1999
Annual Report

Strategically positioned to serve the world's markets

COOPER TIRE & RUBBER COMPANY

COOPER TIRE & RUBBER COMPANY

OUR BUSINESS

Cooper specializes in developing, manufacturing and marketing products for the transportation industry.

OUR PRODUCTS

AUTOMOTIVE GROUP:

Fluid systems
NVH control systems
Plastic trim
Sealing systems

TIRE GROUP:

Automobile, truck and motorcycle tires
Inner tubes
Tread rubber and retreading equipment

OUR CUSTOMERS

AUTOMOTIVE GROUP:

Appliance manufacturers
Aviation industry
Vehicle manufacturers

TIRE GROUP:

Independent tire dealers
Mass merchandisers
Regional retail chains
Retreaders
Wholesale distributors

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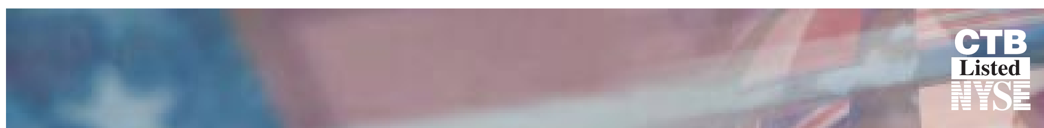
FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands except per-share amounts)

	1997	1998	1999
Operating Results			
Net sales	$1,813,005	$1,876,125	**$2,196,343**
Operating profit	208,678	209,535	**239,080**
Income before income taxes	194,792	198,217	**215,497**
Net income	122,411	126,967	**135,474**
Basic and diluted earnings per share	1.55	1.64	**1.79**
Dividends per share	.35	.39	**.42**
Financial Position			
Working capital	$ 354,281	$ 376,485	**$ 549,563**
Long-term debt	205,525	205,285	**1,046,463**
Stockholders' equity	833,575	867,936	**975,634**
Stockholders' equity per share	10.58	11.45	**12.87**
Other Operating Data			
Capital expenditures	$ 107,523	$ 131,533	**$ 149,817**
Depreciation	94,464	101,899	**120,977**
Return on sales	6.8%	6.8%	**6.2%**
Return on beginning invested capital*	24.4%	20.5%	**22.4%**
Return on beginning equity	15.6%	15.2%	**15.6%**
Long-term debt to capitalization	19.8%	19.1%	**51.8%**
Current ratio	2.8	3.0	**2.4**
Number of shares outstanding (thousands)	78,760	75,791	**75,810**
Number of stockholders	5,281	4,809	**4,801**
Number of employees	10,456	10,766	**21,586**

**Earnings before interest and income taxes divided by long-term debt plus stockholders' equity.*



TO OUR STOCKHOLDERS:

During 1999, Cooper Tire & Rubber Company took bold steps to move our company forward. In the process, we achieved record sales and earnings. This is a tribute to the focus and determination of the dedicated Cooper people all over the globe... people who made our strategies work!

Net sales for 1999 reached a record-setting level of $2.2 billion, of which our acquisitions contributed approximately $188 million. These sales were 17.1 percent higher than 1998 and continue our tradition of outperforming our industry in both automotive products and tires. Our growth in the North American replacement market for light vehicle tires outpaced the industry by almost a two to one margin during the year.

Net income was also a record-setting $135.5 million, an increase of 6.7 percent over 1998. Earnings per share also set a company record at $1.79 per share which was an increase of 9.1 percent over the prior year. This profitability was the result of new products, increased sales and a continuous focus on cost reduction. We also increased cash flow (EBITDA) to a record $363.4 million.

We utilized our excellent balance sheet this past year to fund acquisitions and grow our business organically. At year end, our debt-to-total capitalization ratio was 52 percent, which is very comparable to or even lower than others in our businesses.

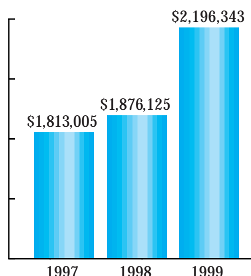
The Cooper 21 strategic plan set specific goals for the growth of our company's core products: tires and automotive products. The events during 1999 allowed us to gather the resources necessary to meet these goals and to be competitive around the globe with automotive products and strengthen our tire position in selected markets.

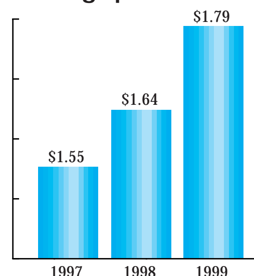
January 1999
In January, we announced the purchase of Dean Tire, a long-time, private label customer of the tire group. Cooper was the sole supplier for this distributor group. Our purchase gave us another proprietary brand.

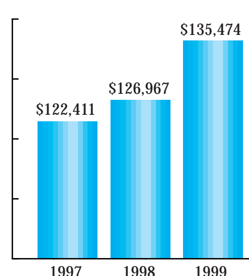
February 1999
In February, we entered into a strategic alliance with Pirelli Tyres to become the exclusive aftermarket sales agent for Pirelli Tire North America. This agreement gave Cooper a tier-one brand to round out our multiple brand offering in the U.S. market. This arrangement provides revenue to Cooper through commissions on sales of Pirelli tires and the sharing of cost savings generated by purchasing and manufacturing synergies, plus other benefits. These are in addition to the expected benefit of increased sales of Cooper-produced tires made possible by the full multiple brand offering.

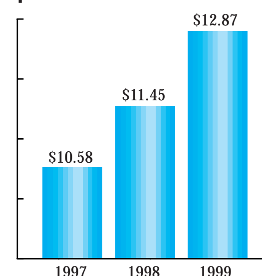
July 1999
In July, we signed an agreement to acquire The Standard Products Company with total annualized sales of about $1.1 billion. The combined strength of the two companies makes Cooper the largest manufacturer of automotive sealing systems in North America. Standard also brings a significant global presence to Cooper with its 38 manufacturing plants in nine countries. With Standard also came Oliver Rubber Company, a retreading business, which was a positive addition for the tire group. This acquisition was finalized in October 1999.

November 1999
In November, we announced our intention to purchase Siebe Automotive, the fluid handling division of Invensys plc, with annualized sales of approximately $400 million. This division









Tom Dattilo and Pat Rooney

specializes in manufacturing fluid handling automotive components, modules and sub-systems and will provide strong synergies when combined with Cooper's already successful hose operations. We closed this acquisition on January 28, 2000.

To better manage and integrate these businesses, we reorganized the company. In 1999, we created a new, decentralized corporate structure to allow each core product group to set targets consistent with our strategic and financial goals, and empowered each to use the company's resources in achieving those goals.

There are two operating groups within the company: Cooper Tire, a manufacturer and marketer of tires, inner tubes and retread products in the replacement market; and Cooper-Standard Automotive, a manufacturer of sealing systems, NVH control systems and fluid systems for original equipment automotive manufacturers. Also included under this group is a plastics division with annualized sales of about $215 million. We are currently evaluating whether the plastics division fits into the company's long-term strategic objectives.

We believe this new structure will enhance our ability to manage our businesses more effectively and will increase the value of our stockholders' investment.

Both operating groups had strong financial results in 1999 and set records in revenue and profits. Cooper Tire achieved $1.6 billion in sales, an increase of 7.8 percent over 1998. This included two months of operations for Oliver Rubber. Segment profits for the tire group for the year were $176.4 million, an increase of 13.6 percent over 1998.

Cooper-Standard Automotive reported sales of $643.6 million, an increase of 49.1 percent over 1998. Included were two months of sales for Standard Products. Segment profits for this group were $62.7 million, an increase of 15.5 percent over the prior year.

During the year we invested almost $150 million in capital expenditures to improve operations. Our tire group's process improvement program, Operational Excellence, continues to provide cost savings and improvements in tire quality. The implementation of Six Sigma strategy for our automotive group minimizes waste and resources while improving overall customer satisfaction with our products and services.

In our tire group, we introduced several new tires during 1999 targeted toward the fast-growing SUV and light truck market. We launched our multiple brand strategy during the year in which we "package" our seven proprietary brands and the Pirelli brand to meet the needs of all channels and tiers in the replacement tire market. We transitioned the Texarkana plant to a seven-day operation during 1999 in order to meet our customers' demands for tires.

In our automotive group, we won the business for several high-volume platforms for seals, hose systems and NVH control systems. We also marketed our first application for our ENVIsys noise cancellation technology in the aviation industry.

During our reorganization process, we defined Cooper's commitment to the development of our people with the creation of the Cooper Learning Center, an in-house resource for education and learning for Cooper people worldwide. This new learning center will help advance us as a learning organization--one continuously moving forward for the benefit of all our people and customers.

We believe this new addition speaks volumes about our future. We must continue to be ready for change in products, markets and environments and learning is a critical aspect of our ability to capitalize on opportunities that change will bring.

During the year several people were promoted. Bill Klein was named to the position of senior vice president of global manufacturing. Bruce Smith was named vice president of manufacturing services and assigned to lead the Cooper team assisting with Pirelli's Hanford, California plant activities. Jim Kovac was promoted to the position of vice president of Tupelo, Mississippi operations. Jim Geers was named vice president of human resources for the corporation.

In the reorganization structure announcement made in late October, these division heads were identified: Rod Millhof, president, global sealing; Frank Burnside, president, North American sealing; Brian Batey, president, European sealing; Paul Gilbert, president, NVH control systems; Ted McQuade, president, plastics division; John Fahl, president tire group and president North American tire division; Larry Enders, president, Oliver Rubber; Rod Pottow, vice president of European tire operations.

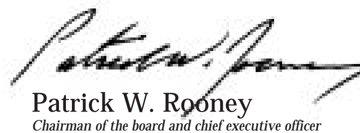
At year end, Bill Hattendorf, our treasurer, retired after 36 years of distinguished service to the company and was replaced by Steve Schroeder, formerly assistant treasurer for the company. Chuck Nagy was appointed as assistant treasurer. Two additional corporate appointments were made. Kathy Diller and Dick Jacobson were named to the newly created positions of assistant corporate secretary/assistant general counsel.

During the November, 1999 board meeting, Ron Roudebush, former vice chairman and chief executive officer of The Standard Products Company, was elected to the board of directors for a term expiring in May 2000.

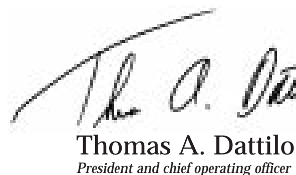
We revised our executive compensation systems to establish an even greater link to drivers of shareholder value. In 2000, significant amounts of incentive compensation are dependent upon achieving target returns on invested capital and cash flow generation.

The year 1999 was the beginning of new opportunity for Cooper Tire & Rubber Company. We are 25,000 people strong today with 77 facilities in 13 countries, and we should exceed $3.5 billion in sales in the year 2000. The Cooper 21 strategic plan provides a clear course for our future and we will continue to execute the plan. We have the right management team in place to integrate acquisitions and we have core products to continue growth. These are exciting times.

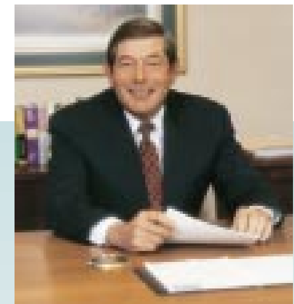
We know there is a great deal of competition these days for investors' dollars, so we appreciate your investment. We are working very hard to fulfill our purpose – to increase the value of your investment. Our plans have resulted in record sales and earnings in the past, and we are confident of a bright future. Thank you for your support.



Patrick W. Rooney
Chairman of the board and chief executive officer



Thomas A. Dattilo
President and chief operating officer



At the February 8, 2000 board meeting, I announced my intention to retire on my 42nd anniversary with the company and I also intend to resign from the board of directors. Tom Dattilo will succeed me as chairman of the board, president and chief executive officer as of April 28, 2000.

I sincerely believe the future is bright for Cooper Tire & Rubber Company as our people enter the new millennium with our successful past guiding our future promise.

