VISION

COOPER TIRE & RUBBER COMPANY

COOPER TIRE & RUBBER COMPANY

OUR BUSINESS

Cooper specializes in the manufacturing and marketing of rubber products for consumer use.

OUR PRODUCTS

- Automobile, truck and motorcycle tires
- Inner tubes
- Vibration control systems
- Automotive sealing
- Hose and assemblies

OUR CUSTOMERS

- Independent tire dealers
- Wholesale distributors
- Mass merchandisers
- Large retail chains
- Automobile and truck manufacturers

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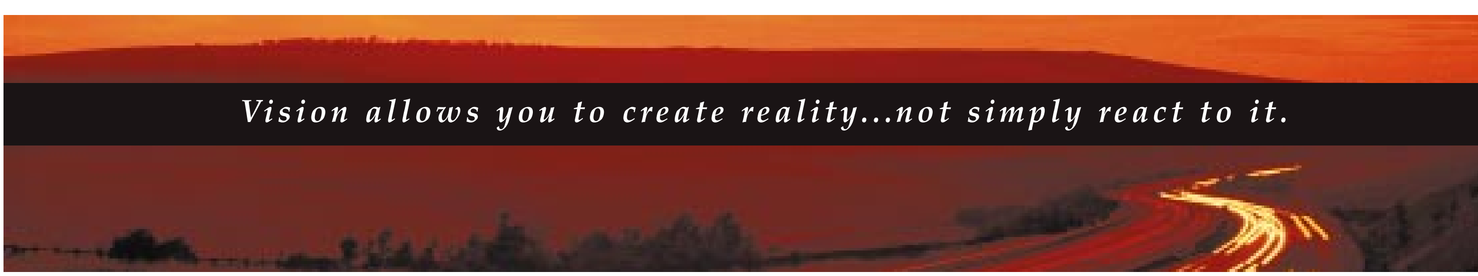
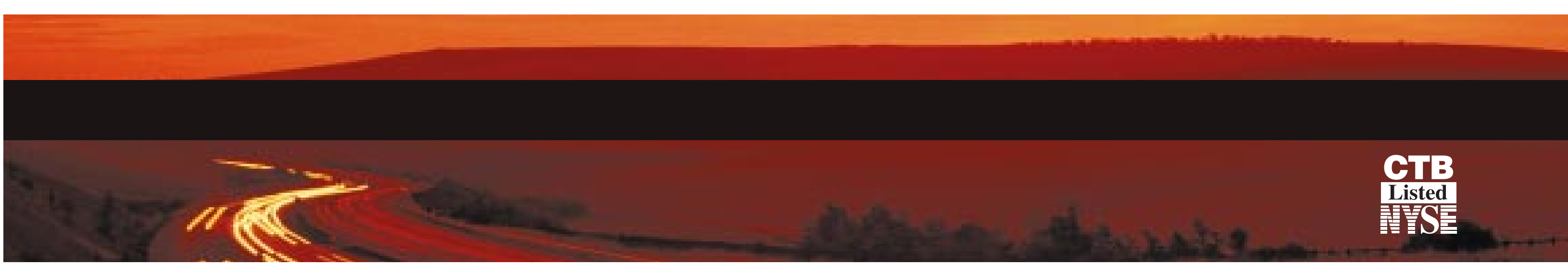


FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands except per-share amounts)

	1998	1997	1996
Operating Results			
Net sales	$1,876,125	$1,813,005	$1,619,345
Income before income taxes	198,217	194,792	172,092
Net income	126,967	122,411	107,884
Basic and diluted earnings per share	1.64	1.55	1.30
Dividends per share	.39	.35	.31
Financial Position			
Working capital	$ 376,485	$ 354,281	$ 256,130
Long-term debt	205,285	205,525	69,489
Stockholders' equity	867,936	833,575	786,612
Stockholders' equity per share	11.45	10.58	9.67
Other Operating Data			
Capital expenditures	$ 131,533	$ 107,523	$ 193,696
Depreciation	101,899	94,464	76,820
Return on sales	6.8%	6.8%	6.7%
Return on beginning invested capital*	20.5%	24.6%	22.4%
Return on stockholders' equity	15.2%	15.6%	14.4%
Long-term debt to capitalization	19.1%	19.8%	8.1%
Current ratio	3.0	2.8	2.4
Number of shares outstanding (thousands)	75,791	78,760	81,367
Number of stockholders	4,809	5,281	5,991
Number of employees	10,766	10,456	8,932

** Earnings before interest and income taxes divided by long-term debt plus stockholders' equity.*



TO OUR STOCKHOLDERS:

Our Company changed dramatically during 1998 as we took several strategic steps designed to maximize our full potential and increase stockholder value. Not only did we achieve record sales and earnings, we also continued to generate strong and increasing cash flows, a critical success factor for sustained growth and profitability. Putting these cash flows to work, we invested in new facilities, equipment and technology to support new business won in both our tire and engineered products divisions; arranged to acquire another proprietary brand; reduced our debt-to-total capitalization ratio; repurchased shares of our common stock; and raised our cash dividends. Most important, in terms of expanding our long-term growth opportunities, we finalized our strategic Cooper 21 plan for success in the next century. We believe the changes called for under this plan have created a stronger Company for our stockholders.

Pat Rooney

Net sales for 1998 set a record for the Company reaching $1.9 billion, an increase of 3.5 percent over 1997 sales. With these results, we continue a tradition of outperforming our industry. In fact, since 1990, our U.S. tire unit volume has increased 67 percent, far outstripping industry unit growth of 22 percent, while our engineered products sales have significantly outpaced North American light vehicle production.

Net income was a record $127 million, an increase of 3.7 percent over 1997. Earnings per share also set a Company record at $1.64 versus $1.55 a year ago. Cost reduction efforts contributed over $30 million toward our profitability this past year. We plan to be even more aggressive in 1999, setting a target of $40 million in cost savings, as we continue to make our operations more efficient and maximize our return on the investment our stockholders have made in Cooper.

For the first time, we reported our sales and profits by business segment. We are pleased to report record sales for both our tire and engineered products divisions. Tire sales totaled $1.4 billion, up slightly from a year ago in the face of highly competitive industry conditions. Sales at our engineered products division rose 17 percent to $432 million, reflecting very healthy demand for Cooper products. Segment profits are defined as income before income taxes and non-operating items, and include allocation of corporate administrative and interest expense. In 1998, our tire division contributed $142.8 million in segment profits, while engineered products added $51.8 million.

Our financial position strengthened throughout the year, fueling a wide range of initiatives to benefit our stockholders. Strong cash flows enabled us to lower our commercial paper borrowings. We repurchased nearly three million shares of our common stock under a second five-million share repurchase program that was authorized in July of 1997, returning $55 million to our stockholders. We also returned another $30 million in the form of cash dividends. The net increase in equity, primarily due to record net income, reduced our debt-to-total capitalization ratio to 19.1 percent.

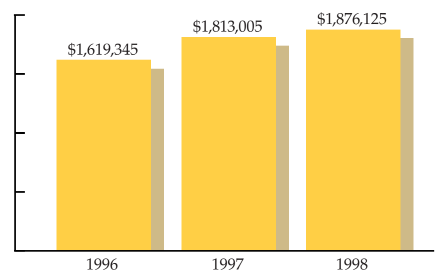
We invested over $131.5 million in capital expenditures to improve our operations during 1998. Major projects included: expanding our Mexico engineered products facility; completing new technology centers in Auburn and Findlay; constructing a new outdoor test track near San Antonio; and continuing improvements at our Melksham, England facility. We also moved into a new, leased distribution center in New Jersey and acquired Louisville, Kentucky-based Dean Tire on January 4, 1999. Finally, we are upgrading our software for Year 2000 compliance. As is evident from this impressive list, we are a Company on the move and have exciting projects in place in several parts of the world.

With all these investments, people remain the most important of all Cooper's assets. There were several management changes in 1998 which help support current needs and the demands created by future growth. In November, J. Alec Reinhardt announced his plans to retire from his position as executive vice president and chief financial officer. During his 22-year career with Cooper, Alec played a critical role in the success of our Company. Philip G. Weaver, tire division vice president and controller, was appointed to fill the position of vice president and CFO. In December, Thomas A. Dattilo, former president of Dana Corporation's sealing products group, was named to the newly created position of president and chief operating officer.

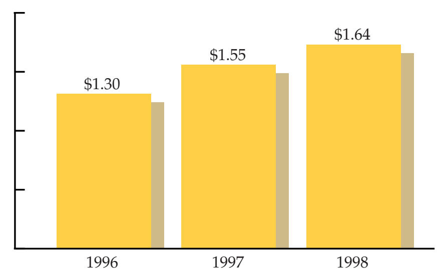
Earlier in the year, two new vice presidents were named in the engineered products operation. Paul C. Gilbert assumed the responsibilities of vice president of operations, and James W. Pifer was appointed to the position of vice president of sales and marketing. In the tire operation, John A. Zito was promoted to the position of vice president and controller.

Our board welcomed a new director this past year with the appointment of Byron O. Pond, chairman of the board of Arvin Industries, Inc. At the board's February 9, 1999 meeting, Tom Dattilo was elected to fill the remaining term on the board which was vacated upon Alec Reinhardt's retirement.

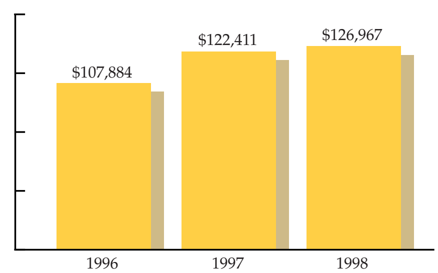
Net sales



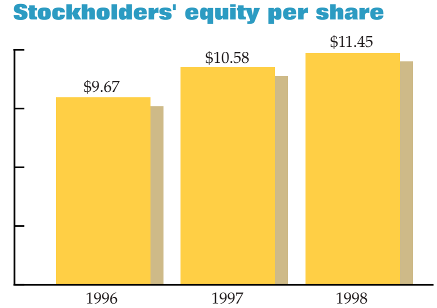
Earnings per share



Net income



Stockholders' equity per share



Our labor relations remained excellent with a new agreement reached between the United Steelworkers of America at our Bowling Green hose plant in March, prior to the April expiration of the contract.

As we told you in last year's report, we began a strategic planning process to address the challenges of a highly competitive global marketplace as well as to expand our growth and profit opportunities. Out of this process came our Cooper 21 plan, which we believe will help us build an even more successful Company in the next century. Throughout this report, you will read about the cornerstones of our plan which include: global expansion through alliances and acquisitions; a multi-branding strategy; increased emphasis on new products and technology; reduced manufacturing costs; and improved profitability and returns on invested capital. In November, our board of directors reviewed our five-year plan and gave their endorsement of our strategic initiatives.

