

MYERS INDUSTRIES INC

Form 10-K

March 16, 2007

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2006

Commission File Number 001-08524

MYERS INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

OHIO

(State or other jurisdiction of
incorporation or organization)

34-0778636

(IRS Employer Identification Number)

1293 S. Main Street, Akron, Ohio

(Address of Principal Executive
Offices)

44301

(Zip Code)

(330) 253-5592

(Telephone Number)

Securities Registered Pursuant to
Section 12(b) of the Act:
Common Stock, Without Par Value
(Title of Class)

Name of Each Exchange
On which registered:
New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

State the aggregate market value of the voting and non-voting common equity stock held by non-affiliates computed by reference to the closing sale price on the New York Stock Exchange as of June 30, 2006: \$420,933,150.

Indicate the number of shares outstanding of registrant's common stock as of March 9, 2007: 35,110,203 Shares of Common Stock, without par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for its 2007 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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PART I

ITEM 1. Business

(a) General Development of Business

Myers Industries, Inc. (the Company), an Ohio Corporation, was founded in Akron, Ohio, in 1933. The Company grew from the vision of two brothers, Louis and Meyer Myers, and a partnership based on a \$620 loan, tire repair merchandise, and a used truck. The new venture was named Myers Tire Supply and serviced tire dealers and retreaders through distribution of tools and supplies needed to grow their businesses. The Company expanded into manufacturing operations in the post-war 1940's and in 1963 was renamed Myers Industries, Inc. to reflect its diversity. In 1971, the Company went public, and the stock is traded today on the New York Stock Exchange under the ticker symbol MYE.

Still headquartered in Akron, Ohio, Myers Industries has grown from a small storefront into a premier, international manufacturing and distribution business. Today, the Company manufactures a diverse range of polymer products for industrial, agricultural, automotive, commercial, and consumer markets. Myers Industries is a leader in the manufacturing of plastic reusable material handling containers and pallets and North America's leading producer of plastic horticultural pots, trays, and flower planters. Other principal product lines include plastic storage and organization containers, plastic and rubber OEM parts, rubber tire repair products, and custom plastic and rubber products.

The Company is also the largest wholesale distributor of tools, equipment, and supplies for the tire, wheel, and undervehicle service industry in the United States. The distribution products range from tire balancers and alignment systems to valve caps, tire repair tools, and other consumable service supplies.

As of March 9, 2007, the Company included: 23 manufacturing facilities and 43 distribution branches located throughout North, Central, and South America; approximately 12,000 manufactured products and 10,000 distributed products; and nearly 5,000 employees.

Serving customers around the world, products and related services from Myers Industries' brands provide a wide range of performance benefits to customers in diverse niche markets. Some of these benefits include increasing productivity, lowering material handling costs, improving product quality, reducing labor costs, shortening assembly times, eliminating solid waste, and increasing profitability. The Company's business strategy—the Strategic Business Evolution—is focused on sustainable, profitable growth and is guided by five key operating principles: 1) Business Growth, 2) Customer Satisfaction, 3) Cost Control, 4) Organizational Development, and 5) Positioning the Business for the Future. Applying these within our Strategic Business Evolution, the Company emphasizes:

Industry-leading innovation of niche, value added products;

Being the low-cost provider of certain commodity products where our brands excel;

Achieving leadership in key product areas through breadth of offering, consistent quality, and superior customer service;

Concentrating our efforts on niche markets where our capabilities create profit opportunities for our customers and ourselves;

Leveraging brand equity and capabilities to grow business with existing customers and cultivate new ones, particularly in emerging growth markets where we can deliver the greatest value and achieve the best returns;

Investing in new technologies and processes to reinforce customer satisfaction and market strength across our key business segments;

Succession plans through our management teams at all levels in the Company, ensuring the right people are in the right positions to grow;

Selective acquisitions as opportunities arise to enhance our leadership in key markets;

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Potential divestiture of businesses with non-strategic products or markets, aligning our resources with the best avenues for long-term, profitable growth potential; and

Consolidation and rationalization initiatives to reduce costs and improve productivity within the Company's manufacturing and distribution footprint.

The Company's segments and brands are under continuous review for strategic fit and growth potential. The review process is dedicated to strengthening innovation, enhancing brand leadership in our markets, building strong customer relationships, and positioning the Company to grow on a sustainable basis.

(b) Financial Information About Segments

The response to this section of Item 1 is contained in the Industry Segments footnote of the Notes to the Consolidated Financial Statements under Item 8 of this report.

(c) Description of Business

The Company conducts its business activities in four distinct business segments, including three in manufacturing and one in distribution. The manufacturing segments consist of: North American Material Handling, Lawn and Garden, and Automotive and Custom. During the year ended December 31, 2006, the Company also included one other manufacturing segment, European Material Handling, which was announced for divestiture and moved to discontinued operations status in the third quarter of 2006. The businesses in that segment were subsequently sold in February 2007 (see Subsequent Events footnote).

In our manufacturing segments, we design, manufacture, and market a variety of plastic and rubber products. These range from plastic reusable material handling containers and small parts storage bins to plastic horticultural pots and hanging baskets, decorative resin planters, plastic and rubber OEM parts, tire repair materials, and custom plastic and rubber products. The Distribution Segment is engaged in the distribution of tools, equipment and supplies used for tire, wheel and undervehicle service on passenger, heavy truck and off-road vehicles.

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The following table summarizes the key attributes of our business segments in continuing operations for the year ended December 31, 2006:

| 2006 Continuing Operations(1) | North American Material Handling | Lawn & Garden | Automotive & Custom | Distribution |
|--------------------------------------|---|---|--|---|
| Net Sales | \$240.1M | \$160.2M | \$204.7M | \$197.3M |
| % of 2006 Total Net Sales(2) | 31% of total net sales | 21% of total net sales | 26% of total net sales | 25% of total net sales |
| Key Product Areas | Plastic Reusable Containers & Pallets Plastic Storage & Organization Products Plastic Carts Metal Carts Wooden Dollies Custom Products | Plastic Horticultural Pots, Trays, Flats & Hanging Baskets Decorative Resin Planters Custom Products | Rubber & Plastic Original Equipment Replacement Parts Tire Repair & Retreading Products Highway Markings Industrial Rubber Custom Rubber & Plastic Products | Tire Valves & Accessories Tire Changing & Balancing Equipment Lifts & Alignment Equipment Service Equipment Hand Tools Tire Repair & Retread Equipment & Supplies Brake, Transmission & Allied Service Equipment & Supplies |
| Product Brands | Akro-Mil [®] Buckhorn [®] | Dille [®] List [®] Pro Cal [®] | Ameri-Kalt [®] Buckhorn Rubber [®] Michigan Rubber [®] Patch Rubber [®] WE [®] | Myers Tire Supply [®] Myers do Bras [®] |
| Key Capabilities & Services | Product Design Prototyping Product Testing Material Formulation Injection Molding Structural Foam Molding Metal Forming Wood Fabrication Powder Coating Material Regrind & Recycling | Product Design Prototyping Testing Material Formulation Injection Molding Thermoforming Co-Extrusion Thermoforming Custom Printing & Labeling Material Regrind & Recycling | Rubber Mixing Rubber Compounding Rubber Calendering Rubber Extrusion Rubber Injection Molding Rubber Compression & Transfer Molding Rubber & Plastic Blow Molding Co-Extrusion Blow Molding Rubber-to-Metal Bonding Rubber-to-Plastic Bonding Plastic Rotational Molding | Broad Sales Coverage Local Sales & Inventory International Distribution Personalized Service National Accounts Product Training Repair/Service Training New Products Speed to Market |

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| | | | | |
|---------------------------|---------------------|-----------------|----------------------|---------------------|
| Representative Markets | Agriculture | Horticulture: | Agricultural Vehicle | |
| | Automotive | - Growers | Automotive OEM | Retail Tire Dealers |
| | Commercial | - Nurseries | Construction Vehicle | Truck Tire Dealers |
| | Food Processing | - Greenhouses | Heavy Truck | Auto Dealers |
| | Food Distribution | - Retail Garden | Industrial | Commercial Auto & |
| | Healthcare | Centers | Mining | Truck Fleets |
| | Industrial | Consumer | Recreational Marine | General Repair & |
| | Manufacturing | - Retail Garden | Recreational Vehicle | Services Facilities |
| | Retail Distribution | Centers | Road Construction | Tire Retreaders |
| | | - Retail Home | Sporting Goods | Governmental |
| | | Centers | Telecommunications | Agencies |
| | | | Water Control | |

(1) During the third quarter of 2006, the Company announced its intention to divest the European Material Handling Segment, which included the Allibert-Buckhorn and raaco International businesses and six

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manufacturing facilities located in France, Spain, and the United Kingdom (U.K.). The segment is reported as discontinued operations for the year ended December 31, 2006, and represented net sales of \$170.9 million. Sale of the businesses in the European Segment was completed on February 1, 2007. For more details, see Subsequent Events footnote.

Manufacturing Segment Overview

In the Company's three manufacturing segments, we design, manufacture, and market more than 12,000 plastic and rubber products. Depending on the product brand, our manufactured products are sold nationally and internationally by direct sales forces, independent sales representatives, distributors, or a mix of those sources.

For the year ended December 31, 2006, the Company's manufacturing facilities in continuing operations included 20 in the United States, one in Canada and one in Brazil. The subsequent acquisition of ITML Horticultural Products Inc. on January 9, 2007, added three manufacturing facilities in the United States and five in Canada (see Lawn and Garden Segment description that follows and Subsequent Events footnote). In February 2007, the Company consolidated operations from one facility to another in its Automotive and Custom Segment as a move to improve productivity and reduce costs. As of March 5, 2007, the Company's manufacturing footprint included 29 facilities located in North and South America.

North American Material Handling Segment

The North American Material Handling Segment, the largest segment in net sales dollars, includes plastic reusable material handling containers and pallets for markets such as automotive, appliance, general manufacturing, distribution, agriculture, retail, and food processing. Myers Industries has a leadership position across these markets through its strong Buckhorn® and Akro-Mils™ brands. This leadership was built and is maintained through constant innovation, diverse manufacturing processes, consistent quality, and superior customer service, resulting in significant productivity and cost-saving benefits for our customers.

Buckhorn's reusable containers and pallets are used in closed-loop supply chains to replace single-use cardboard boxes, easily damaged wooden pallets, and high-cost steel containers to help customers reduce material handling costs. Cost-reduction benefits include: improving product protection, increasing handling efficiencies, reducing freight costs, and eliminating solid waste and disposal costs. Small parts bins, storage systems, and transport products from Akro-Mils provide similar benefits, along with storage and organization efficiency throughout customers' operations.

The Buckhorn brand in the North American Material Handling Segment offers a product selection rich in both breadth and depth, as well as a direct sales force with the packaging and material handling expertise that makes Buckhorn a key solutions partner for our customers. Buckhorn's product line spans injection-molded hand-held containers and totes; injection and structural foam-molded collapsible and fixed wall bulk transport containers; and injection, structural foam, thermoformed, and blow-molded shipping pallets—all in a wide range of sizes and styles. Buckhorn also produces a wide range of custom products and protective material handling packaging. Customers count on Buckhorn's single-source efficiency and the productivity and profitability benefits delivered through value-added innovation, broad product selection, quality, and packaging services.

Buckhorn hand-held containers deliver significant cost-saving benefits to customers. Our attached lid, detached lid, bi-color, and specialty containers stack and/or nest for efficient space usage, thus lowering freight and storage costs. In automotive plants across North America, our container and pallet systems are reused hundreds of times to ship products as small as fasteners or as large as sidewall components from suppliers directly to assembly areas—protecting parts throughout the supply chain and reducing scrap rates. Our attached lid containers and pallets are used by leading retailers to receive their various products: the containers are used in retailers' regional distribution centers to organize

inventory, sort orders, and are then combined with pallets to transport products directly to stores. In the food processing and distribution industry, our specialty containers provide superior protection to food products while in transit and are more sanitary than cardboard boxes. For example, poultry is delivered to restaurants and grocery stores across the U.S. in a spill-proof container that we pioneered. Case-ready, packaged meats are delivered from processors to retailers in containers designed to accommodate specific cuts and

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package sizes, while maintaining optimal airflow for chilling. Other specialty containers protect delicate fruits and vegetables susceptible to costly damage while in transit from harvesting to processing.

With its Buckhorn brand, Myers manufactures a comprehensive selection of collapsible and fixed wall bulk transport containers for the North American material handling industry. Bulk containers perform both light- and heavy-duty tasks, whether distributing seed products, carrying large automotive components, or shipping liquids across long distances. These containers range in size from footprints of 32 inches by 30 inches to 70 inches by 48 inches; heights up to 65 inches; and weight capacities up to 3,000 pounds. Bulk containers are compatible with forklifts and pallet jacks for easy handling. Many of the containers collapse to a third of their size for space-saving stacking, storage, and return transport, thus helping to reduce freight and storage costs.

Examples of bulk container applications include our Center Flow SeedBoxes™, which are used by leading seed and feed distributors to efficiently transport and dispense up to 2,500 lbs. of their products. The unique SeedBox can be emptied in approximately 30 seconds, then broken down for return shipping and refilling, thus eliminating traditional seed bag packaging and the related environmental impact of burning bags in the fields. Automotive OEMs, manufacturers, and their suppliers employ our DunnageReady™ Bulk Container to ship sensitive parts direct to assembly areas. The DunnageReady Container accommodates custom-made, protective inserts to separate parts and prevent scratches to Class A painted surfaces or other costly damage. Manufacturers of tomato paste employ our Citadel® bulk containers to move processed tomato products across country in railcars. The smooth-sided, impact-resistant containers replace wooden crates and steel containers that can cause product damage and contamination. The Citadel and the new Citadel-v™, which features a valve outlet and unique valve cover door, carry up to 3,000 lbs. / 300 gallons of liquefied product, safely stack when fully loaded, and are designed for long-term indoor or outdoor storage of loads. This product line is applicable to other food processing and ingredient niches such as concentrates, oils, syrups, and similar products.

Buckhorn's plastic pallets interwork with the hand-held containers and totes to create a completely reusable system and provide efficient space utilization in plants, warehouses, and truck trailers helping customers to reduce storage and freight costs. Buckhorn also produces a wide range of specialty pallets for niche-type shipping applications, such as drum pallets for chemical and liquid transport.

Our Akro-Mils brand provides customers with everything needed to store, organize, and transport for greater productivity and profitability. This related mix of plastic, metal, and wooden material handling products serves industrial and commercial end-users through leading industrial supply catalogers and material handling distributors. Products range from AkroBins® the industry's leading small parts bins to Super-Size AkroBins, metal panel and bin hanging systems, metal storage cabinet and bin systems, metal shelving systems, plastic and metal transport carts, dollies, work benches, and a wide variety of custom storage and transport products. Capabilities used throughout the Akro-Mils product line include: injection molding, metal forming, powder-coat painting/metal finishing, and wood fabrication, as well as the additional capabilities through synergies with Buckhorn.

Akro-Mils products deliver their storage and organization solutions in a wide variety of applications, such as creating assembly line workstations, organizing medical supplies, and creating retail displays. Emphasis is placed on product bundling and customizing systems to create specific storage and organization configurations for customers' operations. For example, industrial manufacturers with specialized tool and parts storage areas known as tool cribs use a combination of Akro-Mils bins, racking, locking cabinets, work tables, and transport carts to speed assembly times, maintain accurate inventories, and reduce loss. Metal carts and dollies are paired with custom-made containers to create unique transport systems capable of handling parts and components both small and large. Our powder coating/painting capability allows for high-quality, scratch-resistant finishing of metal products in a multitude of colors and finish styles.

