Section 1: 10-Q (10-Q)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2020
or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number 001-04329

COOPER TIRE & RUBBER COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**34-4297750**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

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

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

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

Common Stock, $1 par value per share	**CTB**	**New York Stock Exchange**
(Title of Each Class)	*(Trading Symbol)*	*(Name of Each Exchange on which Registered)*

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒		Accelerated filer	☐
Non-Accelerated Filer	☐	(Do not check if a smaller reporting company)	Smaller Reporting Company	☐
			Emerging growth company	☐

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 ☒

The number of shares outstanding of the registrant's common stock as of May 6, 2020 was 50,282,390.

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(Dollar amounts in thousands except per share amounts)

	Three Months Ended March 31,	
	2020	2019
Net sales	**$ 531,694**	$ 619,163
Cost of products sold	**475,781**	530,904
Gross profit	**55,913**	88,259
Selling, general and administrative expense	**51,211**	56,855
Restructuring expense	**10,930**	4,973
Operating (loss) profit	**(6,228)**	26,431
Interest expense	**(5,007)**	(8,314)
Interest income	**1,696**	3,380
Other pension and postretirement benefit expense	**(4,210)**	(9,362)
Other non-operating income	**1,773**	1,380
(Loss) Income before income taxes	**(11,976)**	13,515
Income tax (benefit) provision	**(659)**	6,337
Net (loss) income	**(11,317)**	7,178
Net income attributable to noncontrolling shareholders' interests	**274**	199
Net (loss) income attributable to Cooper Tire & Rubber Company	**$ (11,591)**	$ 6,979
(Loss) Earnings per share:		
Basic	**$ (0.23)**	$ 0.14
Diluted	**(0.23)**	0.14

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(UNAUDITED)

(Dollar amounts in thousands except per share amounts)

	Three Months Ended March 31,	
	2020	2019
Net (loss) income	**$ (11,317)**	$ 7,178
Other comprehensive (loss) income:		
Cumulative currency translation adjustments	**(37,794)**	9,307
Currency loss charged to equity as part of acquisition of noncontrolling shareholder interest	**(11,748)**	—
Financial instruments:		
Change in the fair value of derivatives	**(4,111)**	(1,121)
Income tax benefit on derivative instruments	**1,037**	333
Financial instruments, net of tax	**(3,074)**	(788)
Postretirement benefit plans:		
Amortization of actuarial loss	**8,149**	9,233
Amortization of prior service cost (credit)	**236**	(102)
Actuarial loss	**(31,490)**	—
Income tax provision on postretirement benefit plans	**6,039**	(2,041)
Foreign currency translation effect	**4,708**	(1,460)
Postretirement benefit plans, net of tax	**(12,358)**	5,630
Other comprehensive (loss) income	**(64,974)**	14,149
Comprehensive (loss) income	**(76,291)**	21,327
Less: Comprehensive (loss) income attributable to noncontrolling shareholders' interests	**(270)**	1,178
Comprehensive (loss) income attributable to Cooper Tire & Rubber Company	**$ (76,021)**	$ 20,149

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)

	(Unaudited) March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 433,362**	$ 391,332
Notes receivable	**13,676**	535
Accounts receivable, less allowances of $10,449 at 2020 and $8,109 at 2019	**509,280**	544,257
Inventories:		
Finished goods	**356,544**	326,839
Work in process	**24,937**	28,250
Raw materials and supplies	**120,123**	109,132
Total inventories	**501,604**	464,221
Other current assets	**46,224**	52,635
Total current assets	**1,504,146**	1,452,980
Property, plant and equipment:		
Land and land improvements	**51,183**	53,516
Buildings	**345,257**	344,142
Machinery and equipment	**2,014,913**	2,042,578
Molds, cores and rings	**262,913**	262,444
Total property, plant and equipment	**2,674,266**	2,702,680
Less: Accumulated depreciation	**1,652,114**	1,655,438
Property, plant and equipment, net	**1,022,152**	1,047,242
Operating lease right-of-use assets, net of accumulated amortization of $32,293 at 2020 and $26,121 at 2019	**86,878**	80,752
Goodwill	**18,851**	18,851
Intangibles, net of accumulated amortization of $128,403 at 2020 and $123,735 at 2019	**108,181**	111,356
Deferred income tax assets	**33,162**	29,336
Investment in joint venture	**48,472**	48,912
Other assets	**10,875**	12,909
Total assets	**$ 2,832,717**	$ 2,802,338

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands except per share amounts)

(Continued)	(Unaudited) March 31, 2020	December 31, 2019
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	**$ 277,844**	$ 12,296
Accounts payable	**230,675**	276,732
Accrued liabilities	**208,767**	302,477
Income taxes payable	**2,485**	2,304
Current portion of long-term debt and finance leases	**15,477**	10,265
Total current liabilities	**735,248**	604,074
Long-term debt and finance leases	**301,920**	309,148
Noncurrent operating leases	**61,249**	55,371
Postretirement benefits other than pensions	**227,249**	227,216
Pension benefits	**146,095**	126,707
Other long-term liabilities	**165,102**	149,065
Deferred income tax liabilities	**114**	3,024
Equity:		
Preferred stock, $1 par value; 5,000,000 shares authorized; none issued	**—**	—
Common stock, $1 par value; 300,000,000 shares authorized; 87,850,292 shares issued at 2020 and 2019	**87,850**	87,850
Capital in excess of par value	**15,226**	22,175
Retained earnings	**2,508,052**	2,524,963
Accumulated other comprehensive loss	**(512,010)**	(447,580)
Parent stockholders' equity before treasury stock	**2,099,118**	2,187,408
Less: Common shares in treasury at cost (37,567,907 at 2020 and 37,647,058 at 2019)	**(921,406)**	(922,783)
Total parent stockholders' equity	**1,177,712**	1,264,625
Noncontrolling shareholders' interests in consolidated subsidiaries	**18,028**	63,108
Total equity	**1,195,740**	1,327,733
Total liabilities and equity	**$ 2,832,717**	$ 2,802,338

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Dollar amounts in thousands)

	Three Months Ended March 31,	
	2020	2019
Operating activities:		
Net (loss) income	**$ (11,317)**	$ 7,178
Adjustments to reconcile net income (loss) to net cash used in operations:		
Depreciation and amortization	**37,807**	37,298
Stock-based compensation	**390**	869
Change in LIFO inventory reserve	**(8,563)**	(168)
Amortization of unrecognized postretirement benefits	**8,385**	9,131
Changes in operating assets and liabilities:		
Accounts and notes receivable	**11,772**	2,278
Inventories	**(41,123)**	(81,354)
Other current assets	**(7,848)**	(2,170)
Accounts payable	**(20,422)**	2,740
Accrued liabilities	**(91,414)**	(63,228)
Other items	**7,964**	(8,986)
Net cash used in operating activities	**(114,369)**	(96,412)
Investing activities:		
Additions to property, plant and equipment and capitalized software	**(54,827)**	(59,867)
Proceeds from the sale of assets	**65**	38
Net cash used in investing activities	**(54,762)**	(59,829)
Financing activities:		
Issuances of short-term debt	**273,587**	6,608
Repayment of short-term debt	**(4,308)**	—
Repayment of long-term debt and finance lease obligations	**(2,594)**	(797)
Acquisition of noncontrolling shareholder interest	**(62,272)**	—
Payments of employee taxes withheld from share-based awards	**(910)**	(1,158)
Payment of dividends to Cooper Tire & Rubber Company stockholders	**(5,277)**	(5,262)
Issuance of common shares related to stock-based compensation	**177**	—
Net cash provided by (used in) financing activities	**198,403**	(609)
Effects of exchange rate changes on cash	**(875)**	(1,058)
Net change in cash, cash equivalents and restricted cash	**28,397**	(157,908)
Cash, cash equivalents and restricted cash at beginning of period	**413,125**	378,246
Cash, cash equivalents and restricted cash at end of period	**$ 441,522**	$ 220,338
Cash and cash equivalents	**$ 433,362**	$ 212,331
Restricted cash included in Other current assets	**6,669**	6,410
Restricted cash included in Other assets	**1,491**	1,597
Total cash, cash equivalents and restricted cash	**$ 441,522**	**$ 220,338**

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Note 1. Basis of Presentation and Consolidation

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

There is typically a year-round demand for the Company's products, however, passenger car and light truck ("light vehicle") replacement tire sales are generally strongest during the third and fourth quarters of the year. Winter tires are sold principally during the months of May through November. Operating results for the three month period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the year ended December 31, 2020.

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. The Company does not consolidate any entity for which it has a variable interest based solely on power to direct the activities and significant participation in the entity's expected results that would not otherwise be consolidated based on control through voting interests. Further, the Company's joint ventures are businesses established and maintained in connection with the Company's operating strategy. All intercompany transactions and balances have been eliminated.

On April 5, 2019, Cooper Tire & Rubber Company Vietnam Holding, LLC ("Cooper Vietnam"), a wholly owned subsidiary of the Company, and Sailun (Vietnam) Co., Ltd. ("Sailun Vietnam") established a joint venture in Vietnam, ACTR Company Limited ("ACTR"), which will produce and sell truck and bus radial ("TBR") tires. The Company's investment in the joint venture represents a 35 percent ownership interest and is accounted for under the equity method. The Company invested $49,001 into the joint venture in 2019. The new joint venture is expected to begin commercially producing tires in 2020.

Earnings per common share – Net income per share is computed on the basis of the weighted average number of common shares outstanding each period. When applicable, 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:

(Number of shares and dollar amounts in thousands except per share amounts)	Three Months Ended March 31, 2020	2019
Numerator		
Numerator for basic and diluted earnings per share - income from continuing operations available to common stockholders	**$ (11,591)**	$ 6,979
Denominator		
Denominator for basic earnings per share - weighted average shares outstanding	**50,236**	50,100
Effect of dilutive securities - stock options and other stock units	**—**	278
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	**50,236**	50,378
(Loss) Earnings per share:		
Basic	**$ (0.23)**	$ 0.14
Diluted	**(0.23)**	0.14
Anti-dilutive shares excluded from computation of diluted loss per share	**294**	—

Anti-dilutive shares are excluded from the computation of earnings per share at March 31, 2020, as the inclusion of such items would decrease loss per share. All stock options and other stock units outstanding were included in the computation of diluted earnings per share at March 31, 2019.

