

Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended September 30, 2019
OR

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

Commission File No. 1-4329

COOPER TIRE & RUBBER COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

34-4297750
(I.R.S. employer
identification no.)

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

(419) 423-1321

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$1 par value per share
(Title of Each Class)

CTB
(Trading Symbol)

New York Stock Exchange
(Name of Each Exchange on which Registered)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

Number of shares of common stock of registrant outstanding as of Oct 25, 2019: 50,183,978

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(Dollar amounts in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net sales	\$ 704,134	\$ 737,671	\$ 2,002,428	\$ 2,037,575
Cost of products sold	589,768	597,724	1,700,662	1,718,920
Gross profit	114,366	139,947	301,766	318,655
Selling, general and administrative expense	60,786	58,746	183,452	178,236
Restructuring expense	811	—	7,442	—
Operating profit	52,769	81,201	110,872	140,419
Interest expense	(7,476)	(7,930)	(23,599)	(24,038)
Interest income	1,507	2,399	6,887	6,702
Other pension and postretirement benefit expense	(9,562)	(6,932)	(28,212)	(20,885)
Other non-operating (expense) income	(509)	2,922	(593)	(129)
Income before income taxes	36,729	71,660	65,355	102,069
Provision for income taxes	7,721	16,227	19,908	21,944
Net income	29,008	55,433	45,447	80,125
Net (loss) income attributable to noncontrolling shareholders' interests	(336)	1,720	301	3,120
Net income attributable to Cooper Tire & Rubber Company	\$ 29,344	\$ 53,713	\$ 45,146	\$ 77,005
Earnings per share:				
Basic	\$ 0.58	\$ 1.07	\$ 0.90	\$ 1.53
Diluted	\$ 0.58	\$ 1.07	\$ 0.90	\$ 1.52

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(Dollar amounts in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 29,008	\$ 55,433	\$ 45,447	\$ 80,125
Other comprehensive (loss) income:				
Cumulative currency translation adjustments	(17,692)	(5,500)	(15,718)	(16,481)
Financial instruments:				
Change in the fair value of derivatives	(2,052)	(1,747)	(4,393)	863
Income tax (provision) benefit on derivative instruments	530	429	1,213	(318)
Financial instruments, net of tax	(1,522)	(1,318)	(3,180)	545
Postretirement benefit plans:				
Amortization of actuarial loss	9,177	9,275	27,625	27,941
Amortization of prior service credit	(102)	(135)	(306)	(406)
Income tax provision on postretirement benefit plans	(2,041)	(2,021)	(6,123)	(6,062)
Foreign currency translation effect	2,201	559	2,170	1,365
Postretirement benefit plans, net of tax	9,235	7,678	23,366	22,838
Other comprehensive (loss) income	(9,979)	860	4,468	6,902
Comprehensive income	19,029	56,293	49,915	87,027
Less: Comprehensive (loss) income attributable to noncontrolling shareholders' interests	(2,324)	2,043	(1,047)	2,305
Comprehensive income attributable to Cooper Tire & Rubber Company	\$ 21,353	\$ 54,250	\$ 50,962	\$ 84,722

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands except per share amounts)

	September 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 137,093	\$ 356,254
Notes receivable	8,647	5,737
Accounts receivable, less allowances of \$7,209 at 2019 and \$5,836 at 2018	617,753	546,905
Inventories:		
Finished goods	420,243	338,133
Work in process	29,989	27,265
Raw materials and supplies	116,648	114,582
Total inventories	566,880	479,980
Other current assets	48,501	67,856
Total current assets	1,378,874	1,456,732
Property, plant and equipment:		
Land and land improvements	52,736	52,668
Buildings	331,872	314,555
Machinery and equipment	2,003,925	1,981,857
Molds, cores and rings	256,317	238,911
Total property, plant and equipment	2,644,850	2,587,991
Less: Accumulated depreciation	1,633,058	1,586,070
Property, plant and equipment, net	1,011,792	1,001,921
Operating lease right-of-use assets, net of accumulated amortization of \$19,751 at 2019 and \$0 at 2018	86,285	—
Goodwill	18,851	18,851
Intangibles, net of accumulated amortization of \$120,274 at 2019 and \$106,871 at 2018	113,510	120,321
Deferred income tax assets	24,256	28,146
Investment in joint venture	48,936	—
Other assets	14,112	8,234
Total assets	\$ 2,696,616	\$ 2,634,205

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands except per share amounts)

(Continued)	September 30, 2019 (Unaudited)	December 31, 2018
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	\$ 16,188	\$ 15,288
Accounts payable	253,821	286,671
Accrued liabilities	305,477	282,650
Income taxes payable	15,787	975
Current portion of long-term debt and finance leases	173,578	174,760
Total current liabilities	764,851	760,344
Long-term debt and finance leases	120,657	121,284
Noncurrent operating leases	60,335	—
Postretirement benefits other than pensions	234,773	236,454
Pension benefits	106,577	147,950
Other long-term liabilities	140,960	135,730
Equity:		
Preferred stock, \$1 par value; 5,000,000 shares authorized; none issued		
Common stock, \$1 par value; 300,000,000 shares authorized; 87,850,292 shares issued at 2019 and 2018	87,850	87,850
Capital in excess of par value	21,474	21,124
Retained earnings	2,478,677	2,449,714
Accumulated other comprehensive loss	(455,773)	(461,589)
Parent stockholders' equity before treasury stock	2,132,228	2,097,099
Less: Common shares in treasury at cost (37,666,319 at 2019 and 37,776,659 at 2018)	(923,118)	(925,056)
Total parent stockholders' equity	1,209,110	1,172,043
Noncontrolling shareholders' interests in consolidated subsidiaries	59,353	60,400
Total equity	1,268,463	1,232,443
Total liabilities and equity	\$ 2,696,616	\$ 2,634,205

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Dollar amounts in thousands except per share amounts)

	Nine Months Ended September 30,	
	2019	2018
Operating activities:		
Net income	\$ 45,447	\$ 80,125
Adjustments to reconcile net income to net cash (used in) provided by operations:		
Depreciation and amortization	111,518	110,210
Stock-based compensation	3,473	3,867
Change in LIFO inventory reserve	2,438	1,134
Amortization of unrecognized postretirement benefits	27,314	27,535
Changes in operating assets and liabilities:		
Accounts and notes receivable	(80,571)	(88,942)
Inventories	(96,043)	(24,957)
Other current assets	(352)	(9,190)
Accounts payable	(2,492)	6,500
Accrued liabilities	(5,350)	(6,832)
Other items	(19,795)	(65,928)
Net cash (used in) provided by operating activities	(14,413)	33,522
Investing activities:		
Additions to property, plant and equipment and capitalized software	(155,808)	(143,974)
Investment in joint venture	(49,001)	—
Proceeds from the sale of assets	6	160
Net cash used in investing activities	(204,803)	(143,814)
Financing activities:		
Issuances of short-term debt	1,488	2,467
Repayments of short-term debt	(588)	(24,619)
Repayments of long-term debt and finance lease obligations	(1,196)	(1,203)
Payment of financing fees	(2,207)	(1,230)
Repurchase of common stock	—	(30,183)
Payments of employee taxes withheld from share-based awards	(1,376)	(2,107)
Payment of dividends to Cooper Tire & Rubber Company stockholders	(15,799)	(15,880)
Issuance of common shares related to stock-based compensation	114	—
Excess tax benefits on stock-based compensation	—	275
Net cash used in financing activities	(19,564)	(72,480)
Effects of exchange rate changes on cash	1,958	2,812
Net change in cash, cash equivalents and restricted cash	(236,822)	(179,960)
Cash, cash equivalents and restricted cash at beginning of period	378,246	392,306
Cash, cash equivalents and restricted cash at end of period	\$ 141,424	\$ 212,346
Cash and cash equivalents	\$ 137,093	\$ 208,616
Restricted cash included in Other current assets	2,850	1,311
Restricted cash included in Other assets	1,481	2,419
Total cash, cash equivalents and restricted cash	\$ 141,424	\$ 212,346

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share amounts)

Note 1. Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation.

There is a year-round demand for passenger car and truck replacement tires, but passenger car replacement tire sales are generally strongest during the third and fourth quarters of the year. Winter tires are sold principally during the months of June through November. Operating results for the nine month period ended September 30, 2019 are not necessarily indicative of the results that may be expected for the year ended December 31, 2019.

The Company consolidates into its financial statements the accounts of the Company, all wholly-owned subsidiaries, and any partially-owned subsidiary that the Company has the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50 percent owned are consolidated, investments in affiliates of 50 percent or less but greater than 20 percent are accounted for using the equity method, and investments in affiliates of 20 percent or less are accounted for using the cost method. The Company does not consolidate any entity for which it has a variable interest based solely on power to direct the activities and significant participation in the entity's expected results that would not otherwise be consolidated based on control through voting interests. Further, the Company's joint ventures are businesses established and maintained in connection with the Company's operating strategy. All intercompany transactions and balances have been eliminated.

On April 5, 2019, Cooper Tire & Rubber Company Vietnam Holding, LLC ("Cooper Vietnam"), a wholly owned subsidiary of the Company, and Sailun (Vietnam) Co., Ltd. ("Sailun Vietnam") established a joint venture in Vietnam, ACTR Company Limited ("ACTR"), which will produce and sell truck and bus radial ("TBR") tires. The Company's investment in the joint venture represents a 35 percent ownership interest and is accounted for under the equity method. Total investment in the facility and equipment in the joint venture is expected to be in the range of \$220,000 to \$240,000, funded through capital contributions and debt, with Cooper being responsible for its pro rata share. As of September 30, 2019, the Company has invested \$49,001 into the joint venture. Construction of the facility began in 2019, with commercial tire production expected to commence in the first half of 2020.

The capacity created by the planned Vietnam joint venture will decrease expected production requirements for Cooper's China-based Qingdao Ge Rui Da Rubber Co., Ltd. ("GRT") joint venture. The Company included the expected impact of the new Vietnam joint venture on projected future cash flows in performing its annual goodwill impairment assessment on GRT in the fourth quarter of 2018. Based on the assessment performed, the goodwill balance was deemed to be fully impaired and resulted in a non-cash fourth quarter 2018 impairment charge of \$33,827.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(Number of shares and dollar amounts in thousands except per share amounts)				
Numerator				
Numerator for basic and diluted earnings per share - income from continuing operations available to common stockholders	\$ 29,344	\$ 53,713	\$ 45,146	\$ 77,005
Denominator				
Denominator for basic earnings per share - weighted average shares outstanding	50,179	50,065	50,148	50,443
Effect of dilutive securities - stock options and other stock units	179	214	218	235
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	50,358	50,279	50,366	50,678
Earnings per share:				
Basic	\$ 0.58	\$ 1.07	\$ 0.90	\$ 1.53
Diluted	\$ 0.58	\$ 1.07	\$ 0.90	\$ 1.52

Options to purchase shares of the Company's common stock not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares were 77,215 at September 30, 2019. All options were included in the computation of diluted earnings per share at September 30, 2018.

Warranties – Warranties are provided on the sale of certain of the Company's products and an accrual for estimated future claims is recorded at the time revenue is recognized. Tire replacement under most of the warranties the Company offers is on a prorated basis. The Company provides for the estimated cost of product warranties based primarily on historical return rates, estimates of the eligible tire population and the value of tires to be replaced. The following table summarizes the activity in the Company's product warranty liabilities, which are recorded in Accrued liabilities and Other long-term liabilities on the Company's Condensed Consolidated Balance Sheets:

	Nine Months Ended September 30,	
	2019	2018
Reserve at beginning of year	\$ 12,431	\$ 12,093
Additions	8,070	9,523
Payments	(8,586)	(9,492)
Reserve at period end	\$ 11,915	\$ 12,124

Truck and Bus Tire Tariffs – Antidumping and countervailing duty investigations into certain TBR tires imported from the People's Republic of China ("PRC") into the United States ("U.S.") were initiated on January 29, 2016. The preliminary determinations announced in both investigations were affirmative and resulted in the imposition of significant additional duties from each. On February 22, 2017, the U.S. International Trade Commission ("ITC") made a final determination that the U.S. market had not suffered material injury because of imports of TBR tires from the PRC. As a result of this decision, preliminary antidumping and countervailing duties from Chinese TBR tires imported subsequent to the preliminary determination were not collected and any amounts previously paid were refunded by U.S. Customs and Border Protection. On April 14, 2017, the United Steelworkers Union filed a civil action challenging the ITC's decision not to impose duties on TBR tires from China imported into the U.S. and that case is still pending. On November 1, 2018, the Court of International Trade ("CIT") remanded the case back to the ITC for reconsideration. On January 30, 2019, the ITC reversed its earlier decision and made an affirmative determination of material injury. On February 15, 2019, the determination was published in the Federal Register and countervailing duties of 42.16 percent were imposed on the Company's TBR tire imports into the U.S. from China. The ITC's re-determination, along with comments from the parties regarding the re-determination, were filed with the CIT. The CIT will make a final determination. Since the publication of the determination in the Federal Register, the Company incurred duties of \$8,818 and \$26,754 for the three and nine month periods ended September 30, 2019. These amounts were recorded as a component of Cost of products sold in the Condensed Consolidated Statements of Income.

Section 301 Tariffs - Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, passenger, light truck and truck and bus tires, raw materials and tire-manufacturing equipment from the PRC imported into the U.S. became subject to additional 10 percent duties effective September 24, 2018. These tariffs increased to 25 percent effective May 10, 2019. The Company has incurred duties of \$6,495 and \$15,892 for the three and nine month periods ended September 30, 2019 related to these Section 301 tariffs. These amounts were recorded as a component of Cost of products sold in the Condensed Consolidated Statements of Income.

North American Distribution Center – On January 22, 2017, a tornado hit the Company's leased Albany, Georgia distribution center, causing damage to the Company's assets and disrupting certain operations. Insurance, less applicable deductibles, covered the repair or replacement of the Company's assets that suffered loss or damage, and the Company worked closely with its insurance carriers and claims adjusters to ascertain the full amount of insurance proceeds due to the Company as a result of the damages and the loss the Company suffered. The Company's insurance policies also provided coverage for interruption to its business, including lost profits, and reimbursement for other expenses and costs that were incurred relating to the damages and losses suffered. For the year ended December 31, 2017, the Company incurred direct expenses of \$12,583, less proceeds of \$7,000 recovered from insurance. For the year ended December 31, 2018, the Company recorded insurance recoveries of \$7,300, less direct costs of \$1,569. In the third quarter of 2018, the Company recorded insurance recoveries of \$504, while incurring direct costs of \$17. For the nine months ended September 30, 2018, the Company recorded insurance recoveries of \$7,300, while incurring direct costs of \$1,569. These amounts were recorded as a component of Cost of products sold in the Condensed Consolidated Statements of Income for the respective periods. The Company's insurance claim related to the tornado was closed in the year ended December 31, 2018, with no further direct expenses or insurance recoveries anticipated.

Recent Accounting Pronouncements

Each change to U.S. GAAP is established by the Financial Accounting Standards Board ("FASB") in the form of an accounting standards update ("ASU") to the FASB's Accounting Standards Codification ("ASC").

The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's condensed consolidated financial statements.

