

Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended September 30, 2017

OR

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

Commission File No. 1-4329

COOPER TIRE & RUBBER COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

34-4297750

(I.R.S. employer
identification no.)

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 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

Number of shares of common stock of registrant outstanding as of October 25, 2017: 51,273,780

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

COOPER TIRE & RUBBER COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (UNAUDITED)
 (Dollar amounts in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales	\$ 733,843	\$ 750,913	\$ 2,097,621	\$ 2,140,982
Cost of products sold	569,116	597,961	1,692,137	1,657,932
Gross profit	164,727	152,952	405,484	483,050
Selling, general and administrative expense	63,350	63,262	180,605	192,339
Pension settlement charge	—	11,462	—	11,462
Operating profit	101,377	78,228	224,879	279,249
Interest expense	(7,591)	(6,795)	(23,629)	(19,717)
Interest income	1,776	1,018	5,333	2,907
Other non-operating (expense) income	(978)	1,785	(1,468)	4,672
Income before income taxes	94,584	74,236	205,115	267,111
Provision for income taxes	31,924	23,757	67,250	86,509
Net income	62,660	50,479	137,865	180,602
Net income attributable to noncontrolling shareholders' interests	973	1,176	307	1,545
Net income attributable to Cooper Tire & Rubber Company	\$ 61,687	\$ 49,303	\$ 137,558	\$ 179,057
Earnings per share:				
Basic	\$ 1.19	\$ 0.91	\$ 2.62	\$ 3.26
Diluted	\$ 1.18	\$ 0.90	\$ 2.59	\$ 3.23
Cash dividends declared per share	\$ 0.105	\$ 0.105	\$ 0.315	\$ 0.315

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(Dollar amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 62,660	\$ 50,479	\$ 137,865	\$ 180,602
Other comprehensive income (loss)				
Foreign currency translation adjustments	8,675	(10,946)	38,247	(36,137)
Financial instruments				
Change in the fair value of derivatives	(290)	1,173	(3,367)	(4,578)
Income tax benefit (provision) on derivative instruments	95	(420)	1,206	1,743
Financial instruments, net of tax	(195)	753	(2,161)	(2,835)
Postretirement benefit plans				
Amortization of actuarial loss	10,665	10,820	31,887	32,690
Amortization of prior service credit	(141)	(141)	(424)	(424)
Actuarial loss	—	(26,494)	—	(26,494)
Pension settlement charge	—	11,462	—	11,462
Income tax (provision) benefit on postretirement benefit plans	(3,731)	6,314	(11,175)	(1,366)
Foreign currency translation effect	(2,437)	2,513	(7,004)	9,748
Postretirement benefit plans, net of tax	4,356	4,474	13,284	25,616
Other comprehensive income (loss)	12,836	(5,719)	49,370	(13,356)
Comprehensive income	75,496	44,760	187,235	167,246
Less: comprehensive income (loss) attributable to noncontrolling shareholders' interests	1,467	(144)	4,980	(1,571)
Comprehensive income attributable to Cooper Tire & Rubber Company	\$ 74,029	\$ 44,904	\$ 182,255	\$ 168,817

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 258,362	\$ 504,423
Notes receivable	15,213	7,485
Accounts receivable, less allowances of \$7,496 at 2017 and \$7,290 at 2016	512,626	409,913
Inventories:		
Finished goods	415,983	338,887
Work in process	32,926	29,922
Raw materials and supplies	124,822	101,342
	<u>573,731</u>	<u>470,151</u>
Other current assets	54,028	28,546
Total current assets	<u>1,413,960</u>	<u>1,420,518</u>
Property, plant and equipment:		
Land and land improvements	53,350	47,767
Buildings	310,173	282,960
Machinery and equipment	1,855,041	1,742,449
Molds, cores and rings	234,056	224,662
	<u>2,452,620</u>	<u>2,297,838</u>
Less: accumulated depreciation	1,525,634	1,433,611
Net property, plant and equipment	<u>926,986</u>	<u>864,227</u>
Goodwill	56,361	52,705
Intangibles, net of accumulated amortization of \$88,342 at 2017 and \$77,321 at 2016	135,776	140,751
Restricted cash	1,376	1,327
Deferred income tax assets	133,455	133,879
Other assets	5,634	5,988
Total assets	<u>\$ 2,673,548</u>	<u>\$ 2,619,395</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	\$ 36,056	\$ 26,286
Accounts payable	266,033	282,416
Accrued liabilities	186,261	183,804
Income taxes payable	38,897	5,887
Current portion of long-term debt	1,464	2,421
Total current liabilities	<u>528,711</u>	<u>500,814</u>
Long-term debt	296,084	297,094
Postretirement benefits other than pensions	247,551	247,227
Pension benefits	252,701	285,852
Other long-term liabilities	115,606	156,924
Deferred income tax liabilities	670	1,248
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	20,949	25,876
Retained earnings	2,441,911	2,321,424
Accumulated other comprehensive loss	(500,454)	(545,151)
	<u>2,050,256</u>	<u>1,889,999</u>
Less: common shares in treasury at cost		

(36,346,576 at 2017 and 34,850,512 at 2016)	(876,951)	(813,985)
Total parent stockholders' equity	1,173,305	1,076,014
Noncontrolling shareholders' interests in consolidated subsidiary	58,920	54,222
Total equity	1,232,225	1,130,236
Total liabilities and equity	\$ 2,673,548	\$ 2,619,395

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2017	2016
Operating activities:		
Net income	\$ 137,865	\$ 180,602
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	106,652	96,928
Stock-based compensation	3,711	11,800
Change in LIFO inventory reserve	(14,413)	(3,426)
Amortization of unrecognized postretirement benefits	31,463	32,266
Pension settlement charge	—	11,462
Changes in operating assets and liabilities:		
Accounts and notes receivable	(99,767)	(67,940)
Inventories	(75,628)	(89,877)
Other current assets	(25,121)	(13,788)
Accounts payable	(25,621)	13,370
Accrued liabilities	4,884	21,956
Other items	(58,250)	(13,725)
Net cash (used in) provided by operating activities	(14,225)	179,628
Investing activities:		
Additions to property, plant and equipment and capitalized software	(143,067)	(126,921)
Proceeds from the sale of assets	42	331
Net cash used in investing activities	(143,025)	(126,590)
Financing activities:		
Net payments on short-term debt	(6,393)	(645)
Repayments of long-term debt	(600)	(600)
Repurchase of common stock	(70,198)	(82,486)
Payments of employee taxes withheld from shared-based awards	(6,669)	(2,948)
Payment of dividends to noncontrolling shareholder	(282)	(804)
Payment of dividends to Cooper Tire & Rubber Company stockholders	(16,548)	(17,242)
Issuance of common shares related to stock-based compensation	4,091	3,533
Excess tax benefits on stock options	—	177
Net cash used in financing activities	(96,599)	(101,015)
Effects of exchange rate changes on cash	7,788	(6,832)
Net change in cash and cash equivalents	(246,061)	(54,809)
Cash and cash equivalents at beginning of year	504,423	505,157
Cash and cash equivalents at end of period	\$ 258,362	\$ 450,348

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

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 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, 2017 are not necessarily indicative of the results that may be expected for the year ended December 31, 2017.

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

Truck and Bus Tire Tariffs

Antidumping and countervailing duty investigations into certain truck and bus tires imported from the People's Republic of China ("PRC") into the United States were initiated on January 29, 2016. The preliminary determinations announced in both investigations were affirmative and resulted in the imposition of significant additional duties from each. The Company incurred expense of \$22,042 over the final seven months of the year-ended December 31, 2016 related to these additional duties. On February 22, 2017, the United States ("U.S.") International Trade Commission determined the U.S. market had not suffered material injury because of imports of truck and bus tires from China. As a result of this decision, preliminary antidumping and countervailing duties from Chinese truck and bus tires imported subsequent to the preliminary determination are not to be collected and any amounts previously paid will be refunded by U.S. Customs and Border Protection. Further, prospective imports of truck and bus tires from the PRC are not subject to these additional duties. In the first quarter of 2017, the Company reversed the previously expensed preliminary duties of \$22,042 due to the decision by the U.S. International Trade Commission. This amount was recorded as a reduction of cost of products sold in the Condensed Consolidated Statement of Income for the nine month period ended September 30, 2017.

North American Distribution Center

On January 22, 2017, a tornado hit the Company's leased Albany, Georgia distribution center, causing damage to the Company's assets and disrupting certain operations. Insurance, less applicable deductibles, covers the repair or replacement of the Company's assets that suffered loss or damage, and the Company is working closely with its insurance carriers and claims adjusters to ascertain the full amount of insurance proceeds due to the Company as a result of the damages and the loss the Company suffered. The Company's insurance policies also provide coverage for interruption to its business, including lost profits, and reimbursement for other expenses and costs that have been incurred relating to the damages and losses suffered. In the third quarter of 2017, the Company recorded insurance recoveries of \$1,000 for direct costs caused by the tornado through the first nine months of 2017, while incurring direct costs of \$2,157 in the third quarter related to professional fees to secure and maintain the site and for the rental of additional storage facilities. Through the first nine months of 2017, the Company incurred direct expenses of \$11,353 related to the disposal of damaged tires, freight to move product to other warehouses, professional fees to secure and maintain the site and for the rental of additional storage facilities, less proceeds of \$6,500 recovered from insurance. These amounts were recorded as a component of cost of products sold in the Condensed Consolidated Statement of Income for the three and nine month periods ended September 30, 2017. At this time, the full amount of combined property damage and business interruption costs and recoveries cannot be estimated, and accordingly, no additional amounts, including amounts for insurance recoveries, have been recorded as of September 30, 2017.

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

Stock Compensation

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which simplifies several aspects of the accounting for employee share-based payment transactions, including accounting for income taxes, forfeitures, and statutory withholding requirements, as well as classification in the Condensed Consolidated Statements of Cash Flows. Application of the standard is required for the annual and interim periods beginning after December 15, 2016. The Company adopted the standard in the first quarter of 2017. As a result of the adoption, on a prospective basis, we recognized \$85 and \$2,024 of excess tax benefits from stock-based compensation as discrete items in our provision for income taxes for the three and nine months ended September 30, 2017, respectively. Additionally, the cash flow benefit of the excess tax benefits is included as an operating activity in the Condensed Consolidated Statement of Cash Flows for the period ended September 30, 2017. In accordance with the standard, the prior year Condensed Consolidated Statement of Income and Condensed Consolidated Statement of Cash Flows presentation of the Company’s excess tax benefits have not been restated. The new standard also requires that employee taxes paid when an employer withholds shares for tax-withholding purposes be reported as financing activities in the Condensed Consolidated Statements of Cash Flows on a retrospective basis. Previously, this activity was included in operating activities. The impact of this change in the first nine months of 2017 and first nine months of 2016 was \$6,669 and \$2,948, respectively. Finally, as permitted by the standard, we will account for forfeitures of share-based payments when they occur.

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 of the standard 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. In July 2015, the FASB approved the deferral of the new standard’s effective date by one year. The new standard is effective for annual reporting periods beginning after December 15, 2017. In 2016, the FASB issued several amendments to the standard, which provided clarification, additional guidance, practical expedients, technical corrections and other improvements to ASU 2014-09.

The guidance permits two methods of adoption: the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective transition method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application.