Tariffs - The Company is subject to tariffs on the import of tires, raw materials and tire-manufacturing equipment in certain of the jurisdictions in which it operates. Tariff costs are included within inventory as they pertain to tires and raw materials, while tariffs on tire-manufacturing equipment are included as part of the cost of fixed assets. Material components of the Company's tariff costs include:

- *Passenger Car and Light Truck Tire Tariffs* - 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 rates are subject to review annually and a material change in the new rates could have a significant impact on the Company's results.
- *Truck and Bus Tire Tariffs* – Antidumping and countervailing duty investigations into certain TBR tires imported from the PRC into the U.S. were initiated on January 29, 2016. 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 TBR tires from the PRC. However, on November 1, 2018, the Court of International ("CIT") remanded the case back to the ITC for reconsideration. On January 30, 2019, the ITC reversed its earlier decision and made an affirmative determination of material injury. On February 15, 2019, the determination was published in the Federal Register and countervailing duties of 42.16 percent were imposed on the Company's TBR tire imports into the U.S. from China. The ITC's re-determination, along with comments from the parties regarding the re-determination, were filed with the CIT. The CIT affirmed the ITC re-determination on February 18, 2020. The rates are subject to review annually and a material change in the new rates could have a significant impact on the Company's results.
- *Section 301 Tariffs* - Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, passenger, light truck and truck and bus tires, raw materials and tire-manufacturing equipment from the PRC imported into the U.S. became subject to additional 10 percent duties effective September 24, 2018. These tariffs increased to 25 percent effective May 10, 2019.
- *Duty Drawbacks* - The enactment in December 2018 of the Modernized Drawback Final Rule under the Trade Enforcement and Trade Facilitation Act of 2015 expanded the Company's ability to recover Section 301 and Ad Valorem duties paid on goods imported into the US when such goods, or similar items, are subsequently exported.

Recent Accounting Pronouncements

Each change to U.S. GAAP is established by the Financial Accounting Standards Board ("FASB") in the form of an accounting standards update ("ASU") to the FASB's Accounting Standards Codification ("ASC"). The Company considers the applicability and impact of all ASUs.

Accounting Pronouncements – Recently adopted

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820)," which removes, modifies and adds various disclosure requirements around the topic in order to clarify and improve the cost-benefit nature of disclosures. Such modifications to disclosures center around Level 3 fair value measurements and investments in entities that calculate net asset value. This standard is effective for interim and annual reporting periods beginning after December 15, 2019 and has been adopted by the Company effective January 1, 2020. The adoption of this standard did not materially impact the Company's condensed consolidated financial statements.

Internal-Use Software

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)," which aligns the requirements for capitalizing implementation costs incurred in a service contract hosting arrangement with those of developing or obtaining internal-use software. This standard is effective for interim and annual reporting periods beginning after December 15, 2019 and has been adopted prospectively by the Company effective January 1, 2020. Capitalization of implementation costs incurred in a service contract hosting arrangement affects Intangibles, net of accumulated amortization, Cost of products sold, and Selling, general, and administrative expense within the condensed consolidated financial statements. The adoption of this standard did not materially impact the Company's condensed consolidated financial statements.

Accounting for Income Taxes

On December 18, 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," to, among other provisions, eliminate certain exceptions related to intra-period tax allocation and loss benefit limitations in interim periods, as well as certain rules pertaining to deferred taxes for equity method investees. This ASU also simplifies rules pertaining to franchise taxes and other taxes partially based on income, and changes the timing of when an entity recognizes effects of enacted tax law changes. This standard becomes effective in fiscal years beginning after December 15, 2020; however, the Company has chosen to early adopt in the period ended March 31, 2020. The adoption of this standard did not materially impact the Company's condensed consolidated financial statements.

Accounting Pronouncements – To be adopted

Defined Benefit Plans

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

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)," which provides optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating its contracts and the optional expedients provided by the new standard and the impact it will have on the condensed consolidated financial statements.

Note 2. COVID-19

In March 2020, the World Health Organization categorized Coronavirus Disease 2019 ("COVID-19") as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The Company's priorities during the COVID-19 pandemic are protecting the health and safety of its employees, responsibilities to our broader communities, and commitments to our customers and other key stakeholders.

The Company's condensed consolidated financial statements reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenue and expenses during the reporting periods presented. The Company considered the impact of COVID-19 on the assumptions and estimates used and determined that there were no material adverse accounting impacts on the Company's first quarter 2020 results of operations. Given the dynamic nature of the COVID-19 pandemic and related market conditions, the Company cannot reasonably estimate the period of time that these events will persist or the full extent of the impact they will have on the business. The Company continues to take actions designed to mitigate the adverse effects of this rapidly changing market environment.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which includes modifications to the limitation on business interest expense and net operating loss provisions, and provides a payment delay of employer payroll taxes during 2020 after the date of enactment. The Company's payment of employer payroll taxes after enactment otherwise due in 2020 will be delayed, with 50 percent due by December 31, 2021, and the remaining 50 percent by December 31, 2022. The Company continues to evaluate the potential applicability and related impact of the CARES Act. The CARES Act did not have a material impact on the Company's condensed consolidated financial statements as of March 31, 2020.

Note 3. Current Expected Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which changes accounting requirements for the recognition of credit losses from an incurred or probable impairment methodology to a current expected credit losses (CECL) methodology. This standard is effective for interim and annual reporting periods beginning after December 15, 2019 and was adopted effective January 1, 2020. Trade receivables (including the allowance for credit losses) is the only financial instrument in scope for ASU 2016-13 currently held by the Company.

In implementing the standard, the Company amended its policy to utilize an expected loss methodology based on credit risk in place of the incurred loss methodology based on aging. The Company's updated policy includes the regular review of its outstanding accounts receivable portfolio to assess risk and likelihood of credit loss. This review includes consideration of potential credit loss over the asset's contractual life, along with historical experience, current conditions and forecasts based on management's judgment. The Company also performs periodic credit evaluations of customers' financial conditions in order to assess credit worthiness and maintain appropriate credit limits. Accounts receivable, net of the allowance for credit losses, are $509,280 and $544,257 as of March 31, 2020 and December 31, 2019, respectively. The Company recorded provisions for credit losses for receivables of $10,449 and $8,109 for the same periods. The adoption of this standard did not materially impact the Company's condensed consolidated financial statements.

Note 4. Restructuring

Corporacion de Occidente SA de CV

On January 24, 2020, the Company acquired the remaining 41.57 percent noncontrolling ownership interest in Corporacion de Occidente SA de CV ("COOCSA"), making COOCSA a wholly-owned subsidiary in the Americas Segment. In this transaction, the Company acquired the remaining outstanding voting common stock of COOCSA for a total cash price of $54,500. In addition, subsequent to the acquisition, payments of $15,984 were made to members of the prior joint venture workforce in connection with services rendered.

In accordance with ASC 810, "Consolidation", the excess of the purchase price over the non-controlling shareholder interest was recorded as a decrease to Capital in excess of par value to reflect the additional ownership. Payments to members of the joint venture workforce in connection with services rendered included $7,772 paid to members that were also shareholders of the non-controlling interest. This amount was also treated as part of the overall purchase price under ASC 810.

In addition to the payments made to the joint venture workforce for services rendered, the Company also incurred $2,712 of other costs associated with the transaction. For the quarter ended March 31, 2020, the Company incurred restructuring expense of $10,930 comprised of:

	Three Months Ended March 31, 2020
Joint venture workforce services rendered	$ 8,218
Professional and other costs	2,712
Total restructuring expense	$ 10,930

At March 31, 2020, the Company's accrued restructuring balance is $300, composed of accrued professional and other costs. The Company does not anticipate further restructuring costs related to this transaction in 2020.

Cooper Tire Europe

On January 17, 2019, Cooper Tire Europe, a wholly owned subsidiary of the Company, committed to a plan to cease light vehicle tire production at its Melksham, U.K. facility, which is included in the International Segment. The phasing out of light vehicle tire production was substantially completed in the third quarter of 2019. Approximately 300 roles were eliminated at the site. Cooper Tire Europe now obtains light vehicle tires to meet customer needs from other production sites within the Company's global production network. Approximately 400 roles remain in Melksham to support the functions that continue there, including motorsports and motorcycle tire production, a materials business, Cooper Tire Europe headquarters, sales and marketing, and the Europe Technical Center. Costs related to the decision to cease light vehicle tire production at the Melksham, U.K. facility were $4,973 for the quarter ended March 31, 2019 and $8,315 for the full year ended December 31, 2019. In connection with this business realignment, a one-time payment from the U.S. to Serbia was made during the fourth quarter of 2019 in order to allow the Serbian operations to improve their financial standing and serve as a reliable and fully operational contract manufacturer for the U.S.

	Three Months Ended March 31, 2019
Melksham employee severance costs	$ 4,163
Asset write-downs & other costs	810
Total restructuring expense	$ 4,973

Note 5. Revenue from Contracts with Customers

Accounting policy

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

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

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

Nature of goods and services

The following is a description of principal activities, separated by reportable segments, from which the Company generates its revenue. See Note 15 - Business Segments for additional details on the Company's reportable segments.

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

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

Disaggregation of revenue

In the following tables, revenue is disaggregated by major market channel for the three months ended March 31, 2020 and 2019, respectively:

	Three Months Ended March 31, 2020			
	Americas	**International**	**Eliminations**	**Total**
Light Vehicle [1]	**$ 404,636**	**$ 71,082**	**$ (10,714)**	**$ 465,004**
Truck and bus radial	**41,004**	**17,309**	**(17,034)**	**41,279**
Other [2]	**11,415**	**13,996**	**—**	**25,411**
Net sales	**$ 457,055**	**$ 102,387**	**$ (27,748)**	**$ 531,694**

	Three Months Ended March 31, 2019			
	Americas	International	Eliminations	Total
Light Vehicle [1]	$ 454,014	$ 105,320	$ (19,322)	$ 540,012
Truck and bus radial	50,086	23,696	(20,236)	53,546
Other [2]	10,836	14,769	—	25,605
Net sales	$ 514,936	$ 143,785	$ (39,558)	$ 619,163

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

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

Contract balances

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

Company's future satisfaction of a performance obligation. Accounts receivable, in contrast, are unconditional rights to consideration.