In accordance with our Cooper 21 plan, we recently announced one of the most exciting events in our Company's history: a strategic alliance with Milan, Italy-based Pirelli Tyres, the world's sixth largest tire producer. Under the terms of our agreement which was reached in February 1999, Cooper will become the exclusive North American distributor for Pirelli's highly respected, ultra-high performance, passenger and light truck tires. The agreement also covers future plans for Pirelli to distribute Cooper products in the South American market. While we are in the early planning stages, we anticipate that Pirelli's globally recognized Tier I product offering will be a perfect complement to our multi-branding strategy, and will expand our future sales opportunities in the North American market. We welcome our new partner, and believe this relationship will make a major contribution to our success.

Research engineer Jeff Endicott and materials development engineer Marla Kelly meet informally with Pat Rooney in the atrium of the new Technical Center in Findlay.

This has been an extraordinary year for our Company. As we move into the 21st century, we are very confident of the growth opportunities we have created with our new Cooper 21 plan, our new strategic alliance with Pirelli Tyres, our strong management team and our ongoing efforts to enhance operating efficiencies.

We thank all of our Cooper employees for their constant efforts and dedication, as well as our stockholders for their confidence and support. We will work hard to continue earning the confidence of both as we build Cooper's future.

P.W. Rooney
Chairman of the Board and Chief Executive Officer

Throughout this annual report, you will see evidence of management's commitment to our plan for the 21st century. We pledge to our stockholders, our employees and our customers that we will continue to explore new opportunities, continue to improve our operations and manage our business so that we all benefit as we go into the next millennium.

Cooper Strategic Intent

- Cooper Tire & Rubber Company will be a premier global supplier of automotive rubber products, offering replacement highway tires to value-sensitive consumers and complete lines of sealing, vibration control and hose systems to North American and European-based automotive manufacturers.
- We will succeed by providing products and services that meet or exceed our customers' requirements and expectations of quality, reliability, delivery and technological innovation at the lowest competitive price.
- We will build our global sales from a strengthened presence in the NAFTA and European (both West and East) regions. When attractive opportunities are identified, we shall extend our presence to other regions.
- We will capitalize on and enhance our advantages as a low-cost manufacturer and our reputation for excellent products and customer relations, while selectively innovating and building technological differentiation.
- We will concentrate our efforts and resources on enhancing stockholder value by setting and exceeding aggressive financial targets for revenue and income growth and return on equity.
- As we grow, we shall maintain a high level of trust with our customers and employees. Cooper Tire & Rubber Company will remain a great place to work and a great company with which to do business.

(l-r) chief financial officer Phil Weaver, president and chief operating officer Tom Dattilo, vice president of tire operations Bill Klein (seated), president of tire operations John Fahl, chairman and chief executive officer Pat Rooney, president of engineered products operations Rod Millhof, vice president of engineered products operations Paul Gilbert.

As Cooper approaches 85 years of tire production, it now stands as the world's eighth largest tire manufacturer. With more than 10,000 employees around the globe, the company continues to make an impact in replacement market sales for passenger, light truck, medium truck and motorcycle tires.

New private brand business and a strong performance by proprietary brands during 1998 helped the tire operation overcome significant business losses due to restructuring within the customer base. It was a remarkable achievement by the tire group to nearly replace the unit loss with new business including increases by the Cooper and Mastercraft brands.

During 1998, Cooper experienced a number of achievements, including:

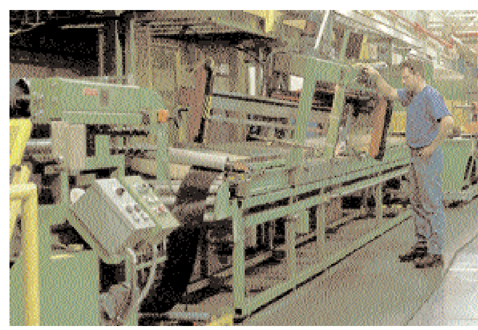
- Signing long-term supply agreements for private-label tires with Hercules Tire & Rubber Company, Findlay; Del-Nat Tire Corporation, Memphis, Tennessee; and Parrish Tire Company, Winston Salem, North Carolina.
- For the second consecutive year, earning the Sears' Partners in Progress Award from a pool of more than 10,000 vendors vying for the recognition as an outstanding supplier. Cooper also received the Sears Canada Partners In Progress Award in 1998.
- Being selected as one of *InformationWeek* Magazine's 500 most innovative users of information technology. *InformationWeek* showcases the 500 largest and the most innovative users of information technology.

While these outstanding achievements were taking place, Cooper was looking toward the future as it launched its Cooper 21 strategic plan to position itself as a global industry leader and product innovator as it moves into the 21st century. To meet its goals, Cooper derived the following strategic imperatives for the tire division:

Strategic Imperative

Low Cost Supplier

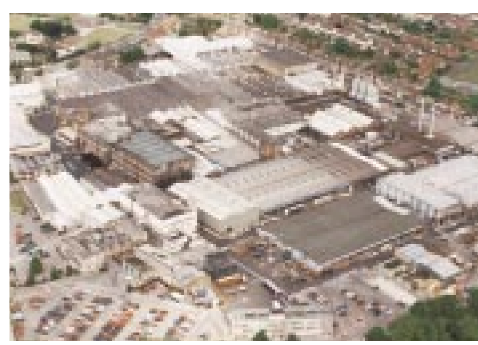
Active cost reduction continues to be one of the strategic thrusts of the Company and this strong emphasis will continue. The processing cost reduction goal for 1999 represents a significant increase from the 1998 achievement. This effort not only applies to manufacturing but also includes all aspects of the value-added chain including logistics, marketing and administration.



Operator Danny Mills monitors the quality and production of the steel belt cutter.

The process improvement program Operational Excellence continues to be a driving force throughout the Company's tire division in achieving cost savings and product improvement. Focusing on the customer and utilizing work teams, the system identifies critical business areas and helps to ensure predictability in manufacturing facilities. Identifying variation as "the enemy," equipment is standardized as is the performance of various specific functions resulting in consistency throughout the operation and ensuring the manufacturing of a uniform product for ultimate customer satisfaction.

Seven-day production weeks have been introduced at the Melksham, England, facility. This move is crucial in helping Melksham meet a growing demand for new products. Cost-reduction projects are under way to further reduce labor costs while increasing production capability. The installation of new equipment and the redesigning of the tire factory continues at a rapid pace to improve output of premium tires such as the ZZ1, which is designed for luxury high-performance cars and already has had a tremendous reception in Europe.



Melksham, England facility continues improvement in production efficiency.

Strategic Imperative

Strengthen Position in North America

Expanding Cooper's presence in the North American market is being achieved by maintaining close contact with independent tire dealers, which is still by far the largest segment of the market, and providing for their needs. In addition, the Company continues to broaden its range of brands and price points covered.

To enhance its brand offering throughout North America, the Company acquired the Dean Tire & Rubber Company in January 1999, giving Cooper a seventh proprietary brand. For 32 years, Cooper served as the sole supplier to Dean with private-brand passenger, light truck and medium truck tires.

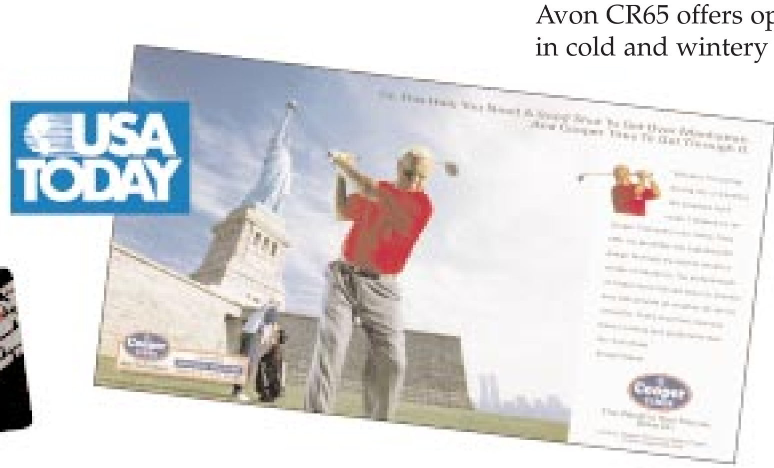
A multi-brand approach has been developed to maximize sales for the seven proprietary brands: Cooper, Avon, Mastercraft, Starfire, Roadmaster, Dean and Dominator. These brands effectively cover Tier II and Tier III segments of the market. Analysis is taking place in each region of the country for potential growth by offering different combinations of these house brand lines to dealers in various distribution channels. Market development funds have been designated to help drive sales in metropolitan areas where Cooper brand penetration can be improved.

The establishment of a new retail division within the house brands group will allow Cooper to penetrate the fast-growing regional retailer segment of the market. A number of the nation's top retailers have been targeted with a goal to align the Company with one key retailer in each geographic region. Cooper can market a "package" to retailers looking for an upscale, high margin, performance line along with one of the Tier III value brands.

Among the new products introduced in 1998 were the Lifeliner STE, the Cobra XST and the SRM II.

During 1998, four new Cooper and three new Avon tire lines were launched:

- The newest addition to the Cobra line–the Cobra XST–highlights Pentamax performance technology.
- With a modern five-rib tread design, the SRM II light truck tire helps deliver excellent directional control for great handling and dependable highway driving.
- The Lifeliner STE is a top-of-the-line touring radial.
- The Sportmaster GLE, known as the "Cooper tire built in Europe for European drivers," is the first Cooper brand tire built at the Melksham facility.
- The Avon ZZ1 combines motorsport technology with luxury-ride comfort.
- Primarily designed for road use, the Avon Ranger-H meets the needs of high-performance 4x4 vehicle drivers worldwide.
- The specially formulated compound of the Avon CR65 offers optimum performance in cold and wintery conditions.



As an additional value-added service for dealers, Cooper launched The Tire Card by Cooper in mid-1998. This private label credit card–offered only through participating dealers–allows consumers to stretch their payments over three, six and 12 months depending on the size of their purchases. In addition, the card offers free emergency roadside assistance.

Reaching millions of viewers worldwide, Cooper will serve as the Presenting Sponsor of the Bay Hill Invitational for the first time in 1999. An associate sponsor of the event for the past two years, Cooper is now the only U.S. tire company with a major golf tournament sponsorship. Tournament coverage of the Bay Hill Invitational in the U.S. is provided by the NBC and USA networks and is also telecast to overseas audiences because of its strong international field.

