COOPER TIRE & RUBBER CO
Form 10-Q
November 02, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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

701 Lima Avenue, Findlay, Ohio 45840

(Address of principal executive offices)

(Zip code)

(419) 423-1321

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Number of shares of common stock of registrant outstanding

At October 31, 2015: 56,046,353

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, 2014	**2015**
Net sales	$ 920,082	**$ 782,368**
Cost of products sold	762,878	**628,414**
Gross profit	157,204	**153,954**
Selling, general and administrative expense	67,829	**71,787**
Operating profit	89,375	**82,167**
Interest expense	(7,050)	**(5,889)**
Interest income	305	**533**
Other non-operating income (expense)	(1,253)	**1,362**
Income before income taxes	81,377	**78,173**
Provision for income taxes	26,740	**24,524**
Net income	54,637	**53,649**
Net income attributable to noncontrolling shareholders interests	6,938	**473**
Net income attributable to Cooper Tire & Rubber Company	$ 47,699	**$ 53,176**
Basic earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	$ 0.79	**$ 0.94**
Diluted earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	$ 0.77	**$ 0.93**
Dividends per share	$ 0.105	**$ 0.105**

See accompanying notes to Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(Dollar amounts in thousands)

	Three Months Ended September 30,	
	2014	**2015**
Net income	$ 54,637	**$ 53,649**
Other comprehensive income (loss)		
Foreign currency translation adjustments	(13,537)	**(22,506)**
Financial instruments		
Change in the fair value of derivatives and marketable securities	4,923	**1,360**
Income tax provision on derivative instruments	(1,942)	**(505)**
Financial instruments, net of tax	2,981	**855**
Postretirement benefit plans		
Amortization of actuarial loss	9,147	**11,708**
Amortization of prior service credit	(141)	**(141)**
Income tax provision on postretirement benefit plans	(3,075)	**(4,108)**
Foreign currency translation effect	5,435	**3,934**
Postretirement benefit plans, net of tax	11,366	**11,393**
Other comprehensive income (loss)	810	**(10,258)**
Comprehensive income	55,447	**43,391**
Less comprehensive income (loss) attributable to noncontrolling shareholders interests	5,857	**(1,904)**
Comprehensive income attributable to Cooper Tire & Rubber Company	$ 49,590	**$ 45,295**

See accompanying notes to Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(Dollar amounts in thousands except per-share amounts)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015
Net sales	$ 2,605,225	**$ 2,197,355**
Cost of products sold	2,152,810	**1,751,754**
Gross profit	452,415	**445,601**
Selling, general and administrative expense	205,540	**193,652**
Operating profit	246,875	**251,949**
Interest expense	(20,960)	**(18,485)**
Interest income	1,088	**1,609**
Other non-operating income (expense)	(787)	**3,034**
Income before income taxes	226,216	**238,107**
Provision for income taxes	75,093	**81,818**
Net income	151,123	**156,289**
Net income attributable to noncontrolling shareholders interests	19,808	**2,769**
Net income attributable to Cooper Tire & Rubber Company	$ 131,315	**$ 153,520**
Basic earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	$ 2.10	**$ 2.68**
Diluted earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	$ 2.07	**$ 2.65**
Dividends per share	$ 0.315	**$ 0.315**

See accompanying notes to Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(Dollar amounts in thousands)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, **2015**
Net income	$ 151,123	**$ 156,289**
Other comprehensive income (loss)		
Foreign currency translation adjustments	(12,730)	**(26,072)**
Financial instruments		
Change in the fair value of derivatives and marketable securities	1,934	**(684)**
Income tax (provision) benefit on derivative instruments	(856)	**327**
Financial instruments, net of tax	1,078	**(357)**
Postretirement benefit plans		
Amortization of actuarial loss	27,438	**35,066**
Amortization of prior service credit	(424)	**(425)**
Income tax provision on postretirement benefit plans	(9,267)	**(12,313)**
Foreign currency translation effect	2,193	**2,943**
Postretirement benefit plans, net of tax	19,940	**25,271**
Other comprehensive income (loss)	8,288	**(1,158)**
Comprehensive income	159,411	**155,131**
Less comprehensive income (loss) attributable to noncontrolling shareholders interests	17,754	**(1,261)**
Comprehensive income attributable to Cooper Tire & Rubber Company	$ 141,657	**$ 156,392**

See accompanying notes to Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands except per-share amounts)

	December 31, 2014	**September 30, 2015 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 551,652	**$ 424,232**
Notes receivable	4,546	**10,917**
Accounts receivable, less allowances of $8,792 at 2014 and $8,404 at 2015	368,393	**423,731**
Inventories at lower of cost or market:		
Finished goods	302,032	**335,081**
Work in process	28,611	**28,247**
Raw materials and supplies	91,208	**101,520**
	421,851	**464,848**
Other current assets	81,110	**92,127**
Total current assets	1,427,552	**1,415,855**
Property, plant and equipment:		
Land and land improvements	49,760	**48,853**
Buildings	277,602	**277,354**
Machinery and equipment	1,552,140	**1,613,234**
Molds, cores and rings	218,827	**227,101**
	2,098,329	**2,166,542**
Less accumulated depreciation	1,358,126	**1,397,237**
Net property, plant and equipment	740,203	**769,305**
Goodwill	18,851	**18,851**
Intangibles, net of accumulated amortization of $49,010 at 2014 and $58,932 at 2015	137,784	**134,047**
Restricted cash	653	**791**
Deferred income tax assets	148,183	**131,228**
Other assets	16,705	**17,267**
Total assets	$ 2,489,931	**$ 2,487,344**
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	$ 64,551	**$ 17,646**
Accounts payable	258,373	**228,939**
Accrued liabilities	184,332	**222,385**
Income taxes payable	1,994	**12,036**

Current portion of long-term debt	2,115	**600**
Total current liabilities	511,365	**481,606**
Long-term debt	298,931	**297,320**
Postretirement benefits other than pensions	264,305	**263,885**
Pension benefits	373,360	**329,938**
Other long-term liabilities	152,775	**146,015**
Deferred income tax liabilities	4,934	**3,856**
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	87,850	**87,850**
Capital in excess of par value	5,742	**12,239**
Retained earnings	1,867,126	**2,042,443**
Cumulative other comprehensive loss	(530,602)	**(527,730)**
	1,430,116	**1,614,802**
Less: common shares in treasury at cost (29,698,893 at 2014 and 31,550,219 at 2015)	(586,324)	**(688,369)**
Total parent stockholders equity	843,792	**926,433**
Noncontrolling shareholder interest in consolidated subsidiary	40,469	**38,291**
Total equity	884,261	**964,724**
Total liabilities and equity	$ 2,489,931	**$ 2,487,344**

See accompanying notes to Condensed Consolidated Financial Statements.

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COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Dollar amounts in thousands)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, **2015**
Operating activities:		
Net income	$ 151,123	**$ 156,289**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	105,319	**90,588**
Deferred income taxes	2,717	**2,205**
Stock-based compensation	5,845	**11,710**
Change in LIFO inventory reserve	(54,464)	**(45,132)**
Amortization of unrecognized postretirement benefits	27,014	**34,641**
Changes in operating assets and liabilities:		
Accounts and notes receivable	(187,541)	**(66,628)**
Inventories	(35,518)	**(5,762)**
Other current assets	(2,681)	**(19,193)**
Accounts payable	58,482	**(24,849)**
Accrued liabilities	52,519	**45,489**
Other items	(24,825)	**(46,116)**
Net cash provided by operating activities	97,990	**133,242**
Investing activities:		
Additions to property, plant and equipment	(112,126)	**(128,601)**
Proceeds from the sale of assets	1,089	**1,555**
Net cash used in investing activities	(111,037)	**(127,046)**
Financing activities:		
Net issuances of (payments on) short-term debt	163,473	**(39,131)**
Additions to long-term debt	15,634	
Repayments of long-term debt	(13,363)	**(3,125)**
Payment of financing fees		**(2,586)**
Repurchase of common stock	(200,000)	**(82,800)**
Payment of dividends to noncontrolling shareholder	(2,570)	**(917)**
Payment of dividends to Cooper Tire & Rubber Company shareholders	(19,432)	**(17,998)**
Issuance of common shares and excess tax benefits on stock options	3,890	**19,665**
Net cash used in financing activities	(52,368)	**(126,892)**
Effects of exchange rate changes on cash	3,462	**(6,724)**

Changes in cash and cash equivalents	(61,953)	**(127,420)**
Cash and cash equivalents at beginning of year	397,731	**551,652**
Cash and cash equivalents at end of period	$ 335,778	**$ 424,232**

See accompanying notes to Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per-share amounts)

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 the Company s passenger and truck replacement tires, but sales of light vehicle replacement tires are generally strongest during the third and fourth quarters of the year. Winter tires are sold principally during the months of June through November. Operating results for the nine-month period ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ended December 31, 2015.

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 venture is a business established and maintained in connection with the Company s operating strategy. All intercompany transactions and balances have been eliminated.

Debt Facilities

In the second quarter, the Company entered into a revolving credit facility with a consortium of banks that provides up to $400,000 based on available collateral, including a $110,000 letter of credit subfacility, and expires in May 2020. The Company may elect to increase the commitments under the revolving credit facility or incur one or more tranches of term loans in an aggregate amount of up to $100,000, subject to the satisfaction of certain conditions. The Company may elect to add certain foreign subsidiaries as additional borrowers under the Credit Agreement (the Foreign Borrowers), subject to the satisfaction of certain conditions.

All of the indebtedness of the Company and any Foreign Borrowers under the revolving credit facility is guaranteed by certain of the Company s domestic subsidiaries and secured by substantially all of the assets of the Company and the domestic guarantors, subject to certain limitations. All of the indebtedness of any Foreign Borrower will be guaranteed by the Company and the material foreign subsidiaries and direct parent companies of such Foreign Borrower, subject to certain exceptions, and secured by substantially all of the assets of the Company, the Foreign Borrowers and the guarantors.

Borrowings under the revolving credit facility bear interest at a rate per annum equal to, at the Company s option, either (i) the base rate plus the applicable margin or (ii) the relevant adjusted LIBOR for an interest period of one, two, three or six months (as selected by the Company), or such other period of time approved by the Lenders, plus the applicable margin.

The revolving credit facility contains certain customary non-financial covenants. In addition, the revolving credit facility contains financial covenants that require the Company to maintain a net leverage ratio and interest coverage ratio in accordance with the limits set forth therein.

In connection with entering into the revolving credit facility, the Company terminated its former $200,000 credit facility.

In the second quarter, the Company amended its accounts receivable securitization facility, reducing the borrowing limit from $175,000 to $150,000 and extending the maturity until May 2018. The accounts receivable securitization facility has no significant financial covenants until available credit is less than specified amounts.

These credit facilities are undrawn, other than to secure letters of credit, at September 30, 2015.