Significant changes in the contract liabilities balance during the three months ended March 31, 2020 are as follows:

	Contract Liabilities
Contract liabilities at beginning of year	$ 1,080
Increases to deferred revenue for cash received in advance from customers	1,813
Decreases due to recognition of deferred revenue	(1,440)
Contract liabilities at March 31, 2020	$ 1,454

Transaction price allocated to remaining performance obligations

For the three months ended March 31, 2020 and 2019, revenue recognized from performance obligations related to prior periods is not material.

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

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

Note 6. Inventories

Inventory costs are determined using the last-in, last-out ("LIFO") method for substantially all U.S. inventories. The current cost of the U.S. inventories under the FIFO method was $411,466 and $365,585 at March 31, 2020 and December 31, 2019, respectively. These FIFO values have been reduced by approximately $79,053 and $87,616 at March 31, 2020 and December 31, 2019, respectively, to arrive at the LIFO value reported on the Condensed Consolidated Balance Sheets. The remaining inventories have been valued under the FIFO method. All LIFO inventories are valued at the lower of cost or market. All other inventories are stated at the lower of cost or net realizable value.

Note 7. Income taxes

For the three month period ended March 31, 2020, the Company recorded income tax benefit of $659 (effective tax rate of negative 5.5 percent) compared to an income tax provision of $6,337 (effective tax rate of 46.9 percent) for the same period in 2019. The 2020 and 2019 three month period (benefit) provision for income tax is calculated using a forecasted multi-jurisdictional annual effective tax rate to determine a blended annual effective tax rate. The Company is subject to the U.S. federal statutory rate of 21 percent. The effective tax rate for the three month period ended March 31, 2020 was influenced by $4,361 of additional unrecognized tax benefit related to the tax deductibility of certain business expenses incurred during the quarter, the projected mix of earnings in international jurisdictions with differing tax rates and jurisdictions where valuation allowances are recorded. The effective tax rate for the three month period ended March 31, 2019 includes net discrete tax expense of $2,417 recorded during the quarter, which primarily consist of additional 2017 transition tax and unrecognized tax benefits as a result of final U.S. federal tax guidance issued during the quarter pertaining to the one-time mandatory deemed repatriation under the 2017 Tax Act.

The Company continues to maintain valuation allowances pursuant to ASC 740, “Accounting for Income Taxes,” against portions of its U.S. and non-U.S. deferred tax assets at March 31, 2020 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 its net operating loss carryforward deferred tax asset by a valuation allowance of $1,378. In addition, the Company has recorded valuation allowances of $24,467 related to non-U.S. net operating losses and other deferred tax assets for a total valuation allowance of $25,845. In conjunction with the Company’s ongoing review of its actual results and anticipated future earnings, the Company will continue to reassess the possibility of releasing all or part of the valuation allowances currently in place when the associated deferred tax assets are deemed to be realizable. If the evidence suggests that deferred tax assets for these operations will more likely than not be able to be realized in the future, release of a portion or all of the valuation allowance in place for these entities could occur. Such release could materially impact the Company's effective tax rate in the period in which the release occurs.

The Company maintains an ASC 740-10, “Accounting for Uncertainty in Income Taxes,” liability for unrecognized tax benefits. At March 31, 2020, the Company’s liability, exclusive of penalty and interest, totals approximately $14,532. The Company accrued $4,361 of additional unrecognized tax benefit related to the tax deductibility of certain business expenses incurred and an immaterial amount of interest expense during the three month period ended March 31, 2020. Based upon the outcome of tax examinations, judicial proceedings, or expiration of statutes of limitations, it is possible that the ultimate resolution of the Company's unrecognized tax benefits may result in a payment that is materially different from the current estimate of the tax liabilities.

The Company operates in multiple jurisdictions throughout the world. The Company has effectively settled U.S. federal tax examinations for tax years before 2016 and state and local examinations for tax years before 2012, with limited exceptions. Furthermore, the Company’s non-U.S. subsidiaries are generally no longer subject to income tax examinations in major foreign taxing jurisdictions for tax years prior to 2014. Certain of the Company's state income tax returns in various jurisdictions are currently under examination and it is possible that these examinations will conclude within the next twelve months. However, it is not possible to estimate net increases or decreases in the Company’s unrecognized tax benefits related to these exams during the next twelve months.

Note 8. Debt

On June 27, 2019, the Company amended its revolving credit facility ("Credit Facility") with a consortium of several banks that provides up to $700,000 and is set to expire in June 2024. Of this amended borrowing capacity, $200,000 was allocated to a Delayed Draw Term Loan A ("Term Loan A"), while the remaining $500,000 was allocated to the Credit Facility. The Term Loan A funds were drawn in December 2019 and used primarily to pay for the unsecured notes which matured at that time. The Credit Facility also includes a $110,000 letter of credit sub-facility. The Company may elect, with lender consent, to increase the commitments under the Credit Facility or incur one or more tranches of term loans in an aggregate amount of up to $300,000 (or an unlimited increase if the Proforma Secured Net Leverage Ratio is less than 1.75x). The Company may elect to add certain foreign subsidiaries as additional borrowers under the Credit Facility, subject to the satisfaction of certain conditions.

On July 11, 2019, the Company entered into forward-starting interest rate swaps to effectively hedge the cash flow exposure associated with the Company's Term Loan A variable-rate borrowings. See Note 9 - Fair Value Measurement for further information.

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

At March 31, 2020, $250,000 of the available Credit Facility and $20,000 of the accounts receivable securitization facility were drawn to provide funds for working capital and general corporate purposes. The Company had no borrowings under the revolving credit facility or the accounts receivable securitization facility at December 31, 2019. Amounts used to secure letters of credit totaled $21,490 at March 31, 2020 and $21,651 at December 31, 2019. The Company’s additional borrowing capacity, net of borrowings and amounts used to back letters of credit, and based on eligible collateral through use of its credit facility with its bank group and its accounts receivable securitization facility at March 31, 2020, was $308,310.

The Company’s consolidated operations in Asia have renewable unsecured credit lines that provide up to $46,238 of borrowings and do not contain financial covenants. The additional borrowing capacity on the Asian credit lines, based on eligible collateral and the short-term notes payable, totaled $38,394 at March 31, 2020.

The following is a summary of the Company's debt and finance leases as of March 31, 2020 and December 31, 2019.

		Principal Balance		Weighted Average	Principal Balance		Weighted Average
		Current	Long-Term	Interest Rate	Current	Long-Term	Interest Rate
	Maturity Date	March 31, 2020			December 31, 2019		
Secured revolver	June, 2024	**$ 250,000**	**$ —**	**3.083%**	$ —	$ —	n/a
AR securitization	February, 2021	**20,000**	**—**	**1.918%**	—	—	n/a
Asia short term notes	Various maturities	**7,844**	**—**	**4.656%**	12,296	—	4.701%
		277,844	**—**		12,296	$ —	
Term loan A	June, 2024	**10,000**	**185,000**	**2.615%**	10,000	187,500	3.300%
Unsecured notes	March, 2027	**—**	**116,880**	**7.625%**	—	116,880	7.625%
Finance leases and other	Various maturities	**5,477**	**1,213**	**5.431%**	265	5,998	2.613%
		15,477	**303,093**		10,265	310,378	
Less, Unamortized debt issuance costs		**—**	**1,173**		—	1,230	
		$ 293,321	**$ 301,920**		$ 22,561	$ 309,148	

	Additional Credit Capacity
Secured revolver	$ 250,000
AR securitization	130,000
Asia short term notes	38,394
	418,394
Less, amounts used to secure letters of credit and other unavailable funds	71,690
	$ 346,704

The Company’s revolving credit facilities contain restrictive covenants which limit or preclude certain actions based upon the measurement of certain financial covenant metrics. However, the covenants are structured such that the Company expects to have sufficient flexibility to conduct its operations. The Company was in compliance with all of its debt covenants as of March 31, 2020.

Note 9. Fair Value Measurements

Derivative financial instruments are utilized by the Company to reduce foreign currency exchange risks. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes. The derivative financial instruments include non-designated and cash flow hedges of foreign currency exposures. The change in values of the non-designated foreign currency hedges offset the exchange rate fluctuations related to assets and liabilities recorded on the Condensed Consolidated Balance Sheets. The cash flow hedges offset exchange rate fluctuations on the foreign currency-denominated intercompany loans and forecasted cash flows. The Company presently hedges exposures in various currencies, generally for transactions expected to occur within the next 12 months. Additionally, the Company utilizes cash flow hedges that hedge already recognized intercompany loans with maturities of up to two years. The notional amount of these foreign currency derivative instruments at March 31, 2020 and December 31, 2019 was $154,165 and $167,915, 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 of $3,014 and $(1,033) as of March 31, 2020 and December 31, 2019, 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. The Company also utilizes designated foreign currency forward contracts to hedge the principal amounts of certain intercompany loans. The fair value of these contracts is $(698) and $(994) at March 31, 2020 and December 31, 2019, respectively. These contracts have maturities of up to two years and meet the criteria for and have been designated as cash flow hedges. Spot to spot changes are recorded in income and all other effective changes are recorded as a separate component of stockholders' equity. The Company assesses hedge effectiveness prospectively and retrospectively, based on regression of the change in foreign currency exchange rates. Time value of money is included in effectiveness testing.

On July 11, 2019, in order to hedge its Term Loan A variable rate debt, with an interest rate indexed to LIBOR plus 150 basis points, the Company entered into forward-starting interest rate swaps with effective dates of December 2, 2019 and termination dates of June 27, 2024. The initial notional amount of these swaps is $200,000 and decreases quarterly by varying amounts over the life of the swaps, in accordance with the Term Loan A repayment schedule. The net quarterly payments made for the period ended as of March 31, 2020 were immaterial. The interest rate swaps effectively fix the variable interest rate component on the notional amount of these swaps at 1.720%. The swaps qualify for hedge accounting and, therefore, changes in the fair value of the swaps have been recorded in accumulated other comprehensive income in the amount of $(9,211) and $(1,032) at March 31, 2020 and December 31, 2019. The Company assesses hedge effectiveness prospectively and retrospectively, based on regression of the period to period change in swap and hedged item values.