Cross-marketing and cross-selling are key synergies between the North American Material Handling Segment brands. Equally important are cross-manufacturing capabilities that allow each brand to offer customers a wider range of value-added design and molding benefits. In addition to standard material handling products, we utilize the extensive design and manufacturing capabilities between Buckhorn and Akro-Mils for turnkey production of custom material handling products: container inserts and protective dunnage, transport trays, modified or new container and pallet combinations, and other packaging, transport, or storage items tailored to customers applications.

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Sustainable, profitable growth in this segment is fueled by a strong focus on innovation with value-added new products, concentrating sales efforts on niche markets and applications, increasing awareness of plastic reusable material handling products to drive conversions from cardboard and wood products, and managing the balance of product pricing and raw material costs.

Lawn and Garden Segment

The Company's Lawn and Garden Segment brands include Dillen®, Pro Cal®, and Listo™ serving the needs of the North American floriculture/horticulture market. Our product selection, manufacturing capabilities, quality, and customer service lead the industry, which spans growers with 80-plus acre greenhouse facilities and small regional operations to retail garden centers and retail home centers.

Our Dillen and Pro Cal products for growers, available both direct and through a network of horticultural distributors, include the industry's most extensive range of injection-molded and thermoformed pots, hanging baskets, flats and carry trays, plug trays, nursery containers, propagation sheets and flats, and specialty pots. Dillen is focused on the broader range of products, while Pro Cal specializes in injection molded and thermoformed nursery containers. Product innovation for Dillen and Pro Cal is centered on the changing needs of the professional grower, including increased automation in growing operations, improving efficiency, and reducing costs. For example, Dillen recently introduced lightweight co-extruded (CoEx) thermoformed pots to provide growers with greater choice in pot styles, from light to heavy-duty, that meet their specific needs. CoEx pots have a thinner wall construction compared to injection pots and combine a color exterior with a black interior layer; that interior barrier helps to protect plant roots against potential sunlight damage in both grower and retailer operations.

In addition to working with growers on product innovation, we support their needs for branding and retail merchandising programs with services such as multi-color offset printing and adhesive labeling on our round and square pots. Exclusive products like our picturePot® graphic containers add to our leadership role in the branding sector of marketplace. These custom-made pots are designed specific to the grower and/or plant variety with vivid color photos, graphics, and care instructions. Pot designs are then printed on flat, polypropylene rolls, die-cut, and then formed into a variety of sizes. Once filled with plant material by the grower and shipped to retail, picturePots serve as packaging for plants and create vibrant point-of-sale materials. To meet growers' increased needs for branding both their names and their plant varieties, our Dillen brand expanded its printing and labeling operations with in-mold labeling. This process also allows for stunning graphics and colors to be printed on flat labels, which are then robotically inserted into the mold before the container is formed. Once molded, the label becomes part of the container. From offset printing and adhesive labeling to picturePot and in-mold labeling, we provide customers with the good, better, and best options for branding and merchandising their plant varieties.

In support of all of these printing and labeling programs, we also offer customers graphic design services to create logos, graphics, and marketing messages for their containers. This service allows customers one-stop shop efficiency for unique packaging for their plants.

Our Listo product line encompasses decorative resin planters that feature intricate molding details and finishes in ceramic, metallic, weathered stone, and textured styles. Sold into the retail channel, the upscale look and feel of these decorative planters capture the retailer's attention and the consumer's imagination. Products include a diverse offering of molded square and round planters, window boxes, urns, and hanging baskets for indoor and outdoor usage. Consistent new product development is key to success in the retail garden center and mass merchandiser channels. Proprietary molding and finishing processes, along with creative designs, deliver the unique look in the decorative resin planter category that sets our planters apart from the competition in leading retail stores across North America.

Consistent with its operating strategy, Myers Industries seeks to expand its industry leadership in the Lawn and Garden Segment through product innovation and selection, diverse manufacturing processes, customer satisfaction, and a wide variety of internal and external strategic growth initiatives. One major transaction for strategic growth occurred on January 9, 2007, when Myers Industries completed its purchase of ITML Horticultural Products Inc.[®] (ITML). The purchase solidified the Company's position as the largest manufacturer of plastic horticultural containers and related products in North America.

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ITML, based in Ontario, Canada, designs, manufactures, and sells plastic containers and related products for professional floriculture / horticulture grower markets across North America. ITML has more than 800 employees and eight facilities located in Canada and the U.S., utilizing injection molding, blow molding, and thermoforming processes, as well as extensive technology and expertise for resin reprocessing and recycling for use in its products. ITML is being integrated into Myers Industries Lawn and Garden Segment. This acquisition increases Myers grower and distributor market share in Canada and in the southern and western United States. The addition of ITML to Myers Lawn and Garden Segment represents a significant growth opportunity through expanded product lines and manufacturing capabilities, new sales channels and geographies, and synergistic activities among the brands. These key areas will allow the Company to align resources to meet the changing needs of the grower industry and to deliver the best long-term value for customers and other stakeholders.

Automotive and Custom Segment

Myers Industries serves diverse niche markets and customers with rubber and plastic products from the Automotive and Custom Segment. Through our Ameri-Kart™, Buckhorn Rubber™, Michigan Rubber™, Patch Rubber™, and WEK™ brands, we provide an array of engineered plastic and rubber original equipment and replacement parts, tire repair materials, and custom products. We offer a unique combination of product design, molding, and finishing expertise to support our customers' needs for efficient, single sourcing of parts and turnkey custom product development. In addition to our plastics molding capabilities, we also offer a full range of rubber molding processes that include: injection molding, compression and transfer molding, compounding, calendaring, and extrusion, blow molding, rubber-to-metal bonding and rubber-to-plastic bonding. Additional capabilities include custom rubber formulation, mixing, and testing.

The Michigan Rubber and WEK brands support passenger car and truck manufacturers to create rubber, plastic, and combination components and assemblies for a wide variety of vehicle platforms. Our proven track record and expertise affords us guest engineering status with many of the world's leading automakers and suppliers both transplants and domestics. Our molding and assembly capabilities produce a diversified product mix, which includes: air induction hoses, HVAC components, noise vibration dampers, grommets, bushings, tubing assemblies, seals, and gaskets.

Manufacturers of recreational vehicles (RV) and watercraft depend on our design expertise and production capabilities to provide them an assortment of products. Through our Ameri-Kart brand, rotationally-molded plastic water, waste handling, and fuel tanks are created and assembled to fit the precise space constraints within RV and marine vehicle designs. We utilize thermoforming and rotational molding to manufacture plastic trim and interior parts for RVs and helm consoles and seat frames for watercraft.

Additionally, rubber seals from our Buckhorn Rubber brand are used in several marine motor styles to protect transmission compartments against water damage.

Our Buckhorn Rubber brand excels in engineering, quality, and service to manufacturers of heavy trucks, trailers, construction and agriculture equipment. These customers expect custom-molded rubber air intake hoses, hood latches, boots, bellows, bushings, and other products to perform under the harshest conditions, whether under-the-hood or on the vehicle's body. As one example of our market strength, we provide air intake hoses in more than 200 standard fittings for the majority of Class 6 and 8 trucks. Our expertise in co-extrusion blow molding with three-dimensional capabilities utilizing both rubber and plastic allows us to create single-piece, complex parts. These parts possess both rigid and flexible features and extreme angles to meet the needs of changing vehicle design. As heavy trucks and off-road vehicles are redesigned, engineering and production synergies between our Buckhorn Rubber and Michigan Rubber brands will keep Myers Industries in a strong position to mold new components for our customers' precise

needs.

Specialized manufacturing expertise, including rubber-to-metal and rubber-to-plastic bonding, enables us to create a range of specific performance custom rubber products used in marine vehicles and lawn maintenance equipment. We also employ our unique rubber-to-metal bonding process to manufacture parts for the water control industry. These products include main valves for fire hydrants and mechanical joint gaskets for water supply lines used in residential and commercial construction.

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Our manufacturing of rubber products began more than 60 years ago with our Patch Rubber brand, initially making tire patches. Today, we manufacture the most comprehensive line of tire repair and retreading products in the United States. Service professionals depend on our product selection and quality for safe, cost-effective repairs to passenger, truck, and off-road tires. Products range from the plug that fills a puncture, the cement that seats the plug, the tire innerliner patch, and the final sealing compound. Patch brand repair products maintain a strong position in the tire service markets with exclusive sales through our Distribution Segment's branch network.

Also within the capabilities of Patch Rubber, we apply our rubber calendaring and compounding expertise to create a diverse portfolio of products outside of the tire repair market, such as reflective highway marking tapes. Our rubber-based tape and symbols provide the durability and brightness that construction professionals demand to replace paint for marking road repair, intersections, and hazardous areas. Compared with traditional highway paint, the tape stock is easier to apply, more reflective, and longer lasting. It is available in both temporary and permanent grades to meet the customers' specific requirements.

Other custom products represent a wide range of markets and applications. These include: plastic elevated toilet seats and tub rails for the healthcare market; plastic parts designed to replace high-cost steel components in commercial cooling towers; specialty tapes used for cable splicing in the telecommunications industry; custom rubber linings for material handling conveyors; and rubber sheet stock used as the base material to produce the world's top-selling line of golf grips.

With diverse production capabilities, Myers Industries' Automotive and Custom Segment brands are positioned to grow in niche markets with value-based plastic and rubber products.

Our Distribution Segment

The Company's Distribution Segment includes the Myers Tire Supply[®], Myers International[®], and Myers do Brasil[™] brands. With these, the Company is the largest U.S. distributor and single source for tire, wheel, and undervehicle service tools, equipment, and supplies. We buy and sell nearly 10,000 different items—everything that professionals need to service passenger, truck, and off-road tires and wheels. Independent tire dealers, mass merchandisers, commercial auto and truck fleets, tire retreaders, and general repair facilities rely on our broad product selection, rapid availability, and personal service to be more productive and profitably grow their business.

Within the continental United States, we provide widespread distribution and sales coverage from 36 branches positioned in major metropolitan areas. Each branch operates as a profit center and is staffed by a branch manager, sales, office, warehouse, and delivery personnel. Internationally, we have three branches in Canada, three in Central America, and one in Brazil. Sales personnel from our Akron, Ohio, headquarters cover niche markets in the Far East, Middle East, South Pacific, and South America.

We purchase products from trusted, industry-leading manufacturers to ensure quality is delivered to our customers. Each of the brand-name products we sell is associated with superior performance in its respective area.

An essential element of the Company's success in the Distribution Segment is our more than 190 sales representatives, who deliver personalized service on a local level. Customers rely on Myers' sales representatives to introduce the latest tools and technologies and to provide training in new product features and applications. Representatives also teach the proper use of diagnostic equipment and present on-site workshops demonstrating industry-approved techniques for tire repair and undervehicle service.

While the needs and composition of our distribution markets constantly change, we adapt and deliver the new products and services that are important to our customers. The new product pipeline is driven by innovations from auto and tire manufacturers, which in turn prompts Myers and its suppliers to develop new equipment, supplies, and service techniques to keep cars and trucks moving down the road with confidence.

The Company's Distribution Segment is well positioned to continue its steady growth through leading brands, product selection and availability, and the personal service that is the hallmark of the Company's success in this business. Myers do Brasil will serve as our base of operations to grow the Brazilian tire service market. This will be achieved by ongoing productivity improvements in our distribution network, growing within key domestic market sectors and emerging international markets, delivering a continuous flow of new products with first-to-market

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speed, and improving efficiency and customer satisfaction through implementation of innovative supply chain management technologies. Strategic, bolt-on acquisitions are also a potential growth avenue in this segment.

Raw Materials & Suppliers Manufacturing and Distribution Segments

For the Manufacturing Segment, the Company purchases substantially all of its raw materials from a wide range of third-party suppliers. These materials are primarily polyethylene, polypropylene, and polystyrene plastic resins, as well as synthetic and natural rubber. Most raw materials are commodity products and available from several domestic suppliers. We believe that the loss of any one supplier or group of suppliers would not have a materially adverse effect on our business.

The Distribution Segment purchases substantially all of its components from third-party suppliers and has multiple sources for its products.

Competition

Competition in the manufacturing segments is substantial and varied in form and size from manufacturers of similar products and of other products which can be substituted for those produced by the Company. In general, all direct competitors with the Company's brands are private entities. Myers Industries maintains strong brand presence and market positions in the niche sectors of the markets it serves.

Competition in the Distribution Segment is generally from private, smaller local and regional businesses. Within the overall tire, wheel, and undervehicle service market, Myers is the largest distributor of tools, equipment, and supplies.

Customer Dependence

During the past three years, no single customer accounted for more than five percent of the Company's total net sales. Myers Industries serves thousands of customers who demand value through product selection, innovation, quality, delivery and responsive, personal service. Our brands foster satisfied, loyal customers who have recognized our performance through numerous supplier quality awards.

Employees

As of December 31, 2006 Myers Industries had a total of 3,689 full-time and part-time employees in its continuing operations. Of these, 3,073 were employed in the Company's manufacturing segments, including: 828 in the North American Material Handling Segment, 1,563 in the Automotive and Custom Segment, and 682 in the Lawn and Garden Segment. The Distribution Segment employed 543 personnel. The Company's corporate offices had 73 employees. In its discontinued operations, the Company had 861 employees in the European Material Handling Segment.

As of December 31, 2006 the Company had 144 employees in the U.S. who were members of unions. In certain countries in which the Company operates union membership is not known due to confidentiality laws. The Company believes it has a good relationship with its union employees.

(d) Financial Information About Geographic Areas

The response to this section of Item 1 is contained in the Industry Segments footnote of the Notes to Consolidated Financial Statements under Item 8 of this report and incorporated herein.

(e) Available Information

Filings with the SEC. As a public company, we regularly file reports and proxy statements with the Securities and Exchange Commission (SEC), such as:

- * annual reports on Form 10-K;
- * quarterly reports on Form 10-Q;
- * current reports on Form 8-K; and
- * proxy statements on Schedule 14A.

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Anyone may read and copy any of the materials we file with the SEC at its Public Reference Room at 100 F Street, N.E., Room 1580, Washington, DC 20549. The SEC also maintains an internet website that contains our reports, proxy and information statements, and our other SEC filings; the address of that site is <http://www.sec.gov>.

Also, we make our SEC filings available on our own internet site as soon as reasonably practicable after we have filed with the SEC. Our internet address is <http://www.myersind.com>. The content on the Company's website is available for information purposes only, and is not incorporated by reference into this Form 10-K.

Corporate Governance. We have a Code of Business Conduct for our employees and members of our Board of Directors. A copy of the Code is posted on our website. We will satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, any provision of the Code with respect to our executive officers or directors by disclosing the nature of that amendment or waiver.

Our website also contains additional information about our corporate governance policies, including the charters of our standing board committees. Any of these items are available in print to any shareholder who requests them. Requests should be sent to Corporate Secretary, Myers Industries, Inc., 1293 S. Main Street, Akron, Ohio 44301.