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 accounting standards updates. Accounting standards updates 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

Discontinued Operations In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which requires that a disposal representing a strategic shift that has or will have a major effect on an entity s financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The standard is effective for the annual and interim periods beginning after December 15, 2014. Accordingly, the Company has formally adopted the new standard; however, the adoption did not have an impact on the Company s condensed consolidated financial statements.

Accounting Pronouncements To be adopted

Revenue Recognition In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers in an amount that the entity expects to be entitled to in exchange for those goods or services. The standard provides a five-step model to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The standard also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity s contracts with customers. The standard was proposed to be effective for annual and interim periods beginning after December 15, 2016. On August 12, 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which defers the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The standard permits the use of either a retrospective or cumulative effect transition method. The Company has not yet selected a transition method and is currently evaluating the impact the new standard will have on its condensed consolidated financial statements and related disclosures.

Consolidation   In February 2015, the FASB issued ASU 2015-02,   Amendments to the Consolidation Analysis,   which modifies the existing consolidation model, particularly for those entities with a variable interest in other legal entities. The standard is effective for the annual and interim periods beginning after December 15, 2015 and can be applied using either a retrospective or modified retrospective approach. Early adoption is permitted. The Company has concluded that the adoption of this standard will not have a material impact on its condensed consolidated financial statements.

Debt Issuance Costs   In April 2015, the FASB issued ASU 2015-03,   Simplifying the Presentation of Debt Issuance Costs,   which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. Application of the standard, which is required to be applied retrospectively, is required for the annual and interim periods beginning after December 15, 2015. The adoption of this standard will result in a reclassification of debt issuance costs associated with the Company s long-term debt from other assets to long-term debt in the condensed consolidated financial statements. The Company will early adopt the new standard in the fourth quarter of 2015. In August 2015, the FASB issued ASU 2015-15,   Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which allows the presentation of debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. This is consistent with the Company s accounting policy for debt issuance costs associated with the aforementioned revolving credit and accounts receivable securitization facilities.

Intangibles   In April 2015, the FASB issued ASU 2015-05,   Customer s Accounting for Fees Paid in a Cloud Computing Arrangement,   which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company has concluded that the adoption of this standard will not have a material impact on its condensed consolidated financial statements.

Fair Value Measurements   In May 2015, the FASB issued ASU 2015-07,   Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),   which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendment also limits disclosure to investments for which the practical expedient has been elected instead of all investments eligible for the practical expedient. Application of the standard, which must be applied retrospectively, is required for the annual and interim periods beginning after December 15, 2015. The Company is currently evaluating the impact the new standard will have on the footnote disclosures to its condensed consolidated financial statements.

Inventory   In July 2015, the FASB issued ASU 2015-11,   Simplifying the Measurement of Inventory,   which is intended to simplify the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. The guidance applies only to inventories for which cost is determined by methods other than last-in first-out and the retail inventory method. Application of the standard, which should be applied prospectively, is required for the annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its condensed consolidated financial statements.

Business Combinations   In September 2015, the FASB issued ASU 2015-16,   Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments,   which requires acquirers to recognize adjustments to provisional amounts identified during the reporting period in which the adjustment amounts are determined. Acquirers should record, in the same period s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. Application of the standard, which should be applied prospectively, is required for the annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The new standard may have an impact on the Company s condensed consolidated financial statements in the event of a business combination.

2. CCT Agreements

On January 29, 2014, the Company entered into an agreement (the CCT Agreement) with Chengshan Group Company Ltd. (Chengshan) and The Union of Cooper Chengshan (Shandong) Tire Company Co., Ltd. (the Union) regarding Cooper Chengshan (Shandong) Tire Company Ltd. (CCT) that, among other matters, provided Chengshan, with certain conditions and exceptions, a limited contractual right to either (i) purchase the Company s 65 percent equity interest in CCT for 65 percent of the Option Price (as defined below) or (ii) sell its 35 percent equity interest in CCT to the Company for 35 percent of the Option Price. In the event Chengshan elected not to exercise its right to purchase the Company s equity interest or sell its interest in CCT to the Company, the Company had the right to purchase Chengshan s 35 percent equity interest in CCT for 35 percent of the Option Price subject to certain conditions. In the event neither Chengshan nor the Company exercised their respective options prior to their expiration, the agreement allowed for continuation of the joint venture as then structured.

The Option Price under the CCT Agreement was defined as the greater of (i) the fair market value of CCT on a stand-alone basis, which value would not take into consideration the value of the trademarks and technologies licensed by the Company to CCT, as determined by an internationally recognized valuation firm (the CCT valuation) and (ii) $435,000.

Under the terms of the CCT Agreement, once the Option Price was determined, the noncontrolling shareholder had 45 days to elect to either purchase the Company s 65 percent ownership interest in CCT for 65 percent of the Option Price or sell to the Company its 35 percent ownership interest in CCT at 35 percent of the Option Price, or do neither. If the noncontrolling shareholder did not exercise these options, the options would expire and the Company would have the right to purchase the noncontrolling shareholder s 35 percent ownership interest in CCT at 35 percent of the Option Price. The CCT Agreement provided that, if the CCT valuation was not provided on or before August 11, 2014 (as such date may be extended, the Option Commencement Deadline), the options of both parties would terminate and be of no effect unless the Company, at its sole discretion, elected to extend the deadline for the CCT valuation. On August 11, 2014, the Company extended the Option Commencement Deadline from August 11, 2014 to August 14, 2014 to allow the parties to finalize the Option Agreement, as defined below, and related matters.

As contemplated by the CCT Agreement, on August 14, 2014, the Company, Cooper Tire Investment Holding (Barbados) Ltd., a wholly owned subsidiary of CTB, Chengshan and Prairie Investment Limited (Prairie), a wholly owned subsidiary of Chengshan, entered into an option agreement (the Option Agreement). The Option Agreement further extended the Option Commencement Deadline until August 24, 2014. Furthermore, the Option Agreement, among other matters, set forth the details for exercising the options under the CCT Agreement and effecting the transactions pursuant thereto.

The CCT Agreement and the Option Agreement were separate and in addition to the purchase, sale, transfer, right of first refusal and other protective rights set forth in the existing joint venture agreement between the Company and Chengshan with respect to CCT, which continued to be in effect and fully operational.

The Company determined the CCT Agreement constituted an accounting extinguishment and new issuance of the Chengshan Group s equity interest in CCT. In accordance with ASC 810, Consolidation , changes in a parent s interest while the parent retains its controlling financial interest in its subsidiary shall be accounted for as equity transactions. Therefore, gains and losses were not recorded in the Condensed Consolidated Statements of Income as a result of the

CCT Agreement. The Company was required to measure the noncontrolling shareholder interest at fair value as of January 29, 2014, the transaction date (the Transaction Date Assessment).

The measurement of the noncontrolling shareholder interest as of the transaction date related to the CCT Agreement was determined by assessing CCT as an ongoing component of the Company s operations. The CCT Agreement Transaction Date Assessment was not meant to be representative of the fair market value of CCT as a stand-alone entity as defined by the CCT Agreement. Further, the Transaction Date Assessment also considered specific discounts attributable to a noncontrolling shareholder interest, including discounts for lack of control of the entity and lack of marketability. Any adjustment to the noncontrolling shareholder interest as a result of the Transaction Date Assessment was offset by a reduction to Capital in excess of par value, to the extent available, with any remaining amount treated as a reduction in Retained earnings.

In addition, because the CCT Agreement provided put and call options to the noncontrolling shareholder interest owner, these options were measured at fair value (the Options Assessment). Adjustments to the carrying value of the noncontrolling shareholder interest as a result of the Options Assessment were to be treated like a dividend to the noncontrolling shareholder interest owner. Any adjustment to the noncontrolling shareholder interest as a result of the Options Assessment was to be offset by a reduction to Retained earnings and reflected in the computation of earnings per share available to the Company s common stockholders.

Further, as a result of the CCT Agreement, during the term of its put option rights, the noncontrolling shareholder interest in CCT had redemption features that were not within the control of the Company. Accordingly, the noncontrolling shareholder interest in CCT was recorded outside of total equity during the interim period between the CCT Agreement and eventual date of sale as described below. If the Transaction Date Assessment and Options Assessment resulted in a noncontrolling shareholder interest that was less than 35 percent of the minimum Option Price, ASC 480, Distinguishing Liabilities from Equity , required that the noncontrolling shareholder interest be adjusted to 35 percent of the minimum Option Price.

The Company s CCT Agreement Transaction Date Assessment, in accordance with the appropriate accounting guidance, resulted in an adjustment to the redeemable noncontrolling shareholder interest of $28,285, increasing the total noncontrolling shareholder interest to $152,250. The Options Assessment did not result in any further adjustment to the redeemable noncontrolling shareholder interest. The redeemable noncontrolling shareholder interest was classified outside of permanent equity on the Company s Condensed Consolidated Balance Sheet, in accordance with the authoritative accounting guidance.

On August 24, 2014, the CCT valuation was completed by an internationally recognized valuation firm. The CCT valuation amount was approximately $437,700. As contemplated by the CCT Agreement, the CCT Valuation amount was to be used as the Option Price, as it was greater than $435,000. Subsequent to the Transaction Date Assessment, in accordance with ASC 480, the carrying value of the redeemable noncontrolling shareholder interest was evaluated to determine if the redemption value as of the reporting date exceeded the carrying value. At September 30, 2014, no adjustment to the redeemable noncontrolling shareholder interest was required as the carrying value of $168,435 was greater than the redemption value of $153,206, which was 35 percent of the CCT valuation amount of $437,700.

The Company determined that the recurring fair value measurements related to CCT relied primarily on Company-specific inputs and the Company s assumptions about the use of the assets and settlements of liabilities, as observable inputs were not available and, as such, resided within Level 3 of the fair value hierarchy as defined in Note 5 Fair Value Measurements. The Company utilized third parties to assist in the determination of the fair value of CCT based upon internal and external inputs considering various relevant market transactions, discounted cash flow valuation methods and probability weighting, among other factors.

In October 2014, the Company received the required documentation from the noncontrolling shareholder interest owner indicating its intent to exercise its call option under the CCT Agreement. On November 26,

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2014, the Chinese State Administration for Industry & Commerce issued a new business license for CCT and on November 30, 2014, the Company completed the sale of its 65 percent ownership interest in CCT to Prairie, all in accordance with the previously described Option Agreement between the Company and Chengshan, referred to as the Sale. In connection with the Sale, the name of CCT was changed to Prinx Chengshan (Shandong) Tire Company Ltd. Under the terms of the CCT Agreement, the Company received approximately $262,000, in cash, net of taxes and including dividends. The sale of CCT resulted in a gain on sale, net of tax, of $55,704. Subsequent to the Sale, the Company continues to have off-take rights, with CCT agreeing to produce Cooper branded products until mid-2018.