The Company has substantially completed its evaluation of significant contracts and the review of its current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to the Company’s revenue contracts. In addition, the Company has identified, and is in the process of implementing, appropriate changes to business processes, systems and controls to support recognition and disclosure under the new standard.

While a final decision has not been made, the Company expects to adopt the new revenue standard in the first quarter of 2018 applying the modified retrospective transition method. The Company does not expect the adoption of the new revenue standard to have a material impact on the amount and timing of revenue recognized in the Company’s condensed consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases," which requires balance sheet recognition of lease liabilities and right-of-use assets for most leases having terms of twelve months or longer. Application of the standard, which should be applied using a modified retrospective approach, is required for the annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its condensed consolidated financial statements.

Goodwill

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment," which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The standard requires goodwill impairment to be measured as the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of its goodwill. Application of the standard, which should be applied prospectively, is required for the annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its condensed consolidated financial statements.

Pensions and Postretirement Benefits Other than Pensions

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which requires changes to the income statement presentation of net periodic benefit cost. The service cost component of net periodic benefit cost will continue to be classified in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside of operating profit. In addition, the new standard will allow only the service cost component to be eligible for capitalization, when applicable. Application of the standard, which should be applied retrospectively for the income statement presentation changes and prospectively for the capitalization changes, is required for the annual and interim periods beginning after December 15, 2017. Early adoption is permitted if adopted in the first interim period of the fiscal year. As reported in the Company's 2016 Form 10-K, 2016 and 2015 net periodic benefit costs were \$64,842 and \$58,384, respectively. The service cost component of these amounts in 2016 and 2015, which will remain as a component of operating profit, were \$11,771 and \$13,559, respectively. Net income will not change as a result of the adoption of this standard. The Company is currently evaluating the remaining impacts the new standard will have on its condensed consolidated financial statements.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities," which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. Adoption of the new standard is required for the annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its condensed consolidated financial statements.

2. GRT Acquisition

On January 4, 2016, the Company announced that it had entered into an agreement to purchase a majority of China-based Qingdao Ge Rui Da Rubber Co., Ltd. ("GRT"). In the first quarter of 2016, the Company made a down payment in the amount of \$5,929 for this transaction in accordance with the purchase agreement. The down payment was fully refundable in the event that the transaction did not close and did not provide the Company with any power to direct the activities of the existing GRT entity prior to the transaction closing. After the transaction closed on December 1, 2016, the Company owned 65 percent of GRT. Based on the Company's ownership percentage and corresponding control of voting rights, the results of GRT and 100 percent of its assets and liabilities are consolidated from the date of the closing. GRT is expected to serve as a global source of truck and bus radial tire production for the Company. Passenger car radial tires may also be manufactured at the facility in the future.

The down payment of \$5,929, as well as an additional \$8,090 at the time of closing, were paid to the non-controlling shareholder of GRT. In December 2016, the Company contributed an additional \$35,842 to GRT to purchase additional shares issued by GRT, as well as to fund working capital requirements. The Company contributed \$14,570 in the first quarter of 2017, and an additional \$22,125 to GRT in the second quarter of 2017 to fund working capital requirements. In total, the Company has invested \$86,556 related to GRT, with \$14,019 paid directly to a third party and the remainder invested in GRT.

The GRT acquisition has been accounted for as a purchase transaction. The total consideration has been allocated to the preliminary assets acquired, liabilities assumed and noncontrolling shareholder interest based on their estimated fair values at

December 1, 2016. The excess purchase price over the estimated fair value of the net assets acquired has been allocated to goodwill. Goodwill consists of anticipated growth opportunities for GRT and is recorded in the Asia Operations segment. Goodwill is not deductible for federal income tax purposes.

The following table summarizes the allocations of the fair values of the assets acquired and liabilities assumed, as adjusted. The originally reported amounts are provisional and were based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed on December 1, 2016, translated into U.S. dollars at the exchange rate on that date. Subsequent to December 1, 2016, the valuation was completed and adjustments were made to the preliminary allocations of the fair value of the assets acquired and liabilities assumed from the GRT acquisition.

Assets	As Originally		
	Reported	Adjustments	As Adjusted
Cash	\$ 8,091	\$ —	\$ 8,091
Accounts receivable	2,844	—	2,844
Notes receivable	3,050	—	3,050
Inventory	7,983	—	7,983
Other current assets	981	—	981
Property, plant & equipment	46,712	(1,321)	45,391
Intangible assets	7,412	16	7,428
Other long-term assets	289	—	289
Goodwill	33,861	2,024	35,885
Liabilities			
Accounts payable	(61,570)	(719)	(62,289)
Notes payable	(10,122)	—	(10,122)
Accrued liabilities	(2,866)	—	(2,866)
Long-term debt	(3,383)	—	(3,383)
Other long-term liabilities	(940)	—	(940)
	32,342	—	32,342
Noncontrolling shareholder interest	(18,323)	—	(18,323)
Cooper Tire & Rubber Company consideration	\$ 14,019	\$ —	\$ 14,019

The Company has determined that the nonrecurring fair value measurements related to each of these assets and liabilities rely primarily on Company-specific inputs and the Company's assumptions about the use of the assets and settlement of liabilities, as observable inputs are not available and, as such, reside within Level 3 of the fair value hierarchy as defined in Footnote 5. The Company utilized a third party to assist in the fair value determination of certain components of the preliminary purchase price allocation, namely Property, plant and equipment and the Noncontrolling shareholder interest. Changes to these allocations may occur as additional information becomes available and the appraisals and valuations become finalized. The valuation of Property, plant and equipment was developed using primarily the cost approach. The fair value of the Noncontrolling shareholder interest was determined based upon internal and external inputs considering various relevant market transactions and discounted cash flow valuation methods, among other factors.

3. Earnings Per Share

Basic earnings 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,	
	2017	2016	2017	2016
Numerator				
Numerator for basic and diluted earnings per share - Net income attributable to common stockholders	\$ 61,687	\$ 49,303	\$ 137,558	\$ 179,057
Denominator				
Denominator for basic earnings per share - weighted average shares outstanding	52,042	54,055	52,555	54,869
Effect of dilutive securities - stock options and other stock units	393	625	491	590
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	52,435	54,680	53,046	55,459
Earnings per share:				
Basic	\$ 1.19	\$ 0.91	\$ 2.62	\$ 3.26
Diluted	\$ 1.18	\$ 0.90	\$ 2.59	\$ 3.23

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, 2017 and 2016.

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 \$478,971 and \$409,034 at September 30, 2017 and December 31, 2016, respectively. These FIFO values have been reduced by approximately \$70,700 and \$85,113 at September 30, 2017 and December 31, 2016, 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 LIFO inventories are stated at the lower of cost or market. All other inventories are stated at the lower of cost or net realizable value.

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 and cash flow 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, Chinese yuan and Serbian dinar generally for transactions expected to occur within the next 12 months. Additionally, the Company utilizes cash flow hedges that hedge already recognized intercompany loans with maturities of up to four years. The notional amount of these foreign currency derivative instruments at September 30, 2017 and December 31, 2016 was \$136,961 and \$89,414, respectively. The counterparties to each of these agreements are major commercial banks.

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

Foreign currency forward contracts are also used to hedge variable cash flows associated with forecasted sales and purchases denominated in currencies that are not the functional currency of certain entities. The forward contracts have maturities of less than twelve months pursuant to the Company's policies and hedging practices. These forward contracts meet the criteria for and have been designated as cash flow hedges. Accordingly, the effective portion of the change in fair value of such forward contracts (approximately \$(2,997) and \$1,029 as of September 30, 2017 and December 31, 2016, respectively) are recorded as

a separate component of stockholders' equity in the accompanying Condensed Consolidated Balance Sheets and reclassified into earnings as the hedged transactions occur.

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

The Company assesses hedge effectiveness, prospectively and retrospectively, based on regression of the change in foreign currency exchange rates. Time value of money is included in effectiveness testing. The Company measures ineffectiveness on a trade by trade basis, using the hypothetical derivative method. Any hedge ineffectiveness is recorded in the Condensed Consolidated Statements of Income in the period in which the ineffectiveness occurs.

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:

	September 30, 2017	December 31, 2016
Assets/(liabilities)		
Designated as hedging instruments:		
Gross amounts recognized	\$ (3,207)	\$ 1,029
Gross amounts offset	210	—
Net amounts	\$ (2,997)	\$ 1,029
Not designated as hedging instruments:		
Gross amounts recognized	(120)	109
Gross amounts offset	225	(76)
Net amounts	\$ 105	\$ 33
Net amounts presented:		
Accrued current liabilities	\$ (2,083)	\$ —
Other long-term liabilities	\$ (809)	\$ —
Other current assets	\$ —	\$ 1,062

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<u>Derivatives Designated as Cash Flow Hedges</u>				
Amount of (Loss) Gain Recognized in Other Comprehensive Income on Derivatives (Effective Portion)	\$ (3,010)	\$ 599	\$ (5,734)	\$ (3,757)
Amount of (Loss) Gain Reclassified from Cumulative Other Comprehensive Loss into Income (Effective Portion)	(2,720)	(574)	(2,367)	821

	Location of (Loss) Gain Recognized in Income on Derivatives	Amount of (Loss) Gain Recognized in Income on Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
<u>Derivatives not Designated as Hedging Instruments</u>					
Foreign exchange contracts	Other non-operating (expense) income	\$ (1,448)	\$ 330	\$ (2,853)	\$ 645

For foreign exchange hedges of forecasted sales and purchases designated as effective, the Company reclassifies the gain (loss) from Other comprehensive income into Net sales and the ineffective portion is recorded directly into Other non-operating income (expense).

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 currency derivative instruments was determined using widely accepted valuation techniques. This analysis reflected the contractual terms of the derivatives, including the period to maturity, and used observable market-based inputs, including forward points. The Company incorporated credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as current credit ratings, to evaluate the likelihood of default by itself and its counterparties. As of September 30, 2017 and December 31, 2016, 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:

	September 30, 2017			
	Total Assets (Liabilities)	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Foreign Currency Derivative Instruments	\$ (2,892)	\$ —	\$ (2,892)	\$ —
Stock-based Liabilities	\$ (17,334)	\$ (17,334)	\$ —	\$ —
	December 31, 2016			
	Total Assets (Liabilities)	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Foreign Currency Derivative Instruments	\$ 1,062	\$ —	\$ 1,062	\$ —
Stock-based Liabilities	\$ (20,336)	\$ (20,336)	\$ —	\$ —

The fair market value of Cash and cash equivalents, Notes receivable, Restricted cash, Notes payable and Current portion of long-term debt at September 30, 2017 and December 31, 2016 are equal to their corresponding carrying values as reported on

the Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, respectively. Each of these classes of assets and liabilities is classified as Level 1 within the fair value hierarchy.

The fair market value of Long-term debt is \$330,647 and \$331,941 at September 30, 2017 and December 31, 2016, respectively, and is classified within Level 1 of the fair value hierarchy. The carrying value of Long-term debt is \$296,084 and \$297,094 as reported on the Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, respectively.