Accounting Pronouncements – Recently adopted

SEC Disclosure Regulation Simplifications

During the fourth quarter of 2018, the U.S. Securities and Exchange Commission ("SEC") published Final Rule Release No. 33-10532, "Disclosure Update and Simplification." This standard, effective for quarterly and annual reports submitted after November 5, 2018, streamlines disclosure requirements by removing certain redundant topics. For the Company, the most notable simplification implemented in 2019 was the expansion of the shareholders' equity reconciliation to display quarter-to-quarter details beginning in the first quarter of 2019. The changes to the SEC rules impacted the presentation of the Company's filings, but did not materially impact the Company's condensed consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases," which requires balance sheet recognition of lease liabilities and right-of-use assets for most leases having terms of twelve months or longer. The Company adopted the standard on the required effective date of January 1, 2019 using the transition option, "Comparatives Under 840 Option," established by ASU 2018-11, Leases (Topic 842), Targeted Improvements (ASU 2018-11). The FASB issued multiple amendments to the standard which provided clarification, additional guidance, practical expedients and other improvements to ASU 2016-02. The new guidance requires recognition of lease assets and liabilities for operating leases with terms of more than 12 months, in addition to those currently recorded, on the Company's Condensed Consolidated Balance Sheets. See Note 9 for additional details.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities," which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The Company adopted this standard effective January 1, 2019. The adoption of this standard did not materially impact the Company's condensed consolidated financial statements.

Additionally, in October 2018, the FASB issued ASU 2018-16, "Derivatives and Hedging (Topic 815)." The Federal Reserve and Alternative Reference Rates Committee expressed the importance of including the Overnight Index Swap ("OIS") rate based on Secured Overnight Financing Rate ("SOFR") as a benchmark rate for hedge accounting purposes in facilitating broader use of the underlying SOFR rate in the marketplace to facilitate the market's move away from the London Interbank

Offered Rate ("LIBOR"). This update, effective on January 1, 2019, provides the option to use the OIS rate based on SOFR as a benchmark for hedge accounting. The Company does not currently hold any SOFR-based instruments, but will continue to evaluate its use as the markets transition away from LIBOR.

Accounting Pronouncements – To be adopted

Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which changes accounting requirements for the recognition of credit losses from an incurred or probable impairment methodology to a current expected credit losses (CECL) methodology. The FASB issued subsequent amendments to the initial guidance in November 2018, April 2019 and May 2019 with ASU 2018-19, ASU 2019-04 and ASU 2019-05, respectively. Trade receivables (including the allowance for doubtful accounts) is the only financial instrument in scope for ASU 2016-13 currently held by the Company. Implementation is anticipated to include an update to the Company's allowance for doubtful accounts methodology and related disclosures, but with minimal impact on the condensed consolidated financial statements. This standard is effective for interim and annual reporting periods beginning after December 15, 2019 with a modified retrospective approach. Early adoption is permitted but not part of the Company's implementation plan.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820)," which removes, modifies and adds various disclosure requirements around the topic in order to clarify and improve the cost-benefit nature of disclosures. For example, disclosures around transfers between fair value hierarchy levels will be removed and further detail around changes in unrealized gains and losses for the period and unobservable inputs determining level 3 fair value measurements will be added. This standard is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its condensed consolidated financial statements.

Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, "Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20)," which removes, modifies and adds various disclosure requirements around the topic in order to clarify and improve the cost-benefit nature of disclosures. For example, disclosures around the effect of a one-percentage-point change in assumed health care costs will be removed and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period will be added. This standard is effective for fiscal years ending after December 15, 2020, and early adoption is permitted. These amendments must be applied on a retrospective basis for all periods presented. The Company is currently evaluating the impact the new standard will have on its condensed consolidated financial statements.

Internal-Use Software

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)," which aligns the requirements for capitalizing implementation costs incurred in a service contract hosting arrangement with those of developing or obtaining internal-use software. This standard is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its condensed consolidated financial statements.

Related Parties

In October 2018, the FASB issued ASU 2018-17 "Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for VIEs." When determining if fees paid to decision makers and service providers are variable interests, entities must now also consider indirect interests of those decision makers and service providers held through related parties under common control. This standard is effective January 1, 2020, with early adoption permitted. The Company is currently evaluating the impact the new standard will have on its condensed consolidated financial statements.

Note 2. Restructuring

On January 17, 2019, Cooper Tire Europe, a wholly owned subsidiary of the Company, committed to the planned cessation of passenger car and light truck tire production ("light vehicle tire production") at its Melksham, U.K. facility, which is included in the International Segment. This initiative is expected to result in charges to 2019 pre-tax earnings of approximately \$8 to \$10 million, of which 15 to 25 percent are expected to be non-cash charges. Approximately 300 roles were eliminated at the site. Cooper Tire Europe will obtain light vehicle tires to meet customer needs from other production sites within the Company's global production network. Approximately 400 roles will remain in Melksham to support the functions that continue there, including motorsports and motorcycle tire production, a materials business, Cooper Tire Europe headquarters,

sales and marketing, and the Europe Technical Center. Phasing out of light vehicle tire production was substantially completed in the third quarter of 2019.

For the three and nine month periods ended September 30, 2019, the Company recorded restructuring expense of \$811 and \$7,442, made up of employee severance, asset write-downs and other costs. In the third quarter, the Company released certain of its severance accruals due to employees separating from the Company prior to meeting the requirements for payment. At September 30, 2019, the Company's accrued restructuring balance is \$381, related largely to employee severance costs.

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Employee severance (reversals) costs	\$ (411)	\$ 5,308
Asset write-downs & other costs	1,222	2,134
Total restructuring expense	\$ 811	\$ 7,442
Beginning balance of accrued restructuring - severance	\$ 4,484	\$ —
Release of severance accrual	(411)	5,308
Payment of severance costs	(4,133)	(5,368)
Beginning balance of accrued restructuring - other	125	—
Additional other accrual	380	683
Payment of other costs	(64)	(242)
Ending balance of total accrued restructuring	\$ 381	\$ 381

In addition to the costs classified as restructuring expense, the Company incurred additional costs of \$363 and \$677 for the three and nine month periods ended September 30, 2019, respectively, as a result of Cooper Tire Europe's decision to cease light vehicle tire production at the Melksham facility. These additional costs relate to professional fees associated with the Company's evaluation of its legal entity structure moving forward, as well as other matters, and are included within selling, general and administrative expense for the three and nine months periods ended September 30, 2019. These costs, as well as estimates for similar types of costs in future periods, are included in the \$8 to \$10 million overall estimate of costs related to the Melksham decision.

Note 3. Revenue from Contracts with Customers

Accounting policy

On January 1, 2018, the Company adopted the new U.S. GAAP revenue standard using the modified retrospective transition method applied to contracts which were not completed as of January 1, 2018. The new revenue standard requires revenue to be recognized when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods and services.

In accordance with the new revenue standard, revenue is measured based on the consideration specified in a contract with a customer and excludes any sales incentives or rebates. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer. This occurs with shipment or delivery, depending on the underlying terms with the customer. The transaction price will include estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur. At the time of sale, the Company estimates provisions for different forms of variable consideration (discounts and rebates) based on historical experience, current conditions and contractual obligations, as applicable. Payment terms with customers vary by region and customer, but are generally 30-90 days. The Company does not have significant financing components or significant payment terms. Incidental items that are immaterial in the context of the contract are expensed as incurred.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Shipping and handling costs associated with outbound freight after control of a product has transferred to a customer are accounted for as a fulfillment cost and not as a separate performance obligation. Therefore, such items are accrued upon recognition of revenue.

Nature of goods and services

The following is a description of principal activities, separated by reportable segments, from which the Company generates its revenue. See Note 14 - Business Segments for additional details on the Company's reportable segments.

The Company's reportable segments have the following revenue characteristics:

- Americas Tire Operations - The Americas Tire Operations segment manufactures and markets passenger car and light truck tires. The segment also markets and distributes wheels and racing, motorcycle and TBR tires.
- International Tire Operations - The International Tire Operations segment manufactures and markets passenger car, light truck, motorcycle, racing and TBR tires and tire retread material for global markets.

Disaggregation of revenue

In the following tables, revenue is disaggregated by major market channel for the three and nine months ended September 30, 2019 and 2018, respectively:

	Three Months Ended September 30, 2019			
	Americas	International	Eliminations	Total
Light Vehicle ⁽¹⁾	\$ 537,711	\$ 103,275	\$ (16,651)	\$ 624,335
Truck and bus radial	51,187	17,973	(13,442)	55,718
Other ⁽²⁾	13,059	11,022	—	24,081
Net sales	\$ 601,957	\$ 132,270	\$ (30,093)	\$ 704,134

	Nine Months Ended September 30, 2019			
	Americas	International	Eliminations	Total
Light Vehicle ⁽¹⁾	\$ 1,508,374	\$ 308,860	\$ (57,594)	\$ 1,759,640
Truck and bus radial	151,045	65,561	(53,748)	162,858
Other ⁽²⁾	39,782	40,148	—	79,930
Net sales	\$ 1,699,201	\$ 414,569	\$ (111,342)	\$ 2,002,428

	Three Months Ended September 30, 2018			
	Americas	International	Eliminations	Total
Light Vehicle ⁽¹⁾	\$ 556,253	\$ 126,161	\$ (34,252)	\$ 648,162
Truck and bus radial	56,459	22,833	(19,182)	60,110
Other ⁽²⁾	15,992	13,407	—	29,399
Net sales	\$ 628,704	\$ 162,401	\$ (53,434)	\$ 737,671

	Nine Months Ended September 30, 2018			
	Americas	International	Eliminations	Total
Light Vehicle ⁽¹⁾	\$ 1,516,921	\$ 370,374	\$ (90,624)	\$ 1,796,671
Truck and bus radial	141,492	75,949	(61,792)	155,649
Other ⁽²⁾	40,094	45,161	—	85,255
Net sales	\$ 1,698,507	\$ 491,484	\$ (152,416)	\$ 2,037,575

⁽¹⁾ Light vehicle includes passenger car and light truck tires

⁽²⁾ Other includes motorcycle and racing tires, wheels, tire retread material, and other items

Contract balances

Contract liabilities relate to customer payments received in advance of shipment. As the Company does not generally have rights to consideration for work completed but not billed at the reporting date, the Company does not have any contract assets. Accounts receivable are not considered contract assets under the new revenue standard as contract assets are conditioned upon

the Company's future satisfaction of a performance obligation. Accounts receivable, in contrast, are unconditional rights to consideration. Significant changes in the contract liabilities balance during the nine months ended September 30, 2019 are as follows:

	Contract Liabilities
Contract liabilities at beginning of year	\$ 947
Increases to deferred revenue for cash received in advance from customers	13,288
Decreases due to recognition of deferred revenue	(10,516)
Contract liabilities at September 30, 2019	<u>\$ 3,719</u>

Transaction price allocated to remaining performance obligations

For the three and nine months ended September 30, 2019 and 2018, respectively, revenue recognized from performance obligations related to prior periods was not material.

Revenue expected to be recognized in any future year related to remaining performance obligations, excluding revenue pertaining to contracts that have an original expected duration of one year or less, contracts where revenue is recognized as invoiced and contracts with variable consideration related to undelivered performance obligations, is not material.

The Company applies the practical expedient in ASC 606 "Revenue from Contracts with Customers" and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Note 4. Inventories

Inventory costs are determined using the last-in, first-out ("LIFO") method for substantially all U.S. inventories. The current cost of the U.S. inventories under the FIFO method was \$462,163 and \$380,990 at September 30, 2019 and December 31, 2018, respectively. These FIFO values have been reduced by approximately \$87,506 and \$85,068 at September 30, 2019 and December 31, 2018, respectively, to arrive at the LIFO value reported on the Condensed Consolidated Balance Sheets. The remaining inventories have been valued under the FIFO method. All LIFO inventories are valued at the lower of cost or market. All other inventories are stated at the lower of cost or net realizable value.

Note 5. Income Taxes

For the three month period ended September 30, 2019, the Company recorded a provision for income taxes of \$7,721 (effective tax rate of 21.0 percent) compared to \$16,227 (effective tax rate of 22.6 percent) for the same period in 2018. For the nine month period ended September 30, 2019, the Company recorded a provision for income taxes of \$19,908 (effective tax rate of 30.5 percent) compared to \$21,944 (effective tax rate of 21.5 percent) for the same period in 2018. The 2019 and 2018 three and nine month period provisions for income taxes are calculated using a forecasted multi-jurisdictional annual effective tax rate to determine a blended annual effective tax rate. The Company is subjected to the U.S. federal statutory rate of 21 percent. The effective tax rate for the three and nine month periods ended September 30, 2019 were affected by net discrete tax (benefit) expense of \$(1,863) and \$2,522 recorded during the three and nine month periods, respectively, and by the projected mix of earnings in international jurisdictions with differing tax rates and jurisdictions where valuation allowances are recorded. The discrete tax items in the three month period ended September 30, 2019, consist of state refund filings and other state activity of \$(971) as well as U.S. Federal tax benefit based on return to provision adjustments related to tax reform items and certain tax credits of \$(892). The discrete tax items in the nine month period ended September 30, 2019 primarily consist of various state reserves for additional uncertain tax positions of \$4,939 offset by return to provision adjustments of \$(1,347) and expected refunds and deferred tax benefits related to other state filings of \$(3,858). For the nine month period ended September 30, 2019, discrete items also include 2017 transition tax and unrecognized tax benefits accrued of \$1,661 and \$670, respectively, as a result of final U.S. federal tax guidance issued during the first quarter of 2019 pertaining to the one-time mandatory deemed repatriation under the 2017 Tax Act.

The Company continues to maintain valuation allowances pursuant to ASC 740, "Accounting for Income Taxes," against portions of its U.S. and non-U.S. deferred tax assets at September 30, 2019 as it cannot assure the future realization of the associated tax benefits prior to their reversal or expiration. In the U.S., the Company has offset a portion of its deferred tax asset relating primarily to a loss carryforward by a valuation allowance of \$1,402. In addition, the Company has recorded valuation allowances of \$21,687 relating to non-U.S. net operating losses and other deferred tax assets for a total valuation allowance of \$23,089. In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company will continue to reassess the possibility of releasing all or part of the valuation allowances currently in place when the associated deferred tax assets are deemed to be realizable. If the evidence suggests that deferred tax assets for these operations will more likely than not be able to be realized in the future, release of a portion or all of the valuation allowance in place for these entities could occur. Such release could materially impact the Company's effective tax rate in the period in which the release occurs.

The Company maintains an ASC 740-10, "Accounting for Uncertainty in Income Taxes," liability for unrecognized tax benefits. At September 30, 2019, the Company's liability, exclusive of penalty and interest, totals approximately \$10,957. The Company reversed an immaterial amount of its state unrecognized tax benefits, primarily as a result of exam settlement, and accrued an immaterial amount of interest expense during the nine month period ended September 30, 2019. Based upon the outcome of tax examinations, judicial proceedings, or expiration of statutes of limitations, it is possible that the ultimate resolution of the Company's unrecognized tax benefits may result in a payment that is materially different from the current estimate of the tax liabilities.

The Company operates in multiple jurisdictions throughout the world. The Company has effectively settled U.S. federal tax examinations for tax years before 2016 and state and local examinations for tax years before 2013, with limited exceptions. Furthermore, the Company's non-U.S. subsidiaries are generally no longer subject to income tax examinations in major foreign taxing jurisdictions for tax years prior to 2014. Certain of the Company's state income tax returns in various jurisdictions are currently under examination and it is possible that these examinations will conclude within the next twelve months. However, it is not possible to estimate net increases or decreases in the Company's unrecognized tax benefits during the next twelve months.