Pat Rooney

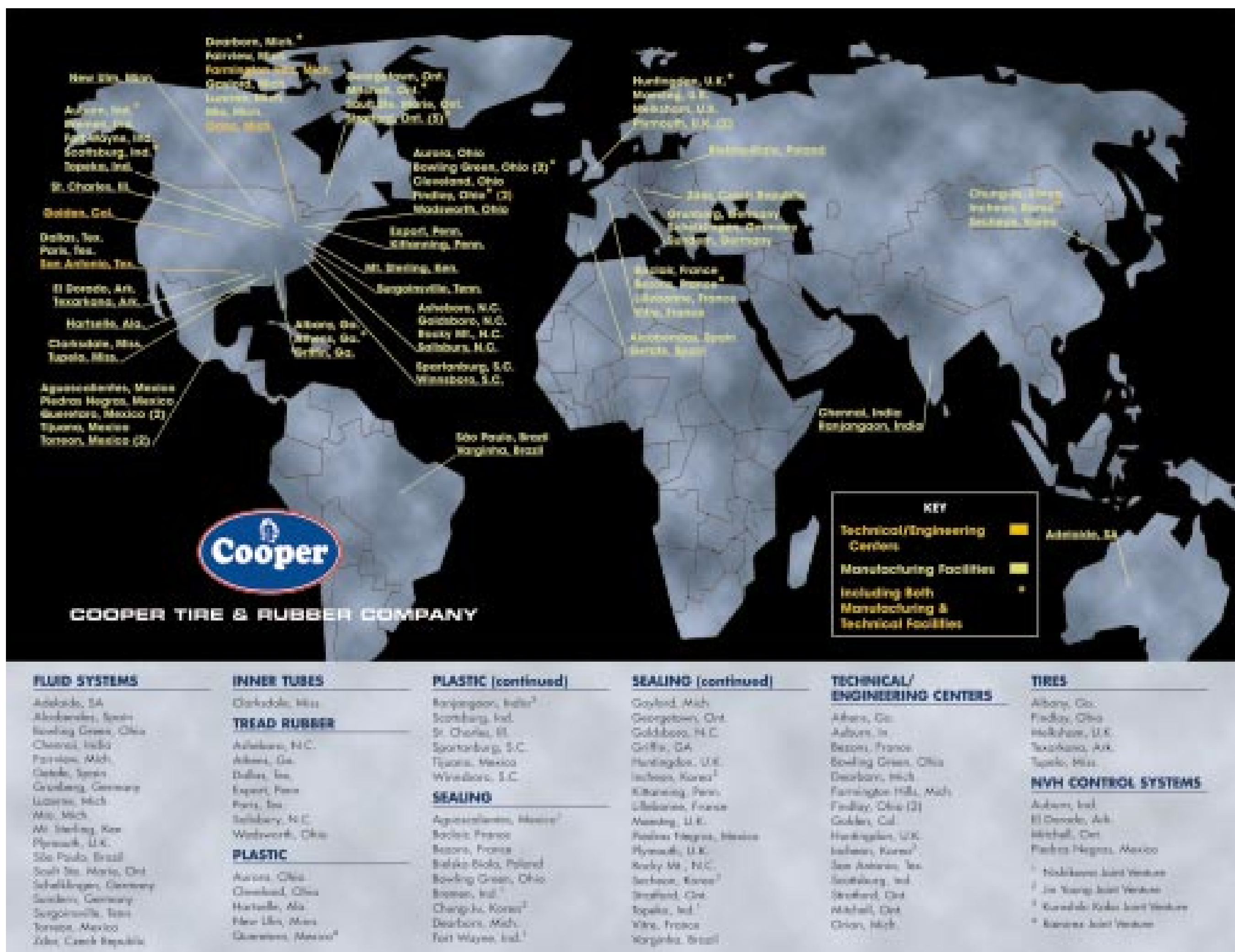
Who We Are

For the past two years we have been communicating our corporate strategic plan, known as Cooper 21. While specific goals may be modified over time, our purpose stays the same: to earn money for shareholders and increase the value of their investment. Our strategic intent is to:

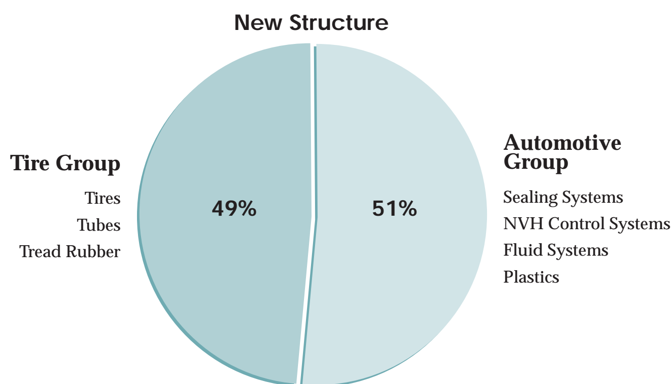
- Strengthen our position in North America
- Become a premier global supplier
- Meet or exceed customers' expectations
- Be a low cost manufacturer
- Maintain a high level of trust
- Enhance stockholder value

A commitment to these goals permeates the entire organization, even as the number of people at Cooper more than doubled in 1999. Although the Cooper team now speaks eight native languages, we are unified in the understanding of our responsibilities to our customers and our shareholders. As a team we know we must:

- Increase shareholder value
- Grow the company
- Control costs, improve margins
- Provide freedom to learn and develop
- Plan effectively
- Encourage creativity
- Delight our customers
- Buy from the best suppliers
- Communicate regularly and effectively
- Be good citizens
- Meet financial targets



These principles have evolved from the simple creed established by our namesake, I.J. Cooper: good merchandise, fair play and a square deal. We are not abandoning these concepts, rather we are using them as the foundation for our future success. We pledge to our stockholders that we will continue to explore new opportunities, continue to improve our operations and manage our business so we all benefit as we proceed through the next century. Recent acquisitions have adjusted our business to an almost 50-50 balance between the automotive and tire groups.



How We Are Doing

Setting goals is one thing, achieving them is another. In 1999, the Cooper team made significant strides in meeting many of the goals we set for ourselves in the Cooper 21 strategic plan.

Some of these achievements made headlines:

- *Cooper Finalizes Dean Tire Purchase*
- *Cooper Tire and Pirelli Tyres Form Strategic Alliance*
- *Cooper Tire & Rubber Company Completes Acquisition of The Standard Products Company*
- *Cooper Tire & Rubber Company to Acquire Siebe Automotive*

Other significant accomplishments include:

- moving toward integrating Cooper and The Standard Products Company. Initial activities included a formal restructuring of the company into two groups – Cooper-Standard Automotive and Cooper Tire – and announcing the leadership within each group. Integration efforts and identification of best practices continue throughout the ranks of both companies.
- earning the ranking as one of the world's top 10 most respected engineering companies by the *Financial Times*, the world's business newspaper, in its December 1999 issue.

A product and technology agreement with the MacNeal-Schwendler Corporation was signed to create an advanced tire design and modeling system to shorten the product design cycle, improve product quality and lower costs. Tire designer Dave DeMars demonstrates a more widely-used tire design technology.

The new corporate web site – www.coopertire.com – was launched in August. The number of people visiting the Cooper web site increased 62 percent after the new site was launched in August. During the last five months of 1999 more than 26,000 visitors used the site's dealer locator system to find their nearest Cooper dealer.

- earning the *Forbes* ranking of fourth on its Platinum List of consumer durables companies in America. The ranking was a part of the magazine's Platinum 400 which appeared in the January 10, 2000 issue.
- earning a second place ranking among the rubber and plastics industries in *Fortune's* list of *America's Most Admired Companies,* which appeared in the February 21, 2000 issue. Cooper moved up one place over last year.
- creating the Fluid Systems Division within Cooper-Standard Automotive to accommodate the acquisition of Siebe Automotive in January 2000. This group combines the Siebe organization with Cooper's existing hose and hose assembly operations. Integration activities related to this acquisition will continue throughout the year.

While publicity is great, we recognize that being successful requires strong "behind the scenes" activities to provide the substance for the headlines. We realize that smart management, hard work and team commitment will enable us to successfully integrate our organization into a model company.

Where We Are Going

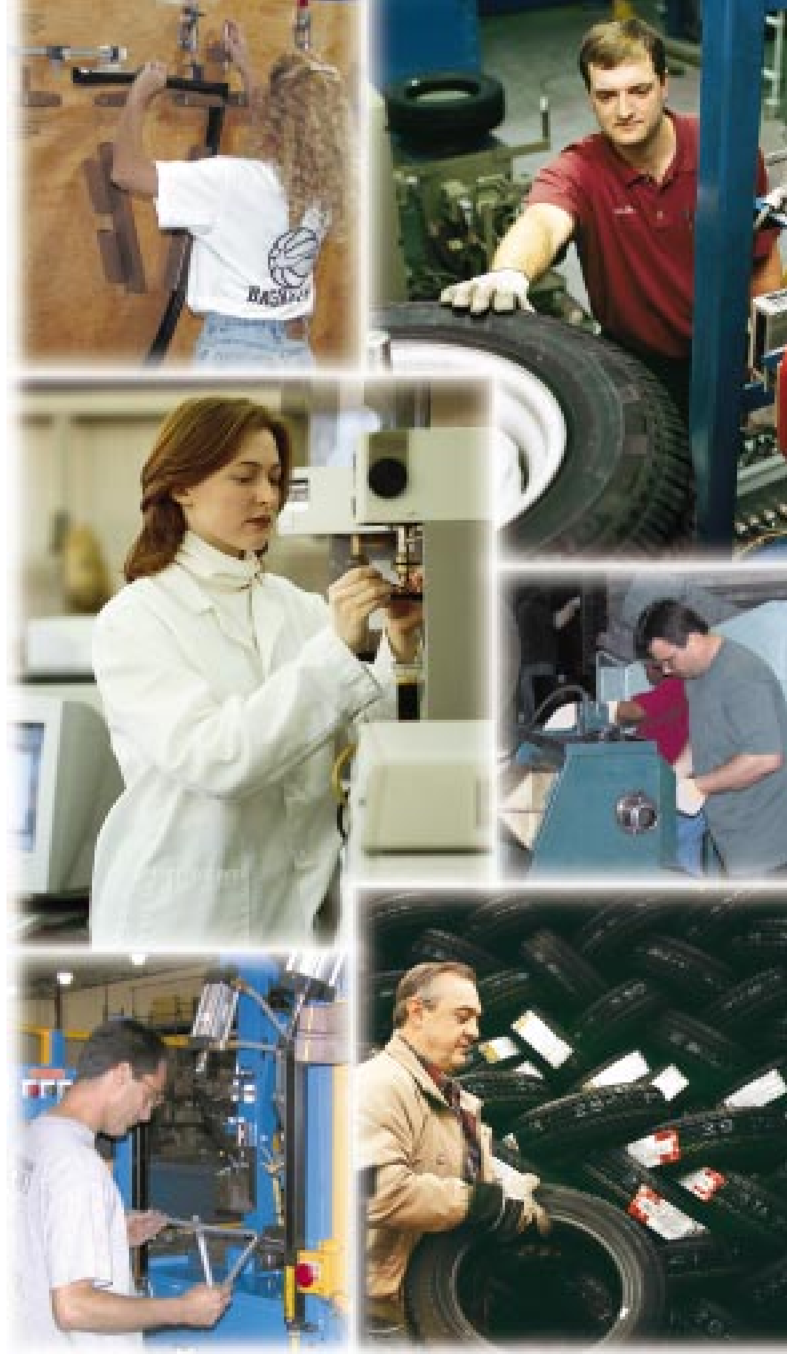
The Cooper 21 strategic plan was designed to direct Cooper through the early years of the new century. The Cooper team is keenly aware of the specific actions it needs to take to ensure the company's growth and success. As we start the next century we will strive to meet the following goals:

The Cooper culture will be fully implemented globally

- 40 hours per year education and training
- Continuous operating improvement through Kaizen, Operational Excellence and Six Sigma
- People development through cross-fertilization
- Teamwork across the organization
- The customer is king

Cooper will be the best supplier to its customers in the markets served

- >95% fill rate to replacement markets and on time, every time to O.E.M.
- Benchmark for best practices
- Modularize for customer value
- Earn their business every day through total satisfaction and new products



Cooper will be a leading supplier in its core businesses and key regions

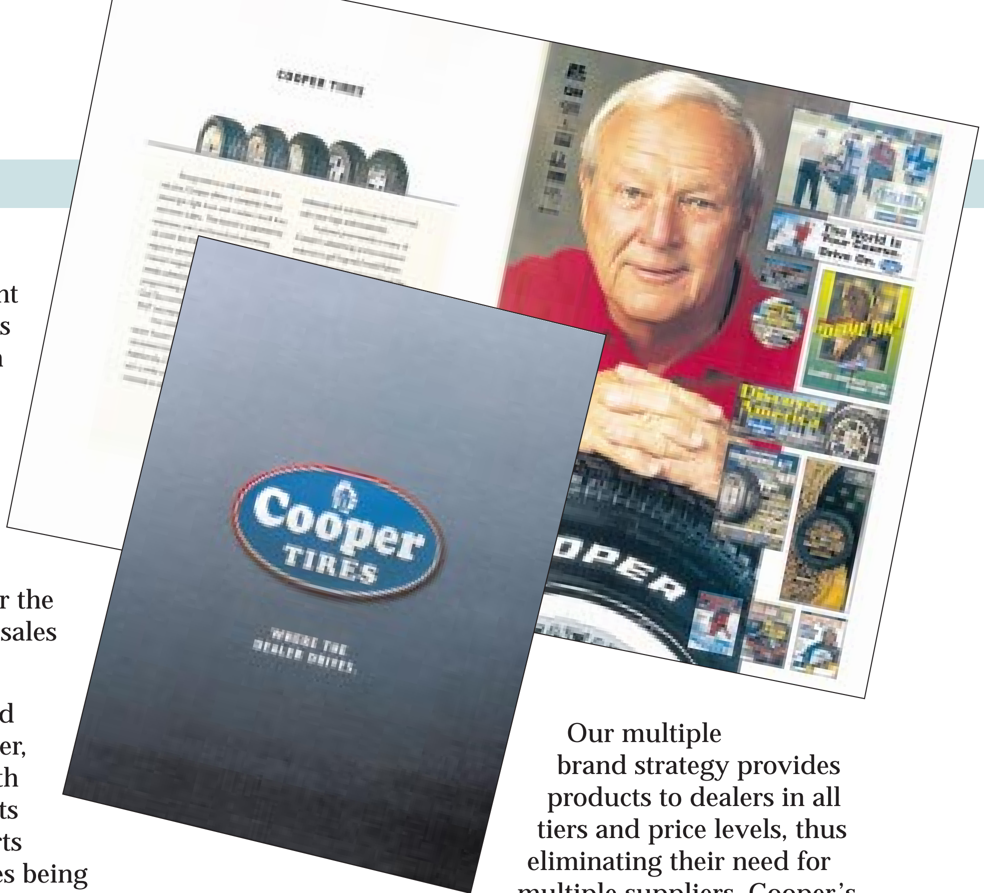
- Cooper will provide valued products regionally and export to serve the customer
- Cooper will have critical mass in its chosen markets
- Cooper people will be experienced globally

Cooper will concentrate on increasing the value of its shareholders' investment through meeting financial targets

- Sales growth >10% C.A.G.R. – 7% organic, 3% acquisition
- Return on invested capital >20% pre-tax
- EBITDA per share – continuous improvement
- Earnings per share – continuous improvement

YEAR IN REVIEW

TIRE OPERATIONS



While Cooper Tire experienced significant change through acquisitions and alliances in 1999, we maintained our momentum and continued to exceed sales expectations and increase market share.

