

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 March 31, 2002

OR

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

Commission File No. 1-4329

**COOPER TIRE & RUBBER COMPANY**

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

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

Lima and Western Avenues, Findlay, Ohio 45840  
(Address of principal executive offices)  
(Zip code)

(419) 423-1321  
(Registrant's telephone number, including area code)

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

Yes  No

Number of shares of common stock of registrant outstanding  
at April 19, 2002: 73,129,958

## **TABLE OF CONTENTS**

### Part I. FINANCIAL INFORMATION

#### Item 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Part II. OTHER INFORMATION

#### Item 1. LEGAL PROCEEDINGS.

#### Item 6(b). REPORTS ON FORM 8-K.

#### SIGNATURES

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	December 31, 2001	March 31, 2002 (Unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 71,835	\$ 84,561
Accounts receivable, less allowances of \$13,159 in 2001 and \$14,167 in 2002	497,180	569,279
Inventories at lower of cost (last-in,first-out) or market:		
Finished goods	207,484	197,877
Work in process	32,838	39,155
Raw materials and supplies	66,156	60,623
	<u>306,478</u>	<u>297,655</u>
Prepaid expenses, deferred income taxes and assets held for sale	76,604	69,756
	<u>952,097</u>	<u>1,021,251</u>
Property, plant and equipment – net	1,206,074	1,186,896
Goodwill, net of accumulated amortization of \$33,199 in 2001 and 2002	427,895	427,895
Intangibles, net of accumulated amortization of \$14,698 in 2001 and \$15,821 in 2002, and other assets	178,184	173,287
	<u>\$2,764,250</u>	<u>\$2,809,329</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable	\$ 15,875	\$ 9,520
Accounts payable	191,802	230,020
Accrued liabilities	222,503	251,746
Income taxes	564	612
Current portion of long-term debt	217,161	170,028
	<u>647,905</u>	<u>661,926</u>
Long-term debt	882,134	885,119
Postretirement benefits other than pensions	197,757	201,108
Other long-term liabilities	106,202	111,274
Deferred income taxes	20,012	20,218
Stockholders' equity:		
Preferred stock, \$1 par value; 5,000,000 shares authorized; none issued	—	—
Common stock, \$1 par value; 300,000,000 shares authorized; 83,903,845 shares issued in 2001 and 84,331,133 shares issued in 2002	83,904	84,331
Capital in excess of par value	4,658	9,728
Retained earnings	1,103,080	1,121,550
Cumulative other comprehensive loss	(84,390)	(88,913)
	<u>1,107,252</u>	<u>1,126,696</u>
Less: 11,303,900 common shares in treasury at cost	(197,012)	(197,012)
	<u>910,240</u>	<u>929,684</u>
	<u>\$2,764,250</u>	<u>\$2,809,329</u>

See accompanying notes.

COOPER TIRE & RUBBER COMPANY  
CONSOLIDATED STATEMENTS OF INCOME  
THREE MONTHS ENDED MARCH 31, 2001 AND 2002  
(UNAUDITED)  
(Dollar amounts in thousands except per-share amounts)

	2001	2002
Net sales	\$757,614	\$812,977
Cost of products sold	661,496	691,099
Gross profit	96,118	121,878
Selling, general and administrative	62,853	60,567
Restructuring	922	517
Amortization of goodwill	3,850	—
Class action costs	3,500	—
Operating profit	24,993	60,794
Interest expense	23,290	20,001
Other income — net	(4,115)	(659)
Income before income taxes	5,818	41,452
Provision for income taxes	2,170	15,337
Net income	3,648	26,115
Other comprehensive income (loss):		
Currency translation adjustment	(19,721)	(4,927)
Unrealized net gains on derivative instruments	1,153	404
Comprehensive income (loss)	\$ (14,920)	\$ 21,592
Basic and diluted earnings per share	\$ 0.05	\$ 0.36
Weighted average number of shares outstanding (000's)	72,617	73,361
Dividends per share	\$ 0.105	\$ 0.105

See accompanying notes.