The Company evaluated the Sale to determine if it met the discontinued operations criteria in accordance with ASC 205 Presentation of Financial Statements . Based upon the Company s significant continuing involvement in the operations of CCT through the off-take agreements, the Sale is not deemed to meet the discontinued operations criteria. CCT was presented in the Condensed Consolidated Financial Statements of the Company through the Sale date.

The following table reflects the results of CCT included in the Company s Condensed Consolidated Statements of Income for the three- and nine-month periods ended September 30, 2014:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Net Sales		
External Customers	$ 150,387	$ 479,239
Intercompany	38,045	99,136
	$ 188,432	$ 578,375
Operating Profit	$ 23,482	$ 69,735
Net income attributable to Cooper Tire & Rubber Company	$ 11,253	$ 34,296

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3. Earnings Per Share

Net income per share is computed on the basis of the weighted average number of common shares outstanding during the period. 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,	
	2014	**2015**	2014	**2015**
Numerator				
Numerator for basic and diluted earnings per share - Net income attributable to common stockholders	$ 47,699	**$ 53,176**	$ 131,315	**$ 153,520**
Denominator				
Denominator for basic earnings per share - weighted average shares outstanding	60,606	**56,693**	62,504	**57,332**
Effect of dilutive securities - stock options and other stock units	1,023	**539**	969	**602**
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	61,629	**57,232**	63,473	**57,934**
Basic earnings per share:				
Net income attributable to Cooper Tire & Rubber Company common stockholders	$ 0.79	**$ 0.94**	$ 2.10	**$ 2.68**
Diluted earnings per share:				
Net income attributable to Cooper Tire & Rubber Company common stockholders	$ 0.77	**$ 0.93**	$ 2.07	**$ 2.65**

All options to purchase shares of the Company s common stock were included in the computation of diluted earnings per share as the options exercise prices were less than the average market price of the common shares at both September 30, 2014 and 2015.

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 first-in, first-out (FIFO) method was $419,977 and $413,180 at December 31, 2014 and September 30, 2015, respectively. These FIFO values have been reduced by approximately $126,231 and $81,099 at December 31, 2014 and September 30, 2015, respectively, to arrive at the LIFO value reported on the Condensed Consolidated Balance Sheets. The remaining inventories have been valued under the FIFO or average cost methods. All inventories are stated at the lower of cost or market.

5. 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 fair value and cash flow hedges of foreign currency exposures. The change in values of the fair value foreign currency hedges offsets exchange rate fluctuations on the foreign currency-denominated intercompany loans and obligations. The Company presently hedges exposures in the Euro, Canadian dollar, British pound sterling, Swiss franc, Swedish krona, Norwegian krone, Mexican peso and Chinese yuan generally for transactions expected to occur within the next 12 months. The notional amount of these foreign currency derivative instruments at December 31, 2014 and September 30, 2015 was $170,750 and $158,062, respectively. The counterparties to each of these agreements are major commercial banks.

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

Foreign currency forward contracts are also used to hedge variable cash flows associated with forecasted sales and purchases denominated in currencies that are not the functional currency of certain entities. The forward contracts have maturities of less than twelve months pursuant to the Company s policies and hedging practices. These forward contracts meet the criteria for and have been designated as cash flow hedges. Accordingly, the effective portion of the change in fair value of such forward contracts (approximately $5,719 and $5,035 as of December 31, 2014 and September 30, 2015, 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 assesses hedge ineffectiveness quarterly using the hypothetical derivative method. In doing so, the Company monitors the actual and forecasted foreign currency sales and purchases versus the amounts hedged to identify any hedge ineffectiveness. Any hedge ineffectiveness is recorded as an adjustment in the accompanying Condensed Consolidated Statements of Income in the period in which the ineffectiveness occurs. The Company also performs regression analysis comparing the change in value of the hedging contracts versus the underlying foreign currency sales and purchases, which confirms a high correlation and hedge effectiveness.

The 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)	December 31, 2014	**September 30, 2015**
Designated as hedging instruments:		
Gross amounts recognized	$ 6,483	**$ 5,400**
Gross amounts offset	(504)	**(133)**
Net amounts	$ 5,979	**$ 5,267**
Not designated as hedging instruments:		
Gross amounts recognized		**405**
Other current assets	$ 5,979	**$ 5,672**

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The following table presents the location and amount of gains and losses on derivative instruments in the Condensed Consolidated Statements of Income:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
Derivatives Designated as Cash Flow Hedges	2014	**2015**	2014	**2015**
Amount of Gain Recognized in Other Comprehensive Income on Derivatives (Effective Portion)	$ 5,808	**$ 5,712**	$ 4,119	**$ 10,658**
Amount of Gain Reclassified from Cumulative Other Comprehensive Loss into Income (Effective Portion)	885	**4,352**	2,185	**11,342**
Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion)	218	**(53)**	45	**28**

Derivatives not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives Three Months Ended September 30,		Nine Months Ended September 30,	
		2014	**2015**	2014	**2015**
Foreign exchange contracts	Other non-operating income (expense)	$ 314	**$ (879)**	$ 270	**$ 405**

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 asset and liability values are based on unadjusted quoted prices for an identical asset or liability in an active market that the Company has the ability to access.

Level 2. Financial asset and liability 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 asset and liability 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 exchange forward contracts 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. As of December 31, 2014 and September 30, 2015, 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 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:

	December 31, 2014			
	Total Derivative Assets (Liabilities)	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Foreign Exchange Contracts	$ 5,979	$	$ 5,979	$
Stock-based Liabilities	$ (19,079)	$ (19,079)	$	$

	September 30, 2015			
	Total Derivative Assets (Liabilities)	**Quoted Prices in Active Markets for Identical Assets Level (1)**	**Significant Other Observable Inputs Level (2)**	**Significant Unobservable Inputs Level (3)**
Foreign Exchange Contracts	**$ 5,672**	**$**	**$ 5,672**	**$**
Stock-based Liabilities	**$ (18,526)**	**$ (18,526)**	**$**	**$**

The following tables present the carrying amounts and fair values for the Company s financial instruments carried at cost on the Condensed Consolidated Balance Sheets. The fair value of the Company s debt is based upon the market price of the Company s publicly-traded debt. The carrying amounts and fair values of the Company s financial instruments are as follows:

	December 31, 2014			
		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Instruments Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Cash and cash equivalents	$ 551,652	$ 551,652	$	$
Notes receivable	4,546	4,546		
Restricted cash	653	653		
Notes payable	(64,551)	(64,551)		
Current portion of long-term debt	(2,115)	(2,115)		
Long-term debt	(298,931)	(325,431)		

	September 30, 2015			
		Fair Value Measurements Using		
	Carrying Amount	**Quoted Prices in Active Markets for Identical Instruments Level (1)**	**Significant Other Observable Inputs Level (2)**	**Significant Unobservable Inputs Level (3)**
Cash and cash equivalents	**$ 424,232**	**$ 424,232**	**$**	**$**
Notes receivable	**10,917**	**10,917**		
Restricted cash	**791**	**791**		
Notes payable	**(17,646)**	**(17,646)**		
Current portion of long-term debt	**(600)**	**(600)**		
Long-term debt	**(297,320)**	**(317,620)**		

6. Income Taxes

For the quarter ended September 30, 2015, the Company recorded income tax expense of $24,524 (effective rate of 31.4 percent) compared with $26,740 (effective rate of 32.9 percent) for the comparable period in 2014. For the nine-month period ended September 30, 2015, the Company recorded income tax expense of $81,818 (effective rate of 34.4 percent) compared with $75,093 (effective rate of 33.2 percent) for the comparable period in 2014. The 2015 quarter and nine-month period income tax expense is calculated using the forecasted multi-jurisdictional annual effective tax rates to determine a blended annual effective tax rate. This rate differs from the U.S. federal statutory rate of 35 percent primarily because of the projected mix of earnings in international jurisdictions with lower tax rates, partially offset by losses in jurisdictions with no tax benefit due to valuation allowances. Income tax expense for the current quarter is lower due primarily to discrete benefits recorded during the quarter, compared with the same period of the prior year. Income tax expense for the nine-month period is higher due to increased earnings, primarily in the U.S, combined with decreased earnings in foreign jurisdictions, compared with the same period of the prior year.

The Company continues to maintain a valuation allowance pursuant to ASC 740, Accounting for Income Taxes, against a portion of its U.S. and non-U.S. deferred tax asset position at September 30, 2015, as it cannot assure the utilization of these assets before they expire. In the U.S., the Company has offset a portion of its deferred tax asset relating primarily to a capital loss carryforward by a valuation allowance of $20,635. The capital loss carryforward in the U.S. is scheduled to expire in the fourth quarter of 2015. In addition, the Company has recorded valuation allowances of $12,645 relating to non-U.S. net operating losses for a total valuation allowance of $33,280. 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 they are deemed to be realizable.

The Company maintains an ASC 740-10, Accounting for Uncertainty in Income Taxes, liability for unrecognized tax benefits for permanent and temporary differences. At September 30, 2015, the Company s liability, exclusive of interest, totals approximately $6,238. The Company reduced the amount of unrecognized tax benefits during the quarter, primarily as a result of lapses in statutes. The Company accrued an immaterial amount of interest expense related to these unrecognized tax benefits during the quarter. Based upon the outcome of tax examinations, judicial proceedings, or expiration of statutes of limitations, it is reasonably 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.

The Company and its subsidiaries are subject to income tax examination in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company has effectively settled U.S. federal tax examinations for years before 2011 and state and local examinations for years before 2010, with limited exceptions. Non-U.S. subsidiaries of the Company are no longer subject to income tax examinations in major foreign taxing jurisdictions for years prior to 2008.

7. 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, 2014 and 2015 for the Company s defined benefit plans and other postretirement benefits:

	Pension Benefits - Domestic			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2015**	2014	**2015**
Components of net periodic benefit cost:				
Service cost	$ 2,440	**$ 2,759**	$ 7,320	**$ 8,278**
Interest cost	10,711	**10,051**	32,132	**30,151**
Expected return on plan assets	(13,136)	**(13,665)**	(39,407)	**(40,995)**
Amortization of actuarial loss	7,005	**9,878**	21,016	**29,636**
Net periodic benefit cost	$ 7,020	**$ 9,023**	$ 21,061	**$ 27,070**

	Pension Benefits - International			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2015**	2014	**2015**
Components of net periodic benefit cost:				
Service cost	$ 3	**$ 2**	$ 9	**$ 7**
Interest cost	4,972	**4,018**	14,907	**11,920**
Expected return on plan assets	(5,063)	**(3,148)**	(15,178)	**(9,339)**
Amortization of actuarial loss	2,142	**1,830**	6,422	**5,430**
Net periodic benefit cost	$ 2,054	**$ 2,702**	$ 6,160	**$ 8,018**

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2015**	2014	**2015**
Components of net periodic benefit cost:				
Service cost	$ 601	**$ 628**	$ 1,803	**$ 1,884**
Interest cost	2,827	**2,580**	8,479	**7,740**
Amortization of prior service cost	(141)	**(141)**	(424)	**(425)**
Amortization of actuarial loss				
Net periodic benefit cost	$ 3,287	**$ 3,067**	$ 9,858	**$ 9,199**

8. Product Warranty Liabilities

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

	Product Warranty
Reserve at December 31, 2013	$ 30,853
Additions	13,983
Payments	(14,886)
Reserve at September 30, 2014	$ 29,950
Reserve at December 31, 2014	**$ 14,005**
Additions	**7,106**
Payments	**(8,272)**
Reserve at September 30, 2015	**$ 12,839**

The CCT portion of the warranty accrual consisted of a December 31, 2013 reserve of $16,807, additions to the reserve of $5,624 and payments of $6,976 for the nine months ended September 30, 2014.