A new multi-million dollar national advertising campaign was launched during the first quarter of 1998 using a series of television, radio, and consumer and trade print ads developed under the theme *The World is Your Course. Drive On.* and featuring Arnold Palmer. The ads reflect a stylish and sophisticated approach, decidedly different from traditional tire advertising to improve awareness for the Cooper brand.

Enhancing the Company's ability to provide quick response and cost-effective marketing support materials for products, a new graphic arts center was completed during the year. This new facility consolidates the production and distribution operation for most printed materials and offers excellent service to customers as well as various business operations of the Company.

Cooper Cobra GTZ tires will come standard on the AC Superblower, a dramatically enhanced version of the classic sports car the AC Cobra Mark IV.

In 1998, Rolls Royce again selected Cooper-Avon as an original equipment supplier for their new model, the Seraph.

Strategic Imperative

Expand Global Sales

The European, South American and Asian markets have significant growth potential for Cooper. In Europe, the Avon and Cooper marketing programs have been well received. The new alliance with Pirelli will assist Cooper in better penetrating the South American market while potential partners, already established in the Asian markets, are being considered.

As the Cooper operation in Melksham continues to improve, the selling culture is changing to a volume orientation which will help increase profitability. Key retailers in Europe have been targeted and an active campaign is in place to gain their interest in the Avon and Cooper brands. The Roadmaster brand is also being actively marketed in Europe and the United Kingdom.

Key markets outside of Europe have been identified and targeted for growth as the Company incorporates a multi-national, multi-sourced, multi-branded approach to world markets. Support programs and new products are being developed to help the Company achieve the global growth projected in the Cooper 21 plan.

Race cars on the International Formula 3000 circuit will be running on Avon Tyres for another three seasons. Recently, Avon Tyres secured the exclusive contract as it has done since 1986.

In efficiently utilizing the space in Findlay's new Technical Center, even the atrium houses enclaves for meetings, a multi-use computer station and a resource library.

Strategic Imperative

Tire Quality

Always known for outstanding quality, Cooper believes it is imperative to continually improve product performance. The Company's investments in technology and ultimately, product improvement, will enable Cooper to continue its tradition of excellence in meeting customers' expectations.

As a part of the Operational Excellence program, design specifications continue to be enhanced and a list of uniformity "best practices" has been developed as a resource for each plant. In addition to cost savings, the process improvement program empowers employees to enhance quality at each level of production.

During 1998, Cooper constructed its new, state-of-the-art technical center for tire operations, adjacent to the existing research and engineering facility in Findlay. The 73,500-square-foot, two-story facility now houses all tire development personnel as well as the expanded materials and tire testing laboratories. Completed in November 1998, the modern, attractive facility provides an optimum environment for creativity and collaboration and uses state-of-the-art computer technology.

Ground was broken mid-year for a new tire and vehicle test track in southern Texas. Located on a 900-acre site near San Antonio, the Tire & Vehicle Test Center will contain a one-mile road course, a two-mile ride evaluation course and a 14-acre vehicle dynamics area for wet testing. The new track will provide additional flexibility and capability for the development of new products and enhance the Company's speed-to-market.

Strategic Imperative

Maintain Leadership in Customer Service

As an industry leader in customer service, Cooper realizes that friendly, resourceful staffers need the latest in technology to continue leadership in customer service. To assist with the processing of increasingly complex orders and the need for rapid and accurate customer communication, the Encore order entry system continued to improve service during 1998. Using the latest in computer technology, the Encore system promises to be a key part of Cooper's plan to exceed customer service expectations.

Customer service coordinators Vicky Rutledge and Don Essinger are part of a team that rapidly responds to customers' needs.

It was determined Cooper customers' definition of excellent delivery is consistency. Also, customers who buy multiple brands will require all products be shipped from one location and on one truck for maximum efficiency and service. Two studies were initiated to address these important issues.

Phase I of an extensive benchmarking study of Cooper's distribution system has been completed and current capabilities are being evaluated in areas of inventory deployment and warehouse and transportation efficiency. Phase II of this logistics study will develop a distribution network model to help identify needs in other regions of the country.

A new 270,000-square-foot distribution center was opened in New Jersey along the turnpike. Enhancing Cooper's ability to service customers with next-day tire delivery, the facility utilizes the latest warehousing technology.

Strategic Imperative

Develop Skills to Compete in the 21st Century

As the Company looks forward to the next millennium, education programs are focused on improving employee skills in the areas of technology, information systems, management and international business. Several new programs addressing these needs are in development for 1999 with many already under way.

Cooper began manufacturing components for the automotive and appliance industries in 1938. Over the years the operation's product lines have grown to include active and passive vibration control systems, automotive sealing systems, hose and hose assemblies. Cooper Engineered Products, as the operation was renamed in 1991, now includes six manufacturing facilities and three design centers in North America to serve the needs of automotive manufacturers.

In 1998, Cooper achieved the following:

- Ranked first in the Ford North American Benchmarking Survey of engine mount suppliers.
- Auburn, Bowling Green and El Dorado facilities received awards for cost, delivery and quality from New United Motor Manufacturing Inc. (NUMMI).
- Reached a three-year contract with the Bowling Green hose plant employee union.
- Completed the engineering technical center in Auburn.
- El Dorado plant received the Rubber Manufacturers Association (RMA) Safety Improvement Award for the second consecutive year.

The long-range goals of the engineered products operation are to continue to grow current business with existing automotive manufacturers, to develop new business opportunities globally and to enter new product categories through the implementation of the following key strategic imperatives:

Strategic Imperative

Vision and Strategy

Cooper 21 represents a new way of doing business at engineered products. It is a process more than a project and involves all employees. The strategic planning process that became even more focused with Cooper 21 has been formalized and is being communicated throughout the division. Also, with the creation of the strategy and business development department, focused efforts are being applied to the management and implementation of a multitude of strategic initiatives.

The strategic direction for engineered products falls into two general categories: activities that strengthen the business and activities that strengthen the organization. A number of specific strategies are covered by each of these broad categories and one or more task forces have been established for each.

The material testing lab is environmentally controlled for accurate testing.

Strategic Imperative

Expand Globally

It is Cooper's goal to be a premier global supplier of its engineered product lines to North American and European-based automotive manufacturers through expansion in Europe and Latin America. Cooper will accomplish this by expanding manufacturing capabilities globally and by providing products and services that meet or exceed customers' requirements and expectations for quality, reliability, delivery and technological innovation at the lowest competitive price.

In mid-year, Cooper began a significant expansion at the Piedras Negras facility to provide capacity for service to customers in Mexico. Initial production includes three new lines for extruded rubber seals and will allow additional capacity to meet increasing demand for vibration control products. This investment supports the Company's strategy to establish production capability in regions where automotive manufacturers are present.

Again this year, Cooper had components on the top five best-selling vehicles in the U.S. market. New vibration control business launched in 1998 included the GMC Silverado pickup truck which had a strong impact on sales in the fourth quarter. The Company produces numerous components for the new Grand Cherokee platform which began production in July and will produce hydromounts and hydrobushings for the new Saturn sedan. Hose business also expanded with the launch of the Ford F250/F350 truck. One of the Company's major platforms in automotive sealing, the Dodge Ram pickup, was the fifth best-selling vehicle in the United States during 1998.

The heavy truck market is an area of increasing opportunity for the division. In 1998, Cooper secured new parts contracts with Hendrickson, a suspension system supplier for heavy trucks. The division is currently manufacturing bolster springs and center beam bushings used on dual-axle dump trucks and cement trucks.

Cooper's engineered products are on the fastest-selling vehicles in North America. The number one platform for the Company is the Dodge Ram truck with vibration controls, hose and sealing system products produced at Cooper factories.

Engine air intake duct assembly

Hydromount

Hose assembly

Seal

Strategic Imperative

Financially Responsible Operations

The engineered products operations met its 1998 internal cost reduction goal for direct factory costs and raised the goal even higher for 1999. Cooper is aggressively seeking to drive costs down through utilization of lean manufacturing, Kaizen programs, cost-reduction teams and cost-effective designs. These initatives improve productivity, efficiency and quality without significant capital investment.

A new, state-of-the-art mixing facility was completed at the El Dorado plant in 1998. This investment provides increased capacity to meet growing production needs and efficiencies to reduce costs. The computerized controls of this new facility enable the Company to improve the quality of mixed stocks to meet and exceed the increasing quality requirements of customers.

In 1998, a new reel-to-reel hose processing system was implemented at the Mt. Sterling plant. As anticipated, lower defective rates, reduced labor and improvements in overall line efficiencies were achieved using this system.

Cooper secured additional business last year for assembling hoses, bending metal tubes and attaching a variety of clips, clamps and components, shifting space requirements from forming to finishing and assembly.

Benchmarking and continuous review of best practices are a part of the Cooper culture. To improve operations, the Company initiated several new benchmarking projects in the plants. The first involves reducing variation on pre-formed extrusions. The second focuses on minimizing cure shrinkage on standard and capped-end hoses. Cooper implemented a program to work with suppliers to accelerate prototype development in order to help reduce cycle times. A formal review of parts received from suppliers was initiated with a goal to achieve quality ratings of zero defective parts per million.

A new reel-to-reel hose processing system in the Mt. Sterling hose plant has lowered defective rates, reduced labor and improved overall line efficiencies.

Development laboratory supervisor Steve Bryan and senior development technician John Ober evaluate vibration isolation components of a vehicle running at over 100 mph on the chassis dynamometer.

Strategic Imperative

Innovative Organization

The 76,350-square-foot engineering technical center in Auburn was completed in the summer of 1998. The new facility allowed the expansion of testing, research and development capabilities for rubber compounds and vibration control systems as well as additional space and improved communication for the engineering, purchasing and inquiry departments. The second floor will be finished in 1999 to provide additional space.

The testing and material lab area of this new facility has increased the Company's ability to perform vehicle system and subsystem testing. New equipment includes a vehicle dynamometer, additional vehicle lift capacity and centralized computer-controlled servohydraulic fatigue testing systems. There is also an expanded tool and testing area. The computer-aided design area has been expanded in all customer applications as well as in finite element analysis and system modeling.

Cooper is currently developing an electronic noise and vibration intelligence system called ENVIsys for use in automotive and light aircraft applications. This innovative and cost-effective system attenuates random and repetitive noise and vibrations in a vehicle through a series of electronic devices including sensors, speakers and actuators. ENVIsys has the ability to respond before noise and vibration reach the passengers in a vehicle and it remains stable during all operating conditions. The Company is optimistic about the new business this system may bring.