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

Assets/(liabilities)	**March 31, 2020**	December 31, 2019
Designated as hedging instruments:		
Gross amounts recognized	**$ (10,135)**	$ (3,208)
Gross amounts offset	**3,240**	149
Net amounts	**$ (6,895)**	$ (3,059)
Not designated as hedging instruments:		
Gross amounts recognized	**$ (645)**	$ (1,118)
Gross amounts offset	**65**	76
Net amounts	**$ (580)**	$ (1,042)
Net amounts presented:		
Accrued liabilities	**$ (302)**	$ (2,420)
Other long-term liabilities	**(7,173)**	(1,681)

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

	Three Months Ended March 31,	
	2020	2019
Amount of Loss Recognized in Other Comprehensive Income on Derivatives	**$ (3,601)**	$ (1,183)
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income		
Net sales	**$ 180**	$ 399
Interest expense	**(30)**	(32)
Other non-operating income	**360**	(429)
	$ 510	$ (62)

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

	Three Months Ended March 31,	
	2020	2019
Other non-operating income (expense)	**$ 6,248**	$ (1,006)

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

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

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

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

a. Quoted prices for similar assets or liabilities in active markets;

b. Quoted prices for identical or similar assets or liabilities in non-active markets;

c. Pricing models whose inputs are observable for substantially the full term of the asset or liability; and

d. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

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

The valuation of foreign currency derivative instruments was determined using widely accepted valuation techniques. This analysis reflected the contractual terms of the derivatives, including the period to maturity, and used observable market-based inputs, including forward points. The Company incorporated credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty’s nonperformance risk in the fair value measurements. Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as current credit ratings, to evaluate the likelihood of default by itself and its counterparties. However, as of March 31, 2020 and December 31, 2019, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company determined that its derivative valuations in their entirety were to be classified in Level 2 of the fair value hierarchy.

The valuation of stock-based liabilities was determined using the Company's stock price, and as a result, these liabilities are classified in Level 1 of the fair value hierarchy. The following table presents the Company’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2020 and December 31, 2019:

	March 31, 2020			
	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	**$ 1,736**	**$ —**	**$ 1,736**	**$ —**
Interest Rate Swaps	**(9,211)**	**—**	**(9,211)**	**—**
Stock-based Liabilities	**(9,600)**	**(9,600)**	**—**	**—**

	December 31, 2019			
	Total 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	$ (3,069)	$ —	$ (3,069)	$ —
Interest Rate Swaps	(1,032)	—	(1,032)	—
Stock-based Liabilities	(14,971)	(14,971)	—	—

The fair value of Cash and cash equivalents, Notes receivable, restricted cash included in Other current assets, Short-term borrowings and Current portion of long-term debt and finance leases at March 31, 2020 and December 31, 2019 are equal to their corresponding carrying values as reported on the Condensed Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019, respectively. Each of these classes of assets and liabilities is classified within Level 1 of the fair value hierarchy.

The fair value of Long-term debt and finance leases is $307,547 and $292,719 at March 31, 2020 and December 31, 2019, respectively, and is classified within Level 1 of the fair value hierarchy. The carrying value of Long-term debt is $301,920 and $309,148 as reported on the Condensed Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019, respectively.

Note 10. Pensions and Postretirement Benefits Other than Pensions

The following tables disclose the amount of net periodic benefit costs for the three months ended March 31, 2020 and 2019, respectively, for the Company's defined benefit plans and other postretirement benefits:

	Pension Benefits - Domestic	
	Three Months Ended March 31,	
	2020	2019
Components of net periodic benefit cost:		
Service cost	**$ 2,497**	$ 2,244
Interest cost	**8,308**	9,875
Expected return on plan assets	**(14,194)**	(11,990)
Amortization of actuarial loss	**7,221**	8,284
Amortization of prior service cost	**192**	—
Net periodic benefit cost	**$ 4,024**	$ 8,413

	Pension Benefits - International	
	Three Months Ended March 31,	
	2020	2019
Components of net periodic benefit cost:		
Interest cost	**$ 2,099**	$ 2,821
Expected return on plan assets	**(2,218)**	(2,947)
Amortization of actuarial loss	**1,034**	949
Amortization of prior service cost	**66**	—
Net periodic benefit cost	**$ 981**	$ 823

	Other Post Retirement Benefits	
	Three Months Ended March 31,	
	2020	2019
Components of net periodic benefit cost:		
Service cost	**$ 360**	$ 393
Interest cost	**1,830**	2,472
Amortization of actuarial gain	**(106)**	(102)
Amortization of prior service credit	**(22)**	—
Net periodic benefit cost	**$ 2,062**	$ 2,763

At March 31, 2020, an amendment to a domestic pension plan resulted in a retroactive increase in benefit levels for plan participants and has been accounted for as a prior service cost deferred in Other comprehensive loss, to be amortized as a component of net periodic benefit cost in future periods. The domestic pension plan projected benefit obligation increased $2,582 as a result of the amendment as of March 31, 2020.

Note 11. Stockholders' Equity

The following tables provide a quarterly reconciliation of the equity accounts attributable to Cooper Tire & Rubber Company and to the noncontrolling shareholders' interests for the year to date as of March 31, 2020 and 2019:

	Common Stock $1 Par Value	Capital in Excess of Par Value	Retained Earnings	Cumulative Other Comprehensive Loss	Common Shares in Treasury	Total Parent Stockholders' Equity	Noncontrolling Shareholders' Interests in Consolidated Subsidiary	Total Stockholders' Equity
Balance at December 31, 2019	**$ 87,850**	**$ 22,175**	**$ 2,524,963**	**$ (447,580)**	**$ (922,783)**	**$ 1,264,625**	**$ 63,108**	**$ 1,327,733**
Net (loss) income	**—**	**—**	**(11,591)**	**—**	**—**	**(11,591)**	**274**	**(11,317)**
Other comprehensive loss, excluding currency loss charged to equity as part of acquisition of noncontrolling shareholder interest	**—**	**—**	**—**	**(52,682)**	**—**	**(52,682)**	**(544)**	**(53,226)**
Stock compensation plans	**—**	**(1,235)**	**(43)**	**—**	**1,377**	**99**	**—**	**99**
Cash dividends - 0.105 per share	**—**		**(5,277)**	**—**	**—**	**(5,277)**	**—**	**(5,277)**
Acquisition of noncontrolling shareholders' interest	**—**	**(5,714)**	**—**	**(11,748)**	**—**	**(17,462)**	**(44,810)**	**(62,272)**
Balance at March 31, 2020	**$ 87,850**	**$ 15,226**	**$ 2,508,052**	**$ (512,010)**	**$ (921,406)**	**$ 1,177,712**	**$ 18,028**	**$ 1,195,740**

	Common Stock $1 Par Value	Capital in Excess of Par Value	Retained Earnings	Cumulative Other Comprehensive (Loss) Income	Common Shares in Treasury	Total Parent Stockholders' Equity	Noncontrolling Shareholders' Interests in Consolidated Subsidiary	Total Stockholders' Equity
Balance at December 31, 2018	$ 87,850	$ 21,124	$ 2,449,714	$ (461,589)	$ (925,056)	$ 1,172,043	$ 60,400	$ 1,232,443
Net income	—	—	6,979	—	—	6,979	199	7,178
Other comprehensive income	—	—	—	13,170	—	13,170	979	14,149
Stock compensation plans	—	(1,579)	(64)	—	1,353	(290)	—	(290)
Cash dividends - 0.105 per share	—	—	(5,262)	—	—	(5,262)	—	(5,262)
Balance at March 31, 2019	$ 87,850	$ 19,545	$ 2,451,367	$ (448,419)	$ (923,703)	$ 1,186,640	$ 61,578	$ 1,248,218

Note 12. Changes in Accumulated Other Comprehensive Income (Loss) by Component

The following tables provide a quarterly reconciliation of each component of accumulated other comprehensive (loss) income in the accompanying schedule of Accumulated other comprehensive loss:

	Cumulative Translation Adjustment	Derivative Instruments	Post- retirement Benefits	Total
Ending Balance, December 31, 2019	**$ (58,186)**	**$ (549)**	**$ (388,845)**	**$ (447,580)**
Other comprehensive (loss) income before reclassifications	**(48,998)**	**(3,601)**	**(31,490)**	**(84,089)**
Foreign currency translation effect	**—**	**—**	**4,708**	**4,708**
Income tax effect	**—**	**984**	**7,857**	**8,841**
Amount reclassified from accumulated other comprehensive (loss) income				
Cash flow hedges	**—**	**(510)**	**—**	**(510)**
Amortization of prior service credit	**—**	**—**	**236**	**236**
Amortization of actuarial losses	**—**	**—**	**8,149**	**8,149**
Income tax effect	**—**	**53**	**(1,818)**	**(1,765)**
Other comprehensive loss	**(48,998)**	**(3,074)**	**(12,358)**	**(64,430)**
Ending Balance, March 31, 2020	**$ (107,184)**	**$ (3,623)**	**$ (401,203)**	**$ (512,010)**

	Cumulative Translation Adjustment	Derivative Instruments	Post- retirement Benefits	Total
Ending Balance, December 31, 2018	$ (62,133)	$ 2,150	$ (401,606)	$ (461,589)
Other comprehensive income (loss) before reclassifications	8,328	(1,183)	—	7,145
Foreign currency translation effect	—	—	(1,460)	(1,460)
Income tax effect	—	245	—	245
Amount reclassified from accumulated other comprehensive income (loss)				
Cash flow hedges	—	62	—	62
Amortization of prior service credit	—	—	(102)	(102)
Amortization of actuarial losses	—	—	9,233	9,233
Income tax effect	—	88	(2,041)	(1,953)
Other comprehensive income (loss)	8,328	(788)	5,630	13,170
Ending Balance, March 31, 2019	$ (53,805)	$ 1,362	$ (395,976)	$ (448,419)

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

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

	Three Months Ended March 31,	
	2020	2019
Net income attributable to noncontrolling shareholders' interests	**$ 274**	$ 199
Other comprehensive (loss) income:		
Currency translation adjustments	**(544)**	979
Comprehensive (loss) income attributable to noncontrolling shareholders' interests	**$ (270)**	$ 1,178

Note 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, CUV, SUV, TBR and motorcycle tires per year in North America. The Company estimates that approximately 300 million Company-produced tires made up of thousands of different specifications are still on the road in North America. While tire disablements do occur, it is the Company's and the tire industry's experience that the vast majority of tire failures relate to service-related conditions, which are entirely out of the Company's control, such as failure to maintain proper tire pressure, improper maintenance, improper repairs, road hazard and excessive speed.