COOPER TIRE & RUBBER COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2002  
(UNAUDITED)  
(Dollar amounts in thousands)

	2001	2002
Operating activities:		
Net income	\$ 3,648	\$ 26,115
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	41,805	41,976
Amortization of goodwill and other intangibles	5,305	1,528
Deferred income taxes	467	444
Changes in operating assets and liabilities:		
Accounts receivable	(6,766)	(76,231)
Inventories	(52,694)	8,062
Prepaid expenses	12,247	6,729
Accounts payable	27,999	38,585
Accrued liabilities	13,782	28,766
Other liabilities	(31,511)	10,049
Net cash provided by operating activities	14,282	86,023
Investing activities:		
Property, plant and equipment	(37,724)	(23,857)
Acquisition of businesses	(1,050)	—
Other	5,572	1,201
Net cash used in investing activities	(33,202)	(22,656)
Financing activities:		
Issuance of debt	56,776	4,138
Payment on debt	(52,338)	(53,486)
Payment of dividends	(7,617)	(7,645)
Issuance of common shares	—	5,497
Net cash used in financing activities	(3,179)	(51,496)
Effects of exchange rate changes on cash	1,185	855
Changes in cash and cash equivalents	(20,914)	12,726
Cash and cash equivalents at beginning of period	45,795	71,835
Cash and cash equivalents at end of period	\$ 24,881	\$ 84,561
Cash payments for interest	\$ 11,574	\$ 11,362
Cash payments for income taxes	\$ 7,314	\$ 8,900

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollar amounts in thousands except per-share amounts)

- The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

The balance sheet at December 31, 2001 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Certain amounts for 2001 have been restated to conform to 2002 presentation.

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

	Three months ended March 31	
	2001	2002
<b>Revenues from external customers:</b>		
Tire Group	\$388,235	\$433,430
Automotive Group	376,788	386,041
Eliminations	(7,409)	(6,494)
<b>Net sales</b>	<b>\$757,614</b>	<b>\$812,977</b>
<b>Segment profit:</b>		
Tire Group	\$ 16,204	\$ 43,392
Automotive Group	10,271	21,425
Unallocated corporate charges and eliminations	(1,482)	(4,023)
<b>Operating profit</b>	<b>24,993</b>	<b>60,794</b>
Interest expense	23,290	20,001
Other income – net	(4,115)	(659)
<b>Income before income taxes</b>	<b>\$ 5,818</b>	<b>\$ 41,452</b>

- The Company is continuing its efforts to sell certain facilities in North America and Europe as part of its restructuring efforts. At March 31, 2002, assets of \$30,300 were classified as assets held for sale with sales agreements in place on several properties.
- The Company has an accrual recorded for employee separation and other exit costs relating to a plan for the reorganization and closing of certain manufacturing facilities in Europe and the closure of its automotive

sealing plant in Kittanning, PA. As of March 31, 2002, these initiatives are substantially complete. These plans are expected to be completed by the end of the second quarter 2002. The following summarizes the restructuring charges and activity in the accrual account since December 31, 2001:

	Employee Separation Costs
Accrual at 12/31/01	\$1,000
Cash payments	(90)
Accrual at 3/31/02	<u>\$ 910</u>

In the first quarter of 2002, the Company continued its restructuring efforts in order to improve efficiencies and reduce costs throughout its worldwide operations. Under a restructuring plan announced in the fourth quarter of 2000, approximately 1,100 employees have been targeted for termination. During the quarter 51 employees were terminated, bringing the total to 852 as of March 31, 2002. The following table summarizes the activity in the accrual account since December 31, 2001:

	Employee Separation Costs	Other Exit Costs	Total
Accrual at 12/31/01	\$ 8,900	\$1,400	\$10,300
Cash payments	(2,100)	(500)	(2,600)
Accrual at 3/31/02	<u>\$ 6,800</u>	<u>\$ 900</u>	<u>\$ 7,700</u>

In the fourth quarter of 2001, the Company announced a restructuring plan to improve efficiencies and reduce costs in its North American operations. Under this plan approximately 385 employees were targeted for termination. During the quarter 183 employees were terminated, bringing the total to 216 as of March 31, 2002. The Company expects to complete this plan by the fourth quarter of 2002. The following table summarizes the activity in the accrual account since December 31, 2001:

	Employee Separation Costs	Other Exit Costs	Total
Accrual at 12/31/01	\$ 4,000	\$ 600	\$ 4,600
Cash payments	(1,100)	(300)	(1,400)
Accrual at 3/31/02	<u>\$ 2,900</u>	<u>\$ 300</u>	<u>\$ 3,200</u>

The restructuring costs of \$517 included in the Consolidated Statement of Income in the first quarter of 2002 include non-accrualable costs in Europe, administrative locations in North America and a production facility in Mexico.

- Effective January 1, 2002, the Company adopted SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." Purchased goodwill and indefinite-lived intangible assets were no longer amortized as of that date, but will be tested for impairment annually. The Company also reevaluated its intangible assets and determined that any changes in their useful lives was not material to the results of its operations. At March 31, 2002, unamortized purchased goodwill was approximately \$428,000 (Tire segment \$45,000 and Automotive segment \$383,000). Pursuant to SFAS No. 142, the Company will complete its test for goodwill impairment during the second quarter 2002 and, if impairment is indicated, record such impairment as a cumulative effect of accounting change effective January 1, 2002. The

Company is currently evaluating the effect that the impairment review may have on its consolidated results of operations and financial position. For the three months ended March 31, 2001, the Company's reported net income and basic and diluted earnings per share were \$3,648 and five cents, respectively. When adjusted for the non-amortization provisions of SFAS No. 142, the reported net income and basic and diluted earnings per share would have been \$7,498 and ten cents, respectively.

On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. There was no material effect on the Company's consolidated results of operations or financial position.

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

### **Consolidated Results of Operations**

Consolidated net sales for the three-month period ended March 31, 2002 were \$813 million, an increase of \$55 million, or seven percent, from sales in the first three months of 2001. Operating profit was \$61 million in the first quarter of 2002 versus \$25 million in the first quarter of 2001, net income was \$26 million versus \$4 million in the first quarter of 2001, and earnings per share were 36 cents compared to five cents in the first quarter of 2001. These increases occurred in both the tire and automotive segments, and resulted from both a stronger economy and market share increases. When results for the first quarter of 2001 are adjusted to eliminate the impact of goodwill amortization and class action defense costs, neither of which impacted results in the first three months of 2002, operating profit was \$7 million, net income was \$6 million, and earnings per share were eight cents. The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," on January 1, 2002 which eliminated the amortization of goodwill and intangible assets with indefinite lives.

Selling, general, and administrative expenses were \$61 million in the first quarter of 2002 (7.4 percent of net sales) compared to \$64 million (8.4 percent of net sales) in the same period in 2001. The decreases in 2002 are due to the achievement of cost reductions and the higher sales level.

Interest expense was \$20 million in the first three months of 2002, compared to \$23 million in the same period of 2001, reflecting the repayment of debt and lower interest rates.

Other income decreased more than \$3 million to \$659,000 in the first quarter of 2002 from last year's first quarter, reflecting the premium cost for the repurchase of a portion of the Company's public notes in 2002 and a gain from the sale of an aircraft during the first quarter of 2001. The decline in 2002 was partially mitigated by decreases in foreign currency losses in the first three months of 2002 from those recorded in the comparable period of 2001.