6. Income Taxes

For the three month period ended September 30, 2017, the Company recorded a provision for income taxes of \$31,924 (effective rate of 33.8 percent) compared with \$23,757 (effective rate of 32.0 percent) for the comparable period in 2016. For the nine month period ended September 30, 2017, the Company recorded a provision for income taxes of \$67,250 (effective rate of 32.8 percent) compared with \$86,509 (effective rate of 32.4 percent) for the comparable period in 2016. The 2017 three and nine month period provision for income taxes is calculated using the forecasted multi-jurisdictional annual effective tax rates to determine a blended annual effective tax rate. The effective tax rate for the three month period ended September 30, 2017 differs from the U.S. federal statutory rate of 35 percent primarily due to the projected mix of earnings in international jurisdictions with lower tax rates, partially offset by losses in jurisdictions where valuation allowances are recorded. The effective tax rate for the nine month period ended September 30, 2017 differs from the U.S. federal statutory rate of 35 percent primarily due to the projected mix of earnings in international jurisdictions with lower tax rates, partially offset by losses in jurisdictions where valuation allowances are recorded, and due to a discrete tax benefit recognized as a result of the adoption of ASU 2016-09, "Improvements to Employee Share-Based Accounting," which requires all excess tax benefits or deficiencies from share-based payments to be recognized as income tax expense or benefit in the income statement. For the quarter and nine month periods ended September 30, 2017, the Company recognized excess tax benefits from share-based payments of \$85 and \$2,024, respectively.

The Company continues to maintain a valuation allowance pursuant to ASC 740, "Accounting for Income Taxes," against portions of its U.S. and non-U.S. deferred tax assets at September 30, 2017, as it cannot assure the future realization of the associated tax benefits prior to their reversal or expiration. In the U.S., the Company has offset a portion of its deferred tax asset relating primarily to a loss carryforward by a valuation allowance of \$2,350. In addition, the Company has recorded valuation allowances of \$18,497 relating to non-U.S. net operating losses and other deferred tax assets for a total valuation allowance of \$20,847. In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company will continue to reassess the possibility of releasing all or part of the valuation allowances currently in place when the associated deferred tax assets are deemed to be realizable.

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, 2017, the Company's liability, exclusive of interest, totals approximately \$2,266. The Company accrued an immaterial amount of interest expense related to these unrecognized tax benefits during the quarter and nine month periods ended September 30, 2017. Based upon the outcome of tax examinations, judicial proceedings, or expiration of statutes of limitations, it is possible that the ultimate resolution of these unrecognized tax benefits may result in a payment that is materially different from the current estimate of the tax liabilities.

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 2014 and state and local examinations for years before 2013, 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. The income tax returns of various subsidiaries in various jurisdictions are currently under examination and it is possible that these examinations will conclude within the next twelve months. However, it is not possible to estimate net increases or decreases to the Company's unrecognized tax benefits during the next twelve months.

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, 2017 and 2016 for the Company's defined benefit plans and other postretirement benefits:

	Pension Benefits - Domestic			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Components of net periodic benefit cost:				
Service cost	\$ 2,465	\$ 2,403	\$ 7,395	\$ 7,210
Interest cost	9,813	10,617	29,439	31,850
Expected return on plan assets	(13,515)	(13,391)	(40,544)	(40,175)
Amortization of actuarial loss	9,281	9,576	27,842	28,729
Pension settlement charge	\$ —	\$ 11,462	\$ —	\$ 11,462
Net periodic benefit cost	\$ 8,044	\$ 20,667	\$ 24,132	\$ 39,076

	Pension Benefits - International			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Components of net periodic benefit cost:				
Service cost	\$ —	\$ 2	\$ —	\$ 7
Interest cost	2,927	3,417	8,557	10,877
Expected return on plan assets	(2,860)	(2,744)	(8,362)	(8,736)
Amortization of actuarial loss	1,384	1,244	4,045	3,961
Net periodic benefit cost	\$ 1,451	\$ 1,919	\$ 4,240	\$ 6,109

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Components of net periodic benefit cost:				
Service cost	\$ 501	\$ 537	\$ 1,502	\$ 1,611
Interest cost	2,515	2,705	7,547	8,115
Amortization of prior service credit	(141)	(141)	(424)	(424)
Net periodic benefit cost	\$ 2,875	\$ 3,101	\$ 8,625	\$ 9,302

Pension Settlement Charge

In order to reduce the size and potential future volatility of the Company's domestic defined benefit pension plan obligations, the Company extended an offer to approximately 1,200 former employees with deferred vested pension plan benefits. These former employees had the opportunity to make a one-time election to receive a lump-sum distribution of their benefits by the end of the third quarter of 2016. The vested benefit obligation associated with these former employees was approximately \$42,000, equivalent to about 4 percent of the Company's benefit obligation for the domestic plans.

Cash payments of \$22,701 were made from plan assets in September 2016 to the former employees electing the lump-sum distribution. These payments represented a reduction of approximately 2 percent of the Company's benefit obligation for the domestic plans. Based on the lump-sum distributions that were paid, the Company incurred a non-cash settlement charge of \$11,462 in the third quarter of 2016.

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:

	2017	2016
Reserve at beginning of year	\$ 10,634	\$ 12,339
Additions	6,285	6,831
Payments	(6,538)	(7,486)
Reserve at September 30	<u>\$ 10,381</u>	<u>\$ 11,684</u>

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 shareholders' interests:

	Total Equity		
	Total Parent Stockholders' Equity	Noncontrolling Shareholders' Interests in Consolidated Subsidiary	Total Stockholders' Equity
Balance at December 31, 2016	\$ 1,076,014	\$ 54,222	\$ 1,130,236
Net income	137,558	307	137,865
Other comprehensive income	44,697	4,673	49,370
Share repurchase program	(70,198)	—	(70,198)
Stock compensation plans	1,782	—	1,782
Cash dividends - \$0.315 per share	(16,548)	—	(16,548)
Dividend paid to noncontrolling shareholder	—	\$ (282)	\$ (282)
Balance at September 30, 2017	<u>\$ 1,173,305</u>	<u>\$ 58,920</u>	<u>\$ 1,232,225</u>

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 "2014 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 2014 ASR Program, based on the closing price on August 6, 2014. Under the terms of the 2014 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 2014 ASR Program and as part of other aspects of the ASR Counterparty's business.

On February 13, 2015, the Company completed the 2014 ASR Program. Based on the terms of the 2014 ASR Program, the total number of shares repurchased under the 2014 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 2014 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 2014 ASR Program, of \$31.49 over the duration of the 2014 ASR Program.

On February 20, 2015, the Board of Directors authorized a new program to repurchase up to \$200,000, excluding commissions, of the Company's common stock through December 31, 2016 (the "2015 Repurchase Program"). The 2015 Repurchase Program did not obligate the Company to acquire any specific number of shares and could have been suspended or discontinued at any time without notice. Under the 2015 Repurchase Program, shares could have been 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 2015, subsequent to the Board of Directors' February 20, 2015 authorization, the Company repurchased 2,751,454 shares of the Company's common stock under the 2015 Repurchase Program for \$108,821, including applicable commissions, which represented an average price of \$39.55 per share. As of December 31, 2015, approximately \$91,261 remained of the \$200,000 2015 Repurchase Program.

For the period January 1, 2016 through February 19, 2016, the Company repurchased an additional 497,094 shares of the Company's common stock under the 2015 Repurchase Program for \$17,622, including applicable commissions, which represented an average price of \$35.45 per share. All repurchases under the 2015 Repurchase Program were made using cash resources.

On February 19, 2016, the Board of Directors increased the amount under and expanded the duration of the 2015 Repurchase Program (as amended, the "2016 Repurchase Program"). The 2016 Repurchase Program amended and superseded the 2015 Repurchase Program and allowed the Company to repurchase up to \$200,000, excluding commissions, of the Company's common stock from February 22, 2016 through December 31, 2017. The approximately \$73,654 remaining under the 2015 Repurchase Program as of February 19, 2016 was included in the \$200,000 maximum amount authorized by the 2016 Repurchase Program. No other changes were made. The 2016 Repurchase Program did not obligate the Company to acquire any specific number of shares and could have been suspended or discontinued at any time without notice. Under the 2016 Repurchase Program, shares could have been 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.

For the period February 22, 2016 through December 31, 2016, the Company repurchased 2,630,433 shares of the Company's common stock under the 2016 Repurchase Program for \$90,377, including applicable commissions, which represented an average price of \$34.36 per share. As of December 31, 2016, approximately \$109,702 remained of the \$200,000 2016 Repurchase Program.

For the period January 1, 2017 through February 16, 2017, the Company repurchased an additional 383,690 shares of the Company's common stock under the 2016 Repurchase Program for \$14,080, including applicable commissions, which represented an average price of \$36.70 per share. All repurchases under the 2016 Repurchase Program were made using cash resources.

On February 16, 2017, the Board of Directors increased the amount under and expanded the duration of the 2016 Repurchase Program (as amended, the "2017 Repurchase Program"). The 2017 Repurchase Program amended and superseded the 2016 Repurchase Program and allows the Company to repurchase up to \$300,000, excluding commissions, of the Company's common stock through December 31, 2019. The approximately \$95,634 remaining authorization under the 2016 Repurchase Program as of February 16, 2017 is included in the \$300,000 maximum amount authorized by the 2017 Repurchase Program. No other changes were made. The 2017 Repurchase Program does not obligate the Company to acquire any specific number of shares and can be suspended or discontinued at any time without notice. Under the 2017 Repurchase Program, shares can be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

For the period February 17, 2017 through September 30, 2017, the Company repurchased an additional 1,559,995 shares of the Company's common stock under the 2017 Repurchase Program for \$56,118, including applicable commissions, which represented an average price of \$35.97 per share. All repurchases under the 2017 Repurchase Program have been made using cash resources.

In the first nine months of 2017, the Company repurchased 1,943,685 shares of the Company's common stock under the 2016 Repurchase Program and the 2017 Repurchase Program for \$70,198, including applicable commissions, which represented an average price of \$36.12 per share.

Since the share repurchases began in August 2014 through September 30, 2017, the Company has repurchased 14,174,514 shares of the Company's common stock at an average cost of \$34.36 per share.

11. Stock-Based Compensation

The Company's incentive compensation plans allow the Company to grant awards to 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 grant-date fair value 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Stock options	\$ —	\$ 26	\$ 14	\$ 484
Restricted stock units	768	1,348	2,550	5,117
Performance stock units	368	727	1,147	6,199
Total stock-based compensation	<u>\$ 1,136</u>	<u>\$ 2,101</u>	<u>\$ 3,711</u>	<u>\$ 11,800</u>

Stock Options

No stock options were granted in the nine month periods ended September 30, 2017 and 2016, respectively. In February 2014, employees participating in the 2014-2016 long-term incentive plan were granted 380,064 stock options, which vested one-third each year through February 2017. In February 2013, employees participating in the 2013-2015 long-term incentive plan were granted 330,639 stock options, which vested one-third each year through February 2016.

The following table provides details of the stock option activity for the nine months ended September 30, 2017:

	Number of Shares
Outstanding at December 31, 2016	495,704
Exercised	(208,268)
Expired	—
Canceled	—
Outstanding at September 30, 2017	287,436
Exercisable	287,436

Restricted Stock Units

Under the Company's incentive compensation plans, restricted stock units may be granted to officers and certain other employees as awards for exceptional performance, as a hiring or retention incentive or as part of the long-term incentive plan. In February 2017, employees participating in the 2017-2019 long-term incentive plan were granted 82,563 restricted stock units which vest one-third each year through February 2020. In February 2016, employees participating in the 2016-2018 long-term incentive plan were granted 106,287 restricted stock units which vest one-third each year through February 2019. 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. The Company recognizes compensation expense based on the earlier of the vesting date or the date when the employee becomes eligible to retire. Employees must remain employed for at least six months to vest in the restricted stock units, even if retirement eligible. The weighted average fair values of restricted stock units granted in the first nine months of 2017 and for the full year 2016 were \$38.36 and \$36.02, respectively.