Note 6. Debt

On February 15, 2018, the Company amended its revolving credit facility ("Credit Facility") with a consortium of banks that provided up to \$400,000 based on available collateral, including an \$110,000 letter of credit subfacility, set to expire in February 2023. As of June 27, 2019, the Company amended this Credit Facility with a consortium of several banks that provides up to \$700,000 and is set to expire in June 2024. Of this amended borrowing capacity, \$200,000 is allocated to a Delayed Draw Term Loan A ("Term Loan A"), which is scheduled to be drawn in December 2019, while the remaining \$500,000 is allocated to the Credit Facility to provide working capital and funds for general corporate purposes. The Term Loan A funds will be used primarily to pay for the unsecured notes maturing at that time. The Credit Facility still includes the \$110,000 letter of credit subfacility. The Company may elect, with lender consent, to increase the commitments under the Credit Facility or incur one or more tranches of term loans in an aggregate amount of up to \$300,000 (or an unlimited increase if the Proforma Net Secured Leverage Ratio is less than 1.75x). Debt issuance costs related to the Credit Facility amendment totaled \$1,507 while those related to the Term Loan A totaled \$700, for a combined \$2,207 in debt issuance costs. These costs, along with the remaining debt issuance costs from the February 2018 credit facility amendment, will be amortized over the life of the underlying debt instruments and are included in the Other assets classification in the Condensed Consolidated Balance Sheets. The Company may elect to add certain foreign subsidiaries as additional borrowers under the Credit Facility, subject to the satisfaction of certain conditions.

On July 11, 2019, the Company entered into forward-starting interest rate swaps to hedge a portion of the cash flow exposure associated with the Company's forthcoming Term Loan A variable-rate borrowings. See Note 7 Fair Value Measurement for further information.

The Company's accounts receivable securitization facility provides up to \$150,000 based on available collateral and expires in February 2021. Pursuant to the terms of the facility, the Company is permitted to sell certain of its domestic trade receivables on a continuous basis to its wholly-owned, bankruptcy-remote subsidiary, Cooper Receivables LLC ("CRLLC"). In turn, CRLLC may sell from time to time an undivided ownership interest in the purchased trade receivables, without recourse, to a PNC Bank administered, asset-backed commercial paper conduit. The accounts receivable securitization facility has no significant financial covenants until available credit is less than specified amounts.

The Company had no borrowings under the revolving credit facility or the accounts receivable securitization facility at September 30, 2019 or December 31, 2018, other than amounts used to secure letters of credit. Amounts used to secure letters of credit totaled \$16,840 at September 30, 2019 and \$16,800 at December 31, 2018. The Company's additional borrowing

capacity, net of borrowings and amounts used to back letters of credit, and based on eligible collateral through use of its credit facility with its bank group and its accounts receivable securitization facility at September 30, 2019, was \$803,558.

The Company's consolidated operations in Asia have renewable unsecured credit lines that provide up to \$45,262 of borrowings and do not contain financial covenants. The additional borrowing capacity on the Asian credit lines, based on eligible collateral and the short-term notes payable, totaled \$29,074 at September 30, 2019.

The following table summarizes the long-term debt and finance leases of the Company at September 30, 2019 and December 31, 2018. Except for the finance leases and other, the remaining long-term debt is due in an aggregate principal payment on the due date:

	September 30, 2019	December 31, 2018
Parent company		
8% unsecured notes due December 2019	\$ 173,578	\$ 173,578
7.625% unsecured notes due March 2027	116,880	116,880
Finance leases and other	5,063	6,245
	<u>295,521</u>	<u>296,703</u>
Less: unamortized debt issuance costs	1,286	659
	<u>294,235</u>	<u>296,044</u>
Less: current maturities	173,578	174,760
	<u>\$ 120,657</u>	<u>\$ 121,284</u>

In addition, at September 30, 2019 and December 31, 2018, the Company had short-term notes payable of \$16,188 and \$15,288, respectively, due within twelve months, consisting of funds borrowed by the Company's operations in the PRC. The weighted average interest rate of the short-term notes payable at September 30, 2019 and December 31, 2018 was 4.72 percent and 4.82 percent, respectively.

Note 7. Fair Value Measurements

Derivative financial instruments are utilized by the Company to reduce foreign currency exchange risks. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes. The derivative financial instruments include non-designated and cash flow hedges of foreign currency exposures. The change in values of the non-designated foreign currency hedges offset the exchange rate fluctuations related to assets and liabilities recorded on the condensed consolidated balance sheets. The cash flow hedges offset exchange rate fluctuations on the foreign currency-denominated intercompany loans and forecasted cash flows. The Company presently hedges exposures in various currencies generally for transactions expected to occur within the next 12 months. Additionally, the Company utilizes cash flow hedges that hedge already recognized intercompany loans with maturities of up to three years. The notional amount of these foreign currency derivative instruments at September 30, 2019 and December 31, 2018 was \$185,097 and \$129,542, respectively. The counterparties to each of these agreements are major commercial banks.

The Company uses non-designated foreign currency forward contracts to hedge its net foreign currency monetary assets and liabilities primarily resulting from non-functional currency denominated receivables and payables of certain U.S. and foreign entities.

Foreign currency forward contracts are also used to hedge variable cash flows associated with forecasted sales and purchases denominated in currencies that are not the functional currency of certain entities. The forward contracts have maturities of less than twelve months pursuant to the Company's policies and hedging practices. These forward contracts meet the criteria for and have been designated as cash flow hedges. Accordingly, the effective portion of the change in fair value of such forward contracts (\$(3,196) and \$713 as of September 30, 2019 and December 31, 2018, respectively) are recorded as a separate component of stockholders' equity in the accompanying Condensed Consolidated Balance Sheets and reclassified into earnings as the hedged transactions occur.

The Company utilizes cross-currency interest rate swaps to hedge the principal and interest repayment of some intercompany loans. These contracts have maturities of up to three years and meet the criteria for and have been designated as cash flow hedges. Spot to spot changes are recorded in income and all other effective changes are recorded as a separate component of stockholders' equity.

The Company assesses hedge effectiveness prospectively and retrospectively, based on regression of the change in foreign currency exchange rates. Time value of money is included in effectiveness testing.

On July 11, 2019, in order to hedge its upcoming Term Loan A variable rate debt, with an interest rate indexed to LIBOR plus 150 basis points, the Company entered into forward-starting interest rate swaps with effective dates of December 2, 2019 and termination dates of June 27, 2024. The initial notional amount of these swaps is \$200,000 and will decrease quarterly by varying amounts over the life of the swaps. The interest rate swaps effectively fix the variable interest rate component on the notional amount of this swap at 1.720%. The swaps qualify for hedge accounting and, therefore, changes in the fair value of the swaps have been recorded in accumulated other comprehensive loss.

The derivative instruments are subject to master netting arrangements with the counterparties to the contracts. The following table presents the location and amounts of derivative instrument fair values in the Condensed Consolidated Balance Sheets:

Assets/(liabilities)	September 30, 2019	December 31, 2018
Designated as hedging instruments:		
Gross amounts recognized	\$ (3,673)	\$ (1,524)
Gross amounts offset	477	2,237
Net amounts	(3,196)	713
Not designated as hedging instruments:		
Gross amounts recognized	\$ (177)	\$ (544)
Gross amounts offset	269	201
Net amounts	92	(343)
Net amounts presented:		
Other current assets	\$ (257)	\$ 1,750
Other long-term liabilities	\$ (2,847)	\$ (1,380)

The following table presents the location and amount of gains and losses on derivative instruments designated as cash flow hedges in the Condensed Consolidated Statements of Income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Amount of (Loss) Gain Recognized in Other Comprehensive Income on Derivatives	\$ (1,164)	\$ 45	\$ (2,714)	\$ 2,753
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income				
Net sales	\$ 143	\$ 1,089	\$ 998	\$ 871
Interest expense	(30)	(32)	(94)	(103)
Other non-operating income	775	735	775	1,122
	\$ 888	\$ 1,792	\$ 1,679	\$ 1,890

The following table presents the location and amount of gains and losses on foreign exchange contract derivatives not designated as hedging instruments in the Condensed Consolidated Statements of Income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Other non-operating expense	\$ 2,120	\$ 741	\$ 1,490	\$ 784

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

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

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

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

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in non-active markets;
- c. Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- d. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

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

The valuation of foreign currency derivative instruments was determined using widely accepted valuation techniques. This analysis reflected the contractual terms of the derivatives, including the period to maturity, and used observable market-based inputs, including forward points. The Company incorporated credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as current credit ratings, to evaluate the likelihood of default by itself and its counterparties. However, as of September 30, 2019 and December 31, 2018, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company determined that its derivative valuations in their entirety were to be classified in Level 2 of the fair value hierarchy.

The valuation of stock-based liabilities was determined using the Company's stock price, and as a result, these liabilities are classified in Level 1 of the fair value hierarchy.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2019 and December 31, 2018:

	September 30, 2019			
	Total Assets (Liabilities)	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Foreign Currency Derivative	\$ (444)	\$ —	\$ (444)	\$ —
Interest Rate Swaps	(2,660)	—	(2,660)	—
Stock-based Liabilities	\$ (13,570)	\$ (13,570)	\$ —	\$ —

	December 31, 2018			
	Total Assets (Liabilities)	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Foreign Currency Derivative	\$ 370	\$ —	\$ 370	\$ —
Stock-based Liabilities	(14,644)	(14,644)	—	—

The fair market value of Cash and cash equivalents, Notes receivable, Restricted cash included in Other current assets, Restricted cash included in Other assets, Notes payable and Current portion of long-term debt and finance leases at September 30, 2019 and December 31, 2018 are equal to their corresponding carrying values as reported on the Condensed Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018, respectively. Each of these classes of assets and liabilities is classified within Level 1 of the fair value hierarchy.

The fair market value of Long-term debt and finance leases is \$138,172 and \$137,343 at September 30, 2019 and December 31, 2018, respectively, and is classified within Level 1 of the fair value hierarchy. The carrying value of Long-term debt is \$120,657 and \$121,284 as reported on the Condensed Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018, respectively.

Note 8. Pensions and Postretirement Benefits Other than Pensions

The following tables disclose the amount of net periodic benefit costs for the three and nine months ended September 30, 2019 and 2018, respectively, for the Company's defined benefit plans and other postretirement benefits:

	Pension Benefits - Domestic			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Components of net periodic benefit cost:				
Service cost	\$ 2,244	\$ 2,590	\$ 6,732	\$ 7,770
Interest cost	9,875	9,210	29,624	27,629
Expected return on plan assets	(11,741)	(13,508)	(35,776)	(40,525)
Amortization of actuarial loss	8,279	8,235	24,843	24,706
Net periodic benefit cost	\$ 8,657	\$ 6,527	\$ 25,423	\$ 19,580

	Pension Benefits - International			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Components of net periodic benefit cost:				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	2,669	2,722	8,273	8,469
Expected return on plan assets	(2,788)	(2,945)	(8,642)	(9,161)
Amortization of actuarial loss	898	1,040	2,782	3,235
Net periodic benefit cost	\$ 779	\$ 817	\$ 2,413	\$ 2,543

	Other Post Retirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Components of net periodic benefit cost:				
Service cost	\$ 393	\$ 487	\$ 1,180	\$ 1,461
Interest cost	2,472	2,313	7,414	6,938
Amortization of prior service cost	(102)	(135)	(306)	(406)
Net periodic benefit cost	\$ 2,763	\$ 2,665	\$ 8,288	\$ 7,993

Note 9. Lease Commitments

The Company leases certain warehouses, distribution centers, office space, material handling equipment, office equipment, cars and information technology hardware. The Company determines if an arrangement is a lease or contains an embedded lease at contract inception.

Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company utilizes the appropriate incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 10 years or more. The exercise of lease renewal options is at the Company's sole discretion. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Certain of the Company's lease agreements include rental payments based on the use of the leased property over contractual levels. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company has lease agreements with lease and non-lease components, which are accounted for separately. Although separation of lease and non-lease components is required, certain practical expedients are available to entities. Entities electing the practical expedient would account for each lease component and the related non-lease component together as a single component. For certain building leases, including the lease of warehouses, distribution centers and office space, the Company accounts for the lease and non-lease components as a single lease component. For all other asset types, the Company accounts for lease and non-lease components separately.

For operating leases, the right-of-use asset is subsequently measured throughout the lease term at the carrying amount of the lease liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the right-of-use asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term. In those cases, the right-of-use asset is amortized over the useful life of the underlying asset. Amortization of the right-of-use asset is recognized and presented separately from interest expense on the lease liability.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, "Property, Plant, and Equipment - Overall", to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The following table presents the location and amount of lease assets and liabilities in the Condensed Consolidated Balance Sheets:

Assets	Location	September 30, 2019	
Operating lease assets, net	Operating lease right-of-use assets, net	\$	86,285
Finance lease assets	Property, plant and equipment		2,978
Total leased assets		\$	89,263
Liabilities	Location		
Current:			
Operating	Accrued liabilities	\$	28,631
Finance	Current portion of long-term debt and finance leases		—
Noncurrent:			
Operating	Noncurrent operating leases		60,335
Finance	Long-term debt and finance leases		5,063
Total lease liabilities		\$	94,029

The following table presents the location and amount of lease expense in the Condensed Consolidated Income Statement:

Lease cost	Location	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
Operating lease cost ^(a)	Cost of Sales	\$	6,318	\$	19,249
Operating lease cost	Selling General & Administrative Expenses		1,432		4,330
Total operating lease cost			7,750		23,579
Amortization of finance lease assets	Cost of sales	\$	51	\$	160
Interest on finance lease liabilities	Interest expense		1		3
Total finance lease cost			52		163
Net lease cost		\$	7,802	\$	23,742

^(a) - Includes short-term lease costs of \$1,981 and \$5,382 and variable lease costs of \$995 and \$2,675 for the three and nine month periods ended September 30, 2019, respectively.

The following table presents the future maturities of the Company's lease obligations:

	September 30, 2019		
	Operating Leases	Finance Leases	Total
2019	\$ 8,119	\$ —	\$ 8,119
2020	31,099	—	31,099
2021	17,802	5,063	22,865
2022	13,494	—	13,494
2023	9,549	—	9,549
After 2024	24,016	—	24,016
Total lease payments	104,079	5,063	109,142
Less: Interest	15,113	—	15,113
Present value of lease liabilities	\$ 88,966	\$ 5,063	\$ 94,029

The following table presents the weighted-average lease term and discount rates of the Company's lease obligations:

Weighted-average remaining lease term (years)	September 30, 2019
Operating leases	4.98
Finance leases	1.42
Weighted-average discount rate	
Operating leases	5.84%
Finance leases	4.77%

The following table presents the cash flow amounts related to lease liabilities included in the Company's Condensed Consolidated Statement of Cash Flows

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 8,265	\$ 25,446
Operating cash flows from finance leases	51	160
Financing cash flows from finance leases	(185)	(574)
Leased assets obtained in exchange for new operating lease liabilities	—	39

Note 10. Stockholders' Equity

The following tables provide a quarterly reconciliation of the equity accounts attributable to Cooper Tire & Rubber Company and to the noncontrolling shareholders' interests for the year to date as of September 30, 2019 and 2018:

	Total Equity		
	Total Parent Stockholders' Equity	Noncontrolling Shareholders' Interests in Consolidated Subsidiary	Total Stockholders' Equity
Balance at December 31, 2018	\$ 1,172,043	\$ 60,400	\$ 1,232,443
Net income	6,980	200	7,180
Other comprehensive income	13,170	980	14,150
Stock compensation plans	(290)	—	(290)
Cash dividends - 0.105 per share	(5,262)	—	(5,262)
Balance at March 31, 2019	\$ 1,186,641	\$ 61,580	\$ 1,248,221
Net income	8,821	437	9,258
Other comprehensive income (loss)	637	(340)	297
Stock compensation plans	1,517	—	1,517
Cash dividends - 0.105 per share	(5,267)	—	(5,267)
Balance at June 30, 2019	\$ 1,192,349	\$ 61,677	\$ 1,254,026
Net income	29,344	(336)	29,008
Other comprehensive (loss) income	(7,991)	(1,988)	(9,979)
Stock compensation plans	678	—	678
Cash dividends - 0.105 per share	(5,270)	—	(5,270)
Balance at September 30, 2019	\$ 1,209,110	\$ 59,353	\$ 1,268,463