The Company's effective income tax rate of 37.0 percent for the first quarter of 2002 is lower than the 37.3 percent rate reported for the first three months of 2001. This decrease is due to the elimination of the amortization of non-deductible goodwill in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." The Company's inability to record the tax benefits of losses in certain of the Company's foreign subsidiaries and the uncertain continuation of United States tax incentives relating to export sales partially offset the benefit of the change in goodwill amortization.

### **Tire Segment**

#### **Overview**

Sales of passenger car and light truck tire replacement units in the United States market increased in the first quarter of 2002 by approximately five percent from sales levels in the first quarter of 2001, due in significant part to a strengthening economy. Low-priced tires continue to be imported into the United States market at high levels.



## **Sales**

Sales of the Tire segment were \$433 million in the first quarter of 2002, an increase of \$45 million, or 12 percent, from \$388 million in the first quarter of 2001. Tire unit sales for the first three months of 2002 increased 13 percent from the comparable 2001 period.

The segment's sales increase was largely achieved in the North American passenger and light truck tire market and resulted primarily from improvements in market share, increased purchases in advance of announced price increases effective in March 2002, and higher consumer demand. The first quarter of 2001 was marked by weakening economic conditions, slack demand following the abnormally high demand for certain tires generated by the Firestone recall announced in August 2000, and increased purchases in the fourth quarter of 2000 ahead of a January 1, 2001 price increase. The segment's sales of passenger tires increased by 17 percent in the first quarter of 2002 over the same period one year ago versus an industry-wide sales increase of five percent. Sales of light truck tires increased by eight percent in the first quarter of 2002 over the first quarter of 2001, while industry-wide sales in this category increased by five percent.

Sales of the segment's international operations decreased three percent in the first three months of 2002 from the comparable period of 2001, due primarily to the strength of the United States dollar. Sales of the segment's commercial products operations were unchanged year over year. Declines in custom rubber mixing sales were offset by gains in the sales of radial medium truck tires.

## **Operating Profit**

Operating profit improved from \$16 million in the first quarter of 2001 to \$43 million in the first three months of 2002. The absence in the first quarter of 2002 of the amortization of goodwill, class action defense costs, and restructuring expense accounted for \$4 million of the improvement. The remainder was due to the substantial increase in unit sales, lower raw material costs, price increases implemented in North America during the third quarter of 2001, and lower product liability provisions. The segment is continuing the production curtailments initiated during the second quarter of 2001. The cost of these production curtailments during the first three months of 2002 was offset by improvements in production efficiencies.

Operating profit of the segment's international operations improved during the first quarter of 2002, due primarily to progress achieved on a strategic initiative commenced in 2000 to streamline the various product lines offered by its United Kingdom subsidiary to focus on higher-margin premium and performance tires, and to improvements in production efficiencies.

Profitability of the segment's commercial products operations also improved in the first quarter of 2002, due most significantly to the achievement of production efficiencies that resulted, in part, from increased production and sales of radial medium truck tires.

## **Outlook**

The segment expects to experience continued strong demand for its products in the second quarter of 2002. This expectation is consistent with the upward revision made by a leading trade association in its forecast for replacement tire sales for all of 2002, as the economy strengthens to a greater extent than had originally been anticipated. The segment has implemented a price increase effective March 1, 2002. It is not certain whether this increase will have an adverse impact on sales for the second quarter. If expectations for strengthened sales are realized, the segment will be able to avoid additional production curtailments and shutdown days, which are expensive measures that can have an adverse impact on the segment's profitability level.

The commercial products division expects to benefit from gradually improving economic conditions in the commercial trucking industry during the remainder of 2002 and the inclusion of sales from former Hercules customers for all of 2002. Economic conditions within the commercial trucking industry were extremely weak in the first three months of 2002. Current industry forecasts are for conditions to improve over the balance of the year, with overall growth of approximately two percent in 2002.

The Company has tentatively settled numerous class action lawsuits pending against it involving its tires. Additional information about the lawsuits is included in the "Contingencies" section of this Management's Discussion and Analysis.

