COOPER TIRE & RUBBER COMPANY

Cooper Tire & Rubber Company, founded in 1914, specializes in the manufacturing and marketing of rubber products for consumers and industrial users. Products include automobile and truck tires, inner tubes, vibration control products, hoses and hose assemblies, and automotive sealing systems.

The Company markets its products nationally and internationally through well-established channels of distribution. Among its customers are automotive manufacturing companies, independent tire dealers and wholesale distributors, and large retail chains.

Cooper Tire & Rubber Company stock is traded on the New York Stock Exchange under the symbol CTB.

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FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands; per-share amounts in dollars)

	1996	1995	1994
Operating Results			
Net sales	$1,619,345	$1,493,622	$1,403,243
Income before income taxes	172,092	180,070	208,119
Net income	107,884	112,820	128,519
Per share:			
Net income	1.30	1.35	1.54
Dividends	.31	.27	.23
Financial Position			
Working capital	$ 256,130	$ 272,216	$ 303,103
Long-term debt	69,489	28,574	33,614
Stockholders' equity	786,612	748,799	662,077
Stockholders' equity per share	9.67	8.95	7.92
Other Operating Data			
Capital expenditures	$ 193,696	$ 194,894	$ 78,449
Depreciation and amortization	76,820	63,313	55,603
Net income as % of sales	6.7%	7.6%	9.2%
Net income as % of beginning of year stockholders' equity	14.4%	17.0%	23.4%
Long-term debt as % of capitalization	8.1%	3.7%	4.8%
Current ratio	2.4	2.7	3.0
Number of shares outstanding (thousands)	81,367	83,662	83,634
Number of stockholders	5,991	6,721	7,623
Number of employees	8,932	8,284	7,815

TO OUR STOCKHOLDERS:

Again, the Company set records in production and sales of tires and engineered products. The Cooper team pulled together and made the best of an extremely competitive marketplace.

Sales of the Company rose over eight percent to a new high of $1.6 billion. This was an increase of approximately $100 million over the previous record set in 1995. We are pleased to report that both our engineered products and tire operations contributed to that advance.

Our earnings, however, did not measure up to those generated in 1995. Net income for the year amounted to $107.9 million. This was a decline of slightly over four percent from 1995's $112.8 million. On a per share basis earnings were $1.30 compared with $1.35 last year.

While we are not satisfied with this level of profitability, we must recognize the high raw material costs we experienced during the year coupled with an inability to raise prices because of the competitive marketplace. We anticipate some moderation of these contributing factors during the coming year, however, they are subject to many independent market variables.

Stockholders' equity continued to rise throughout the year and now stands at $786 million, an increase of five percent. On a per share basis, stockholder equity is $9.67, an increase of eight percent. This variation in per share equity increase is primarily a result of our share buyback program which began in the third quarter.

By the end of the fourth quarter the Company repurchased 2,305,500 of its shares. This represents approximately 46 percent of the five million shares authorized by the board for repurchase. We believe the repurchase as we have pursued it is a sound investment and should assist the market to reflect a better value for the stock.

The board of directors again increased the quarterly dividend during the year. It was raised to 8.5 cents per share, an increase of 13 percent over the previous dividend. We are proud that the Company has raised the annual rate each year since 1979 and that it has paid an annual dividend in every year since 1950.

Last year the Company invested $194 million in plant, equipment and other capital assets. This amount was just slightly less than the record $195 million invested during 1995.

Capital investment over the past ten years has now exceeded $1 billion to keep us on the leading edge of technology, to expand our operations, and to help maintain our position in the industry as a low-cost manufacturer of high-quality products.

Alec Reinhardt *Pat Rooney*

One of the significant undertakings during the year was the construction of our Mt. Sterling automotive hose plant. Ground was broken in November, 1995 and by July, we initiated production. Today, the plant is meeting its production plan with 300 employees on three shifts. Mt. Sterling is a prime example of the Cooper "can do" spirit.

Another important capital project was the extension of the HPL system for light vehicle tire construction throughout our plants. This system, as it settles into place in the production process, will provide significant benefits in greater manufacturing efficiency and increased productivity.

Of course, the major story which really began last year and just recently came to fruition is our agreement to purchase the tire operations of Avon Rubber p.l.c. (Avon), of the United Kingdom. While the purchase may not be completed until approved by the Avon shareholders, we would like you to receive an insight into this historic move.

Currently, we are marketing our tire products in more than 100 countries throughout the world. However, to date, all of our tire products are being produced in the United States. To become a truly global company, we deemed it necessary to initiate manufacturing and primary distribution closer to our overseas customers.

We have had a long and cordial relationship with Avon dating back to the early 1970's in which we shared ideas and technology on an informal basis. The acquisition is a natural and logical extension of the previous relationship.

We will be acquiring a premier tire operation which numbers among its original equipment automobile manufacturing customers Rolls Royce, Aston-Martin and Land Rover. In addition to passenger, light truck, medium truck, industrial, motorcycle and racing tire manufacturing we will also acquire technology and production capability for tire retreading and remoulding supplies.

Further, through this acquisition, we will gain distribution in France, Switzerland and Germany. We will integrate this new distribution with what we already have in place with our fine Cooper and Mastercraft brand customers.

As part of the transfer, we will also obtain technical agreements with tire plants in Malaysia, Indonesia and Sri Lanka which should prove to have long-term benefits to Cooper.

We are very proud of this historic move toward becoming a global company and we extend our warmest welcome to our 1,200 new associates as we complete the transaction and begin the transition.

Labor relations continued to be excellent at the Company. Several contracts were re-negotiated and amicably settled during the year. There are contracts up for reconsideration later this year at our Findlay, Auburn and Bowling Green (Seal) plants.

Three changes took place on the board of directors during 1996. At the annual meeting in May, Deborah Fretz was elected to a term expiring in 1999. Ms. Fretz is senior vice president, logistics, of Sun Company, Inc. In November, John Shuey, president and chief executive officer of Amcast Industrial Corporation was elected to fill the unexpired term of Ivan Gorr, our retired chairman and C.E.O. Mr. Gorr retired from the board after assisting in the transfer of his duties.

Executive management was unchanged during 1996. However, at the board meeting in February, 1997, Eileen B. White was elected corporate controller succeeding Julien A. Faisant who will assist in the transition of those responsibilities until his regularly scheduled retirement in June.

Ms. White joined Cooper in 1981 as a financial analyst. Her career at Cooper includes management positions in general accounting, financial research and compliance, and she was elected assistant corporate controller in 1994.

We have a very solid foundation for further progress in 1997 and beyond. Groundwork has been laid for the globalization of our Company. We have an experienced and stable management group. Our employee team is dedicated to high quality and increasing productivity. And we have taken significant steps toward maintaining our industry position as a low-cost producer through appropriate capital investments.

There will be challenges as we move forward, but our forward movement will continue. We ask that you review the remainder of this report so you gain a better understanding of the Company and its future.

As ever, we appreciate the support of our customers, our employees, our communities and you, our stockholders, as we further improve our operations, finances and prospects for the future.

Patrick W. Rooney
Chairman of the Board, President, Chief Executive Officer

J. Alec Reinhardt
Executive Vice President, Chief Financial Officer

INDUSTRY OVERVIEW

Cooper's total tire shipments in 1996 posted a gain over the previous year, maintaining a consistent growth pattern and exceeding the pace recorded by the overall industry.

Industry replacement tire shipments increased 5.1 percent, rising more than 10 million units from the 1995 total of 204 million. This outcome is attributed to the increase in light vehicle registrations, the aging of the vehicles currently on the road and the increase in miles traveled per vehicle.

By product category, industry replacement passenger shipments increased 5.1 percent; light truck replacement tire shipments posted an increase of 8.1 percent; and medium truck tire shipments decreased by 1.1 percent. Tube sales continued their decline resulting in a 3.6 percent decrease from 1995 totals.

Consumer purchases of low profile passenger radials continued to rise in 1996, improving market share from 53 percent in 1995 to 57.4 percent in 1996. Cooper introduced several new low profile sizes in 1996, matching the increasing demand for this growing market.

Independent tire dealers continued to rise in popularity among consumers who purchased tires last year. According to *Modern Tire Dealer*, a leading industry magazine, 69.5 percent of replacement passenger tires reached the U.S. consumer in 1996 through independent tire dealers.