	Total Equity		
	Total Parent Stockholders' Equity	Noncontrolling Shareholders' Interests in Consolidated Subsidiary	Total Stockholders' Equity
Balance at December 31, 2017	\$ 1,127,096	\$ 58,660	\$ 1,185,756
Net income	8,284	699	8,983
Other comprehensive income	26,575	3,945	30,520
Share repurchase program	(15,565)	—	(15,565)
Stock compensation plans	(335)	—	(335)
Cash dividends - 0.105 per share	(5,334)	—	(5,334)
Balance at March 31, 2018	\$ 1,140,721	\$ 63,304	\$ 1,204,025
Net income	15,008	701	15,709
Other comprehensive (loss) income	(19,395)	(5,083)	(24,478)
Share repurchase program	(13,790)	—	—
Stock compensation plans	1,092	—	1,092
Cash dividends - 0.105 per share	(5,289)	—	(5,289)
Balance at June 30, 2018	\$ 1,118,347	\$ 58,922	\$ 1,177,269
Net income	53,713	1,720	55,433
Other comprehensive income	537	323	860
Share repurchase program	(828)	—	(828)
Stock compensation plans	1,032	—	1,032
Cash dividends - 0.105 per share	(5,257)	—	(5,257)
Balance at September 30, 2018	1,167,544	60,965	1,228,509

Note 11. Changes in Accumulated Other Comprehensive Income (Loss) by Component

The following tables provide a quarterly reconciliation of each component of accumulated other comprehensive income (loss) in the accompanying Consolidated Statements of Equity for the year to date as of September 30, 2019 and 2018:

	Cumulative Translation Adjustment	Derivative Instruments	Post- retirement Benefits	Total
Ending Balance, December 31, 2018	\$ (62,133)	\$ 2,150	\$ (401,606)	\$ (461,589)
Other comprehensive income (loss) before reclassifications	8,328	(1,183)	—	7,145
Foreign currency translation effect	—	—	(1,460)	(1,460)
Income tax effect	—	245	—	245
Amount reclassified from accumulated other comprehensive income (loss)				
Cash flow hedges	—	62	—	62
Amortization of prior service credit	—	—	(102)	(102)
Amortization of actuarial losses	—	—	9,233	9,233
Income tax effect	—	88	(2,041)	(1,953)
Other comprehensive income (loss)	8,328	(788)	5,630	13,170
Ending Balance, March 31, 2019	\$ (53,805)	\$ 1,362	\$ (395,976)	\$ (448,419)
Other comprehensive (loss) income before reclassifications	(6,994)	(367)	—	(7,361)
Foreign currency translation effect	—	—	1,429	1,429
Income tax effect	—	226	—	226
Amount reclassified from accumulated other comprehensive (loss) income				
Cash flow hedges	—	(853)	—	(853)
Amortization of prior service credit	—	—	(102)	(102)
Amortization of actuarial losses	—	—	9,215	9,215
Income tax effect	—	124	(2,041)	(1,917)
Other comprehensive (loss) income	(6,994)	(870)	8,501	637
Ending Balance, June 30, 2019	\$ (60,799)	\$ 492	\$ (387,475)	\$ (447,782)
Other comprehensive (loss) income before reclassifications	(15,704)	(1,164)	—	(16,868)
Foreign currency translation effect	—	—	2,201	2,201
Income tax effect	—	476	—	476
Amount reclassified from accumulated other comprehensive (loss) income				
Cash flow hedges	—	(888)	—	(888)
Amortization of prior service credit	—	—	(102)	(102)
Amortization of actuarial losses	—	—	9,177	9,177
Income tax effect	—	54	(2,041)	(1,987)
Other comprehensive (loss) income	(15,704)	(1,522)	9,235	(7,991)
Ending Balance, September 30, 2019	\$ (76,503)	\$ (1,030)	\$ (378,240)	\$ (455,773)

	Cumulative Translation Adjustment	Derivative Instruments	Post- retirement Benefits	Total
Ending Balance, December 31, 2017	\$ (39,940)	\$ 349	\$ (438,887)	\$ (478,478)
Other comprehensive income (loss) before reclassifications	20,925	646	—	21,571
Foreign currency translation effect	—	—	(2,900)	(2,900)
Income tax effect	—	(416)	—	(416)
Amount reclassified from accumulated other comprehensive income (loss)				
Cash flow hedges	—	1,493	—	1,493
Amortization of prior service credit	—	—	(135)	(135)
Amortization of actuarial losses	—	—	9,345	9,345
Income tax effect	—	(171)	(2,211)	(2,382)
Other comprehensive income	20,925	1,552	4,099	26,576
Ending Balance, March 31, 2018	\$ (19,015)	\$ 1,901	\$ (434,788)	\$ (451,902)
Other comprehensive (loss) income before reclassifications	(30,768)	2,062	—	(28,706)
Foreign currency translation effect	—	—	4,082	4,082
Income tax effect	—	(285)	—	(285)
Amount reclassified from accumulated other comprehensive (loss) income				
Cash flow hedges	—	(1,592)	—	(1,592)
Amortization of prior service credit	—	—	(135)	(135)
Amortization of actuarial losses	—	—	9,320	9,320
Income tax effect	—	126	(2,206)	(2,080)
Other comprehensive (loss) income	(30,768)	311	11,061	(19,396)
Ending Balance, June 30, 2018	\$ (49,783)	\$ 2,212	\$ (423,727)	\$ (471,298)
Other comprehensive (loss) income before reclassifications	(5,823)	45	—	(5,778)
Foreign currency translation effect	—	—	559	559
Income tax effect	—	140	—	140
Amount reclassified from accumulated other comprehensive (loss) income				
Cash flow hedges	—	(1,792)	—	(1,792)
Amortization of prior service credit	—	—	(135)	(135)
Amortization of actuarial losses	—	—	9,275	9,275
Income tax effect	—	289	(2,021)	(1,732)
Other comprehensive (loss) income	(5,823)	(1,318)	7,678	537
Ending Balance, September 30, 2018	\$ (55,606)	\$ 894	\$ (416,049)	\$ (470,761)

Note 12. Comprehensive Income (Loss) Attributable to Noncontrolling Shareholders' Interests

The following table provides the details of the comprehensive income (loss) attributable to noncontrolling shareholders' interests:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net (loss) income attributable to noncontrolling shareholders' interests	\$ (336)	\$ 1,720	\$ 301	\$ 3,120
Other comprehensive (loss) income:				
Currency translation adjustments	(1,988)	323	(1,348)	(815)
Comprehensive (loss) income attributable to noncontrolling shareholders' interests	\$ (2,324)	\$ 2,043	\$ (1,047)	\$ 2,305

Note 13. Contingent Liabilities***Product Liability Claims***

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

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

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

Pursuant to ASU 450 "Contingencies," the Company accrues the minimum liability for each known claim when the estimated outcome is a range of probable loss and no one amount within that range is more likely than another. The Company uses a range of losses because an average cost would not be meaningful since the product liability claims faced by the Company are unique and widely variable, and accordingly, the resolutions of those claims have an enormous amount of variability. The costs have ranged from zero dollars to \$33 million in one case with no "average" that is meaningful. No specific accrual is made for individual unasserted claims or for premature claims, asserted claims where the minimum information needed to evaluate the probability of a liability is not yet known. However, an accrual for such claims based, in part, on management's expectations for future litigation activity and the settled claims history is maintained. The Company periodically reviews such estimates and any adjustments for changes in reserves are recorded in the period in which the change in estimate occurs. Because of the speculative nature of litigation in the U.S., the Company does not believe a meaningful aggregate range of potential loss for asserted and unasserted claims can be determined. While the Company believes its reserves are reasonably stated, it is possible an individual claim from time to time may result in an aberration from the norm and could have a material impact.

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

The Company regularly reviews the probable outcome of outstanding legal proceedings and the availability and limits of the insurance coverage, and accrues for such legal proceedings at the time a loss is probable and the amount of the loss can be estimated. As part of its regular review, the Company monitors trends that may affect its ultimate liability and analyzes the developments and variables likely to affect pending and anticipated claims against the Company and the reserves for such claims. The Company utilizes claims experience, as well as trends and developments in the litigation climate, in estimating its required accrual. Based on the Company's quarterly reviews, coupled with normal activity, including the addition of another quarter of self-insured incidents, settlements and changes in the amount of reserves, the Company decreased its accrual to \$112,107 at September 30, 2019 from \$112,124 at December 31, 2018.

For the nine months ended September 30, 2019, the addition of another nine months of self-insured incidents accounted for an increase of \$27,899 in the Company's product liability reserve. Settlements, changes in the amount of reserves for cases where sufficient information is known to estimate a liability, and changes in assumptions decreased the liability by \$8,147 for the nine month period ended September 30, 2019. The Company paid \$19,769 during the first nine months of 2019 to resolve cases and claims.

The Company's product liability reserve balance at September 30, 2019 totaled \$112,107 (the current portion of \$30,658 is included in Accrued liabilities and the long-term portion is included in Other long-term liabilities on the Condensed Consolidated Balance Sheets), and the balance at December 31, 2018 totaled \$112,124 (current portion of \$30,550).

The product liability expense reported by the Company includes amortization of insurance premium costs, adjustments to settlement reserves and legal costs incurred in defending claims against the Company. Legal costs are expensed as incurred and product liability insurance premiums are amortized over coverage periods.

Product liability expenses are included in Cost of products sold in the Condensed Consolidated Statements of Income. For the three and nine months ended September 30, 2019 and 2018, respectively, product liability expense was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Product liability expense	\$ 4,866	\$ (18,389)	\$ 28,397	\$ 8,834

Note 14. Business Segments

The Company has four segments under ASC 280, "Segments":

- North America, composed of the Company's operations in the United States and Canada;
- Latin America, composed of the Company's operations in Mexico, Central America and South America;
- Europe; and
- Asia.

North America and Latin America meet the criteria for aggregation in accordance with ASC 280, as they are similar in their production and distribution processes and exhibit similar economic characteristics. The aggregated North America and Latin America segments are presented as "Americas Tire Operations" in the segment disclosure. The Americas Tire Operations segment manufactures and markets passenger car and light truck tires, primarily for sale in the U.S. replacement market. The segment also has a joint venture manufacturing operation in Mexico, Corporacion de Occidente SA de CV ("COOCSA"), which supplies passenger car tires to the North American, Mexican, Central American and South American markets. The segment also markets and distributes racing, TBR and motorcycle tires. The racing and motorcycle tires are manufactured by the Company's European Operations segment and by others. TBR tires are sourced from Qingdao Ge Rui Da Rubber Co., Ltd. ("GRT") and through off-take agreements with Prinx Chengshan (Shandong) Tire Company Ltd. ("PCT"), the Company's former joint venture, through mid-2021, and Sailun Vietnam, through December 31, 2020. On April 5, 2019, Cooper Vietnam, a wholly owned subsidiary of Cooper, and Sailun Vietnam established a joint venture in Vietnam, ACTR, which will produce and sell TBR tires. The new joint venture is expected to begin commercially producing tires in 2020. Major distribution channels and customers include independent tire dealers, wholesale distributors, regional and national retail tire chains, large retail chains that sell tires as well as other automotive products, mass merchandisers and digital channels. The segment does not currently sell its products directly to end users, except through three Company-owned retail stores. The segment sells a limited number of tires to OEMs.

Both the Europe and Asia segments have been determined to be individually immaterial, as they do not meet the quantitative requirements for segment disclosure under ASC 280. In accordance with ASC 280, information about operating segments that are not reportable shall be combined and disclosed in an all other category separate from other reconciling items. As a result, these two segments have been combined in the segment operating results discussion. The results of the combined Europe and Asia segments are presented as “International Tire Operations.” The European operations include manufacturing operations in the U.K. and Serbia. The U.K. entity manufactures and markets passenger car, light truck, motorcycle and racing tires and tire retread material for domestic and global markets. The Serbian entity manufactures passenger car and light truck tires primarily for the European markets and for export to the North American segment. The Asian operations are located in the PRC and Vietnam. Cooper Kunshan Tire manufactures passenger car and light truck tires both for the Chinese domestic market and for export to markets outside of the PRC. GRT, a joint venture manufacturing facility located in the PRC, serves as a global source of TBR tire production for the Company. The segment also procures certain TBR and passenger car tires under off-take agreements with PCT through mid-2021 and, in December 2017, the Company signed an off-take agreement with Sailun Vietnam, as a source of TBR tires through December 31, 2020. On April 5, 2019, Cooper Vietnam and Sailun Vietnam established a joint venture in Vietnam, ACTR, which will produce and sell TBR tires in addition to the off-take agreement. The new joint venture is expected to begin commercially producing tires in 2020. The segment sells a majority of its tires in the replacement market, with a portion also sold to OEMs.

On January 17, 2019, Cooper Tire Europe, a wholly owned subsidiary of the Company, committed to a plan to cease light vehicle tire production at its Melksham, U.K. facility. The phasing out of light vehicle tire production was substantially completed in the third quarter of 2019. Approximately 300 roles were eliminated at the site. Cooper Tire Europe will obtain light vehicle tires to meet customer needs from other production sites within the Company’s global production network. Approximately 400 roles will remain in Melksham to support the functions that continue there, including motorsports and motorcycle tire production, a materials business, Cooper Tire Europe headquarters, sales and marketing, and the Europe Technical Center.

The following table details segment financial information:

	Three Months Ended September		Nine Months Ended September	
	30,	2018	30,	2018
	2019		2019	
Net sales:				
Americas Tire				
External customers	\$ 594,015	\$ 619,763	\$ 1,669,310	\$ 1,672,396
Intercompany	7,942	8,941	29,891	26,111
	601,957	628,704	1,699,201	1,698,507
International Tire				
External customers	110,119	117,908	333,118	365,179
Intercompany	22,151	44,493	81,451	126,305
	132,270	162,401	414,569	491,484
Eliminations	(30,093)	(53,434)	(111,342)	(152,416)
Consolidated net sales	704,134	737,671	2,002,428	2,037,575
Operating profit (loss):				
Americas Tire	67,941	87,353	153,544	159,068
International Tire	(4,831)	5,994	(7,466)	19,080
Unallocated corporate charges	(11,051)	(12,518)	(34,781)	(38,188)
Eliminations	710	372	(425)	459
Consolidated operating profit	52,769	81,201	110,872	140,419
Interest expense	(7,476)	(7,930)	(23,599)	(24,038)
Interest income	1,507	2,399	6,887	6,702
Other pension and postretirement benefit expense	(9,562)	(6,932)	(28,212)	(20,885)
Other non-operating (expense) income	(509)	2,922	(593)	(129)
Income before income taxes	\$ 36,729	\$ 71,660	\$ 65,355	\$ 102,069

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") presents information related to the consolidated results of the operations of the Company, a discussion of past results of the Company's segments, future outlook for the Company and information concerning the liquidity and capital resources of the Company. The Company's future results may differ materially from those indicated herein, for reasons including those indicated under the forward-looking statements heading below.