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

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

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

The Company regularly reviews the probable outcome of outstanding legal proceedings and the availability and limits of the insurance coverage, and accrues for such legal proceedings at the time a loss is probable and the amount of the loss can be estimated. As part of its regular review, the Company monitors trends that may affect its ultimate liability and analyzes the developments and variables likely to affect pending and anticipated claims against the Company and the reserves for such claims. The Company utilizes claims experience, as well as trends and developments in the litigation climate, in estimating its required accrual. Based on the Company's quarterly reviews, coupled with normal activity, including the addition of another quarter of self-insured incidents, settlements and changes in the amount of reserves, the Company increased its accrual to $123,429 at March 31, 2020 from $117,219 at December 31, 2019.

For the quarter ended March 31, 2020, the addition of another three months of self-insured incidents accounted for an increase of $9,334 in the Company's product liability reserve. Settlements, changes in the amount of reserves for cases where sufficient information is known to estimate a liability, and changes in assumptions decreased the liability by $485 for the three months ended March 31, 2020. The Company paid $2,639 during 2020 to resolve cases and claims.

The Company's product liability reserve balance at March 31, 2020 totaled $123,429 (the current portion of $18,577 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, 2019 totaled $117,219 (current portion of $25,366).

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

Product liability expenses are included in Cost of products sold in the Condensed Consolidated Statements of Operations. For the three months ended March 31, 2020 and 2019, respectively, product liability expense was as follows:

	Three Months Ended March 31,	
	2020	2019
Product liability expense	**$ 11,548**	$ 10,817

Note 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 manufacturing operation in Mexico, COOCSA, which supplies passenger car and light truck tires to the Mexican, North American, Central American and South American markets. On January 24, 2020, the Company acquired the remaining noncontrolling ownership interest in COOCSA, making COOCSA a wholly-owned subsidiary. The segment also markets and distributes racing, TBR and motorcycle tires. The racing and motorcycle tires are manufactured by the Company's European segment and by others. TBR tires are sourced from GRT and through off-take agreements with PCT, through mid-2021, and Sailun Vietnam, through December 31, 2020. On April 5, 2019, Cooper Vietnam and Sailun Vietnam established a joint venture in Vietnam, ACTR, which will produce and sell TBR tires. The new joint venture is expected to begin commercially producing tires in 2020.

Major distribution channels and customers include independent tire dealers, wholesale distributors, regional and national retail tire chains, large retail chains that sell tires as well as other automotive products, mass merchandisers and digital channels. The segment does not currently sell its products directly to end users, except through three Company-owned retail stores. The segment sells a limited number of tires to OEMs.

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

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

The following table details segment financial information:

	Three Months Ended March 31,	
	2020	2019
Net sales:		
Americas Tire		
External customers	**$ 449,486**	$ 504,758
Intercompany	**7,569**	10,178
	457,055	514,936
International Tire		
External customers	**82,207**	114,406
Intercompany	**20,180**	29,379
	102,387	143,785
Eliminations	**(27,748)**	(39,558)
Consolidated net sales	**$ 531,694**	$ 619,163
Operating profit (loss):		
Americas Tire	**$ 10,416**	$ 38,789
International Tire	**(10,279)**	(1,339)
Unallocated corporate charges	**(6,951)**	(10,453)
Eliminations	**586**	(566)
Consolidated operating (loss) profit	**$ (6,228)**	$ 26,431
Interest expense	**$ (5,007)**	$ (8,314)
Interest income	**1,696**	3,380
Other pension and postretirement benefit expense	**(4,210)**	(9,362)
Other non-operating income	**1,773**	1,380
(Loss) Income before income taxes	**$ (11,976)**	$ 13,515

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 March 31, 2020	2019	Change
Net Sales			
Americas Tire	**$ 457,055**	$ 514,936	$ (57,881)
International Tire	**102,387**	143,785	(41,398)
Eliminations	**(27,748)**	(39,558)	11,810
Net sales	**531,694**	619,163	(87,469)
Operating profit (loss):			
Americas Tire	**10,416**	38,789	(28,373)
International Tire	**(10,279)**	(1,339)	(8,940)
Unallocated corporate charges	**(6,951)**	(10,453)	3,502
Eliminations	**586**	(566)	1,152
Operating (loss) profit	**(6,228)**	26,431	(32,659)
Interest expense	**(5,007)**	(8,314)	3,307
Interest income	**1,696**	3,380	(1,684)
Other pension and postretirement benefit expense	**(4,210)**	(9,362)	5,152
Other non-operating income	**1,773**	1,380	393
(Loss) Income before income taxes	**(11,976)**	13,515	(25,491)
Income tax (benefit) provision	**(659)**	6,337	(6,996)
Net (loss) income	**(11,317)**	7,178	(18,495)
Net income attributable to noncontrolling shareholders' interests	**274**	199	75
Net (loss) income attributable to Cooper Tire & Rubber Company	**$ (11,591)**	$ 6,979	$ (18,570)
Basic (loss) earnings per share	**$ (0.23)**	$ 0.14	$ (0.37)
Diluted (loss) earnings per share	**(0.23)**	0.14	(0.37)

COVID-19 Update

With the global outbreak of COVID-19 and the declaration of a pandemic by the World Health Organization on March 11, 2020, the Company temporarily shut down its China, U.S., Europe, and Mexico manufacturing plants for various periods of time. The facilities in the U.S., China and Serbia are back in operation in the second quarter and will continue to ramp up production as conditions improve. The Company's facilities in the U.K. and Mexico remain temporarily closed.

The Company's priorities during the COVID-19 pandemic are protecting the health and safety of its employees, responsibilities to its broader communities, and commitments to its customers and other key stakeholders. The Company has taken a variety of measures to protect the health and safety of employees, including social distancing, additional cleaning and disinfecting of facilities, restricted visitor access and other necessary steps.

The fundamentals of the Company remain strong, and the Company believes it has sufficient liquidity on hand to continue business operations during this volatile period. As disclosed in the Liquidity and Capital Resources section, the Company has total available liquidity of $780 million as of March 31, 2020, consisting of cash on hand and credit facilities. As a reaction to COVID-19, the Company has taken actions to further improve liquidity, including capital expenditure reductions, actions to reduce working capital, reductions in discretionary spending and additional temporary cost actions, including employee furloughs, and executive leadership and other salary reductions.

COVID-19 has negatively impacted the Company's business and also presents potential new risks to it. The Company began to see the impacts of COVID-19 on its Asian operations early in the first quarter, and in customer demand in late March in the Americas and Europe, which continues into the second quarter of 2020. The situation surrounding COVID-19 remains fluid and the potential for a continued material impact on the Company increases the longer the virus impacts the level of economic activity in the United States and globally. In the future, the COVID-19 pandemic may cause continued reduced demand for the

Company's products, including if it results in a recessionary global economic environment. It could also lead to volatility in consumer demand for or access to Company products due to government actions impacting the ability to produce and ship products or impacting consumers' movements and access to the Company's products. The Company believes that over the long term, there will continue to be strong demand for the Company's products. However, the timing and extent of demand recovery in specific markets, the resumption of travel, and product demand trends caused by future economic trends are unclear. Accordingly, there may be heightened volatility in net sales and earnings during and subsequent to the duration of the COVID-19 pandemic. The Company's customers are also being impacted by the pandemic. The success of customers in addressing the issues and maintaining their operations, including their ability to remit timely payment, could impact consumer access to, and as a result, sales of the Company's products. In addition, the COVID-19 pandemic and the Company's and government responses to it have disrupted the Company's operations, and increased its costs, and may continue to do so.

The Company's ability to continue to operate and to mitigate the negative impacts of the pandemic will in part depend on the ability to protect its employees and supply chain. The Company has endeavored to follow recommended actions of government and health authorities to protect employees world-wide, with particular measures in place for those working in the Company's plants and distribution facilities. The Company intends to continue to work with government authorities and implement employee safety measures to ensure that it is able to continue manufacturing and distributing products during the COVID-19 pandemic. However, uncertainty resulting from the pandemic could result in an unforeseen disruption to the Company's supply chain (for example a closure of a key manufacturing or distribution facility or the inability of a key supplier or transportation supplier to source and transport materials) that could impact the results of operations.

For additional information on risk factors that could impact the Company's results, refer to “Risk Factors” in Part II, Item 1A of this Form 10-Q.

2020 versus 2019

Consolidated net sales for the quarter ended March 31, 2020 were $532 million, a decrease of $87 million from 2019. In 2020, the Company experienced lower unit volume ($98 million) primarily as a result of the market slowdown caused by the COVID-19 pandemic, as well as unfavorable foreign currency impact ($4 million), partially offset by favorable price and mix ($15 million).

The Company incurred an operating loss of $6 million in the first quarter of 2020, compared to operating profit of $26 million in 2019. The Company's 2020 operating loss included $30 million of increased manufacturing costs, primarily related to production days lost due to plant shut downs in the first quarter, and $18 million of lower unit volume, both attributable to the COVID-19 pandemic. These decreases were partially offset by $12 million of lower raw material costs, $6 million of favorable price and mix and $6 million of lower selling, general and administrative expenses. The first quarter of 2020 included $11 million of restructuring costs within the Americas Tire Operations segment related to the Company's acquisition of the remaining noncontrolling ownership interest in COOCSA. The first quarter of 2019 included $5 million of restructuring costs within the International Tire Operations segment related to the Company's decision to cease light vehicle tire production at its UK facility. Other costs increased $2 million in the first quarter of 2020 compared to the first quarter of 2019.

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

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

Product liability expense increased $1 million to $12 million in 2020 as compared to 2019. The change in quarterly expense is based on the Company's review of its reserves in the quarter, coupled with normal activity, including the addition of another quarter of self-insured incidents, settlements and changes in the amount of the reserve. Additional information related to the Company’s accounting for product liability costs appears in the Notes to the condensed consolidated financial statements.

Selling, general, and administrative expenses were $51 million in 2020 (9.6 percent of net sales) and $57 million in 2019 (9.2 percent of net sales). The decrease in selling, general and administrative expenses in 2020 was driven primarily by a decrease in mark to market costs of stock-based liabilities and a decrease in incentive compensation.

Interest expense was $5 million in the first quarter of 2020 as compared to $8 million in the first quarter of 2019. The decreased expense is the result of a lower interest rate on the Company's Term Loan A outstanding in 2020, which replaced a higher interest rate unsecured note in December 2019. Additional borrowings on the Company's revolving credit facility and accounts receivable securitization in the last month of the quarter partially offset this decrease.