With a substantial share of Cooper's tire sales moving through independent tire dealers, the Company's ongoing commitment to this segment of the market remains intact.

GLOSSARY OF TERMS

Asymmetric/Symmetric - Terms used to describe a tread design on a tire. Dividing a tire down the center circumferentially, a symmetric design is consistent on both sides while the asymmetric is different.

Low profile tires - Based on industry standards, tires having an aspect ratio of less than 75 are considered to be low profile.

Overwrap - A component in the tire made up of nylon cord placed around the circumference of the tire. Used on some H and all Z-rated tires, an overwrap is used to restrain the growth of the steel belt due to centrifugal force resulting from high-speed operation.

Series (aspect ratio) - The percentage relationship between a tire's section height and its section width. (On a 70 series tire, the section height is 70 percent of the width.) Visually, the tires with low aspect ratios have shorter sidewalls and wider treads than tires with high aspect ratios.

Speed ratings - The speed-rating system used today originated in Europe in an effort to define the performance levels of tires. The standardized speeds for passenger and light truck tires are:

Speed Symbol	Speed Category	Speed Symbol	Speed Category
N	140 km/h (87 mph)	**U**	200 km/h (124 mph)
P	150 km/h (93 mph)	**H**	210 km/h (130 mph)
Q	160 km/h (99 mph)	**V**	240 km/h (150 mph)
R	170 km/h (106 mph)	**W**	270 km/h (169 mph)
S	180 km/h (112 mph)	**Y**	300 km/h (188 mph)
T	190 km/h (118 mph)	**ZR**	above 240 km/h (150 mph)

Uniform Tire Quality Grading (UTQG) - A system required by the National Highway Transportation Safety Administration to help consumers compare tire features and benefits.

Variable pitch sequence - Made up of three to five different lengths of tread "blocks" on a tire. By arranging the elements in specific sequence, tonality of the tire can be reduced, minimizing the perception of noise generated when the tire makes contact with the road.

PRODUCTS

In 1996 Cooper kept pace with the industry's focus on meeting the demands of today's performance-oriented driver by expanding size offerings and adding six new passenger tire lines.

Cooper's latest entry into the snow tire market, the **Weather-Master XGR Radial**, met the growing consumer demand for traction tires. Based on a specially engineered studless design developed for the Japanese market, the Weather-Master XGR has a unique tread compound containing a special particle additive that helps increase traction by forming additional gripping edges.

Cooper also upgraded its **Cobra Radial G/T** and **Cobra Radial GTH** performance tire lines. Updates to the Cobra G/T include a new long-wearing tread design that carries a 50,000-mile limited treadwear warranty; a T-speed rating on all 60, 65 and 70 series sizes to match popular original equipment (O.E.) applications; and a new, stylized sidewall option that offers a traditional performance white letter style on one side while the reverse side sports a unique Cobra-inspired, black-letter look for a more subtle effect.

*This eye-catching tire display was created for Cooper dealers to help them promote the new Cooper Cobra GTH line. The display used a theme line, **Performance That's Striking**, along with unusual snakeskin graphics to build awareness for the new performance radials.*

Called the most technologically advanced Cooper performance tire to date, the new H-rated **Cobra GTH** radial line scored exceptionally well when tested against some of the industry's finest performance radials. With new symmetric and asymmetric designs and a 45,000 mile limited treadwear protection warranty, the GTH offers car enthusiasts excellent handling and cornering in all seasons.

Beginning in early 1997 Cooper has extended the Cobra line to provide a new level of tire performance capability. Both the new **Cobra ZHP** and the **Cobra Radial GTZ** are among the industry's first Z-speed rated tires to qualify for the new AA UTQG rating for traction.

Among other characteristics, the Cobra ZHP has a unique directional block element tread, specially formulated compounding and a special bead filler that stiffens the lower sidewall for excellent handling on tough cornering situations.

The Cobra Radial GTZ combines deep channel tread elements with a high void ratio to provide excellent wet and dry handling capability in all weather conditions.

The newest addition to the Cooper line is the T-rated **Sportmaster GLT**, which is metric sized to meet the requirements of most popular import cars. Combined with excellent wet and dry traction, the tire's tread compound is specifically formulated to provide a balance of all season traction, good handling and long wear. The Sportmaster GLT carries a 40,000 mile limited treadwear protection warranty.

In order to meet the competitive demands of the tire industry, Cooper added an associate brand line in early 1997. Developed as "value-based brands," the existing Starfire line has been updated and is now available to Cooper dealers while the all-new Roadmaster line is available to Mastercraft dealers. The new associate brand lines will help Cooper's proprietary brands gain additional market share in areas where strong brand penetration has prevented further growth.

By monitoring original equipment trends and responding to consumer feed-back, Cooper is continually upgrading and expanding tire lines to meet current consumer demand.

FACILITIES

The Findlay and Tupelo plants both achieved production milestones in late 1996.

In October the 50 millionth radial tire produced at the Findlay plant rolled off the line. Radial production began at the plant in 1974 responding to increasing demand and decreasing popularity of bias tires. Today, radial passenger and light truck tires comprise about 90 percent of the total production in Findlay, which is the only Cooper plant still producing bias truck tires.

In November the Tupelo plant marked the production of its 100 millionth radial tire. Radial passenger tires are the only product manufactured at Cooper's Tupelo location.

Throughout the year, expansion efforts continued at the tire facilities to meet production and customer service demands. In early 1996, warehousing began in the 200,000-square-foot addition to the distribution center located at the Tupelo plant. Completed in

December 1995, the expansion increased the Tupelo warehouse space by 50 percent.

In Albany a 300,000-square-foot expansion of warehouse and production areas reached completion in 1996. The plant expansion allowed for increased passenger and radial medium truck production and will accommodate future growth while the added space at the warehouse enabled dock doors to be added and increased storage capacity.

Consolidation of tube production and distribution at the Clarksdale facility was completed at the end of 1996. The consolidation is a continuation of changes initiated in 1995, which included the renovation and modernization of the facility and a 48,000-square-foot expansion of manufacturing and warehousing space. The streamlining of tube production and distribution in Clarksdale allows for continued expansion of Cooper's engineered products manufacturing capacity in the Piedras Negras facility.

Three of the four tire plants are now equipped with a new computerized maintenance and production system. This high-tech system links maintenance, production, purchasing, accounting and engineering to help achieve a proactive approach to maintaining production equipment. The system helps the maintenance and production departments schedule maintenance for equipment while ensuring the resources–technicians, parts and equipment–necessary to accomplish the task are available. The Findlay plant came "on-line" in early 1995 and both the Albany and Texarkana plants began using the system in late 1996. The Tupelo plant is planning for the system installation in late 1997.

Production efforts also were enhanced in 1996 with the addition of an automated finishing system at the Texarkana plant. The new procedure transfers the tires between each of the finishing processes, sorting the tires by size and sidewall style as they progress along the conveyor. A scanner is located at various points above the conveyor to read each tire's bar code and sort the tire into the appropriate trimming, buffing, uniformity, balancing and labeling areas. Texarkana is the third of Cooper's tire plants to install the new system, which enhances the sorting process and moves the tires more efficiently throughout the finishing departments.

By mid-1996 Cooper began producing tire molds at its multi-million dollar manufacturing facility located in Findlay. The new high-tech operation will continue to help Cooper fulfill part of its strategic plan to ensure a competitive edge in the marketplace today and well into the 21st century.

TECHNOLOGY

As with many global markets today, using advanced computer technology is an integral part of production in the tire industry. During 1996 Cooper's development engineers continued to employ technological advancements with the goal of further decreasing cost, improving quality and enhancing driving comfort and overall satisfaction for consumers.

A new process, applying a nylon overwrap, was specially designed for the Company's Z-speed rated and low aspect ratio H-rated tires. The process eliminates full width splices while enhancing the tire's durability and uniformity. Positioned between the belt and the tread, the overwrap enables the tire to maintain integrity when traveling at higher speeds.

Cooper's new Cobra GTH was the first product developed using a fully-integrated design system. Using the three-dimensional computer design software, Findlay engineers generated the tire's design and created the engineering specifications and drawings for the line. The tire's mold was developed from this data base and then manufactured at Cooper's new mold operations facility.