Consolidated Results of Operations

(Dollar amounts in thousands except per share amounts)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	Change	2018	2019	Change	2018
Net Sales						
Americas Tire	\$ 601,957	(4.3)%	\$ 628,704	\$ 1,699,201	— %	\$ 1,698,507
International Tire	132,270	(18.6)%	162,401	414,569	(15.6)%	491,484
Eliminations	(30,093)	43.7 %	(53,434)	(111,342)	26.9 %	(152,416)
Net sales	704,134	(4.5)%	737,671	2,002,428	(1.7)%	2,037,575
Operating profit (loss):						
Americas Tire	67,941	(22.2)%	87,353	153,544	(3.5)%	159,068
International Tire	(4,831)	n/m	5,994	(7,466)	n/m	19,080
Unallocated corporate charges	(11,051)	(11.7)%	(12,518)	(34,781)	(8.9)%	(38,188)
Eliminations	710	90.9 %	372	(425)	n/m	459
Operating profit	52,769	(35.0)%	81,201	110,872	(21.0)%	140,419
Interest expense	(7,476)	(5.7)%	(7,930)	(23,599)	(1.8)%	(24,038)
Interest income	1,507	(37.2)%	2,399	6,887	2.8 %	6,702
Other pension and postretirement benefit expense	(9,562)	37.9 %	(6,932)	(28,212)	35.1 %	(20,885)
Other non-operating expense	(509)	n/m	2,922	(593)	359.7 %	(129)
Income before income taxes	36,729	(48.7)%	71,660	65,355	(36.0)%	102,069
Provision for income taxes	7,721	(52.4)%	16,227	19,908	(9.3)%	21,944
Net income	29,008	(47.7)%	55,433	45,447	(43.3)%	80,125
Net income attributable to noncontrolling shareholders' interests	(336)	n/m	1,720	301	(90.4)%	3,120
Net income attributable to Cooper Tire & Rubber Company	\$ 29,344	(45.4)%	\$ 53,713	\$ 45,146	(41.4)%	\$ 77,005
Basic earnings per share	\$ 0.58	(45.8)%	\$ 1.07	\$ 0.90	(41.2)%	\$ 1.53
Diluted earnings per share	\$ 0.58	(45.8)%	\$ 1.07	\$ 0.90	(40.8)%	\$ 1.52

n/m – not meaningful

2019 versus 2018

Consolidated net sales for the quarter ended September 30, 2019 were \$704 million, a decrease of \$34 million from 2018. Lower unit volumes (\$54 million) and unfavorable foreign currency impact (\$7 million) were partially offset by favorable price and mix (\$27 million).

Consolidated net sales for the first nine months of 2019 were \$2,002 million, a decrease of \$36 million from the comparable period one year ago. In the first nine months of 2019, the Company experienced favorable price and mix (\$72 million), offset by lower unit volume (\$92 million) and unfavorable foreign currency impact (\$16 million).

The Company recorded operating profit of \$53 million in the third quarter of 2019, compared to operating profit of \$81 million in the third quarter of 2018. The third quarter of 2019 included \$23 million of higher net product liability expense, primarily due to a \$31 million benefit related to an adjustment of the company's product liability reserve model in the third quarter of 2018, as well new tariffs of \$15 million on imports into the U.S. from China compared to the same period a year ago. Aside from these items, operating profit for the third quarter of 2019 included \$24 million of favorable raw material costs (excluding the new tariffs) and \$20 million of favorable price and mix. This favorability was offset by lower unit volume of \$16 million, higher manufacturing costs of \$12 million, increased selling, general and administrative expenses of \$2 million, and \$1 million of restructuring costs related to the decision to cease light vehicle tire production at the Melksham, U.K. facility in the first quarter of 2019. In addition, other costs increased \$3 million compared to the third quarter of 2018, primarily as a result of increased distribution costs.

As part of its regular review of product liability reserves, the Company monitors trends that may affect its ultimate liability and analyzes the developments and variables likely to affect pending and anticipated claims against the Company and the reserve for such claims. The Company utilizes claims experience, as well as trends and developments in the litigation climate, in estimating its required accrual. Based on the review completed in the third quarter of this year, coupled with normal activity, including the addition of another quarter of self-insured incidents, settlements and changes in the amount of reserves, product liability expense totaled \$5 million in the third quarter of 2019 as compared to a reduction of cost of \$18 million in the third quarter of 2018. Product liability expense totaled \$28 million in the first nine months of 2019 as compared to \$9 million in the first nine months of 2018. Additional information related to the Company's accounting for product liability costs appears in the Notes to the condensed consolidated financial statements.

The Company recorded operating profit of \$111 million in the first nine months of 2019, compared to operating profit of \$140 million in the first nine months of 2018. Operating profit for the first nine months of 2019 was negatively affected by \$42 million of new tariffs on imports into the U.S. from China, as well as \$7 million of restructuring costs related to the decision to cease light vehicle tire production at the Melksham, U.K. facility. The first nine months of 2019 also included lower unit volume of \$24 million, higher product liability expense of \$20 million, higher manufacturing costs of \$7 million and additional selling, general and administrative costs of \$5 million. These were partially offset by \$51 million of favorable price and mix and \$40 million of favorable raw material costs (excluding the new tariffs). Other costs increased \$15 million in 2019, including higher distribution costs and the nonrecurrence of \$6 million of insurance recoveries net of direct costs recorded in the first nine months of 2018.

On February 15, 2019, countervailing duties of 42.16 percent were imposed on the Company's TBR tire imports into the U.S. from the PRC. The Company incurred duties of \$9 million and \$27 million for the three and nine month periods ended September 30, 2019 related to countervailing duties on TBR tire imports. Additionally, pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, passenger, light truck and truck and bus tires, raw materials and tire-manufacturing equipment from the PRC imported into the U.S. became subject to additional 10 percent duties effective September 24, 2018. These tariffs increased to 25 percent effective May 10, 2019. The Company has incurred duties of \$6 million and \$16 million for the three and nine month periods ended September 30, 2019 related to these Section 301 tariffs.

The principal raw materials for the Company include natural rubber, synthetic rubber, carbon black, chemicals and steel reinforcement components. Approximately 70 percent of the Company's raw materials are petroleum-based. Substantially all U.S. inventories have been valued using the LIFO method of inventory costing, which accelerates the impact to cost of goods sold from changes to raw material prices.

The Company strives to assure raw material and energy supply and to obtain the most favorable pricing possible. For natural rubber, natural gas and certain principal materials, procurement is managed through a combination of buying forward of production requirements and utilizing the spot market. For other principal materials, procurement arrangements include supply agreements that may contain formula-based pricing based on commodity indices, multi-year agreements or spot purchase contracts. While the Company uses these arrangements to satisfy normal manufacturing demands, the pricing volatility in these commodities contributes to the difficulty in managing the costs of raw materials.

Selling, general, and administrative expenses were \$61 million in the third quarter of 2019 (8.6 percent of net sales) and \$59 million in 2018 (8.0 percent of net sales). The increase in selling, general and administrative expenses in the third quarter of 2019 was primarily due to increased professional fees and increased incentive compensation, partially offset by a decrease in mark to market costs of stock-based liabilities. Selling, general, and administrative expenses were \$183 million in the first nine months of 2019 (9.2 percent of net sales) and \$178 million in the first nine months of 2018 (8.7 percent of net sales). The increase in selling, general and administrative expenses in the first nine months of 2019 was driven primarily by an increase in incentive compensation.

During the first nine months of 2019, the Company recorded restructuring expense associated with the planned cessation of light vehicle tire production at the Melksham, U.K. facility. This initiative, which was committed to on January 17, 2019 by

Cooper Tire Europe, a wholly owned subsidiary of the Company, is expected to result in charges to 2019 pre-tax earnings of approximately \$8 to \$10 million, of which 15 to 25 percent are expected to be non-cash charges. The Company recorded restructuring expense of \$1 million for the quarter ended September 30, 2019. The Company recorded restructuring expense of \$7 million for the nine months ended September 30, 2019, consisting of \$5 million of employee severance costs and \$2 million in asset write-downs and other costs. Additional information related to the Company's accounting for restructuring costs appears in the Notes to the condensed consolidated financial statements.

Interest expense and interest income in the third quarter of 2019 and for the first nine months of 2019 were comparable to the similar periods in 2018. For the quarter ended September 30, 2019, other pension and postretirement benefit expense was \$10 million as compared to \$7 million for the quarter ended September 30, 2018. For the nine months ended September 30, 2019, other pension and postretirement benefit expense was \$28 million as compared to \$21 million for the nine months ended September 30, 2018. The increase is primarily the result of lower estimated returns on plan assets compared to 2018, reflective of an improved pension funded status resulting in the portfolio taking less risk in order to preserve the funded status.

Other expense increased \$3 million compared to the third quarter of 2018 due primarily to the impact of foreign currency forward contracts. Other expense for the nine month period ended September 30, 2019 was comparable to the same period in 2018.

For the three month period ended September 30, 2019, the Company recorded income tax expense of \$8 million (effective tax rate of 21.0 percent) compared to \$16 million (effective tax rate of 22.6 percent) for the same period in 2018. For the nine month period ended September 30, 2019, the Company recorded income tax expense of \$20 million (effective tax rate of 30.5 percent) compared to \$22 million (effective tax rate of 21.5 percent) for the same period in 2018. The effective tax rate for the three and nine month periods ended September 30, 2019 was affected by net discrete items recorded during the three and nine month periods, respectively, as well as the projected mix of earnings in international jurisdictions with differing tax rates and jurisdictions where valuation allowances are recorded.

The Company continues to maintain valuation allowances pursuant to ASC 740, "Accounting for Income Taxes," against portions of its U.S. and non-U.S. deferred tax assets at September 30, 2019 as it cannot assure the future realization of the associated tax benefits prior to their reversal or expiration. In the U.S., the Company has offset a portion of its deferred tax asset relating primarily to a loss carryforward by a valuation allowance of \$1 million. In addition, the Company has recorded valuation allowances of \$22 million relating to non-U.S. net operating losses and other deferred tax assets for a total valuation allowance of \$23 million. In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company will continue to reassess the possibility of releasing all or part of the valuation allowances currently in place when the associated deferred tax assets are deemed to be realizable. If the evidence suggests that deferred tax assets for these operations will more likely than not be able to be realized in the future, release of a portion or all of the valuation allowance in place for these entities could occur. Such release could materially impact the Company's effective tax rate in the period in which the release occurs.

Segment Operating Results

The Company has four segments under ASC 280:

- North America, composed of the Company's operations in the U.S. and Canada;
- Latin America, composed of the Company's operations in Mexico, Central America and South America;
- Europe; and
- Asia.

North America and Latin America meet the criteria for aggregation in accordance with ASC 280, as they are similar in their production and distribution processes and exhibit similar economic characteristics. The aggregated North America and Latin America segments are presented as "Americas Tire Operations" in the segment disclosure.

Both the Europe and Asia segments have been determined to be individually immaterial, as they do not meet the quantitative requirements for segment disclosure under ASC 280. In accordance with ASC 280, information about operating segments that are not reportable shall be combined and disclosed in an all other category separate from other reconciling items. As a result, these two segments have been combined in the segment operating results discussion. The results of the combined Europe and Asia segments are presented as "International Tire Operations" in the segment disclosure.

Americas Tire Operations Segment

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	Change	2018	2019	Change	2018
Sales	\$ 601,957	(4.3)%	\$ 628,704	\$ 1,699,201	—%	\$ 1,698,507
Operating profit	\$ 67,941	(22.2)%	\$ 87,353	\$ 153,544	(3.5)%	\$ 159,068
Operating margin	11.3%	(2.6) points	13.9%	9.0%	(0.4) points	9.4%
Total unit sales change		(8.2)%			(4.3)%	
United States replacement market unit shipment changes:						
Total light vehicle tires						
Segment		(7.7)%			(3.9)%	
USTMA members		0.7%			0.4%	
Total Industry		3.5%			3.8%	

The source of this information is the United States Tire Manufacturers Association ("USTMA") and internal sources.

Overview

The Americas Tire Operations segment manufactures and markets passenger car and light truck tires, primarily for sale in the U.S. replacement market. The segment also has a joint venture manufacturing operation in Mexico, COOCSA, which supplies passenger car tires to the North American, Mexican, Central American and South American markets. The segment also markets and distributes racing, TBR and motorcycle tires. The racing and motorcycle tires are manufactured by the Company's European Operations segment and by others. TBR tires are sourced from GRT and through off-take agreements with PCT, through mid-2021, and Sailun Vietnam, effective from January 1, 2018 through December 31, 2020. On April 5, 2019, Cooper Vietnam and Sailun Vietnam established a joint venture in Vietnam, ACTR, which will produce and sell TBR tires. The new joint venture is expected to begin commercially producing tires in 2020. Major distribution channels and customers include independent tire dealers, wholesale distributors, regional and national retail tire chains, large retail chains that sell tires as well as other automotive products, mass merchandisers and digital channels. The segment does not currently sell its products directly to end users, except through three Company-owned retail stores. The segment sells a limited number of tires to OEMs.

Sales

Net sales of the Americas Tire Operations segment decreased from \$629 million in the third quarter of 2018 to \$602 million in the third quarter of 2019. The decrease in sales was a result of lower unit volume (\$51 million) and unfavorable foreign currency impact (\$1 million), partially offset by favorable pricing and mix (\$25 million). Unit shipments for the segment decreased 8.2 percent in the third quarter of 2019 compared with the third quarter of 2018. In the U.S., the segment's unit shipments of total light vehicle tires decreased 7.7 percent in the third quarter of 2019 compared with the same period in 2018. This decrease compares with a 0.7 percent increase in total light vehicle tire shipments experienced by USTMA members, and a 3.5 percent increase in total light vehicle tire shipments experienced for the total industry, which includes an estimate for non-USTMA members. Americas Tire Operations volume has been impacted by customer inventory actions in the U.S.

Net sales of the Americas Tire Operations segment were comparable from \$1,699 million in the first nine months of 2018 to \$1,699 million in the first nine months of 2019. The first nine months of 2019 included favorable pricing and mix (\$75 million), offset by unfavorable volume impact (\$74 million) and unfavorable foreign currency impact (\$1 million). Unit shipments for the segment decreased 4.3 percent in the first nine months of 2019 compared with the first nine months of 2018. In the U.S., the segment's unit shipments of total light vehicle tires decreased 3.9 percent in the first nine months of 2019 compared with the same period in 2018. This decrease compares with a 0.4 percent increase in total light vehicle tire shipments experienced by USTMA members, and a 3.8 percent increase in total light vehicle tire shipments experienced for the total industry. Americas Tire Operations volume has been impacted by customer inventory actions in the U.S.

Operating Profit

Operating profit for the segment for the third quarter of 2019 decreased \$19 million to \$68 million over the same period in 2018. Operating profit for 2019 was negatively affected by \$15 million of new tariffs on imports into the U.S. from China compared to the same period a year ago. In addition, the quarter included \$23 million of favorable price and mix and \$22 million of favorable raw material costs (excluding the new tariffs). The third quarter of 2019 also included \$23 million of higher product liability, \$13 million as a result of lower unit volume, \$6 million of unfavorable manufacturing costs and increased selling, general and administrative costs of \$5 million. Other costs increased \$2 million, including increased distribution costs.

Operating profit for the segment decreased from \$159 million in the first nine months of 2018 to \$154 million in the first nine months of 2019. Operating profit for the first nine months of 2019 was negatively affected by \$42 million of new tariffs on imports into the U.S. from China. In addition, operating profit for the first nine months of 2019 included \$61 million of favorable price and mix, \$33 million of favorable raw material costs (excluding the new tariffs) and \$3 million of favorable manufacturing costs. The first nine months of 2019 also included \$20 million of higher product liability costs, \$18 million of lower unit volume and \$12 million of unfavorable selling, general and administrative costs. The first nine months of 2019 also included increased other costs of \$10 million, including higher distribution costs and the nonrecurrence of \$6 million of insurance recoveries net of direct costs recorded in the first nine months of 2018.

The segment's internally calculated raw material index of 157.1 for the quarter ended September 30, 2019 was a decrease of 6.9 percent from the third quarter of 2018. The raw material index decreased 2.9 percent over the quarter ended June 30, 2019.