Interest income of $2 million in the first quarter of 2020 was a decrease from interest income in the first quarter of 2019 of $3 million as interest rates declined in 2020 compared to 2019.

For the period ended March 31, 2020, other pension and postretirement benefit expense was $4 million as compared to $9 million in 2019. The decrease is primarily the result of the Company's improved funded status at December 31, 2019 as a result of favorable returns on plan assets in 2019, which improved the Company's funding position and lowered the actuarially determined expense for 2020 as compared to 2019.

Other income of $2 million in the first quarter of 2020 increased as compared to other income of $1 million in 2019, primarily due to the impact of foreign currency forward contracts.

For the quarter ended March 31, 2020, the Company recorded an income tax benefit of $1 million (effective tax rate of negative 5.5 percent) compared to income tax expense of $6 million (effective tax rate of 46.9 percent) in the first quarter of 2019. The effective tax rate for the three month period ended March 31, 2020 differs from the U.S. federal statutory rate of 21 percent primarily due to $4 million of additional unrecognized tax benefit related to the tax deductibility of certain business expenses incurred during the quarter, the projected mix of earnings in international jurisdictions with differing tax rates, and jurisdictions where valuation allowances are recorded. The first quarter of 2019 included net discrete tax expense of $2 million, which primarily consisted of additional 2017 transition tax and unrecognized tax benefits accrued as a result of final U.S. federal tax guidance issued during the quarter pertaining to the one-time mandatory deemed repatriation under the 2017 Tax Act.

Segment Operating Results

The Company has four segments under ASC 280:

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

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

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

Americas Tire Operations Segment

(Dollar amounts in thousands)	Three Months Ended March 31,		
	2020	**Change**	2019
Sales	**$ 457,055**	**(11.2)%**	$ 514,936
Operating profit	**$ 10,416**	**(73.1)%**	$ 38,789
Operating margin	**2.3%**	**(5.2) points**	7.5%
Total unit sales change		**(11.9)%**	
United States replacement market unit shipment changes:			
Passenger tires			
Segment		**(13.4)%**	
USTMA members		**(12.6)%**	
Total Industry		**(10.9)%**	
Light truck tires			
Segment		**(6.3)%**	
USTMA members		**(10.4)%**	
Total Industry		**(6.8)%**	
Total light vehicle tires			
Segment		**(11.9)%**	
USTMA members		**(12.3)%**	
Total Industry		**(10.4)%**	

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

Overview

The Americas Tire Operations segment manufactures and markets passenger car and light truck tires, primarily for sale in the U.S. replacement market. The segment also has a manufacturing operation in Mexico, COOCSA, which supplies passenger car and light truck tires to the Mexican, North American, Central American and South American markets. On January 24, 2020, the Company acquired the remaining noncontrolling ownership interest in COOCSA, making COOCSA a wholly-owned subsidiary. The segment also markets and distributes racing, TBR and motorcycle tires. The racing and motorcycle tires are manufactured by the Company’s European segment and by others. TBR tires are sourced from GRT and through off-take agreements with PCT, through mid-2021, and Sailun Vietnam through December 31, 2020. On April 5, 2019, Cooper Vietnam and Sailun Vietnam established a joint venture in Vietnam, ACTR, which will produce and sell TBR tires. The new joint venture is expected to begin commercially producing tires in 2020.

Major distribution channels and customers include independent tire dealers, wholesale distributors, regional and national retail tire chains, large retail chains that sell tires as well as other automotive products, mass merchandisers and digital channels. The segment does not currently sell its products directly to end users, except through three Company-owned retail stores. The segment sells a limited number of tires to OEMs.

Sales

Net sales of the Americas Tire Operations segment decreased from $515 million in 2019 to $457 million in 2020. In the first quarter of 2020, the segment experienced lower unit volume of $61 million and unfavorable foreign currency impact of $1 million, partially offset by favorable pricing and mix of $4 million. Unit shipments for the segment decreased 11.9 percent in the first quarter of 2020 compared with the first quarter of 2019. In the U.S., the segment’s unit shipments of total light vehicle tires decreased 11.9 percent in 2020 compared with the same period in 2019. This decrease compares with a 12.3 percent decrease in total light vehicle tire shipments experienced by USTMA members, and a 10.4 percent decrease in total light vehicle tire shipments experienced for the total industry. Americas Tire Operations volume has been impacted by reduced demand as a result of the COVID-19 pandemic.

Operating Profit

Operating profit for the segment decreased from $39 million in the first quarter of 2019 to $10 million in the first quarter of 2020. Operating profit in 2020 included $19 million of unfavorable manufacturing costs, primarily related to production days lost due to plant shut downs in the first quarter, and $14 million of lower unit volume, both due to the COVID-19 pandemic.

These were partially offset by $10 million of lower raw material costs and $5 million of favorable price and mix. The first quarter of 2020 also included $11 million of restructuring costs related to the Company's acquisition of the remaining noncontrolling ownership interest in COOCSA.

The segment utilizes an internal raw material index which is calculated based upon the underlying costs of the segment's key raw materials for the period and is utilized in comparing the cost of raw materials from period to period. The segment’s internally calculated raw material index of 150.7 for the quarter ended March 31, 2020 was a decrease of 6.0 percent from the first quarter of 2019. The raw material index increased 0.6 percent from the quarter ended December 31, 2019.

International Tire Operations Segment

(Dollar amounts in thousands)	Three Months Ended March 31,				
		2020	**Change**		2019
Sales	**$**	**102,387**	**(28.8)%**	$	143,785
Operating loss	**$**	**(10,279)**	**n/m**	$	(1,339)
Operating margin		**(10.0)%**	**(9.1) points**		(0.9)%
Total unit sales change			**(31.8)%**		

n/m - not meaningful

Overview

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

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

Sales

Net sales of the International Tire Operations segment were $102 million for the quarter ended March 31, 2020, compared to $144 million in the first quarter of 2019. The segment experienced $46 million of lower unit volume and $4 million of unfavorable foreign currency impact, partially offset by $8 million of favorable price and mix. Segment unit volume was down 31.8 percent, primarily as the result of the impact of the COVID-19 pandemic.

Operating Loss

In the first quarter of 2020, the segment experienced an operating loss of $10 million, compared to an operating loss of $1 million in the first quarter of 2019. The 2020 results include $11 million of unfavorable manufacturing efficiencies, primarily related to production days lost due to plant shut downs in the first quarter, and $4 million of lower unit volume, both primarily due to the impact of the COVID-19 pandemic. These unfavorable items were partially offset by $1 million of lower raw material costs and $1 million of favorable price and mix. The first quarter of 2019 included $5 million of restructuring costs related to Cooper Tire Europe's decision to cease light vehicle tire production at its UK facility. Other costs increased $1 million in the first quarter of 2020 as compared to 2019.

Outlook for the Company

Due to the rapidly evolving environment and continued uncertainties resulting from the COVID-19 pandemic, the Company withdraws its previously announced full year 2020 outlook. The Company cannot at this time predict the extent or duration of the pandemic and its impacts on its financial and operating results for full the year. Given that COVID-19 will likely have a significant impact on the second quarter, the Company believes it will be the most challenging quarter of the year for operating profit. The Company has dramatically scaled back capital expenditure plans, and now expects full year 2020 capital expenditures to be between $140 and $160 million, but this is dependent on the duration and severity of the pandemic.

Liquidity and Capital Resources

Sources and uses of cash in operating activities

Net cash used by operating activities was $114 million in the first quarter of 2020 compared to $96 million of net cash used by operating activities in the first quarter of 2019. The Company's net loss used $11 million in 2020 as compared to net income providing $7 million in 2019. In 2020, non-cash items contributed $38 million, compared to $47 million contributed in 2019. In 2020, changes in working capital used $141 million, as compared to the usage of $151 million in 2019. The decreased 2020 usage was driven primarily by reduced growth in inventory and accounts receivable, offset by unfavorability in accrued liabilities and accounts payable. This change in movement year over year can be attributed to the impact of the COVID-19 pandemic on the first quarter results.

Sources and uses of cash in investing activities

Net cash used in investing activities reflect capital expenditures of $55 million and $60 million in 2020 and 2019, respectively.

Sources and uses of cash in financing activities

In the first quarter of 2020, the Company had net short term borrowings of $270 million, as the Company utilized its revolving credit facility and accounts receivable securitization facility to increase cash on hand for working capital and general corporate purposes as it managed the impacts of the COVID-19 pandemic. In the first quarter of 2019, the Company borrowed a net $7 million of short-term debt at its Asian operations.

In the first quarter of 2020, the Company paid $62 million for the acquisition of the remaining noncontrolling ownership interest in COOCSA, as well as for services rendered by members of the joint venture workforce that were also shareholders of the non-controlling interest.

Dividends paid on the Company’s common shares were $5 million in both 2020 and 2019, respectively.

Available cash, credit facilities and contractual commitments

At March 31, 2020, the Company had cash and cash equivalents of $433 million.

Domestically, the Company's Credit Facility with a consortium of banks provides up to $700 million and expires in June 2024. Of this borrowing capacity, $200 million is allocated to the Term Loan A, while the remaining $500 million is allocated to the Revolving Credit Facility. The Term Loan A was drawn in December 2019 primarily to pay for maturing unsecured notes. The Credit Facility also includes a $110 million letter of credit sub-facility.

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

At March 31, 2020, the Company has drawn $270 million on its Revolving Credit Facility and accounts receivable securitization facility for working capital and general corporate purposes. These revolving credit facilities have also been used to secure letters of credit of $21 million at March 31, 2020. The Company’s additional borrowing capacity under these facilities, net of amounts used to back letters of credit and based on available collateral at March 31, 2020, was $309 million. The Company’s revolving credit facilities contain restrictive covenants which limit or preclude certain actions based upon the measurement of certain financial covenant metrics. However, the covenants are structured such that the Company expects to have sufficient flexibility to conduct its operations. The Company was in compliance with all of its debt covenants as of March 31, 2020.

The Company’s operations in Asia have annual renewable unsecured credit lines that provide up to $46 million of borrowings and do not contain significant financial covenants. The additional borrowing capacity on the Asian credit lines totaled $38 million at March 31, 2020.