In response to a growing consumer demand for driving comfort and value, Cooper continues to access technological advancements to enhance durability and reduce noise generated when a tire comes in contact with the road. A new tire durability model and tire noise model are being used in the research of potential lines. Last year, results from the models were applied in the development of the Cobra Radial GTZ. Designed with the ultimate in driving comfort in mind, the tire features a variable pitch sequence to help keep noise levels at a minimum.

MARKETING

During recent years Cooper has received recognition from a variety of sources for quality, customer service and overall operations and 1996 was no exception. Acknowledging Cooper as a "customer-focused organization," Unisys honored the Company in June with a 1995 CUSTOMERIZE Award for Excellence. For the past four years Unisys has presented the award to customers that consistently use creative applications of information technology to better serve their customers. As the only recipient based in the United States, Cooper was one of four companies selected for the award from the Unisys worldwide base of more than 50,000 clients.

In its Annual Tire Brands Survey, the industry magazine *Tire Review* identified Cooper and Mastercraft as two of the most well-liked brands by tire dealers. Out of the 47 tire brands mentioned during the random survey of dealers, Mastercraft was named as one of the top five overall suppliers while Cooper was named at the top of the “major” brands category. Both Cooper and Mastercraft fared well in the individual categories, which included on-time delivery, product availability, tire line coverage, product quality and purchasing terms.

Considered to be a “premier listing,” Cooper was named among the 1,000 largest companies in the world by *Industry Week* magazine. In its May issue, the magazine reported Cooper ranked 852 in the global listing. In early 1997, a leading consumer product testing organization reported its findings from a test conducted on standard all-season tires. Out of the ten tires analyzed, Cooper’s Lifeliner Classic II ranked among the top five in overall performance, finishing ahead of many well-known and respected competitors. The final results were based on individual tests that included braking, cornering, hydroplaning, ride comfort and noise.

Awareness for Cooper also hit a peak in mid-1996 with the Company’s most successful product launch–the new Cobra GTH line. For the first time, Cooper published test results against comparable competitors’ tires–illustrating the Cobra’s strong performance. In addition, by incorporating a photo of a coiled king cobra as the background for the graphics on printed materials, the live snake’s unique coloring and texture provided an extraordinary visual image and generated exceptional interest for the advertising campaign. The graphics, along with a specially designed Cobra logo, were used for full-page ads in trade magazines, along with a generous assortment of promotional materials for in-store use. The graphics also are being incorporated into new advertising materials promoting the Cobra GTZ and ZHP, introduced early in 1997.

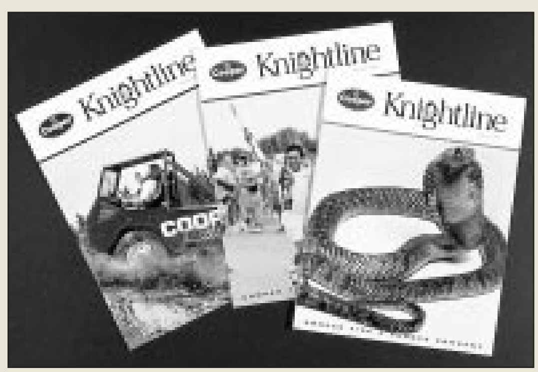
Year-long advertising campaigns included a variety of printed materials in trade publications and the continuation of cable television spots featuring computer-animated logos. Also in 1996, Paul Harvey continued to inform listeners of Cooper’s quality on his popular syndicated radio program that airs during morning, noon and evening news segments. For the seventh consecutive year, the icon of radio airwaves has represented the Company well by enlightening listeners with his highly respected opinion of Cooper.

Beginning in 1997, golfing legend Arnold Palmer will serve as the new spokesman for Cooper Tire. Palmer, who is known world-wide as a “down to earth” individual, is well respected for his integrity, perseverance and dedication. Those same qualities can be said to describe Cooper’s reputation in the tire industry. Using Palmer as a spokesman, Cooper expects to create a unique synergy to help build a new level of national awareness for the Cooper brand.

Cooper has expanded the 1997 advertising program significantly to include television spots on popular cable channels.

In addition to the increased media schedule, Cooper will also serve as an associate sponsor of the Bay Hill Invitational Golf Tournament in Orlando, Florida. The annual PGA tournament, held in March, includes Cooper television spots on NBC during prime weekend coverage. Last year the tournament generated an attendance of more than 150,000.

With Palmer’s recognition value outside the sporting community along with the increase in the popularity of golf, Cooper will be positioned to create an unprecedented level of consumer awareness in the coming years.



*A new employee magazine called **Knightline** was established in 1996. The new corporate publication is geared to communicate company-wide news and activities, as well as spotlight individual members of the Cooper team.*

INDUSTRY OVERVIEW

1996 was a strong year for the Company in engineered rubber products sales despite industry vehicle production increasing just slightly over 1995. Total North American light vehicle production was up slightly in 1996 after a decline in 1995. Passenger car production fell for the third straight year, while truck production was at an all-time high.

Industry analysts predict a flat demand in total North American production for 1997, however Cooper's market presence is strong and continues to grow on a yearly basis. During the past decade, the company's sales of original equipment engineered rubber products–per new vehicle produced–has grown steadily. For the third consecutive year, every vehicle on the nation's top 10 best selling vehicle list was equipped with some Cooper-produced engineered rubber parts. The Company continues to be a leading supplier of molded and extruded rubber products to original equipment manufacturers.

GLOSSARY OF TERMS

Hydromount - A fluid filled engine mount which can be made to react to different vibration frequencies. This compares to a conventional mount which is designed for one specific frequency.

Light Vehicles - Includes passenger cars, pickup trucks and sports utility vehicles, with gross vehicle weight of 8,000 pounds or less.

Thermoplastic Material - An elastomer capable of being softened by increasing the temperature and hardened by decreasing the temperature.

Tier-One Supplier - A manufacturer supplying parts directly to an automotive OEM manufacturer.

Permeation - The ability of a gas or liquid to pass through the pores or interstices of an object.

1996 TOP TEN SELLING VEHICLES

1. FORD F-SERIES PICKUP
2. CHEVROLET C/K PICKUP
3. FORD EXPLORER
4. FORD TAURUS
5. DODGE RAM PICKUP
6. HONDA ACCORD
7. TOYOTA CAMRY
8. DODGE CARAVAN
9. FORD RANGER
10. HONDA CIVIC

Cooper engineered rubber products can be found on all of the top ten selling vehicles in the United States.

PRODUCTS AND TECHNOLOGY

Cooper has a well-earned reputation among light vehicle manufacturers as a world-class supplier of engineered parts, including vibration control products, body sealing components and reinforced hoses. In today's competitive environment, many light vehicle manufacturers are placing more responsibility on Cooper for the research and development of components. Through strong supplier/customer relationships, the Company's design teams work with their counterparts in the automotive manufacturing industry to explore methods that will enhance quality and lower production costs.

The body seal group was active in 1996 with major new product launches for Chrysler and General Motors. These new products included traditional door and glass seals as well as a new plastic veneer door opening weather strip. New equipment was installed to meet these new customer requirements.

To meet new federal standards required for fuel delivery systems in vehicles, a hose consisting of a special plastic veneer liner, with fabric-reinforcement and rubber, was designed and manufactured in limited quantities by Cooper. The new barrier hose provides for a fuel delivery system that has an extremely low level of gasoline permeation. This evolutionary product continues to be refined.

A state-of-the-art engine mount line in the Auburn plant began producing two new hydromounts in 1996. This contract with Ford, as well as another development contract for hydromounts, resulted from business agreements with European-based companies.

FACILITIES

Increased demand for the Company's engineered rubber products required the expansion of several Cooper facilities. Ground was broken in November for an engineering technical center in Auburn. The 48,000-square-foot facility is scheduled for completion later

In July Cooper began producing extruded rubber hose and hose assemblies at its new manufacturing facility in Mt. Sterling, Kentucky. Construction began on the 178,000-square-foot plant in late 1995 and was completed in mid-summer 1996 – on budget and on time.

in 1997. Located just north of the manufacturing facility, the technical center will allow the Company to expand its testing, research and development capabilities as well as provide additional office space and improved communication for the engineering, purchasing and inquiry departments.