The segment may also begin to be impacted later in 2002 by the Transportation Recall Enhancement Accountability and Documentation Act ("TREAD Act") which became law on November 1, 2000, and which will directly impact the tire industry. The TREAD Act and any regulations promulgated under the Act are applicable to all tire manufacturers and importers of tires who sell tires in the United States, regardless of where such tires are manufactured. The Company continues to work with the Rubber Manufacturers' Association in reviewing and preparing tire industry comments on the proposed rules. The Company will continue to closely monitor these rules and assess the potential financial impact on the Company as the regulations become final and are implemented.

## **Automotive Segment**

### **Overview**

The Company's Automotive segment serves automotive original equipment manufacturers ("OEMs") throughout the world. Light vehicle production in North America increased by approximately 3.5 percent in the first quarter of 2002 over the first quarter of 2001, as general economic conditions began to improve during the quarter. Production in Europe and South America declined eight percent and ten percent, respectively, during the quarter from the comparable period in 2001.

Notwithstanding the improvement in light vehicle sales which occurred during the quarter, the pricing environment remains difficult for automobile manufacturers, and as a result, they continue to seek price reductions from suppliers. As a result, emphasis on continuous improvement, lean manufacturing, and other cost reduction initiatives is essential to achieving targeted financial results.

### **Sales**

Sales for the Automotive segment were \$386 million in the first quarter of 2002, an increase of 2.5 percent from \$377 million in the first quarter of 2001. The sales increase was the result of net new business, the increase in light vehicle production in North America from the levels of the first quarter of 2001, and specific increases on certain vehicles the production of which increased by a greater amount than the overall market. These increases were partially offset by the decreases in light vehicle production in Europe and South America, the impact of lower prices for certain of the segment's products and the discontinuance of certain programs for which the segment provided products.

### **Operating Profit**

Operating profit for the first quarter of 2002 was \$21 million, an improvement from the \$10 million reported for the first quarter of 2001. Results for the current quarter did not include the amortization of goodwill, which has been eliminated in accordance with new accounting standards. Results for the first quarter of 2001 would have been \$3 million higher had goodwill not been amortized during that quarter. In addition, restructuring costs of \$427,000 and \$822,000 impacted operating profit for the first quarters of 2002 and 2001, respectively.

The higher North American light vehicle production levels in the first three months of 2002, together with the impact of the segment's restructuring, lean manufacturing, and other cost reduction initiatives, were responsible for the higher operating profits reported by the segment. In addition, during the first quarter of 2001, the segment was not able to adjust its cost structure for the significant reductions in light vehicle production levels which were occurring and inefficiencies created by erratic scheduling resulting from the short lead times given by the OEMs in advance of frequent production curtailments. During the first quarter of 2002, the segment was able to

operate its facilities more efficiently as a result of more stable OEM production levels. The volume and operating cost efficiencies were partially offset by price reductions granted to the segment's customers during 2001.

The segment's business outside of North America was not profitable in the first quarter of 2002, due to decreases in light vehicle production levels, inefficient operations in both the sealing and fluid systems units in the United Kingdom, and the continued effects of weak economic conditions in Brazil and Argentina. During the first quarter of 2001, the segment's international business was marginally profitable. The year over year decline is due to substantial declines in the performance of the segment's operations in Brazil where weak economic conditions have significantly reduced sales and operating profits.

## **Outlook**

The performance of the Automotive segment over the remainder of 2002 is dependent upon several factors. The overall level of light vehicle production is a significant influence on the segment's level of profitability. Given encouraging economic news thus far in 2002, the segment has increased its estimate for projected North America light vehicle production.

The segment has a significant amount of new business launching over the next 18 months. The efficient and effective launch of this new business is important to the segment.