9. Stockholders Equity

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

	Total Parent Stockholders Equity	Total Equity Noncontrolling Shareholder Interest in Consolidated Subsidiary	Total Stockholders Equity
Balance at December 31, 2014	$ 843,792	$ 40,469	$ 884,261
Net income	153,520	2,769	156,289
Other comprehensive income	2,872	(4,030)	(1,158)
Share repurchase program	(82,800)		(82,800)
Stock compensation plans	27,047		27,047
Cash dividends - $0.315 per share	(17,998)		(17,998)
Dividend paid to noncontrolling shareholder		(917)	(917)
Balance at September 30, 2015	$ 926,433	$ 38,291	$ 964,724

10. Share Repurchase Programs

On August 6, 2014, the Board of Directors authorized the repurchase of up to $200,000 of the Company s outstanding common stock pursuant to an accelerated share repurchase program, and the Company entered into a $200,000 accelerated share repurchase program (the ASR program) with J.P. Morgan Chase Bank (the ASR Counterparty). The Company paid $200,000 to the ASR Counterparty in August 2014 and received 5,567,154 shares of its common stock, which represented approximately 80 percent of the shares expected to be purchased pursuant to the ASR program, based on the closing price on August 6, 2014. Under the terms of the ASR program, the ASR Counterparty was permitted, in accordance with the applicable requirements of the federal securities laws, to separately trade in the Company s shares in connection with the hedging activities related to the ASR program and as part of other aspects of the ASR Counterparty s business.

On February 13, 2015, the Company completed the ASR program. Based on the terms of the ASR program, the total number of shares repurchased under the ASR program was based on the volume-weighted average price of the Company s common stock, less a discount, during the repurchase period, which resulted in the Company receiving an additional 784,694 shares of its common stock from the ASR Counterparty at maturity. As a result, under the ASR program, the Company paid a total of $200,000 to the ASR Counterparty and received a total of 6,351,848 shares (5,567,154 shares initially received, plus 784,694 shares received at maturity) of its common stock, which represents a volume weighted average price, as adjusted pursuant to the terms of the ASR program, of $31.49 over the duration of the ASR program.

On February 20, 2015, the Board of Directors authorized a new program to repurchase up to $200,000 of the Company s common stock through December 31, 2016. This share repurchase program does not obligate the Company to acquire any specific number of shares and may be suspended or discontinued at any time without notice. Under the program, shares may 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.

During the nine months ended September 30, 2015, subsequent to the Board of Directors February 20, 2015 authorization, the Company repurchased 2,110,633 shares of the Company s common stock under this program for $82,800, including applicable commissions, which represents an average price of $39.23 per share. As of September 30, 2015, approximately $117,263 remained of the $200,000 share repurchase program. All repurchases under this program were made using cash resources.

Since the share repurchases began in August 2014, the Company to date has repurchased 8,462,481 shares of the Company s common stock at an average cost of $33.42 per share.

11. Stock-Based Compensation

The Company s incentive compensation plans allow the Company to grant awards to certain employees in the form of stock options, stock awards, restricted stock units, stock appreciation rights, performance stock units, dividend equivalents and other awards. Compensation related to these awards is determined based on the fair value on the date of grant and is amortized to expense over the vesting period. The Company recognizes compensation expense based on the earlier of the vesting date or the date when the employee becomes eligible to retire without forfeiture of the award. If awards can be settled in cash, these awards are recorded as liabilities and marked to market.

The following table discloses the amount of stock-based compensation expense for the three- and nine-month periods ended September 30, 2014 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2015**	2014	**2015**
Stock options	$ 1,058	**$ 303**	$ 3,147	**$ 3,681**
Restricted stock units	749	**1,027**	1,058	**4,109**
Performance stock units	426	**1,706**	1,640	**3,920**
Total stock-based compensation	$ 2,233	**$ 3,036**	$ 5,845	**$ 11,710**

Stock Options

In February 2013, employees participating in the 2013-2015 Long-Term Incentive Plan were granted 330,639 stock options which vest one-third each year through February 2016. In February 2014, employees participating in the 2014-2016 Long-Term Incentive Plan were granted 380,064 stock options which vest one-third each year through February 2017. No stock options were granted in the nine-month period ended September 30, 2015.

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

	2014
Risk-free interest rate	2.00%
Dividend yield	1.8%
Expected volatility of the Company s common stock	0.64
Expected life in years	6.0

The weighted average fair value of options granted in 2014 was $12.26.

The following table provides details of the stock option activity for the nine months ended September 30, 2015:

	Number of Shares
Outstanding at December 31, 2014	1,765,922
Granted	
Exercised	(852,413)
Expired	(18,459)
Canceled	(53,632)
Outstanding at September 30, 2015	841,418
Exercisable	*513,059*

Restricted Stock Units

In February 2015, employees participating in the 2015-2017 Long-Term Incentive Plan were granted 105,102 restricted stock units which vest one-third each year through February 2018. Compensation related to the restricted stock units granted is determined based on the fair value of the Company s stock on the date of grant and is amortized to expense over the vesting period. The Company recognizes compensation expense based on the earlier of the vesting date or the date when the employee becomes eligible to retire without forfeiture of the award. The weighted average fair value of restricted stock units granted in 2015 was $36.78.

The following table provides details of the nonvested restricted stock unit activity for the nine months ended September 30, 2015:

	Number of Restricted Stock Units
Nonvested at December 31, 2014	197,838
Granted	111,052
Vested	(95,047)
Canceled	(19,869)
Accrued dividend equivalents	2,236
Nonvested at September 30, 2015	196,210

Performance Stock Units

Employees participating in the Company s Long-Term Incentive Plan for the plan year 2013 2015, earn performance stock units and cash. Any units and cash earned during 2013, 2014 and 2015 will vest at December 31, 2015.

Employees participating in the Company s Long-Term Incentive Plan for the plan year 2014 2016, earn performance stock units and cash. Any units and cash earned during 2014 and 2015 will vest at December 31, 2016.

Employees participating in the Company s Long-Term Incentive Plan for the plan year 2015 2017, earn performance stock units and cash. Any units and cash earned during 2015 will vest at December 31, 2017.

The following table provides details of the nonvested performance stock units under the Company s Long-Term Incentive Plans:

	Number of Performance Stock Units
Performance stock units outstanding at December 31, 2014	83,515
Granted	117,789
Canceled	(11,008)
Accrued dividend equivalents	798

Performance stock units outstanding at September 30, 2015	191,094

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

12. Changes in Cumulative Other Comprehensive Loss by Component

The following table presents the changes in Cumulative Other Comprehensive Loss by Component for the three- and nine-month periods ended September 30, 2015. All amounts are presented net of tax. Amounts in parentheses indicate debits.

	Three Months Ended September 30, 2015			
	Cumulative Currency Translation Adjustment	Changes in the Fair Value of Derivatives and Unrealized Gains (Losses)	Unrecognized Postretirement Benefit Plans	Total
June 30, 2015	$ 7,146	$ 3,550	$ (530,545)	$ (519,849)
Other comprehensive income (loss) before reclassifications	(20,129)	3,548(a)	3,934(c)	$ (12,647)
Amount reclassified from accumulated other comprehensive income		(2,693)(b)	7,459(d)	$ 4,766
Net current-period other comprehensive income (loss)	(20,129)	855	11,393	(7,881)
September 30, 2015	$ (12,983)	$ 4,405	$ (519,152)	$ (527,730)

(a) This amount represents $5,712 of unrealized gains on cash flow hedges, net of tax of $2,164 that were recognized in Other Comprehensive Loss (see Footnote 5 for additional details).

(b) This amount represents $4,352 of gains on cash flow hedges, net of tax of $1,659, that were reclassified out of Cumulative Other Comprehensive Loss and are included in Other non-operating income (expense) on the Condensed Consolidated Statements of Income (see Footnote 5 for additional details).

(c) This amount represents $4,980 of other comprehensive income, net of tax of $1,046 that was recognized in Other Comprehensive Loss.

(d) This amount represents amortization of prior service credit of $141 and amortization of actuarial losses of ($11,708) net of tax of $4,108 that were reclassified out of Cumulative Other Comprehensive Loss and are included in the computation of net periodic benefit cost (see Footnote 7 for additional details).

	Nine Months Ended September 30, 2015			
	Cumulative Currency Translation Adjustment	**Changes in the Fair Value of Derivatives and Unrealized Gains (Losses)**	**Unrecognized Postretirement Benefit Plans**	**Total**
December 31, 2014	$ 9,059	$ 4,762	$ (544,423)	$ (530,602)
Other comprehensive income (loss)before reclassifications	(22,042)	6,732(a)	2,943(c)	(12,367)
Amount reclassified from accumulated other comprehensive income		(7,089)(b)	22,328(d)	15,239
Net current-period other comprehensive income (loss)	(22,042)	(357)	25,271	2,872
September 30, 2015	$ (12,983)	$ 4,405	$ (519,152)	$ (527,730)

(a) This amount represents $10,658 of unrealized gains on cash flow hedges, net of tax of $3,926 that were recognized in Other Comprehensive Loss (see Footnote 5 for additional details).

(b) This amount represents $11,342 of gains on cash flow hedges, net of tax of $4,253, that were reclassified out of Cumulative Other Comprehensive Loss and are included in Other non-operating income (expense) on the Condensed Consolidated Statements of Income (see Footnote 5 for additional details).

(c) This amount represents $3,725 of other comprehensive income, net of tax of $782 that was recognized in Other Comprehensive Loss.

(d) This amount represents amortization of prior service credit of $425 and amortization of actuarial losses of ($35,066) net of tax of $12,313, that were reclassified out of Cumulative Other Comprehensive Loss and are included in the computation of net periodic benefit cost (see Footnote 7 for additional details).