ITEM 1A. Risk Factors; Forward Looking Statements

This Form 10-K and the information we are incorporating by reference contain forward-looking statements within the meaning of federal securities laws, including information regarding the Company's 2006 financial outlook, future plans, objectives, business prospects and anticipated financial performance. You can identify these statements by the fact that they include words such as will, believe, anticipate, expect, estimate, intend, plan, or variations of those words, or similar expressions. These forward-looking statements are not statements of historical facts and represent only our current expectations regarding such matters. These statements inherently involve a wide range of known and unknown uncertainties. The Company's actual actions and results could differ materially from what is expressed or implied by these statements. Specific factors that could cause such a difference include, but are not limited to, those set forth below and other important factors disclosed previously and from time to time in our other filings with the Securities and Exchange Commission. Given these factors, as well as other variables that may affect our operating results, you should not rely on forward-looking statements, assume that past financial performance will be a reliable indicator of future performance, nor use historical trends to anticipate results or trends in future periods. We expressly disclaim any obligation or intention to provide updates to the forward-looking statements and the estimates and assumptions associated with them.

Risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the applicable statements include, but are not limited to:

General Economic, Business & Political Conditions

The Company operates in a wide range of geographies, primarily North America, Central America, and South America. Worldwide and regional economic, business, and political conditions, including changes in the economic conditions of the broader markets and in the Company's individual niche markets, could have an adverse affect on one or more of the Company's business segments.

Competition

Each of our segments participates in markets that are highly competitive. Many of our competitors sell their products at prices lower than ours, and we compete primarily on the basis of product quality, product performance, value,

supply chain competency, and customer relationships. The Company's competitive success also depends on its ability to maintain strong brands / brand leadership within its markets so that customers will need the Company's products and services to meet their growth requirements. The development and maintenance of such brands requires continuous investment in brand building, marketing initiatives, and advertising. The competition that we face in all of our markets which varies depending on the Company's particular business segment, product line(s), and

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customers may prevent us from achieving sales, product pricing, and income goals, which could affect our financial condition and results of operations.

Global Economic Performance & Foreign Currency Exposures

We currently operate manufacturing, sales and service facilities outside of North America, particularly in Canada and Brazil. In 2006, international net sales accounted for approximately 12% of our total net sales from continuing operations. Accordingly, we are subject to risks associated with operations in foreign countries, including:

- fluctuations in currency exchange rates;
- limitations on the remittance of dividends and other payments by foreign subsidiaries;
- limitations on foreign investment;
- additional costs of compliance with local regulations; and
- in certain countries, higher rates of inflation than in the United States.

In addition, our operations outside the United States are subject to the risk of new and different legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations and potentially adverse tax consequences. The costs related to our international operations could adversely affect our operations and financial results in the future.

Raw Material Cost Pressures

Our ability to manage our cost structure can be adversely affected by movements in commodity and other raw material prices. The Company's primary raw materials include plastic resins, colorants, and natural and synthetic rubbers. The Company attempts to reduce its exposure to increases in those costs through a variety of programs and selling price adjustments. Market conditions, however, may limit the Company's ability to raise selling prices to offset increases in our raw material input costs.

Raw Material Availability

Changes in raw material availability may occur due to events beyond our control. Our specific molding technologies and/or product specifications can limit our ability to locate alternative supplies to produce certain products. The Company believes, however, that its sources for its primary materials will continue to be adequate to meet its requirements.

Manufacturing & Distribution Activities

We are subject to the inherent risks in our diverse manufacturing and distribution activities, including, but not limited to: product quality, safety, licensing requirements and other regulatory issues, environmental events, loss or impairment of key manufacturing or distribution sites, disruptions in logistics and transportation services, labor disputes, and industrial accidents. In addition, the Company is subject to natural disasters and other factors over which it has no control.

Strategic Growth Initiatives

The Company is undergoing a Strategic Business Evolution process within its business segments to focus resources on what it deems the best platforms for long-term, sustainable growth including, but not limited to: internal growth driven by strong brands and new product innovation; development of new, high-growth markets and expansion in existing niche markets; strengthening customer relationships through value-added initiatives and key product

partnerships; investments in new technology and processes to reinforce markets strength and capabilities in key business groups; consolidation and rationalization activities to further reduce costs and improve productivity within the Company's manufacturing and distribution footprint; strategic, bolt-on acquisitions to accelerate growth in the Company's market positions; and potential divestiture of businesses with non-strategic products or markets. Although the process is underway, all of these activities and initiatives have inherent risks, and there remain significant challenges and uncertainties, including economic and general business conditions, that could limit the

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Company's ability to achieve anticipated benefits associated with announced strategic initiatives and affect the Company's financial results.

Future Events

Future events may occur that would adversely affect the reported value of the Company's assets. Such events may include, but are not limited to, strategic decisions made in response to changes in economic and competitive conditions, the impact of the economic environment on the Company's customer base, or a material adverse change in its relationship with significant customers.

Equity Ownership Concentration

Mary S. Myers, widow of the Company's co-founder Louis S. Myers, and Stephen E. Myers, former Chief Executive Officer of the Company, beneficially owned approximately 11.0% and 8.5%, respectively, of the Company's outstanding common shares as of February 14, 2007, and combined have sufficient voting power to influence actions requiring the approval of our shareholders.

Legal & Regulatory Actions

Changes in laws and regulations and approvals and decisions of courts, regulators, and governmental bodies on any legal claims known or unknown, could have an adverse affect on the Company's financial results.

ITEM 1B. Unresolved Staff Comments

None.

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The following table sets forth certain information with respect to properties owned by us at December 31, 2006:

Distribution

| Location | Approximate Floor Space (Square Feet) | Approximate Land Area (Acres) | Use |
|---------------------------|--|--|-----------------------------------|
| Akron, Ohio | 129,000 | 8 | Executive offices and warehousing |
| Akron, Ohio | 60,000 | 5 | Warehousing |
| Akron, Ohio | 31,000 | 2 | Warehousing |
| Pomona, California | 17,700 | 1 | Sales and distribution |
| Englewood, Colorado | 9,500 | 1 | Sales and distribution |
| San Antonio, Texas | 4,500 | 1 | Sales and distribution |
| Phoenix, Arizona | 8,200 | 1 | Sales and distribution |
| Houston, Texas | 7,900 | 1 | Sales and distribution |
| Indianapolis, Indiana | 7,800 | 2 | Sales and distribution |
| Cincinnati, Ohio | 7,500 | 1 | Sales and distribution |
| York, Pennsylvania | 7,400 | 3 | Sales and distribution |
| Atlanta, Georgia | 7,000 | 1 | Sales and distribution |
| Minneapolis, Minnesota | 5,500 | 1 | Sales and distribution |
| Charlotte, North Carolina | 5,100 | 1 | Sales and distribution |
| Syracuse, New York | 4,800 | 1 | Sales and distribution |
| Franklin Park, Illinois | 4,400 | 1 | Sales and distribution |

Manufacturing

| | | | |
|-----------------------------|---------|----|--------------------------------|
| Sandusky, Ohio | 305,000 | 8 | Manufacturing and distribution |
| Springfield, Missouri | 227,000 | 19 | Manufacturing and distribution |
| Dawson Springs, Kentucky | 209,000 | 36 | Manufacturing and distribution |
| Wadsworth, Ohio | 197,000 | 23 | Manufacturing and distribution |
| Hannibal, Missouri | 196,000 | 10 | Manufacturing and distribution |
| Sparks, Nevada | 185,000 | 11 | Manufacturing and distribution |
| Bluffton, Indiana | 175,000 | 17 | Manufacturing and distribution |
| Roanoke Rapids, N. Carolina | 172,000 | 20 | Manufacturing and distribution |
| Cadillac, Michigan | 162,000 | 14 | Manufacturing and distribution |
| Shelbyville, Kentucky | 160,000 | 8 | Manufacturing and distribution |
| Bristol, Indiana | 166,000 | 12 | Manufacturing and distribution |
| Jefferson, Ohio | 115,000 | 11 | Manufacturing and distribution |
| Fostoria, Ohio | 75,000 | 3 | Manufacturing and distribution |
| Surrey, B.C., Canada | 42,000 | 3 | Manufacturing and distribution |
| Mebane, North Carolina | 30,000 | 5 | Manufacturing and distribution |

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The following table sets forth by segment certain information with respect to facilities leased by us:

Manufacturing

| Location | Approximate Floor Space (Square Feet) | Expiration Date of Lease | Use |
|---------------------------|--|-------------------------------------|--------------------------------|
| Middlefield, Ohio | 632,000 | September 30, 2025 | Manufacturing and distribution |
| Cassopolis, Michigan | 210,000 | October 31, 2010 | Manufacturing and distribution |
| Reidsville, N. Carolina | 171,000 | September 30, 2009 | Manufacturing and distribution |
| South Gate, California | 122,000 | October 31, 2009 | Manufacturing and distribution |
| Jaguariuna, Brazil | 54,000 | March 3, 2009 | Manufacturing and distribution |
| Brampton, Ontario, Canada | 43,000 | December 31, 2007 | Sales and distribution |
| Commerce, California | 42,000 | September 14, 2008 | Manufacturing and distribution |
| Milford, Ohio | 22,000 | August 31, 2010 | Administration and sales |

We also lease distribution facilities in 28 locations throughout the United States and Canada which, in the aggregate, amount to approximately 167,000 square feet of warehouse and office space. All of these locations are used by the distribution of aftermarket repair products and services segment.

We believe that all of our properties and machinery and equipment are well maintained and adequate for the purposes for which they are used.

ITEM 3. Legal Proceedings

On July 15, 2004, the Company announced that it had reported to the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) certain international business practices that were believed to be in violation of U.S. and, possibly, foreign laws. The practices, which involved a limited number of customers, related to the invoicing of certain sales to foreign customers of the Company s distribution segment and sales made by foreign subsidiaries to prohibited customers in certain prohibited international jurisdictions. These business practices were discontinued and an independent investigation, which has been completed, was conducted by outside counsel under the authority of the Audit Committee of the Company s Board of Directors. The results of the investigation have been provided to the DOJ, the SEC, the Office of Foreign Asset Control, U.S. Department of the Treasury (OFAC) and the Bureau of Industry and Security, U.S. Department of Commerce (BIS).

The DOJ notified the Company that it determined not to proceed against the Company or its employees for those matters described in the Company s voluntary reporting and internal investigation. The BIS notified the Company it had completed its investigation and decided not to refer the matter for criminal or administrative prosecution and closed the matter by issuing a warning letter to the Company.

The Company is still voluntarily working with OFAC to complete the investigation with them. If OFAC determined that these incidents were unlawful, they could take action against the Company and/or some of its employees. Based on informal discussions with the SEC, we believe no further action will be taken against us by the SEC.

We will seek to settle any enforcement issues arising from these matters, however, at this time we cannot reasonably estimate its potential liability and, therefore, as of December 31, 2006, and the date of this filing, the Company has not

recorded any provision for any resulting settlements or potential fines or penalties. Based in part upon the manner in which these matters were resolved with the DOJ and BIS, management believes that this liability, although possible, would not have a material adverse effect on our consolidated financial position, results of operations or cash flows. Further, the Company believes that the practices in question have no effect on previously filed financial statements, and that the final findings from the investigation will not lead to any restatement of reported financial results.

In addition to the proceedings discussed above, we have been, in the ordinary course of business, a defendant in various lawsuits and a party to various other legal proceedings, some of which are covered in whole or in part by

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insurance. We believe that the outcome of these lawsuits and other proceedings will not individually or in the aggregate have a future material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 4. Submission Of Matters to a Vote of Security Holders

During the fourth quarter of the fiscal year ended December 31, 2006, there were no matters submitted to a vote of security holders.

Executive Officers of the Registrant

Set forth below is certain information concerning the executive officers of the Registrant as of December 31, 2006. Executive officers are appointed annually by the Board of Directors.

| Name | Age | Years as Executive Officer | Title |
|-------------------|------------|---|--|
| John C. Orr | 56 | 4 | President and Chief Executive Officer |
| Donald A. Merrill | 42 | 1 | Vice President and Chief Financial Officer and Secretary |

Each executive officer has not been principally employed in the capacities shown or similar ones with the Registrant for over the past five years. Mr. Orr, President and Chief Executive Officer, was appointed to his current position on May 1, 2005. Mr. Orr had been President and Chief Operating Officer since 2003. Prior to that Mr. Orr was General Manager of Buckhorn Inc., one of the Company's material handling subsidiaries. Before coming to Myers Industries, Mr. Orr had been employed by The Goodyear Tire and Rubber Company for 28 years. His last position at Goodyear was Vice President - North America.

Mr. Merrill, Vice President, Chief Financial Officer and Corporate Secretary, was appointed to his current position on April 26, 2006. Mr. Merrill joined the Company on January 25, 2006, prior to that he was with Newell Rubbermaid Inc. - Rubbermaid Home Products Division, where he served as Vice President and Chief Financial Officer since 2003. Mr. Merrill joined Newell Rubbermaid in 2001 where he served as Chief Financial Officer of Newell Rubbermaid Little Tikes prior to his position as Vice President and Chief Financial Officer.

PART II**ITEM 5. Market for Registrant's Common Stock and Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's Common Stock is traded on the New York Stock Exchange (ticker symbol MYE). The approximate number of record holders at December 31, 2006 was 1,532. High and low stock prices and dividends for the last two years were:

| 2006 Quarter Ended | Sales Price | | Dividends Paid |
|-------------------------------|--------------------|------------|---------------------------|
| | High | Low | |

| | | | |
|--------------|-------|-------|-----|
| March 31 | 17.70 | 14.00 | .05 |
| June 30 | 18.39 | 14.63 | .05 |
| September 30 | 17.66 | 15.13 | .05 |
| December 31 | 18.77 | 15.32 | .05 |

| | 2005 | | Dividends Paid | |
|--------------|----------------------|-----------------------------|---------------------------|------------|
| | Quarter Ended | Sales Price High | | Low |
| March 31 | | 14.84 | 11.98 | .05 |
| June 30 | | 14.51 | 9.23 | .05 |
| September 30 | | 13.70 | 11.38 | .05 |
| December 31 | | 14.84 | 10.60 | .05 |

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**Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of \$100
December 2006**

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Myers Industries | \$ 100.00 | \$ 99.20 | \$ 114.01 | \$ 134.02 | \$ 154.32 | \$ 167.82 |
| S&P 500 | \$ 100.00 | \$ 77.89 | \$ 100.23 | \$ 111.13 | \$ 114.46 | \$ 132.54 |
| S&P SmallCap 600 | \$ 100.00 | \$ 85.37 | \$ 118.49 | \$ 145.33 | \$ 156.49 | \$ 180.14 |

The following table sets forth a summary of the securities authorized for issuance under equity compensation plans as of December 31, 2006.

Equity Compensation Plan Table

| Plan Category | (A) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants or Rights | (B) Weighted-average Exercise Price of Outstanding Options, Warrants or Rights | (C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) |
|--|---|---|--|
| Equity Compensation Plans Approved by Security Holders(1) | 842,279 | \$ 12.54 | 1,087,397 |
| Equity Compensation Plans Not Approved by Security Holders | 0 | 0 | 0 |
| Total | 842,279 | 0 | 1,087,397 |

(1) This information is as of December 31, 2006 and includes the 1992, 1997 and 1999 Stock Plans, and the Employee Stock Purchase Plan.