The operation continued development of an online system to improve communication, training and information processing. Known as COBRA (Cooper Online Business Resource Application), this interactive system allows authors from departments across the division to actively design and establish intranet sites for access to divisional applications, information and resources.

Strategic Imperative

Motivated Workforce

Continuing to aggressively pursue important human resource issues, a task force is evaluating the establishment of a formal career development program, improvements to the recruiting process and a formal recognition and reward program. This initiative will emphasize employee involvement as well as education, accomplishments, patents and cost savings.

The environment of Auburn's technical center is ideal for teamwork and communication.

Financial Condition

The financial position of the Company continues to be excellent. Strong operating cash flows contributed to growing financial strength and provided funds for investment in productivity, product quality, technology development and expansion.

Working capital increased to $376 million at year-end 1998 from $354 million one year earlier. A current ratio of 3.0 to one indicates a very strong liquidity position and is up from the year-end 1997 current ratio of 2.8 to one.

Total inventories at $186 million were down from $192 million at year-end 1997. Finished goods inventories reflect an increase in tire inventories required to support new customers, offset by a reduction in engineered products inventories. The engineered products inventory at the end of 1997 reflected increases required by certain customers during negotiations of labor contracts which took place late in the year.

Investments in property, plant and equipment were $132 million in 1998, $108 million in 1997, and $194 million in 1996. The acquisition of Avon Tyres Limited, renamed Cooper-Avon Tyres Limited (Cooper-Avon), of Melksham, England was completed in March 1997 for $97 million. Capital expenditures in 1999 are anticipated to exceed the level of 1998 due to increased investments in capacity, technology and information systems. The Company's capital expenditure commitments approximated $22 million at December 31, 1998. Funding for these expenditures will be available from operating cash flows with additional funding available, if needed, under the Company's existing commercial paper program, credit agreement and informal lines of credit.

Intangibles and other assets increased $6 million due to amounts related to pension accounting.

Long-term debt at $205 million is comparable to the 1997 level. The Company issued $200 million of 7 5/8 percent notes in March 1997 for the acquisition of Cooper-Avon and the repurchase of its common stock. In October 1997 the Company retired the 9 percent senior notes due in 2001. Long-term debt, as a percent of total capitalization, is 19.1 percent at December 31, 1998 compared to 19.8 percent one year earlier. The Company has an agreement with four banks authorizing borrowings up to $150 million on a long-term basis through October 31, 2002 and $100 million on a short-term basis, with interest at varying rates. The credit facility provides for borrowings in foreign currencies and supports issuance of commercial paper. The proceeds may be used for general corporate purposes.

The Company has been named in environmental matters asserting potential joint and several liability for past and future cleanup, state and Federal claims, site remediation, and attorney fees. The Company has determined that it has no material liability for these matters. In addition, the Company is a defendant in unrelated product liability actions in Federal and state courts throughout the United States in which plaintiffs assert monetary damages. While the outcome of litigation cannot be predicted with certainty, the Company believes the pending claims and lawsuits against it should not have a material adverse effect on its financial condition, results of operations, or cash flows.

Stockholders' equity grew to $868 million at year end, reflecting a net increase of $34 million from December 31, 1997. During 1998 the retention of earnings, after payment of dividends, added $97 million to stockholders' equity. The impact of cumulative foreign currency translation and the exercise of stock options also contributed to the increase. Stockholders' equity was reduced by $55 million during the year for the repurchase of nearly 3 million shares of the Company's common stock, and by $8 million for adjustment of the minimum pension liability primarily resulting from the change in the discount rate assumption from 7.5 percent to 7 percent. Stockholders' equity per share was $11.45 at year-end 1998, an increase of 8 percent over $10.58 per share at year-end 1997.

Results of Operations

Net sales increased 3.5 percent in 1998 to a record $1.9 billion. This followed a 12 percent increase in sales in 1997 from 1996 due, in part, to the inclusion of Cooper-Avon's operations during the last three quarters of 1997.

Tire operations' sales of $1.4 billion in 1998 were slightly ahead of 1997. Sales in 1997 increased more than 10 percent from $1.3 billion in 1996 reflecting strong demand and the acquisition of Cooper-Avon in March. Shipments of the Company's tires increased at a greater rate than the industry in 1997 and were strong in 1998 despite the loss of units due to the sale of a large retail customer in late 1997 and the restructuring of a mass merchandiser customer's business.

Engineered products operations' sales reached almost $432 million in 1998, a 16.8 percent increase over 1997. This followed an 18.9 percent sales increase in 1997 from 1996. Growth in customer demand for the Company's engineered rubber products was excellent in 1998 and 1997 as new contracts continued to be won for new platforms and the Company's share of business increased on many of the top-selling vehicles in the U.S. market.

These achievements were accomplished in an environment of continued discounting in the tire replacement market and annual price concessions to automotive manufacturers and Tier I suppliers.

Gross profit, as a percent of net sales, was 17.6 percent in 1998 compared to 17.3 percent in 1997 and 15.6 percent in 1996. During 1998, decreases in raw material costs and improvements in product mix were partially offset by price discounting and concessions. The Company anticipates no significant changes in raw material costs during 1999. In 1997, capacity utilization was maintained at high levels and technology improvements yielded greater efficiencies compared to 1996. However, decreases in raw material costs during 1997 were offset by price discounting and concessions. In 1996, intense pricing pressure in the replacement tire industry and historically high cost levels for raw materials contributed to lower gross margins.

Increases in 1998 selling, general and administrative expenses from 1997 levels were attributable to expanded advertising programs and the inclusion of a full year of operations for Cooper-Avon. As a percent of net sales, these expenses were 6.4 percent in 1998, 5.8 percent in 1997 and

4.9 percent in 1996. Selling, general and administrative expenses in 1997 were higher than 1996 levels reflecting the inclusion of nine months of Cooper-Avon's operations and increased advertising expense.

Interest expense in 1998 was lower than in 1997 due to the retirement of the 9 percent notes in October 1997. The increase in interest expense in 1997 from 1996 reflects increased borrowings and lower amounts of capitalized interest.

Segment profit, defined as income before income taxes and other non-operating items, was $194.6 million in 1998, $193.4 million in 1997 and $171.3 million in 1996. Corporate interest and administrative costs are allocated to the operations of each segment. For the engineered products operations, segment profit of $51.8 million increased 19.3% in 1998 from 1997, and at $43.4 million in 1997 increased 40.1 percent from 1996. The segment profit for tire operations in 1998 of $142.8 million declined 4.8 percent from 1997, and at $150 million in 1997 increased 6.9 percent from 1996.

The effective income tax rate of 35.9 percent in 1998 is lower than the 37.2 percent in 1997 and the 37.3 percent in 1996 as a result of foreign tax initiatives.

Net income increased 3.7 percent to a record $127 million in 1998 from $122 million in 1997. This improvement followed a 13.5 percent net income increase in 1997 from 1996. Basic and diluted earnings per share were $1.64 in 1998, $1.55 in 1997 and $1.30 in 1996. Earnings per share in 1998 and 1997 were favorably impacted by the Company's repurchase of 8 million shares of its common stock since September 1996.

Cooper-Avon contributed to net sales but did not contribute to the Company's income in 1998 and 1997. Since the acquisition in March 1997, operations have been negatively impacted by the combined strength of the British pound and the lower than expected shipments in the Western European replacement tire market. In 1998, additional costs were incurred to achieve efficiencies and funds were invested for the modernization of facilities. The Company will continue to review opportunities to achieve additional efficiencies in Cooper-Avon's operations.

Agreement with Pirelli

On February 11, 1999 the Company announced formation of a strategic alliance with the Pirelli Group of Milan, Italy (Pirelli). This new joint venture, based on contractual arrangements only with no joint share holding, will combine the best resources of both companies to improve their competitiveness in the North and South American replacement tire markets. The Company will act as Pirelli's agent to manage the sales and distribution of all Pirelli passenger and light truck tires in the U.S.A., Canada and Mexico replacement markets, capitalizing on its dealer relationships and manufacturing efficiency and Pirelli's brand awareness, technological capability, and expertise in the performance tire arena. The Company will also assist Pirelli to reduce manufacturing costs in its Hanford, California tire plant. Capital investments for improvements at the plant will be borne by Pirelli who will continue to fund accounts receivable and inventory of Pirelli products. Future plans include an agreement for Pirelli to market and distribute Cooper brand tires in South America.

The Company anticipates an increase in sales of its tires as the combined marketing program enables complete coverage of products and customer channels, new relationships are developed with Pirelli customers, and the distribution of Cooper brand tires increases in the South American market. In addition, cost and quality benefits are anticipated as technology may be shared and jointly developed and global purchasing synergies are achieved.

Acquisition of Dean Tire & Rubber Company

In January 1999 the Company completed the acquisition of Dean Tire of Louisville, Kentucky. Dean had been a private brand supplier of a full line of passenger, light truck and medium radial truck tires to independent dealers in North America for 75 years. This purchase brings an additional house brand to the Company's tire operations, enhancing product offerings in upper Tier II and Tier III segments of the replacement market. The Company had been the sole supplier to Dean since 1966. The expenditure for this acquisition is not material to the Company's financial position or results of operations.

New Accounting Standards

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," during the first quarter of 1998 requiring the disclosure of total comprehensive income in the financial statements. In 1998 the Company also adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which changed the method for determining and reporting certain financial information at segment levels. In 1998 the Company also adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," restating prior year disclosures to conform to the Standard's required presentation.

In June 1998 Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement will become effective for fiscal years beginning after June 15, 1999, with earlier adoption permitted. The Company is currently evaluating the effect of the provisions of this Statement on its accounting and reporting policies, but does not anticipate that adoption of this Statement will have a material adverse effect on the Company's consolidated financial position or results of operations. The Company does not have derivative instruments at December 31, 1998.

During 1998 the Accounting Standards Executive Committee issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This Statement is effective for fiscal years beginning after December 15, 1998, with initial application as of the beginning of the fiscal year it is adopted. The Company's current policy is to capitalize the cost of obtaining externally developed and purchased software and to expense the cost of internally developed software. The Company has not yet determined the impact of adopting this Statement, but does not believe its effect will be material to the Company's consolidated financial position or results of operations.

Year 2000

The Company has developed and initiated plans to address the possible exposures related to the impact of the Year 2000 on its systems and computer equipment, including those involved in its manufacturing operations. The Year 2000 issue is the result of computer programs being written in the past using two digits rather than four to define the applicable year. Computer equipment and systems that have date-sensitive chips or codes may not be able to correctly recognize a two-digit year in dates beyond December 31, 1999. There is potential for failure of systems and equipment around the world due to this logic on January 1, 2000.