13. Comprehensive Income Attributable to Noncontrolling Shareholders Interests

The following table provides the details of the comprehensive income attributable to noncontrolling shareholders interests:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2015**	2014	**2015**
Net income attributable to noncontrolling shareholders interests	$ 6,938	**$ 473**	$ 19,808	**$ 2,769**
Other comprehensive income:				
Currency translation adjustments	(1,081)	**(2,377)**	(2,054)	**(4,030)**
Comprehensive income attributable to noncontrolling shareholders interests	$ 5,857	**$ (1,904)**	$ 17,754	**$ (1,261)**

14. 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 involve different types of tires, models and lines, different circumstances surrounding the accident such as different applications, vehicles, speeds, road conditions, weather conditions, driver error, tire repair and maintenance practices, service life conditions, as well as different jurisdictions and different injuries. In addition, in many of the Company s 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, light truck, SUV, radial medium truck 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, 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. The liability often cannot be determined with precision until the claim is resolved.

Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. The Company uses a range of 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. 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. The Company s experience has demonstrated that its estimates have been reasonably accurate and, on average, cases are settled at amounts close to the reserves established. However, it is possible an individual claim from time to time may result in an aberration from the norm and could have a material impact.

The Company determines its reserves using the number of incidents expected during a year. During the first nine months of 2015, the Company increased its product liability reserve by $46,356. The addition of another year of self-insured incidents accounted for $36,593 of this increase. Settlements and changes in the amount of reserves for cases where sufficient information is known to estimate a liability increased by $9,763.

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 paid $17,888 during the third quarter of 2015 to resolve cases and claims and has paid $51,346 through the first nine months of 2015. The Company s product liability reserve balance at December 31, 2014 totaled $178,891 (the current portion of $69,892 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 September 30, 2015 totaled $173,901 (current portion of $69,699).

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 offset by recoveries of legal fees. Legal costs are expensed as incurred and product liability insurance premiums are amortized over coverage periods.

For the three-month periods ended September 30, 2014 and 2015, product liability expenses totaled $21,227 and $20,067, respectively. For the nine-month periods ended September 30, 2014 and 2015, product liability expenses totaled $62,039 and $63,604, respectively. Product liability expenses are included in Cost of goods sold in the Condensed Consolidated Statements of Income.

Federal Securities Litigation

On January 17, 2014, alleged stockholders of the Company filed a putative class-action lawsuit against the Company and certain of its officers in the United States District Court for the District of Delaware relating to the terminated merger agreement with subsidiaries of Apollo Tyres Ltd. That lawsuit, captioned OFI Risk Arbitrages, et al. v. Cooper Tire & Rubber Co., et al., No. 1:14-cv-00068-LPS, generally alleges that the Company and certain officers violated the federal securities laws by issuing allegedly misleading disclosures in connection with the terminated transaction and seeks, among other things, damages. The Company and its officers believe that the allegations against them lack merit and intend to defend the lawsuit vigorously. On July 1, 2015, the court dismissed the plaintiffs amended complaint and closed the case. The plaintiffs have filed an appeal of the dismissal order.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for these proceedings at the time a loss is probable and the amount of the loss can be estimated.

The outcome of these pending proceedings cannot be predicted with certainty and an estimate of any such loss cannot be made at this time. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company s liquidity, financial condition or results of operations.

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Stockholder Derivative Litigation

On February 24, March 6, and April 17, 2014, purported stockholders of the Company filed derivative actions on behalf of the Company in the U.S. District Court for the Northern District of Ohio and the U.S. District Court for the District of Delaware against certain officers and employees and the then current members of the Company s board of directors. The lawsuits have been transferred to the U.S. District Court for the District of Delaware and consolidated under the caption Fitzgerald v. Armes, et al., No. 1:14-cv-479 (D. Del.). The Company is named as a nominal defendant in the lawsuits, and the lawsuits seek recovery for the benefit of the Company. The plaintiffs allege that the defendants breached their fiduciary duties to the Company by issuing allegedly misleading disclosures in connection with the terminated merger transaction and that the defendants violated Section 14(a) of the Securities Exchange Act of 1934 by means of the same allegedly misleading disclosures. The plaintiffs also assert claims for waste of corporate assets, unjust enrichment, gross mismanagement and abuse of control. The complaints seek, among other things, unspecified money damages from the defendants, injunctive relief and an award of attorney s fees. A purported shareholder of the Company has also submitted a demand to the Company s board of directors that it cause the Company to bring claims against certain of the Company s officers and directors for the matters alleged in the shareholder derivative lawsuits; following an investigation, the board of directors determined that the actions requested in the demand were not in the Company s interests and accordingly rejected the demand.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, 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.

These cases do not assert claims against the Company. The outcome of these pending proceedings cannot be predicted with certainty and an estimate of any loss cannot be made at this time. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company s liquidity, financial condition or results of operations.

Other Litigation

In addition to the proceedings described above, the Company is involved in various other legal proceedings arising in the ordinary course of business. The Company regularly reviews the probable outcome of these proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for these proceedings at the time a loss is probable and the amount of the loss can be estimated. Although the outcome of these pending proceedings cannot be predicted with certainty and an estimate of any such loss cannot be made, the Company believes that any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company s liquidity, financial condition or results of operations.

15. Business Segments

In the first quarter of 2015, the Company announced the creation of a Chief Operating Officer position with responsibility for Cooper s worldwide operations throughout North America, Asia, Europe and Latin America. The Company made this organizational change to provide a more cohesive global approach to the Company s business and to better leverage the Company s brands, products and manufacturing footprint around the world. As a result of these organizational changes, the Company evaluated its segment reporting under ASC 280, Segments.

Based on this evaluation, it was determined that the Company has four reportable 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 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 has a joint venture manufacturing operation in Mexico, Corporacion de Occidente SA de CV (COOCSA), which supplies passenger car tires to the U.S., Mexican, Central American and South American markets. The segment also distributes tires for racing, medium truck and motorcycles. The racing and motorcycle tires are manufactured in the Company s European Operations segment and by others. Subsequent to the Company s sale of its ownership interest in CCT, the medium truck tires have been sourced through an off-take agreement with CCT. Major distribution channels and customers include independent tire dealers, wholesale distributors, regional and national retail tire chains, and large retail chains that sell tires as well as other automotive products. The segment does not currently sell its products directly to end users, except through three Company-owned retail stores. The segment sells a limited number of tires to original equipment manufacturers.

Both the Asia and Europe 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 Asia and Europe segments are presented as International Tire . The European operations have affiliated 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 light vehicle tires primarily for the European markets. The Asian operations have affiliated operations in the People s Republic of China (PRC). In the PRC, Cooper Kunshan Tire manufactures light vehicle tires and, under an agreement with the government of the PRC, these tires were exported to markets outside of the PRC through 2012. Beginning in 2013, tires produced at the facility have also been sold in the Chinese domestic market. The segment also had a joint venture in the PRC, CCT, which manufactured and marketed radial and bias medium truck tires, as well as passenger and light truck tires for domestic and global markets. The Company sold its ownership interest in this joint venture in November 2014, and the Company now procures these tires under off-take agreements through mid-2018. The majority of the tires manufactured by the segments are sold in the replacement market, with a portion also sold to original equipment manufacturers.

The presentation of the aggregated Americas Tire segment under the Company s new organizational structure is consistent with the segment reported as Americas Tire in prior years. Similarly, the International Tire disclosure is consistent with the Company s previously reported International Tire segment. As a result, the Company has not restated its prior year reportable segments as the composition of reportable segments did not change.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2015**	2014	**2015**
Net sales				
Americas Tire				
External customers	$ 677,444	**$ 688,982**	$ 1,846,403	**$ 1,929,222**
Intercompany	16,494	**13,478**	50,263	**44,771**
	693,938	**702,460**	1,896,666	**1,973,993**
International Tire				
External customers	242,638	**93,386**	758,822	**268,133**
Intercompany	70,777	**25,517**	191,359	**82,720**
	313,415	**118,903**	950,181	**350,853**
Eliminations	(87,271)	**(38,995)**	(241,622)	**(127,491)**
Net sales	$ 920,082	**$ 782,368**	$ 2,605,225	**$ 2,197,355**
Segment profit (loss):				
Americas Tire	$ 75,618	**$ 102,475**	$ 209,080	**$ 301,039**
International Tire	22,787	**(5,329)**	72,394	**(11,755)**
Unallocated corporate charges	(7,912)	**(15,416)**	(32,223)	**(40,084)**
Eliminations	(1,118)	**437**	(2,376)	**2,749**
Operating profit	89,375	**82,167**	246,875	**251,949**
Interest expense	(7,050)	**(5,889)**	(20,960)	**(18,485)**
Interest income	305	**533**	1,088	**1,609**
Other non-operating income (expense)	(1,253)	**1,362**	(787)	**3,034**
Income before income taxes	$ 81,377	**$ 78,173**	$ 226,216	**$ 238,107**

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, 2014	% Change	**2015**	Nine Months Ended September 30, 2014	% Change	**2015**
Net sales						
Americas Tire						
External customers	$ 677,444	1.7	**$ 688,982**	$ 1,846,403	4.5	**$ 1,929,222**
Intercompany	16,494	(18.3)	**13,478**	50,263	(10.9)	**44,771**
	693,938	1.2	**702,460**	1,896,666	4.1	**1,973,993**
International Tire						
External customers	242,638	(61.5)	**93,386**	758,822	(64.7)	**268,133**
Intercompany	70,777	(63.9)	**25,517**	191,359	(56.8)	**82,720**
	313,415	(62.1)	**118,903**	950,181	(63.1)	**350,853**
Eliminations	(87,271)	(55.3)	**(38,995)**	(241,622)	(47.2)	**(127,491)**
Net sales	$ 920,082	(15.0)	**$ 782,368**	$ 2,605,225	(15.7)	**$ 2,197,355**
Segment profit (loss):						
Americas Tire	$ 75,618	35.5	**$ 102,475**	$ 209,080	44.0	**$ 301,039**
International Tire	22,787	(123.4)	**(5,329)**	72,394	(116.2)	**(11,755)**
Unallocated corporate charges	(7,912)	94.8	**(15,416)**	(32,223)	24.4	**(40,084)**
Eliminations	(1,118)	n/m	**437**	(2,376)	n/m	**2,749**
Operating profit	89,375	(8.1)	**82,167**	246,875	2.1	**251,949**
Interest expense	(7,050)	(16.5)	**(5,889)**	(20,960)	(11.8)	**(18,485)**
Interest income	305	74.8	**533**	1,088	47.9	**1,609**
Other non-operating income (expense)	(1,253)	n/m	**1,362**	(787)	n/m	**3,034**
Income before income taxes	81,377	(3.9)	**78,173**	226,216	5.3	**238,107**
Provision for income taxes	26,740	(8.3)	**24,524**	75,093	9.0	**81,818**
Net income	54,637	(1.8)	**53,649**	151,123	3.4	**156,289**
Noncontrolling shareholders interests	6,938	(93.2)	**473**	19,808	(86.0)	**2,769**

Net income attributable to Cooper Tire & Rubber Company	$ 47,699	11.5	**$ 53,176**	$ 131,315	16.9	**$ 153,520**
Basic earnings per share	$ 0.79		**$ 0.94**	$ 2.10		**$ 2.68**
Diluted earnings per share	$ 0.77		**$ 0.93**	$ 2.07		**$ 2.65**

Consolidated net sales for the three-month period ended September 30, 2015 were $782 million, a decrease of $138 million from the comparable period one year ago. The absence of CCT resulted in decreased sales in the third quarter of 2015 ($150 million). Excluding CCT, unit volumes increased ($50 million), which was partially offset by less favorable pricing and mix ($32 million) and unfavorable exchange rates ($6 million) compared with the third quarter of 2014.