Table of Contents**ITEM 6. Selected Financial Data****MYERS INDUSTRIES, INC. AND SUBSIDIARIES**
Five-Year Summary

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|----------------|----------------|----------------|----------------|----------------|
| Operations for the Year | | | | | |
| Net sales | \$ 779,984,388 | \$ 736,880,105 | \$ 635,912,379 | \$ 511,836,386 | \$ 480,572,906 |
| Cost of sales | 572,438,757 | 555,687,606 | 464,565,836 | 373,038,476 | 328,333,726 |
| Selling | 79,340,520 | 71,796,860 | 66,631,978 | 59,539,161 | 55,547,468 |
| General and administrative | 67,282,547 | 62,400,646 | 60,071,564 | 51,479,227 | 48,272,073 |
| Gain on sale of plant | 0 | 740,386 | 1,524,598 | 0 | 0 |
| Interest net | 15,848,420 | 15,463,279 | 13,055,440 | 8,911,172 | 10,207,876 |
| | 734,910,244 | 704,608,005 | 602,800,220 | 492,968,036 | 442,361,143 |
| Income from continuing operations before income taxes | 45,074,144 | 32,272,100 | 33,112,159 | 18,868,350 | 38,211,763 |
| Income taxes | 16,363,613 | 12,907,205 | 12,925,464 | 7,885,588 | 16,153,907 |
| Income from continuing operations | 28,710,531 | 19,364,895 | 20,186,695 | 10,982,762 | 22,057,856 |
| Income from continuing operations per basic and diluted share* | \$.82 | \$.56 | \$.60 | \$.33 | \$.67 |
| Financial Position At Year End | | | | | |
| Total assets | \$ 661,983,220 | \$ 765,259,921 | \$ 785,602,562 | \$ 621,626,806 | \$ 602,482,330 |
| Current assets | 307,523,254 | 289,580,618 | 284,072,177 | 207,933,141 | 201,140,357 |
| Current liabilities | 134,727,219 | 128,575,091 | 136,251,927 | 94,175,498 | 117,368,956 |
| Working capital | 172,796,035 | 161,005,527 | 147,820,250 | 113,757,643 | 83,771,401 |
| Other assets | 203,159,525 | 279,957,521 | 291,041,595 | 229,849,237 | 210,546,946 |
| Property, plant and equipment net | 151,300,441 | 195,721,782 | 210,488,790 | 183,844,428 | 190,795,027 |
| Less: | | | | | |
| Long-term debt | 198,274,578 | 249,523,633 | 275,252,278 | 211,002,691 | 212,222,615 |
| Other long term liabilities | 12,922,285 | 12,667,000 | 0 | 0 | 0 |
| Deferred income taxes | 35,400,520 | 35,092,826 | 28,094,321 | 21,924,269 | 17,201,131 |
| Shareholders Equity | \$ 280,658,618 | \$ 339,401,371 | \$ 346,004,036 | \$ 294,524,348 | \$ 255,689,628 |
| Common Shares Outstanding* | 35,067,230 | 34,806,393 | 34,645,948 | 33,201,582 | 33,078,910 |
| | \$ 8.06 | \$ 9.75 | \$ 9.99 | \$ 8.87 | \$ 7.73 |

Book Value Per Common Share***Other Data**

| | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Dividends paid | \$ 7,173,706 | \$ 6,946,838 | \$ 6,478,502 | \$ 6,026,349 | \$ 5,878,169 |
| Dividends paid per Common Share* | .205 | 0.20 | 0.19 | 0.18 | 0.18 |
| Average Common Shares Outstanding during the year* | 34,978,269 | 34,724,488 | 33,846,511 | 33,138,086 | 32,969,027 |

* Adjusted for the 10% stock dividend issued in August 2004.

Table of Contents**ITEM 7. Management's Discussion and Analysis of Results of Operations and Financial Condition****Executive Overview**

The Company conducts its business activities in four distinct business segments, including three in manufacturing and one in distribution. The manufacturing segments consist of: North American Material Handling, Lawn and Garden, and Automotive and Custom.

During the year ended December 31, 2006, the Company also included one other manufacturing segment, European Material Handling, which was announced for divestiture and moved to discontinued operations during the third quarter of 2006. In the second quarter of 2006, the Company recorded a non-cash, non-tax deductible goodwill impairment charge of \$109.8 million related to the European businesses. The businesses in that segment were subsequently sold in February 2007 (see Subsequent Events footnote).

In our manufacturing segments, the Company designs, manufactures, and markets a variety of plastic and rubber products. These products range from plastic reusable material handling containers and small parts storage bins to plastic horticultural pots and hanging baskets, decorative resin planters, plastic and rubber OEM parts, tire repair materials, and custom plastic and rubber products. The Distribution Segment is engaged in the distribution of tools, equipment and supplies used for tire, wheel and undervehicle service on passenger, heavy truck and off-road vehicles.

2006 represented a year of growth and the start of transformation for the Company. In addition to significant internal improvements last year, the sale of the European Material Handling segment businesses mentioned above and the acquisition of ITML Horticultural Products, which occurred in early 2007 (see Subsequent Events footnote), will further strengthen the Company's competitive position in the Lawn and Garden segment with its well-known brand. The Company is currently focusing on aligning synergies with ITML to meet the changing needs of customers and market.

Within the Company's remaining four business segments and their respective brands, management is focusing on a variety of growth catalysts. These range from ongoing new product development; implementation of new technology platforms to speed workflow and improve customer satisfaction; consolidation and synergy initiatives across segments and brands to reduce costs and improve productivity.

Results of Operations: 2006 versus 2005***Net Sales from Continuing Operations:***

| Segment | Year Ended | | Change | Percent Change |
|---------------------------|-------------------|-----------------|----------------|----------------|
| | December 31, 2006 | 2005 | | |
| Distribution | \$ 197.3 | \$ 190.0 | \$ 7.4 | 4% |
| Material Handling- N.A | \$ 240.0 | \$ 209.5 | \$ 30.6 | 15% |
| Automotive & Custom | \$ 204.7 | \$ 195.1 | \$ 9.6 | 5% |
| Lawn & Garden | \$ 160.2 | \$ 170.4 | \$ (10.3) | (6)% |
| Intra-segment elimination | \$ (22.2) | \$ (28.1) | \$ 5.9 | (21)% |
| TOTAL | \$ 780.0 | \$ 736.9 | \$ 43.1 | 6% |

For the year ended December 30, 2006, net sales were \$780.0 million, an increase of 6 percent from the \$736.9 million reported in 2005 as the Company had strong sales in most of its business segments. During the year, the Company experienced increased sales in its Distribution, Material Handling North America and Automotive and Custom segments. Net sales in the Distribution segment increased \$7.4 million to \$197.3 million in 2006; net sales for the Material Handling North America segment increased 15 percent or \$30.6 million to \$240.1 million in the current year; Automotive and Custom sales increased from \$195.1 million to \$204.7 million in 2006, representing a five percent increase from 2005. The sales increases referred to above, represent a combination of increase in volumes and price increases which started to be realized in the second half of 2005.

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The increases in sales referred to above, were offset by declining sales in the Lawn and Garden segment. Net sales in this segment decreased \$10.3 million to \$160.2 million, representing a six percent decrease from 2005. The reduction in sales was primarily volume driven as weather conditions in the South and Midwest regions resulted in low demand from growers for certain product lines throughout the first half of the year. In the second half of the year, sales volume continued to slow as major retailers changed the timing of their spring garden programs which delayed forecasting and buying patterns of growers pushed some sales into 2007.

Cost of Sales & Gross Profit from Continuing Operations:

| Cost of Sales and Gross Profit | Year Ended December 31, | |
|---------------------------------------|------------------------------------|-------------|
| | 2006 | 2005 |
| Cost of Sales | \$ 572.4 | \$ 555.7 |
| Gross Profit | \$ 207.6 | \$ 181.2 |
| Gross profit percentage | 27% | 25% |

Cost of sales increased \$16.7 million in the year to \$572.4 million while gross profit increased from \$181.2 million to \$207.6 million in 2006. These increases were primarily the result of the \$43.1 million increase in sales from the prior year. Gross profit percentage increased 2 percent in 2006 to 27 percent, compared to 25 percent in the prior year. Increased selling prices, improved product mix and higher volumes resulted in higher gross profit percentages in 2006. This was despite the fact that the Company experienced higher raw material cost in the current year, particularly for plastic resins. For the year, average prices for raw material plastic resins were approximately 3 percent higher in 2006 compared to the prior year.

Selling, General and Administrative (SG&A) Expenses from Continuing Operations:

| SG&A Expenses | Year Ended December 31, | | Change |
|--------------------------|------------------------------------|-------------|---------------|
| | 2006 | 2005 | |
| SG&A expenses | \$ 146.6 | \$ 133.5 | \$ 13.2 |
| SG&A percent | 19% | 18% | 1% |

Selling and administrative expenses for 2006 were \$146.6 million for an increase of \$13.2 million compared with the prior year. As a percentage of sales, selling and administrative costs increased to 19 percent compared to 18 percent in 2005. The increase is primarily related to the impact of additional freight and variable selling expenses associated with the increase in sales volume. Additionally, the Company incurred additional costs in 2006 associated with streamlining the organizational structure.

Interest Expense from Continuing Operations:

| Net Interest Expense | Year Ended December 31, | | Change | Percent Change |
|-----------------------------|------------------------------------|-------------|---------------|---------------------------|
| | 2006 | 2005 | | |
| | | | | |

| | | | | |
|-------------------------------|----------|----------|-----------|-------|
| Interest expense | \$ 15.9 | \$ 15.5 | \$ 0.39 | 2% |
| Outstanding borrowings | \$ 201.5 | \$ 252.8 | \$ (51.3) | (20)% |
| Average borrowing rate | 6.01% | 5.69% | 0.32% | 6% |

Net interest expense for 2006 was \$15.9 million, an increase of 2% compared to \$15.5 million in the prior year. The increase in current year expense reflects higher interest rates which offset the impact of lower average borrowing levels.

Table of Contents***Income before taxes from Continuing Operations:***

| Segment | Year Ended December 31, | | Change | Percent Change |
|---|----------------------------|-----------|----------|-------------------|
| | 2006 | 2005 | | |
| Distribution | \$ 22.2 | \$ 20.6 | \$ 1.7 | 8% |
| Material Handling- North America | \$ 34.9 | \$ 16.3 | \$ 18.6 | 114% |
| Automotive & Custom | \$ 14.0 | \$ 10.0 | \$ 4.1 | 41% |
| Lawn & Garden | \$ 8.1 | \$ 16.4 | \$ (8.3) | (51)% |
| Corporate and interest | \$ (34.2) | \$ (31.0) | \$ (3.2) | 10% |
| TOTAL | \$ 45.1 | \$ 32.3 | \$ 12.8 | 40% |

Income before taxes was \$45.0 million in 2006 compared to \$32.3 million in 2005 for an increase of 40 percent. The Company experienced increased income before tax in its Distribution, Material Handling North America and Automotive and Custom segments. Income before taxes for the Distribution segment increased to \$22.2 million or 8 percent from the prior year. The primary reasons for the increase in Distribution segment was improvement in product mix, cost controls and increased market penetration through tire dealers, auto dealers and other tire service niches. Material Handling- N.A. income before income taxes increased from \$16.3 million to \$34.9 million in the current year. The primary factors influencing this increase were strategic pricing to help offset raw material price increases; mix management, which focused on providing customers with value-based material handling product solutions to improve their business; internal productivity initiatives; and cost controls. Income before taxes for the Automotive and Custom segment increased to \$14.0 million, representing an increase of 41 percent. The improvement realized in this segment was related to a strong focus on customers needs for value-added engineered products, mix management, continued pricing improvements, cost controls and productivity gains.

The above mentioned increases were partially offset by a decrease in Lawn and Garden segment. Income before taxes in this segment decreased 51 percent from \$16.4 million in 2005 to \$8.1 million in 2006. This decrease was primarily related to the fact that the slowness in recovery of unit volumes to the grower market could not be offset by favorable product pricing and robust decorative planter business to retail markets.

Income taxes from Continuing Operations:

| Consolidated income taxes | Year Ended December 31, | |
|----------------------------|----------------------------|---------|
| | 2006 | 2005 |
| Income before taxes | \$ 45.1 | \$ 32.3 |
| Income taxes | \$ 16.4 | \$ 12.9 |
| Effective tax rate | 36.3% | 40.0% |

Income tax expense increased from \$12.9 million in 2005 to \$16.4 million in the current year. However, income taxes as a percent of income before taxes for the year ended December 31, 2006, decreased to 36.3 percent compared to 40 percent in 2005. The lower effective rate in the current year was the result of reduced state tax expense and the

impact of additional income tax expense in 2005, related to repatriation of \$4.4 million in dividends from foreign subsidiaries pursuant to the American Jobs Creation Act of 2004.

Discontinued Operations: Material Handling- Europe

In the third quarter of 2006, the Company's Board of Directors approved the plan of divestiture of the Company's Material Handling Europe business segment, which was ultimately divested in February, 2007. In accordance with U.S. generally accepted accounting principles, the operating results related to these businesses have been included in discontinued operations in the Company's consolidated statements of income for all periods presented.

During the second quarter of 2006, the Company determined that the Material Handling-Europe businesses were not core to the Company's long term growth strategy and, accordingly, began evaluating strategic options for

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these businesses. Taking into consideration the economic factors and business conditions in Europe it became necessary to perform an interim goodwill impairment test in accordance with Statement of Accounting Standards No. 142, Goodwill and Other Intangible Assets. In performing this analysis, the fair value of the reporting unit was based on estimated proceeds from a potential sale and the implied fair value of goodwill was estimated by deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value. As a result of this analysis, all of the recorded goodwill of the reporting unit was determined to be impaired and, accordingly, the Company recorded a \$109.8 million impairment charge in the quarter ended June 30, 2006.

Results of Operations: 2005 versus 2004*(Amounts in millions)***Net Sales:**

| Segment | Year Ended December 31, | | Change | Percent Change |
|----------------------------------|----------------------------|-----------------|-----------------|-------------------|
| | 2005 | 2004 | | |
| Distribution | \$ 190.0 | \$ 171.6 | \$ 18.3 | 11% |
| Material Handling- N.A. | \$ 209.5 | \$ 189.4 | \$ 20.1 | 11% |
| Automotive & Custom | \$ 195.1 | \$ 171.1 | \$ 24.0 | 14% |
| Lawn & Garden | \$ 170.4 | \$ 118.5 | \$ 51.9 | 44% |
| Intra-segment elimination | \$ (28.1) | \$ (14.7) | \$ (13.3) | 90% |
| TOTAL | \$ 736.9 | \$ 635.9 | \$ 101.0 | 16% |

For the year ended December 31, 2005, net sales were \$736.9 million, an increase of 16 percent from the \$635.9 million reported in 2004. Contributions from acquisitions increased total net sales by \$39.0 million. Excluding the effect of acquisitions, net sales would have increased \$62.0 million or 10 percent as the Company experienced strong demand and improved sales across all of its business segments.