The tire group began the year with the acquisition of Dean Tire, a wholesale distributor operation, and entered into a strategic alliance with Pirelli – providing key “pieces” for the company’s multi-brand strategy of tire sales in the replacement market.

During the fourth quarter, efforts turned to strategically integrating Oliver Rubber, the tread rubber business that came with the acquisition of The Standard Products Company. As the new year began, efforts on both fronts continued, with synergies being enhanced and benefits being realized.

In 1999, Cooper Tire achieved the following:

- received the Sears Canada Partners In Progress Award for the second consecutive year.
- Cooper-Avon won an award from the Institute of Transport Management (ITM) for excellence in fleet sales for the second year in a row.

During 1999, two new Cooper tires and an Avon motorcycle tire were introduced and launched world wide. In addition, three new tires under the Avon brand were launched in the U.S. and three were launched in Europe.

During the national Specialty Equipment Manufacturers Association (SEMA) show in November, we officially unveiled our multi-brand strategy to independent tire dealers with our “no strings attached” approach.

Our multiple brand strategy provides products to dealers in all tiers and price levels, thus eliminating their need for multiple suppliers. Cooper’s unique program offers dealers the convenience of combining purchasing volumes with a minimum of requirements. Our stable of seven proprietary brand lines in conjunction with our Pirelli alliance assures that Cooper customers will have a competitive brand at every tier level. We give our dealer competitive freedom by providing top quality brand lines with the freedom to market, without strings, restrictions or quotas.

Cooper continued with its aggressive national advertising campaign featuring Arnold Palmer in 1999. Under the theme *Drive On.*, extensive print and broadcast advertising was placed on national cable networks including ESPN, CNN and TNT and in consumer print publications including *Hot Rod* and *Sports Afield*.

The Discoverer H/T is one of the new tires launched during the year to fit the fast-growing light truck and SUV markets.

For the second year Cooper Tire will serve as the presenting sponsor of the Bay Hill Invitational golf tournament, March 16-19, 2000. During the tournament in 1999, more than 6.8 million households were reached through coverage on national networks. Because of its strong international field, the tournament is also telecast to overseas audiences.

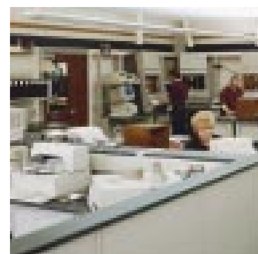
After an extensive search conducted during 1999, a new advertising agency for the tire group was selected. Fahlgren of Dublin, Ohio, was chosen primarily because of its insight into the automotive aftermarket, its dynamic creative team and a disciplined approach to its client relationship. Also, the agency's international capabilities will be an asset as we expand our brand activity around the world.

Recognizing the superior performance of the Avon brand, ex-Formula One driver Bertil Roos selected Avon tires for use on the Volvo S70 Sedans used at his road racing school. Known for its commitment to excellence, the Bertil Roos Racing School concentrates on teaching individual clients the principles of performance driving. The school was founded 25 years ago and is located in the Pocono Mountains of Pennsylvania.

Although Cooper is generally recognized for leadership in customer service and for our outstanding relationship with dealers, our success in new product development ranks high as well.

In late 1999, we announced our strategic initiative for speed-to-market which we are calling CP6. This acronym refers to our goal of providing new products to our customers from the *concept* stage to *production* in *6 months* or less. Currently, the industry standard for designing, testing and manufacturing a new tire is 18 to 24 months. Through virtual engineering, automated mold design and our new test center in Pearsall, Texas, we are making significant progress toward CP6. We are already beginning to realize our reduced production cycle capabilities. Two lines introduced in 1999 – the Discoverer A/T and Discoverer H/T – averaged only 12 months from concept to production.

test track



new technical center

mold manufacturing

In the tire group, we are into our third successful year of Operational Excellence, a structured "six sigma" approach for continuous improvement. By reducing process variation, we can reduce costs, enhance quality and maximize efficiency. More than 200 employees have been trained to use statistical tools and innovative thinking to enhance day-to-day operations. One key benefit to this approach is the ability to "transfer excellence" between manufacturing facilities. Last year the Findlay plant had success with a gum calender project that reduced the variation in material gauge and on statistical-based centering resulting in faster changeovers. This single project yielded the tire group an annual savings of more than $1.3 million. While short-term benefits include project savings and product improvements, we believe just as important are the long-term benefits achieved through education, teamwork and a focus on continuous improvement.

Randy Alge in the Findlay plant conducts a final inspection of a passenger tire before it is taken to the warehouse for distribution.

Bruce Alexander, at the Athens technical center, demonstrates Oliver's latest tread builder which applies precure tread rubber and bonding gum in one step to a professionally-prepared and inspected radial truck tire casing.

Oliver Retreading

The similar cultures between Cooper and Oliver will help us expand the company's presence in the commercial truck tire arena – encompassing both the retread and the radial medium truck tire markets.

Our synergies include:

- both companies are known for quality products and strong support of the independent tire dealer
- Cooper's technical expertise and mold-making capabilities, along with those at Oliver, will enhance the company's speed-to-market for the retreading applications
- Oliver's long-term involvement in the commercial truck tire industry, with its capabilities for conducting field product evaluations and marketing directly to end users, will benefit the expansion in the radial medium truck tire market

Oliver Rubber is among the leading providers of retread materials and services in North America. Oliver produces retread materials and process systems, custom rubber processing and equipment and molds. Primary customers include Oliver's distribution dealer network, trucking fleets, Off-the-Road and other retreaders and original equipment manufacturers of rubber products.

Oliver will continue to be headquartered in Athens, Georgia, and be a part of the commercial tire operation which is being led in Findlay.

AUTOMOTIVE OPERATIONS

1999 was a year of tremendous change and growth for Cooper's automotive group. With the acquisition of The Standard Products Company in October and Siebe Automotive, which was completed in January 2000, we have assembled a dynamic new team operating under the name Cooper-Standard Automotive. Now globally based with 60 manufacturing locations in 13 countries, and 12 engineering, research and development centers, we are ready to serve the needs of our customers around the world with cutting edge technology and innovative products:

- Sealing Systems
- Fluid Systems
- Noise, Vibration and Harshness (NVH) Control Systems
- Plastics

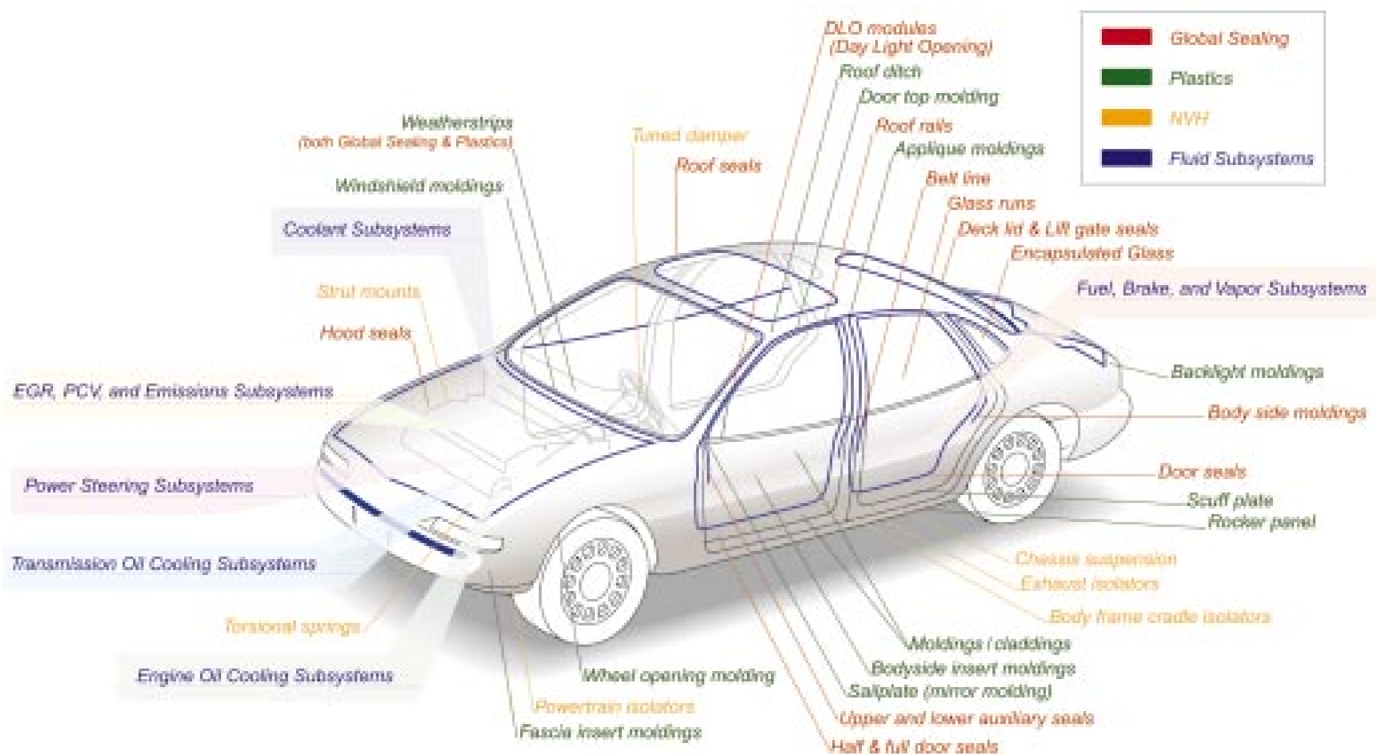
Cooper-Standard Automotive also continues to maintain a number of joint venture, equity investment and open-exchange technology agreements. These include Nishikawa Rubber Company, Ltd. of Japan in the United States (NISCO) and Mexico (Standard Products de Mexico) and with Jin Young Chemical Company of Korea (Jin Young Standard Inc.).

In 1999, Cooper-Standard Automotive earned the following awards and certifications:

- six plants received DaimlerChrysler Gold Pentastar Awards
- the Mitchell, Ontario, plant was named General Motors' supplier of the year for engine and chassis mounts
- the Auburn, Indiana, NVH control systems plant received the 1999 Indiana Governor's Award for Excellence in Recycling
- the Bowling Green, Ohio, sealing systems plant received the Rubber Manufacturers Association safety and health improvement award
- QS-9000 certification was obtained by the new Aguascalientes, Mexico, plant – all Cooper-Standard Automotive locations in North America and England are now QS-9000 certified

NVH control systems will provide all of the engine mounts for the GM Silverado/Sierra pickup and sport utility vehicle, one of the highest volume platforms in the industry.

Innovative Cooper-Standard hydromounts are featured on the new Saturn sedan platform, the first neutral torque axis system Cooper-Standard



has manufactured for General Motors. This system achieves superior noise and vibration control characteristics, excellent durability, and a wide range of tuning flexibility.

In the last year, Cooper-Standard secured contracts for bolster springs with Hendrickson, a suspension system supplier for heavy trucks. Bolster springs are less expensive and more durable alternatives to the air springs commonly used on heavy trucks. Cooper also manufactures center beam bushings for Hendrickson trailer and truck suspensions.

Other new business platforms for Cooper-Standard include many popular vehicles such as:

- Chevy Impala
- Chevy Monte Carlo
- Dodge Dakota Quad Cab
- Ford Explorer
- Chevy S-10
- GMC Sonoma
- Isuzu Hombre

The stylish P.T. Cruiser from DaimlerChrysler will reach an estimated volume of 191,000 vehicles when it reaches full production in April 2000.

The implementation of a Six Sigma strategy is a key to sustained business growth and is a competitive tool for industry leaders. The concept of Six Sigma is to virtually eliminate rejected parts.

This business process allows Cooper-Standard Automotive to improve our bottom line by designing and monitoring everyday business activities in ways that minimize waste and resources while increasing customer satisfaction. This strategy is a means to realize the philosophy and values associated with our key initiatives. It provides unity and a common language for continued growth and improved performance.

Cooper-Standard Automotive continues to benefit from our Six Sigma strategy now in its third full

Jerry Perez operates equipment used to crimp a hose to the end of a tube – a hose assembly product that was new to the Bowling Green hose plant in 1999.

year of implementation. This strategy has nearly offset the impact of productivity and economic price adjustments experienced during this same time period. An achievement of zero rejections of Cooper-Standard components was made with the launches of the new Chevy Impala and Monte Carlo equipped with Cooper-Standard body sealing systems and the Dodge Dakota Quad Cab truck.