Performance is also dependent on the extent of price reductions negotiated with the segment's customers. As is the case with automotive suppliers generally, the segment is currently engaged in discussions with its major customers for additional price reductions.

In Europe, the segment expects that given stable economic conditions, it will improve its profitability in 2002 because of the growing efficiency of its operations and the impact of having fully implemented the restructuring plan, which will occur before the end of the year. In South America, significant additional cost reductions are being implemented to adjust for an expected continuation of weak economic conditions. In addition, increased volume associated with new product launches beginning in the second half of the year are expected to result in improved performance.

## **Company Summary**

The Company's current expectation for the second quarter of 2002 is an improvement in earnings per share to approximately 45 cents to 50 cents from the 25 cents earned in the second quarter of 2001. This expectation is attributable to anticipated improvements in the sales volumes of the Company's tire products and the incremental contribution of net new automotive business, continued low raw material costs, and to the other factors outlined in the "Outlook" sections under both the Tire and Automotive segment summaries. A weakening of economic conditions from levels currently anticipated would adversely impact results, but the impact of the new automotive business awarded, the completion of the Company's restructuring programs and a relentless emphasis on lean manufacturing and other cost reduction efforts have improved the Company's overall profitability level.

## **Liquidity and Capital Resources**

Net cash provided by operating activities was \$86 million in the first three months of 2002, \$72 million higher than the \$14 million generated in the first three months of 2001. Changes in operating assets and liabilities resulted in the availability of \$53 million more cash in the first quarter of 2002 than in the first quarter of 2001.

Net cash used in investing activities during the first quarter of 2002 reflects capital expenditures of \$24 million, compared to \$38 million in the comparable 2001 period. Capital expenditures in 2002 are expected to approximate \$150 million, primarily to support new business launching in 2002 and 2003, advances in manufacturing technology and process improvements throughout the Company's operations.

Net cash used in investing activities during the first quarter of 2001 included the purchase of certain assets of Siebe's subsidiary in India. The Company sold various assets in the first three months of 2001, including an aircraft, for \$6 million.

Through its financing activities in the first three months of 2002, the Company reduced its total debt by \$49 million. The reduction consisted primarily of the repurchase of \$46 million of the Company's public notes. Dividends paid on the Company's common shares in both the first quarter of 2002 and 2001 were \$8 million. During the first three months of 2002, the Company generated \$5 million through the issuance of common shares from the exercise of stock options.

As of March 31, 2002, the Company was in compliance with the financial covenants contained in its credit agreements. At that date, the ratio of total indebtedness to total capitalization was 52.2 percent, under the definitions contained in the agreements. For the twelve months ended March 31, 2002, the fixed charge coverage ratio was 1.96 times, which was above the 1.5 times required under the agreement. There were no borrowings under the \$250 million credit facility with a group of eight banks at March 31, 2002. At March 31, 2001, \$153 million was outstanding under that facility.

The Company expects, given current business projections, that sufficient liquidity will be provided by cash flows from operations, the disposition of assets held for sale, its credit facilities and its loan arrangement secured by certain trade receivables to fund its obligations and commitments during the remainder of 2002. The Company's additional borrowing capacity through use of its credit agreement with its bank group, its shelf registration, and other bank lines at March 31, 2002 is \$397 million.

### **Contingencies**

The Company has had pending against it 32 separate class action lawsuits and two individual lawsuits with similar allegations filed in 30 separate state courts, plus the Commonwealth of Puerto Rico. One of the class action lawsuits purports to represent a national class. The lawsuits, all of which were filed under the auspices of the same group of plaintiffs' attorneys, assert claims under the respective states' consumer protection and deceptive trade practices statutes, and comparable commercial law and other theories. They allege that the Company used certain materials and procedures in its process of manufacturing steel-belted radial tires which could have rendered a portion of the tires unsafe, and failed to disclose those practices to purchasers of its tires. The suits were brought on behalf of all persons (excluding those who have sustained personal injury and/or property damage as a result of the alleged unlawful practices) in the respective states who purchased steel-belted radial tires manufactured by the Company from 1985 to the present, and still retain those tires. The lawsuits generally seek, on behalf of each class member, relief sufficient to secure replacement of their tires, statutory, compensatory and punitive damages, costs and attorneys' fees. The Company removed each of the actions to Federal court. Certain of the actions have been remanded to state courts, while others have been transferred by the Federal Judicial Panel on Multidistrict Litigation to the U. S. District Court for the Southern District of Ohio for consolidated pre-trial handling.