Sales in the Distribution Segment for 2005 were \$190.0 million, an increase of 11 percent compared to the prior year. This increase was primarily due to increased volume as sales of both equipment and consumable supplies remained strong across the segment's markets, particularly to independent tire dealers. Sales in the Material Handling North America Segment were \$209.5 million for the year ended December 31, 2005, an increase of \$20.1 million or 11 percent compared to the \$189.4 million reported in 2004. The increase was primarily the result of higher selling prices realized through most product lines and markets. In the Automotive and Custom Segment, sales in 2005 were \$195.1 million, an increase of \$24 million or 14 percent compared to 2004. Revenues for 2005 include \$10.1 million incremental sales from the acquisition of Michigan Rubber Products and WEK Industries in March 2004. Excluding the contribution from acquisitions, sales in the segment increased 8 percent as strong demand in automotive, RV and heavy truck markets resulted in higher sales volumes. In the Lawn and Garden Segment, 2005 sales were \$170.4 million, an increase of \$51.9 million or 44 percent compared to the prior year. 2005 sales include \$28.9 million incremental revenue from the acquisition of Pro Cal which occurred in July 2004. Excluding the impact of the acquisition of Pro Cal, sales in the segment increased \$23.0 million or 19 percent for the year reflecting both unit volume gains and higher selling prices. The strong sales performance was a result of new product introductions and continued strong demand from all sectors of the horticultural market, from grower to retail.

Cost of Sales & Gross Profit from Continuing Operations:

| Cost of Sales and Gross Profit | Year Ended December 31, | |
|---------------------------------------|------------------------------------|-------------|
| | 2005 | 2004 |
| Cost of sales | \$ 555.7 | \$ 464.6 |
| Gross Profit | \$ 181.2 | \$ 171.4 |
| Gross profit percentage | 25% | 27% |

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Cost of sales increased \$91.1 million in 2005 to \$555.7 million while gross profit increased from \$171.4 million to \$181.2 million. These increases were primarily the result of the \$101.0 million increase in sales from 2004. While sales increased, gross profit percentage decreased 2 percent in 2005 to 25 percent, compared to 27 percent in the prior year. During 2005, the Company experienced significantly higher costs for plastic raw materials, causing the reduction in gross profit percentage. This decline in gross profit margin affected the Company's three manufacturing segments, as margins in the distribution segment were essentially unchanged between years. For the year ended December 31, 2005, plastic raw material costs were approximately 30 percent higher on average compared to the prior year. The Company was able to recover a significant portion of the increased raw material costs through higher selling prices, cost control initiatives and improved manufacturing efficiencies, however, these measures could not offset the total impact of higher raw material costs on gross margins.

Operating Expenses from Continuing Operations:

| Operating Expenses | Year Ended December 31, | | Change |
|--------------------|----------------------------|----------|--------|
| | 2005 | 2004 | |
| Operating expenses | \$ 133.5 | \$ 125.2 | \$ 8.3 |
| Operating percent | 18% | 20% | (2)% |

In 2005, total SG&A expenses increased \$8.3 million or 7 percent compared to 2004. 2005 operating expenses were increased approximately \$3.5 million due to the full year impact of acquired companies. Excluding the impact of acquisitions, operating expenses were up \$4.8 million, primarily due to increased freight and other selling expenses related to higher sales. Operating expenses, excluding the gain on sale of plants (\$740,000 and \$1.5 million in 2005 and 2004, respectively), expressed as a percent of sales decreased to 18 percent in the current year compared with 20 percent in 2004, reflecting the benefit of cost control programs and improved leverage from higher sales.

Interest Expense from Continuing Operations:

| Net Interest Expense | Year Ended December 31, | | Change | Percent Change |
|------------------------|----------------------------|---------|--------|-------------------|
| | 2005 | 2004 | | |
| Net interest expense | \$ 15.5 | \$ 13.1 | \$ 2.4 | 18% |
| Outstanding borrowings | 252.8 | 277.4 | (24.6) | (9)% |
| Average borrowing rate | 5.69% | 4.70% | 0.99% | 21% |

Net interest expense for 2005 increased 16 percent to \$15.5 million compared to \$13.1 million in the prior year. The increase in current year expense reflects a higher average interest rate of 5.69% compared to 2004 average interest rate of 4.7%, which more than offset slightly lower average borrowing levels.

Income before taxes from Continuing Operations:

| Segment | Year Ended December 31, | | Change | Percent Change |
|-------------------------|----------------------------|---------|----------|-------------------|
| | 2005 | 2004 | | |
| Distribution | \$ 20.6 | \$ 17.3 | \$ 3.3 | 19% |
| Material Handling- N.A. | \$ 16.3 | \$ 19.7 | \$ (3.4) | (17)% |

| | | | | |
|--------------------------------|----------------|----------------|-----------------|-------------|
| Automotive & Custom | \$ 10.0 | \$ 13.1 | \$ (3.1) | (24)% |
| Lawn & Garden | \$ 16.4 | \$ 12.0 | \$ 4.5 | 37% |
| Corporate and interest | \$ (31.0) | \$ (28.9) | \$ (2.1) | 7% |
| TOTAL | \$ 32.3 | \$ 33.1 | \$ (0.8) | (3)% |

Income before taxes was \$32.3 million in 2005 compared to \$33.1 million in 2004 representing a decrease of 2 percent. The Company experienced increased income before tax in its Distribution and Lawn & Garden segments. In the Distribution segment, income before taxes increased 19 percent to \$20.6 million compared to last year's \$17.3 million, a result of the increased sales combined with ongoing cost controls which provided improved leverage of operating expenses. In the Lawn & Garden segment, income before taxes increased 37 percent to \$16.4 million compared to \$12.0 million in 2004. The strong performance was a result of an increase in sales prices

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and improvement in operating costs which were offset by the negative impact of higher costs for plastic raw materials.

Material Handling- N.A. income before income taxes decreased from \$19.7 million to \$16.3 million in 2005. The decline in income before taxes was due to substantially higher raw material costs which were, on average, approximately 30 percent higher in 2005. The increased raw material costs were partially offset by higher selling prices, improved productivity and operating expense controls. Income before taxes for the Automotive & Custom was \$10.0 million, a decrease of 24 percent compared to the \$13.1 million reported in 2004. Key factors affecting profitability in this segment include higher rubber and plastic raw material costs and the slower rate at which the Company was able to implement higher selling prices to various automotive OEMs to offset the increase in higher raw material costs.

Income taxes from Continuing Operations:

| Consolidated Income Taxes | Year Ended December 31, | |
|----------------------------------|------------------------------------|-------------|
| | 2005 | 2004 |
| Income before taxes | \$ 32.3 | \$ 33.1 |
| Income taxes | \$ 12.9 | \$ 12.9 |
| Effective tax rate | 40.0% | 39.0% |

Income tax expense remained consistent between 2004 and 2005. Income taxes as a percent of income before taxes for the year ended December 31, 2005, increased to 40 percent compared to 39 percent in 2004. The higher effective rate in 2005 was primarily the result of additional income taxes of approximately \$281,000, related to repatriation of \$4.4 million in dividends from foreign subsidiaries pursuant to the American Jobs Creation Act of 2004. In both years, the Company's effective tax rate was reduced as a result of foreign tax rate differences including the realization of net operating class carry forwards previously reserved.

Financial Condition**Liquidity and Capital Resources**

Cash provided from operating activities of continuing operations was \$67.7 million for the year ended December 31, 2006 compared with \$54.0 million in the prior year. The increase of \$13.7 million in cash provided by operating activities was primarily the result of a \$9.3 million increase in income from continuing operations. Depreciation and other non cash expenses were \$28.7 million in the current year compared with \$30.5 million in 2005 but cash provided by working capital was \$10.3 million in 2006 compared to \$4.2 million in the prior year. The increase in cash provided by working capital resulted from initiatives which successfully reduced accounts receivable and inventories by \$2.6 million and \$9.2 million, respectively. Offsetting the working capital provided by accounts receivable and inventory was an increase of \$1.9 million for prepaid expenses, primarily costs incurred in connection with the acquisition of ITML which was completed in 2007. Total debt at December 31, 2006 was \$201.5 million, a reduction of \$51.3 million from \$252.8 million at December 31, 2005. At December 31, 2006, the Company had working capital of \$169.4 million and a current ratio of 2.25 compared with working capital of \$161.0 and a current ratio of 2.25 at December 31, 2005.

In October 2006, the Company entered into an amendment and restatement of its revolving credit agreement (the Credit Agreement) with a group of banks. The amended Credit Agreement increased the maximum available borrowings from \$225 million to \$250 million and has a five year term which expires October 26, 2011. The

Company is in compliance with all of the covenants of the Credit Agreement at December 31, 2006 and had approximately \$156 million available under this agreement.

Capital expenditures for the year ended December 31, 2006 were \$12.4 million and are expected to be in the range of \$15 million for each of the next 5 years. Cash flows from operations and funds available under the Credit Agreement will provide the Company's primary sources of future financing. Management believes that cash flows from operations and available credit facilities will be sufficient to meet expected business requirements including capital expenditures, dividends, working capital and debt service.

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The following summarizes the Company's estimated future cash outflows from financial contracts and commitments:

| | Less Than 1 Year | 2-3 Years | 4-5 Years | Thereafter | Total |
|---------------------------------------|---------------------------------|----------------------|----------------------|-------------------|--------------|
| | (Dollars in Thousands) | | | | |
| Principal payments on debt | \$ 3,235 | \$ 76 | \$ 163,183 | \$ 35,017 | \$ 201,511 |
| Interest | 11,867 | 23,735 | 22,813 | 7,152 | 65,566 |
| Lease payments | 8,352 | 13,166 | 8,536 | 28,266 | 58,320 |
| Pension and other retirement payments | 746 | 1,678 | 1,806 | 7,647 | 11,877 |
| Total | \$ 24,200 | \$ 38,655 | \$ 196,338 | \$ 78,082 | \$ 337,274 |

Market Risk and Derivative Financial Instruments

The Company has financing arrangements that require interest payments based on floating interest rates. As such, the Company's financial results are subject to changes in the market rate of interest. Our objective in managing the exposure to interest rate changes is to limit the volatility and impact of rate changes on earnings while maintaining the lowest overall borrowing cost. At present, the Company has not entered into any interest rate swaps or other derivative instruments to fix the interest rate on any portion of its financing arrangements with floating rates. Accordingly, based on current debt levels at December 31, 2006, if market interest rates increase one percent, the Company's interest expense would increase approximately \$940,000.

Some of the Company's subsidiaries operate in foreign countries and, as such, their financial results are subject to the variability that arises from exchange rate movements. The Company believes that foreign currency exchange rate fluctuations do not represent a significant market risk due to the nature of the foreign countries in which we operate, primarily Canada, as well as the size of those operations relative to the total Company.

The Company uses certain commodities, primarily plastic resins, in its manufacturing processes. As such, the cost of operations is subject to fluctuation as the market for these commodities changes. The Company monitors this risk but currently has no derivative contracts to hedge this risk; however, the Company also has no significant purchase obligations to purchase fixed quantities of such commodities in future periods.

Critical Accounting Policies

Our discussion and analysis of the Company's financial condition and results of operations are based on the accompanying consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America. As indicated in the Summary of Significant Accounting Policies included in the notes to the consolidated financial statements (included in Item 8 of this report), the amount of assets, liabilities, revenue and expenses reported are affected by estimates and judgements that are necessary to comply with generally accepted accounting principles. We base our estimates on prior experience and other assumptions that we consider reasonable to our circumstances. While estimates and judgements are applied in arriving at reported amounts, we believe the following matters may involve a high degree of judgement and complexity.

Revenue Recognition The Company recognizes revenues from the sale of products, net of actual and estimated returns, at the point of passage of title, which is at the time of shipment.

Bad Debts The Company evaluates the collectability of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific allowance for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. Additionally, the Company also reviews historical trends for collectability in determining an estimate for its allowance for doubtful accounts. If economic circumstances change substantially, estimates of the recoverability of amounts due the Company could be reduced by a material amount.

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Inventory Inventories are valued at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for approximately 48 percent of the Company's inventories and the first-in, first-out (FIFO) method for all other inventories. Where appropriate, standard cost systems are utilized for purposes of determining cost; the standards are adjusted as necessary to ensure they approximate actual costs. Estimates of lower of cost or market value of inventory are determined based upon current economic conditions, historical sales quantities and patterns and, in some cases, the specific risk of loss on specifically identified inventories.

Goodwill As a result of Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets, recorded goodwill is subjected to annual impairment testing, unless significant changes in circumstances indicate a potential impairment may have occurred sooner. Goodwill impairment testing requires, in part, that we estimate the fair value of our business units which, in turn, requires that we make judgments concerning future cash flows and appropriate discount rates for those businesses. In evaluating goodwill for impairment the Company uses a combination of valuation techniques primarily using discounted cash flows to determine the fair values of its business reporting units and market based multiples as supporting evidence. The variables and assumptions used, including the projections of future revenues and expenses, working capital, terminal values, discount rates and the market multiples observed in sale transactions are determined separately for each reporting unit. The underlying assumptions used are based on historical actual experience and future expectations that are consistent with those used in the Company's strategic plan. In addition we make certain judgments about the selection of comparable companies used in determining market multiples in valuing our business units, as well as certain assumptions to allocate shared assets and liabilities to calculate values for each of our business units. Our estimate of the fair values of these business units and the related goodwill, could change over time based on a variety of factors, including the actual operating performance of the underlying business or the impact of future events on the cost of capital and the related discount rates used.

Contingencies In the ordinary course of business, we are involved in various legal proceedings and contingencies. We have recorded liabilities for these matters in accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies (SFAS No. 5). SFAS No. 5 requires a liability to be recorded based on our estimate of the probable cost of the resolution of a contingency. The actual resolution of these contingencies may differ from our estimates. If a contingency were settled for an amount greater than our estimates, a future charge to income would result. Likewise, if a contingency were settled for an amount that is less than our estimate, a future credit to income would result.

Income Taxes Deferred income taxes are provided to recognize the effect of temporary differences between financial and tax reporting. Deferred income taxes are not provided for undistributed earnings of foreign consolidated subsidiaries as it is our intention to reinvest such earnings for an indefinite period of time. The Company has operations outside the United States and in jurisdictions with statutory tax rates both higher and lower than in the United States. As a result, tax and treasury planning and analysis of future operations are necessary to determine the proper amounts of tax assets, liabilities and expense to be recognized.

Recent Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109. This Interpretation provides accounting guidance for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return as well as additional disclosures related to these tax positions. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the effect of FIN No. 48 on its consolidated financial statements, however, we do not expect adoption of the new standard to have a material effect on the Company's financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, rather it applies under existing accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Myers Industries Inc. is currently evaluating the impact of adoption of SFAS No. 157 on the consolidated financial statements.

Table of Contents**ITEM 8. Financial Statements and Supplementary Data****Summarized Quarterly Results of Operations
Thousands of Dollars, Except Per Share Data**

| Quarter Ended 2006 | March 31 | June 30 | Sept. 30 | Dec. 31 | Total |
|-----------------------------------|-----------------|----------------|-----------------|----------------|--------------|
| Net Sales | \$ 205,660 | \$ 194,157 | \$ 185,838 | \$ 194,330 | \$ 779,984 |
| Gross Profit | 54,084 | 54,683 | 47,020 | 51,759 | 207,546 |
| Income from continuing operations | 10,010 | 7,135 | 4,234 | 7,331 | 28,711 |
| Per Basic and Diluted Share | .29 | .20 | .12 | .21 | .82 |

| Quarter Ended 2005 | March 31 | June 30 | Sept. 30 | Dec. 31 | Total |
|-----------------------------------|-----------------|----------------|-----------------|----------------|--------------|
| Net Sales | \$ 191,892 | \$ 179,978 | \$ 174,000 | \$ 191,010 | \$ 736,880 |
| Gross Profit | 47,301 | 40,772 | 43,552 | 49,567 | 181,192 |
| Income from continuing operations | 6,838 | 2,500 | 4,144 | 5,883 | 19,365 |
| Per Basic and Diluted Share | .20 | .07 | .12 | .17 | .56 |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Myers Industries, Inc.:

We have audited the accompanying statements of consolidated financial position of Myers Industries, Inc. and subsidiaries (Company) as of December 31, 2006 and 2005, and the related statements of consolidated income, shareholders' equity and comprehensive income (loss), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Myers Industries, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in the Stock Compensation note to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), *Share Based Payment*, effective January 1, 2006. In addition, as discussed in the Retirement Plans note to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, effective December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 16, 2007, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP
Cleveland, Ohio
March 16, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Myers Industries, Inc.