The Company recorded operating profit in the third quarter of 2015 of $82 million, a decrease of $7 million compared with the third quarter of 2014. The absence of CCT reduced operating profit by $23 million. Excluding CCT, lower raw material costs ($55 million) and higher unit volumes ($6 million) were partially offset by unfavorable pricing and mix ($18 million). Excluding CCT, manufacturing costs increased ($10 million), which included costs associated with the greater complexity of manufacturing higher value, higher margin products and higher costs related to pension and incentive based compensation. Excluding CCT, selling, general and administrative costs increased ($13 million), product liability charges decreased ($1 million) and other operating costs increased ($5 million), including unfavorable currency impacts, compared with the third quarter of 2014.

Consolidated net sales for the nine-month period ended September 30, 2015 were $2,197 million, a decrease of $408 million from the comparable period one year ago. The absence of CCT resulted in decreased sales in the first nine months of 2015 ($479 million). Excluding CCT, unit volumes increased ($149 million), which was partially offset by less favorable pricing and mix ($56 million) and unfavorable exchange rates ($22 million) compared with the third quarter of 2014.

The Company recorded operating profit in the first nine months of 2015 of $252 million, an increase of $5 million compared with the first nine months of 2014. The absence of CCT reduced operating profit by $70 million. Excluding CCT, lower raw material costs ($178 million), and higher unit volumes ($24 million) were partially offset by unfavorable pricing and mix ($60 million) and higher product liability charges ($2 million). Excluding CCT, manufacturing costs increased ($39 million) compared to the nine-month period ended September 30, 2014 primarily as a result of the previously announced reconfiguration of the Company s U.S. manufacturing plants to increase production of higher value, higher margin products, coupled with higher costs related to pension, incentive based compensation and technical spending. Excluding CCT, selling, general and administrative costs increased ($12 million) and other operating costs increased ($14 million), including unfavorable currency impacts compared with the first nine months of 2014.

The Company experienced decreases in the costs of certain of its principal raw materials in the first nine months of 2015 compared with the first nine months of 2014. The principal raw materials for the Company include natural rubber, synthetic rubber, carbon black, chemicals and steel reinforcement components. Approximately 65 percent of the Company s raw materials are petroleum-based. 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 and natural gas, procurement is managed through a combination of buying forward of production requirements and utilizing the spot market. For other principal materials, procurement arrangements include supply agreements that may contain formula-based pricing based on commodity indices, multi-year agreements or spot purchase contracts. While 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.

Product liability expenses totaled $20 million and $21 million in the third quarter of 2015 and 2014, respectively. Products liability expenses totaled $64 million and $62 million in the first nine months of 2015 and 2014, respectively. The change in the expense results from claim settlements and adjustments to existing reserves based on the Company s quarterly comprehensive review of outstanding claims. Additional information related to the Company s accounting for product liability costs appears in the Notes to the Condensed Consolidated Financial Statements.

Selling, general, and administrative expenses were $72 million in the third quarter of 2015 (9.2 percent of net sales) and $68 million in the third quarter of 2014 (7.4 percent of net sales). The absence of CCT reduced selling, general and administrative expenses by $9 million in the third quarter of 2015. Excluding CCT, the increase in selling, general and administrative expenses was driven primarily by increases in the accruals for stock-based liabilities, increased incentive based compensation and higher advertising and promotional spending due to the timing of programs. For the nine-month period ended September 30, 2015, selling, general and administrative expenses were $194 million (8.8 percent of net sales) compared with $206 million (7.9 percent of net sales) for the comparable period of 2014. The absence of CCT reduced selling, general and administrative expenses by $24 million in the first nine months of 2015. Excluding CCT, the increase in selling, general and administrative expenses was driven primarily by increased incentive based compensation.

Interest expense decreased $2 million compared with both the third quarter of 2014 and the first nine months of 2014 due primarily to the absence of CCT. Interest income has remained relatively constant during both the third quarter and on a year-to-date basis when compared to the comparable periods of 2014.

Other income increased $3 million and $4 million compared with both the third quarter of 2014 and the first nine months of 2014, respectively, due primarily to foreign currency forward contracts.

For the quarter ended September 30, 2015, the Company recorded income tax expense of $25 million (effective rate of 31.4 percent) as compared with $27 million (effective rate of 32.9 percent) for the comparable period in 2014. For the nine-month period ended September 30, 2015, the Company recorded income tax expense of $82 million (effective rate of 34.4 percent) compared with $75 million (effective rate of 33.2 percent) for the comparable period in 2014. The 2015 quarter and nine-month period income tax expense is calculated using the forecasted multi-jurisdictional annual effective tax rates to determine a blended annual effective tax rate. This is impacted by the projected mix of earnings in the U.S. and in international jurisdictions with lower tax rates, partially offset by losses in jurisdictions with no tax benefit due to valuation allowances. Income tax expense for the current quarter is lower due primarily to discrete benefits recorded during the quarter, compared with the same period of the prior year. Income tax expense for the nine-month period is higher due to increased earnings, primarily in the U.S, combined with decreased earnings in foreign jurisdictions, compared with the same period of the prior year.

The Company continues to maintain a valuation allowance pursuant to ASC 740, Accounting for Income Taxes, against a portion of its U.S. and non-U.S. deferred tax asset position, as it cannot assure the utilization of these assets before they expire. In the U.S., the Company has offset a portion of its deferred tax asset relating primarily to a capital loss carryforward by a valuation allowance of $21 million. The capital loss carryforward in the U.S. is scheduled to expire in the fourth quarter of 2015. In addition, the Company has recorded valuation allowances of $12 million relating to non-U.S. net operating losses for a total valuation allowance of $33 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 they are deemed to be realizable.

Segment Operating Results

In the first quarter of 2015, the Company announced the creation of a Chief Operating Officer position with responsibility for Cooper s worldwide operations throughout North America, Asia, Europe and Latin America. The Company made this organizational change to provide a more cohesive global approach to the Company s business and to better leverage the Company s brands, products and manufacturing footprint around the world. As a result of these organizational changes, the Company evaluated its segment reporting under ASC 280, Segments.

Based on this evaluation, it was determined that the Company has four reportable 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 in the segment disclosure.

Both the Asia and Europe 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 Asia and Europe segments are presented as International Tire.

The presentation of the aggregated Americas Tire segment under the Company s new organizational structure is consistent with the segment reported as Americas Tire in prior years. Similarly, the International Tire disclosure is consistent with the Company s previously reported International Tire segment. As a result, the Company has not restated its prior year reportable segments as the composition of reportable segments did not change.

Americas Tire Operations Segment

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	**Change**	**2015**	**2014**	**Change**	**2015**
(Dollar amounts in thousands)						
Net sales	$ 693,938	1.2%	$ 702,460	$ 1,896,666	4.1%	$ 1,973,993
Operating profit	$ 75,618	35.5%	$ 102,475	$ 209,080	44.0%	$ 301,039
Operating margin	10.9%	3.7 points	14.6%	11.0%	4.3 points	15.3%
Total unit sales change		2.1%			4.7%	
United States unit shipments changes:						
Passenger tires						
Segment		-1.0%			2.1%	
RMA members		6.2%			4.5%	
Total Industry		0.8%			-0.5%	
Light truck tires						
Segment		10.4%			11.0%	
RMA members		9.8%			7.6%	
Total Industry		9.0%			3.0%	
Total light vehicle tires						
Segment		1.5%			4.0%	
RMA members		6.6%			4.9%	
Total Industry		1.7%			-0.1%	

Overview

The Americas Tire Operations segment is the aggregation of the Company s North America and Latin America operating segments. 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 U.S., Mexican, Central American and South American markets. The segment also distributes tires for racing, medium truck and motorcycles. The racing and motorcycle tires are manufactured in the Company s European Operations segment and by others. Subsequent to the Company s sale of its ownership interest in CCT, the medium truck tires have been sourced through an off-take agreement with CCT. Major distribution channels and customers include independent tire dealers, wholesale distributors, regional and national retail tire chains, and large retail chains that sell tires as well as other automotive products. The segment does not currently sell its products directly to end users, except through three Company-owned retail stores. The segment sells a limited number of tires to original equipment manufacturers.

Sales

Net sales of the Americas Tire Operations segment for the third quarter of 2015 increased $9 million, or 1.2 percent, from the third quarter of 2014. The increase in sales was a result of increased unit volumes ($14 million), partially offset by unfavorable pricing and mix ($6 million). Unit shipments for the segment increased 2.1 percent compared with the third quarter of 2014. In the U.S., the segment s unit shipments of total light vehicle tires increased 1.5 percent in the third quarter of 2015 compared with the third quarter of 2014. This increase compares with a 6.6 percent increase in total light vehicle tire shipments experienced by the members of the Rubber Manufacturers Association (RMA), and a 1.7 percent increase in total light vehicle tire shipments experienced for the total industry (which includes an estimate for non-RMA members). The increased volume was driven by higher unit sales of light truck and SUV tires, which partially offset a slight decrease in passenger car tire sales.

Net sales of the Americas Tire Operations segment for the first nine months of 2015 increased $77 million, or 4.1 percent, from the first nine months of 2014. The increase in sales was a result of increased unit volumes ($88 million), partially offset by unfavorable pricing and mix ($11 million). Unit shipments for the segment increased 4.7 percent compared with the first nine months of 2014. In the U.S., the segment s unit shipments of total light vehicle tires increased 4.0 percent in 2015 compared with 2014. This increase compares with a 4.9 percent increase in total light vehicle tire shipments experienced by the RMA, and a 0.1 percent decrease in total light vehicle tire shipments experienced for the total industry. For the nine month period ended September 30, 2015, the increased volume was driven by higher unit sales of light truck and SUV tires, as well as passenger car tires.

Operating Profit

Operating profit for the segment for the third quarter of 2015 increased $27 million to $102 million in the third quarter of 2015. Lower raw material costs ($49 million), higher unit volumes ($3 million) and lower product liability expense ($1 million) were partially offset by unfavorable pricing and mix ($8 million). Manufacturing costs increased ($9 million), which included costs associated with the greater complexity of manufacturing higher value, higher margin products and higher costs related to pension and incentive based compensation. Selling, general and administrative costs ($6 million) were higher in the third quarter of 2015 as a result of increased incentive based compensation and increased advertising and promotional spending due to the timing of programs. Other operating costs were unfavorable ($4 million) compared with the same period in 2014.