The newest addition to the engineered products operations, a 178,000-square-foot manufacturing facility in Mt. Sterling, began producing extruded rubber hose and hose assemblies in July. The new facility was constructed to meet significant business opportunities within the North American original equipment light vehicle market.

Ground was broken in December for a 30,000-square-foot expansion to the Bowling Green seal plant to support additional finishing department activities.

Also at the Bowling Green seal plant, a newly completed laboratory offers improved resources for research and development as well as product durability tests. These tests include analyses of door closing capability, window tests and the determination of sound transmission levels. Testing can be conducted on entire vehicle bodies or individual sections such as body side panels. A water test booth is used for checking water leaks either in localized areas such as around a window or for the entire vehicle.

Installation of a third rubber mixer was accomplished in the Auburn plant during 1996. The mixer provides significant productivity improvement in addition to quality improvements.

In an effort to better serve the needs of original equipment customers located in Detroit, the sales, engineering and design force – previously housed in two office locations – were consolidated into one major facility in Farmington Hills, Michigan. This 35,000-square-foot facility houses the body seal, hose and vibration control products sales groups as well as an expanded engineering and design center for body sealing and hose.

Construction was completed on the 42,000-square-foot warehouse expansion at the El Dorado plant. This expansion was operational in the second quarter of 1996. The addition allows for a layout reorganization for improved work flow.

Production capabilities changed at the Piedras Negras facility. As a result of combining inner tube production and distribution into the Clarksdale plant, the Piedras Negras capacity is now dedicated solely to manufacturing engineered products.

The Auburn, Bowling Green and El Dorado facilities were certified for the QS9000 International Quality System Standards during 1996. The QS9000 certification is an assurance to Cooper's customers that business and quality procedures are fully documented and strictly followed. The Mt. Sterling and Piedras Negras plants are expected to be certified by May 1997.

MARKETING

The Company's experience in the design and manufacturing of elastomer-based components is recognized worldwide. Cooper is continually developing innovative new products, manufacturing processes and systems to help maintain the Company's strong competitive edge in the light vehicle manufacturing industry.

During 1996 Cooper began producing the complete body sealing packages, which include all dynamic seals for sheet metal and moveable glass, for new Dodge Dakota truck and General Motors' new van, which is marketed under the Silhouette, Trans Sport and Venture names in North America and the Sintra in Europe.

Cooper also will manufacture multiple parts on the new 1998 Dodge Durango Sport Utility vehicle. These parts will include mounts, bumpers, bushings, door and window seals and vent hoses. The Durango is scheduled to be released in autumn 1997. Also new for 1997, the Oldsmobile Intrigue will contain Cooper door seals as well as hoses. Cooper cradle mounts and hoses can be found on the sporty Plymouth Prowler.

Among the awards and honors presented to the engineered products operations in 1996 were Nissan's Quality Master and Zero Defects awards for outstanding manufacturing performance by Cooper's Auburn facility. In addition, the Auburn, Bowling Green hose and Piedras Negras plants received the Gold Pentastar customer quality award from Chrysler. The Bowling Green hose plant was presented with the Suppliers Quality Assurance Award from AutoAlliance.

Over the years, Cooper has made sizeable investments in equipment, facilities and technology to remain a competitive supplier to the light vehicle manufacturing industry. Through these monetary investments and the investments of time, energy and vision by all Cooper team members, the Company will continue to boldly lead as a Tier-One supplier to the automotive industry.

Ford F-Series Pick-up Truck

Plymouth Prowler

Cooper supplies engineered products–including door seals, vibration control components and hoses–for many of the industry's 1997 light vehicle models ranging from the traditional to the exotic.

PRODUCT OVERVIEW

TIRE PRODUCTS – The Company sells replacement tires and tubes to consumers through a network of independent dealers, large wholesale distributors, mass merchandisers and large retail chains.

PASSENGER

Cooper's passenger radial tires include touring, high performance, traction and value designs in 15 line offerings. With important characteristics such as all-season and winter traction capability, the tires are available in competitive speed ratings and meet most of the needs of today's drivers.

LIGHT TRUCK

Designed for trucks, vans and sport utility vehicles for recreational or commercial use, Cooper's light truck tires are available in 12 different lines. Offered in radial or conventional bias constructions, the tires have all-season, rib and traction designs with sporty white letters or black sidewall selections.

MEDIUM TRUCK

Cooper's medium truck tires fit vehicles such as tractor-trailer rigs, buses and other commercial trucks. Available in 8 lines, the tires include conventional bias ply or all-steel radial constructions; all-wheel, drive wheel and trailer applications; and rib and traction designs.

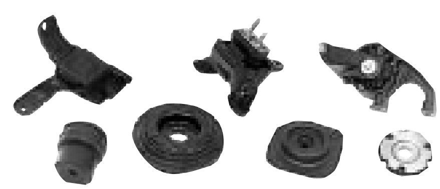
INNER TUBES

Available in radial and bias constructions, Cooper's inner tube applications include passenger, light truck and medium truck vehicles. Sizes are available for special application use such as farm tractors and implements, road graders and industrial vehicles.

ENGINEERED PRODUCTS – Cooper supplies engineered rubber products to virtually every automobile manufacturer in the United States and Canada, either directly or through other Tier-One suppliers.

VIBRATION CONTROL

These important products are used throughout a vehicle to minimize various vibrations. By helping to minimize vibration, riding comfort is increased and vehicle noise is reduced. Cooper's product lines include mounts, bushings, isolators and torsional springs.



SEALING SYSTEMS

Rubber seals around vehicle doors, trunk and hood protect interiors from outside elements. Window channels allow glass panels to slide open and shut easily while still providing a tight weather seal.

HOSE PRODUCTS

Vehicle hoses are used primarily to transport fluids, fuels and gases. Cooper manufactures hoses in many different shapes, sizes, diameters, lengths, rubber compounds and constructions to meet vehicle configurations.

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.

Financial Condition

The financial position of the Company continues to be excellent. Strong operating cash flows provided funds for investment in capacity expansion and technological advances and contributed to growing financial strength.

Working capital amounted to $256 million at year-end 1996 compared with $272 million one year earlier. A current ratio of 2.4 indicates a strong liquidity position, although down slightly from the year-end 1995 current ratio of 2.7.

Accounts receivable increased to $267 million from $257 million at year-end 1995, reflecting strong fourth quarter sales. Collection experience continues to be excellent and adequate allowances have been made for possible collection losses.

Total inventories at $142 million were up from $138 million at year-end 1995. Finished goods and work-in-process inventories were down slightly from one year ago. Raw materials and supplies inventories were $4 million higher than last year due to increased levels of raw material purchases.

Prepaid expenses and deferred income taxes at December 31, 1996 include $12 million in deferred tax assets which are considered fully realizable within one year.

Investments made in property, plant and equipment were $194 million in 1996 and are comparable to the record $195 million in 1995. These additions reflect improved manufacturing technology and expansion projects begun in 1995 as well as similar projects during 1996. The Company's capital expenditure commitments approximated $21 million at December 31, 1996. Capital expenditures in 1997 are anticipated to be lower than in 1996 and 1995. 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/or Shelf Registration. Depreciation and amortization was $77 million in 1996, a 21 percent increase from $63 million in 1995, resulting from the significant capital expenditures in recent years.

Current liabilities of $187 million were $29 million higher than the $158 million at year-end 1995 reflecting increases in commercial paper borrowings and notes payable.

Long-term debt increased $41 million from year-end 1995 to $69 million reflecting $46 million in borrowings incurred to finance stock repurchases offset by scheduled debt payments. Long-term debt, as a percent of total capitalization, increased to 8.1 percent at December 31, 1996 from 3.7 percent one year earlier. The Company has a Registration Statement with the Securities and Exchange Commission covering the proposed sale of debt securities in an aggregate amount of up to $200 million. The net proceeds received by the Company from any sale of the debt securities would be available for general corporate purposes.

The Company currently provides certain health care and life insurance benefits for its active and retired employees. If the Company does not terminate such benefits, or modify coverage or eligibility requirements, substantially all of the Company's United States employees may become eligible for these benefits upon retirement. The Company uses the accrual method of accounting for such benefits. These benefit costs are funded as claims are incurred.