We have audited the accompanying statement of consolidated income, shareholders' equity and comprehensive income and cash flows of Myers Industries, Inc. and Subsidiaries for the year ended December 31, 2004. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Myers Industries, Inc. and Subsidiaries for the year ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Akron, Ohio

March 15, 2005,

except for the effects of discontinued operations

described in the discontinued operations footnote, as to which the date is

March 16, 2007

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES****Statements of Consolidated Income****For The Years Ended December 31, 2006, 2005 and 2004**

| | 2006 | 2005 | 2004 |
|--|----------------|----------------|----------------|
| Net sales | \$ 779,984,388 | \$ 736,880,105 | \$ 635,912,379 |
| Cost of sales | 572,438,757 | 555,687,606 | 464,565,836 |
| Gross profit | 207,545,631 | 181,192,499 | 171,346,543 |
| Selling | 79,340,520 | 71,796,860 | 66,631,978 |
| General and administrative | 67,282,548 | 62,400,646 | 60,071,564 |
| Gain on sale of plants | 0 | (740,386) | (1,524,598) |
| | 146,623,068 | 133,457,120 | 125,178,944 |
| Operating income | 60,922,563 | 47,735,379 | 46,167,599 |
| Interest | | | |
| Income | (146,343) | (340,173) | (434,854) |
| Expense | 15,994,763 | 15,803,452 | 13,490,294 |
| | 15,848,426 | 15,463,279 | 13,055,440 |
| Income from continuing operations before income taxes | 45,074,143 | 32,272,100 | 33,112,159 |
| Income taxes | 16,363,613 | 12,907,205 | 12,925,464 |
| Income from continuing operations | 28,710,531 | 19,364,895 | 20,186,695 |
| Income (loss) from discontinued operations, net of tax | (97,734,686) | 7,190,611 | 5,523,065 |
| Net income (loss) | (69,024,155) | \$ 26,555,506 | \$ 25,709,760 |
| Income (loss) per common share | | | |
| Basic | | | |
| Continuing operations | \$.82 | \$.56 | \$.60 |
| Discontinued operations | (2.79) | .20 | .16 |
| Net income (loss) | \$ (1.97) | \$.76 | \$.76 |
| Diluted | | | |
| Continuing operations | \$.82 | \$.56 | \$.60 |
| Discontinued operations | (2.79) | .20 | .16 |
| Net income (loss) | \$ (1.97) | \$.76 | \$.76 |

The accompanying notes are an integral part of these statements.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES****Statements of Consolidated Financial Position****As of December 31, 2006 and 2005**

| | 2006 | 2005 |
|---|--------------------|--------------------|
| Assets | | |
| Current Assets | | |
| Cash | 6,637,389 | \$ 19,159,220 |
| Accounts receivable less allowances of \$2,595,000 and \$4,600,000 respectively | 98,830,002 | 144,950,880 |
| Inventories | | |
| Finished and in-process products | 57,007,218 | 78,114,802 |
| Raw materials and supplies | 29,789,656 | 37,693,510 |
| | 86,796,874 | 115,808,312 |
| Prepaid expenses | 5,776,187 | 4,409,328 |
| Deferred income taxes | 4,240,386 | 5,252,878 |
| Current assets of discontinued operations | 105,242,416 | 0 |
| Total Current Assets | 307,523,254 | 289,580,618 |
| Other Assets | | |
| Goodwill | 162,214,948 | 263,883,274 |
| Patents and other intangible assets | 5,970,381 | 11,739,163 |
| Other | 3,433,410 | 4,335,084 |
| Long term assets of discontinued operations | 31,540,786 | 0 |
| | 203,159,525 | 279,957,521 |
| Property, Plant and Equipment, at Cost | | |
| Land | 4,710,378 | 8,477,973 |
| Buildings and leasehold improvements | 78,859,310 | 90,641,676 |
| Machinery and equipment | 332,283,970 | 394,800,272 |
| | 415,853,658 | 493,919,921 |
| Less allowances for depreciation and amortization | 264,553,217 | 298,198,139 |
| | 151,300,441 | 195,721,782 |
| | \$ 661,983,220 | \$ 765,259,921 |

The accompanying notes are an integral part of these statements.

Table of Contents**Part I Financial Information****Myers Industries, Inc.****Statements of Consolidated Financial Position****As of December 31, 2006 and 2005**

| | 2006 | 2005 |
|--|-----------------------|-----------------------|
| Liabilities and Shareholders Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 48,111,122 | \$ 67,838,604 |
| Accrued expenses | | |
| Employee compensation | 18,535,357 | 28,979,004 |
| Taxes, other than income taxes | 2,326,865 | 2,558,217 |
| Income taxes | 1,632,619 | 2,594,191 |
| Accrued interest | 420,355 | 1,175,193 |
| Other | 18,675,080 | 22,189,061 |
| Current portion of long-term debt | 3,235,058 | 3,240,821 |
| Current liabilities of discontinued operations | 41,790,763 | 0 |
| Total Current Liabilities | 134,727,219 | 128,575,091 |
| Long-term Debt, less current portion | 198,274,578 | 249,523,633 |
| Other Liabilities | 4,447,222 | 12,667,000 |
| Deferred Income Taxes | 35,400,520 | 35,092,826 |
| Long term liabilities of discontinued operations | 8,475,063 | 0 |
| Shareholders Equity | | |
| Serial Preferred Shares (authorized 1,000,000 shares) | 0 | 0 |
| Common Shares, without par value (authorized 60,000,000 shares; outstanding 35,067,230 and 34,806,393 shares, respectively) | 21,347,941 | 21,188,831 |
| Additional paid-in capital | 270,836,471 | 267,562,138 |
| Accumulated other comprehensive income (loss) | 12,497,362 | (1,524,303) |
| Retained (deficit) income | (24,023,156) | 52,174,705 |
| | 280,658,618 | 339,401,371 |
| | \$ 661,983,220 | \$ 765,259,921 |

The accompanying notes are an integral part of these statements.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES****Statements of Consolidated Shareholders Equity
and Comprehensive Income (Loss)****For The Years Ended December 31, 2006, 2005 and 2004**

| | Common Shares Number | Common Shares Amount | Additional Paid-In Capital | Accumulated Other Comprehensive (Loss) Income | Retained Income (Deficit) | Comprehensive (Loss) Income |
|--|---------------------------------|---------------------------------|---|--|--|--|
| Balance at January 1, 2004 | 30,183,256 | \$ 18,369,240 | \$ 217,019,810 | \$ 10,934,860 | \$ 48,200,438 | \$ 43,851,069 |
| Additions | | | | | | |
| Net income | -0- | -0- | -0- | -0- | 25,709,760 | 25,709,760 |
| Sales under option plans | 230,697 | 140,204 | 1,759,287 | -0- | -0- | |
| Employees stock purchase plan | 40,749 | 24,856 | 425,329 | -0- | -0- | |
| Dividend reinvestment plan | 9,926 | 6,055 | 118,224 | -0- | -0- | |
| Stock issued for acquisition | 1,054,900 | 643,489 | 13,982,523 | -0- | -0- | |
| Foreign currency translation adjustment | | -0- | -0- | 14,399,896 | -0- | 14,399,896 |
| Minimum pension liability | -0- | -0- | -0- | 754,654 | -0- | 754,654 |
| Deductions | | | | | | |
| Dividends \$.19 per share | -0- | -0- | -0- | -0- | (6,478,502) | |
| 10% stock dividend | 3,126,420 | 1,907,116 | 32,952,457 | -0- | (34,865,660) | |
| Balance at December 31, 2004 | 34,645,948 | \$ 21,090,960 | \$ 266,257,630 | \$ 26,089,410 | \$ 32,566,036 | \$ 40,864,310 |
| Additions | | | | | | |
| Net income | -0- | -0- | -0- | -0- | 26,555,507 | 26,555,507 |

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| | | | | | | |
|---|------------|---------------|----------------|----------------|---------------|----------------|
| Sales under option plans | 101,993 | 62,215 | 655,112 | -0- | -0- | |
| Employees stock purchase plan | 41,699 | 25,436 | 453,572 | -0- | -0- | |
| Dividend reinvestment plan | 12,092 | 7,377 | 143,295 | -0- | -0- | |
| Stock issued for acquisition | 4,661 | 2,843 | 52,529 | -0- | -0- | |
| Deductions | | | | | | |
| Foreign currency translation adjustment | -0- | -0- | -0- | (25,704,942) | -0- | (25,704,942) |
| Dividends \$.20 per share | -0- | -0- | -0- | -0- | (6,946,838) | |
| Minimum pension liability | -0- | -0- | -0- | (1,908,771) | -0- | (1,908,771) |
| Balance at December 31, 2005 | 34,806,393 | \$ 21,188,831 | \$ 267,562,138 | \$ (1,524,303) | \$ 52,174,705 | \$ (1,058,206) |
| Additions | | | | | | |
| Net loss | -0- | -0- | -0- | -0- | (69,024,155) | (69,024,155) |
| Sales under option plans | 220,864 | 134,726 | 1,595,853 | -0- | -0- | |
| Employees stock purchase plan | 31,408 | 19,159 | 437,148 | -0- | -0- | |
| Tax benefit for stock options exercised | | | 553,780 | | | |
| Dividend reinvestment plan | 8,565 | 5,225 | 132,238 | -0- | -0- | |
| Stock based compensation | | | 555,314 | -0- | -0- | |
| Deductions | | | | | | |
| Foreign currency translation adjustment | -0- | -0- | -0- | 16,952,010 | -0- | 16,952,010 |
| Dividends \$.205 per share | -0- | -0- | -0- | -0- | (7,173,706) | |
| Pension liability, adoption of SFAS 158 | -0- | -0- | -0- | (2,930,345) | -0- | (2,930,345) |

**Balance at
December 31,
2006**

35,067,230 \$ 21,347,941 \$ 270,836,471 \$ 12,497,362 \$ (24,023,156) \$ (55,002,490)

The accompanying notes are an integral part of these statements.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES****Statements of Consolidated Cash Flows****For the Years Ended December 31, 2006, 2005 and 2004**

| | 2006 | 2005 | 2004 |
|--|-----------------|---------------|---------------|
| Cash Flows From Operating Activities | | | |
| Net (loss) income | \$ (69,024,155) | \$ 26,555,507 | \$ 25,709,760 |
| Net loss (income) of discontinued operations | 97,734,686 | (7,190,611) | (5,523,065) |
| Items not affecting use of cash | | | |
| Depreciation | 26,505,008 | 27,159,312 | 27,759,747 |
| Amortization of other intangible assets | 1,707,516 | 1,893,664 | 1,559,799 |
| Non cash stock compensation | 555,314 | 0 | 0 |
| Deferred taxes | (101,352) | 1,726,141 | (71,426) |
| Gain on sale of plant | 0 | (740,386) | (1,524,598) |
| Cash flow provided by (used for) working capital Accounts receivable | 2,614,403 | (5,186,725) | (9,130,751) |
| Inventories | 9,212,812 | 1,286,076 | (20,793,232) |
| Prepaid expenses | (1,907,760) | 96,834 | 816,518 |
| Accounts payable and accrued expenses | 389,418 | 7,969,035 | 16,911,567 |
| Net cash provided by operating activities of continuing operations | 67,685,890 | 53,568,847 | 35,714,319 |
| Net cash provided by operating activities of discontinued operations | 13,261,186 | 13,664,503 | 10,709,686 |
| Net cash provided by operating activities | 80,947,076 | 67,233,350 | 46,424,005 |
| Cash Flows From Investing Activities | | | |
| Acquisition of businesses, net of cash | 0 | 0 | (41,491,886) |
| Proceeds from sale of plant | 0 | 2,277,760 | 2,522,179 |
| Additions to property, plant and equipment | (12,381,407) | (24,559,724) | (17,724,236) |
| Other | 701,574 | 508,700 | (352,997) |
| Net cash used for investing activities of continuing operations | (11,679,833) | (21,773,264) | (57,046,940) |
| Net cash used for investing activities of discontinued operations | (1,656,735) | (1,714,412) | (8,596,169) |
| Net cash used for investing activities | (13,336,568) | (23,487,676) | (65,643,109) |
| Cash Flows From Financing Activities | | | |
| Net borrowing (repayment) of credit facility | (49,887,562) | (24,263,827) | 31,570,436 |
| Cash dividends paid | (7,173,706) | (6,946,838) | (6,478,503) |
| Proceeds from issuance of common stock | 2,324,349 | 1,347,007 | 2,473,954 |
| Tax benefit from options exercised | 553,780 | 0 | 0 |

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| | | | |
|--|---------------|---------------|---------------|
| Deferred financing costs | (380,956) | (262,500) | (951,506) |
| Net cash used for financing activities of continuing operations | (54,564,095) | (30,126,158) | 26,614,381 |
| Net cash used for financing activities of discontinued operations | (249,062) | (246,875) | (5,852,393) |
| Net cash used for financing activities | (54,813,157) | (30,373,033) | 20,761,988 |
| Foreign Exchange Rate Effect on Cash | 1,767,129 | (2,232,044) | 808,742 |
| Net increase in cash | 14,564,480 | 11,140,597 | 2,351,626 |
| Cash at January 1 | 19,159,220 | 8,018,623 | 5,666,997 |
| Cash at December 31 (\$27,086,311 included in discontinued operations in 2006) | \$ 33,723,700 | \$ 19,159,220 | \$ 8,018,623 |
| Supplemental Disclosures of Cash Flow Information | | | |
| Cash paid during the year for Interest | \$ 16,225,095 | \$ 15,826,862 | \$ 12,763,567 |
| Income taxes | \$ 20,096,118 | \$ 12,316,811 | \$ 12,810,773 |

The accompanying notes are an integral part of these statements.

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MYERS INDUSTRIES, INC. AND SUBSIDIARIES.

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Myers Industries, Inc. and all wholly owned subsidiaries (Company). All significant intercompany accounts and transactions have been eliminated in consolidation. All subsidiaries that are not wholly owned and are not included in the consolidated results of the Company are immaterial investments which have been accounted for under the cost method. The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates. Certain items previously reported in specific financial statement captions have been reclassified to conform to the 2006 presentation. During 2006, the Company reclassified its Material Handling Europe businesses as discontinued operations and, accordingly, amounts shown in the Notes to Consolidated Financial Statements relate only to the Company's continuing operations.

Translation of Foreign Currencies

All balance sheet accounts of consolidated foreign subsidiaries are translated at the current exchange rate as of the end of the accounting period and income statement items are translated monthly at an average currency exchange rate for the period. The resulting translation adjustment is recorded in other comprehensive (loss) income as a separate component of shareholders' equity.