The Company's key financial information and operational systems have been assessed and detailed plans have been implemented to address modifications required by December 31, 1999. The Company is on schedule with these plans, with more than 85 percent of its originally non-compliant systems and equipment now compliant, and expects remaining modifications to be completed and tested by July 1999. The Company will continue to refine its contingency plans in the event the remaining systems and equipment cannot be modified as expected. In the event the Company is unable to modify its remaining non-compliant systems and equipment, based upon currently available information, management believes no material adverse impact on its operations would result.

The Company initiated its planning for Year 2000 in 1995, commenced identification of exposures in 1996, and began remediation of its systems in 1997. Other information systems' projects were not significantly delayed as a result of the allocation of resources to Year 2000 remediation.

The financial impact of making the required changes is comprised primarily of internal costs and estimated to be less than $3 million. Internal costs and other non-capital costs incurred to upgrade and replace systems have been expensed as incurred since 1997. Capital expenditures required for Year 2000 remediation in 1998 and 1997 were not significant and are not anticipated to be significant in 1999. These expenditures include amounts for upgrades of manufacturing control systems, more powerful personal computers able to handle upgrades to application software, and information systems' technical infrastructure for the transfer of data between computers.

The Company continues to communicate with its significant suppliers and customers to ensure they have appropriate plans to resolve Year 2000 issues where failure of their systems could adversely affect the Company's operations. Contingency plans have been developed to address potential failures by these third parties. Certain electronic communication systems of the Company's trading partners have been tested and are compliant and the Company believes minimal risk exists for their failure on January 1, 2000.

The "most likely worst case scenario" for Year 2000 issues is the failure of the systems and equipment of other parties throughout the world which could result in the unavailability of global communications, financial resources, transportation, critical raw materials, energy and other vital commercial systems. The Company's ability to maintain its operations on domestic and international levels could be disrupted by these failures until corrected.

The Euro

Certain member states of the European Union adopted a common currency on January 1, 1999 known as the Euro. The many requirements for adoption of the new currency include the single-document invoicing of customers in both the Euro and their domestic currency during a three-year transition period. After 2001 businesses must conduct all transactions in the Euro and convert their financial records and reports to be Euro-based. Certain of the Company's information systems have been converted for compliance with the requirements of this new currency at minimal cost. The Company does not anticipate the adoption of the Euro will have a material impact on the results of its operations, financial position or liquidity.

Market Risk Disclosures

The Company is exposed to changes in interest rates from its fixed-rate long-term debt notes. Under its current policies, the Company does not use interest rate derivative instruments to manage exposure to interest rate changes. A ten percent decrease in interest rates would adversely affect the fair value of long-term debt by approximately $20 million at December 31, 1998. The Company's exposure to changes in interest rates from its short-term notes payable issuances is not significant as such notes, which are not material to its financial position at December 31, 1998, are issued at current market rates.

The Company's foreign operations are not material and, therefore, exposures to earnings and cash flow fluctuations due to changes in foreign currency exchange rates are not significant. The Company does not have foreign currency derivative instruments at December 31, 1998.

Forward-Looking Statements

This report may contain forward-looking statements involving uncertainty and risk. It is possible the Company's future financial performance may differ from expectations due to a variety of factors including but not limited to: changes in economic conditions in the world, increased competitive activity, consolidation among its competitors and customers, technology advancements, fluctuations in raw material and energy prices, changes in interest and foreign exchange rates, and other unanticipated events and conditions.

It is not possible to foresee or identify all such factors. Any forward-looking statements in this report are based on certain assumptions and analysis 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.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31

(Dollar amounts in thousands except per-share amounts)

	1998	1997	1996
Revenues:			
Net sales	$1,876,125	$1,813,005	$1,619,345
Other income	3,635	$0,001,406	$0,003,824
	1,879,760	1,814,411	1,620,169
Costs and expenses:			
Cost of products sold	1,545,489	1,498,432	1,366,549
Selling, general and administrative	120,830	105,532	79,874
Interest	15,224	15,655	1,654
	1,681,543	1,619,619	1,448,077
Income before income taxes	198,217	194,792	172,092
Provision for income taxes	71,250	72,381	64,208
Net income	$ 126,967	$ 122,411	$ 107,884
Basic and diluted earnings per share	$1.64	$1.55	$1.30

See Notes to Financial Statements, pages 22 to 28.

CONSOLIDATED BALANCE SHEETS

December 31

(Dollar amounts in thousands except per-share amounts)

Assets	1998	1997
Current assets:		
Cash and cash equivalents	$ 41,966	$ 52,910
Accounts receivable, less allowances of $4,806 in 1998 and $4,791 in 1997	319,685	292,416
Inventories:		
Finished goods	132,696	130,339
Work in process	20,368	22,650
Raw materials and supplies	33,322	38,695
	186,386	191,684
Prepaid expenses and deferred income taxes	21,436	17,602
Total current assets	569,473	554,612
Property, plant and equipment:		
Land and land improvements	28,338	28,765
Buildings	297,449	272,308
Machinery and equipment	1,080,951	1,013,354
Molds, cores and rings	102,247	84,660
	1,508,985	1,399,087
Less accumulated depreciation and amortization	623,703	538,639
Net property, plant and equipment	885,282	860,448
Intangibles and other assets	86,520	80,896
	$1,541,275	$1,495,956

See Notes to Financial Statements, pages 22 to 28.

Liabilities and Stockholders' Equity	1998	1997
Current liabilities:		
Notes payable	$ 8,129	$ 10,820
Accounts payable	94,502	100,135
Accrued liabilities	87,274	82,446
Income taxes	2,834	6,477
Current portion of debt	249	453
Total current liabilities	192,988	200,331
Long-term debt	205,285	205,525
Postretirement benefits other than pensions	151,520	144,566
Other long-term liabilities	48,741	38,351
Deferred income taxes	74,805	73,608
Stockholders' equity:		
Preferred stock, $1 per share par value; 5,000,000 shares authorized; none issued	–	–
Common stock, $1 per share par value; 300,000,000 shares authorized; 83,781,058 shares issued (83,760,308 in 1997)	83,781	83,760
Capital in excess of par value	3,296	3,101
Retained earnings	945,975	849,270
Cumulative other comprehensive income	(9,867)	(2,305)
	1,023,185	933,826
Less: 7,989,600 common shares in treasury at cost (5,000,000 in 1997)	(155,249)	(100,251)
Total stockholders' equity	867,936	833,575
	$1,541,275	$1,495,956

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollar amounts in thousands except per-share amounts)

	Common Stock $1 Par Value	Capital In Excess of Par Value	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Common Shares in Treasury	Total
Balance at January 1, 1996	$83,662	$1,931	$672,373	$ (9,167)	$ –	$748,799
Net income			107,884			107,884
Other comprehensive income:						
Minimum pension liability adjustment, net of $1,102 tax effect				1,733		1,733
Comprehensive income						109,617
Purchase of treasury shares					(46,134)	(46,134)
Exercise of stock options	10	96				106
Cash dividends - $.31 per share			(25,776)			(25,776)
Balance at December 31, 1996	83,672	2,027	754,481	(7,434)	(46,134)	786,612
Net income			122,411			122,411
Other comprehensive income:						
Minimum pension liability adjustment, net of $1,717 tax effect				2,681		2,681
Cumulative currency translation adjustment				2,448		2,448
Comprehensive income						127,540
Purchase of treasury shares					(54,117)	(54,117)
Exercise of stock options	88	1,074				1,162
Cash dividends - $.35 per share			(27,622)			(27,622)
Balance at December 31, 1997	83,760	3,101	849,270	(2,305)	(100,251)	833,575
Net income			126,967			126,967
Other comprehensive income:						
Minimum pension liability adjustment, net of $4,729 tax effect				(7,595)		(7,595)
Cumulative currency translation adjustment				33		33
Comprehensive income						119,405
Purchase of treasury shares					(54,998)	(54,998)
Exercise of stock options	21	195				216
Cash dividends - $.39 per share			(30,262)			(30,262)
Balance at December 31, 1998	$83,781	$3,296	$945,975	$ (9,867)	$ (155,249)	$867,936

See Notes to Financial Statements, pages 22 to 28.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

(Dollar amounts in thousands)

	1998	1997	1996
Operating activities:			
Net income	$126,967	$122,411	$107,884
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	101,899	94,464	76,820
Deferred income taxes	5,202	13,501	14,096
Changes in operating assets and liabilities:			
Accounts receivable	(27,379)	16,783	(10,100)
Inventories and prepaid expenses	1,544	(21,796)	(6,669)
Accounts payable and accrued liabilities	(744)	(3,973)	4,799
Other liabilities	(2,377)	(10,973)	1,377
Net cash provided by operating activities	205,112	210,417	188,207
Investing activities:			
Property, plant and equipment	(131,533)	(107,523)	(193,696)
Acquisition of business, net of cash acquired	–	(96,531)	–
Other	3,569	711	604
Net cash used in investing activities	(127,964)	(203,343)	(193,092)
Financing activities:			
Issuance of debt	27,836	386,000	162,000
Payment on debt	(30,604)	(280,292)	(89,039)
Purchase of treasury shares	(54,998)	(54,117)	(46,134)
Payment of dividends	(30,262)	(27,622)	(25,776)
Issuance of common shares	216	1,162	106
Net cash provided by (used in) financing activities	(87,812)	25,131	1,157
Effects of exchange rate changes on cash	(280)	1,246	–
Changes in cash and cash equivalents	(10,944)	33,451	(3,728)
Cash and cash equivalents at beginning of year	52,910	19,459	23,187
Cash and cash equivalents at end of year	$ 41,966	$ 52,910	$ 19,459

See Notes to Financial Statements, pages 22 to 28.

Significant Accounting Policies

The Company employs accounting policies that are based on generally accepted accounting principles. The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect reported amounts of (1) revenues and expenses during the reporting period, and (2) assets and liabilities, as well as disclosure of contingent assets and liabilities, at the date of the financial statements. Actual results could differ from those estimates.

The following summary of significant accounting policies is presented for assistance in the evaluation and interpretation of the financial statements and supplementary data.

Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All material intercompany accounts and transactions have been eliminated.

Cash and cash equivalents - The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying amount reported in the balance sheets for cash and cash equivalents approximates its fair value.

Inventories - Inventories are valued at cost, which is not in excess of market. Inventory costs have been determined by the last-in, first-out (LIFO) method for substantially all domestic inventories. Costs of other inventories have been determined principally by the first-in, first-out (FIFO) method.