Noncurrent deferred income taxes increased to $53 million at December 31, 1996 from $37 million one year earlier, primarily reflecting the excess of tax depreciation over book depreciation.

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, in the opinion of counsel for the Company the pending claims and lawsuits against the Company should not have a material adverse effect on its financial condition or results of operations.

Stockholders' equity increased $38 million after the reduction of $46 million for the repurchase of Company stock during the year reaching $787 million at year end. Earnings retentions for 1996 (net income less dividends paid) added $82 million to stockholders' equity and an adjustment to the minimum pension liability added another $2 million. Stockholders' equity per share was $9.67 at year-end 1996, an increase of 8 percent over $8.95 per share at year-end 1995.

Results of Operations

Customer demand was very strong for the Company's tires and was excellent for the Company's engineered rubber products. New and larger contracts with our customers continued to be achieved. Capacity utilization was maintained at high levels. Net sales increased over eight percent in 1996 to a record of $1.6 billion. This followed a six percent increase in sales in 1995 which resulted primarily from growth in customer demand.

Sales margins were lower in 1996 than in 1995 and were lower in 1995 than in 1994. Intense pricing pressure in the replacement tire industry contributed to margin erosion in both 1996 and 1995. Raw material costs moderated in 1996, following two years of significant increases, and offset some of this impact. These costs, which contributed significantly to the decrease in margins in 1995 from 1994, are expected to continue to moderate during the first half of 1997. The effects of inflation on sales and operations were not material during 1996 and 1995.

Increases in 1996 and 1995 selling, general and administrative expenses were attributable to increased sales activity levels. As a percent of net sales, these expenses were 4.9 percent in 1996 and 1994, and 5 percent in 1995.

Interest expense in 1996 is higher than in 1995 reflecting increased borrowings partially offset by capitalized interest. The decrease in interest expense in 1995 from 1994 resulted from higher amounts of capitalized interest.

Effective income tax rates in 1996 were comparable to 1995 and were lower in 1995 than in 1994 due to reductions in the effective state and local income tax rate.

Subsequent Event

On February 18, 1997, the Company, through a wholly-owned United Kingdom subsidiary, signed an agreement to acquire the tire operations of Avon Rubber p.l.c. (Avon) of the United Kingdom, pending approval of Avon's shareholders in March of 1997. This purchase includes the land and manufacturing facility in Melksham, England; the shares of Avon Tyres Limited and the shares of tire distribution companies in France, Germany and Switzerland; and other minor assets. In a separate transaction the Company is acquiring from Avon various trademarks and technology. The total purchase price for the land, manufacturing facility, shares, trademarks and technology will be approximately $110 million. The Company intends to finance debt associated with the Avon acquisition on a long-term basis through sale of debt securities using its existing Shelf Registration with the Securities and Exchange Commission. The Avon tire operations had sales of $169 million and after tax income of $6.5 million for their fiscal year ended September 28, 1996.

(Dollar amounts in thousands; per-share amounts in dollars)

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 all 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 - Substantially all inventories are valued at cost, using the last-in, first-out (LIFO) cost method, which is not in excess of market.

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.

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.” Accordingly, additional disclosures required under Statement of Financial Accounting Standards (SFAS) No. 123, “Accounting for Stock-Based Compensation,” are included in the Stock Option 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 income at the time of sale.

Research and development - Costs are charged to expense as incurred and amounted to approximately $19,700, $16,000 and $14,700 in 1996, 1995 and 1994, respectively.

Business

The Company, a specialist in the rubber industry, manufactures and markets automobile and truck tires, inner tubes, vibration control products, hoses and hose assemblies, and automotive sealing systems. Product shipments to original equipment vehicle manufacturers historically have approximated 15 to 20 percent of net sales.

The Company manufactures products for the transportation industry. Shipments to customers outside of the United States approximated nine, eight and seven percent of net sales in 1996, 1995 and 1994, respectively. Sales to one major customer approximated 17, 14 and 13 percent of net sales in 1996, 1995 and 1994, respectively.

Inventories

Under the LIFO method, inventories have been reduced by approximately $73,925 and $76,309 at December 31, 1996 and 1995, respectively, from current cost which would be reported under the first-in, first-out method.

Debt

Short-term debt consists of commercial paper borrowings and notes payable at a weighted average interest rate of 5.6%.

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

	1996	1995
Commercial paper notes with a weighted average interest rate of 5.6%	$46,000	$ –
9% senior notes due 2001	22,727	27,273
Capitalized lease due 2021 at variable rates (4.6% in 1996; 5.8% in 1995)	5,130	5,133
8 7/8% Mortgage note due 1998	713	1,203
	74,570	33,609
Less current maturities	5,081	5,035
	$69,489	$28,574

The Company has an agreement with four banks authorizing borrowings up to $150,000 on a long-term basis through October 31, 2001 and $100,000 on a short-term basis, with interest at varying rates. The credit facility supports the 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 $46 million of commercial paper notes which were issued for the repurchase of the Company’s common stock are due within one year. The Company intends to refinance them on a long-term basis and has the ability to do so through its existing credit agreement, although other facilities may be used for this purpose.

The 9% senior notes, due October 1, 2001, provide for semiannual interest payments on April 1 and October 1 and annual principal payments of $4,545 on October 1 through the year 2000. Based on the borrowing rates available to the Company for instruments with similar terms and maturity at December 31, 1996 and 1995 the fair value of the senior notes was $24,110 and $29,733, respectively.

The most restrictive covenants under the loan agreements require the maintenance of $65,000 in working capital and restrict the payment of dividends. The amount of retained earnings not restricted was $578,410 at December 31, 1996.

The Company has a Registration Statement with the Securities and Exchange Commission covering the proposed sale of its debt securities in an aggregate amount of up to $200,000. The Company may sell the securities to or through underwriters, and may also sell the securities directly to other purchasers or through agents or dealers. The net proceeds received by the Company from any sale of the debt securities would be available for general corporate purposes.

Interest paid on debt during 1996, 1995 and 1994 was $6,217, $3,515 and $3,911, respectively. The amount of interest capitalized was $4,315, $2,694 and $1,170 during 1996, 1995 and 1994, respectively.

The required principal payments for long-term debt during the next five years are as follows: 1997 - $5,081; 1998 - $4,723; 1999 - $4,545; 2000 - $4,545; 2001 - $4,545.

Accrued Liabilities

Accrued liabilities at December 31, were as follows:

	1996	1995
Payroll	$32,299	$29,422
Other	33,428	34,254
	$65,727	$63,676

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 at an exercise price of $16.88. The rights will be exercisable only if a person or group acquires beneficial ownership of 20 percent or more of the Company's outstanding common stock, or commences a tender or exchange offer which upon consummation would result in such person or group beneficially owning 30 percent or more of the Company's outstanding common stock.

If any person becomes the beneficial owner of 25 percent or more of the Company's outstanding common stock, or if a holder of 20 percent or more of the Company's common stock engages in certain self-dealing transactions or a merger transaction in which the Company is the surviving corporation and its common stock remains outstanding, then each right not owned by such person or certain related parties will entitle its holder to purchase a number of shares of the Company's Series A preferred stock having a market value equal to twice the then current exercise price of the right. In addition, if the Company is involved in a merger or other business combination transaction with another person after which the Company's common stock does not remain outstanding, or if the Company sells 50 percent or more of its assets or earning power to another person, each right will entitle its holder to purchase a number of shares of common stock of such other person having a market 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, or as adjusted to reflect stock splits or similar transactions, at any time until the tenth day following public announcement that a person or group has acquired 20 percent or more of the Company's common stock.

Common Stock

There were 9,738,718 common shares reserved for the exercise of stock options and contributions to the Company's Thrift and Profit Sharing and Pre-Tax Savings plans at December 31, 1996.

Stock Options

The Company has elected to follow APB No. 25, "Accounting for Stock Issued to Employees," in accounting for employee stock options. The alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," requires use of option valuation models that were not developed for use in valuing 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.

In the opinion of management, the existing fair value models do not provide a reliable measure of the

(Dollar amounts in thousands; per-share amounts in dollars)

value of employee stock options. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. The Company's employee stock options have characteristics significantly different from those of traded options. In addition, option valuation models require highly subjective assumptions including the expected stock price volatility. Changes in these assumptions can materially affect the fair value estimate.