The following table provides details of the nonvested restricted stock unit activity for the nine months ended September 30, 2017:

	Number of Restricted Stock Units
Nonvested at December 31, 2016	240,574
Granted	102,707
Vested	(135,799)
Canceled	(7,829)
Accrued dividend equivalents	1,857
Nonvested at September 30, 2017	<u>201,510</u>

Performance Stock Units

Employees participating in the Company's long-term incentive plan earn performance stock units. Under the Company's 2017 – 2019 long-term incentive plan, any units earned during 2017 will vest at December 31, 2019. Under the Company's 2016 – 2018 long-term incentive plan, any units earned during 2016 and 2017 will vest at December 31, 2018. Under the Company's 2015 – 2017 long-term incentive plan, any units earned during 2015, 2016 and 2017 will vest at December 31, 2017.

The following table provides details of the nonvested performance stock units under the Company's long-term incentive plan:

	Number of Performance Stock Units
Performance stock units outstanding at December 31, 2016	163,967
Granted	64,208
Canceled	(6,807)
Accrued dividend equivalents	1,437
Performance stock units outstanding at September 30, 2017	222,805

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 grant until distribution is made in common shares. Performance stock units earn dividend equivalents from the time the units have been notionally 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 Accumulated Other Comprehensive Loss by Component

The following tables present the changes in Accumulated Other Comprehensive Loss by Component for the three and nine month periods ended September 30, 2017 and 2016, respectively.

	Cumulative Translation Adjustment	Derivative Instruments	Post-retirement Benefits	Total
Beginning balance, June 30, 2017	(50,022)	1	(462,775)	(512,796)
Other comprehensive income (loss) before reclassifications	8,181	(3,010)	—	5,171
Foreign currency translation effect	—	—	(2,437)	(2,437)
Income tax effect	—	985	—	985
Amount reclassified from accumulated other comprehensive income (loss)				
Cash flow hedges	—	2,720	—	2,720
Amortization of prior service credit	—	—	(141)	(141)
Amortization of actuarial losses	—	—	10,665	10,665
Pension settlement charge	—	—	—	—
Income tax effect	—	(890)	(3,731)	(4,621)
Other comprehensive income (loss)	8,181	(195)	4,356	12,342
Ending balance, September 30, 2017	(41,841)	(194)	(458,419)	(500,454)

	Cumulative Translation Adjustment	Derivative Instruments	Post-retirement Benefits	Total
Beginning balance, June 30, 2016	(45,429)	(134)	(470,045)	(515,608)
Other comprehensive (loss) income before reclassifications	(9,626)	599	(26,494)	(35,521)
Foreign currency translation effect	—	—	2,513	2,513
Income tax effect	—	(211)	10,134	9,923
Amount reclassified from accumulated other comprehensive income (loss)				
Cash flow hedges	—	574	—	574
Amortization of prior service credit	—	—	(141)	(141)
Amortization of actuarial losses	—	—	10,820	10,820
Pension settlement charge	—	—	11,462	11,462
Income tax effect	—	(209)	(3,820)	(4,029)
Other comprehensive (loss) income	(9,626)	753	4,474	(4,399)
Ending balance, September 30, 2016	(55,055)	619	(465,571)	(520,007)

	Cumulative Translation Adjustment	Derivative Instruments	Post- retirement Benefits	Total
Beginning balance, December 31, 2016	(75,415)	1,967	(471,703)	(545,151)
Other comprehensive (loss) income before reclassifications	33,574	(5,734)	—	27,840
Foreign currency translation effect	—	—	(7,004)	(7,004)
Income tax effect	—	1,893	—	1,893
Amount reclassified from accumulated other comprehensive income (loss)				
Cash flow hedges	—	2,367	—	2,367
Amortization of prior service credit	—	—	(424)	(424)
Amortization of actuarial losses	—	—	31,887	31,887
Pension settlement charge	—	—	—	—
Income tax effect	—	(687)	(11,175)	(11,862)
Other comprehensive (loss) income	33,574	(2,161)	13,284	44,697
Ending balance, September 30, 2017	(41,841)	(194)	(458,419)	(500,454)

	Cumulative Translation Adjustment	Derivative Instruments	Post- retirement Benefits	Total
Beginning balance, December 31, 2015	(22,034)	3,454	(491,187)	(509,767)
Other comprehensive (loss) income before reclassifications	(33,021)	(3,757)	(26,494)	(63,272)
Foreign currency translation effect	—	—	9,748	9,748
Income tax effect	—	1,448	10,134	11,582
Amount reclassified from accumulated other comprehensive income (loss)				
Cash flow hedges	—	(821)	—	(821)
Amortization of prior service credit	—	—	(424)	(424)
Amortization of actuarial losses	—	—	32,690	32,690
Pension settlement charge	—	—	11,462	11,462
Income tax effect	—	295	(11,500)	(11,205)
Other comprehensive (loss) income	(33,021)	(2,835)	25,616	(10,240)
Ending balance, September 30, 2016	(55,055)	619	(465,571)	(520,007)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income attributable to noncontrolling shareholders' interests	\$ 973	\$ 1,176	\$ 307	\$ 1,545
Other comprehensive income (loss):				
Currency translation adjustments	494	(1,320)	4,673	(3,116)
Comprehensive income (loss) attributable to noncontrolling shareholders' interests	\$ 1,467	\$ (144)	\$ 4,980	\$ (1,571)

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

The fact that the Company is a defendant in product liability lawsuits is not surprising given the current litigation climate, which is largely confined to the United States. However, the fact that the Company is subject to claims does not indicate that there is a quality issue with the Company's tires. The Company sells approximately 30 to 35 million passenger car, light truck, 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, improper repairs, road hazard and excessive speed.

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

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

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

The Company regularly reviews the probable outcome of outstanding legal proceedings and the availability and limits of the insurance coverage, and accrues for such legal proceedings at the time a loss is probable and the amount of the loss can be estimated. As part of its regular review, the Company monitors trends that may affect its ultimate liability and analyzes the developments and variables likely to affect pending and anticipated claims against the Company and the reserves for such claims. The Company utilizes claims experience, as well as trends and developments in the litigation climate, in estimating its required accrual. Based on the Company's review completed in the third quarter, coupled with normal activity, including the addition of another year of self-insured incidents, settlements and changes in the amount of reserves, the Company reduced its accrual from \$168,163 at June 30, 2017 to \$131,541 at September 30, 2017. This change in estimate in the quarter is primarily the result of recent favorable claims experience and trends.

The addition of another year of self-insured incidents accounted for an increase of \$37,016 in the Company's product liability reserve in the first nine months of 2017. Settlements, changes in the amount of reserves for cases where sufficient information is known to estimate a liability, and changes in assumptions decreased the liability by \$38,004.

The Company paid \$11,675 during the third quarter of 2017 to resolve cases and claims and has paid \$44,466 through the first nine months of 2017. The Company's product liability reserve balance at September 30, 2017 totaled \$131,541 (the current portion of \$45,626 is included in Accrued liabilities and the long-term portion is included in Other long-term liabilities on the Condensed Consolidated Balance Sheets), and the balance at December 31, 2016 totaled \$176,995 (current portion of \$58,054).

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

For the three month periods ended September 30, 2017 and 2016, product liability (income) expense totaled \$(20,989) and \$17,917, respectively. For the nine month period ended September 30, 2017 and 2016, product liability expense totaled \$11,458 and \$52,932, respectively. Product liability expenses are included in Cost of products sold in the Condensed Consolidated Statements of Income.

15. Business Segments

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

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

North America and Latin America meet the criteria for aggregation in accordance with ASC 280, as they are similar in their production and distribution processes and exhibit similar economic characteristics. The aggregated North America and Latin America segments are presented as "Americas Tire Operations" in the segment disclosure. The Americas Tire Operations segment manufactures and markets passenger car and light truck tires, primarily for sale in the U.S. replacement market. The segment also has a joint venture manufacturing operation in Mexico, Corporacion de Occidente SA de CV ("COOCSA"), which supplies passenger car tires to the North American, Mexican, Central American and South American markets. The segment also distributes tires for racing, medium trucks and motorcycles. The racing and motorcycle tires are manufactured in the Company's European Operations segment and by others. The medium truck tires are sourced from GRT and through an off-take agreement with Prinx Chengshan (Shandong) Tire Company Ltd. ("PCT"), the Company's former joint venture. 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 ("OEMs").

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 Operations". The European operations have operations in the United Kingdom ("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 and for export to the U.S. The Asian operations are located in the PRC. In the PRC, Cooper Kunshan Tire manufactures light vehicle tires both for the Chinese domestic market and for export to markets outside of the PRC. On December 1, 2016, the Company acquired 65 percent ownership of GRT, a joint venture manufacturing facility located in the PRC. GRT is expected to serve as a global source of truck and bus radial tire production for the Company. The segment also had another joint venture in the PRC, PCT, which manufactured and marketed radial and bias medium truck tires, as well as passenger car 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 began procuring certain medium truck and passenger car tires under off-take agreements with PCT through mid-2018. The medium truck tire agreement has been extended and now expires in mid-2019. The segment sells a majority of its tires in the replacement market, with a portion also sold to OEMs.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales				
Americas Tire				
External customers	\$ 615,261	\$ 658,727	\$ 1,742,863	\$ 1,866,926
Intercompany	10,162	13,914	29,275	39,773
	<u>625,423</u>	<u>672,641</u>	<u>1,772,138</u>	<u>1,906,699</u>
International Tire				
External customers	118,582	92,186	354,758	274,056
Intercompany	44,763	20,603	101,922	65,637
	<u>163,345</u>	<u>112,789</u>	<u>456,680</u>	<u>339,693</u>
Eliminations	(54,925)	(34,517)	(131,197)	(105,410)
Consolidated net sales	<u>\$ 733,843</u>	<u>\$ 750,913</u>	<u>\$ 2,097,621</u>	<u>\$ 2,140,982</u>
Operating profit (loss):				
Americas Tire	\$ 117,465	\$ 101,522	\$ 263,951	\$ 323,667
International Tire	591	3,265	3,518	4,645
Unallocated corporate charges	(15,792)	(26,442)	(41,177)	(48,191)
Eliminations	(887)	(117)	(1,413)	(872)
Operating profit	<u>101,377</u>	<u>78,228</u>	<u>224,879</u>	<u>279,249</u>
Interest expense	(7,591)	(6,795)	(23,629)	(19,717)
Interest income	1,776	1,018	5,333	2,907
Other non-operating (expense) income	(978)	1,785	(1,468)	4,672
Income before income taxes	<u>\$ 94,584</u>	<u>\$ 74,236</u>	<u>\$ 205,115</u>	<u>\$ 267,111</u>