Operating profit for the segment for the first nine months of 2015 increased $92 million to $301 million in the first nine months of 2015. Lower raw material costs ($154 million), and higher unit volumes ($18 million) were partially offset by unfavorable pricing and mix ($36 million) and higher product liability expense ($2 million). Manufacturing costs increased ($32 million) compared with the first nine months of 2014 primarily as a result of the previously announced reconfiguration of the Company s U.S. manufacturing plants, coupled with higher costs related to pension, incentive based compensation and technical spending. Selling, general and administrative costs increased ($6 million) compared with the first nine months of 2014. Other operating costs were unfavorable ($4 million) compared with the same period in 2014.

The segment s internally calculated raw material index of 157 during the quarter was a decrease of 19.3 percent from the third quarter of 2014. The raw material index increased 2.1 percent from the quarter ended June 30, 2015.

International Tire Operations Segment

(Dollar amounts in thousands)	Three Months Ended September 30, 2014	Change	2015	Nine Months Ended September 30, 2014	Change	2015
Net sales	$ 313,415	-62.1%	$ 118,903	$ 950,181	-63.1%	$ 350,853
Operating profit	$ 22,787	-123.4%	$ (5,329)	$ 72,394	-116.2%	$ (11,755)
Operating margin	7.3%	(11.8) points	-4.5%	7.6%	(11.0) points	-3.4%
Total unit sales change		-44.6%			-46.8%	

Overview

The International Tire Operations segment is the combination of the Asia and Europe operating segments. The European operations have 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 light vehicle tires primarily for the European markets. The Asian operations are located in the PRC. In the PRC, Cooper Kunshan Tire manufactures light vehicle tires and, under an agreement with the government of the PRC, these tires were exported to markets outside of the PRC through 2012. Beginning in 2013, tires produced at the facility have also been sold in the Chinese domestic market. The segment also had a joint venture in the PRC, CCT, which manufactured and marketed radial and bias medium truck tires, as well as passenger and light truck tires for domestic and global markets. The Company sold its ownership interest in this joint venture in November 2014, and the Company now procures these tires under off-take agreements through mid-2018. The majority of the tires manufactured by the segments are sold in the replacement market, with a portion also sold to original equipment manufacturers.

Sales

Net sales of the International Tire Operations segment for the third quarter of 2015 decreased $195 million, or 62.1 percent, from the third quarter of 2014. The absence of CCT resulted in decreased unit volumes in the third quarter of 2015 ($183 million). Excluding CCT, the segments experienced increased unit volumes ($8 million), which were more than offset by less favorable price and mix ($13 million) and unfavorable exchange rates ($6 million) compared with the third quarter of 2014. Unit volume increased in Europe based on higher year over year sales of winter tires along with an increase of exports to the United States. Unit volume was higher in China due to increased sales in the domestic China market for both replacement and original equipment tires, which offset the decline in exports to the United States due to the tariffs.

Net sales of the International Tire Operations segment for the first nine months of 2015 decreased $599 million, or 63.1 percent, from the first nine months of 2014. The absence of CCT resulted in decreased unit volumes in the first nine months of 2015 ($554 million). Excluding CCT, the segments experienced increased unit volumes ($17 million), which were more than offset by less favorable price and mix ($40 million) and unfavorable exchange rates ($22 million) compared with the first nine months of 2014. The year-to-date factors impacting sales volume are consistent with those discussed for the third quarter.

Operating Loss

Operating profit for the segment for the third quarter of 2015 decreased $28 million to an operating loss of $5 million in the third quarter of 2015. The absence of CCT reduced operating profit by $23 million. Excluding CCT, unfavorable pricing and mix ($13 million) and higher manufacturing costs ($1 million) were partially offset by lower raw material costs ($8 million) and higher unit volumes ($3 million). Excluding CCT, other costs ($2 million), including unfavorable currency impacts, increased compared with the third quarter of 2014.

Operating profit for the segment for the first nine months of 2015 decreased $84 million to an operating loss of $12 million in the first nine months of 2015. The absence of CCT reduced operating profit by $70 million. Excluding CCT, unfavorable pricing and mix ($34 million) and higher manufacturing costs ($7 million) were partially offset by lower raw material costs ($31 million) and higher unit volumes ($4 million). Excluding CCT, other costs ($8 million), including unfavorable currency impacts, increased compared with the first nine months of 2014.

Outlook for Company

For the full year, the Company expects to exceed industry unit volume growth in the U.S. The Company s new products and improving mix of sales of higher value, higher margin tires positions it well in a highly competitive market.

Third quarter raw material costs increased approximately 2.1 percent from the second quarter of 2015. The Company anticipates a slight decrease in raw material costs in the fourth quarter of 2015 compared to the third quarter of 2015. The Company also expects normal, seasonally higher costs in the Americas in the fourth quarter.

The Company expects capital expenditures to range between $195 million and $205 million and SG&A expense to range between $265 million and $275 million for the full year. The Company projects its effective tax rate for 2015 to be between 34 percent and 37 percent.

Liquidity and Capital Resources

Sources and uses of cash in operating activities Operating activities provided $133 million of cash during the first nine months of 2015 compared with $98 million during the first nine months of 2014. Inventory growth in the first nine months of 2015 ($51 million) was less than in the first nine months of 2014 ($90 million) due to stronger sales in the first nine months of 2015 and the impact of the growth in inventory in the first quarter of 2014 after the 2013 CCT work stoppage. The first nine months of 2014 incurred an increase in accounts and notes receivable balances ($187 million) as the result of the Company beginning the year with lower accounts receivable balances due to reduced fourth quarter 2013 sales levels. This compared to growth in accounts and notes receivable of $67 million in the first nine months of 2015. These favorable cash flow movements during the first nine months of 2015 were partially offset by an unfavorable accounts payable change in 2015 ($25 million) driven by declining raw material costs. The accounts payable balance increased in the first nine months of 2014 ($58 million) as raw material purchases increased during the period.

Use of cash in investing activities Net cash used in investing activities during the first nine months of 2014 and 2015 reflect capital expenditures of $112 million and $129 million, respectively.

Sources and uses of cash in financing activities In 2015, the Company repaid $39 million of short-term debt, including the repayment of $40 million of borrowings on its domestic credit lines. The Company repurchased $83 million of common stock in the first nine months of 2015 as part of the Company s share repurchase program authorized by the Board of Directors in February 2015. Dividends paid on the Company s common shares in the first nine months of 2014 and 2015 were $19 million and $18 million, respectively. During the first nine months of 2015, stock options were exercised to acquire 854,213 shares of common stock with a cash impact of $20 million, including $4 million of excess tax benefits on equity instruments.

Available cash, credit facilities and contractual commitments At September 30, 2015, the Company had cash and cash equivalents of $424 million.

Domestically, the Company entered into a revolving credit facility with a consortium of banks that provides up to $400 million based on available collateral, including a $110 million letter of credit subfacility, and expires in May 2020.

In connection with entering into the revolving credit facility, the Company terminated its former $200 million credit facility.

The Company amended its accounts receivable securitization facility in May 2015, reducing the borrowing limit from $175 million to $150 million and extending the maturity until May 2018.

These credit facilities are undrawn, other than to secure letters of credit, at September 30, 2015. The Company s additional borrowing capacity, net of amounts used to back letters of credit and based on available collateral at September 30, 2015, was $495 million.

The Company s operations in Asia have annual renewable unsecured credit lines that provide up to $124 million of borrowings and do not contain significant financial covenants. The additional borrowing capacity on the Asian credit lines totaled $112 million.

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 subsidiary, and dividend and share repurchase goals. The Company also believes it has access to additional funds from capital markets to fund potential strategic initiatives. The entire amount of short-term notes payable outstanding at September 30, 2015 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, 2015:

Parent company	
8% unsecured notes due December 2019	$ 173,578
7.625% unsecured notes due March 2027	116,880
Capitalized leases and other	7,462
Total long-term debt	297,920
Less current maturities	600
	$ 297,320

Contingencies

The Company is a defendant in various product liability claims brought in numerous jurisdictions in which individuals seek damages resulting from automobile accidents allegedly caused by defective tires manufactured by the Company. Each of the product liability claims faced by the Company generally involve different types of tires, models and lines, different circumstances surrounding the accident such as different applications, vehicles, speeds, road conditions, weather conditions, driver error, tire repair and maintenance practices, service life conditions, as well as different jurisdictions and different injuries. In addition, in many of the Company s 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.

Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. The Company uses a range of settlements because an average settlement cost would not be meaningful since the product liability claims faced by the Company are unique and widely variable. 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. Because of the speculative nature of litigation in the United States, the Company does not believe a meaningful aggregate range of potential loss for asserted and unasserted claims can be determined. The Company s experience has demonstrated that its estimates have been reasonably accurate and, on average, cases are settled at amounts close to the reserves established. However, it is possible an individual claim from time to time may result in an aberration from the norm and could have a material impact.

In addition to the product liability cases described above, the Company is involved in various other legal proceedings arising in the ordinary course of business. The Company regularly reviews the probable outcome of these proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for these proceedings at the time a loss is probable and the amount of the loss can be estimated. Although the outcome of these pending proceedings cannot be predicted with certainty and an estimate of any such loss cannot be made, the Company believes that any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company s liquidity, financial condition or results of operations. Additional information regarding the Company s legal proceedings is included in Item 1 of Part II of this Form 10-Q titled, Legal Proceedings.

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 that the Company anticipates may happen with respect to the future performance of the industries in which the Company operates, the economies of the United States 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 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 in accordance with contract specifications;
- changes in economic and business conditions in the world;
- failure to implement information technologies or related systems, including failure by the Company to successfully implement an ERP system;
- 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 relationships, including loss of particular business for competitive or other reasons;
- the ultimate outcome of litigation brought against the Company, including stockholders lawsuits relating to the terminated Apollo merger as well as product liability claims, in each case which could result in commitment of significant resources and time to defend and possible material damages against the Company or other unfavorable outcomes;
- changes to tariffs or the imposition of new tariffs or trade restrictions, including changes related to the anti-dumping and countervailing duties for passenger car and light truck tires imported into the United States from China;
- changes in pension expense and/or funding resulting from investment performance of the Company s pension plan assets and changes in discount rate, salary increase rate, and expected return on plan assets assumptions, or changes to related accounting regulations;
- government regulatory and legislative initiatives including environmental and healthcare 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;

an adverse change in the Company s credit ratings, which could increase borrowing costs and/or hamper access to the credit markets;

the risks associated with doing business outside of the United States;

the failure to develop technologies, processes or products needed to support consumer demand;

technology advancements;

the inability to recover the costs to develop and test new products or processes;

a disruption in, or failure of, the Company s information technology systems, including those related to cyber security, could adversely affect the Company s business operations and financial performance;

the impact of labor problems, including labor disruptions at the Company, its joint venture, or at one or more of its large customers or suppliers;

failure to attract or retain key personnel;

consolidation 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;

risks relating to acquisitions, including the failure to successfully complete acquisitions or integrate them into operations or their related financings may impact liquidity and capital resources;

changes in the Company s relationship with its joint-venture partner or suppliers, including any changes with respect to CCT s production of Cooper-branded products;

the ability to find alternative sources for products supplied by CCT;

the inability to obtain and maintain price increases to offset higher production or material costs;

inability to adequately protect the Company s intellectual property rights; and

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, 2015, from those detailed in the Company s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2014.