SFAS No. 123 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:

	1996	1995
Risk-free interest rate	6.6%	6.2%
Dividend yield	1.0%	1.0%
Expected volatility of the Company's common stock	.206	.203
Expected life	5.4 years	5.3 years

The weighted-average fair value of options granted in 1996 and 1995 was $5.58 and $6.98, respectively. For purposes of pro forma disclosures, the estimated fair value of options is amortized to expense over the option's vesting period. During 1995, only grants awarded during the year are amortized. During 1996, amortization attributable to grants awarded in both 1995 and 1996 impacts pro forma results. The Company's reported and pro forma information follows:

	1996	1995
Net income:		
Reported	$107,884	$112,820
Pro forma	107,363	112,653
Earnings per share:		
Reported	$1.30	$1.35
Pro forma	1.29	1.35

The Company's 1981, 1986 and 1996 incentive stock option plans 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 1981 and 1986 plans were amended in 1988 to allow the granting of nonqualified stock options. Nonqualified stock options 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 these plans which were outstanding at December 31, 1996 have a term of ten years and become exercisable 50 percent after the first year and 100 percent after the second year.

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	Price Range Per Share
January 1, 1994			
Outstanding	454,769	$16.10	$ 5.09 - $34.69
Granted under 1986 plan	75,000	24.50	24.50
Granted under 1991 plan	2,910	26.44	26.44
Exercised	(52,304)	9.43	5.09 - 15.19
Cancelled	(5,143)	23.65	12.16 - 34.69
December 31, 1994			
Outstanding	475,232	18.15	5.09 - 34.69
Exercisable	*355,522*	*15.93*	
Granted under 1986 plan	103,800	24.13	24.13
Granted under 1991 plan	3,153	24.25	24.25
Exercised	(27,900)	10.87	5.09 - 25.00
Cancelled	(13,110)	24.90	24.13 - 25.00
December 31, 1995			
Outstanding	541,175	19.54	5.09 - 34.69
Exercisable	*397,822*	*17.85*	
Granted under 1991 plan	1,703	24.31	24.31
Granted under 1996 plan	140,900	18.50	18.50
Exercised	(10,400)	10.23	5.09 - 15.19
Cancelled	(27,786)	19.57	5.09 - 34.69
December 31, 1996			
Outstanding	645,592	19.47	5.09 - 34.69
Exercisable	*454,439*	*19.24*	

The weighted average remaining contractual life of options outstanding at December 31, 1996 is 6.7 years.

SFAS No. 123 also requires segregated disclosure of options outstanding if a significant range of exercise prices exists. This information is presented below:

	December 31, 1996	1995	1994
Options with an exercise price of less than $20:			
Options outstanding	327,046	205,846	233,446
Weighted average exercise price	$14.45	$11.19	$11.13
Remaining contractual life	6.2	4.6	5.6
Options exercisable	187,646	205,846	233,446
Weighted average exercise price	$11.44	$11.19	$11.13
Options with an exercise price equal to or greater than $20:			
Options outstanding	318,546	335,329	241,786
Weighted average exercise price	$24.63	$24.67	$24.92
Remaining contractual life	7.2	8.2	8.5
Options exercisable	266,793	191,976	122,076
Weighted average exercise price	$24.73	$25.00	$25.11

The status of options exercisable and available for grant for each plan is as follows:

	1981 Plan	1986 Plan	1991 Plan	1996 Plan
December 31, 1994				
Exercisable	24,024	326,022	5,476	
Available for grant	–	1,236,990	91,378	
December 31, 1995				
Exercisable	22,424	367,012	8,386	
Available for grant	–	1,146,300	88,225	
December 31, 1996				
Exercisable	22,424	425,712	6,303	–
Available for grant	–	–	90,758	3,060,600

Postretirement Benefits Other Than Pensions

The Company currently provides certain health care and life insurance benefits for its active and retired employees. If the Company does not terminate such benefits, or modify coverage or eligibility requirements, substantially all of the Company's United States 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. In recent years benefit changes have been implemented throughout the Company.

The Company continues to fund these benefit costs as claims are incurred. Postretirement benefits expense for 1996, 1995 and 1994 included the following components:

	1996	1995	1994
Service cost	$ 3,254	$ 2,607	$ 3,022
Interest cost	10,674	9,810	10,803
Amortization	–	(333)	261
	$13,928	$12,084	$14,086

The status of the Company's plans at December 31, 1996 and 1995 was as follows:

	1996	1995
Accumulated postretirement benefits obligation (APBO):		
Retirees	$ 78,378	$ 71,077
Fully eligible active plan participants	26,413	25,131
Other active plan participants	39,143	37,314
	143,934	133,522
Deferred gain	2,836	6,041
Postretirement benefits liability	$146,770	$139,563

These amounts are included in the accompanying balance sheet captions:

	1996	1995
Accrued liabilities	$ 7,700	$ 6,600
Postretirement benefits other than pensions	139,070	132,963
	$146,770	$139,563

The discount rate used in determining the APBO was 8.0 percent in 1996 and 1995. At December 31, 1996, the assumed average annual rate of increase in the cost of health care benefits (health care cost trend rate) was 9.0 percent for 1997 declining by 1/2 percent per year through 2004 when the ultimate rate of 5.5 percent is attained. This trend rate assumption has a significant effect on the amounts reported above. A 1.0 percent increase in the health care cost trend rate would increase the APBO by $5,057 and the net periodic expense by $441 for the year.

The Company has a Voluntary Employees' Beneficiary Trust and Welfare Benefits Plan (VEBA) to fund health benefits for eligible active and retired employees. The pre-funded amount was $11,400 in 1996 and $11,000 in 1995.

(Dollar amounts in thousands; per-share amounts in dollars)

Pensions

The Company has defined benefit plans covering substantially all employees. The 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 hourly plans provide benefits of stated amounts for each year of service. The Company's general funding policy is to contribute amounts deductible for Federal income tax purposes.

Pension expense for 1996, 1995 and 1994 included the following components:

	1996	1995	1994
Service cost	$13,811	$ 9,833	$ 9,769
Interest cost	24,707	20,374	17,485
Actual return on plan assets	(44,559)	(54,268)	1,565
Net amortization and deferral	24,144	38,966	(17,201)
Net periodic pension cost	$18,103	$14,905	$11,618

The increases in service and interest costs in 1996 result from changes in certain demographic actuarial assumptions made at December 31, 1995.

The plans' assets consist of cash, cash equivalents and marketable securities. The funded status of the Company's plans at December 31, 1996 and 1995 was as follows:

	December 31, 1996		December 31, 1995	
	Plans for Which		Plans for Which	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	$147,256	$120,221	$131,996	$108,028
Accumulated benefit obligation	$150,416	$123,905	$135,171	$111,320
Projected benefit obligation	$218,512	$124,911	$203,446	$112,845
Plans' assets at fair value	225,077	95,195	187,831	82,144
Projected benefit obligation less than (in excess of) plan assets	6,565	(29,716)	(15,615)	(30,701)
Unrecognized transition amount	4,485	2,326	5,175	2,723
Unrecognized prior service cost	93	9,818	–	8,014
Unrecognized net loss	12,736	12,753	33,093	15,895
Adjustment for minimum liability	–	(24,709)	–	(26,117)
Pension asset (liability) recognized in the Balance Sheet	$ 23,879	$ (29,528)	$ 22,653	$ (30,186)

The assumed rate of increase in future compensation levels was 5.5 percent and the assumed discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5 percent at December 31, 1996 and 1995. The expected long-term rate of return on the plans' assets was 10 percent in 1996, 1995 and 1994.

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

The Company sponsors several defined contribution plans for its employees. Substantially all 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 $8,331, $8,489 and $7,723 for 1996, 1995 and 1994, respectively.