A new plant located in Bielsko Biala in southern Poland was opened in 1999. The plant, which employs more than 120 people, began by supplying Fiat Palio and in January 2000 began production for the GM/Suzuki Sub-S platform. The Polish car market continues to experience rapid growth and is currently the sixth largest market for cars in Europe.

The manufacturing and marketing of plastics products was a new arena for Cooper in 1999, brought on as a result of the Standard Products acquisition. Cooper-Standard now offers a wide range of both commercial and automotive plastic trim. Holm Industries and OEM/Miller are long-time innovators of commercial applications using

specialty thermoplastics, magnetic extrusions and corrugated tubing for a large variety of appliance sealing and hose systems. We also produce a variety of thermoplastic extrusion and injection molding technologies used for vehicle exterior trim that both seal and decorate.

Cooper-Standard Automotive recently began manufacturing an innovative barrier hose product. This type of hose combines conventional rubber materials with a thin fluoroplastic barrier layer to reduce evaporative emissions and to meet increasing governmental regulations. We are currently able to provide three-layer and five-layer constructions – both of which can be supplied with or without yarn reinforcement.

In 1999, a 220,000-square-foot expansion of the CooperMex facility was completed for the production of sealing systems for the new Pontiac Aztec and a future Buick SUV. The new facility includes a dual durometer and flock line as well as finishing operations.

At the Auburn plant, an "Adopt-a-Job" program to reduce scrap and machine downtime was initiated. The first eight jobs selected and assigned to engineers for corrective action have resulted in scrap reduction of 50 percent. Other lean manufacturing activities are occurring throughout the organization to help improve performance and reduce waste.

The first application of Cooper-Standard Automotive's Electronic Noise and Vibration Intelligence System (ENVIsys™) technology occurred in 1999. The system is used in small airplanes to reduce noise in the cabin and makes it easier for the pilot and passengers to communicate. ENVIsys™ also has automotive applications which will begin to appear in 2001 and 2002 model year vehicles.

Cooper-Standard door seals feature a sectional weather-strip design that fits the door structure and body cabin to seal rain, dust and noise from the occupants of the vehicle.

Global Sealing

The Global Sealing Division, the largest division in Cooper-Standard Automotive, develops, designs, validates and manufactures sealing products and systems for automotive manufacturers around the world. The combination of Cooper and Standard Products has resulted in an expanded presence in 11 countries, which provides our customers with design and manufacturing support for world car platforms. Through our global reach and strategic alliances we are a leading global supplier of sealing systems in the top vehicle producing countries which include the United States, Germany, France, Canada, United Kingdom, Italy, Brazil and Mexico.

The blending of Cooper and Standard Products into Cooper-Standard Automotive offers our global sealing customers several advantages and synergies, including:

- strengthened technological capabilities
- best practices shared between engineering and manufacturing
- global customer relationships and support
- experienced management team and strong international organization

Through joint ventures and open-exchange technology agreements with Nishikawa Rubber Company of Japan and Jin Young Chemical of Korea, we can offer customers even more resources for product diversity around the globe. NISCO, our North American joint venture with Nishikawa, includes three locations in Indiana. We currently have three joint venture facilities with Jin Young Standard located in Incheon, Chung-Ju and Secheon, Korea.

The goal of the Global Sealing Division is to provide products and services that meet or exceed customers' requirements and expectations of quality, reliability, delivery and technological innovation at the lowest competitive price.

Results of Operations

Consolidated net sales in 1999 reached a record-setting level of $2.2 billion, an increase of $320 million or 17.1 percent from 1998 levels. Included in 1999 results are two months of sales of The Standard Products Company ("Standard") which was acquired by the Company on October 27, 1999. The acquisition added $188 million to the Company's total sales for the year. The sales increase in 1999 followed a 3.5 percent increase in the Company's sales in 1998 from 1997.

Net income was a record $135 million in 1999, 6.7 percent higher than the $127 million generated in 1998. Standard's operations and the impacts of additional interest and goodwill amortization related to the acquisition resulted in a reduction of net income in 1999 of $3.8 million, equivalent to five cents per share. Net income in 1998 increased by 3.7 percent over 1997's results. Basic and diluted earnings per share were $1.79 in 1999, $1.64 in 1998 and $1.55 in 1997.

Selling, general and administrative expenses were 6.6 percent of net sales in 1999, compared to 6.4 percent in 1998 and 5.8 percent in 1997. Continued expenditures for advertising programs as well as higher general and administrative costs associated with Standard's operations contributed to the increases.

The effects of inflation did not have a material effect on the results of operations of the Company in 1999, 1998 and 1997.

Business Segments

The Company has two reportable segments – Tire and Automotive. The Company's reportable segments are each managed separately because they offer different products requiring different marketing and distribution strategies.

The Tire segment produces automobile, truck and motorcycle tires and inner tubes which are sold nationally and internationally in the replacement tire market to independent dealers, wholesale distributors and large retail chains, and supplies equipment and materials to the retreading industry. The Tire segment consists of North American Operations, Cooper-Avon Tyres Limited and Oliver Rubber Company.

The Automotive segment produces sealing systems, hose and hose assemblies, active and passive vibration control systems, and exterior trim products primarily for the global automotive original equipment manufacturers. The automotive segment consists of the Global Sealing Division, the Noise, Vibration and Harshness (NVH) Control Systems Division, and the Plastics Division. The Fluid Systems Division was established in January 2000 with the acquisition of Siebe Automotive.

Tire Segment

Sales

Sales for the Tire segment, at $1.6 billion in 1999, increased $113 million or 7.8 percent from 1998. Included in these results are two months of the sales of Oliver Rubber Company, which was acquired as part of the Company's acquisition of Standard. Oliver Rubber's sales totaled $27 million. Increased sales to certain retailers and continued growth in Cooper's proprietary brands contributed to the improvements each year, as did increasing demand for light truck tires. Growth in the Company's tire shipments continued to outpace the industry in 1999 but was limited by capacity constraints. The Company is investing in incremental expansions at its tire facilities to increase capacity and anticipates the conversion of its Texarkana, Arkansas tire plant's continuous operations will be completed during the second quarter.

Sales in 1998 at $1.4 billion were up slightly from 1997. Shipments were strong in 1998, but a significant overall improvement in sales was adversely impacted by a loss of units due to the sale of a large retail customer in late 1997 and the restructuring of a mass merchandiser customer's business.

Operating Profit

Operating profit increased 13.6 percent from $155 million in 1998 to $176 million in 1999. Operating margins were 11.3 percent in 1999, an improvement from 10.7 percent in 1998. Increased volume, favorable raw material costs and cost savings measures were the reasons for these improvements. Transition costs associated with the conversion of the Texarkana plant to continuous operations, increases in selling, general and administrative expenses and the lower margins of the Oliver Rubber business partially offset their impact.

Operating profit in 1998 was down 4.8 percent from 1997. Operating margins decreased from 11.3 percent in 1997 to 10.7 percent in 1998. During 1998, continued price discounting and higher advertising costs exceeded the favorable impacts of lower raw material costs and product mix.

Automotive Segment

Sales

Automotive sales increased 49 percent from $432 million in 1998 to $644 million in 1999. Two months of sales from Standard's automotive businesses, totaling $165 million, were included in 1999's sales. Other growth resulted from new contracts for NVH control systems on the very successful GM Silverado/Sierra pickup and sport utility vehicle, the new Saturn LS sedan and the Ford Focus.

Sales in 1998 were up 16.8 percent over 1997 levels due in large part to sales increases of the vehicles on which the Company provides products.

Operating Profit

Operating profit in 1999 was $63 million, an increase of 15.5 percent over 1998. Operating margins, however, declined from 12.6 percent in 1998 to 9.7 percent in 1999. This decline reflects the acquisition of Standard, price reductions demanded by customers, product mix and the favorable impact in 1998 of a $1.9 million recovery of previously expensed costs related to a dispute with a former owner of a plant site. Manufacturing efficiencies offset some of the adverse impact of price reductions.

Margins in Standard's operations were adversely affected by production difficulties experienced at one of Standard's automotive plastic trim facilities. The Company is working to address these difficulties which resulted from the launch of certain new platforms. Operating losses at this facility are expected to continue at least through the second quarter of 2000. On February 8, 2000 the Company announced that it is exploring strategic options for its Plastics Division, which includes the affected facility.

Margins were also adversely affected by ongoing costs associated with the Company's efforts to close one of its manufacturing facilities in France, and by continued low volume in Brazil where economic difficulties have depressed the level of automotive production.

Operating profit in 1998 was $54 million, 19.0 percent higher than in 1997. The operating margin of 12.6 percent in 1998 improved from 12.3 percent in 1997. These improvements are primarily due to the receipt of the $1.9 million settlement and the effect of a favorable product mix.

Other

Interest expense was $24 million in 1999 compared to $15 million in 1998, reflecting the higher debt levels incurred with the acquisition of Standard. Interest expense in 1998 was comparable to 1997.

Other income decreased from $4 million in 1998 to less than $1 million in 1999. A gain resulting from the sale of a warehouse in 1998 is primarily responsible for the change. Other differences result from fluctuations in foreign currency gains and losses.

The effective income tax rate of 37.1 percent in 1999 is higher than the 35.9 percent in 1998 and is comparable to 37.2 percent in 1997. The lower 1998 rate resulted from foreign tax benefits.

The Company has recorded a valuation allowance to reflect the estimated potential tax benefits which may not be realized principally due to the inability of certain of its foreign subsidiaries to utilize available net operating loss carryforwards of approximately $28 million. Net operating loss carryforwards expire in years 2000 through 2014.

Liquidity and Capital Resources

Net cash provided by operating activities, at $211 million in 1999, is $6 million higher than in 1998. Net income, adjusted for non-cash charges, increased $27 million. Related cash generated was, however, offset by the payment of certain accruals related to the acquisition.

Net cash used in investing activities during 1999 reflects the acquisition of Standard for $594 million. Capital expenditures in 1999 were $150 million, an increase of $18 million over the prior year. The Company continues to invest in new technology and strategic growth initiatives and anticipates capital expenditures in 2000 to approximate $220 million. The increased spending level reflects the Company's acquisitions of Standard and Siebe Automotive ("Siebe"), the automotive fluid handling division of Invensys plc, as well as continued investments in technology, incremental production capacity increases, and cost reduction efforts. The Company's capital expenditure commitments at December 31, 1999 approximated $20 million.

Financing activities in 1999 provided cash of $560 million. Long-term debt reached $1 billion at December 31, 1999, reflecting the issuance of $800 million of notes in a public debt offering in December to refinance the commercial paper issued in connection with the acquisition of Standard. Additionally, the Company retired $195 million of Standard's debt on the acquisition date. During 1998 and 1997, the Company purchased $55 million and $54 million, respectively, of its common shares. Dividends paid on the Company's common shares were $32 million, $30 million and $28 million in 1999, 1998 and 1997, respectively.

The Company established a $1.2 billion universal shelf registration in November 1999, of which $400 million remains available at December 31, 1999. Securities that may be issued under this shelf registration statement include debt securities, preferred stock, fractional interests in preferred stock represented by depositary shares, common stock, and warrants to purchase debt securities, common stock or preferred stock.

On September 1, 1999, the Company entered into a $350 million credit agreement with a group of six banks. The agreement provides up to $150 million in credit facilities until August 31, 2004 and $200

million in credit facilities until August 31, 2000, with provisions for extending the agreements beyond these dates upon approval of the bank group. The credit facility supports issuance of commercial paper. On October 15, 1999 the Company entered into a second $350 million credit agreement with a group of five banks with a maturity of July 10, 2000. The loans bear interest at euro interest rates or the agent bank's base rate. At December 31, 1999 there were no borrowings under these arrangements. The Company issued commercial paper of $244.5 million for the acquisition of Siebe in 2000.

The Company expects adequate liquidity will be provided by cash flows from operations and its credit facilities to fund debt service obligations, capital expenditures, dividends on its common shares and working capital requirements.

The Company has been named in environmental matters asserting potential joint and several liability for past and future cleanup, state and Federal claims, site remediation, and attorney fees. The Company does not believe any liability it may have for these matters will be material. In addition, the Company is a defendant in unrelated product liability actions in Federal and state courts throughout the United States in which plaintiffs assert monetary damages. While the outcome of litigation cannot be predicted with certainty, the Company believes the pending claims and lawsuits against it should not have a material adverse effect on its financial condition, results of operations, or cash flows.

New Accounting Standards

In June 1998 the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The FASB has since issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133." This pronouncement amended SFAS No. 133 to defer its effective date to years beginning after June 15, 2000. The Company is currently evaluating the effect of the provisions of this Statement on its accounting and reporting policies, but does not anticipate adoption of this Statement will have a material effect on the Company's consolidated financial position or results of operations.

In September 1999, the Emerging Issues Task Force reached a consensus on Issue 99-5, "Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements." This issue addresses the accounting treatment for pre-production costs incurred by original equipment manufacturers (OEM) suppliers to perform certain services related to the design and development of the parts they will supply the OEM as well as the design and development costs to build molds, dies and other tools that will be used in producing the parts. The Company does not anticipate adoption of this consensus will have a material effect on its consolidated financial position or results of operations.

Year 2000

In past years, the Company has discussed its concerns regarding the Year 2000 computer systems issue. In July 1999 the Company completed its remediation efforts and testing of systems. As a result of its planning and preparedness initiatives, the Company experienced no significant disruptions in its critical information technology systems or its infrastructure and believes those systems successfully responded to the Year 2000 date change. The financial impact of making the required changes was comprised primarily of internal costs invested since 1995 and is estimated to have been less than $3 million.