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

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

Consolidated Results of Operations

(Dollar amounts in thousands except per share amounts)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	% Change	2016	2017	% Change	2016
Net sales						
Americas Tire						
External customers	\$ 615,261	(6.6)	\$ 658,727	\$ 1,742,863	(6.6)	\$ 1,866,926
Intercompany	10,162	(27.0)	13,914	29,275	(26.4)	39,773
	<u>625,423</u>	(7.0)	<u>672,641</u>	<u>1,772,138</u>	(7.1)	<u>1,906,699</u>
International Tire						
External customers	118,582	28.6	92,186	354,758	29.4	274,056
Intercompany	44,763	117.3	20,603	101,922	55.3	65,637
	<u>163,345</u>	44.8	<u>112,789</u>	<u>456,680</u>	34.4	<u>339,693</u>
Eliminations	(54,925)	(59.1)	(34,517)	(131,197)	(24.5)	(105,410)
Consolidated net sales	<u>\$ 733,843</u>	(2.3)	<u>\$ 750,913</u>	<u>\$ 2,097,621</u>	(2.0)	<u>\$ 2,140,982</u>
Operating profit (loss):						
Americas Tire	\$ 117,465	15.7	\$ 101,522	\$ 263,951	(18.4)	\$ 323,667
International Tire	591	(81.9)	3,265	3,518	(24.3)	4,645
Unallocated corporate charges	(15,792)	40.3	(26,442)	(41,177)	14.6	(48,191)
Eliminations	(887)	n/m	(117)	(1,413)	(62.0)	(872)
Operating profit	<u>101,377</u>	29.6	<u>78,228</u>	<u>224,879</u>	(19.5)	<u>279,249</u>
Interest expense	(7,591)	11.7	(6,795)	(23,629)	(19.8)	(19,717)
Interest income	1,776	74.5	1,018	5,333	83.5	2,907
Other non-operating (expense) income	(978)	n/m	1,785	(1,468)	n/m	4,672
Income before income taxes	<u>94,584</u>	27.4	<u>74,236</u>	<u>205,115</u>	(23.2)	<u>267,111</u>
Provision for income taxes	<u>31,924</u>	34.4	<u>23,757</u>	<u>67,250</u>	(22.3)	<u>86,509</u>
Net income	<u>62,660</u>	24.1	<u>50,479</u>	<u>137,865</u>	(23.7)	<u>180,602</u>
Net income attributable to noncontrolling shareholders' interests	<u>973</u>	(17.3)	<u>1,176</u>	<u>307</u>	(80.1)	<u>1,545</u>
Net income attributable to Cooper Tire & Rubber Company	<u>\$ 61,687</u>	25.1	<u>\$ 49,303</u>	<u>\$ 137,558</u>	(23.2)	<u>\$ 179,057</u>
Earnings per share:						
Basic	\$ 1.19	30.8	\$ 0.91	\$ 2.62	(19.6)	\$ 3.26
Diluted	\$ 1.18	31.1	\$ 0.90	\$ 2.59	(19.8)	\$ 3.23

n/m – not meaningful

Consolidated net sales for the third quarter of 2017 were \$734 million, a decrease of \$17 million from the comparable period one year ago. In the third quarter of 2017, the Company experienced lower unit volumes (\$19 million) and unfavorable price and mix (\$1 million), partially offset by favorable foreign currency impact (\$3 million). Unit volume in the Americas segment was down, with decreases in both North America and Latin America. This result was partially offset by improved unit volume performance in the International segment.

The Company recorded operating profit in the third quarter of 2017 of \$101 million, an increase of \$23 million compared with the third quarter of 2016. Operating profit included higher raw material costs net of price and mix (\$15 million) and lower unit volume (\$8 million). The Company also experienced higher manufacturing costs (\$7 million), primarily in the Americas, as a result of lower production volumes in North America as a result of the decline in unit volume year over year and the pull ahead of production down days into September out of concern for potential hurricane related disruption of raw material supply. These higher costs were offset by lower product liability costs (\$39 million), the non-recurrence of a non-cash pension settlement charge (\$11 million) that was recorded in 2016, and decreased other operating costs (\$3 million).

As part of its regular review, the Company monitors trends and analyzes developments and variables likely to affect pending and anticipated product liability claims against the company. Primarily as a result of the review completed in the third quarter, the company reduced its estimate of pending and anticipated product liability claims, which resulted in a benefit of \$39 million compared to the third quarter of 2016. Additional information related to the Company's accounting for product liability costs appears in the Notes to Unaudited Condensed Consolidated Financial Statements.

In 2016, in order to reduce the size and potential future volatility of the Company's domestic defined benefit pension plan obligations, the Company offered certain plan participants with deferred vested benefits the opportunity to make a one-time election to receive a lump sum distribution of their benefits. Based on participants that accepted the offer, the Company paid \$23 million of lump-sum distributions from plan assets in the third quarter of 2016, which resulted in a non-cash settlement charge (\$11 million) in the third quarter of 2016 included within unallocated corporate charges. Additional information related to the Company's accounting for the pension settlement charge appears in the Notes to the Condensed Consolidated Financial Statements.

Consolidated net sales for the nine month period ended September 30, 2017 were \$2,098 million, a decrease of \$43 million from the comparable period one year ago. Lower unit volume (\$67 million) and unfavorable foreign currency impact (\$14 million), were partially offset by favorable pricing and mix (\$38 million), which was primarily due to net price increases related to higher raw material costs. The negative impact to net sales from lower unit volume was related to a unit volume decline in the Americas, partially offset by improved unit volume in the International segment.

The Company recorded operating profit of \$225 million in the first nine months of 2017, a decrease of \$54 million compared with the first nine months of 2016. Higher raw material costs net of price and mix (\$91 million) increased compared to the first nine months of 2016. The Company also experienced increased manufacturing costs (\$26 million), primarily in the Americas, as a result of lower production volumes in North America, and lower unit volume (\$23 million) compared with 2016. These costs were partially offset by lower product liability charges (\$41 million), decreased selling, general and administrative costs (\$13 million), and the \$11 million non-cash pension settlement charge recorded in 2016. The Company also had a reversal of \$22 million related to preliminary truck and bus tire duties expensed in 2016. The preliminary truck and bus tire duties were reversed in the first quarter of 2017 as a result of the International Trade Commission's vote nullifying the preliminary duties. Other operating costs increased \$1 million over the prior year.

The Company experienced increases in the costs of certain of its principal raw materials in the first nine months of 2017 compared with the first nine months of 2016. The principal raw materials for the Company include natural rubber, synthetic rubber, carbon black, chemicals and steel reinforcement components. Substantially all U.S. inventories have been valued using the LIFO method of inventory costing which accelerates the impact to cost of products 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 costs reduced cost of products sold \$21 million in the third quarter of 2017, a decrease of \$39 million from the comparable period one year ago. Product liability expenses totaled \$11 million in the first nine months of 2017, a decrease of \$41 million from the first nine months of 2016. Based on the Company's review completed in the third quarter, coupled with normal activity, including the addition of another year of self-insured incidents, settlements and changes in the amount of reserves, the Company reduced its accrual. Additional information related to the Company's accounting for product liability costs appears in the Notes to Unaudited Condensed Consolidated Financial Statements.

Selling, general and administrative expenses were \$63 million in the third quarter of 2017 (8.6 percent of net sales) and \$63 million in the third quarter of 2016 (8.4 percent of net sales). Selling, general and administrative expenses for the third quarter of 2017 were flat compared to the prior year, as decreases in the mark to market costs of stock-based liabilities and lower incentive compensation were offset by increased professional fees. For the nine month period ending September 30, 2017, selling, general, and administrative expenses were \$181 million (8.6 percent of net sales) compared with \$192 million (9.0 percent of net sales) for the comparable period of 2016. The decrease in selling, general, and administrative expenses was driven by a decrease in incentive compensation, partially offset by an increase in professional fees and the write-off of assets related to the Company's global ERP system implementation.

Interest expense increased \$1 million and \$4 million in 2017 when compared to the corresponding quarter and year-to-date periods ended September 30, 2016, respectively. The increase was a result of increased borrowings and higher interest rates, primarily in Asia. Interest income increased \$1 million in the third quarter of 2017 compared to the third quarter of 2016 and increased \$2 million in the first nine months of 2017 compared to the first nine months of 2016.

Other income decreased \$3 million in the third quarter of 2017 and decreased \$6 million in the first nine months of 2017 when compared to the corresponding periods in 2016. The decrease was due primarily to the impact of foreign currency forward contracts.

For the three month period ended September 30, 2017, the Company recorded income tax expense of \$32 million (effective rate of 33.8 percent) compared with \$24 million (effective rate of 32.0 percent) for the comparable period in 2016. For the nine month period ended September 30, 2017, the company recorded tax expense of \$67 million (effective rate of 32.8 percent) compared with \$87 million (effective rate of 32.4 percent) for the comparable period in 2016. The effective tax rate for the three month period ended September 30, 2017 differs from the U.S. federal statutory rate of 35 percent primarily due to the projected mix of earnings in international jurisdictions with lower tax rates, partially offset by losses in jurisdictions where valuation allowances are recorded. The effective tax rate for the nine month period ended September 30, 2017 differs from the U.S. federal statutory rate of 35 percent primarily due to the projected mix of earnings in international jurisdictions with lower tax rates, partially offset by losses in jurisdictions where valuation allowances are recorded, and due to a discrete tax benefit recognized as a result of the adoption of ASU 2016-09, "Improvements to Employee Share-Based Accounting," which requires all excess tax benefits or deficiencies from share-based payments to be recognized as income tax expense or benefit in the income statement. The Company recognized excess tax benefits from share-based payments of \$2 million in the first nine months of 2017.

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 loss carryforward by a valuation allowance of \$2 million. In addition, the Company has recorded valuation allowances of \$18 million relating to non-U.S. net operating losses for a total valuation allowance of \$21 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

The Company has four segments under ASC 280:

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

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

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 Operations."

Americas Tire Operations Segment

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
Net sales	\$ 625,423	(7.0)%	\$ 672,641	\$ 1,772,138	(7.1)%	\$ 1,906,699
Operating profit	\$ 117,465	15.7 %	\$ 101,522	\$ 263,951	(18.4)%	\$ 323,667
Operating margin	18.8%	2.7 points	15.1%	14.9%	-2.5 points	17.0%
Total unit sales change		(7.5)%			(6.4)%	
United States replacement market unit shipment changes:						
Total light vehicle tires						
Segment		(10.4)%			(10.5)%	
USTMA members		(1.7)%			(0.9)%	
Total Industry		(1.4)%			(0.7)%	

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, which supplies passenger car tires to the North American, Mexican, Central American and South American markets. The segment also distributes tires for racing, medium trucks and motorcycles. The racing and motorcycle tires are manufactured in the Company's European Operations segment and by others. The medium truck tires are sourced from GRT and through an off-take agreement that was entered into with PCT, the Company's former joint venture, which is now known as Prinx Chengshan (Shandong) Tire Company Ltd. 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 OEMs.

Sales

Net sales of the Americas Tire Operations segment for the third quarter of 2017 decreased \$48 million, or 7.0 percent, from the third quarter of 2016. The decrease in sales was a result of lower unit volume (\$51 million), which was partially offset by favorable pricing and mix (\$2 million), primarily due to net price increases related to higher raw material costs, and favorable foreign currency impact (\$1 million). Unit shipments for the segment decreased 7.5 percent compared with the third quarter of 2016. In the U.S., the segment's unit shipments of total light vehicle tires decreased 10.4 percent in the third quarter of 2017 compared with the third quarter of 2016. This decrease compares with a 1.7 percent decrease in total light vehicle tire shipments experienced by the members of the U.S. Tire Manufacturing Association ("USTMA", formerly the Rubber Manufacturers Association), and a 1.4 percent decrease in total light vehicle tire shipments experienced for the total industry (which includes an estimate for non-USTMA members). Unit volume was negatively impacted by the hurricanes in the U.S. in the third quarter of 2017. The segment's commercial truck tire unit shipments for the U.S. decreased 2.5 percent in the third quarter of 2017 from the third quarter of 2016, compared with unit shipment increases for both the the industry and the USTMA.

