.0)**	(2.1)	-42.9%	**(1.2)**
Income from continuing operations before income taxes	31.7		**26.3**	5.0		**52.0**
Income tax expense (benefit)	0.9		**1.2**	(2.8)		**9.0**
Income from continuing operations	30.8		**25.1**	7.8		**43.0**
Noncontrolling shareholders interests	(6.6)		**(6.1)**	(4.6)		**(11.7)**
Income from continuing operations attributable to Cooper Tire & Rubber Company	$ 24.2		**$ 19.0**	$ 3.2		**$ 31.3**
Basic earnings per share	$ 0.52[1]		**$ 0.31**	$ 0.15[1]		**$ 0.51**
Diluted earnings per share	$ 0.51[1]		**$ 0.30**	$ 0.14[1]		**$ 0.50**

1 Amount have been restated,

see Footnote 1 for additional information.

Consolidated net sales for the three-month period ended June 30, 2010, were $172.3 million higher than the comparable period one year ago. The increase in net sales for the second quarter of 2010 compared to the second quarter of 2009 was attributable to higher unit volumes ($89.4 million) and favorable pricing and mix ($82.9 million) in both the North American Tire Operations and International Tire Operations segments.

Operating profit in the second quarter of 2010 decreased by $7.8 million from the second quarter of 2009. Favorable impacts of improved pricing and mix ($79.5 million) and higher sales volumes ($26.5 million) contributed positively. In addition, lower production curtailments costs due to increased capacity utilization ($23.2 million), lower products liability charges ($5.3 million) and decreased restructuring expenses ($1.3 million) were recognized in the North American Tire Operations segment when comparing the second quarter of 2010 to the comparable period one year ago. Higher raw material costs experienced in both segments (-$130.8 million), the nonrecurrence of a one time pension curtailment gain recorded during 2009 (-$10.1 million) and increased selling, general and administrative expenses (-$4.0 million) were the primary contributors to the decline in profits.

Consolidated net sales for the six-month period ended June 30, 2010, were $355.3 million higher than the comparable period one year ago. The increase in net sales for the first six months of 2010 compared to the first six months of 2009 was primarily the result of higher unit volumes ($266.5 million) and favorable pricing and mix ($80.8 million) in both the North American Tire Operations and International Tire Operations segments. Also contributing to the increase in net sales in the first six months of 2010 was favorable foreign exchange rates recorded in the International Tire Operations segment ($8.0 million).

Operating profit in the first six months of 2010 increased by $41.5 million from the first six months of 2009. The favorable impacts of improved pricing and mix ($96.8 million) and higher sales volumes ($67.8 million) in the North American and International Tire Operations segments, as well as lower production curtailment costs ($45.0 million) and reduced restructuring expenses ($8.0 million) in the North American Tire Operations segment, were the primary contributors to the increased profits when comparing the first six months of 2010 to the comparable period of 2009. In addition, favorable foreign currency ($4.1 million) and lower selling, general and administrative costs ($3.5 million) were also recognized during the first six months of 2010 from the first six months of 2009. Partially offsetting the profits were higher raw material costs experienced in both segments (-$171.3 million) and higher products liability charges (-$18.7 million) recorded in the North American Tire Operations segment.

After raw material costs were decreasing during the first half of 2009, commodity costs began to increase during the second half of the year. The Company s six-month period ended June 30, 2010 reflects higher costs of certain of its principal raw materials. The primary raw materials for the Company include natural rubber, synthetic rubber, carbon black, chemicals and steel reinforcement components. Approximately 65 percent of the Company s raw materials are petroleum-based. The increases in the cost of natural rubber and petroleum-based materials were the most significant drivers of higher raw material costs during the first six months of 2010.

The Company strives to assure raw material supply and to obtain the most favorable pricing possible. For natural rubber and natural gas, procurement is managed through a combination of buying forward of production requirements and utilizing the spot market. 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. While these arrangements typically provide quantities necessary to satisfy normal manufacturing demands, the pricing volatility in these commodities contributes to the difficulty in managing the costs of raw materials.

Products liability expenses totaled $15.1 million and $20.3 million in the second quarter of 2010 and 2009, respectively, and included recoveries of legal fees of $5.6 million and $0.5 million in the second quarter of 2010 and 2009, respectively. Products liability expenses totaled $59.7 million and $40.9 million in the first six months of 2010 and 2009, respectively, and included recoveries of legal fees of $5.6 million and $1.9 million in the first six months of 2010 and 2009, respectively. The majority of the increase in products liability expense for the year is due to the Company recording an additional $21.8 million for its self-insured portion of a jury verdict in one case during the first quarter of 2010. Additional information related to the Company s accounting for products liability costs appears in the Notes to Consolidated Financial Statements.

Selling, general, and administrative expenses were $54.3 million in the second quarter of 2010 (6.7 percent of net sales) and $50.3 million in the second quarter of 2009 (8.0 percent of net sales). This increase was due to higher professional service expense, costs associated with the Company s ERP implementation and costs associated with maintaining the Company s closed facility in Albany, Georgia. For the six-month period ended June 30, 2010, selling, general and administrative expenses were $98.9 million (6.3 percent of net sales) compared to $95.4 million (7.9 percent of net sales) for the comparable period of 2009. This increase was due to the same reasons cited for the quarter increase.