International Tire Operations Segment

(Dollar amounts in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	Change	2018	2019	Change	2018
Sales	\$ 132,270	(18.6)%	\$ 162,401	\$ 414,569	(15.6)%	\$ 491,484
Operating (loss) profit	\$ (4,831)	n/m	\$ 5,994	\$ (7,466)	n/m	\$ 19,080
Operating margin	(3.7)%	(7.4) points	3.7%	(1.8)%	(5.7) points	3.9%
Total unit sales change		(16.4)%			(13.6)%	

Overview

The International Tire Operations segment is the combination of the Europe and Asia operating segments. The European operations include manufacturing operations in the U.K. and Serbia. The U.K. entity manufactures and markets passenger car, light truck, motorcycle and racing tires and tire retread material for domestic and global markets. The Serbian entity manufactures passenger car and light truck tires primarily for the European markets and for export to the North American segment. The Asian operations are located in the PRC and Vietnam. Cooper Kunshan Tire manufactures passenger car and light truck tires both for the Chinese domestic market and for export to markets outside of the PRC. GRT, a joint venture manufacturing facility located in the PRC, serves as a global source of TBR tire production for the Company. The segment also procures certain TBR and passenger car tires under off-take agreements with PCT through mid-2021 and, in December 2017, the Company signed an off-take agreement with Sailun Vietnam, as a source of TBR tires through December 31, 2020. On April 5, 2019, Cooper Vietnam and Sailun Vietnam established a joint venture in Vietnam, ACTR, which will produce and sell TBR tires in addition to the off-take agreement. The new joint venture is expected to begin commercially producing tires in 2020. The segment sells a majority of its tires in the replacement market, with a portion also sold to OEMs.

On January 17, 2019, Cooper Tire Europe, a wholly owned subsidiary of the Company, committed to a plan to cease light vehicle tire production at its Melksham, U.K. facility. The phasing out of light vehicle tire production is substantially complete and approximately 300 roles were eliminated at the site. Cooper Tire Europe will obtain light vehicle tires to meet customer needs from other production sites within the Company's global production network. Approximately 400 roles will remain in Melksham to support the functions that continue there, including motorsports and motorcycle tire production, a materials business, Cooper Tire Europe headquarters, sales and marketing, and the Europe Technical Center.

Sales

Net sales of the International Tire Operations segment decreased \$30 million, or 18.6 percent, from the third quarter of 2018. The segment experienced \$28 million of lower unit volume and \$6 million of unfavorable foreign currency impact, partially offset by \$4 million of favorable price and mix. Segment unit volume was down 16.4 percent, with unit volume decreases in Asia and Europe, primarily due to lower intercompany shipments.

Net sales of the International Tire Operations segment were \$415 million for the nine months ended September 30, 2019, compared to \$491 million for the nine month period ended September 2018. The segment experienced \$68 million of lower

unit volume and \$14 million of unfavorable foreign currency impact, partially offset by \$6 million of favorable price and mix. Segment unit volume was down 13.6 percent, with unit volume decreases in Asia and Europe, primarily due to lower intercompany shipments.

Operating Profit

Operating profit for the segment decreased \$11 million to an operating loss of \$5 million in the third quarter of 2019. The decrease was driven by \$6 million of higher manufacturing costs, \$3 million of lower unit volume, \$3 million of unfavorable price and mix, Melksham restructuring charges of \$1 million and \$1 million of increased other costs. These decreases were partially offset by \$2 million of decreased raw material costs and \$1 million of decreased selling, general and administrative costs in the third quarter of 2019.

Operating profit for the segment decreased to an operating loss of \$7 million in the first nine months of 2019 compared to operating profit of \$19 million in the first nine months of 2018. The decrease was driven by \$10 million of higher manufacturing costs, \$9 million of lower unit volume, Melksham restructuring charges of \$7 million, \$7 million of unfavorable price and mix and \$3 million of increased other expenses. These were partially offset by \$8 million of decreased raw material costs and \$2 million of lower selling, general and administrative costs in the first nine months of 2019.

Outlook for the Company

The Company expects fourth quarter consolidated operating profit margin to improve sequentially, with the full year 2019 operating profit margin slightly above 2018 reported operating profit margin of 5.9 percent.

The Company expects continued global unit volume headwinds in the fourth quarter, but growth in 2020 driven by the Company's strategic initiatives and improving market conditions.

The Company expects capital expenditures to range between \$180 and \$200 million. This does not include capital contributions related to the Company's pro rata share of its joint venture with Sailun Vietnam or other potential manufacturing footprint investments.

The Company expects its full year 2019 effective tax rate, excluding significant discrete items, to range between 23 and 26 percent.

The Company expects total restructuring charges related to the Melksham, U.K. manufacturing facility to be in a range of \$8 to \$10 million.

The 2019 expectations include tariffs already in place, but do not include rate changes or additional tariffs that continue to be considered, but have not yet been imposed.

Liquidity and Capital Resources

Sources and uses of cash in operating activities

Net cash used by operating activities of continuing operations was \$14 million in the first nine months of 2019 compared to \$34 million of net cash provided by operating activities in the first nine months of 2018. Net income provided \$45 million in 2019 as compared to net income of \$80 million in 2018. In the first nine months of 2019, non-cash items contributed \$145 million, compared to \$143 million contributed in the first nine months of 2018. In the first nine months of 2019, changes in working capital used \$205 million, as compared to the usage of \$189 million in the first nine months of 2018. The increased 2019 usage was driven primarily by higher growth in inventory as a result of decreased unit sales and increased cost, including the impact of tariffs on tires imported from China to the U.S.

Sources and uses of cash in investing activities

Net cash used in investing activities reflect capital expenditures of \$156 million in the first nine months of 2019 and \$144 million in the same period of 2018. Additionally, investing activities in the first nine months of 2019 also include the Company's \$49 million investment in the Vietnam joint venture.

Sources and uses of cash in financing activities

In the first nine months of 2019 and 2018, respectively, the Company added a net \$1 million and repaid a net \$22 million of short-term debt at its Asian operations. The higher repayment activity in 2018 resulted from increased borrowing in 2017 to meet working capital requirements in Asia.

The Company paid \$2 million and \$1 million in fees associated with amendments to its domestic credit facilities in the first nine months of 2019 and 2018, respectively.

The Company repurchased \$30 million of its common stock in the first nine months of 2018 as part of the Company's share repurchase program authorized by the Board of Directors. No share repurchases occurred in the first nine months of 2019.

Dividends paid on the Company's common shares were \$16 million in the first nine months of both 2019 and 2018.

Available cash, credit facilities and contractual commitments

At September 30, 2019, the Company had cash and cash equivalents of \$137 million.

Domestically, the Company's recently amended Credit Facility with a consortium of banks provides up to \$700 million and is set to expire in June 2024. Of this amended borrowing capacity, \$200 million is allocated to the Term Loan A, while the remaining \$500 million is allocated to the Revolving Credit Facility. The Term Loan A is scheduled to be drawn in December 2019 primarily to pay for the maturing unsecured notes of \$174 million that are classified within the current portion of long-term debt at September 30, 2019. The Credit Facility also includes a \$110 million letter of credit subfacility.

The Company also has an accounts receivable securitization facility with a borrowing limit of up to \$150 million, based on available collateral, which expires in February 2021.

These credit facilities are undrawn, other than to secure letters of credit, at September 30, 2019. The Company's additional borrowing capacity under these facilities, net of amounts used to back letters of credit and based on available collateral at September 30, 2019, was \$804 million, including the capacity of the Term Loan A.

The Company's operations in Asia have annual renewable unsecured credit lines that provide up to \$45 million of borrowings and do not contain significant financial covenants. The additional borrowing capacity on the Asian credit lines totaled \$29 million at September 30, 2019.

The Company believes that its cash and cash equivalent balances, along with available cash from operating cash flows and credit facilities, will be adequate to fund its typical needs, including working capital requirements, projected capital expenditures, including its portion of capital expenditures in its partially-owned subsidiaries, dividend and share repurchase goals and maturing long-term debt. The Company also believes it has access to additional funds from capital markets to fund potential strategic initiatives and to finance maturing long-term debt. The entire amount of short-term notes payable outstanding at September 30, 2019 is debt of consolidated subsidiaries. The Company expects its subsidiaries to refinance or pay these amounts within the next twelve months.

The following table summarizes long-term debt at September 30, 2019:

	<u>September 30, 2019</u>
Parent company	
8% unsecured notes due December 2019	\$ 173,578
7.625% unsecured notes due March 2027	116,880
Finance leases and other	5,063
	295,521
Less: unamortized debt issuance costs	1,286
	294,235
Less: current maturities	173,578
	\$ 120,657

Forward-Looking Statements

This report contains what the Company believes are "forward-looking statements," as that term is defined under the Private Securities Litigation Reform Act of 1995, regarding projections, expectations or matters the Company anticipates may happen with respect to the future performance of the industries in which it operates, the economies of the U.S. and other countries, or the performance of the Company itself, which involve uncertainty and risk. Such forward-looking statements are generally, though not always, preceded by words such as "anticipates," "expects," "will," "should," "believes," "projects," "intends," "plans," "estimates," and similar terms that connote a view to the future and are not merely recitations of historical fact. Such statements are made solely on the basis of the Company's current views and perceptions of future events, and there can be no assurance that such statements will prove to be true.

It is possible that actual results may differ materially from projections or expectations due to a variety of factors, including, but not limited to:

- volatility in raw material and energy prices, including those of rubber, steel, petroleum-based products and natural gas or the unavailability of such raw materials or energy sources;
- the failure of the Company's suppliers to timely deliver products or services in accordance with contract specifications;
- changes to tariffs or trade agreements, or the imposition of new or increased tariffs or trade restrictions, imposed on tires, materials or manufacturing equipment which the Company uses, including changes related to tariffs on tires, raw materials and tire manufacturing equipment imported into the U.S. from China or other countries;
- changes in economic and business conditions in the world, including changes related to the United Kingdom's decision to withdraw from the European Union;
- the inability to obtain and maintain price increases to offset higher production, tariffs or material costs;
- the impact of labor problems, including labor disruptions at the Company, its joint ventures, or at one or more of its large customers or suppliers;
- a disruption in, or failure of, the Company's information technology systems, including those related to cybersecurity, could adversely affect the Company's business operations and financial performance;
- the impact of the recently enacted tax reform legislation;
- increased competitive activity including actions by larger competitors or lower-cost producers;
- the failure to achieve expected sales levels;
- changes in the Company's customer or supplier relationships or distribution channels, including the write-off of outstanding accounts receivable or loss of particular business for competitive, credit, liquidity, bankruptcy, restructuring or other reasons;
- the failure to develop technologies, processes or products needed to support consumer demand or changes in consumer behavior, including changes in sales channels;
- the costs and timing of restructuring actions and impairments or other charges resulting from such actions, including the possible outcome of the decision to cease light vehicle tire production in the U.K., or from adverse industry, market or other developments;
- consolidation or other cooperation by and among the Company's competitors or customers;
- inaccurate assumptions used in developing the Company's strategic plan or operating plans, or the inability or failure to successfully implement such plans or to realize the anticipated savings or benefits from strategic actions;
- risks relating to investments and acquisitions, including the failure to successfully integrate them into operations or their related financings may impact liquidity and capital resources;
- the ultimate outcome of litigation brought against the Company, including product liability claims, which could result in commitment of significant resources and time to defend and possible material damages against the Company or other unfavorable outcomes;
- government regulatory and legislative initiatives including environmental, healthcare, privacy and tax matters;
- volatility in the capital and financial markets or changes to the credit markets and/or access to those markets;
- changes in interest or foreign exchange rates or the benchmarks used for establishing the rates;
- an adverse change in the Company's credit ratings, which could increase borrowing costs and/or hamper access to the credit markets;
- failure to implement information technologies or related systems, including failure by the Company to successfully implement ERP systems;
- the risks associated with doing business outside of the U.S.;
- technology advancements;
- the inability to recover the costs to refresh existing products or develop and test new products or processes;
- failure to attract or retain key personnel;

- changes in pension expense and/or funding resulting from the Company’s pension strategy, investment performance of the Company’s pension plan assets and changes in discount rate or expected return on plan assets assumptions, or changes to related accounting regulations;
- changes in the Company’s relationship with its joint venture partners or suppliers, including any changes with respect to its former PCT joint venture’s production of TBR products;
- the ability to find and develop alternative sources for TBR products;
- a variety of factors, including market conditions, may affect the actual amount expended on stock repurchases; the Company’s ability to consummate stock repurchases; changes in the Company’s results of operations or financial conditions or strategic priorities may lead to a modification, suspension or cancellation of stock repurchases, which may occur at any time;
- the inability to adequately protect the Company’s intellectual property rights; and
- the inability to use deferred tax assets.

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 under Risk Factors below and in the Company’s other filings with the U. S. Securities and Exchange Commission (“SEC”).

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk at September 30, 2019 from those detailed in the Company’s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2018.

Item 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in the reports the Company files or submits as defined in Rule 13a-15(e) of the Securities and Exchange Act of 1934 (“Exchange Act”), as amended is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) to allow timely decisions regarding required disclosures.

The Company, under the supervision and with the participation of management, including the CEO and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 as of September 30, 2019 (“Evaluation Date”). Based on its initial evaluation, the Company’s CEO and CFO concluded that its disclosure controls and procedures were effective as of the Evaluation Date.

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is a defendant in various judicial proceedings arising in the ordinary course of business. A significant portion of these proceedings are product liability cases in which individuals involved in motor vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. After reviewing all of these proceedings, and taking into account all relevant factors concerning them, the Company does not believe that any liabilities resulting from these proceedings are reasonably likely to have a material adverse effect on its liquidity, financial condition or results of operations in excess of amounts recorded at September 30, 2019. In the future, such costs could have a materially greater impact on the consolidated results of operations and financial position of the Company than in the past.

Item 1A. RISK FACTORS

Some of the more significant risk factors related to the Company follow:

Pricing volatility for raw materials or commodities or an inadequate supply of key raw materials could result in increased costs and may significantly affect the Company's profitability.

The pricing volatility for natural rubber, petroleum-based materials and other raw materials contributes to the difficulty in managing the costs of raw materials. Costs for certain raw materials used in the Company's operations, including natural rubber, chemicals, carbon black, steel reinforcements and synthetic rubber remain highly volatile. Increasing costs for raw material supplies will increase the Company's production costs and affect its margins if the Company is unable to pass the higher production costs on to its customers in the form of price increases. Even if the Company is able to pass along these higher costs, its profitability may be adversely affected until it is able to do so. Decreasing costs for raw materials could also affect margins if the Company is unable to maintain its pricing structure due to the need to offer price reductions to remain competitive. Further, if the Company is unable to obtain adequate supplies of raw materials in a timely manner for any reason, its operations could be interrupted or otherwise adversely affected.

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

Current global and regional economic conditions may affect demand for the Company's products, create volatility in raw material costs and affect the availability and cost of credit. These conditions also affect the Company's customers and suppliers as well as the ultimate consumer.

Deterioration in the global macroeconomic environment or in specific regions could impact the Company and, depending upon the severity and duration of these factors, the Company's profitability and liquidity position could be negatively impacted.

The Company's competitors may also change their actions as a result of changes to the business environment, which could result in increased price competition and discounts, resulting in lower margins or reduced sales volumes for the business.

The current economic environment continues to cause increased financial pressures and stresses on the Company's customers, which could impact the timeliness of customer payments and, ultimately, the collectability of accounts receivable. In addition, the bankruptcy, restructuring, financial condition, consolidation or other cooperation of one or more of the Company's major customers or suppliers, as well as the strategic actions of competitors, could result in the write-off of accounts receivable, a reduction in purchases of the Company's products or a supply disruption to its facilities, which could harm the Company's results of operations, financial condition and liquidity.

The Company's results could be impacted by changes in tariffs, trade agreements or other trade restrictions imposed by the U.S. or other governments on imported tires, raw materials or equipment used in tire manufacturing.