Property, plant and equipment - Assets are recorded at cost and depreciated or amortized using the straight-line method over their expected useful lives. For income tax purposes accelerated depreciation methods and shorter lives are used.

Intangibles - Intangibles include trademarks, technology and intellectual property which are amortized over their useful lives which range from 15 years to 40 years.

Advertising expense - Expenses incurred for advertising include production and media and are generally expensed when incurred. Dealer-earned cooperative advertising expense is recorded when earned. Advertising expense for 1998, 1997 and 1996 was $27,754, $22,375 and $15,207, respectively.

Stock options - The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." Additional disclosures required under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," are included in the Stock Options note.

Revenue recognition - Revenues are recognized when goods are shipped to customers in accordance with their purchase orders.

Warranties - Estimated costs for product warranties are charged to operations at the time of sale.

Research and development - Costs are charged to expense as incurred and amounted to approximately $29,200, $21,700 and $19,700 in 1998, 1997 and 1996, respectively.

Accounting pronouncements - During the first quarter of 1998 the Company adopted SFAS No. 130, "Reporting Comprehensive Income," requiring the disclosure of total comprehensive income in the financial statements. In 1998 the Company also adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which changed the method for determining and reporting certain financial information at segment levels. In 1998 the Company also adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," restating prior year disclosures to conform to the Standard's required presentation.

In June 1998 the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement will become effective for fiscal years beginning after June 15, 1999, with earlier adoption permitted. The Company is currently evaluating the effect of the provisions of this Statement on its accounting and reporting policies, but does not anticipate adoption of this Statement will have a material adverse effect on the Company's consolidated financial position or results of operations. The Company does not have derivative instruments at December 31, 1998.

During 1998 the Accounting Standards Executive Committee issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This Statement is effective for fiscal years beginning after December 15, 1998, with initial application as of the beginning of the fiscal year it is adopted. The Company's current policy is to capitalize the cost of obtaining externally developed and purchased software and to expense the cost of internally developed software. The Company has not yet determined the impact of adopting this Statement, but does not believe its effect will be material to the Company's consolidated financial position or results of operations.

Business

The Company, a specialist in the rubber industry, manufactures and markets automobile, truck and motorcycle tires; inner tubes; vibration control systems; automotive sealing; hose and assemblies. Additional information pertaining to the Company's product lines is contained in the Business Segments note.

The Company manufactures products in North America and the United Kingdom for the transportation industry. Shipments of domestically-produced products to customers outside the United States approximated seven, eight and nine percent of net sales in 1998, 1997 and 1996, respectively. Shipments of all Company products to customers outside the United States approximated 15, 14 and 8 percent in 1998, 1997 and 1996, respectively.

Inventories

Under the LIFO method, inventories have been reduced by approximately $47,897 and $60,627 at December 31, 1998 and 1997, respectively, from current cost which would be reported under the first-in, first-out method. Approximately 85 percent of the Company's inventories have been valued under the LIFO method at December 31, 1998 and 1997.

Debt

At December 31, 1998 and 1997, short-term debt consisted of bank line borrowings primarily in European currencies at weighted average interest rates of 4.4 and 5.6 percent, respectively.

The Company's long-term debt at December 31 consisted of the following:

	1998	1997
7 5/8% notes due 2027	$200,000	$200,000
Capitalized leases and other	5,285	5,978
	205,285	205,978
Less current maturities	249	453
	$205,036	$205,525

The Company has an agreement with four banks authorizing borrowings up to $150,000 on a long-term basis through October 31, 2002 and $100,000 on a short-term basis, with interest at varying rates. The credit facility provides for borrowings in foreign currencies and supports issuance of commercial paper. The proceeds may be used for general corporate purposes. A commitment fee is payable quarterly and is based on the daily unused portion of the amount authorized. The agreement requires the maintenance of certain debt and fixed charge coverage ratios. The Company has other informal lines of credit available to meet domestic borrowing needs.

The notes, due March 15, 2027, provide for semi-annual interest payments on March 15 and September 15 with principal due in full at maturity. Based on the borrowing rates available to the Company for instruments with similar terms and maturity at December 31, 1998 and 1997, the fair value of the 7-5/8 percent notes was $238,720 and $223,417, respectively.

Interest paid on debt during 1998, 1997 and 1996 was $16,718, $12,983, and $6,217, respectively. The amount of interest capitalized was $1,694, $1,628 and $4,315 during 1998, 1997 and 1996, respectively.

Accrued Liabilities

Accrued liabilities at December 31 were as follows:

	1998	1997
Payroll	$33,382	$40,311
Real and personal property taxes	10,701	9,678
Other	43,191	32,457
	$87,274	$82,446

Common Stock

There were 12,133,232 common shares reserved for grants under compensation plans and contributions to the Company's Thrift and Profit Sharing and Pre-Tax Savings plans at December 31, 1998.

Earnings Per Share

Basic earnings per share is based upon the weighted average number of shares outstanding which were 77,597,873 in 1998, 79,127,577 in 1997 and 83,213,960 in 1996. Diluted earnings per share includes the dilutive effect of employee stock options. The impact of employee stock options in the computation of diluted earnings per share did not result in amounts different from basic earnings per share.

Preferred Stock Purchase Right

Each stockholder is entitled to the right to purchase 1/100th of a newly-issued share of Series A preferred stock of the Company, for each common share owned, at an exercise price of $135. The rights will be exercisable only if a person or group (i) acquires beneficial ownership of 15 percent or more of the Company's outstanding common stock (Acquiring Person), or (ii) subject to extension of the date by the Board of Directors of the Company, commences a tender or exchange offer which upon consummation would result in such person or group beneficially owning 15 percent or more of the Company's outstanding common stock (ten days following the date of announcement of (i) above, the Stock Acquisition Date).

(Dollar amounts in thousands except per-share amounts)

If any person becomes an Acquiring Person, or if an Acquiring Person engages in certain self-dealing transactions or a merger transaction in which the Company is the surviving corporation and its common stock remains outstanding, or an event occurs which results in such Acquiring Person's ownership interest being increased by more than one percent, then each right not owned by such Acquiring Person or certain related parties will entitle its holder to purchase a number of shares of the Company's Series A preferred stock (or in certain circumstances, Company common stock, cash, property, or other securities of the Company) having a value equal to twice the then current exercise price of the right. In addition, if, following the Stock Acquisition Date, the Company (i) is acquired in a merger or other business combination and the Company is not the surviving corporation, (ii) is involved in a merger or other business combination transaction with another person after which all or part of the Company's common stock is converted or exchanged for securities, cash or property of any other person, or (iii) sells 50 percent or more of its assets or earning power to another person, each right (except rights that have been voided as described above) will entitle its holder to purchase a number of shares of common stock of the ultimate parent of the Acquiring Person having a value equal to twice the then current exercise price of the right.

The Company will generally be entitled to redeem the rights at one cent per right, subject to adjustment in certain events, payable in cash or shares of the Company's common stock at any time until the tenth business day following the Stock Acquisition Date.

Stock Options

The Company has elected to follow APB No. 25, "Accounting for Stock Issued to Employees," in accounting for employee stock options. Under APB No. 25 no compensation expense is recognized because the exercise price of the Company's employee stock options equals the market price of the underlying stock at the date of grant.

SFAS No. 123, "Accounting for Stock-Based Compensation," is effective for awards granted by the Company during fiscal years beginning after December 15, 1994. The Standard requires, if APB No. 25 is followed, disclosure of pro forma information regarding net income and earnings per share determined as if the Company accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	1998	1997	1996
Risk-free interest rate	5.5%	6.1%	6.6%
Dividend yield	1.3%	1.0%	1.0%
Expected volatility of the Company's common stock	.251	.197	.206
Expected life	5.0 years	6.2 years	5.4 years

The weighted-average fair value of options granted in 1998, 1997 and 1996 was $5.84, $7.52, and $5.58, respectively. For purposes of pro forma disclosures, the estimated fair value of options is amortized to expense over the options' vesting period. The Company's reported and pro forma information follows:

	1998	1997	1996
Net income:			
Reported	$126,967	$122,411	$107,884
Pro forma	125,142	121,603	107,363
Basic and diluted earnings per share:			
Reported	$1.64	$1.55	$1.30
Pro forma	1.61	1.54	1.29

The Company's 1998 incentive compensation plan allows the Company to grant awards to key employees in the form of stock options, stock awards, restricted stock units, stock appreciation rights, performance units, dividend equivalents and other awards. The 1981, 1986 and 1996 incentive stock option plans and the 1998 incentive compensation plan provide for granting options to key employees to purchase common shares at prices not less than market at the date of grant. Options under these plans may have terms of up to ten years becoming exercisable in whole or in consecutive installments, cumulative or otherwise. The plans allow the granting of nonqualified stock options which are not intended to qualify for the tax treatment applicable to incentive stock options under provisions of the Internal Revenue Code. The options granted under the plans which were outstanding at December 31, 1998 have a term of ten years and become exercisable 50 percent after the first year and 100 percent after the second year.

The 1998 employee stock option plan allowed the Company to make a nonqualified option grant to substantially all of its employees to purchase common shares at a price not less than market at the date of grant. Options granted under this plan have a term of ten years and are exercisable in full beginning three years after the date of grant.

The Company's 1991 nonqualified stock option plan provides for granting options to directors, who are not current or former employees of the Company, to purchase common shares at prices not less than market at the date of grant. Options granted under this plan have a term of ten years and are exercisable in full beginning one year after the date of grant.

Summarized information for the plans follows:

	Number of Shares	Weighted Average Exercise Price	Available For Grant
January 1, 1996			
Outstanding	541,175	$19.54	
Exercisable	*397,822*	*17.85*	
Granted	142,603	18.57	
Exercised	(10,400)	10.23	
Cancelled	(27,786)	19.57	
December 31, 1996			3,151,358
Outstanding	645,592	19.47	
Exercisable	*454,439*	*19.24*	
Granted	230,955	24.48	
Exercised	(87,936)	13.20	
Cancelled	(32,264)	22.87	
December 31, 1997			2,931,817
Outstanding	756,347	21.59	
Exercisable	*460,992*	*20.58*	
Granted	1,362,487	20.57	
Exercised	(20,750)	10.44	
Cancelled	(38,150)	23.41	
December 31, 1998			3,931,530
Outstanding	2,059,934	20.99	
Exercisable	*589,697*	*21.33*	

The weighted average remaining contractual life of options outstanding at December 31, 1998 is 8.4 years.