Net sales of the Americas Tire Operations segment for the first nine months of 2017 decreased \$135 million or 7.1 percent, from the first nine months of 2016. The decrease in sales was a result of lower unit volume (\$142 million) and unfavorable foreign currency impact (\$3 million), which were partially offset by favorable pricing and mix (\$10 million), primarily due to net price increases related to higher raw material costs. Unit shipments for the segment decreased 6.4 percent compared with the first nine months of 2016. In the U.S., the segment's unit shipments of total light vehicle tires decreased 10.5 percent in the first nine months of 2017 compared with the comparable period of 2016. This decrease compares with a 0.9 percent decrease in total light vehicle tire shipments experienced by the members of the USTMA and a 0.7 percent decrease experienced for the total industry. The segment's commercial truck tire unit shipments for the U.S. increased 14.9 percent in the first nine months of 2017 compared with the first nine months of 2016, outperforming both the industry and the USTMA.

Operating Profit

Operating profit for the segment increased \$15 million to \$117 million in the third quarter of 2017. The segment experienced lower unit volume (\$12 million) and unfavorable raw material costs net of price and mix (\$7 million) compared to the third quarter of 2016. The segment also experienced increased manufacturing costs (\$8 million), which was a result of curtailed production levels in order to manage inventory based on lower unit volume in the U.S. and the pull ahead of production down days into September out of concern for potential hurricane related disruption of raw material supply. These higher costs were more than offset by lower product liability costs (\$39 million), favorable selling, general and administrative costs (\$2 million), and decreased other operating costs (\$1 million).

Operating profit for the segment decreased \$60 million to \$264 million in the first nine months of 2017. The segment experienced unfavorable raw material costs net of price and mix (\$75 million) and lower unit volumes (\$34 million) compared to the first nine months of 2016. The segment also experienced increased manufacturing costs (\$30 million) as a result of curtailed production levels in the first nine months of 2017 and unfavorable other operating costs (\$2 million). Product liability charges (\$41 million) were lower year over year. Selling, general and administrative costs (\$18 million) decreased from the first nine months of 2016, primarily as a result of reduced incentive compensation. The first nine months of 2017 also included the reversal of \$22 million related to preliminary truck and bus tire duties expensed in 2016. The preliminary truck and bus tire duties were reversed in the first quarter of 2017 as a result of the International Trade Commission's vote nullifying the preliminary duties.

The segment's internally calculated raw material index of 150.2 during the quarter was an increase of 6.4 percent from the third quarter of 2016. The raw material index decreased 8.1 percent from the quarter ended June 30, 2017.

International Tire Operations Segment

(Dollar amounts in thousands)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
Net sales	\$ 163,345	44.8 %	\$ 112,789	\$ 456,680	34.4 %	\$ 339,693
Operating profit	\$ 591	(81.9)%	\$ 3,265	\$ 3,518	(24.3)%	\$ 4,645
Operating margin	0.4%	-2.5 points	2.9%	0.8%	-0.6 points	1.4%
Total unit sales change		31.3 %			24.0 %	

Overview

The International Tire Operations segment is the combination of the Asia and Europe operating segments. The European segment has 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 and for export to the U.S. The Asian operations are located in the PRC. In the PRC, Cooper Kunshan Tire manufactures light vehicle tires both for the Chinese domestic market and for export to markets outside of the PRC. On December 1, 2016, the Company acquired 65 percent ownership of GRT, a joint venture manufacturing facility located in the PRC. GRT is expected to serve as a global source of truck and bus radial tire production for the Company. The segment also had another joint venture in the PRC, PCT, which manufactured and marketed radial and bias medium truck tires as well as passenger car 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 began procuring certain medium truck and passenger car tires under off-take agreements with PCT through mid-2018. The medium truck tire agreement has been extended and now expires in mid-2019. The segment sells a majority of its tires in the replacement market, with a portion also sold to OEMs.

Sales

Net sales of the International Tire Operations segment for the third quarter of 2017 increased \$50 million, or 44.8 percent, from the third quarter of 2016. The segment experienced increased unit volume (\$27 million), favorable price and mix (\$22 million), primarily due to net price increases related to higher raw material costs, and favorable foreign currency impact (\$1 million) compared with the third quarter of 2016. Unit volume in Asia increased, driven by an increase in sales in the domestic China market for both original equipment and replacement tires. Unit volumes in the European market decreased slightly compared to the third quarter of 2016. Net segment exports to the U.S. increased compared with the third quarter of 2016.

Net sales of the International Tire Operations segment for the first nine months of 2017 increased \$117 million, or 34.4 percent, from the first nine months of 2016. The segment experienced increased unit volume (\$64 million) and favorable price and mix (\$65 million), primarily due to net price increases related to higher raw material costs, which were partially offset by unfavorable foreign currency impact (\$12 million) compared with the first nine months of 2016. Unit volume increased compared to the prior year in both Asia and Europe. Net segment exports to the U.S. decreased compared with the first nine months of 2016.

Operating Profit

Operating profit for the segment decreased \$2 million from the third quarter of 2016 to an operating profit of \$1 million in the third quarter of 2017. The segment experienced unfavorable raw materials net of price and mix (\$7 million), which were partially offset by increased unit volume (\$4 million) and lower manufacturing costs (\$1 million).

Operating profit for the segment decreased \$1 million from the first nine months of 2016 to an operating profit of \$4 million in the first nine months of 2017. The segment experienced higher raw materials costs net of price and mix (\$13 million) and increased other costs (\$1 million), including foreign currency impact. These costs were partially offset by increased unit volume (\$9 million) and lower manufacturing costs (\$4 million).

Outlook for Company

The Company projects a modest sequential increase in raw material costs in the fourth quarter of 2017.

The Company expects unit volume improvement in the Americas segment sequentially from the third quarter of 2017, but U.S. unit volume that is expected to lag the industry. Unit volume growth is expected in the International segment.

The International segment is expected to continue to improve profitability relative to the fourth quarter of 2016, inclusive of the recently acquired majority interest in GRT.

Full year 2017 consolidated operating margin is expected to be near the high end of the Company's previously announced mid-term target of 8 to 10 percent.

The effective tax rate for full year 2017 is expected to be in a range between 30 percent and 33 percent.

Capital expenditures are expected to range between \$190 and \$210 million for the year.

Liquidity and Capital Resources

Sources and uses of cash in operating activities - Net cash consumed by operating activities was \$14 million in the first nine months of 2017 compared to net cash provided of \$180 million in the first nine months of 2016. In the first nine months of 2017, net income provided \$138 million and other non-cash charges contributed \$127 million, which were more than offset by changes in working capital accounts, which consumed \$279 million. In the first nine months of 2016, net income provided \$181 million and other non-cash charges contributed \$149 million, which were partially offset by changes in working capital accounts, which consumed \$150 million. The decrease in cash provided by operating activities in 2017 as compared to 2016 is the result of lower net income in 2017, a reduction in accruals in 2017, including reduced product liability and incentive compensation accruals, and increased growth in accounts receivable in 2017 as a result of higher sales in the International segment and extended promotional terms in the Americas segment. Additionally, accounts payable has consumed cash in 2017 as compared to generating cash in 2016, primarily due to raw material price increases throughout 2016, as compared to slower growth in raw material prices in 2017.

Use of cash in investing activities - Net cash used in investing activities during the first nine months of 2017 and 2016 reflect capital expenditures of \$143 million and \$127 million, respectively.

Sources and uses of cash in financing activities - The Company repurchased \$70 million and \$82 million of its common stock in the first nine months of 2017 and 2016, respectively. During the first nine months of 2017, the Company repaid \$6 million more on short-term debt compared with the first nine months of 2016. Dividends paid on the Company's common shares were \$17 million in the first nine months of both 2017 and 2016. During the first nine months of 2017, stock options were exercised

to acquire 208,268 shares of common stock with a cash impact of \$4 million. During the first nine months of 2016, stock options were exercised to acquire 153,614 shares of common stock with a cash impact of \$4 million.

Available cash, credit facilities and contractual commitments - At September 30, 2017, the Company had cash and cash equivalents of \$258 million.

Domestically, the Company has 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. The Company also has an accounts receivable securitization facility with a borrowing limit of up to \$150 million, based on available collateral, which expires in May 2018.

These credit facilities are undrawn, other than to secure letters of credit, at September 30, 2017. The Company's additional borrowing capacity, net of amounts used to back letters of credit and based on available collateral at September 30, 2017, was \$532 million.

The Company's operations in Asia have annual renewable unsecured credit lines that provide up to \$60 million of borrowings and do not contain significant financial covenants. The additional borrowing capacity on the Asian credit lines totaled \$24 million at September 30, 2017.

The Company believes that its cash and cash equivalent balances along with available cash from operating cash flows and credit facilities will be adequate to fund its typical needs, including working capital requirements, projected capital expenditures, including its portion of capital expenditures in its partially-owned subsidiaries, 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, 2017 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, 2017:

Parent company	
8% unsecured notes due December 2019	\$ 173,578
7.625% unsecured notes due March 2027	116,880
Capitalized leases and other	7,853
	<u>298,311</u>
Less: unamortized debt issuance costs	763
	<u>297,548</u>
Less: current maturities	1,464
	<u><u>\$ 296,084</u></u>

Contingencies

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

Pursuant to ASC 450, 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.

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 connote a view to the future and are not merely recitations of historical fact. Such statements are made solely on the basis of the Company's current views and perceptions of future events, and there can be no assurance that such statements will prove to be true.

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

- volatility in raw material and energy prices, including those of rubber, steel, petroleum-based products and natural gas or the unavailability of such raw materials or energy sources;
- the failure of the Company's suppliers to timely deliver products or services in accordance with contract specifications;
- changes to tariffs or trade agreements, or the imposition of new tariffs or trade restrictions, including changes related to tariffs on tires imported into the U.S. from China, as well as tariffs imposed on raw materials which the company uses;
- changes in economic and business conditions in the world, including changes related to the United Kingdom's decision to withdraw from the European Union;
- 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 product liability claims, which could result in commitment of significant resources and time to defend and possible material damages against the Company or other unfavorable outcomes;
- 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;
- changes in pension expense and/or funding resulting from the company's pension strategy, investment performance of the company's pension plan assets and changes in discount rate or expected return on plan assets assumptions, or changes to related accounting regulations;

- government regulatory and legislative initiatives including environmental, healthcare, and tax matters;
- volatility in the capital and financial markets or changes to the credit markets and/or access to those markets;
- a variety of factors, including market conditions, may affect the actual amount expended on stock repurchases; the company's ability to consummate stock repurchases; changes in the company's results of operations or financial conditions or strategic priorities may lead to a modification, suspension or cancellation of stock repurchases, which may occur at any time;
- 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;
- failure to implement information technologies or related systems, including failure by the Company to successfully implement ERP systems;
- the risks associated with doing business outside of the U.S.;
- 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;
- the impact of labor problems, including labor disruptions at the Company, its joint ventures, or at one or more of its large customers or suppliers;
- 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 integrate them into operations or their related financings may impact liquidity and capital resources;
- changes in the company's relationship with its joint-venture partners or suppliers, including any changes with respect to its former PCT joint venture's production of Cooper-branded products;
- the ability to find alternative sources for products supplied by PCT;
- 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, 2017 from those detailed in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2016.