The Company's ability to competitively source and sell tires can be significantly impacted by changes in tariffs, changes or repeals of trade agreements, including withdrawal from or material modifications to NAFTA, including the implementation of the USMCA, or certain other international trade agreements, or other trade restrictions or retaliatory actions imposed by various governments. Other effects, including impacts on the price of tires, responsive actions from governments and the opportunity for competitors to establish a presence in markets where the Company participates, could also have significant impacts on the Company's results.

For example, antidumping and countervailing duty investigations into certain passenger car and light truck tires imported from the PRC into the United States were initiated on July 14, 2014. The determinations announced in both investigations were affirmative and resulted in the imposition of significant additional duties from each.

Antidumping and countervailing duty investigations into certain truck and bus tires imported from the PRC into the U.S. were initiated on January 29, 2016. The preliminary determinations announced in both investigations were affirmative and resulted

in the imposition of significant additional duties from each. On February 22, 2017, the International Trade Commission ("ITC") made a final determination that the U.S. market had not suffered material injury because of imports of truck and bus tires from China. As a result of this decision, preliminary antidumping and countervailing duties from Chinese truck and bus tires imported subsequent to the preliminary determination were not collected and any amounts previously paid were refunded. On April 14, 2017, the United Steelworkers Union filed a civil action challenging the ITC's decision not to impose duties on truck and bus tires from China imported into the U.S. and that case is still pending. On November 1, 2018, the Court of International Trade ("CIT") remanded the case back to the ITC for reconsideration. On January 30, 2019, the ITC reversed its earlier decision and made an affirmative determination of material injury. On February 15, 2019, the determination was published in the Federal Register and significant duties were imposed on Chinese truck and bus tire imports. The ITC's re-determination, along with comments from the parties regarding the re-determination were filed with the CIT. The CIT will make a final determination.

Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, passenger, light truck and truck and bus tires, raw materials and tire-manufacturing equipment from the PRC imported into the U.S. became subject to additional 10 percent duties effective September 24, 2018. These increased to 25 percent effective May 10, 2019. Future changes to duty percentages, if any, are unknown at this time. Retaliatory duties on U.S. products have been implemented in response to these additional duties by China.

The imposition of additional duties or other trade restrictions in the U.S. or elsewhere on raw materials or tire-manufacturing equipment used by the Company or on certain tires imported from the PRC or other countries will result in higher costs and potentially lower margins, or in the case of finished goods, in those tires being diverted to other regions of the world, such as Europe, Latin America or elsewhere in Asia, which could materially harm the Company's results of operations, financial condition and liquidity.

The Company's industry is highly competitive, and the Company may not be able to compete effectively with lower-cost producers and larger competitors.

The tire industry is a highly competitive, global industry. Some of the Company's competitors are larger companies with greater financial resources. Intense competitive activity in the replacement tire industry, including consolidation or other cooperation by and among the Company's competitors, has caused, and will continue to cause, pressures on the Company's business, as well as pressure on certain of the Company's customers, suppliers or distribution network. As the Company increases its presence in the original equipment market, the demand for products by the OEM's will be impacted by automotive vehicle production. The Company's ability to compete successfully will depend in part on its ability to balance capacity with demand, leverage global purchasing of raw materials, make required investments to improve productivity, eliminate redundancies and increase production at low-cost, high-quality supply sources. If the Company is unable to offset continued pressures with improved operating efficiencies, its sales, margins, operating results and market share would decline and the impact could become material on the Company's earnings.

The Company has and could in the future incur restructuring charges and other costs as it continues to execute actions in an effort to improve future profitability and competitiveness and may not achieve the anticipated savings and benefits from these actions.

The Company has and may in the future initiate restructuring actions designed to improve future profitability and competitiveness, and enhance the Company's flexibility, including the outcome of the restructuring in the U.K., as well as potential future outcomes from the Company's ongoing region by region global footprint assessment. The Company may not realize anticipated savings or benefits from the U.K. action, or future actions, in full or in part or within the time periods it expects. The Company is also subject to the risks of labor unrest, negative publicity and business disruption in connection with these actions. Failure to realize anticipated savings or benefits from the Company's actions could have an adverse effect on the business and could result in potential unexpected costs or other impacts. Such restructuring actions and impairments or other charges could have a significant negative effect on the Company's earnings or cash flows in the short-term.

Any interruption in the Company's skilled workforce, or that of its suppliers or customers, including labor disruptions, could impair its operations and harm its earnings and results of operations.

The Company's operations depend on maintaining a skilled workforce and any interruption of its workforce due to shortages of skilled technical, production or professional workers, work disruptions, or other events could interrupt the Company's operations and affect its operating results. Competition for these employees is intense and the Company could experience difficulty in hiring and retaining the personnel necessary to support its business. Further, a significant number of the Company's employees are currently represented by unions. If the Company is unable to resolve any labor disputes or if there are work stoppages or other work disruptions at the Company or any of its suppliers or customers, the Company's business and

operating results could suffer. See also related comments under “The Company is facing supply risks related to certain tires it purchases from PCT.”

A disruption in, or failure of, the Company’s information technology systems, including those related to cybersecurity, could adversely affect the Company’s business operations and financial performance.

The Company relies on the accuracy, capacity and security of its information technology systems across all of its major business functions, including its research and development, manufacturing, sales, financial and administrative functions. While the Company maintains some of its critical information technology systems, it is also dependent on third parties to provide important information technology services relating to, among other things, human resources, electronic communications and certain finance functions. Additionally, the Company collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary business information of its customers and suppliers, as well as personally identifiable information of the Company’s customers and employees, in data centers and on information technology networks. In addition, the European Union’s General Data Protection Regulation (“GDPR”), which came into effect in May 2018, creates a range of new compliance obligations for companies that process personal data of European Union residents, and increases financial penalties for non-compliance. As a company that processes personal data of European Union residents, we bear the costs of compliance with the GDPR and are subject to the potential for fines and penalties in the event of a breach of the GDPR. Aside from the European Union, other jurisdictions have enacted, or are considering, regulations regarding data privacy. Despite the security measures that the Company has implemented, including those related to cybersecurity, its systems could be breached or damaged by computer viruses, natural or man-made incidents or disasters or unauthorized physical or electronic access. Furthermore, the Company may have little or no oversight with respect to security measures employed by third-party service providers, which may ultimately prove to be ineffective at countering threats. A system failure, accident or security breach could result in business disruption, theft of its intellectual property, trade secrets or customer information and unauthorized access to personnel information. To the extent that any system failure, accident or security breach results in disruptions to its operations or the theft, loss or disclosure of, or damage to, its data or confidential information, the Company’s reputation, business, results of operations, cash flows and financial condition could be materially adversely affected. In addition, the Company may be required to incur significant costs to protect against and, if required, remediate the damage caused by such disruptions or system failures in the future.

If the Company fails to develop technologies, processes or products needed to keep up with rapidly evolving distribution channels and to support consumer demand or, changes in consumer behavior, it may lose significant market share or be unable to recover associated costs.

The Company’s tire sales, margins and profitability may be significantly impacted if it does not develop or have available technologies, processes, including distribution methods, or products that competitors may be developing and consumers or dealers are demanding. This includes, but is not limited to, changes in the design of and materials used to manufacture tires, changes in the types of tires consumers desire and changes in the vehicles consumers are purchasing. Additionally, the Company is also impacted by changes in the way consumers buy tires and failure to effectively compete in various sales and marketing channels, including digital channels and others in which the Company has been less active in the past, such as through mass merchandisers, which have negotiating leverage and costs associated with their operating procedures that are unique to their needs.

Technologies or processes may also be developed by competitors that better distribute tires to consumers, including through wholly-owned distributors, which could affect the Company’s customers and implementation of its strategic plan.

An increase in consumer preference for car- and ride-sharing services, as opposed to automobile ownership, may result in a long term reduction in the number of vehicles per capita. Additionally, refreshing existing products and developing new products and technologies requires significant investment and capital expenditures, is technologically challenging and requires extensive testing and accurate anticipation of technological and market trends. If the Company fails to develop new products that are appealing to its customers, or fails to develop products on time and within budgeted amounts, the Company may be unable to recover its product development and testing costs. If the Company cannot successfully use new production or equipment methodologies it invests in, it may also not be able to recover those costs.

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

The Company faces both general industry and company-specific challenges. These include volatile raw material costs, increasing product complexity and pressure from competitors with greater resources or manufacturing in lower-cost regions. To address these challenges and position the Company for future success, the Company continues to execute towards strategic imperatives outlined in its Strategic Plan. The three strategic imperatives are building a sustainable cost competitive position, driving top-line profitable growth and building organizational capabilities and enablers to support strategic goals.

The Company continually reviews and updates its business plans to achieve these imperatives. If the assumptions used in developing the Company's business plans vary significantly from actual conditions, the Company's sales, margins and profitability could be harmed. If the Company is unsuccessful in implementing the tactics necessary to execute its business plans, it may not be able to achieve or sustain future profitability, which could impair its ability to meet debt and other obligations and could otherwise negatively affect its operating results, financial condition and liquidity.

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

The Company routinely evaluates potential investments and acquisitions and may pursue additional investment and acquisition opportunities, some of which could be material to its business. The Company cannot provide assurance whether it will be successful in pursuing and integrating any investment or acquisition opportunities or what the consequences of any investment or acquisition would be. The Company may encounter various risks in any investment or acquisition, including:

- the possible inability to integrate an acquired business into its operations;
- diversion of management's attention;
- loss of key management personnel;
- unanticipated problems or liabilities, including delays in completion of required capital expenditures and/or construction;
- potential asset impairment charges, due to inability to meet operating plans; and
- increased labor and regulatory compliance costs of acquired businesses.

Some or all of those risks could impair the Company's results of operations and impact its financial condition. The Company may finance any future investments or acquisitions from internally generated funds, bank borrowings, public offerings or private placements of equity or debt securities, or a combination of the foregoing. Investments and acquisitions may involve the expenditure of significant funds and management time.

Investments and acquisitions may also require the Company to increase its borrowings under its bank credit facilities or other debt instruments, or to seek new sources of liquidity. Increased borrowings would correspondingly increase the Company's financial leverage, and could result in lower credit ratings and increased future borrowing costs. These risks could also reduce the Company's flexibility to respond to changes in its industry or in general economic conditions.

In addition, the Company's business plans call for growth. If the Company is unable to identify or execute on appropriate opportunities for acquisition, investment or growth, its business could be materially adversely affected.

If the Company is unable to attract and retain key personnel, its business could be materially adversely affected.

The Company's business depends on the continued service of key members of its management. The loss of the services of a significant number of members of its management team could have a material adverse effect on its business. The Company's future success will also depend on its ability to attract, retain and develop highly skilled personnel, such as engineering, marketing, information technology and senior management professionals. Competition for these employees is intense and the Company could experience difficulty in hiring and retaining the personnel necessary to support its business. If the Company does not succeed in retaining its current employees and attracting new high-quality employees, its business could be materially adversely affected.

The Company has a risk due to volatility of the capital and financial markets.

The Company periodically requires access to the capital and financial markets as a significant source of liquidity for maturing debt payments or working capital needs or investments in the business that it cannot satisfy by cash on hand or operating cash flows. Substantial volatility in world capital markets and the banking industry may make it difficult for the Company to access credit markets and to obtain financing or refinancing, as the case may be, on satisfactory terms or at all. In addition, various additional factors, including a deterioration of the Company's credit ratings or its business or financial condition, could further impair its access to the capital markets and bank financings. Additionally, any inability to access the capital markets or bank financings, including the ability to refinance existing debt when due, could require the Company to defer critical capital expenditures, reduce or not pay dividends, reduce spending in areas of strategic importance, suspend stock repurchases, sell important assets or, in extreme cases, seek protection from creditors. See also related comments under "There are risks associated with the Company's global strategy, which includes using joint ventures and partially-owned subsidiaries."

The Company's operations in Asia have been or will be financed in part using multiple loans from several lenders to finance working capital needs. These loans are generally for terms of one year or less. Therefore, debt maturities occur frequently and access to the capital markets and bank financings is crucial to the Company's ability to maintain sufficient liquidity to support its operations in Asia.

Increases in interest rates or changes in credit ratings may negatively impact the Company.

Certain of the Company's variable rate debt, including its Credit Facility, currently uses LIBOR as a benchmark for establishing the interest rate. LIBOR is the subject of recent proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments with respect to LIBOR cannot be entirely predicted but could result in an increase in the cost of variable rate debt. The interest rates under on the Company's term loans and revolving credit facilities can vary based on the Company's credit ratings. The Company's policy is to manage interest rate risk by entering into both fixed and variable rate debt arrangements. Interest rate swaps are also used to minimize worldwide financing cost and to achieve a desired mix of fixed and variable rate debt. The Company utilizes derivative financial instruments to enhance its ability to manage risk, including interest rate exposures that exist as part of ongoing business operations. The company does not enter into contracts for trading purposes, nor is it a party to any leveraged derivative instruments. The use of derivative financial instruments is monitored through regular communication with senior management and the utilization of written guidelines. However, the Company's use of these instruments may not effectively limit or eliminate exposure to changes in interest rates. Therefore, the Company cannot provide assurance that future credit rating or interest rate changes will not have a material negative impact on its business, financial position or operating results.

The Company may be adversely affected by legal actions, including product liability claims which, if successful, could have a negative impact on its financial position, cash flows and results of operations.

The Company's operations expose it to legal actions, including potential liability for personal injury or death as an alleged result of the failure of or conditions in the products that it designs, manufactures and sells. Specifically, the Company is a party to a number of product liability cases in which individuals involved in motor vehicle accidents seek damages resulting from allegedly defective tires that it manufactured. Product liability claims and lawsuits, including possible class action, may result in material losses in the future and cause the Company to incur significant litigation defense costs. The Company is largely self-insured against these claims. These claims and related reserves could have a significant effect on the Company's financial position, cash flows and results of operations.

From time to time, the Company is also subject to audits, litigation or other commercial disputes and other legal proceedings relating to its business. Due to the inherent uncertainties of any litigation, commercial disputes or other legal proceedings, the Company cannot accurately predict their ultimate outcome, including the outcome of any related appeals. An unfavorable outcome could materially adversely impact the Company's financial condition, cash flows and results of operations.

The Company is facing supply risks related to certain tires it purchases from PCT.

In 2014, the Company sold its ownership interest in PCT and entered into off-take agreements with PCT to provide the continuous supply of certain TBR and passenger car tires for the Company through mid-2018. The agreements have been extended and now expire in mid-2021. If there are any disruptions in or quality issues with the supply of TBR products from PCT, it could have a material negative impact on the Company's business. The Company is actively pursuing options to ensure the uninterrupted supply of these tires to meet the demands of the business beyond the terms of the PCT off-take agreements, including sourcing through GRT, an off-take agreement with Sailun Vietnam and the recently announced joint venture between Cooper Vietnam and Sailun Vietnam, which is expected to begin producing tires in 2020, but there can be no assurance that the Company will be able to do so in a timely manner.