The Company is not aware of any material problems resulting from Year 2000 issues, either with its products, its internal systems, or the products and services supplied to it by third parties. The Company will continue to monitor its critical computer applications and those of its significant suppliers and customers throughout the year 2000 to ensure any latent Year 2000 matters that may arise, and which could adversely affect the Company's operations, are addressed promptly.

Euro

Certain member states of the European Union adopted a common currency on January 1, 1999 known as the euro. The many requirements for adoption of the new currency include the single-document invoicing of customers in both the euro and their domestic currency during a three-year transition period. After 2001 businesses must conduct all transactions in the euro and convert their financial records and reports to be euro-based. Certain of the Company's information systems have been converted for compliance with the requirements of this new currency at minimal cost. The Company does not anticipate that adoption of the euro will have a material impact on the results of its operations, financial position or liquidity.

Financial Instruments and Market Risk

The Company is exposed to fluctuations in interest rates and currency exchange rates from its financial instruments. The Company actively monitors its exposure to risk from changes in foreign currency exchange rates and interest rates. Derivative financial instruments are used to reduce the impact of these risks. See the Significant Accounting Policies – Derivative Financial

Instruments and Financial Instruments notes to the financial statements for additional information.

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

A ten percent decrease in interest rates would adversely affect the fair value of the Company's fixed-rate long-term debt by approximately $60 million at December 31, 1999 and approximately $20 million at December 31, 1998. A ten percent increase in the interest rates for the Company's floating rate long-debt obligation would not be material to the Company's results of operations and cash flows.

The Company's exposure to changes in interest rates from its short-term notes payable issuances is not significant as such notes, which are not material to its financial position at December 31, 1999 and 1998, are issued at current market rates.

At December 31, 1999 the Company has derivative financial instruments that hedge foreign currency denominated intercompany loans. The Company had no derivative financial instruments at December 31, 1998. Gains or losses on the derivative financial instruments are offset by changes in the values of the foreign currency denominated loans. The Company's unprotected exposures to earnings and cash flow fluctuations due to changes in foreign currency exchange rates are not significant at December 31, 1999 and 1998.

Additional Information

The Company's challenge for the upcoming year is to continue growth in its sales and earnings, while successfully integrating the operations of Standard and Siebe. At the time of the acquisition of Standard, the Company identified $24 million in synergies it expected to realize. The majority of those were anticipated to be realized by the end of 2002. Through the integration efforts completed thus far, the Company has obtained synergies at a faster rate than expectations set at the time of the acquisition. The Company's level of profitability for the year depends in part on its ability to meet its synergy target.

While the Company has set financial objectives for the year 2000, certain factors including the following could impact the ability to achieve them. Production difficulties associated with the launch of certain new business in the Company's Plastics Division have caused operating losses at the affected facility and are expected to continue at least through the second quarter of 2000. Failure to rectify those problems in the time frame anticipated by the Company would result in additional charges. Similarly, the Company has announced plans to close certain of its manufacturing facilities in Europe. Complication or delays in doing so, whether resulting from difficulties in obtaining necessary employee or governmental approvals, or otherwise, could also affect the Company's operating results.

Raw material costs are anticipated to increase during 2000, particularly in materials derived from petroleum such as carbon black, synthetic rubber and processing oils. Further, transportation costs are expected to increase in 2000. These increases could negatively affect the margins of the Company's businesses if prices cannot be raised sufficiently to offset them.

Forward-Looking Statements

This report contains "forward-looking statements," as that term is defined under the Private Securities Litigation Reform Act of 1995, regarding expectations for future financial performance, which involve uncertainty and risk. It is possible that the Company's future financial performance may differ from expectations due to a variety of factors including, but not limited to: changes in economic and business conditions in the world, increased competitive activity, achieving sales levels to fulfill revenue expectations, consolidation among the Company's competitors and customers, technology advancements, unexpected costs and charges, fluctuations in raw material and energy prices, changes in interest and foreign exchange rates, regulatory and other approvals, the cyclical nature of the automotive industry, the loss of a major customer, risks associated with integrating the operations of The Standard Products Company and Siebe Automotive, and the failure to achieve synergies or savings anticipated in both acquisitions, and other unanticipated events and conditions.

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

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Cooper Tire & Rubber Company is responsible for the integrity, objectivity and accuracy of the financial statements of the Company. The statements have been prepared by the Company in accordance with generally accepted accounting principles and, where appropriate, are based on management's best estimates and judgment. The financial information presented in this report is consistent with the statements.

The accounting systems established and maintained by the Company are supported by adequate internal controls augmented by written policies, internal audits and the training of qualified personnel.

The accompanying financial statements have been audited by Ernst & Young LLP, independent auditors, whose report appears herein.

The Audit Committee of the Board of Directors is composed solely of directors who are not officers or employees of the Company. The committee meets regularly with management, the Company's internal auditors and its independent auditors to discuss their evaluations of internal accounting controls, the audit scopes and the quality of financial reporting. The independent auditors and the internal auditors have free access to the committee, without management's presence, to discuss the results of their respective audits.

Philip G. Weaver
Vice President,
Chief Financial Officer

Eileen B. White
Corporate Controller

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Cooper Tire & Rubber Company

We have audited the accompanying consolidated balance sheets of Cooper Tire & Rubber Company as of December 31, 1998 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cooper Tire & Rubber Company at December 31, 1998 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Toledo, Ohio
February 8, 2000

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31

(Dollar amounts in thousands except per-share amounts)

	1997	1998	**1999**
Net sales	$1,813,005	$1,876,125	**$2,196,343**
Cost of products sold	1,498,795	1,545,760	**1,810,524**
Gross profit	314,210	330,365	**385,819**
Amortization of goodwill	–	–	**2,550**
Selling, general and administrative	105,532	120,830	**144,189**
Operating profit	208,678	209,535	**239,080**
Interest expense	15,655	15,224	**24,445**
Other - net	(1,769)	(3,906)	**(862)**
Income before income taxes	194,792	198,217	**215,497**
Provision for income taxes	72,381	71,250	**80,023**
Net income	$ 122,411	$ 126,967	**$ 135,474**
Basic and diluted earnings per share	$1.55	$1.64	**$1.79**

See Notes to Financial Statements, pages 24 to 33.

CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands except per-share amounts)

Assets	1998	**1999**
Current assets:		
Cash and cash equivalents	$ 41,966	**$ 71,127**
Accounts receivable, less allowances of $4,806 in 1998 and $9,319 in 1999	319,685	**545,155**
Inventories:		
Finished goods	132,696	**168,290**
Work in process	20,368	**25,185**
Raw materials and supplies	33,322	**80,488**
	186,386	**273,963**
Prepaid expenses and deferred income taxes	21,436	**55,183**
Total current assets	569,473	**945,428**
Property, plant and equipment:		
Land and land improvements	28,338	**46,492**
Buildings	297,449	**378,327**
Machinery and equipment	1,080,951	**1,414,654**
Molds, cores and rings	102,247	**122,270**
	1,508,985	**1,961,743**
Less accumulated depreciation and amortization	623,703	**734,674**
Net property, plant and equipment	885,282	**1,227,069**
Goodwill, net of accumulated amortization of $2,550	–	**433,312**
Intangibles and other assets	86,520	**151,836**
	$1,541,275	**$2,757,645**

See Notes to Financial Statements, pages 24 to 33.

December 31

Liabilities and Stockholders' Equity	1998	**1999**
Current liabilities:		
Notes payable	$ 8,129	**$ 13,148**
Accounts payable	94,502	**175,686**
Accrued liabilities	87,274	**188,038**
Income taxes	2,834	**5,100**
Current portion of long-term debt	249	**13,893**
Total current liabilities	192,988	**395,865**
Long-term debt	205,285	**1,046,463**
Postretirement benefits other than pensions	151,520	**181,267**
Other long-term liabilities	48,741	**61,409**
Deferred income taxes	74,805	**97,007**
Stockholders' equity:		
Preferred stock, $1 per share par value; 5,000,000 shares authorized; none issued	–	**–**
Common stock, $1 per share par value; 300,000,000 shares authorized; (83,781,058 in 1998) 83,799,352 shares issued	83,781	**83,799**
Capital in excess of par value	3,296	**3,538**
Retained earnings	945,975	**1,049,599**
Cumulative other comprehensive loss	(9,867)	**(6,053)**
	1,023,185	**1,130,883**
Less: 7,989,600 common shares in treasury at cost	(155,249)	**(155,249)**
Total stockholders' equity	867,936	**975,634**
	$1,541,275	**$2,757,645**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollar amounts in thousands except per-share amounts)

	Common Stock $1 Par Value	Capital In Excess of Par Value	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Common Shares in Treasury	Total
Balance at January 1, 1997	$83,672	$2,027	$ 754,481	$ (7,434)	$ (46,134)	$786,612
Net income			122,411			122,411
Other comprehensive income:						
Minimum pension liability adjustment, net of $1,717 tax effect				2,681		2,681
Cumulative currency translation adjustment				2,448		2,448
Comprehensive income						127,540
Purchase of treasury shares					(54,117)	(54,117)
Stock compensation plans	88	1,074				1,162
Cash dividends - $.35 per share			(27,622)			(27,622)
Balance at December 31, 1997	83,760	3,101	849,270	(2,305)	(100,251)	833,575
Net income			126,967			126,967
Other comprehensive income:						
Minimum pension liability adjustment, net of $4,729 tax effect				(7,595)		(7,595)
Cumulative currency translation adjustment				33		33
Comprehensive income						119,405
Purchase of treasury shares					(54,998)	(54,998)
Stock compensation plans	21	195				216
Cash dividends - $.39 per share			(30,262)			(30,262)
Balance at December 31, 1998	83,781	3,296	945,975	(9,867)	(155,249)	867,936
Net income			135,474			135,474
Other comprehensive income:						
Minimum pension liability adjustment, net of $3,494 tax effect				5,502		5,502
Cumulative currency translation adjustment				(1,688)		(1,688)
Comprehensive income						139,288
Stock compensation plans	18	242				260
Cash dividends - $.42 per share			(31,850)			(31,850)
Balance at December 31, 1999	$83,799	$3,538	$1,049,599	$ (6,053)	$ (155,249)	$975,634

See Notes to Financial Statements, pages 24 to 33.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

(Dollar amounts in thousands)

	1997	1998	**1999**
Operating activities:			
Net income	$122,411	$126,967	**$135,474**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	94,464	101,899	**120,977**
Amortization of goodwill and intangibles	1,031	1,298	**4,600**
Deferred income taxes	13,501	5,202	**1,095**
Changes in operating assets and liabilities:			
Accounts receivable	16,783	(27,379)	**6,526**
Inventories and prepaid expenses	(21,796)	1,544	**(15,920)**
Accounts payable and accrued liabilities	(3,973)	(744)	**(36,842)**
Other liabilities	(12,004)	(3,675)	**(4,835)**
Net cash provided by operating activities	210,417	205,112	**211,075**
Investing activities:			
Property, plant and equipment	(107,523)	(131,533)	**(149,817)**
Acquisition of business, net of cash acquired	(96,531)	–	**(594,139)**
Other	711	3,569	**187**
Net cash used in investing activities	(203,343)	(127,964)	**(743,769)**
Financing activities:			
Issuance of debt	386,000	27,836	**832,846**
Payment on debt	(280,292)	(30,604)	**(241,336)**
Purchase of treasury shares	(54,117)	(54,998)	**–**
Payment of dividends	(27,622)	(30,262)	**(31,850)**
Issuance of common shares	1,162	216	**260**
Net cash provided by (used in) financing activities	25,131	(87,812)	**559,920**
Effects of exchange rate changes on cash	1,246	(280)	**1,935**
Changes in cash and cash equivalents	33,451	(10,944)	**29,161**
Cash and cash equivalents at beginning of year	19,459	52,910	**41,966**
Cash and cash equivalents at end of year	$ 52,910	$ 41,966	**$ 71,127**

See Notes to Financial Statements, pages 24 to 33.

(Dollar amounts in thousands except per-share amounts)

Significant Accounting Policies

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries. Newly acquired businesses are included in the consolidated financial statements from the dates of acquisition. All material intercompany accounts and transactions have been eliminated. Certain amounts for prior years have been reclassified to conform to 1999 presentations.

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

The Company's investment in Nishikawa Standard Company (NISCO), a 50 percent owned joint venture in the United States, is accounted for under the equity method. The Company's investment in NISCO at December 31, 1999 was $19,224 and is included in other assets in the accompanying Consolidated Balance Sheet.

Cash and cash equivalents - The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

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

Buildings and improvements	15 to 50 years
Machinery and equipment	5 to 14 years
Furniture and fixtures	5 to 10 years
Molds, cores and rings	4 to 10 years

Goodwill and intangibles - Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is amortized over 30 years. Intangibles include trademarks, technology and intellectual property which are amortized over their useful lives which range from 15 years to 40 years. The Company evaluates the recoverability of long-lived assets based on undiscounted projected cash flows when factors indicate that an impairment may exist.

Earnings per common share - Net income per share is computed on the basis of the weighted average number of common shares outstanding each year, plus common stock equivalents related to dilutive stock options and other dilutive stock units. The number of shares used in the computation of per share data was 79,127,577 in 1997, 77,597,873 in 1998 and 75,837,168 in 1999. Diluted earnings per share includes the dilutive effect of stock options and other stock units. The impact of stock options and other stock units in the computation of diluted earnings per share did not result in amounts different from basic earnings per share.