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, and dividend goals as it navigates the COVID-19 pandemic. The Company also believes it has access to additional funds from capital markets to fund potential strategic initiatives. Short-term borrowings at March 31, 2020 include $8 million of short-term notes of consolidated subsidiaries. The Company expects its subsidiaries to refinance or pay these amounts within the next twelve months.

Forward-Looking Statements

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

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

- the impact of the ongoing coronavirus (COVID-19) pandemic, or similar public health crises, on the Company’s financial condition, operations, distribution channels, customers and suppliers;
- changes in the Company’s customer or supplier relationships or distribution channels, due to the ongoing COVID-19 pandemic or otherwise, including the write-off of outstanding accounts receivable or loss of particular business for competitive, credit, liquidity, bankruptcy, restructuring or other reasons;
- the Company's ability to resume and maintain full operations at facilities that have been idled due to the COVID-19 pandemic;
- the costs and timing of restructuring actions and impairments or other charges resulting from such actions, including restructuring and related actions in Europe and at the Company's manufacturing facility in Mexico, after the Company's purchase of the remaining noncontrolling interest in such facility in January, or from adverse industry, market or other developments, including the impact of the COVID-19 pandemic;
- 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 to achieve expected sales levels;
- volatility in the capital and financial markets or changes to the credit markets and/or access to those markets;
- the failure of the Company’s suppliers to timely deliver products or services in accordance with contract specifications;
- changes to tariffs or trade agreements, or the imposition of new or increased tariffs or trade restrictions, imposed on tires, raw materials or manufacturing equipment which the Company uses, including changes related to tariffs on tires, raw materials and tire manufacturing equipment imported into the U.S. from China or other countries;
- 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;
- changes in economic and business conditions in the world, including changes related to the COVID-19 pandemic and to the United Kingdom’s decision to withdraw from the European Union;
- the inability to obtain and maintain price increases to offset higher production, tariffs, raw material or energy costs;
- a disruption in, or failure of, the Company’s information technology systems, including those related to cybersecurity, could adversely affect the Company’s business operations and financial performance;
- increased competitive activity, including actions by larger competitors or lower-cost producers;
- the failure to develop technologies, processes or products needed to support consumer demand or changes in consumer behavior, brand perceptions, and preferences, including changes in sales channels;
- consolidation or other cooperation by and among the Company’s competitors or customers;
- inaccurate assumptions used in developing the Company’s strategic plan or operating plans, or the inability or failure to successfully implement such plans or to realize the anticipated savings or benefits from strategic actions;
- risks relating to investments and acquisitions, including the failure to successfully integrate them into operations or their related financings may impact liquidity and capital resources;
- the ultimate outcome of litigation brought against the Company, including product liability claims, which could result in commitment of significant resources and time to defend and possible material damages against the Company or other unfavorable outcomes;

- the failure to successfully ramp up production at the Company's new ACTR joint venture to produce TBR tires according to plans, and the ability to find and develop alternative sources for TBR products;
- government regulatory and legislative initiatives including environmental, healthcare, privacy and tax matters;
- changes in interest or foreign exchange rates or the benchmarks used for establishing the rates;
- an adverse change in the Company's credit ratings, which could increase borrowing costs and/or hamper access to the credit markets;
- failure to implement information technologies or related systems, including failure by the Company to successfully implement ERP systems;
- the risks associated with doing business outside of the U.S.;
- technology advancements;
- the inability to recover the costs to refresh existing products or develop and test new products or processes;
- failure to attract or retain key personnel;
- changes in pension expense and/or funding resulting from the Company's pension strategy, investment performance of the Company's pension plan assets and changes in discount rate or expected return on plan assets assumptions, changes to participant behavior, or changes to related accounting regulations;
- changes in the Company's relationship with its joint venture partners or suppliers, including any changes with respect to its former PCT joint venture's production of TBR products;
- tax-related issues, including the ability to support certain tax positions, the impact of tax reform legislation and the inability to utilize deferred tax assets;
- 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; and
- the inability to adequately protect the Company's intellectual property rights.

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 March 31, 2020 from those detailed in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2019.

Item 4. CONTROLS AND PROCEDURES

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

The Company, under the supervision and with the participation of management, including the CEO and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 as of March 31, 2020 ("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 March 31, 2020 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 March 31, 2020. 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:

Impact of the ongoing coronavirus (COVID-19) pandemic, or similar public health crises, on the Company's operations, distribution channels, customers and suppliers.

From time to time, the Company may face risks related to public health threats or outbreaks of communicable diseases, such as COVID-19. The Company has global manufacturing facilities, distribution channels, suppliers and customers, and if a disease spreads sufficiently to cause a pandemic (or to cause the fear of a pandemic to rise) or governments regulate or restrict the flow of labor or products, the Company's financial condition, operations, suppliers, customers and distribution channels could be severely impacted. Such a pandemic could also have an adverse impact on consumer demand and commodity prices. Any material changes in the Company's production supply or demand for products could materially and adversely affect the Company's results of operations and liquidity.

The ongoing COVID-19 pandemic has negatively impacted the global economy, disrupted financial markets and international trade, resulted in increased unemployment levels and significantly impacted global supply chains. The tire industry has been particularly negatively impacted by the COVID-19 pandemic, characterized by a sudden and sharp decline in tire demand. The Company's results have been, and are likely to continue to be, adversely impacted by this economic disruption, including lower tire unit volumes, sales, income and cash flow. In addition, the Company's ability to continue implementing important strategic initiatives and capital expenditures may be reduced as it devotes time and other resources to responding to the impacts of the COVID-19 pandemic. In response to government mandates and health care advisories, the Company has altered certain aspects of its operations, including the temporary idling of manufacturing facilities for various lengths of time. A portion of the Company's workforce has had to spend a significant amount of time working remotely, which may impact productivity, increase cybersecurity and data security risks, and disrupt internal controls and procedures.

Federal, state, and local governments have implemented various mitigation measures, including travel restrictions, border closings, restrictions on public gatherings, shelter-in-place restrictions and limitations on business. Some of these actions could adversely impact the ability of Company employees, contractors, suppliers, customers, and other business partners to conduct business activities, and could ultimately do so for an indefinite period of time. This could have a material adverse effect on the Company's results of operations, financial condition, and liquidity. In particular, the continued spread of COVID-19 and efforts to contain the virus could:

- continue to impact customers and customer demand for the Company's products;
- cause the Company to experience an increase in costs and credit risk as a result of the Company's emergency measures, delayed payments from customers and uncollectable accounts;
- cause delays and disruptions in the supply chain resulting in disruptions in operations;
- result in temporary idling of facilities and the resulting costs to resume full operations;

- cause disruptions of the Company's workforce or operations;
- result in asset impairments or other charges;
- negatively impact the Company's liquidity position;
- limit the Company's access to funds under its existing credit facility and the capital markets;
- impact availability of qualified personnel; and
- cause other unpredictable events.

The situation surrounding COVID-19 remains fluid and the ongoing impact on the Company’s results of operations, financial condition, and liquidity increases the longer the virus impacts activity levels in the United States and globally both during the initial outbreak, as well as if additional outbreaks occur at a later date. For this reason, the Company cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on the Company’s results of operations, financial position, and liquidity. The extent to which the COVID-19 pandemic may impact the Company’s business, operating results, financial condition, or liquidity will depend on future developments, including the duration of the outbreak, travel restrictions, government mandated restrictions and regulations, business and workforce disruptions, impact on demand for Company products, and the effectiveness of actions taken to contain and treat the disease.

The impact of COVID-19 may also exacerbate other risks discussed herein, any of which could have a material effect on the Company. This situation is changing rapidly and additional impacts may arise that the Company is not aware of currently.

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

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

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

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.

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, including the use of third party labor outsourcing, and any interruption of its workforce due to shortages of skilled technical, production or professional workers, work disruptions, temporary idling of facilities, short-term furloughs, or other events could interrupt the Company’s operations and affect its operating results. Competition for these employees is intense and the Company could experience difficulty in hiring and retaining the personnel necessary to support its business. Further, a significant number of the Company’s employees are currently represented by unions. If the Company is unable to resolve any labor disputes or if there are work stoppages or other work disruptions at the Company or any of its suppliers or customers, the Company’s business and operating results could suffer. See also related comments under "The Company is facing supply risks related to certain tires it purchases from PCT."

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

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

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

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

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

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

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

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 rates are subject to review annually and a material change in the new rates could have a significant impact on the Company's results.

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. On February 22, 2017, the ITC made a final determination that the U.S. market had not suffered material injury because of imports of truck and bus tires from the PRC. However, on November 1, 2018, the CIT remanded the case back to the ITC for reconsideration. On January 30, 2019, the ITC reversed its earlier decision and made an affirmative determination of material injury. On February 15, 2019, the determination was published in the Federal Register and significant duties were imposed on Chinese truck and bus tire imports. The ITC’s re-determination, along with comments from the parties regarding the re-determination were filed with the CIT. The CIT affirmed the ITC re-determination on February 18, 2020.

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

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

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

The Company relies on the accuracy, capacity and security of its information technology systems across all of its major business functions, including its research and development, manufacturing, sales, financial and administrative functions. While the Company maintains some of its critical information technology systems, it is also dependent on third parties to provide important information technology services relating to, among other things, human resources, electronic communications and certain finance functions. Additionally, the Company collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary business information of its customers and suppliers, as well as personally identifiable information of the Company’s customers and employees, in data centers and on information technology networks.

In addition, the European Union's General Data Protection Regulation ("GDPR"), which came into effect in May 2018, creates a range of new compliance obligations for companies that process personal data of European Union residents, and increases financial penalties for non-compliance. As a company that processes personal data of European Union residents, we bear the costs of compliance with the GDPR and are subject to the potential for fines and penalties in the event of a breach of the GDPR. Aside from the European Union, other jurisdictions have enacted, or are considering, regulations regarding data privacy. Despite the security measures that the Company has implemented, including those related to cybersecurity, its systems could be breached or damaged by computer viruses, natural or man-made incidents or disasters or unauthorized physical or electronic access. Additionally, digital technologies may become more vulnerable and experience a higher rate of cyberattacks in the current environment of remote connectivity. 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 the Company's operations or the theft, loss or disclosure of, or damage to, the Company's data or confidential information, the Company's reputation, business, results of operations, cash flows and financial condition could be materially adversely affected. In addition, the Company may be required to incur significant costs to protect against and, if required, remediate the damage caused by such disruptions or system failures in the future.