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, as amended (Exchange Act) 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, 2015 (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, 2015 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 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, 2015. 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.

Federal Securities Litigation

On January 17, 2014, alleged stockholders of the Company filed a putative class-action lawsuit against the Company and certain of its officers in the United States District Court for the District of Delaware relating to the terminated merger agreement with subsidiaries of Apollo Tyres Ltd. That lawsuit, captioned OFI Risk Arbitrages, et al. v. Cooper Tire & Rubber Co., et al., No. 1:14-cv-00068-LPS, generally alleges that the Company and certain officers violated the federal securities laws by issuing allegedly misleading disclosures in connection with the terminated transaction and seeks, among other things, damages. The Company and its officers believe that the allegations against them lack merit and intend to defend the lawsuit vigorously. On July 1, 2015, the court dismissed the plaintiffs amended complaint and closed the case. The plaintiffs have filed an appeal of the dismissal order.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for these proceedings at the time a loss is probable and the amount of the loss can be estimated.

The outcome of these pending proceedings cannot be predicted with certainty and an estimate of any such loss cannot be made at this time. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company s liquidity, financial condition or results of operations.

Stockholder Derivative Litigation

On February 24, March 6, and April 17, 2014, purported stockholders of the Company filed derivative actions on behalf of the Company in the U.S. District Court for the Northern District of Ohio and the U.S. District Court for the District of Delaware against certain officers and employees and the then current members of the Company s board of directors. The lawsuits have been transferred to the U.S. District Court for the District of Delaware and consolidated under the caption Fitzgerald v. Armes, et al., No. 1:14-cv-479 (D. Del.). The Company is named as a nominal defendant in the lawsuits, and the lawsuits seek recovery for the benefit of the Company. The plaintiffs allege that the defendants breached their fiduciary duties to the Company by issuing allegedly misleading disclosures in connection with the terminated merger transaction and that the defendants violated Section 14(a) of the Securities Exchange Act of 1934 by means of the same allegedly misleading disclosures. The plaintiffs also assert claims for waste of corporate assets, unjust enrichment, gross mismanagement and abuse of control. The complaints seek, among other things, unspecified money damages from the defendants, injunctive relief and an award of attorney s fees. A purported shareholder of the Company has also submitted a demand to the Company s board of directors that it cause the Company to bring claims against certain of the Company s officers and directors for the matters alleged in the shareholder derivative lawsuits; following an investigation, the board of directors determined that the actions requested in the demand were not in the Company s interests and accordingly rejected the demand.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, 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.

These cases do not assert claims against the Company. The outcome of these pending proceedings cannot be predicted with certainty and an estimate of any loss cannot be made at this time. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company s liquidity, financial condition or results of operations.

Item 1A. RISK FACTORS

Some of the more significant risk factors related to the Company and its subsidiaries 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. Decreasing costs for raw materials could also affect margins if the Company is unable to maintain its pricing structure by offering 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 current business environment.

Current global 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 for the business.

The Company s results could be impacted by changes in tariffs imposed by the U.S. or other governments on imported tires.

The Company s ability to competitively source and sell tires can be significantly impacted by changes in tariffs imposed by various governments. Other effects, including impacts on the price of tires, responsive actions from other 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.

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 preliminary determinations announced in both investigations were affirmative and resulted in the imposition of additional duties from each. The preliminary determinations were upheld and became permanent on August 10, 2015.

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

In 2014, the Company sold its ownership interest in CCT and entered into off-take agreements with CCT to provide the continuous supply of certain CCT-produced tires for the Company. If there are any disruptions in or quality issues with the supply of Cooper-branded products, it could have a material negative impact on the Company s business. In addition, the Company could be required to find an alternative source for CCT-produced tires and there can be no assurance that the Company will be able to do so in a timely manner. CCT is currently the sole supplier of medium truck tires for the Company.

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 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 an Enterprise Resource Planning system in the United States and is continuing to enhance the system and implement it globally, which will require significant amounts of capital and human resources to deploy. These requirements may exceed the Company s projections. If for any reason this implementation is not successful, the Company could be required to expense rather than capitalize related amounts. Throughout implementation of the system there are also risks created to the Company s ability to successfully and efficiently operate.

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 replacement tire industry is a highly competitive, global industry. Some of the Company s competitors are larger companies with greater financial resources. Most of the Company s competitors have operations in lower-cost countries. Intense competitive activity in the replacement tire industry has caused, and will continue to cause, pressures on the Company s business. The Company s ability to compete successfully will depend in part on its ability to 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 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 could have a negative effect on the Company s financial position, cash flows and results of operations.

From time to time, the Company is also subject to litigation or other commercial disputes and other legal proceedings relating to its business, including purported class action lawsuits, derivative lawsuits and other litigation related to the now terminated merger agreement with the Apollo entities. 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 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 and updates to mortality tables. 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 Consolidated Balance Sheet or significant cash requirements.

Compliance with 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.

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, it is possible that a recall 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, 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 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 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. Additionally, any inability to access the capital markets, including the ability to refinance existing debt when due, could require the Company to defer critical capital expenditures, reduce or not pay dividends, reduce spending in areas of strategic importance, sell important assets or, in extreme cases, seek protection from creditors. 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 the PRC have been financed in part using multiple loans from several lenders to finance facility construction, expansions and working capital needs. These loans are generally for terms of three years or less. Therefore, debt maturities occur frequently and access to the capital markets is crucial to their ability to maintain sufficient liquidity to support their operations.

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., the U.K., Europe, Mexico and the PRC. The Company has one manufacturing entity, Cooper Kunshan, in the PRC. The Company also is the majority owner of COOCSA, a manufacturing entity in Mexico, and has established an operation in Serbia. In 2014, the Company sold its ownership interest in CCT and entered into off-take agreements with CCT to continue supplying tires to the Company. CCT is currently the sole supplier of medium truck tires for the Company. There are a number of risks in doing business abroad, including political and economic uncertainty, social unrest, sudden changes in laws and regulations, 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. 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.

If the Company fails to develop technologies, processes or products needed to support consumer demand it may lose significant market share or be unable to recover associated costs.

The Company s ability to sell tires may be significantly impacted if it does not develop or have available technologies, processes, or products that competitors may be developing and consumers demanding. This includes but is not limited to changes in the design of and materials used to manufacture tires.

Technologies may also be developed by competitors that better distribute tires to consumers, which could affect the Company s customers.

Additionally, 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.

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. 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. 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.

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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. 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 CCT.

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 and senior management professionals. Competition for these employees is intense, especially in the PRC, and the Company could experience difficulty from time to time 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.

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 acquisitions into its operations, which could harm its results of operations and financial condition.

The Company routinely evaluates potential acquisitions and may pursue acquisition opportunities, some of which could be material to its business. The Company cannot provide assurance whether it will be successful in pursuing any acquisition opportunities or what the consequences of any acquisition would be. The Company may encounter various risks in any acquisitions, 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; 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 acquisitions from internally generated funds, bank borrowings, public offerings or private placements of equity or debt securities, or a combination of the foregoing. Acquisitions may involve the expenditure of significant funds and management time.

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, particularly in Asia. If the Company is unable to identify or execute on appropriate opportunities for acquisition, investment or growth, its business could be materially adversely affected.

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 and other partially-owned subsidiaries. These entities operate in countries outside of the U.S., are generally less well capitalized than the Company and bear risks similar to the risks of the Company. 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 shareholders 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.

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 Company is required to comply with environmental laws and regulations that could 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, and the Company expects that additional requirements with respect to environmental matters will be imposed on it in the future. 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 our international operations and otherwise adversely affect our business.

Because the Company conducts transactions in various non-U.S. currencies, including the Euro, Canadian dollar, British pound sterling, Swiss franc, Swedish kronar, Mexican peso and Chinese yuan, fluctuations in foreign currency exchange rates may impact the Company s financial condition, results of operations and cash flows. Our 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.

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

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

The Company is facing risks emanating from the enactment of legislation by the U.S. government including the *Patient Protection and Affordable Care Act* and the related *Healthcare and Education Reconciliation Act,* which are collectively referred to as healthcare legislation. This major legislation is being implemented over a period of several years and the ultimate cost and the potentially adverse impact to the Company and its employees cannot be quantified at this time.

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 several projects which may result in the modification of accounting standards affecting the Company, including standards relating to revenue recognition, financial instruments, leasing, and others. Any such changes could have a negative impact on the Company s financial statements.

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 small valuation allowance for the portion of its U.S. deferred tax assets primarily associated with a capital loss carryforward. In addition, the Company has recorded valuation allowances for deferred tax assets primarily associated with non-U.S. net operating losses. The Company s assessment of the realizability of deferred tax assets is based on certain assumptions regarding future profitability, and potentially adverse business conditions that could have a negative impact on the realizability and therefore impact the Company s operating results or financial position.

Item 2. ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth a summary of the Company s purchases during the quarter ended September 30, 2015 of equity securities registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (in thousands, except number of shares and per share amounts):

Period	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, 2015 through July 31, 2015				
Open market and privately negotiated purchases (1)		$		$ 139,954
August 1, 2015 through August 31, 2015				
Open market and privately negotiated purchases (1)	167,664	$ 37.45	167,664	$ 133,727
September 1, 2015 through September 30, 2015				
Open market and privately negotiated purchases (1)	422,281	$ 39.02	422,281	$ 117,263
Total	589,945		589,945	

(1) On February 20, 2015, the Board of Directors authorized a new program to repurchase up to $200,000 of the Company s common stock through December 31, 2016. The Company s share repurchase program does not obligate it to acquire any specific number of shares and may be suspended or discontinued at any time without notice. Under the program, shares may 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. During the three months ended September 30, 2015, the Company repurchased 589,945 shares of the Company s common stock under this program for $22,755. Since the new program s commencement, the Company repurchased 2,110,633 shares of the Company s common stock for $82,800, including applicable commissions. As of September 30, 2015, approximately $117,263 remained of the $200,000 share repurchase program. All repurchases under this program were made using cash resources.

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/ Ginger M. Jones
Ginger M. Jones
Vice President, Chief Financial Officer
(Principal Financial Officer)

/s/ Mark A. Young
Mark A. Young
Director of External Reporting
(Principal Accounting Officer)

November 2, 2015

(Date)