Derivative financial instruments - Derivative financial instruments are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes.

Gains and losses on derivative financial instruments used to hedge the currency fluctuations on transactions denominated in foreign currencies and the offsetting losses and gains on hedged transactions are recorded in other in the Consolidated Statements of Income.

Gains and losses on derivative financial instruments used to hedge a portion of the Company's investment in foreign subsidiaries and the offsetting losses and gains on the portion of the investment being hedged are recorded in cumulative other comprehensive income in the Consolidated Statements of Stockholders' Equity.

Gains and losses on derivative financial instruments used to hedge interest rate risks are recorded in other on the Consolidated Statements of Income.

Advertising expense - Expenses incurred for advertising include production and media and are generally expensed when incurred. Dealer-earned cooperative advertising expense is recorded when earned. Advertising expense for 1997, 1998 and 1999 was $22,375, $27,754 and $31,748, respectively.

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

"Accounting for Stock-Based Compensation," are included in the Stock-Based Compensation note.

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

Revenue recognition - Revenues are recognized when goods are shipped to customers.

Research and development - Costs are charged to expense as incurred and amounted to approximately $21,700, $29,200 and $39,900 in 1997, 1998 and 1999, respectively.

Accounting pronouncements - In June 1998 the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The FASB has since issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133." This pronouncement amended SFAS No. 133 to defer its effective date to years beginning after June 15, 2000. The Company is currently evaluating the effect of the provisions of this Statement on its accounting and reporting policies, but does not anticipate adoption of this Statement will have a material effect on the Company's consolidated financial position or results of operations.

In September 1999, the Emerging Issues Task Force reached a consensus on Issue 99-5, "Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements." This issue addresses the accounting treatment for pre-production costs incurred by original equipment manufacturers (OEM) suppliers to perform certain services related to the design and development of the parts they will supply the OEM as well as the design and development costs to build molds, dies and other tools that will be used in producing the parts. The Company does not anticipate adoption of this consensus will have a material effect on its consolidated financial position or results of operations.

Acquisition

On October 27, 1999, the Company acquired The Standard Products Company ("Standard") for consideration (including direct costs of the acquisition) of approximately $594,139. In addition, the Company retired approximately $195,000 of Standard's debt and assumed approximately $75,000 of Standard's debt. With the completion of this transaction, Standard became a wholly-owned subsidiary of the Company. The acquisition was initially financed through short-term commercial paper and credit agreement borrowings. On December 13, 1999, the Company issued $800,000 of debt and used the proceeds to repay the short-term borrowings (see Debt footnote).

Standard is a leading supplier of sealing, plastic trim and vibration control systems for the worldwide automotive original equipment industry. In addition, Standard's Holm Industries Inc. is the largest supplier of seals for home and commercial refrigerators in North America and Oliver Rubber Company is a leading manufacturer of tread rubber and equipment for the retread industry.

The Standard acquisition is being accounted for as a purchase transaction. The total purchase price has preliminarily been allocated to the tangible and identifiable intangible assets and liabilities based on estimates of their respective fair values. Final allocations will be made when fixed asset and identifiable intangible asset valuations have been completed. The excess purchase price over the estimated fair value of the net assets acquired is allocated to goodwill. Goodwill is being amortized on a straight-line basis over 30 years. The operating results of Standard have been included in the consolidated financial statements of the Company since the date of acquisition.

Prior to the acquisition, Standard recorded an accrual for employee separation and other exit costs relating to a plan for the reorganization and closing of manufacturing facilities in Europe. The Company has evaluated this plan and determined that an additional accrual of $5,000 is required. The closing of these facilities will have minimal effect on the total production capacity of the Company. It will, however, provide a better geographical match of capacity with the needs of customers. The Company expects to complete the plan in 2000.

The plan estimates a workforce reduction of approximately 460 people, of whom 134 have been removed from the workforce as of December 31, 1999.

In certain European countries separation payments are prescribed by statute. In addition, government approval is required for other separation-related activities, such as outplacement and job training. The present accrual is subject to adjustment based upon changes resulting from these factors.

The following summarizes activity in the accrual account:

	Beginning Accrual	Cash Payments	Remaining Accrual
Employee separation costs	$15,000	$ 900	$14,100
Other exit costs	2,900	100	2,800
Total	$17,900	$1,000	$16,900

The purchase price and the preliminary allocation are as follows:

Net working capital acquired, exclusive of debt	$124,323
Property, plant and equipment	321,879
Other non-current assets	55,814
Goodwill	437,739
	939,755
Debt and other liabilities	(345,616)
Aggregate purchase price	$594,139

The following unaudited pro forma consolidated results of operations are presented as if the acquisition of Standard had occurred on January 1, 1998 and 1999, respectively. Adjustments are included to give effect to amortization of goodwill, interest expense on acquisition debt (see Debt footnote) and certain other adjustments, together with related income tax effects.

	Year ended December 31, 1998	
	As Reported	Pro Forma As Adjusted
Net sales	$1,876,125	$2,956,770
Net earnings	$126,967	$118,981
Earnings per share	$1.64	$1.53

	Year ended December 31, 1999	
	As Reported	Pro Forma As Adjusted
Net sales	$2,196,343	$3,120,329
Net earnings	$135,474	$105,338
Earnings per share	$1.79	$1.39

The pro forma net earnings and earnings per share for the year ended December 31, 1999 include a special charge recorded by Standard prior to the acquisition in the amount of $15,300 net of taxes ($.20 per share).

The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the purchase been made at the beginning of the periods presented or the future results of the combined operations.

Inventories

Under the LIFO method, inventories have been reduced by approximately $47,897 and $44,783 at December 31, 1998 and 1999, respectively, from current cost which would be reported under the first-in, first-out method. Approximately 85 percent and 76 percent of the Company's inventories have been valued under the LIFO method at December 31, 1998 and 1999, respectively.

Debt

On September 1, 1999 the Company entered into a $350,000 credit agreement with a group of six banks. The agreement provides up to $150,000 in credit facilities until August 31, 2004 and $200,000 in credit facilities until August 31, 2000 with provisions for extending the agreements beyond these dates upon approval of the bank group. The credit facility supports issuance of commercial paper. The loans may be denominated in either U.S. Dollars or certain other currencies based upon euro interest rates or the agent bank's base rate. Borrowings under the agreement bear a margin linked to the Company's long-term credit ratings from Moody's and Standard & Poor's. There are no compensating balances required and the facility fees are not material.

On October 15, 1999 the Company entered into a second $350,000 credit agreement with a group of five banks with a maturity of July 10, 2000. The loans bear interest at euro interest rates or the agent bank's base rate.

The Company established a $1,200,000 universal shelf registration on November 15, 1999 of which $400,000 remains available at December 31, 1999. Securities that may be issued under this shelf registration statement include debt securities, preferred stock, fractional interests in preferred stock represented by depositary shares, common stock, and warrants to purchase debt securities, common stock or preferred stock.

On December 13, 1999 the Company completed the public debt offerings of (1) $225,000 aggregate principal amount of 7.25 percent Notes due December 16, 2002; (2) $350,000 aggregate principal amount of 7.75 percent Notes due December 15, 2009; and

(3) $225,000 aggregate principal amount of 8 percent Notes due December 15, 2019. The Company repaid $608,000 of commercial paper borrowings and $150,000 of Revolving Credit borrowings with the proceeds received.

The 6.55 percent notes are placed directly with three insurance companies and are unsecured. Principal payments of $12,500 are required each December through 2003.

The following table summarizes the long-term debt of the Company at December 31, 1998 and 1999:

	1998	**1999**
7.25% notes due 2002	$ –	**$ 225,000**
7.75% notes due 2009	–	**350,000**
8% notes due 2019	–	**225,000**
7.625% notes due 2027	200,000	**200,000**
6.55% notes due 2003	–	**50,000**
Capitalized leases and other	5,534	**10,356**
	205,534	**1,060,356**
Less current maturities	249	**13,893**
	$205,285	**$1,046,463**

The maturities of long-term debt through 2004 are as follows:

2000	$ 13,893
2001	13,188
2002	238,077
2003	12,968
2004	378

The Company's debt agreements require the Company to maintain, among other things, certain financial ratios. Retained earnings of $261,980 at December 31, 1999 are available for the payment of cash dividends and purchase of the Company's common shares, after giving effect to amendments to the credit agreements and the issuances of commercial paper subsequent to year-end (see Subsequent Event note).

The weighted average interest rate of notes payable at December 31, 1999 and 1998 was 5.1 percent and 4.4 percent, respectively.

The Company and its subsidiaries also have, from various banking sources, approximately $68,000 of unused short-term lines of credit at rates of interest approximating euro-based interest rates.

Interest paid on debt during 1997, 1998 and 1999 was $12,983, $16,718, and $24,140, respectively. The amount of interest capitalized was $1,628, $1,694, and $1,491 during 1997, 1998 and 1999, respectively.

Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments as of December 31 are as follows:

	1998		**1999**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	$ 41,966	$ 41,966	**$ 71,127**	**$ 71,127**
Notes payable	(8,129)	(8,129)	**(13,148)**	**(13,148)**
Long-term debt	(205,285)	(244,005)	**(1,046,463)**	**(1,027,843)**
Derivative financial instruments	–	–	**493**	**404**

The derivative financial instruments hedge foreign currency denominated intercompany loans. Exchange rate fluctuations on the foreign denominated intercompany loans are offset by the change in values of the derivative financial instruments. The notional amount of these derivative contracts at December 31, 1999 is $11,301. The counterparties to each of these agreements are major commercial banks. Management believes that losses related to credit risk are remote.

Common Stock

There were 20,193,724 common shares reserved for grants under compensation plans and contributions to the Company's Thrift and Profit Sharing and Pre-Tax Savings plans at December 31, 1999.

Preferred Stock Purchase Right

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

If any person becomes an Acquiring Person, or if an Acquiring Person engages in certain self-dealing transactions or a merger transaction in which the Company is the surviving corporation and its common

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

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

Stock-Based Compensation

Stock Options

SFAS No. 123, "Accounting for Stock-Based Compensation" requires, if APB No. 25 is followed, disclosure of pro forma information regarding net income and earnings per share determined as if the Company accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	1997	1998	**1999**
Risk-free interest rate	6.1%	5.5%	**5.6%**
Dividend yield	1.0%	1.3%	**1.5%**
Expected volatility of the Company's common stock	.197	.251	**.238**
Expected life in years	6.2	5.0	**6.3**

The weighted-average fair value of options granted in 1997, 1998 and 1999 was $7.52, $5.84, and $6.64, respectively. For purposes of pro forma disclosures, the estimated fair value of options is amortized to expense over the options' vesting period. The Company's reported and pro forma information follows:

	1997	1998	**1999**
Net income:			
Reported	$122,411	$126,967	**$135,474**
Pro forma	121,603	125,142	**132,322**
Basic earnings per share:			
Reported	$1.55	$1.64	**$1.79**
Pro forma	1.54	1.61	**1.75**
Diluted earnings per share:			
Reported	$1.55	$1.64	**$1.79**
Pro forma	1.54	1.61	**1.74**

The Company's 1998 incentive compensation plan allows the Company to grant awards to key employees in the form of stock options, stock awards, restricted stock units, stock appreciation rights, performance units, dividend equivalents and other awards. The 1981, 1986 and 1996 incentive stock option plans and the 1998 incentive compensation plan provide for granting options to key employees to purchase common shares at prices not less than market at the date of grant. Options under these plans may have terms of up to ten years becoming exercisable in whole or in consecutive installments, cumulative or otherwise. The plans allow the granting of nonqualified stock options which are not intended to qualify for the tax treatment applicable to incentive stock options under provisions of the Internal Revenue Code. The options granted under the plans which were outstanding at December 31, 1999 have a term of ten years and become exercisable 50 percent after the first year and 100 percent after the second year.

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

The Company's 1991 nonqualified stock option plan provides for granting options to directors, who are not current or former employees of the Company, to purchase common shares at prices not less than market at the date of grant. Options granted under this plan have a term of ten years and are exercisable in full beginning one year after the date of grant.

Summarized information for the plans follows:

	Number of Shares	Weighted Average Exercise Price	Available For Grant
January 1, 1997			
Outstanding	645,592	$19.47	
Exercisable	*454,439*	*19.24*	
Granted	230,955	24.48	
Exercised	(87,936)	13.20	
Cancelled	(32,264)	22.87	
December 31, 1997			2,931,817
Outstanding	756,347	21.59	
Exercisable	*460,992*	*20.58*	
Granted	1,362,487	20.57	
Exercised	(20,750)	10.44	
Cancelled	(38,150)	23.41	
December 31, 1998			3,931,530
Outstanding	2,059,934	20.99	
Exercisable	*589,697*	*21.33*	
Granted	590,653	22.46	
Exercised	(18,294)	14.22	
Cancelled	(140,692)	21.82	
December 31, 1999			3,435,977
Outstanding	2,491,601	21.34	
Exercisable	*792,098*	*21.61*	

The weighted average remaining contractual life of options outstanding at December 31, 1999 is 7.9 years.