SFAS No. 123 also requires segregated disclosure of options outstanding if a significant range of exercise prices exists. This information, at December 31, 1998, is as follows:

	Range of Exercise Prices	
	Less than $20	Equal to or greater than $20
Options outstanding	219,950	1,839,984
Weighted average exercise price	$15.91	$21.60
Remaining contractual life	5.2	8.8
Options exercisable	219,950	369,747
Weighted average exercise price	$15.91	$24.55

Pensions and Postretirement Benefits Other Than Pensions

The Company has defined benefit plans covering substantially all employees. The domestic salary plan provides pension benefits based on an employee's years of service and average earnings for the five highest calendar years during the ten years immediately preceding retirement. The domestic hourly plans provide benefits of stated amounts for each year of service. The Company's general funding policy is to contribute amounts deductible for U.S. federal income tax purposes.

Employees in the United Kingdom are covered by a contributory, defined benefit pension plan. Benefits are based on an employee's years of service and last three years of earnings. Employees may make contributions to the plan to increase their benefit. The Company's funding requirement is determined by statute.

The Company sponsors several defined contribution plans for its domestic employees. Substantially all domestic employees are eligible to participate upon attaining minimum continuous service requirements. Participation is voluntary and participants' contributions are based on their compensation. The Company matches certain plan participants' contributions up to various limits. Company contributions are based on the lesser of (a) participants' contributions up to a specified percent of each participant's compensation, less any forfeitures, or (b) an amount equal to 15 percent of the Company's pre-tax earnings in excess of ten percent of stockholders' equity at the beginning of the year. Expense for these plans was $10,891, $9,334 and $8,331 for 1998, 1997 and 1996, respectively.

The Company currently provides certain health care and life insurance benefits for its active and retired domestic employees. If the Company does not terminate such benefits, or modify coverage or eligibility requirements, substantially all of the Company's domestic employees may become eligible for these benefits upon retirement if they meet certain age and service requirements. The Company has reserved the right to modify or terminate such benefits at any time, subject to applicable terms and conditions contained in union agreements for non-salary participants. In recent years benefit changes have been implemented throughout the Company.

The information presented below includes an unfunded, nonqualified supplemental retirement plan covering certain employees whose participation in the qualified plan is limited by provisions of the Internal Revenue Code.

(Dollar amounts in thousands except per-share amounts)

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Change in benefit obligation:				
Benefit obligation at January 1	$ 512,305	$ 343,423	$ 153,137	$ 143,934
Acquisition	–	105,316	–	–
Service cost – employer	21,892	16,668	3,682	3,465
Service cost – participants	2,425	1,690	–	–
Interest cost	38,681	32,716	12,227	11,468
Loss due to change in assumptions	21,032	–	9,908	–
Other actuarial losses	14,303	18,872	13,178	1,772
Amendments	3,763	4,217	22	635
Benefits paid	(23,386)	(15,777)	(9,137)	(8,137)
Foreign currency exchange rate loss	421	5,180	–	–
Benefit obligation at December 31	$ 591,436	$ 512,305	$ 183,017	$ 153,137
Change in plans' assets:				
Fair value of plans' assets at January 1	$ 514,700	$ 320,272	$ –	$ –
Acquisition	–	105,316	–	–
Actual return on plans' assets	53,827	70,952	–	–
Employer contributions	24,457	27,021	–	–
Participant contributions	2,425	1,690	–	–
Benefits paid	(23,386)	(15,777)	–	–
Foreign currency exchange rate gain	357	5,226	–	–
Fair value of plans' assets at December 31	$ 572,380	$ 514,700	$ –	$ –
Funded status of the plans	$ (19,056)	$ 2,395	$(183,017)	$(153,137)
Unrecognized actuarial loss (gain)	43,255	12,592	22,022	(1,064)
Unrecognized prior service cost	10,045	10,665	445	635
Unrecognized net transition obligation	4,636	5,723	–	–
Adjustment for minimum liability	(30,566)	(19,910)	–	–
Net amount recognized	$ 8,314	$ 11,465	$(160,550)	$(153,566)
Amounts recognized in the balance sheets:				
Prepaid expenses and deferred income taxes	$ 937	$ 959	$ –	$ –
Intangibles and other assets	45,267	36,933	–	–
Accrued liabilities	–	(125)	(9,030)	(9,000)
Postretirement benefits other than pensions	–	-	(151,520)	(144,566)
Other long-term liabilities	(37,890)	(26,302)	–	–
Net amount recognized	$ 8,314	$ 11,465	$(160,550)	$(153,566)
Assumptions as of December 31:	1998	1997	1998	1997
Discount rate	7.0%	7.5%	7.5%	8.0%
Expected return on plan assets – Domestic	10.0	10.0	–	–
Expected return on plan assets – United Kingdom	8.5	8.5	–	–
Rate of compensation increase – Domestic	5.0	5.5	–	–
Rate of compensation increase – United Kingdom	5.5	5.5	–	–

At December 31, 1998 the assumed annual rate of increase in the cost of health care benefits (health care cost trend rate) was 8.0% for 1999, declining by 1/2 percent per year through 2004 when the ultimate rate of 5.5% is attained.

	Pension Benefits			Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
Components of net periodic benefit cost:						
Service cost	$21,892	$16,668	$13,811	$ 3,682	$ 3,465	$ 3,254
Interest cost	38,681	32,716	24,707	12,227	11,468	10,674
Expected return on plan assets	(49,453)	(39,623)	(27,115)	–	–	–
Amortization of transition obligation	1,087	1,088	1,088	–	–	–
Amortization of prior service cost	4,383	3,463	3,235	212	–	–
Recognized actuarial loss (gain)	1,951	1,855	2,377	–	–	–
Net periodic benefit cost	$18,541	$16,167	$18,103	$16,121	$14,933	$13,928

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $165,173, $162,135 and $144,114, respectively, as of December 31, 1998 and $129,938, $128,361 and $109,032, respectively, at December 31, 1997.

Assumed health care cost trend rates for Other Postretirement Benefits have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point	
	Increase	Decrease
Effect on total service and interest cost components	$ 293	$ (255)
Effect on the postretirement benefit obligation	(4,073)	3,550

The Company has a Voluntary Employees' Beneficiary Trust and Welfare Benefits Plan (VEBA) to fund health benefits for eligible active and retired domestic employees. The pre-funded amount was $12,805 in 1998 and $13,400 in 1997.

Income Taxes

The provision for income taxes consists of the following:

	1998	1997	1996
Current:			
Federal and foreign	$58,920	$52,570	$44,250
State and local	7,128	6,310	5,862
	66,048	58,880	50,112
Deferred:			
Federal and foreign	4,654	11,738	12,096
State and local	548	1,763	2,000
	5,202	13,501	14,096
	$71,250	$72,381	$64,208

The effective income tax rate differs from the statutory U.S. federal tax rate as follows:

	1998	1997	1996
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of U.S. federal income tax benefit	2.5	2.7	3.0
Other	(1.6)	(0.5)	(0.7)
Effective income tax rate	35.9%	37.2%	37.3%

Payments for income taxes in 1998, 1997 and 1996 were $69,653, $55,610 and $57,884, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets at December 31 are as follows:

	1998	1997
Deferred tax liabilities:		
Property, plant and equipment	$116,597	$107,424
Other	38,059	35,434
Total deferred tax liabilities	154,656	142,858
Deferred tax assets:		
Postretirement benefits other than pensions	56,575	53,957
Other	35,540	26,833
Total deferred tax assets	92,115	80,790
Net deferred tax liabilities	$ 62,541	$ 62,068

These amounts are included in the accompanying balance sheet captions:

	1998	1997
Prepaid expenses and deferred income taxes	$12,264	$11,540
Deferred income taxes	74,805	73,608
Net deferred tax liabilities	$62,541	$62,068

Lease Commitments

The Company rents certain manufacturing facilities and equipment under long-term leases expiring at various dates. Rental expense for operating leases was $14,547 for 1998, $11,079 for 1997 and $7,242 for 1996.

Future minimum payments for all noncancelable operating leases during the next five years are as follows: 1999 - $5,945; 2000 - $4,787; 2001 - $3,752; 2002 - $3,157; 2003 - $2,576.

Other Comprehensive Income (Loss)

The cumulative balances of each component of other comprehensive income (loss) in the accompanying statements of stockholders' equity are as follows:

	1998	1997	1996
Cumulative currency translation adjustment	$ 2,481	$ 2,448	$ –
Minimum pension liability, net of tax effect	(12,348)	(4,753)	(7,434)
	$(9,867)	$(2,305)	$(7,434)

(Dollar amounts in thousands except per-share amounts)

Business Segments

Cooper Tire & Rubber Company manages its business as two operating segments, distinguished by product line and customers, as defined under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

The operating segments of the Company are identified as Tire Operations and Engineered Products Operations. Tire Operations produce automobile, truck and motorcycle tires and inner tubes which are sold nationally and internationally in the replacement tire market to independent dealers, wholesale distributors and large retail chains. Engineered Products Operations produce vibration control systems, automotive sealing, and hose and hose assemblies for automotive manufacturers located primarily in North America. Tire Operations revenues derived from one customer approximated $224 million or 12 percent of consolidated net sales in 1997 and $268 million or 12 percent of consolidated net sales in 1996.

The accounting policies of the segments are consistent with those described in the Summary of Significant Accounting Policies note to the financial statements. Corporate administrative expenses are allocated to segments based principally on assets, employees and sales. Interest expense is allocated based on segment assets.