Income Taxes

The provision for income taxes consists of the following:

	1996	1995	1994
Current:			
Federal	$44,250	$51,141	$60,819
State and local	5,862	6,753	9,798
	50,112	57,894	70,617
Deferred:			
Federal	12,096	8,062	7,677
State and local	2,000	1,294	1,306
	14,096	9,356	8,983
	$64,208	$67,250	$79,600

The effective income tax rate differs from the statutory Federal tax rate as follows:

	1996	1995	1994
Statutory Federal tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of Federal income tax benefit	3.0	2.9	3.5
Other	(0.7)	(0.6)	(0.3)
Effective income tax rate	37.3%	37.3%	38.2%

Payments for income taxes in 1996, 1995 and 1994 were $57,884, $53,110 and $70,634, 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 as of December 31, 1996 and 1995 are as follows:

	1996	1995
Deferred tax liabilities:		
Property, plant and equipment	$87,327	$75,238
Other	28,647	23,945
Total deferred tax liabilities	115,974	99,183
Deferred tax assets:		
Postretirement benefits other than pensions	50,661	48,163
Other	24,175	25,025
Total deferred tax assets	74,836	73,188
Net deferred tax liabilities	$41,138	$25,995

These amounts are included in the accompanying balance sheet captions:

	1996	1995
Prepaid expenses and deferred income taxes	$11,630	$10,661
Deferred income taxes	52,768	36,656
Net deferred tax liabilities	$41,138	$25,995

Lease Commitments

The Company rents certain manufacturing facilities and equipment under long-term leases expiring at various dates. Rental expense for operating leases was $7,242 for 1996, $6,696 for 1995 and $6,235 for 1994.

Future minimum payments for all noncancelable operating leases during the next five years are as follows: 1997 - $2,596; 1998 - $2,127; 1999 - $1,580; 2000 - $856; 2001 - $564.

Earnings Per Share

Net income per share is based upon the weighted average number of shares outstanding which were 83,213,960 in 1996, 83,645,864 in 1995 and 83,623,234 in 1994. The effect of common stock equivalents is not significant for any period presented.

Subsequent Event

On February 18, 1997, the Company, through a wholly-owned United Kingdom subsidiary, signed an agreement to acquire the tire operations of Avon Rubber p.l.c. (Avon) of the United Kingdom, pending approval of Avon's shareholders in March of 1997. This purchase includes the land and manufacturing facility in Melksham, England; the shares of Avon Tyres Limited and the shares of tire distribution companies in France, Germany and Switzerland; and other minor assets. In a separate transaction the Company is acquiring from Avon various trademarks and technology. The total purchase price for the land, manufacturing facility, shares, trademarks and technology will be approximately $110 million. The Company intends to finance debt associated with the Avon acquisition on a long-term basis through sale of debt securities using its existing Shelf Registration with the Securities and Exchange Commission. The Avon tire operations had sales of $169 million and after tax income of $6.5 million for their fiscal year ended September 28, 1996.

CONSOLIDATED BALANCE SHEETS

December 31

(Dollar amounts in thousands; per-share amounts in dollars)

Assets	1996	1995
Current assets:		
Cash and cash equivalents	$ 19,459	$ 23,187
Accounts receivable, less allowances of $3,700 in 1996 and $3,600 in 1995	267,149	257,049
Inventories:		
Finished goods	87,105	88,470
Work in process	13,419	13,154
Raw materials and supplies	41,094	36,340
	141,618	137,964
Prepaid expenses and deferred income taxes	15,399	12,384
Total current assets	443,625	430,584
Property, plant and equipment:		
Land and land improvements	23,641	23,038
Buildings	265,118	228,877
Machinery and equipment	882,774	765,192
Molds, cores and rings	69,316	50,626
	1,240,849	1,067,733
Less accumulated depreciation and amortization	448,430	388,857
Net property, plant and equipment	792,419	678,876
Other assets	36,965	34,241
	$1,273,009	$1,143,701

See Financial Review, pages 14 to 19.

Liabilities and Stockholders' Equity	1996	1995
Current liabilities:		
Notes payable	$ 32,000	$ –
Accounts payable	81,571	78,823
Accrued liabilities	65,727	63,676
Income taxes	3,116	10,834
Current portion of debt	5,081	5,035
Total current liabilities	187,495	158,368
Long-term debt	69,489	28,574
Postretirement benefits other than pensions	139,070	132,963
Other long-term liabilities	37,575	38,341
Deferred income taxes	52,768	36,656
Commitments	–	–
Stockholders' equity:		
Preferred stock, $1 par value; 5,000,000 shares authorized; none issued	–	–
Common stock, $1 par value; 300,000,000 shares authorized; 83,672,372 shares issued (83,661,972 in 1995)	83,672	83,662
Capital in excess of par value	2,027	1,931
Retained earnings	754,481	672,373
Minimum pension liability	(7,434)	(9,167)
	832,746	748,799
Less: 2,305,500 common shares in treasury at cost	(46,134)	–
Total stockholders' equity	786,612	748,799
	$1,273,009	$1,143,701

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31

(Dollar amounts in thousands; per-share amounts in dollars)

	1996	1995	1994
Revenues:			
Net sales	$1,619,345	$1,493,622	$1,403,243
Other income	824	3,836	2,282
	1,620,169	1,497,458	1,405,525
Costs and expenses:			
Cost of products sold	1,366,549	1,242,895	1,125,978
Selling, general and administrative	79,874	73,796	68,748
Interest	1,654	697	2,680
	1,448,077	1,317,388	1,197,406
Income before income taxes	172,092	180,070	208,119
Provision for income taxes	64,208	67,250	79,600
Net income	$ 107,884	$ 112,820	$ 128,519
Net income per share	$1.30	$1.35	$1.54

See Financial Review, pages 14 to 19.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollar amounts in thousands; per-share amounts in dollars)

	Common Stock $1 Par Value	Capital In Excess of Par Value	Retained Earnings	Minimum Pension Liability	Common Shares in Treasury	Total
Balance at January 1, 1994	$83,582	$1,215	$472,852	$ (7,463)	$ –	$550,186
Net income			128,519			128,519
Exercise of stock options	52	441				493
Cash dividends - $.23 per share			(19,234)			(19,234)
Minimum pension liability adjustment, net of income taxes				2,113		2,113
Balance at December 31, 1994	83,634	1,656	582,137	(5,350)	–	662,077
Net income			112,820			112,820
Exercise of stock options	28	275				303
Cash dividends - $.27 per share			(22,584)			(22,584)
Minimum pension liability adjustment, net of income taxes				(3,817)		(3,817)
Balance at December 31, 1995	83,662	1,931	672,373	(9,167)	–	748,799
Net income			107,884			107,884
Purchase of treasury shares					(46,134)	(46,134)
Exercise of stock options	10	96				106
Cash dividends - $.31 per share			(25,776)			(25,776)
Minimum pension liability adjustment, net of income taxes				1,733		1,733
Balance at December 31, 1996	$83,672	$2,027	$754,481	$ (7,434)	$ (46,134)	$786,612

See Financial Review, pages 14 to 19.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

(Dollar amounts in thousands; per-share amounts in dollars)

	1996	1995	1994
Operating activities:			
Net income	$107,884	$112,820	$128,519
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	76,820	63,313	55,603
Deferred income taxes	14,096	9,356	8,983
Changes in operating assets and liabilities:			
Accounts receivable	(10,100)	(35,812)	(39,034)
Inventories and prepaid expenses	(6,669)	(20,159)	(6,174)
Accounts payable and accrued liabilities	4,799	2,052	24,698
Postretirement benefits other than pensions	7,207	6,315	8,170
Other	(5,830)	3,051	(828)
Net cash provided by operating activities	188,207	140,936	179,937
Investing activities:			
Property, plant and equipment	(193,696)	(194,894)	(78,449)
Other	604	1,258	88
Net cash used in investing activities	(193,092)	(193,636)	(78,361)
Financing activities:			
Issuance of debt	162,000	–	13,000
Payment on debt	(89,039)	(5,117)	(18,349)
Purchase of treasury shares	(46,134)	–	–
Payment of dividends	(25,776)	(22,584)	(19,234)
Issuance of common shares	106	303	493
Net cash provided by (used in) financing activities	1,157	(27,398)	(24,090)
Changes in cash and cash equivalents	(3,728)	(80,098)	77,486
Cash and cash equivalents at beginning of year	23,187	103,285	25,799
Cash and cash equivalents at end of year	$ 19,459	$ 23,187	$103,285

See Financial Review, pages 14 to 19.