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

The Company has affiliate, subsidiary and joint venture operations worldwide, including in the U.S., Europe, Mexico, the PRC and Vietnam. The Company has a wholly-owned manufacturing entity, Cooper Kunshan Tire, and is the majority owner of GRT, both in the PRC. The Company also is the majority owner of COOCSA, a manufacturing entity in Mexico, and has established operations in Serbia and the U.K. PCT, located in the PRC, is currently a supplier of TBR tires for the Company and the Company entered into an off-take agreement with Sailun Vietnam, located in Vietnam, for the supply of TBR tires. Additionally, Cooper Vietnam recently formed a joint venture with Sailun Vietnam, which is expected to begin producing tires in 2020. There are a number of risks in doing business abroad, including political and economic uncertainty, social unrest, sudden changes in laws and regulations, ability to enforce existing or future contracts, shortages of trained labor and the uncertainties associated with entering into joint ventures or similar arrangements in foreign countries. These risks may impact the Company's ability to expand its operations in different regions and otherwise achieve its objectives relating to its foreign operations, including utilizing these locations as suppliers to other markets. In addition, compliance with multiple and potentially conflicting foreign laws and regulations, import and export limitations and exchange controls is burdensome and expensive. For example, the Company could be adversely affected by violations of the Foreign Corrupt Practices Act ("FCPA") and similar worldwide anti-bribery laws as well as export controls and economic sanction laws. The FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to

government officials and, in some cases, other persons, for the purpose of obtaining or retaining business or obtaining another improper benefit. Violations of these laws and regulations could result in civil and criminal fines, penalties and sanctions against the Company, its officers or its employees, prohibitions on the conduct of the Company's business and on its ability to offer products and services in one or more countries, and could also harm the Company's reputation, business and results of operations. The Company's foreign operations also subject it to the risks of international terrorism and hostilities and to foreign currency risks, including exchange rate fluctuations and limits on the repatriation of funds. See also related comments under "The Company's results could be impacted by changes in tariffs, trade agreements or other trade restrictions imposed by the U.S. or other governments on imported tires or raw materials", "There are risks associated with the Company's global strategy, which includes using joint ventures and partially-owned subsidiaries" and "The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets or the Company's business."

There are risks associated with the Company's global strategy, which includes using joint ventures and partially-owned subsidiaries.

The Company's strategy includes the use of joint ventures, both as the majority and minority shareholder, and other partially-owned subsidiaries, including the recently formed Vietnam joint venture with Sailun Vietnam. These entities operate in countries outside of the U.S., are generally less well capitalized than the Company and bear risks similar to the risks of the Company. In addition, there are specific risks applicable to these subsidiaries and these risks, in turn, add potential risks to the Company. Such risks include greater risk of joint venture partners or other investors failing to meet their obligations under related stockholders' agreements; conflicts with joint venture partners; the possibility of a joint venture partner taking valuable knowledge from the Company; and risk of being denied access to the capital markets, which could lead to resource demands on the Company in order to maintain or advance its strategy. The Company's outstanding notes and primary credit facility contain cross default provisions in the event of certain defaults by the Company under other agreements with third parties. For further discussion of access to the capital markets, see also related comments under "The Company has a risk due to volatility of the capital and financial markets."

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets or the Company's business.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The U.K. is currently negotiating the terms of its exit from the European Union ("Brexit"). In November 2018, the U.K. and the European Union agreed upon a draft Withdrawal Agreement that sets out the terms of the U.K.'s departure, including commitments on citizen rights after Brexit, a financial settlement from the U.K., and a transition period to allow time for a future trade deal to be agreed. U.K. Parliament has not approved the Withdrawal Agreement. The date and the terms of the U.K.'s withdrawal from the European Union remain highly uncertain.

Any impact of Brexit depends on the terms of the U.K.'s withdrawal from the European Union, if it ultimately occurs. The ongoing uncertainty on the status of the final Withdrawal Agreement could lead to economic stagnation until an ultimate resolution with respect to Brexit occurs. If the U.K. leaves the European Union with no agreement, it will likely have an adverse impact on labor and trade in addition to creating further short-term uncertainty and currency volatility. In the absence of a future trade deal, the U.K.'s trade with the European Union and the rest of the world would be subject to tariffs and duties set by the World Trade Organization. Additionally, the movement of goods and personnel between the U.K. and the remaining member states of the European Union will be subject to additional inspections and documentation checks, leading to possible delays at ports of entry and departure. Even if an agreement setting forth the terms of the U.K.'s withdrawal from the European Union is approved, the withdrawal could result in significant changes to the trading relationship between the U.K. and the European Union. These changes to the trading relationship between the U.K. and European Union would likely result in increased cost of goods imported into and exported from the U.K. and may decrease the profitability of the Company's U.K. and other operations. Additional currency volatility could drive a weaker British pound, which increases the cost of goods imported into the U.K. operations and may decrease the profitability of the U.K. operations. A weaker British pound versus the U.S. dollar also causes local currency results of U.K. operations to be translated into fewer U.S. dollars during a reporting period. With a range of outcomes still possible, the impact from Brexit remains uncertain and will depend, in part, on the final outcome of tariff, trade, regulatory and other negotiations.

Compliance with legal and regulatory initiatives could increase the cost of operating the Company's business.

The Company is subject to federal, state, local and foreign laws and regulations. Compliance with those laws now in effect, or that may be enacted, could require significant capital expenditures, increase the Company's production costs and affect its earnings and results of operations. Periodic changes as the result of elections in the U.S. and worldwide make it difficult to predict the legislative and regulatory changes that may occur.

Several countries have or may implement labeling requirements for tires. This legislation could cause the Company's products to be at a disadvantage in the marketplace resulting in a loss of market share or could otherwise impact the Company's ability to distribute and sell its tires.

In addition, while the Company believes that its tires are free from design and manufacturing defects and comply with all applicable regulations and standards, it is possible that recalls of the Company's tires could occur in the future. A recall could harm the Company's reputation, operating results and financial position.

The Company is also subject to legislation governing labor, environmental, privacy and data protection, occupational safety and health both in the U.S. and other countries. The related legislation can change over time making it more expensive for the Company to produce its products.

The Company could also, despite its best efforts to comply with these laws and regulations, be found liable and be subject to additional costs because of these laws and regulations.

The Company may fail to successfully develop or implement information technologies or related systems, resulting in a significant competitive disadvantage.

Successfully competing in the highly competitive tire industry can be impacted by the successful development of information technology. If the Company fails to successfully develop or implement information technology systems, it may be at a disadvantage to its competitors resulting in lost sales and negative impacts on the Company's earnings.

The Company has implemented Enterprise Resource Planning systems in the United States and other locations. The Company is evaluating its available options for integrating information technology solutions outside of the United States, which will require significant amounts of capital and human resources to deploy. These requirements may be significant and exceed Company projections. Throughout integration of the systems, there are also risks created to the Company's ability to successfully and efficiently operate.

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

The Company provides defined benefit and hybrid pension plan coverage to union and non-union U.S. employees and a contributory defined benefit plan in the U.K. The Company's pension expense and its required contributions to its pension plans are directly affected by the value of plan assets, the projected and actual rates of return on plan assets and the actuarial assumptions the Company uses to measure its defined benefit pension plan obligations, including the discount rate at which future projected and accumulated pension obligations are discounted to a present value and the inflation rate. The Company could experience increased pension expense due to a combination of factors, including the decreased investment performance of its pension plan assets, decreases in the discount rate, changes in its assumptions relating to the expected return on plan assets, including changes necessitated by movements in the glide path whereby a target return-seeking allocation is followed based upon a given funded ratio level, updates to mortality tables and the impact of changes to the Company's pension strategy. The Company could also experience increased other postretirement expense due to decreases in the discount rate, increases in the health care trend rate and changes in the health care environment.

In the event of declines in the market value of the Company's pension assets or lower discount rates to measure the present value of pension and other postretirement benefit obligations, the Company could experience changes to its Condensed Consolidated Balance Sheet or significant cash requirements.

If the price of energy sources increases, the Company's operating expenses could increase significantly or the demand for the Company's products could be affected.

The Company's manufacturing facilities rely principally on natural gas, as well as electrical power and other energy sources. High demand and limited availability of natural gas and other energy sources can result in significant increases in energy costs increasing the Company's operating expenses and transportation costs. Higher energy costs would increase the Company's production costs and adversely affect its margins and results of operations. If the Company is unable to obtain adequate sources of energy, its operations could be interrupted.

In addition, if the price of gasoline increases significantly for consumers, it can affect driving and purchasing habits and impact demand for tires.

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

The Company has significant net deferred tax assets recorded on the balance sheet and determines at each reporting period whether or not a valuation allowance is necessary based upon the expected realizability of such deferred tax assets. In the U.S., the Company has recorded deferred tax assets, the largest of which relate to product liability, pension and other postretirement

benefit obligations, partially offset by deferred tax liabilities, the most significant of which relates to accelerated depreciation. The Company's non-U.S. deferred tax assets relate to pension, accrued expenses and net operating losses, and are partially offset by deferred tax liabilities related to accelerated depreciation. Based upon the Company's assessment of the realizability of its net deferred tax assets, the Company maintains a valuation allowance in the U.K., as well as a small valuation allowance for the portion of its U.S. deferred tax assets primarily associated with a loss carryforward. In addition, the Company has recorded valuation allowances for deferred tax assets primarily associated with other non-U.S. net operating losses.

The Company's assessment of the realizability of deferred tax assets is based in part on certain assumptions regarding future profitability, and potentially adverse business conditions could have a negative impact on the future realizability of the deferred tax assets and therefore impact the Company's future operating results or financial position.

Compliance with and changes in tax laws, including tax reform legislation in the United States that is still being finalized, could materially and adversely impact our financial condition, results of operations and cash flows.

The Company is subject to extensive tax liabilities, including federal and state income taxes and transactional taxes such as excise, sales and use, payroll, franchise, withholding and property taxes. New tax laws and regulations and changes in existing tax laws and regulations, including certain final regulations to be issued with respect to tax reform enacted in 2017, could result in increased expenditures by the Company for tax liabilities in the future and could materially and adversely impact the Company's financial condition, results of operations and cash flows.

Additionally, the Company's income tax returns are subject to examination by federal, state and local tax authorities in the U.S. and tax authorities outside the U.S. Based upon the outcome of tax examinations, judicial proceedings, or expiration of statutes of limitations, it is possible that the ultimate resolution of these unrecognized tax benefits may result in a payment that is materially different from the current estimate of the tax liabilities. Such factors could have an adverse effect on the Company's provision for income taxes and the cash outlays required to satisfy income tax obligations.

Environmental issues, including climate change, or legal, regulatory or market measures to address environmental issues, may negatively affect the Company's business and operations and cause it to incur significant costs.

The Company's manufacturing facilities are subject to numerous federal, state, local and foreign laws and regulations designed to protect the environment, including increased government regulations to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change, and the Company expects that additional requirements with respect to environmental matters will be imposed on it in the future.

There is also growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. In the event that issues related to such climate change have a negative effect on the Company's business, it may be subjected to decreased availability or less favorable pricing for certain raw materials, including natural rubber. Natural disasters and extreme weather conditions may also disrupt the productivity of the Company's facilities or the operation of its supply chain.

In addition, the Company has contractual indemnification obligations for environmental remediation costs and liabilities that may arise relating to certain divested operations. Material future expenditures may be necessary if compliance standards change, if material unknown conditions that require remediation are discovered, or if required remediation of known conditions becomes more extensive than expected. If the Company fails to comply with present and future environmental laws and regulations, it could be subject to future liabilities or the suspension of production, which could harm its business or results of operations. Environmental laws could also restrict the Company's ability to expand its facilities or could require it to acquire costly equipment or to incur other significant expenses in connection with its manufacturing processes.

The Company has been and may continue to be impacted by currency fluctuations, which may reduce reported results for the Company's international operations and otherwise adversely affect the business.

Because the Company conducts transactions in various non-U.S. currencies, including the Euro, Canadian dollar, British pound sterling, Swiss franc, Swedish kronar, Norwegian krone, Mexican peso, Chinese yuan, Serbian dinar and Brazilian real, fluctuations in foreign currency exchange rates may impact the Company's financial condition, results of operations and cash flows, despite currency hedging actions by the Company. The Company's operating results are subject to the effects of fluctuations in the value of these currencies and fluctuations in the related currency exchange rates. As a result, the Company's sales have historically been affected by, and may continue to be affected by, these fluctuations. Exchange rate movements between currencies in which the Company sells its products have been affected by and may continue to result in exchange losses that could materially affect results. During times of strength of the U.S. dollar, the reported revenues of the Company's international operations will be reduced because local currencies will translate into fewer dollars. In addition, a strong U.S. dollar may increase the competitiveness of competitors based outside of the United States. As a result, continued strengthening of the U.S. dollar may have a material adverse effect on the Company's financial condition, results of operations and cash

flows. A weak U.S. dollar could increase the cost of goods imported into the Company's U.S. operations and other goods imported in U.S. dollars at other locations and may decrease the profitability of the Company's operations. As a result, continued weakening of the U.S. dollar may have a material adverse effect on the Company's financial condition, results of operations and cash flows.

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

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

In addition, the laws of some countries may not protect and enforce the Company's intellectual property rights to the same extent as the laws of the U.S. Further, while the Company believes it has rights to use all intellectual property in the Company's use, if the Company is found to infringe on the rights of others it could be adversely impacted.

The impact of proposed new accounting standards may have a negative impact on the Company's financial statements.

The Financial Accounting Standards Board is considering or has issued for future adoption several projects which may result in the modification of accounting standards affecting the Company. Any such changes could have a negative impact on the Company's financial statements.

The Company is facing risks relating to healthcare legislation.

The Company is facing risks emanating from legislation in the U.S., including the Patient Protection and Affordable Care Act and the related Healthcare and Education Reconciliation Act, which are collectively referred to as healthcare legislation. The future of this major legislation and any replacement is now in question and the ultimate cost and the potentially adverse impact to the Company and its employees cannot be quantified at this time.

Item 2. ISSUER PURCHASES OF EQUITY SECURITIES

The Company has not purchased equity securities registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, in the quarter.

Period ⁽¹⁾	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2019 through July 31, 2019	—		—	\$ 193,123
August 1, 2019 through August 31, 2019	—		—	193,123
September 1, 2019 through September 30, 2019	—		—	193,123
Total	—		—	

- (1) On February 16, 2017, the Board of Directors increased the amount under and expanded the duration of the Company's existing share repurchase program (as amended, the "2017 Repurchase Program"). The 2017 Repurchase Program allows the Company to repurchase up to \$300,000, excluding commissions, of the Company's common stock through December 31, 2019. The approximately \$95,634 remaining authorization under the Company's existing share repurchase program as of February 16, 2017 was included in the \$300,000 maximum amount authorized by the 2017 Repurchase Program. No other changes were made. The 2017 Repurchase Program does not obligate the Company to acquire any specific number of shares and can be suspended or discontinued at any time without notice. Under the 2017 Repurchase Program, shares can be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

Item 6. EXHIBITS

(a) Exhibits

- (31.1) [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- (31.2) [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- (32) [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- (101.INS) XBRL Instance Document
- (101.SCH) XBRL Taxonomy Extension Schema Document
- (101.DEF) XBRL Taxonomy Extension Definition Linkbase Document
- (101.CAL) XBRL Taxonomy Extension Calculation Linkbase Document
- (101.LAB) XBRL Taxonomy Extension Label Linkbase Document
- (101.PRE) XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COOPER TIRE & RUBBER COMPANY

/s/ Christopher J. Eperjesy

Christopher J. Eperjesy
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Mark A. Young

Mark A. Young
Chief Accounting Officer
(Principal Accounting Officer)

October 28, 2019

(Date)

-46-

[\(Back To Top\)](#)

Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit (31.1)

CERTIFICATIONS

I, Bradley E. Hughes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cooper Tire & Rubber Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2019

/s/ Bradley E. Hughes

Bradley E. Hughes, President,
Chief Executive Officer and Director

[\(Back To Top\)](#)

Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit (31.2)

CERTIFICATIONS

I, Christopher J. Eperjesy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cooper Tire & Rubber Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2019

/s/ Christopher J. Eperjesy

Christopher J. Eperjesy, Senior Vice President and
Chief Financial Officer

[\(Back To Top\)](#)

Section 4: EX-32 (EXHIBIT 32)

Exhibit (32)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cooper Tire & Rubber Company (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: October 28, 2019

/s/ Bradley E. Hughes

Name: Bradley E. Hughes
Title: Chief Executive Officer

/s/ Christopher J. Eperjesy

Name: Christopher J. Eperjesy
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

[\(Back To Top\)](#)