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

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

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

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

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

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

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.

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

The Company’s tire sales, margins and profitability may be significantly impacted if it does not develop or have available technologies, processes, including distribution methods, or products that competitors may be developing and consumers or dealers are demanding. This includes, but is not limited to, changes in the design of and materials used to manufacture tires, changes in the types of tires consumers prefer and changes in the vehicles consumers are purchasing. Additionally, the Company is also impacted by changes in consumer brand perceptions and the way consumers buy tires and failure to effectively compete in various sales and marketing channels, including digital channels and mass merchandising outlets.

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

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

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

The Company faces both general industry and Company-specific challenges. These include volatile raw material costs, increasing product complexity and pressure from competitors with greater resources or manufacturing in lower-cost regions. To address these challenges and position the Company for future success, the Company continues to execute towards its Strategic Plan.

The Company continually reviews and updates its business plans to achieve its goals and imperatives. There can be no assurance that the Company's strategic business plans will be successful. If the assumptions used in developing the Company’s business plans vary significantly from actual conditions, and the Company is not able to adapt in a timely manner, the Company’s sales, margins and profitability could be harmed. If the Company is unsuccessful in implementing the tactics necessary to execute its business plans, it may not be able to achieve or sustain future profitability, which could impair its ability to meet debt and other obligations and could otherwise negatively affect its operating results, financial condition and liquidity.

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

The Company routinely evaluates potential investments and acquisitions and may pursue additional investment and acquisition opportunities, some of which could be material to its business. These investments include the formation of the ACTR joint venture in Vietnam, the purchase of the remaining noncontrolling interest in the Company's Mexican manufacturing facility and investment in the Company's Serbian manufacturing facility. The Company cannot provide assurance whether it will be successful in pursuing, integrating, ramping up and operating any investment or acquisition opportunities or what the consequences of any investment or acquisition would be. The Company may encounter various risks in any investment or acquisition, including:

- the possible inability to integrate an acquired business into its operations;
- the possible failure to successfully ramp up and operate the business;
- diversion of management’s attention;
- loss of key management personnel;
- labor disruption, including as a result of the Company's purchase or restructuring activities;
- unanticipated problems or liabilities, including delays in completion of required capital expenditures and/or construction;

- potential asset impairment charges, due to inability to meet operating plans; and
- increased labor and regulatory compliance costs of acquired businesses.

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

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

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

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

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

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

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

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

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

The Company has affiliate, subsidiary and joint venture operations worldwide, including in the U.S., Europe, Mexico, the PRC and Vietnam. The Company has a wholly-owned manufacturing entity, Cooper Kunshan Tire, and is the majority owner of GRT, both in the PRC. The Company also is the sole owner of COOCSA, a manufacturing entity in Mexico, after purchasing the remaining noncontrolling interest on January 24, 2020, and has established operations in Serbia and the U.K. PCT, located in the PRC, is currently a supplier of TBR tires for the Company and the Company entered into an off-take agreement with Sailun Vietnam, located in Vietnam, for the supply of TBR tires. Additionally, Cooper Vietnam recently formed a joint venture with Sailun Vietnam, which is expected to begin commercially producing tires in 2020. There are a number of risks in doing business abroad, including political and economic uncertainty, social unrest, sudden changes in laws and regulations, ability to enforce existing or future contracts, shortages of trained labor and the uncertainties associated with entering into joint ventures or similar arrangements in foreign countries. These risks may impact the Company’s ability to expand its operations in different regions and otherwise achieve its objectives relating to its foreign operations, including utilizing these locations as suppliers to other markets. In addition, compliance with multiple and potentially conflicting foreign laws and regulations, import and export limitations and exchange controls is burdensome and expensive. For example, the Company could be adversely affected by violations of the Foreign Corrupt Practices Act (“FCPA”) and similar worldwide anti-bribery laws as well as export controls and economic sanction laws. The FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials and, in some cases, other persons, for the purpose of obtaining or retaining business or obtaining another improper benefit. Violations of these laws and regulations could result in civil and criminal fines, penalties and sanctions against the Company, its officers or its employees, prohibitions on the conduct of the Company's business and on its ability to offer products and services in one or more countries, and could also harm the Company's reputation, business and results of operations. The Company's foreign operations also subject it to the risks of international terrorism and hostilities and to foreign currency risks, including exchange rate fluctuations and limits on the repatriation of funds. See also related comments under "The Company's results could be impacted by changes in tariffs, trade agreements or other trade restrictions imposed by the U.S. or other governments on imported tires or raw materials", "There are risks associated with the Company's global strategy, which includes using joint ventures and partially-owned subsidiaries" and "The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets or the Company's business."

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

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

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

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The U.K. is currently negotiating the terms of its exit from the European Union ("Brexit"). In November 2018, the U.K. and the European Union agreed upon a draft Withdrawal Agreement that sets out the terms of the U.K.'s departure, including commitments on citizen rights after Brexit, a financial settlement from the U.K., and a transition period to allow time for a future trade deal to be agreed. After the U.K. Parliament failed to approve the Withdrawal Agreement in October 2019, European Union leaders granted the U.K. a three-month flexible Brexit extension, avoiding a no-deal exit on the previous deadline of October 31, 2019. On January 23, 2020, the Withdrawal Act, after clearing all stages in the U.K. Parliament, received royal assent from the Queen. On January 31, 2020, the U.K. is officially left the European Union. Following its departure, the U.K. will enter a transition period until December 31, 2020 during which period of time the U.K.'s trading relationship with the European Union will remain largely the same while the two parties negotiate a free trade agreement as well as other aspects of the U.K.'s relationship with the European Union. The Withdrawal Agreement allows the extension of the transition period by up to two years. The terms and eventual date of the U.K.'s withdrawal remain highly uncertain.

The ongoing uncertainty on the status of the final Withdrawal Agreement could lead to economic stagnation until an ultimate resolution with respect to Brexit occurs. In the absence of a future trade deal, the U.K.'s trade with the European Union and the rest of the world would be subject to tariffs and duties set by the World Trade Organization. Additionally, the movement of goods and personnel between the U.K. and the remaining member states of the European Union will be subject to additional inspections and documentation checks, leading to possible delays at ports of entry and departure. Even if an agreement setting forth the terms of the U.K.'s withdrawal from the European Union is approved, the withdrawal could result in significant changes to the trading relationship between the U.K. and the European Union. These changes to the trading relationship between the U.K and European Union would likely result in increased cost of goods imported into and exported from the U.K. and may decrease the profitability of the Company's U.K. and other operations. Additional currency volatility could drive a weaker British pound, which increases the cost of goods imported into the U.K. operations and may decrease the profitability of the U.K. operations. A weaker British pound versus the U.S. dollar also causes local currency results of U.K. operations to be translated into fewer U.S. dollars during a reporting period. With a range of outcomes still possible, the impact from Brexit remains uncertain and will depend, in part, on the final outcome of tariff, trade, regulatory and other negotiations.

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

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

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

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

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

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

Compliance with and changes in tax laws could materially and adversely impact our financial condition, results of operations and cash flows.

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

Additionally, the Company’s income tax returns are subject to examination by federal, state and local tax authorities in the U.S. and tax authorities outside the U.S. Based upon the outcome of tax examinations, judicial proceedings, or expiration of statutes of limitations, it is possible that the ultimate resolution of these unrecognized tax benefits, including those related to tax planning strategies regarding the Company's structure, 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.

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

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

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

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

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

A failure in the Company's internal financial controls could adversely affect the Company's business operations and financial performance.

The Company's operations are highly dependent on an ability to process and monitor, on a daily basis, a very large number of transactions, across numerous locations and currencies. These transactions must adhere to the Company's internal financial control structure, as well as legal and regulatory standards. Compliance with these legal and reporting requirements can be challenging, especially in the current environment of remote connectivity, and the Company could be subject to regulatory fines and penalties for failing to follow these rules or to report timely, accurate and complete information in accordance with such rules. As such requirements expand, compliance with these rules and regulations has become more challenging. As the Company's customer base and geographical reach expands, the volume, speed, frequency and complexity of transactions, especially electronic transactions, increases. Developing and maintaining the Company's internal financial controls becomes more challenging, and the risk of system or human error in connection with such transactions increases. The Company must continuously monitor these internal financial controls to support the Company's operations and respond to changes in regulations and markets. A failure in such internal financial controls could harm the Company’s reputation, operating results and financial position.

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

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

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

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

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

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

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

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

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

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

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

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 valuation allowances in the U.K. and China, as well as a small valuation allowance for the portion of its U.S. deferred tax assets primarily associated with a loss carryforward. In addition, the Company has recorded valuation allowances for deferred tax assets primarily associated with other non-U.S. net operating losses.

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

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

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

The Company is facing risks relating to healthcare legislation.

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

Item 2. ISSUER PURCHASES OF EQUITY SECURITIES

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

Period [1]	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2020 through January 31, 2020	—	$ —	—	$ 193,123
February 1, 2020 through February 29, 2020	—		—	193,123
March 1, 2020 through March 31, 2020	—		—	193,123
Total	—		—	

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

The 2017 Authorization was extended by the Board of Directors on December 3, 2019 until December 31, 2021. No other changes to the 2017 Authorization were made.

Item 6. EXHIBITS

(a) Exhibits

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

SIGNATURES

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

COOPER TIRE & RUBBER COMPANY

/s/ Christopher J. Eperjesy

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

/s/ Mark A. Young

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

May 7, 2020
(Date)

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Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit (31.1)

CERTIFICATIONS

I, Bradley E. Hughes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cooper Tire & Rubber Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 7, 2020

/s/ Bradley E. Hughes

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

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit (31.2)

CERTIFICATIONS

I, Christopher J. Eperjesy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cooper Tire & Rubber Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 7, 2020

/s/ Christopher J. Eperjesy

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

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Section 4: EX-32 (EXHIBIT 32)

Exhibit (32)

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

In connection with the Quarterly Report of Cooper Tire & Rubber Company (the "Company") on Form 10-Q for the period ended March 31, 2020, 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: May 7, 2020

/s/ Bradley E. Hughes

Name:	Bradley E. Hughes
Title:	Chief Executive Officer

/s/ Christopher J. Eperjesy

Name:	Christopher J. Eperjesy
Title:	Chief Financial Officer

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

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