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, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. 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, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Toledo, Ohio
February 11, 1997,
except for the Subsequent Event,
as to which the date is
February 18, 1997

Ernst & Young LLP

ELEVEN-YEAR SUMMARY OF OPERATIONS AND FINANCIAL DATA

	Net Sales	Gross Margin	Operating Margin	Income Before Income Taxes†	Income Taxes	Income†	Net Income
1996	$1,619,345	$252,796	$172,922	$172,092	$64,208	$107,884	$107,884
1995	1,493,622	250,727	176,931	180,070	67,250	112,820	112,820
1994	1,403,243	277,265	208,517	208,119	79,600	128,519	128,519
1993	1,193,648	228,295	166,013	164,250	62,040	102,210	102,210
1992	1,174,728	229,332	170,646	169,841	61,670	108,171	43,211
1991	1,001,071	180,432	128,495	124,465	45,030	79,435	79,435
1990	895,896	155,892	108,715	104,874	38,410	66,464	66,464
1989	866,805	139,482	94,188	92,624	34,380	58,244	58,244
1988	748,032	106,419	66,575	64,912	23,850	41,062	41,062
1987	665,775	93,877	56,031	53,090	22,410	30,680	30,680
1986	577,517	81,515	46,432	43,138	20,120	23,018	23,018

	Stockholders' Equity	Total Assets	Working Capital	Net Property, Plant & Equipment	Capital Expenditures	Depreciation & Amortization	Long-term Debt
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
1992	471,474	796,858	175,154	460,373	110,157	38,077	48,075
1991	439,648	670,572	144,285	388,557	85,954	31,969	53,512
1990	369,003	616,458	167,291	334,794	100,141	27,615	91,027
1989	310,064	519,893	150,285	262,445	73,182	23,393	65,727
1988	257,756	442,582	143,101	212,923	70,621	19,873	67,790
1987	221,566	413,306	154,283	162,447	41,507	18,436	70,059
1986	195,151	367,715	153,538	139,721	26,548	16,666	76,795

	Return On Beginning Equity†	Return On Beginning Assets†	Current Ratio	Pretax Margin†	Effective Tax Rate†	Return On Sales†	Long-term Debt To Capitalization
1996	14.4%	9.4%	2.4	10.6%	37.3%	6.7%	8.1%
1995	17.0	10.9	2.7	12.1	37.3	7.6	3.7
1994	23.4	14.4	3.0	14.8	38.2	9.2	4.8
1993	21.7	12.8	2.6	13.8	37.8	8.6	6.6
1992	24.6	16.1	2.3	14.5	36.3	9.2	9.3
1991	21.5	12.9	2.2	12.4	36.2	7.9	10.9
1990	21.4	12.8	2.7	11.7	36.6	7.4	19.8
1989	22.6	13.2	2.5	10.7	37.1	6.7	17.5
1988	18.5	9.9	2.7	8.7	36.7	5.5	20.8
1987	15.7	8.3	2.6	8.0	42.2	4.6	24.0
1986	13.1	7.8	3.1	7.5	46.6	4.0	28.2

† Prior to cumulative effect of changes in accounting in 1992 for postretirement benefits other than pensions and income taxes.

** Share data reflects stock splits in 1992, 1990 and 1988.*

‡ Excluding Federal excise taxes.

(Dollar amounts in thousands; per-share amounts in dollars)

	Income Per Share*†	Net Income Per Share*	Equity Per Share*	Dividends Per Share*	Common Shares Average (000)*	Common Shares Year End (000)*
1996	$1.30	$1.30	$9.67	$.31	83,214	81,367
1995	1.35	1.35	8.95	.27	83,646	83,662
1994	1.54	1.54	7.92	.23	83,623	83,634
1993	1.22	1.22	6.58	.20	83,550	83,582
1992	1.30	.52	5.65	.17	83,357	83,511
1991	.96	.96	5.30	.13	82,738	82,962
1990	.81	.81	4.47	.11	82,391	82,519
1989	.71	.71	3.77	.09	82,077	82,259
1988	.50	.50	3.15	.07	81,583	81,821
1987	.38	.38	2.72	.06	81,258	81,383
1986	.28	.28	2.40	.05	80,864	81,152

	Number of Stockholders	Number of Employees	Wages & Benefits	Total Taxes‡	Research & Development	Stock Price* High	Stock Price* Low	Price/Earnings Average Ratio†
1996	5,991	8,932	$440,393	$102,097	$19,700	$27.25	$18.00	17.4
1995	6,721	8,284	411,694	101,884	16,000	29.63	22.25	19.2
1994	7,623	7,815	382,002	111,504	14,700	29.50	21.63	16.6
1993	8,096	7,607	346,062	91,479	15,100	39.63	20.00	24.4
1992	6,142	7,207	329,396	46,432	13,700	35.63	22.00	22.2
1991	4,492	6,545	266,683	67,933	14,000	26.25	7.88	17.8
1990	4,459	6,225	256,076	59,802	10,800	10.50	6.19	10.3
1989	3,871	6,041	233,881	54,020	10,300	9.75	5.63	10.8
1988	3,627	6,031	217,480	41,743	11,200	6.81	3.53	10.3
1987	3,516	5,720	189,209	39,056	10,300	4.97	2.78	10.3
1986	3,138	5,398	165,458	34,801	8,900	3.60	2.16	10.1

SELECTED QUARTERLY DATA

(Unaudited)

1996	Net Sales	Gross Margin	Net Income	Net Income Per Share	Dividend Per Share	Stock Price High	Stock Price Low
Fourth	$416,277	$71,704	$32,700	$.40	$.085	$21 7/8	$18 3/4
Third	423,172	64,095	26,913	.32	.075	22 3/8	18
Second	398,858	60,292	25,162	.30	.075	26 5/8	21 7/8
First	381,038	56,705	23,109	.28	.075	27 1/4	22 3/4
1995							
Fourth	$381,899	$70,224	$33,894	$.41	$.075	$25 3/4	$22 1/4
Third	375,004	61,505	27,048	.32	.075	27 3/8	23 5/8
Second	371,366	57,576	24,661	.29	.060	29 1/8	22 7/8
First	365,353	61,422	27,217	.33	.060	29 5/8	23 3/8

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

KeyCorp Shareholder Services, Inc.
P.O. Box 6477
Cleveland, Ohio 44101-1477
(800) 542-7792

FOR INFORMATION

Tires and tubes – (800) 854-6288
Engineered products – (219) 925-0700

Common stock and dividends – (419) 424-4233

ANNUAL MEETING

The annual meeting of stockholders will be held at 10 a.m., Tuesday, May 6, 1997 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 25, 1997 upon written request to: Secretary, Cooper Tire & Rubber Company, Findlay, Ohio 45839-0550.

BOARD OF DIRECTORS

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

Delmont A. Davis[1]
Retired President
and Chief Executive Officer,
Ball Corporation (Manufacturing)

Edsel D. Dunford[1]
Retired 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)

Allan H. Meltzer[2]
University Professor of Political Economy
and Public Policy, Carnegie-Mellon
University (Education)

J. Alec Reinhardt[3]
Executive Vice President
and Chief Financial Officer
of the Company

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

John H. Shuey[1]
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

EXECUTIVE OFFICERS

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

J. Alec Reinhardt
Executive Vice President and Chief Financial Officer

John Fahl
Vice President

Julien A. Faisant
Vice President

Robert C. Gasser
Vice President

William C. Hattendorf
Vice President and Treasurer

Keith L. Jolliff
Vice President

William S. Klein
Vice President

Richard D. Teeple
Vice President and General Counsel

Stan C. Kaiman
Secretary

Eileen B. White
Corporate Controller

Stephen O. Schroeder
Assistant Treasurer

MANUFACTURING FACILITIES

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Albany, Georgia 31705
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Bowling Green
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El Dorado, Arkansas 71730
(501) 862-6441

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Findlay, Ohio 45839-0550
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Mt. Sterling, Kentucky 40353
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Rio Grande SerVaas, S.A. de C.V.
Victoria Norte 2707
Piedras Negras, Coahuila
Mexico, C.P. 26010

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3500 East Washington Road
Texarkana, Arkansas 71854
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Tupelo
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DISTRIBUTION CENTERS

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Albany, Georgia 31705
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