During the second quarter of 2010, the Company recorded $7.4 million in restructuring costs related to the closure of its Albany, Georgia manufacturing facility and a personnel reduction in Cooper Europe. For the six months ended June 30, 2010, the Company has recorded $15.0 million in restructuring costs related to these initiatives. Additional information related to these restructuring initiatives appears in the Notes to Condensed Consolidated Financial Statements.

As discussed in the Notes to Condensed Consolidated Financial Statements, the Company recorded a $7.1 million charge during the first quarter of 2009 related to the agreement reached in the *Cates* retiree medical legal case which is reflected as unallocated corporate charges in 2009.

Interest expense decreased $2.9 million during the second quarter and decreased $6.9 million during the six month period of 2010 from the comparable 2009 periods due to lower debt levels in both the parent Company and its subsidiaries. The Company repaid $96.9 million of its parent company Senior Notes in December 2009.

Other income decreased by $0.2 million in the second quarter of 2010 compared to 2009 primarily as a result of foreign currency losses being recorded in 2010 compared to foreign currency gains being recorded in 2009. This impact was partially offset by improved earnings in an unconsolidated subsidiary. Other income decreased $0.9 million for the first six months of 2010 compared to 2009. The Company recorded proceeds from the settlement of a lawsuit of $1.8 million during the first quarter of 2009. Improved earnings in the unconsolidated subsidiary of $2.7 million were partially offset by the foreign currency losses in 2010 compared to foreign currency gains in 2009 of $1.8 million.

For the quarter ended June 30, 2010, the Company recorded an income tax expense for continuing operations of $1.2 million as compared to $1.0 million for the comparable period in 2009. The provision includes a tax benefit for discrete items of $5.1 million relating primarily to return to provision changes in estimates for the 2009 US tax return principally resulting from additional pension funding for the 2009 plan year. The effective tax rate for the quarter and six month period ended June 30, 2010, for continuing operations is 24.0 and 21.5 percent, respectively, exclusive of discrete items, using the applicable effective tax rate determined using forecasted multi-jurisdictional annual effective tax rates. For comparable periods in 2009, the effective tax rate for continuing operations, exclusive of discrete items, was -0.4 percent and -88.42 percent, respectively, using forecasted jurisdictional annual effective tax rates.

The $0.2 million increase in tax expense for the quarter relates primarily to the recording of a non-recurring benefit of $12.8 million in 2009 related to the impact of interim period tax reporting rules for valuation allowances on the forecasted effective tax rate; the increased benefit from the anticipated usage of various tax attribute carryforwards including tax credits and net operating losses of $(4.8 million); changes in the mix of earnings or loss by jurisdiction of $(1.5 million) and changes in discrete items of $(6.2 million).

For the six month period ended June 30, 2010, the Company recorded income tax expense for continuing operations of $9.0 million compared to a tax benefit of $2.8 million recorded for the six month period ended June 30, 2009. The $11.8 million increase in tax expense relates primarily to the recording of a non-recurring benefit of $12.8 million in 2009 related to the impact of interim period tax reporting rules for valuation allowances on the forecasted effective tax rate; the decreased benefit from the anticipated usage of various tax attribute carryforwards including tax credits and net operating losses of $1.4 million; changes in the mix of earnings or loss by jurisdiction of $1.4 million; and changes in discrete items of $(3.8 million).

The Company maintains a valuation allowance pursuant to ASC 740, Accounting for Income Taxes, on its net U.S. deferred tax asset position. The valuation allowance will be maintained as long as it is more likely than not that some portion of the deferred tax asset may not be realized. Deferred tax assets and liabilities are determined separately for each taxing jurisdiction in which the Company conducts its operations or otherwise generates taxable income or losses. In the U.S., the Company has recorded significant deferred tax assets, the largest of which relate to products liability, pension and other postretirement 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 $176.2 million valuation allowance for the portion of U.S. deferred tax assets exceeding its U.S. deferred tax liabilities. In addition, the Company has recorded valuation allowances of $2.4 million for deferred tax assets associated with losses in foreign jurisdictions.

As discussed in the Notes to Consolidated Financial Statements, the Company has been involved with Advance Pricing Agreement negotiations with the governments of Canada and the United States. During the second quarter of 2009, the Company recorded an income tax and interest obligation related to the Advance Pricing Agreement of $34.5 million. This was recorded as a current tax liability and is included as part of discontinued operations. Based upon the settlement, during the second quarter of 2010, the Company received approximately $17.6 million and released liabilities recorded on its books relating to the disposition of Cooper Standard Automotive in the amount of $7.4 million through Discontinued Operations net of the tax impact.

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North American Tire Operations Segment

	Three months ended June 30			Six months ended June 30		
	2009	Change	2010	2009	Change	2010
(Dollar amounts in millions)						