Segregated disclosure of options outstanding at December 31, 1999 is as follows:

	Range of Exercise Prices	
	Less than $15.50	Equal to or greater than $15.50
Options outstanding	89,100	2,402,501
Weighted average exercise price	$12.98	$21.65
Remaining contractual life	1.2	8.2
Options exercisable	89,100	702,998
Weighted average exercise price	$12.98	$22.70

Restricted Stock Units

Under the 1998 Incentive Compensation Plan, restricted stock units may be granted to officers and other key employees. Deferred compensation related to the restricted stock units is determined based on the fair value of the Company's stock on the date of grant and is amortized to expense over the vesting period.

In 1999 the Company granted 49,210 restricted stock units with a weighted average fair value of $16.50 per unit and vesting periods of one to two years. The grants provide for accrual of dividend equivalents. At December 31, 1999, 49,550 restricted stock units were outstanding.

Pensions and Postretirement Benefits Other Than Pensions

The Company and its consolidated subsidiaries have a number of plans providing pension, retirement or profit-sharing benefits for substantially all employees. These plans include defined benefit, defined contribution and multi-employer plans. The Company has an unfunded, nonqualified supplemental retirement plan covering certain employees whose participation in the qualified plan is limited by provisions of the Internal Revenue Code. For defined benefit plans, benefits are generally based on compensation for salaried employees and length of service for hourly employees. The Company's general funding policy is to contribute amounts deductible for U.S. federal income tax purposes or amounts as required by local statute.

Participation in the Company's defined contribution plans is voluntary and participants' contributions are limited based on their compensation. The Company matches certain plan participants' contributions up to various limits. Expense for these plans was $9,334, $10,891 and $12,829 for 1997, 1998 and 1999, respectively.

The Company currently provides certain retiree health care and life insurance benefits covering substantially all domestic salary and hourly employees. If the Company does not terminate such benefits, or modify coverage or eligibility requirements, substantially all of the Company's domestic employees may become eligible for these benefits upon retirement if they meet certain age and service requirements. The Company has reserved the right to modify or terminate such benefits at any time, subject to applicable terms and conditions contained in union agreements for non-salary participants. In recent years benefit changes have been implemented throughout the Company.

The following tables disclose information related to the Company's defined benefit plans and other postretirement benefits:

(Dollar amounts in thousands except per-share amounts)

	Pension Benefits		Other Postretirement Benefits	
	1998	**1999**	1998	**1999**
Change in benefit obligation:				
Benefit obligation at January 1	$ 512,305	**$ 591,436**	$ 153,137	**$ 183,017**
Acquisition	–	**106,720**	–	**28,344**
Service cost – employer	21,892	**24,872**	3,682	**4,782**
Service cost – participants	2,425	**2,423**	–	**–**
Interest cost	38,681	**43,668**	12,227	**14,104**
Actuarial (loss) gain	35,335	**(10,408)**	23,086	**16,979**
Amendments	3,763	**9,233**	22	**770**
Benefits paid	(23,386)	**(25,832)**	(9,137)	**(12,320)**
Foreign currency exchange rate (loss) gain	421	**(5,333)**	–	**–**
Benefit obligation at December 31	$ 591,436	**$ 736,779**	$ 183,017	**$ 235,676**
Change in plans' assets:				
Fair value of plans' assets at January 1	$ 514,700	**$ 572,380**	$ –	**$ –**
Acquisition	–	**100,590**	–	**–**
Actual return on plans' assets	53,827	**50,374**	–	**–**
Employer contributions	24,457	**23,968**	–	**–**
Participant contributions	2,425	**2,423**	–	**–**
Benefits paid	(23,386)	**(25,832)**	–	**–**
Foreign currency exchange rate (loss) gain	357	**(4,532)**	–	**–**
Fair value of plans' assets at December 31	$ 572,380	**$ 719,371**	$ –	**$ –**
Funded status of the plans	$ (19,056)	**$ (17,408)**	$(183,017)	**$(235,676)**
Unrecognized actuarial loss (gain)	43,255	**37,731**	22,022	**38,741**
Unrecognized prior service cost	10,045	**12,998**	445	**819**
Unrecognized net transition obligation	4,636	**3,549**	–	**–**
Adjustment for minimum liability	(30,566)	**(15,007)**	–	**–**
Net amount recognized	$ 8,314	**$ 21,863**	$(160,550)	**$(196,116)**
Amounts recognized in the balance sheets:				
Prepaid expenses and deferred income taxes	$ (6,794)	**$ (8,898)**	$ –	**$ –**
Intangibles and other assets	34,781	**47,253**	–	**–**
Accrued liabilities	–	**(1,396)**	(9,030)	**(14,789)**
Postretirement benefits other than pensions	–	**–**	(151,520)	**(181,327)**
Other long-term liabilities	(7,325)	**(8,310)**	–	**–**
Accumulated other comprehensive income	(12,348)	**(6,786)**	–	**–**
Net amount recognized	$ 8,314	**$ 21,863**	$(160,550)	**$(196,116)**
Assumptions as of December 31:	1998	**1999**	1998	**1999**
Discount rate	7.0%	**7.5%**	7.5%	**7.5%**
Expected return on plan assets (weighted average)	9.4	**9.6**	–	**–**
Rate of compensation increase (weighted average)	5.1	**5.3**	–	**–**

At December 31, 1999 the weighted average assumed annual rate of increase in the cost of health care benefits (health care cost trend rate) was 7.6 percent for 2000, gradually declining to 5.5 percent in 2005 and to remain at that level thereafter.

	Pension Benefits			Other Postretirement Benefits		
	1997	1998	**1999**	1997	1998	**1999**
Components of net periodic benefit cost:						
Service cost	$16,668	$21,892	**$24,872**	$ 3,465	$ 3,682	**$ 4,782**
Interest cost	32,716	38,681	**43,668**	11,468	12,227	**14,104**
Expected return on plan assets	(39,623)	(49,453)	**(56,251)**	–	–	**–**
Amortization of transition obligation	1,088	1,087	**1,088**	–	–	**–**
Amortization of prior service cost	3,463	4,383	**5,357**	–	212	**396**
Recognized actuarial loss (gain)	1,855	1,951	**3,410**	–	–	**244**
Net periodic benefit cost	$16,167	$18,541	**$22,144**	$14,933	$16,121	**$19,526**

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $165,173, $162,135 and $144,114, respectively, at December 31, 1998 and $87,656, $85,989 and $69,233, respectively, as of December 31, 1999.

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

	One Percentage Point	
	Increase	Decrease
Effect on total service and interest cost components	$ 327	$ (285)
Effect on the postretirement benefit obligation	(5,656)	4,952

The Company has a Voluntary Employees' Beneficiary Trust and Welfare Benefits Plan (VEBA) to fund health benefits for eligible active and retired domestic employees. The pre-funded amount was $12,805 in 1998 and $14,323 in 1999.

Income Taxes

The provision for income taxes consists of the following:

	1997	1998	**1999**
Current:			
Federal	$53,946	$60,650	**$68,678**
State and local	6,310	7,128	**8,171**
Foreign	(1,376)	(1,730)	**2,938**
	58,880	66,048	**79,787**
Deferred:			
Federal	11,738	4,654	**(1,082)**
State and local	1,763	548	**1,287**
Foreign	–	–	**31**
	13,501	5,202	**236**
	$72,381	$71,250	**$80,023**

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

	1997	1998	**1999**
Statutory U.S. tax rate	35.0%	35.0%	**35.0%**
State and local income tax	2.7	2.5	**2.8**
Other	(0.5)	(1.6)	**(0.7)**
Effective income tax rate	37.2%	35.9%	**37.1%**

Payments for income taxes in 1997, 1998 and 1999 were $55,610, $69,653 and $77,961, respectively.

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

	1998	**1999**
Deferred tax assets:		
Employee benefits	$ 73,910	**$ 87,648**
Net operating loss and tax credit carryforwards	–	**18,341**
All other items	12,631	**23,309**
Total deferred tax assets	$ 86,541	**$ 129,298**
Deferred tax liabilities:		
Excess depreciation and amortization	$(108,289)	**$(125,113)**
Employee benefits	(20,833)	**(22,961)**
All other items	(19,960)	**(39,911)**
Total deferred tax liabilities	(149,082)	**(187,985)**
	$ (62,541)	**$ (58,687)**
Valuation allowance	–	**(18,341)**
Net deferred tax liabilities	$ 62,541	**$ 77,028**

Deferred tax assets, net of the valuation allowance, are included in prepaid expenses and deferred taxes and in other assets in the accompanying Consolidated Balance Sheets.

The Company has not provided deferred U. S. income taxes on approximately $160,000 of undistributed earnings of international affiliates which have been reinvested indefinitely. It is not practicable to determine the amount of additional U.S. income taxes that could be payable upon remittance of these earnings since taxes payable would be reduced by foreign tax credits based upon income tax laws and circumstances at the time of distribution.

The Company has recorded a valuation allowance to reflect the estimated potential tax benefits which may not be realized principally due to the inability of certain of its foreign subsidiaries to utilize available net operating loss carryforwards of approximately $28,400. The Company's net operating loss carryforwards expire in years 2000 through 2014.

(Dollar amounts in thousands except per-share amounts)

Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries are subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business. Management and its legal counsel periodically review the probable outcome of pending claims and proceedings, the costs and expenses reasonably expected to be incurred, the availability and limits of the Company's insurance coverage, and the Company's accruals for uninsured liabilities. While the ultimate legal and financial liability in respect to the claims and proceedings cannot be estimated with certainty, management believes, based on its reviews and experience to date, that any liability which may ultimately be incurred will not have a material effect on the Company's consolidated financial statements.

Other Comprehensive Income (Loss)

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

	1997	1998	**1999**
Cumulative currency translation adjustment	$ 2,448	$ 2,481	**$ 793**
Minimum pension liability, net of tax effect	(4,753)	(12,348)	**(6,846)**
	$(2,305)	$(9,867)	**$(6,053)**

Business Segments

The Company has two reportable segments – Tire and Automotive. The Company's reportable segments are each managed separately because they offer different products requiring different marketing and distribution strategies.

The Tire segment produces automobile, truck and motorcycle tires and inner tubes which are sold nationally and internationally in the replacement tire market to independent dealers, wholesale distributors and large retail chains and supplies equipment and materials to the tread rubber industry. The Tire segment consists of North American Operations, Cooper-Avon Tyres and Oliver Rubber Company.

The Automotive segment produces sealing systems, hose and hose assemblies, active and passive vibration control systems, and exterior trim products primarily for the global automotive original equipment manufacturers. The automotive segment consists of the Global Sealing Division, the Noise, Vibration and Harshness (NVH) Control Systems Division, and the Plastics Division.

Separate financial results are available for each of the operating groups within Tire and Automotive and are regularly reviewed by the Chief Operating Officer for purposes of assessing performance and allocating resources. The Global Sealing Division and the NVH Control Systems Division have been aggregated into the Automotive reportable segment and the tire related operating divisions have been aggregated into the Tire reportable segment, because the divisions exhibit similar economic characteristics, have similar production processes, offer similar products to the same customer base, and distribute their products in essentially the same manner. The Plastics Division has been aggregated with the Automotive Segment because it does not meet quantitative thresholds for separate reporting and shares a majority of the aggregation criteria with the Automotive Segment.

The Fluid Systems Division, established in January 2000 (see Subsequent Event note), will also be aggregated with the Automotive Segment.

Tire revenues derived from one customer approximated $224,000 or 12 percent of consolidated net sales in 1997.

The accounting policies of the reportable segments are consistent with those described in the Significant Accounting Policies note to the financial statements. Corporate administrative expenses are allocated to segments based principally on assets, employees and sales. In 1999 the Company redefined its measurement of segment profit to exclude interest expense and foreign currency gains/losses. Segment information for 1998 and 1997 has been restated to reflect the change in measurement. The following table presents financial information:

	1997	1998	1999
FINANCIAL			
Revenues			
Tire	$1,443,293	$1,444,334	**$1,557,110**
Automotive	369,712	431,791	**643,642**
Eliminations and other	–	–	**(4,409)**
Consolidated	1,813,005	1,876,125	**2,196,343**
Segment profit			
Tire	163,070	155,242	**176,389**
Automotive	45,608	54,293	**62,691**
Operating profit	208,678	209,535	**239,080**
Other	1,769	3,906	**862**
Interest expense	(15,655)	(15,224)	**(24,445)**
Income before income taxes	194,792	198,217	**215,497**
Depreciation and amortization expense			
Tire	84,620	90,537	**100,120**
Automotive	10,875	12,660	**25,457**
Consolidated	95,495	103,197	**125,577**
Segment assets			
Tire	1,179,744	1,211,819	**1,391,340**
Automotive	222,902	238,467	**1,235,966**
Corporate and other	93,310	90,989	**130,339**
Consolidated	1,495,956	1,541,275	**2,757,645**
Expenditures for long-lived assets			
Tire	79,956	95,526	**111,384**
Automotive	27,567	36,007	**38,433**
Consolidated	107,523	131,533	**149,817**

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

	1997	1998	1999
GEOGRAPHIC			
Revenues			
North America	$1,697,513	$1,718,925	**$1,995,197**
Europe	115,492	157,200	**199,397**
Other	–	–	**1,749**
Consolidated	1,813,005	1,876,125	**2,196,343**
Long-lived assets			
United States	794,766	800,094	**952,063**
England	61,092	71,774	**122,474**
Other	4,590	13,414	**152,532**
Consolidated	$ 860,448	$ 885,282	**$1,227,069**

Sales from the U. S. amounted to $1,558,611, $1,594,352 and $1,930,436 in 1997, 1998 and 1999, respectively. Shipments of domestically-produced products to customers outside the U. S. approximated eight, seven, and eight percent of net sales in 1997, 1998 and 1999 respectively.