Financial Instruments

Financial instruments, consisting of trade and notes receivable, and certain long-term debt at variable interest rates, are considered to have a fair value which approximates carrying value at December 31, 2006. The Company's \$100 million senior notes have a fair value of approximately \$97.3 million at December 31, 2006.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk primarily consist of trade accounts receivable. The concentration of accounts receivable credit risk is generally limited based on the Company's diversified operations, with customers spread across many industries and countries. No single customer accounts for more than three percent of total sales and no country, outside of the United States, accounts for more than ten percent of total sales. In addition, management has established certain requirements that customers must meet before credit is extended. The financial condition of customers is continually monitored and collateral is usually not required. The Company evaluates the collectability of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific allowance for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. Additionally, the Company also reviews historical trends for collectability in determining an estimate for its allowance for doubtful accounts. If economic circumstances change substantially, estimates of the recoverability of amounts due the Company could be reduced by a material amount. Expense related to bad debts was approximately \$1,164,289, \$2,035,000 and \$1,864,000 for the years 2006, 2005 and 2004,

respectively.

Inventories

Inventories are stated at the lower of cost or market. For approximately 48 percent of its inventories, the Company uses the last-in, first-out (LIFO) method of determining cost. All other inventories are valued at the first-in, first-out (FIFO) method of determining cost.

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MYERS INDUSTRIES, INC. AND SUBSIDIARIES.

Notes to Consolidated Financial Statements Continued

If the FIFO method of inventory cost valuation had been used exclusively by the Company, inventories would have been \$11,452,000, \$9,710,000, and \$8,459,000 higher than reported at December 31, 2006, 2005 and 2004, respectively.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization on the basis of the straight-line method over the estimated useful lives of the assets as follows:

| | |
|-------------------------|----------------|
| Buildings | 20 to 30 years |
| Leasehold Improvements | 7 to 10 years |
| Machinery and Equipment | 3 to 12 years |
| Vehicles | 1 to 3 years |

Long-Lived Assets

The Company reviews its long-lived assets and identifiable intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of the amount of impairment related to assets to be held and used is based upon undiscounted future cash flows resulting from the use and ultimate disposition of the asset. For assets held for disposal, this amount may be based upon appraisal of the asset, market value of similar assets or cash flow from the disposition of the asset. In 2006, the Company recorded expense of \$299,000 in the Automotive and Custom segment to write off the net book value of certain leasehold improvements no longer used in production. In 2005 and 2004, the Company recorded expense of approximately \$151,000 and \$317,000 in the Material Handling North America segment to write off unamortized intangible assets and net book value of equipment related to product lines which the Company decided to discontinue.

Revenue Recognition

The Company recognizes revenues from the sale of products including shipping and handling charges, net of actual and estimated returns, at the point of passage of title, which is at the time of shipment.

Shipping and Handling

Shipping and handling expenses are classified as selling expenses in the accompanying statements of consolidated income. The Company incurred shipping and handling costs of approximately \$25.0 million, \$22.4 million and \$21.9 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying accounts of assets

and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Goodwill and Intangible Assets

Under the provisions of SFAS No. 142, the Company is required test for impairment on at least an annual basis. The Company conducts its annual impairment assessment as of October 1. In addition, the Company will test for

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

impairment whenever events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. Such events may include, but are not limited to, significant changes in economic and competitive conditions, the impact of the economic environment on the Company's customer base or its businesses, or a material negative change in its relationships with significant customers.

In evaluating goodwill for impairment the Company uses a combination of valuation techniques primarily using discounted cash flows to determine the fair values of its business reporting units and market based multiples as supporting evidence. The variables and assumptions used, including the projections of future revenues and expenses, working capital, terminal values, discount rates and the market multiples observed in sale transactions are determined separately for each reporting unit. The underlying assumptions used are based on historical actual experience and future expectations that are consistent with those used in the Company's strategic plan. The Company compares the fair value of each of its reporting units to their respective carrying values, including related goodwill. The change in goodwill for the years ended December 31, 2006 and 2005 is as follows:

| (Amount in thousands) | Distribution | Material Handling North America | Material Handling Europe | Automotive and Custom | Lawn and Garden | Total |
|------------------------------|--------------|---------------------------------------|-----------------------------|-----------------------------|-----------------------|------------|
| December 31, 2004 | \$ 214 | \$ 30,383 | \$ 116,891 | \$ 60,199 | \$ 71,889 | \$ 279,576 |
| Acquisitions | 0 | 0 | 0 | (125) | (345) | (470) |
| Foreign currency translation | 0 | 0 | (15,223) | 0 | 0 | (15,223) |
| December 31, 2005 | 214 | 30,383 | 101,668 | 60,074 | 71,544 | 263,883 |
| Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign currency translation | 0 | 0 | 8,155 | 0 | 0 | 8,155 |
| Impairment | 0 | 0 | (109,823) | 0 | 0 | (109,823) |
| December 31, 2006 | \$ 214 | \$ 30,383 | \$ 0 | \$ 60,074 | \$ 71,544 | \$ 162,215 |

In the quarter ended June 30, 2006, a non-cash, non-tax deductible goodwill impairment charge of \$109.8 million was recognized in the Company's Material Handling Europe business segment. During the second quarter of 2006, the Company determined that the European businesses in its Material Handling Europe business segment were not core to the Company's long term growth strategy and, accordingly, began evaluating the strategic options of these businesses. As a result of this evaluation and taking into consideration the economic factors and evolution of business conditions in Europe, it became necessary for the Company to perform an interim goodwill impairment test in accordance with Statement of Accounting Standards No. 142, Goodwill and Other Intangible Assets. In performing this analysis, the fair value of the reporting unit was based on estimated proceeds from a potential sale and the implied fair value of goodwill was estimated by deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value. As a result of this analysis, all of the recorded goodwill in the reporting unit was

determined to be impaired and, accordingly, the Company recorded a \$109.8 million impairment which is included in the results of discontinued operations in the accompanying statements of consolidated income.

The reductions in goodwill in 2005 of \$125,000 in the automotive and custom products segment and \$345,000 in the lawn and garden products segment resulted from finalization of purchase accounting in connection with the 2004 acquisitions of ATP and Pro Cal, respectively. Refer to Acquisition footnote.

Intangible assets other than goodwill and intangibles associated with the Company's retirement plans, primarily consists of customer relationship and technology assets established in connection with purchase accounting or with patents held by the Company. These intangible assets are amortized over their estimated useful lives, which for the customer relationship intangibles is 7 to 10 years and for patents is the period through their expiration date, not to exceed 17 years. The accumulated amortization related to intangible assets was \$7,450,000 and \$6,144,000 at December 31, 2006 and 2005. Estimated annual amortization expense for the five

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years ending December 31, 2011 are: \$1,238,000 in 2007; \$1,085,000 in 2008; \$1,085,000 in 2009, \$1,085,000 in 2010 and \$755,000 in 2011.

Net Income Per Share

Net income (loss) per share, as shown on the Statements of Consolidated Income, is determined on the basis of the weighted average number of common shares outstanding during the periods as follows:

| | 2006 | 2005 | 2004 |
|--|-------------|-------------|-------------|
| Weighted average common shares outstanding | | | |
| Basic | 34,978,269 | 34,724,488 | 33,846,511 |
| Dilutive effect of stock options | 65,889 | 162,476 | 185,352 |
| Weighted average common shares outstanding diluted | 35,044,158 | 34,886,964 | 34,031,863 |

Subsequent Events

On January 9, 2007, the Company acquired all of the shares of ITML Horticultural Products Inc., an Ontario corporation and Lone Star Plastics, Inc. a Nevada corporation (collectively referred to as ITML). The purchase price was approximately \$110 million, which includes the assumption of approximately \$72 million of debt outstanding as of the acquisition date. ITML is a leader in the design, manufacture, and marketing of plastic containers and related products for the horticultural grower markets in North America and had sales of approximately \$170 million in their fiscal year ended October 31, 2006. The purchase price will be allocated to the assets acquired and liabilities assumed based upon their fair values when appraisals, other studies and additional information becomes available.

On March 8, 2007, the Company acquired certain assets of Schoeller Arca Systems, Inc. North America, a manufacturer of reusable bulk containers for approximately \$42 million. The acquired assets include inventory, molds, equipment and intellectual property related to certain product lines.

On February 1, 2007, the Company completed the sales of its Material Handling Europe businesses. The selling price was approximately 66 million euros with adjustments for the value of cash, debt, and certain liabilities of the businesses at the closing date. The Company anticipates recording a gain on the sale in the quarter ending March 31, 2007.

Discontinued Operations

In the third quarter of 2006, the Company's Board of Directors approved a divestiture plan of the Company's Material Handling Europe business segment. On October 20, 2006, the Company entered into a definitive agreement to sell these businesses and the sale was completed on February 1, 2007.

In accordance with U.S. generally accepted accounting principles, the operating results related to these businesses have been included in discontinued operations in the Company's statements of consolidated income for all periods presented, and the net assets related to these businesses have been presented as discontinued operations in the statement of consolidated financial position as of December 31, 2006.

These discontinued operations generated sales of \$170.9 million, \$166.8 millions and \$167.2 million for the years ended December 31, 2006, 2005 and 2004, respectively. For the year ended December 31, 2006, these discontinued businesses had a net loss of \$97.7 million, which included a goodwill impairment charge of \$109.8 million, compared with net income of \$7.2 million and \$5.2 million for the years ended December 31, 2005 and 2004. Income tax expense for the discontinued operations was \$2.4 million, \$944,000 and \$94,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

Net assets related to discontinued operations at December 31, 2006 were \$86.5 million and consisted of the following:

| (In thousands) | December 31, 2006 |
|--|------------------------------|
| Cash and cash equivalents | \$ 27,086 |
| Receivables, net of allowance of \$1,345 | 48,913 |
| Inventories | 20,435 |
| Prepaid expenses | 3,297 |
| Deferred income taxes | 5,512 |
| Property, plant and equipment, net | 31,055 |
| Intangible assets and other | 485 |
| Total assets | 136,783 |
| Accounts payable | \$ 23,775 |
| Accrued expenses | 17,185 |
| Debt | 1,478 |
| Deferred income taxes | 1,657 |
| Other long term liabilities | 6,172 |
| Total liabilities | 50,267 |
| Net assets | \$ 86,516 |

Acquisitions

On March 10, 2004, the Company acquired all of the shares of ATP Automotive, Inc. (ATP), a subsidiary of Applied Tech LLC. ATP and its operating subsidiaries, Michigan Rubber Products, Inc. (MRP) and WEK Industries, Inc. (WEK), are manufacturers of molded rubber and plastic products for the automotive industry with manufacturing facilities in Michigan (MRP) and Ohio (WEK). The total purchase price was approximately \$61 million, which includes the assumption of \$26 million of ATP debt outstanding as of the acquisition date. ATP compliments our existing product offering in our plastic and rubber original equipment and replacements parts market. The Company believes that the acquisition of ATP resulted in the recognition of goodwill because of its industry position and management strength along with providing the Company a number of operational efficiency opportunities in relation to other existing business units. The purchase price has been allocated to the assets acquired and liabilities assumed based upon their fair values as determined by appraisals, other studies and additional information as shown in the table below. The allocation to intangible assets represents customer relationship values with assigned lives ranging from 7 to 10 years.

On July 7, 2004, the Company acquired the operations and assets of Productivity California, Inc. (Pro Cal), a leading manufacturer of plastic nursery containers and specialty printed containers for professional growers based in South Gate, California. The total acquisition cost was approximately \$28.0 million including approximately \$3.8 million in cash, assumption of Pro Cal debt of \$9.5 million, and 1,153,847 shares of the Company's common stock. As part of the purchase agreement, for a one-year period ended July 7, 2005, the Company agreed to issue additional shares of common stock in the event that shares issued in connection with the Pro Cal acquisition were sold at a price below the \$12.73 per share value at issuance or if the value of shares originally issued was below \$12.73 on the anniversary date. Pursuant to this agreement, the Company issued 4,661 additional shares of common stock in the quarter ended September 30, 2005. Pro Cal is a natural expansion to the Company's plastic horticultural product offering and its geographical location, unique manufacturing capabilities and strong growth rate contributed to a purchase price that exceeded the fair value of assets acquired resulting in goodwill. The purchase price has

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

been allocated to the assets acquired and liabilities assumed based upon their fair values as determined by appraisals and additional information, as shown below. The allocation to intangible assets were primarily customer lists and technology with estimated lives of 8 years.

On September 24, 2004, the Company acquired certain assets of Premium Molding Inc. d/b/a Diakon Molding (Diakon), a manufacturer of plastic refuse collection containers and other blow molded products. Located in Reidsville, North Carolina, Diakon had net sales of approximately \$5.2 million for the year ended June 30, 2004. Diakon enables Myers to better serve certain customers in the Southeastern United States. The assets acquired including cash, accounts receivable, inventory, and machinery and equipment were purchased for \$4.4 million. In addition, the Company assumed certain liabilities of Diakon including trade payables and certain accrued liabilities related to the business operations.

The allocations of purchase price for ATP and Diakon, and Pro Cal are as follows:

| (In thousands) | ATP | Pro Cal | Diakon |
|---------------------------------------|------------|----------------|---------------|
| Assets acquired: | | | |
| Cash | \$ 153 | \$ 1,549 | \$ 166 |
| Accounts receivable | 9,996 | 3,375 | 1,397 |
| Inventory | 3,878 | 4,535 | 1,037 |
| Property, plant and equipment | 17,179 | 12,736 | 2,954 |
| Other | 2,101 | 215 | 6 |
| | 33,307 | 22,410 | 5,560 |
| Liabilities assumed: | | | |
| Debt | (26,045) | (9,519) | 0 |
| Accounts payable and accruals | (8,644) | (4,820) | (2,127) |
| Deferred taxes | (4,041) | (3,183) | 0 |
| | (38,730) | (17,522) | (2,127) |
| Intangible assets | 5,867 | 2,900 | 0 |
| Goodwill | 34,601 | 10,756 | 919 |
| Total consideration in cash and stock | \$ 35,045 | \$ 18,544 | \$ 4,352 |

The results of ATP's, Pro Cal's and Diakon's operations are included in the Company's consolidated results of operations from the dates of acquisition and are reported within the Company's Automotive and Custom, and Lawn and Garden segments. The following unaudited proforma information presents a summary of consolidated results of operations for the Company including ATP, Pro Cal and Diakon as if the acquisitions occurred January 1, 2004

(In thousands, except per share amounts)

2004

| | |
|---|------------|
| Net sales | \$ 667,881 |
| Income from continuing operations | 22,140 |
| Income from continuing operations per share | .65 |

These unaudited proforma results have been prepared for comparative purposes only and may not be indicative of results of operations which actually would have occurred had the acquisitions taken place on January 1, 2004 or future results.

Stock Compensation

In 1999, the Company and its shareholders adopted the 1999 Stock Plan allowing the Board of Directors to grant key employees and Directors options to purchase common stock of the Company at the closing market price

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

on the date of grant. In April 2006, the shareholders approved an amendment to the Plan which provides that, in addition to stock options, grants of restricted stock, stock appreciation rights and other forms of equity compensation consistent with the Plan may be made. Annual grants may not exceed two percent of the total shares of outstanding common stock. In general, options granted and outstanding vest over three to five years and expire ten years from the date of grant. At December 31, 2006, there were 714,824 shares available for future grant under the Plan.