1998	Tire Operations	Engineered Products Operations	Consolidated Totals
FINANCIAL			
Revenues from external customers	$1,444,334	$431,791	$1,876,125
Depreciation and amortization expense	89,239	12,660	101,899
Interest expense	12,788	2,436	15,224
Segment profit	142,800	51,782	194,582
Other			3,635
Income before income taxes			198,217
Segment assets	1,211,819	238,467	1,450,286
Cash and cash equivalents			41,966
Intangibles and other assets			49,023
Total assets			1,541,275
Expenditures for long-lived assets	95,526	36,007	131,533
GEOGRAPHIC			
Revenues			
United States	1,228,980	365,372	1,594,352
Foreign	215,354	66,419	281,773
	1,444,334	431,791	1,876,125
Long-lived assets			
United States	662,709	137,385	800,094
Foreign	71,796	13,392	85,188
	734,505	150,777	885,282

1997	Tire Operations	Engineered Products Operations	Consolidated Totals
FINANCIAL			
Revenues from external customers	$1,443,293	$369,712	$1,813,005
Depreciation and amortization expense	83,589	10,875	94,464
Interest expense	13,463	2,192	15,655
Segment profit	149,970	43,416	193,386
Other			1,406
Income before income taxes			194,792
Segment assets	1,179,744	222,902	1,402,646
Cash and cash equivalents			52,910
Intangibles and other assets			40,400
Total assets			1,495,956
Expenditures for long-lived assets	79,956	27,567	107,523
GEOGRAPHIC			
Revenues			
United States	1,249,621	308,990	1,558,611
Foreign	193,672	60,722	254,394
	1,443,293	369,712	1,813,005
Long-lived assets			
United States	671,883	122,883	794,766
Foreign	61,120	4,562	65,682
	733,003	127,445	860,448

1996	Tire Operations	Engineered Products Operations	Consolidated Totals
FINANCIAL			
Revenues from external customers	$1,308,465	$310,880	$1,619,345
Depreciation and amortization expense	68,162	8,658	76,820
Interest expense	1,439	215	1,654
Segment profit	140,276	30,992	171,268
Other			824
Income before income taxes			172,092
Segment assets	1,062,362	166,739	1,229,101
Cash and cash equivalents			19,459
Intangibles and other assets			24,449
Total assets			1,273,009
Expenditures for long-lived assets	153,781	39,915	193,696
GEOGRAPHIC			
Revenues			
United States	1,230,061	254,882	1,484,943
Foreign	78,404	55,998	134,402
	1,308,465	310,880	1,619,345
Long-lived assets			
United States	681,388	107,977	789,365
Foreign	3,054	–	3,054
	684,442	107,977	792,419

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Cooper Tire & Rubber Company is responsible for the integrity, objectivity and accuracy of the financial statements of the Company. The statements have been prepared by the Company in accordance with generally accepted accounting principles and, where appropriate, are based on management's best estimates and judgment. The financial information presented in this report is consistent with the statements.

The accounting systems established and maintained by the Company are supported by adequate internal controls augmented by written policies, internal audits and the training of qualified personnel.

The accompanying financial statements have been audited by Ernst & Young LLP, independent auditors, whose report appears herein.

The Audit Committee of the Board of Directors is composed solely of directors who are not officers or employees of the Company. The committee meets regularly with management, the Company's internal auditors and its independent auditors to discuss their evaluations of internal accounting controls, the audit scopes and the quality of financial reporting. The independent auditors and the internal auditors have free access to the committee, without management's presence, to discuss the results of their respective audits.

Philip G. Weaver	Eileen B. White
Vice President,	*Corporate Controller*
Chief Financial Officer	

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Cooper Tire & Rubber Company

We have audited the accompanying consolidated balance sheets of Cooper Tire & Rubber Company as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cooper Tire & Rubber Company at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Toledo, Ohio
February 9, 1999

SIX-YEAR SUMMARY OF OPERATIONS AND FINANCIAL DATA

(Dollar amounts in thousands except per-share amounts)

	Net Sales	Gross Profit	Operating Profit	Income Before Income Taxes	Income Taxes	Net Income	Earnings Per Share Basic	Earnings Per Share Diluted
1998	$1,876,125	$330,636	$209,806	$198,217	$71,250	$126,967	$1.64	$1.64
1997	1,813,005	314,573	209,041	194,792	72,381	122,411	1.55	1.55
1996	1,619,345	252,796	172,922	172,092	64,208	107,884	1.30	1.30
1995	1,493,622	250,727	176,931	180,070	67,250	112,820	1.35	1.35
1994	1,403,243	277,265	208,517	208,119	79,600	128,519	1.54	1.53
1993	1,193,648	228,295	166,013	164,250	62,040	102,210	1.22	1.22

	Stockholders' Equity	Total Assets	Working Capital	Net Property, Plant & Equipment	Capital Expenditures	Depreciation	Long-term Debt
1998	$867,936	$1,541,275	$376,485	$885,282	$131,533	$101,899	$205,285
1997	833,575	1,495,956	354,281	860,448	107,523	94,464	205,525
1996	786,612	1,273,009	256,130	792,419	193,696	76,820	69,489
1995	748,799	1,143,701	272,216	678,876	194,894	63,313	28,574
1994	662,077	1,039,731	303,103	549,601	78,449	55,603	33,614
1993	550,186	889,584	204,857	527,949	117,249	46,352	38,729

	Return On Beginning Invested Capital(a)	Return On Beginning Equity	Return On Beginning Assets	Current Ratio	Pretax Margin	Effective Tax Rate	Return On Sales
1998	20.5%	15.2%	8.5%	3.0	10.6%	35.9%	6.8%
1997	24.6	15.6	9.6	2.8	10.7	37.2	6.8
1996	22.4	14.4	9.4	2.4	10.6	37.3	6.7
1995	26.0	17.0	10.9	2.7	12.1	37.3	7.6
1994	35.8	23.4	14.4	3.0	14.8	38.2	9.2
1993	32.1	21.7	12.8	2.6	13.8	37.8	8.6

	Long-Term Debt To Capitalization	Equity Per Share	Dividends Per Share	Common Shares Average (000)	Common Shares Year End (000)
1998	19.1%	$11.45	$.39	77,598	75,791
1997	19.8	10.58	.35	79,128	78,760
1996	8.1	9.67	.31	83,214	81,367
1995	3.7	8.95	.27	83,646	83,662
1994	4.8	7.92	.23	83,623	83,634
1993	6.6	6.58	.20	83,550	83,582

	Number of Stockholders	Number of Employees	Research & Development	Stock Price High	Stock Price Low	Price/Earnings Average Ratio
1998	4,809	10,766	$29,200	$26.25	$15.44	12.7
1997	5,281	10,456	21,700	28.44	18.00	15.0
1996	5,991	8,932	19,700	27.25	18.00	17.4
1995	6,721	8,284	16,000	29.63	22.25	19.2
1994	7,623	7,815	14,700	29.50	21.63	16.6
1993	8,096	7,607	15,100	39.63	20.00	24.4

(a) Earnings before interest and income taxes divided by long-term debt plus stockholders' equity.

SELECTED QUARTERLY DATA

(Unaudited)

(Dollar amounts in thousands except per-share amounts)

	1998			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$437,558	$461,740	$480,616	$496,211
Gross profit	74,088	83,273	79,946	93,329
Net income	26,525	32,336	30,029	38,077
Basic and diluted earnings per share	.34	.41	.39	.50
Dividend per share	.095	.095	.095	.105
Stock price – high	26 1/4	24 13/16	22 1/8	21 7/16
– low	22 5/8	20 5/8	15 3/4	15 7/16
Revenues from external customers:				
Tire Operations	$330,326	$347,544	$389,237	$377,228
Engineered Products Operations	107,232	114,196	91,379	118,983
Net sales	$437,558	$461,740	$480,616	$496,211
Segment profit:				
Tire Operations	$29,797	$33,156	$39,492	$40,355
Engineered Products Operations	11,931	17,901	6,078	15,872
	41,728	51,057	45,570	56,227
Other	578	671	521	1,865
Income before income taxes	$42,306	$51,728	$46,091	$58,092

	1997			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$379,532	$463,993	$480,572	$488,908
Gross profit	63,619	84,385	80,095	86,474
Net income	25,150	31,506	31,124	34,361
Basic and diluted earnings per share	.31	.40	.40	.44
Dividend per share	.085	.085	.085	.095
Stock price – high	21 5/8	23 1/2	27	28 7/16
– low	18 1/4	18	21 13/16	20 13/16

The common stock of the Company (CTB) is traded on the New York Stock Exchange.

DIRECTORY

EXECUTIVE OFFICES

Cooper Tire & Rubber Company
701 Lima Avenue
Findlay, Ohio 45840
(419) 423-1321

TRANSFER AGENT & REGISTRAR

Fifth Third Bank
38 Fountain Square Plaza; MD - 1090F5
Cincinnati, Ohio 45263
(800) 837-2755

FOR INFORMATION

Tires and tubes – (800) 854-6288

Engineered products – (219) 925-0700

Common stock and dividends – (419) 424-4233

Web site – www.coopertire.com

Direct Investment Plan – Fifth Third Bank serves as Administrator for a direct investment plan for the purchase, sale and/or dividend reinvestment of Cooper Tire & Rubber Company common stock. For information, call: (800) 837-2755.

ANNUAL MEETING

The annual meeting of stockholders will be held at 10 a.m., Tuesday, May 4, 1999, at Urbanski's, 1500 Manor Hill Road, Findlay, Ohio. All stockholders are cordially invited to attend. Proxy material is sent to stockholders together with this report.

FORM 10-K

A copy of the Company's annual report to the Securities and Exchange Commission on Form 10-K, including the financial statements and schedules thereto, will be furnished after March 23, 1999, upon written request to: Secretary, Cooper Tire & Rubber Company, Findlay, Ohio 45839-0550.

BOARD OF DIRECTORS

Arthur H. Aronson[2]
Former Executive Vice President,
Allegheny Teledyne Incorporated
(Manufacturing)

Thomas A. Dattilo[3,4]
President and Chief Operating Officer
of the Company

Edsel D. Dunford[1]
Former President and Chief Operating Officer,
TRW Inc. (Manufacturing)

John Fahl[3]
Vice President
of the Company

Deborah M. Fretz[2]
Senior Vice President,
Lubricants and Logistics,
Sun Company, Inc. (Energy)

Dennis J. Gormley[2]
Former Chairman of the Board
and Chief Executive Officer,
Federal-Mogul Corporation (Manufacturing)

John F. Meier[1]
Chairman and Chief Executive Officer
Libbey Inc. (Manufacturing)

Byron O. Pond[1]
Chairman of the Board,
Arvin Industries, Inc. (Manufacturing)

Patrick W. Rooney[1,3]
Chairman of the Board
and Chief Executive Officer of the Company

John H. Shuey[2]
Chairman, President
and Chief Executive Officer,
Amcast Industrial Corporation (Manufacturing)

[1] Member of the Nominating Committee
[2] Member of the Audit and Compensation Committee
[3] Member of the Executive Committee
[4] Mr. Dattilo was elected a Director for the remainder of the term of J. Alec Reinhardt, who retired as a Director and as Executive Vice President and Chief Financial Officer effective February 15, 1999.

EXECUTIVE OFFICERS

Patrick W. Rooney
Chairman of the Board and Chief Executive Officer

Philip G. Weaver
Vice President and Chief Financial Officer

William C. Hattendorf
Vice President and Treasurer

William S. Klein
Vice President

Richard D. Teeple
Vice President and General Counsel

Eileen B. White
Corporate Controller

Thomas A. Dattilo
President and Chief Operating Officer

John Fahl
Vice President

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