Accrued Liabilities

Accrued liabilities at December 31 were as follows:

	1998	1999
Payroll	$33,382	**$55,882**
Real and personal property taxes	10,701	**16,460**
Other	43,191	**115,696**
	$87,274	**$188,038**

Subsequent Event

The Company completed its acquisition of Siebe Automotive ("Siebe"), the automotive fluid handling division of Invensys plc, on January 28, 2000 for a price of $244,500. Siebe's annual sales approximate $400,000.

Siebe is headquartered in Southfield, Michigan and manufactures automotive fluid handling systems, components, modules and sub-systems for sale to the world's automotive original equipment manufacturers and large Tier 1 suppliers. The purchase includes the operating assets of Siebe Automotive, with 16 operating locations extending across North and South America, Europe and Australia.

The Company financed the acquisition by issuing commercial paper.

SIX-YEAR SUMMARY OF OPERATIONS AND FINANCIAL DATA

(Dollar amounts in thousands except per-share amounts)

	Net Sales	Gross Profit	Operating Profit	Income Before Income Taxes	Income Taxes	Net Income	Earnings Per Share Basic	Earnings Per Share Diluted
1994	$1,403,243	$277,265	$208,517	$208,119	$79,600	$128,519	$1.54	$1.53
1995	1,493,622	250,727	176,931	180,070	67,250	112,820	1.35	1.35
1996	1,619,345	252,796	172,922	172,092	64,208	107,884	1.30	1.30
1997	1,813,005	314,210	208,678	194,792	72,381	122,411	1.55	1.55
1998	1,876,125	330,365	209,535	198,217	71,250	126,967	1.64	1.64
1999	2,196,343	385,819	239,080	215,497	80,023	135,474	1.79	1.79

	Stockholders' Equity	Total Assets	Working Capital	Net Property, Plant & Equipment	Capital Expenditures	Depreciation	Long-term Debt
1994	$662,077	$1,039,731	$303,103	$ 549,601	$ 78,449	$ 55,603	$ 33,614
1995	748,799	1,143,701	272,216	678,876	194,894	63,313	28,574
1996	786,612	1,273,009	256,130	792,419	193,696	76,820	69,489
1997	833,575	1,495,956	354,281	860,448	107,523	94,464	205,525
1998	867,936	1,541,275	376,485	885,282	131,533	101,899	205,285
1999	975,634	2,757,645	549,563	1,227,069	149,817	120,977	1,046,463

	Return On Beginning Invested Capital(a)	Return On Beginning Equity	Return On Beginning Assets	Pretax Margin	Effective Tax Rate	Return On Sales
1994	35.5%	23.4%	14.4%	14.8%	38.2%	9.2%
1995	25.8	17.0	10.9	12.1	37.3	7.6
1996	22.2	14.4	9.4	10.6	37.3	6.7
1997	24.4	15.6	9.6	10.7	37.2	6.8
1998	20.5	15.2	8.5	10.6	35.9	6.8
1999	22.4	15.6	8.8	9.8	37.1	6.2

	Current Ratio	Long-Term Debt To Capitalization	Equity Per Share	Dividends Per Share	Common Shares Average (000)	Common Shares Year End (000)
1994	3.0	4.8%	$ 7.92	$.23	83,623	83,634
1995	2.7	3.7	8.95	.27	83,646	83,662
1996	2.4	8.1	9.67	.31	83,214	81,367
1997	2.8	19.8	10.58	.35	79,128	78,760
1998	3.0	19.1	11.45	.39	77,598	75,791
1999	2.4	51.8	12.87	.42	75,837	75,810

	Number of Stockholders	Number of Employees	Research & Development	Stock Price High	Stock Price Low	Price/Earnings Average Ratio
1994	7,623	7,815	$14,700	$29.50	$21.63	16.6
1995	6,721	8,284	16,000	29.63	22.25	19.2
1996	5,991	8,932	19,700	27.25	18.00	17.4
1997	5,281	10,456	21,700	28.44	18.00	15.0
1998	4,809	10,766	29,200	26.25	15.44	12.7
1999	4,801	21,586	39,900	25.00	13.25	10.7

(a) Earnings before interest and income taxes divided by long-term debt plus stockholders' equity.

SELECTED QUARTERLY DATA

(Unaudited)

(Dollar amounts in thousands except per-share amounts)

1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$437,558	$461,740	$480,616	$496,211
Gross profit	73,748	83,403	79,771	93,443
Net income	26,525	32,336	30,029	38,077
Basic and diluted earnings per share	.34	.41	.39	.50
Dividend per share	.095	.095	.095	.105
Stock price – high	26 1/4	24 13/16	22 1/8	21 7/16
– low	22 5/8	20 5/8	15 3/4	15 7/16
Revenues from external customers:				
Tire	$330,326	$347,544	$389,237	$377,227
Automotive	107,232	114,196	91,379	118,984
Net sales	$437,558	$461,740	$480,616	$496,211
Segment profit:				
Tire	$32,690	$36,499	$42,260	$43,793
Automotive	12,547	18,451	6,880	16,415
	45,237	54,950	49,140	60,208
Other	(2,931)	(3,222)	(3,049)	(2,116)
Income before income taxes	$42,306	$51,728	$46,091	$58,092

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$467,887	$495,352	$531,883	$701,221
Gross profit	85,394	97,336	91,537	111,552
Net income	31,391	37,956	34,600	31,527
Basic and diluted earnings per share	.41	.50	.46	.42
Dividend per share	.105	.105	.105	.105
Stock price – high	22 1/8	25	24 7/16	18 1/2
– low	18 5/16	18 1/4	16 1/8	13 1/4
Revenues from external customers:				
Tire	$352,062	$368,410	$424,310	$412,328
Automotive	115,825	126,942	107,573	293,302
Eliminations	–	–	–	(4,409)
Net sales	$467,887	$495,352	$531,883	$701,221
Segment profit:				
Tire	$37,197	$46,124	$47,960	$45,108
Automotive	16,105	17,418	9,419	19,749
	53,302	63,542	57,379	64,857
Other	(3,678)	(3,945)	(3,510)	(12,450)
Income before income taxes	$49,624	$59,597	$53,869	$52,407

The common stock of the Company (CTB) is traded on the New York Stock Exchange.

DIRECTORY

EXECUTIVE OFFICES

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

TRANSFER AGENT & REGISTRAR

Fifth Third Bank
38 Fountain Square Plaza; MD - 10AT66
Cincinnati, Ohio 45263
(800) 837-2755

FOR INFORMATION

Tire products – (800) 854-6288
Automotive products – (313) 561-1100
Common stock and dividends – (419) 424-4233
Investor relations – (419) 427-4768
Web site – www.coopertire.com

Direct Investment Plan – Fifth Third Bank serves as Administrator for a direct investment plan for the purchase, sale and/or dividend reinvestment of Cooper Tire & Rubber Company common stock. For information, call: (800) 837-2755.

ANNUAL MEETING

The annual meeting of stockholders will be held at 10 a.m., Tuesday, May 2, 2000, at Urbanski's, 1500 Manor Hill Road, Findlay, Ohio. All stockholders are cordially invited to attend. Proxy material is sent to stockholders together with this report.

FORM 10-K

A copy of the Company's annual report to the Securities and Exchange Commission on Form 10-K, including the financial statements and schedules thereto, will be furnished after March 21, 2000, upon written request to: Secretary, Cooper Tire & Rubber Company, Findlay, Ohio 45839-0550.

BOARD OF DIRECTORS

Arthur H. Aronson[2]
Former Executive Vice President, Allegheny Teledyne Incorporated (Manufacturing)

Thomas A. Dattilo[4]
President and Chief Operating Officer of the Company

Edsel D. Dunford[1,3]
Former President and Chief Operating Officer, TRW Inc. (Manufacturing)

John Fahl[4]
Vice President of the Company

Deborah M. Fretz[2]
Senior Vice President, Lubricants and Logistics, Sun Company, Inc. (Energy)

Dennis J. Gormley[2]
Former Chairman of the Board and Chief Executive Officer, Federal-Mogul Corporation (Manufacturing)

John F. Meier[1,3]
Chairman and Chief Executive Officer Libbey Inc. (Manufacturing)

Byron O. Pond[3]
Former Chairman of the Board, Arvin Industries, Inc. (Manufacturing)

Patrick W. Rooney[4]
Chairman of the Board and Chief Executive Officer of the Company

Ronald L. Roudebush[3]
Former Vice Chairman and Chief Executive Officer, The Standard Products Company

John H. Shuey[1,2]
Chairman, President and Chief Executive Officer, Amcast Industrial Corporation (Manufacturing)

[1] Member of the Governance and Nominating Committee
[2] Member of the Audit Committee
[3] Member of the Compensation Committee
[4] Member of the Executive Committee

EXECUTIVE OFFICERS

Thomas A. Dattilo
President and Chief Operating Officer

John Fahl
Vice President

Paul C. Gilbert
Vice President

William S. Klein
Vice President

James S. McElya
Vice President

Ted M. McQuade
Vice President

Roderick F. Millhof
Vice President

Patrick W. Rooney
Chairman of the Board and Chief Executive Officer

Richard D. Teeple
Vice President and General Counsel

Philip G. Weaver
Vice President and Chief Financial Officer

Eileen B. White
Corporate Controller

OTHER CORPORATE OFFICERS

Brian J. Batey
Vice President

Franklin T. Burnside
Vice President

Kathleen L. Diller
Asst. Corporate Secretary/ Asst. General Counsel

Larry J. Enders
Vice President

James H. Geers
Vice President

Richard N. Jacobson
Asst. Corporate Secretary/ Asst. General Counsel

Keith L. Jolliff
Vice President

Stan C. Kaiman
Secretary

Charles F. Nagy
Assistant Treasurer

Stephen O. Schroeder
Treasurer

COOPER FACILITIES WORLDWIDE

NORTH AMERICA

United States

Hartselle, Alabama, plastics
El Dorado, Arkansas, NVH control systems
Texarkana, Arkansas, tires
Golden, Colorado, technical center
Albany, Georgia, tires
Athens, Georgia, technical center
Athens, Georgia, tread rubber
Griffin, Georgia, sealing
Auburn, Indiana, technical center
Auburn, Indiana, NVH control systems
Bremen, Indiana, sealing
Fort Wayne, Indiana, sealing
Scottsburg, Indiana, plastics
Scottsburg, Indiana, technical center
Topeka, Indiana, sealing
St. Charles, Illinois, plastics
Mt. Sterling, Kentucky, fluid systems
Dearborn, Michigan, technical center
Dearborn, Michigan, sealing
Fairview, Michigan, fluid systems
Farmington Hills, Michigan, technical center
Gaylord, Michigan, sealing
Luzerne, Michigan, fluid systems
Mio, Michigan, fluid systems
Orion, Michigan, technical center
New Ulm, Minnesota, plastics
Clarksdale, Mississippi, tubes
Tupelo, Mississippi, tires
Asheboro, North Carolina, tread rubber
Goldsboro, North Carolina, sealing
Rocky Mt., North Carolina, sealing
Salisbury, North Carolina, tread rubber
Aurora, Ohio, plastics
Bowling Green, Ohio, fluid systems
Bowling Green, Ohio, sealing
Bowling Green, Ohio, technical center
Cleveland, Ohio, plastics
Findlay, Ohio, tires
Findlay, Ohio (2), technical centers
Wadsworth, Ohio, tread rubber
Export Pennsylvania, tread rubber
Kittanning, Pennsylvania, sealing
Spartanburg, South Carolina, plastics
Winnsboro, South Carolina, plastics
Surgoinsville, Tennessee, fluid systems
Dallas, Texas, tread rubber
Paris, Texas, tread rubber
San Antonio, Texas, technical center

Canada

Georgetown, Ontario, sealing
Mitchell, Ontario, technical center
Mitchell, Ontario, NVH control systems
Sault Ste. Marie, Ontario, fluid systems
Stratford, Ontario (5), sealing
Stratford, Ontario, technical center

Mexico

Aquascalientes, Mexico, sealing
Piedras Negras, Mexico, NVH control systems/sealing
Queretaro, Mexico (2), plastics
Tijuana, Mexico, plastics
Torreon, Mexico (2), fluid systems

SOUTH AMERICA

Brazil

Sao Paulo, Brazil, fluid systems
Varginha, Brazil, sealing

EUROPE

Czech Republic

Zdar, Czech Republic, fluid systems

France

Baclair, France, sealing
Bezons, France, sealing
Bezons, France, technical center
Lillebonne, France, sealing
Vitre, France, sealing

Germany

Grunberg, Germany, fluid systems
Schelklingen, Germany, fluid systems
Sundern, Germany, fluid systems

Poland

Bielsko-Biala, Poland, sealing

Spain

Alcobendas, Spain, fluid systems
Getafe, Spain, fluid systems

United Kingdom

Huntingdon, U.K., technical center
Huntington, U.K., sealing
Maesteg, U.K., sealing
Melksham, U.K., tires
Plymouth, U.K., fluid systems
Plymouth, U.K., sealing

ASIA

India

Chennai, India, fluid systems
Ranjangaon, India, plastics

Republic of Korea

Chung-Ju, Korea, sealing
Incheon, Korea, sealing
Incheon, Korea, technical center
Secheon, Korea, sealing

Australia

Adelaide, South Australia, fluid systems

This report has been produced in its entirety on recycled paper.