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, 2017 ("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, 2017 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is a defendant in various judicial proceedings arising in the ordinary course of business. A significant portion of these proceedings are product liability cases in which individuals involved in motor vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. After reviewing all of these proceedings, and taking into account all relevant factors concerning them, the Company does not believe that any liabilities resulting from these proceedings are reasonably likely to have a material adverse effect on its liquidity, financial condition or results of operations in excess of amounts recorded at September 30, 2017. In the future, such costs could have a materially greater impact on the consolidated results of operations and financial position of the Company than in the past.

Item 1A. RISK FACTORS

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

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

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

The Company is facing heightened risks due to the 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 or reduced sales volumes for the business.

In addition, the bankruptcy, restructuring or consolidation of one or more of the Company's major customers or suppliers due to current global economic conditions could result in the write-off of accounts receivable, a reduction in purchases of the Company's products or a supply disruption to its facilities, which could harm the Company's results of operations, financial condition and liquidity.

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

The Company's ability to competitively source and sell tires can be significantly impacted by changes in tariffs, trade agreements or other trade restrictions 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.

For example, antidumping and countervailing duty investigations into certain passenger car and light truck tires imported from the PRC into the United States were initiated on July 14, 2014. The determinations announced in both investigations were affirmative and resulted in the imposition of significant additional duties from each. The countervailing duty determination is undergoing an Administrative Review with the final results being expected in the first quarter of 2018.

In addition, antidumping and countervailing duty investigations into certain truck and bus tires imported from the PRC into the U.S. were initiated on January 29, 2016. The preliminary determinations announced in both investigations were affirmative and resulted in the imposition of significant additional duties from each. On February 22, 2017, the International Trade Commission ("ITC") made a final determination that the U.S. market had not suffered material injury because of imports of truck and bus

tires from China. As a result of this decision, preliminary antidumping and countervailing duties from Chinese truck and bus tires imported subsequent to the preliminary determination are not to be collected and any amounts previously paid will be refunded. On April 14, 2017, the United Steelworkers Union filed a civil action challenging the ITC's decision not to impose duties on truck and bus tires from China imported into the U.S. Currently, the Company sources its truck and bus tires exclusively from the PRC.

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

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

In 2014, the Company sold its ownership interest in PCT and entered into off-take agreements with PCT to provide the continuous supply of certain medium truck and passenger car tires for the Company through mid-2018. The medium truck tire agreement has been extended and now expires in mid-2019. If there are any disruptions in or quality issues with the supply of Cooper-branded products from PCT, it could have a material negative impact on the Company's business. The Company is actively pursuing options to ensure the uninterrupted supply of these tires to meet the demands of the business beyond the terms of the off-take agreements, including sourcing through GRT, but there can be no assurance that the Company will be able to do so in a timely manner. The Company currently sources medium truck tires from both GRT and PCT.

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

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

The Company 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, such as the purchase of a majority interest in GRT, and may pursue additional acquisition opportunities, some of which could be material to its business. The Company cannot provide assurance whether it will be successful in pursuing and integrating any 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. If the Company is unable to identify or execute on appropriate opportunities for acquisition, investment or growth, its business could be materially adversely affected.

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

The Company has affiliate, subsidiary and joint venture operations worldwide, including in the U.S., Europe, Mexico and the PRC. The Company has a wholly-owned manufacturing entity, Cooper Kunshan Tire, and is the majority owner of GRT, both in the PRC. The Company also is the majority owner of COOCSA, a manufacturing entity in Mexico, and has established operations in Serbia and the U.K. PCT, located in the PRC, is currently a supplier of 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, ability to enforce existing or future contracts, shortages of trained labor and the uncertainties associated with entering into joint ventures or similar arrangements in foreign countries. These risks may impact the Company's ability to expand its operations in different regions and otherwise achieve its objectives relating to its foreign operations, including utilizing these locations as suppliers to other markets. In addition, compliance with multiple and potentially conflicting foreign laws and regulations, import and export limitations and exchange controls is burdensome and expensive. For example, the Company could be adversely affected by violations of the Foreign Corrupt Practices Act ("FCPA") and similar worldwide anti-bribery laws as well as export controls and economic sanction laws. The FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials and, in some cases, other persons, for the purpose of obtaining or retaining business. Violations of these laws and regulations could result in civil and criminal fines, penalties and sanctions against the Company, its officers or its employees, prohibitions on the conduct of the Company's business and on its ability to offer products and services in one or more countries, and could also harm the Company's reputation, business and results of operations. The Company's foreign operations also subject it to the risks of international terrorism and hostilities and to foreign currency risks, including exchange rate fluctuations and limits on the repatriation of funds. See also related comments under "The Company's results could be impacted by changes in tariffs or other trade restrictions imposed by the U.S. or other governments on imported tires or raw materials."

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

The Company relies on the accuracy, capacity and security of its information technology systems across all of its major business functions, including its research and development, manufacturing, sales, financial and administrative functions. While the Company maintains some of its critical information technology systems, it is also dependent on third parties to provide important information technology services relating to, among other things, human resources, electronic communications and certain finance functions. Despite the security measures that the Company has implemented, including those related to cybersecurity, its systems could be breached or damaged by computer viruses, natural or man-made incidents or disasters or unauthorized physical or electronic access. Furthermore, the Company may have little or no oversight with respect to security measures employed by third-party service providers, which may ultimately prove to be ineffective at countering threats. A system failure, accident or security breach could result in business disruption, theft of its intellectual property, trade secrets or customer information and unauthorized access to personnel information. To the extent that any system failure, accident or security breach results in disruptions to its operations or the theft, loss or disclosure of, or damage to, its data or confidential information, the Company's reputation, business, results of operations, cash flows and financial condition could be materially adversely affected. In addition, the Company may be required to incur significant costs to protect against and, if required, remediate the damage caused by such disruptions or system failures in the future.

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

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The United Kingdom has formally initiated a withdrawal process and is scheduled to leave the European Union by the end of March 2019. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, including volatility in the value of the British pound sterling and Euro. These developments may also significantly reduce global market liquidity or restrict the ability of key market participants to operate in certain financial markets. The effects of the United Kingdom's withdrawal from the European Union will also depend on terms of new trade agreements between the United Kingdom and other countries, as well as any other agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Any of these factors could depress economic activity and restrict the Company's access to capital, which could have a material adverse effect on the Company's business, financial condition and results of operations. These developments may also have other direct or indirect effects which could have a material adverse effect on the Company's business, financial condition 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, updates to mortality tables and the impact of changes to the Company's pension strategy. The Company could also experience increased other postretirement expense due to decreases in the discount rate, increases in the health care trend rate and changes in the health care environment.

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

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

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

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

In addition, while the Company believes that its tires are free from design and manufacturing defects and comply with all applicable regulations and standards, it is possible that 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 and bank financings. Additionally, any inability to access the capital markets or bank financings, including the ability to refinance existing debt when due, could require the Company to defer critical capital expenditures, reduce or not pay dividends, reduce spending in areas of strategic importance, 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 working capital needs. These loans are generally for terms of one year or less. Therefore, debt maturities occur frequently and access to the capital markets and bank financings is crucial to the Company's ability to maintain sufficient liquidity to support its operations in the PRC.

If the Company fails to develop technologies, processes or products needed to support consumer demand or, consumer demand shifts, 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 or changes in the types of tires consumers desire.

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

An increase in consumer preference for car- and ride-sharing services, as opposed to automobile ownership, may result in a long term reduction in the number of vehicles per capita. Additionally, 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.

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

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

The Company has implemented an Enterprise Resource Planning system in the United States. The Company is evaluating its available options for information technology solutions outside of the United States, which will require significant amounts of capital and human resources to deploy. These requirements may exceed the Company's projections. If for any reason these implementations are not successful, the Company could be required to expense rather than capitalize related amounts. Throughout implementation of the systems, there are also risks created to the Company's ability to successfully and efficiently operate.

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 PCT."

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 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.

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 stockholders' agreements; conflicts with joint venture partners; the possibility of a joint venture partner taking valuable knowledge from the Company; and risk of being denied access to the capital markets, which could lead to resource demands on the Company in order to maintain or advance its strategy. The Company's outstanding notes and primary credit facility contain cross default provisions in the event of certain defaults by the Company under other agreements with third parties. For further discussion of access to the capital markets, see also related comments under "The Company has a risk due to volatility of the capital and financial markets."

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

The Company may initiate restructuring actions designed to improve future profitability and competitiveness, and enhance the Company's flexibility. The Company may not realize anticipated savings or benefits from future actions in full or in part or within the time periods it expects. The Company is also subject to the risks of labor unrest, negative publicity and business disruption in connection with these actions. Failure to realize anticipated savings or benefits from the Company's actions could have an adverse effect on the business. Such restructuring actions could have a significant negative impact on the Company's earnings or cash flows in the short-term.

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

The Company may incur additional tax expense or become subject to additional tax exposure.

The Company's provision for income taxes and the cash outlays required to satisfy its income tax obligations in the future could be adversely affected by numerous factors. These factors include changes in the level of earnings in the tax jurisdictions in which the Company operates, changes in plans to repatriate the earnings of the Company's foreign operations to the U.S. and changes in tax laws and regulations. Various levels of government are increasingly focused on tax reform and other legislative actions, including corporate income taxes. These include a number of proposals to modify the U.S. federal income tax laws which, if enacted, could materially impact the Company's tax obligation. Additionally, the Company's income tax returns are subject to examination by federal, state and local tax authorities in the U.S. and tax authorities outside the U.S. Based upon the outcome of tax examinations, judicial proceedings, or expiration of statutes of limitations, it is possible that the ultimate resolution of these unrecognized tax benefits may result in a payment that is materially different from the current estimate of the tax liabilities. Such factors could have an adverse effect on the Company's provision for income taxes and the cash outlays required to satisfy income tax obligations.

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 the Company's international operations and otherwise adversely affect the business.

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

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

The Financial Accounting Standards Board is considering or has issued for future adoption several projects which may result in the modification of accounting standards affecting the Company, 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 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. The future of this major legislation and any replacement is now in question and the ultimate cost and the potentially adverse impact to the Company and its employees cannot be quantified at this time.

Item 2. ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth a summary of the Company's purchases during the quarter ended September 30, 2017 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 ⁽¹⁾	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2017 through July 31, 2017	208,976	\$ 36.92	208,976	\$ 267,823
August 1, 2017 through August 31, 2017	125,894	\$ 35.63	125,894	\$ 263,341
September 1, 2017 through September 30, 2017	567,624	\$ 34.23	567,624	\$ 243,928
Total	902,494		902,494	

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

Item 6. EXHIBITS

(a) Exhibits

- (10) [Amendment No. 1 to Credit Agreement, dated as of October 16, 2017, among the Company, the Lenders and JPMorgan Chase Bank, National Association](#)
- (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
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Mark A. Young

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

October 30, 2017

(Date)

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

Section 2: EX-10 (EXHIBIT 10)

AMENDMENT NO. 1 TO CREDIT AGREEMENT

This Amendment No. 1 to Credit Agreement, dated as of October 16, 2017 (this "Amendment"), is among Cooper Tire & Rubber Company, a Delaware corporation, as a borrower (the "Company"), the Lenders party hereto, and JPMorgan Chase Bank, N.A., as administrative agent (the "Administrative Agent"). Capitalized terms not otherwise defined herein have the meanings assigned to them in the Credit Agreement referenced below.