On October 26, 2001, the Company entered into a Stipulation of Settlement and Release of all of the class action lawsuits, without any admission of liability, resulting in a charge of \$54.6 million (\$33.9 million net of tax). Prior to settlement, \$17.6 million of legal and professional and tire storage costs were incurred related to the class action litigation. Certain parties have sought to have the settlement nullified. According to the terms of the Stipulation of Settlement and Release, the Company will provide (i) a five-year Enhanced Warranty Program offering a free replacement tire for an Adjustable Separation on an Eligible Cooper Tire or an alternative dispute resolution system; (ii) some modifications to final tire inspections; and (iii) a consumer education program to promote tire safety. In addition, the Company has agreed to pay plaintiffs' legal expenses as part of the settlement. Out of potentially millions of class members, only 156 chose to opt out of the Settlement. Those who opted out can pursue any legal rights they may have against the Company in separate individual lawsuits, any one of which the Company believes is unlikely to have a material adverse effect on the Company's results of operations, cash flow or financial position.

Preliminary judicial approval of the Settlement has been received. If final approval is received, the litigation will be fully resolved, unless appealed. There were 18 objectors to the Settlement. None objected to the structure of

the Settlement, but only to the content, coverage and amount of attorney's fees. A fairness hearing regarding the Settlement was held in the Superior Court of New Jersey, Middlesex County on January 29 and 30, 2002. The Court has not yet rendered its decision as to the fairness of the Settlement.

The Company is also a defendant in unrelated product liability and other actions in Federal and state courts throughout the United States in which plaintiffs assert monetary damages. If the plaintiffs in certain of those actions recovered the damages sought, the impact could be material to the Company's results of operations, cash flows, or financial position. The Company does not presently believe, however, that any liability it may have for these matters will be material to its results of operations, cash flows or financial position.

### **New Accounting Standards**

For a discussion of recent accounting pronouncements and their impact on the Company, see note five to the financial statements.

### **Forward-Looking Statements**

This report, and in particular the "Outlook" and "Liquidity and Capital Resources" sections, contain "forward-looking statements," as that term is defined under the Private Securities Litigation Reform Act of 1995, regarding projections and expectations for future financial performance, which involve uncertainty and risk. The Company cautions that although such forward-looking statements are based on assumptions that it believes are reasonable, the assumptions are subject to various risks and actual results may differ materially from what is stated in this report. Among the factors that may cause the Company's future financial performance to differ materially from those projections or expectations are the following, which include, but are not limited to: changes in economic and business conditions in the world, including economic and political changes in international markets and countries over which the Company has no control, increased competitive activity, the failure to achieve expected sales levels, the failure to reach agreement with the Company's automotive customers regarding price reductions, consolidation among the Company's competitors and customers, technology advancements, unexpected costs and charges, fluctuations in raw material and energy prices and the unavailability of raw materials and energy sources, government regulatory initiatives, including the proposed regulations under the TREAD Act, the cyclical nature and overall health of the global automotive industry, the loss of a major customer or program, risks associated with new vehicle launches, the failure to achieve the savings anticipated from the announced restructuring plans, the risks to the economy associated with external events, including those resulting from the events of September 11, 2001 and the impact on the economy of similar events which may occur in the future, litigation brought against the Company, the inability to obtain insurance coverage sufficient to cover the principal risks to the Company, and other unanticipated events and conditions. In addition, it is possible that the Company will fail to obtain final approval of the settlement of class action litigation which has been described under "Contingencies" herein.