WITNESSETH:

WHEREAS, the Company, the Lenders party thereto, and the Administrative Agent are parties to that certain Credit Agreement, dated as of May 27, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Company has requested that the Administrative Agent and the Required Lenders amend the Credit Agreement as set forth herein, and the Administrative Agent and the Lenders party hereto have agreed to so amend the Credit Agreement upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

1. Amendments to the Credit Agreement. Effective as of the date that the conditions precedent set forth in Section 2 below are satisfied, the parties hereto agree that the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended to add the following new definitions in alphabetical order:

"Owned IRBs" means any Permitted IRB owned in its entirety by the Company or any of its Domestic Subsidiaries.

"Permitted IRBs" means any industrial revenue bonds or similar instrument related to a project or other transaction by the Company or any of its Domestic Subsidiaries, in each case, as the same may be amended, restated, supplemented, renewed, refinanced, replaced or otherwise modified from time to time.

"Permitted Owned IRB Obligations" means the obligations of the Company and its Domestic Subsidiaries incurred under, including any guaranty of, the Owned IRBs.

(b) Section 1.01 of the Credit Agreement is further amended by amending the definition of "Indebtedness" to add the following to the end thereof: "Notwithstanding anything in this definition to the contrary, Owned IRB Obligations shall not constitute Indebtedness for purposes of this Agreement."

(c) Section 6.02 of the Credit Agreement is hereby amended to (i) delete the word "and" at the end of clause (t) thereof, (ii) re-designating existing clause (u) as clause (v), and (iii) adding the following new clause (u) thereto:

(u) Liens on the applicable fixed or capital assets under any Permitted Owned IRB Obligation securing the applicable Permitted Owned IRB Obligations;

(d) Section 6.04 of the Credit Agreement is hereby amended to (i) add the following new clause (u) after the existing clause (t), (ii) label the existing clause (u) as clause (v) and (iii) make any related punctuation and grammatical changes as a result of such amendments:

(u) the purchase of the Owned IRBs; and

(e) Section 6.05 of the Credit Agreement is hereby amended to add the following new clause (r) thereto and make any related punctuation and grammatical changes as a result thereof:

(r) the sale or transfer of fixed or capital assets to governmental or similar entities required in connection with the Owned IRBs to obtain the tax advantage thereof, provided such assets are simultaneously leased back by the Company or a Domestic Subsidiary and title reverts back to the Company or applicable Domestic Subsidiary at the termination of the applicable Owned IRB.

(f) Section 6.06 of the Credit Agreement is hereby amended and restated in its entirety as follows:

SECTION 6.06. Sale and Leaseback Transactions. No Loan Party will, nor will it permit any Subsidiary to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred (a "Sale and Leaseback Transaction"), except for any such sale of any fixed or capital assets by any Borrower or any Subsidiary (a) that is made in connection with the Owned IRBs and permitted under Section 6.05(r), or (b) (i) that is made for cash consideration in an amount not less than the fair value of such fixed or capital asset, (ii) in respect of which the net cash proceeds received in connection therewith does not exceed \$50,000,000 in the aggregate for all such Sale and Leaseback Transactions on or after the Effective Date, determined on a consolidated basis for the Company and its Subsidiaries, and (iii) that is consummated within 180 days after such Borrower or such Subsidiary acquires or completes the construction of such fixed or capital asset.

(g) Subclause (iii) of Section 6.10 of the Credit Agreement is hereby amended and restated as follows:

(iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to (x) a sale or other disposition permitted hereunder, (y) a Permitted Acquisition or (z) Owned IRBs;

2. Conditions Precedent. The effectiveness of this Amendment is subject to the following conditions precedent:

(a) the Administrative Agent shall have received counterparts of (i) this Amendment, duly executed by the Company, the Required Lenders and the Administrative Agent and (i) the consent and agreement to this Amendment, duly executed by each Guarantor; and



(b) the Administrative Agent shall have received reimbursement of the Administrative Agent's expenses for which invoices have been presented (including reasonable and documented fees and expenses of counsel for the Administrative Agent) at least two (2) Business Days prior to the date hereof in connection with this Amendment.

3. Representations and Warranties. To induce the Administrative Agent and the Lenders party hereto to enter into this Amendment, the Company hereby represents and warrants to the Administrative Agent and the Lenders that:

(a) This Amendment constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and after giving effect to the terms of this Amendment, (i) no Default or Event of Default has occurred and is continuing and (ii) the representations and warranties of the Company set forth in the Loan Documents are true and correct in all material respects (or in all respects if such representation or warranty is qualified by Material Adverse Effect or other materiality qualifier) with the same effect as though made on and as of the date hereof, except to the extent that any such representation or warranty specifically refers to an earlier date, in which case such representation or warranty is true and correct in all material respects (or in all respects if such representation or warranty is qualified by Material Adverse Effect or other materiality qualifier) as of such earlier date.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) The Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby reaffirmed, ratified and confirmed, and the Company acknowledges and agrees that it has no set off, counterclaim, defense or other claim or dispute with respect to any Loan Document.

(c) The liens and security interests in favor of the Administrative Agent for the benefit of the Secured Parties securing payment of the Secured Obligations (and all filings with any Governmental Authority in connection therewith) are in all respects continuing and in full force and effect with respect to all Secured Obligations.

(d) Except with respect to the subject matter hereof, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(e) This Amendment is a Loan Document under (and as defined in) the Credit Agreement.

5. Release of Claims.

In further consideration of the execution by the Administrative Agent and the Lenders party hereto of this Amendment, the Company and its successors and assigns (collectively, the "Releasers") each hereby confirms that (a) it does not have any grounds, and hereby agrees not to



challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to), in any case based upon acts or omissions of the Administrative Agent or any of the Lenders, the effectiveness, genuineness, validity, collectibility or enforceability of the Credit Agreement or any of the other Loan Documents, the Secured Obligations, the Liens securing such Secured Obligations, or any of the terms or conditions of any Loan Document and (b) it does not possess and hereby completely, voluntarily, knowingly, and unconditionally releases and forever discharges the Administrative Agent, each of the Lenders, each of their advisors, professionals and employees, each affiliate of the foregoing and all of their respective successors and assigns (collectively, the “Releasees”), from any and all claims, actions, suits, and other liabilities, including, without limitation, any so-called “lender liability” claims or defenses (collectively, “Claims”), whether arising in law or in equity, which any of the Releasers ever had, now has or hereinafter can, shall or may have against any of the Releasees for, upon or by reason of any matter, cause or thing whatsoever from time to time occurred on or prior to the date hereof, in any way concerning, relating to, or arising from (i) any of the Releasers, (ii) the Secured Obligations, (iii) the Collateral, (iv) the Credit Agreement or any of the other Loan Documents, (v) the financial condition, business operations, business plans, prospects or creditworthiness of any Loan Party and/or (vi) the negotiation, documentation and execution of this Amendment and any documents relating hereto. The Releasers hereby acknowledge that they have been advised by legal counsel of the meaning and consequences of this release.

6. Miscellaneous.

(a) Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

(b) Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

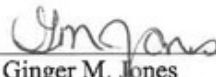
(c) Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile, PDF or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment.

[Remainder of Page Intentionally Left Blank]



IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

COOPER TIRE & RUBBER COMPANY

By: 
Name: Ginger M. Jones
Its: Senior Vice President and Chief Financial Officer

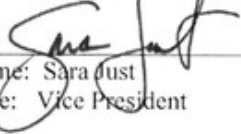


JPMORGAN CHASE BANK, N.A., individually, and as
Administrative Agent, Swingline Lender and an Issuing
Bank

By: 
Name: Richard Barritt
Title: Vice President



BANK OF AMERICA, N.A., individually, and as a
Syndication Agent and an Issuing Bank

By: 
Name: Sara Just
Title: Vice President



PNC BANK, NATIONAL ASSOCIATION,
individually, and as a Syndication Agent and an Issuing
Bank

By: Denise Jakubovic-Klingler
Name: Denise Jakubovic-Klingler
Title: Vice President




HSBC BANK USA, N.A.,
individually and as a Documentation Agent

By: Casey DeMarco
Name: Casey DeMarco
Title: Assistant Vice President



WELLS FARGO BANK, N.A.,
individually and as a Documentation Agent

By: 
Name: Peter Totk
Title: Senior Vice President



FIFTH THIRD BANK,
individually and as a Documentation Agent

By: *Mike Gifford*
Name: *Mike Gifford*
Title: *Director*




BMO HARRIS BANK, N.A.

By: Betsy Phillips
Name: Betsy Phillips
Title: Director




THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

By: 
Name: Thomas Danielson
Title: Authorized Signatory



U.S. BANK NATIONAL ASSOCIATION

By: 
Name: Jeffrey B. Johnson
Title: SVP



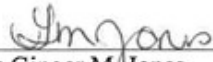
CONSENT AND AGREEMENT

As of the date and year first above written:

(a) Each of the undersigned hereby fully consents to the terms and provisions of the above Amendment and the consummation of the transactions contemplated hereby and acknowledges and agrees to all of the representations, covenants, terms and provisions of the above Amendment applicable to it.

(b) Except as expressly amended hereby, each of the undersigned hereby acknowledges and agrees that (i) the Credit Agreement and all Loan Documents to which it is a party are ratified and confirmed and shall remain in full force and effect, and (ii) it has no set off, counterclaim, defense or other claim or dispute with respect to any Loan Document.


COOPER TIRE & RUBBER COMPANY

By: 
Name: Ginger M. Jones
Its: Senior Vice President and Chief Financial Officer

CTBX COMPANY

By: 
Name: Thomas N. Lause
Its: Treasurer


CTTG INC.

By: 
Name: Thomas N. Lause
Its: Treasurer

MAX-TRAC TIRE CO., INC.

By: 
Name: Thomas N. Lause
Its: Assistant Treasurer

MICKEY THOMPSON PERFORMANCE RACING INC.

By: 
Name: Thomas N. Lause
Its: Assistant Treasurer

DETROIT 7-4619 1436908v3



Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit (31.1)

CERTIFICATIONS

I, Bradley E. Hughes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cooper Tire & Rubber Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2017

/s/ Bradley E. Hughes

Bradley E. Hughes, President and
Chief Executive Officer

Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit (31.2)

CERTIFICATIONS

I, Ginger M. Jones, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cooper Tire & Rubber Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2017

/s/ Ginger M. Jones

Ginger M. Jones, Senior Vice President and
Chief Financial Officer

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

Section 5: EX-32 (EXHIBIT 32)

Exhibit (32)

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

In connection with the Quarterly Report of Cooper Tire & Rubber Company (the "Company") on Form 10-Q for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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

Date: October 30, 2017

/s/ Bradley E. Hughes

Name: Bradley E. Hughes
Title: Chief Executive Officer

/s/ Ginger M. Jones

Name: Ginger M. Jones
Title: Chief Financial Officer

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

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