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

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

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There has been no material change in market risk at March 31, 2002 from that detailed in the Company's Annual Report on Form 10-K filed with the U. S. Securities and Exchange Commission for the year ended December 31, 2001.

## **Part II. OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS.**

The Company has had pending against it 32 separate class action lawsuits and two individual lawsuits with similar allegations filed in 30 separate state courts, plus the Commonwealth of Puerto Rico. One of the class action lawsuits purports to represent a national class. The lawsuits, all of which were filed under the auspices of the same group of plaintiffs' attorneys, assert claims under the respective states' consumer protection and deceptive trade practices statutes, and comparable commercial law and other theories. They allege that the Company used certain materials and procedures in its process of manufacturing steel-belted radial tires which could have rendered a portion of the tires unsafe, and failed to disclose those practices to purchasers of its tires. The suits were brought on behalf of all persons (excluding those who have sustained personal injury and/or property damage as a result of the alleged unlawful practices) in the respective states who purchased steel-belted radial tires manufactured by the Company from 1985 to the present, and still retain those tires. The lawsuits generally seek, on behalf of each class member, relief sufficient to secure replacement of their tires, statutory, compensatory and punitive damages, costs and attorneys' fees. The Company removed each of the actions to Federal court. Certain of the actions have been remanded to state courts, while others have been transferred by the Federal Judicial Panel on Multidistrict Litigation to the U. S. District Court for the Southern District of Ohio for consolidated pre-trial handling.

On October 26, 2001, the Company entered into a Stipulation of Settlement and Release of all of the class action lawsuits, without any admission of liability, resulting in a charge of \$54.6 million (\$33.9 million net of tax). Prior to settlement, \$17.6 million of legal and professional and tire storage costs were incurred related to the class action litigation. Certain parties have sought to have the settlement nullified. According to the terms of the Stipulation of Settlement and Release, the Company will provide (i) a five-year Enhanced Warranty Program offering a free replacement tire for an Adjustable Separation on an Eligible Cooper Tire or an alternative dispute resolution system; (ii) some modifications to final tire inspections; and (iii) a consumer education program to promote tire safety. In addition, the Company has agreed to pay plaintiffs' legal expenses as part of the settlement. Out of potentially millions of class members, only 156 chose to opt out of the Settlement. Those who opted out can pursue any legal rights they may have against the Company in separate individual lawsuits, any one of which the Company believes is unlikely to have a material adverse effect on the Company's results of operations, cash flow or financial position.

Preliminary judicial approval of the Settlement has been received. If final approval is received, the litigation will be fully resolved, unless appealed. There were 18 objectors to the Settlement. None objected to the structure of the Settlement, but only to the content, coverage and amount of attorney's fees. A fairness hearing regarding the Settlement was held in the Superior Court of New Jersey, Middlesex County on January 29 and 30, 2002. The Court has not yet rendered its decision as to the fairness of the Settlement.

The Company is also a defendant in unrelated product liability and other actions in Federal and state courts throughout the United States in which plaintiffs assert monetary damages. If the plaintiffs in certain of those actions recovered the damages sought, the impact could be material to the Company's results of operations, cash flows, or financial position. The Company does not presently believe, however, that any liability it may have for these matters will be material to its results of operations, cash flows or financial position.

### **Item 6(b). REPORTS ON FORM 8-K.**

A Form 8-K was filed on March 14, 2002 related to the announcement of a change in the Company's first quarter 2002 earnings expectations.

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/ P. G. Weaver

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P. G. Weaver  
Vice President and Chief  
Financial Officer  
(Principal Financial Officer)

/S/ E. B. White

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E. B. White  
Corporate Controller  
(Principal Accounting Officer)

May 1, 2002  
(Date)