Options granted during the past three years:

| Year | Shares | Price |
|-------------|---------------|---------------------|
| 2006 | 382,800 | \$ 15.11 to \$17.21 |
| 2005 | 326,810 | \$ 11.15 to \$12.86 |
| 2004 | 19,250 | 11.51 |

Options exercised during the past three years:

| Year | Shares | Price |
|-------------|---------------|--------------------|
| 2006 | 238,896 | \$ 7.44 to \$12.26 |
| 2005 | 93,110 | \$ 7.60 to \$11.15 |
| 2004 | 271,457 | \$ 7.44 to \$12.64 |

In addition, options totaling 47,321, 57,055 and 105,271 expired during the years ended December 31, 2006, 2005 and 2004, respectively. Options outstanding and exercisable at December 31, 2006, 2005 and 2004 were as follows:

| Year | Outstanding | Range of Exercise Prices | Exercisable | Weighted Average Exercise Price |
|-------------|--------------------|---------------------------------|--------------------|--|
| 2006 | 781,219 | \$ 8.00 to \$17.21 | 210,882 | \$ 13.52 |
| 2005 | 684,636 | \$ 7.44 to \$12.86 | 333,977 | \$ 9.58 |
| 2004 | 507,991 | \$ 7.44 to \$12.29 | 276,962 | \$ 8.20 |

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), (SFAS 123R), Share-Based Payment, which requires the Company to measure all employee stock-based compensation awards using a fair value method and record the related expense in the financial statements. The Company elected to use the modified prospective transition method. The modified prospective transition method requires that compensation cost be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption and requires that prior periods not be restated. All periods presented prior to January 1, 2006 were accounted for in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees .

The adoption of SFAS 123R reduced income before taxes approximately \$555,000 for the year ended December 31, 2006. These expenses are included in selling and administrative expenses in the accompanying Statement of Consolidated Income. Total unrecognized compensation cost related to non-vested share based compensation arrangements at December 31, 2006 was approximately \$3.7 million, which will be recognized over the next four years.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

The following table illustrates the effect on income and income per share from continuing operations as if we had applied the fair value recognition provisions of SFAS No. 123R to stock-based employee compensation in prior periods presented.

| (In thousands, except per share amounts) | Year Ended December 31, 2005 | Year Ended December 31, 2004 |
|---|---|---|
| Income from continuing operations as reported | \$ 19,365 | \$ 20,187 |
| Stock option compensation as reported, net of tax | 0 | 0 |
| Fair value of stock option compensation net of tax | 180 | 73 |
| Proforma income from continuing operations | \$ 19,185 | \$ 20,114 |
| Income per common share from continuing operations: | | |
| Basic and diluted as reported | \$.56 | \$.60 |
| Basic and diluted proforma | .55 | .59 |

The fair value of options granted is estimated using an option pricing model based on assumptions set forth in the following table. The Company uses historical data to estimate employee exercise and departure behavior. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and through the expected term. The dividend yield is based on the Company's historical dividend yield. The expected volatility is derived from historical volatility of the Company's shares and those of similar companies measured against the market as a whole.

| Model | 2006 Black Scholes | 2005 Trinomial Lattice | 2004 Trinomial Lattice |
|--------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|
| Risk free interest rate | 4.70% | 3.72% | 3.50% |
| Expected dividend yield | 1.23% | 1.79% | 2.20% |
| Expected life of award (years) | 6.0 | 4.3 | 6.1 |
| Expected volatility | 31.58% | 37.50% | 35.70% |
| Fair value per option share | \$ 5.95 | \$ 2.94 | \$ 2.70 |

The following table summarizes the stock option activity for the period ended December 31, 2006:

| Shares | Average Exercise Price | Weighted Average Life | Aggregate Intrinsic Value |
|---------------|---------------------------------------|--------------------------------------|--|
|---------------|---------------------------------------|--------------------------------------|--|

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| | | | | |
|----------------------------------|-----------|----------|------|--------------|
| Outstanding at December 31, 2005 | 684,636 | \$ 9.58 | | |
| Options Granted | 382,800 | 16.95 | | |
| Options Exercised | (238,896) | 8.48 | | |
| Cancelled or Forfeited | (47,321) | 9.74 | | |
| Outstanding at December 31, 2006 | 781,219 | 13.52 | 8.55 | \$ 1,671,937 |
| Exercisable at December 31, 2006 | 210,882 | \$ 10.01 | 7.88 | \$ 1,191,822 |

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The total intrinsic value of the options exercised during the years ended December 31, 2006, 2005, and 2004 was approximately \$1,789,000, \$1,104,000 and \$977,000 respectively. In addition, in September 2006, the Company issued 61,000 shares of restricted stock with a total compensation value of \$1,038,000 which is being recognized over the related four year vesting period.

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MYERS INDUSTRIES, INC. AND SUBSIDIARIES.

Notes to Consolidated Financial Statements Continued

Contingencies

On July 15, 2004, the Company announced that it had reported to the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) certain international business practices that were believed to be in violation of U.S. and, possibly, foreign laws. The practices, which involved a limited number of customers, related to the invoicing of certain sales to foreign customers of the Company s distribution segment and sales made by foreign subsidiaries to prohibited customers in certain prohibited international jurisdictions. These business practices were discontinued and an independent investigation, which has been completed, was conducted by outside counsel under the authority of the Audit Committee of the Company s Board of Directors. The results of the investigation have been provided to the DOJ, the SEC, the Office of Foreign Asset Control, U.S. Department of the Treasury (OFAC) and the Bureau of Industry and Security, U.S. Department of Commerce (BIS).

The DOJ notified the Company that it determined not to proceed against the Company or its employees for those matters described in the Company s voluntary reporting and internal investigation. The BIS notified the Company it had completed its investigation and decided not to refer the matter for criminal or administrative prosecution and closed the matter by issuing a warning letter to the Company.

The Company is still voluntarily working with OFAC to complete the investigation with them. If OFAC determined that these incidents were unlawful, they could take action against the Company and/or some of its employees. Based on informal discussions with the SEC, we believe no further action will be taken against us by the SEC.

We will seek to settle any enforcement issues arising from these matters, however, at this time we cannot reasonably estimate its potential liability and, therefore, as of December 31, 2006, and the date of this filing, the Company has not recorded any provision for any resulting settlements or potential fines or penalties. Based in part upon the manner in which these matters were resolved with the DOJ and BIS, management believes that this liability, although possible, would not have a material adverse effect on our consolidated financial position, results of operations or cash flows. Further, the Company believes that the practices in question have no effect on previously filed financial statements, and that the final findings from the investigation will not lead to any restatement of reported financial results.

In addition to the proceedings discussed above, we have been, in the ordinary course of business, a defendant in various lawsuits and a party to various other legal proceedings, some of which are covered in whole or in part by insurance. We believe that the outcome of these lawsuits and other proceedings will not individually or in the aggregate have a future material adverse effect on our consolidated financial position, results of operations or cash flows.

Long-Term Debt and Credit Agreements

Long-term debt at December 31, consisted of the following:

| | 2006 | 2005 |
|------------------|---------------|----------------|
| Credit agreement | \$ 94,148,992 | \$ 144,509,700 |

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| | | |
|--------------------------|----------------|----------------|
| Senior notes | 100,000,000 | 100,000,000 |
| Industrial revenue bonds | 4,000,000 | 4,000,000 |
| Other | 3,360,644 | 4,254,754 |
| | 201,509,636 | 252,764,454 |
| Less current portion | 3,235,058 | 3,240,821 |
| | \$ 198,274,578 | \$ 249,523,633 |

On October 26, 2006, the Company entered into an amendment and restatement of its loan agreement (the Credit Agreement) with a group of banks. Under terms of the Credit Agreement, the Company may borrow up to

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

\$250 million, including up to \$80 million in certain foreign currencies, swing loans not to exceed \$20 million and letter of credit obligations up to \$25 million. Interest is based on the bank's Prime rate or Euro dollar rate plus an applicable margin that varies depending on the Company's ratio of total debt to earnings before interest, taxes, depreciation and amortization (EBITDA). The average interest rate on borrowing under the Credit Agreement was 5.87 percent at December 31, 2006 and 5.36 percent at December 31, 2005. In addition, the Company pays a quarterly facility fee. The Credit Agreement expires on October 26, 2011.

In December 2003, the Company issued \$100 million in Senior Unsecured Notes (the Notes) consisting of \$65 million of notes with an interest rate of 6.08 percent and a 7 year maturity and \$35 million with an interest rate of 6.81 percent and a 10 year maturity. Proceeds from the issuance of the Notes were used to pay down term loan and revolving credit facility borrowing outstanding at that time.

In addition, at December 31, 2006, the Company had \$7.4 million of other long-term debt consisting of industrial revenue bonds, certain indebtedness of acquired companies, and other credit facilities for the Company's international operations. The weighted average interest rate on these amounts outstanding was 4.91 percent at December 31, 2006 and 3.70 percent at December 31, 2005.

The Credit Facility and Notes contain customary covenants including the maintenance of minimum consolidated net worth, certain financial ratios regarding leverage and interest coverage, and limitation on annual capital expenditures.

Maturities of long-term debt under the loan agreements in place at December 31, 2006 for the five years ending December 31, 2011 were approximately: \$3,235,000 in 2007; \$59,000 in 2008; \$17,000 in 2009; \$69,017,000 in 2010; \$94,166,000 in 2011 and \$35,017,000 thereafter.

Retirement Plans

The Company and certain of its subsidiaries have pension and profit sharing plans covering substantially all of their employees. Two plans are defined benefit plans with benefits primarily based upon a fixed amount for each completed year of service as defined.

For the Company's domestic defined benefit plans, both of which were underfunded at December 31, 2005 and 2004, the net periodic pension cost was as follows:

| | 2006 | | 2005 | 2004 |
|------------------------------------|-------------------|--------------------|-------------|-------------|
| | Overfunded | Underfunded | | |
| Service cost | \$ 28,570 | \$ 110,055 | \$ 191,272 | \$ 240,314 |
| Interest cost | 168,416 | 155,897 | 350,501 | 333,201 |
| Expected return on assets | (226,915) | (185,298) | (396,485) | (343,796) |
| Amortization of prior service cost | 0 | 9,629 | 25,894 | 42,776 |
| Amortization of net loss | 1,227 | 35,109 | 83,545 | 67,536 |
| Settlement/Curtailment | 8,666 | 0 | 195,467 | 0 |

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| | | | | |
|------------------------------------|-------------|------------|------------|------------|
| Net periodic pension (income) cost | \$ (20,036) | \$ 125,392 | \$ 450,194 | \$ 340,031 |
|------------------------------------|-------------|------------|------------|------------|

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

The reconciliation of changes in projected benefit obligations are as follows:

| | 2006 | | 2005 | 2004 |
|---|--------------|--------------|--------------|--------------|
| | Overfunded | Underfunded | | |
| Benefit obligation at beginning of year | \$ 3,133,300 | \$ 2,889,420 | \$ 6,145,452 | \$ 5,684,187 |
| Service cost | 28,570 | 110,055 | 191,272 | 240,314 |
| Interest cost | 168,416 | 155,897 | 350,501 | 333,201 |
| Curtailements | 0 | 0 | (313,782) | 0 |
| Settlements | (301,609) | 0 | (230,319) | 0 |
| Actuarial loss | (65,119) | (103,177) | 142,476 | 139,729 |
| Expenses paid | (33,015) | (25,441) | 0 | 0 |
| Benefits paid | (182,984) | (77,255) | (262,880) | (251,979) |
| Benefit obligation at end of year | \$ 2,747,559 | \$ 2,949,499 | \$ 6,022,720 | \$ 6,145,452 |

The assumptions used to determine the net periodic benefit cost and benefit obligations for both plans are as follows:

| | 2006 | 2005 | 2004 |
|---|-------|-------|-------|
| Discount rate for net periodic pension cost | 5.50% | 5.75% | 6.00% |
| Discount rate for benefit obligations | 5.75% | 5.50% | 5.75% |
| Expected long-term return of plan assets | 8.00% | 8.00% | 8.00% |

Future benefit increases were not considered, as there is no substantive commitment to increase benefits. The expected long-term rate of return assumption is based on the actual historical rate of return on assets adjusted to reflect recent market conditions and future expectation consistent with the Company's current asset allocation and investment policy.

The following table reflects the change in the fair value of the plans' assets:

| | 2006 | | 2005 | 2004 |
|--|--------------|--------------|--------------|--------------|
| | Overfunded | Underfunded | | |
| Fair value of plan assets at beginning of year | \$ 2,957,859 | \$ 2,380,537 | \$ 5,198,214 | \$ 3,937,937 |
| Actual return on plan assets | 396,929 | 344,853 | 474,566 | 583,865 |
| Settlements | (301,609) | 0 | (230,319) | 0 |
| Company contributions | 0 | 0 | 205,000 | 1,003,612 |
| Expenses paid | (33,015) | (25,441) | (46,185) | (75,221) |
| Benefits paid | (182,984) | (77,255) | (262,880) | (251,979) |

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Fair value of plan assets at end of year \$ 2,837,180 \$ 2,622,694 \$ 5,338,396 \$ 5,198,214

The weighted average asset allocations for both of the Company's defined benefit plans at December 31, 2006 and 2005, are as follows:

| | 2006 | 2005 |
|---------------------|-------------|-------------|
| Equities securities | 83% | 81% |
| Debt securities | 17 | 17 |
| Cash | 0 | 2 |
| Total | 100% | 100% |

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

The Company's investment policy related to the defined benefit plans is to provide for aggressive capital growth with moderate income production. Capital growth through equity exposure is emphasized which is balanced with small to moderate use of fixed income investments. Equity exposure is limited to a maximum of 85 percent of the total portfolios.

The following table provides a reconciliation of the funded status of the plans at December 31, 2006:

| | 2006 | |
|------------------------------|-------------------|--------------------|
| | Overfunded | Underfunded |
| Projected benefit obligation | \$ 2,747,559 | \$ 2,949,499 |
| Plan assets at fair value | 2,837,180 | 2,622,694 |
| Funded status | \$ 89,621 | \$ (326,805) |

As required under Statement of Financial Accounting Standard No. 158, the funded status shown above is reflected in the Company's statement of Financial Position at December 31, 2006. Under the provisions of SFAS No. 87, the Company had recorded an additional minimum pension liability of \$1,147,134 at December 31, 2005, of which \$610,615 was recorded as a component of other comprehensive income and \$77,665 as an intangible pension asset. At December 31, 2005, the accumulated benefit obligations of the Plans, both of which were underfunded, was \$6,022,720 and the fair value of plan assets was \$5,338,396. The Company has no minimum required contribution for these plans in 2007 and does not anticipate making any contributions during the next fiscal year.

The table below illustrates the effect of applying SFAS No. 158 on the Consolidated Statement of Financial Position:

| | Before SFAS 158 | Adjustment | After SFAS 158 |
|--|----------------------------|-------------------|---------------------------|
| Pension liability | \$ (516,990) | \$ 279,806 | \$ 237,184 |
| Accumulated Other Comprehensive Income | (448,954) | (137,650) | (586,604) |
| Intangible assets | 68,036 | (68,036) | -0- |
| Deferred income taxes | 157,134 | (74,120) | 83,014 |

In addition, the adoption of SFAS 158 to pension plans for the Company's discontinued operations resulted in a loss of \$2.9 million in accumulated other comprehensive income.

Benefit payments projected for the plans are as follows:

| | |
|------|------------|
| 2007 | \$ 298,434 |
| 2008 | 309,649 |
| 2009 | 332,302 |

| | |
|-------------|-----------|
| 2010 | 357,326 |
| 2011 | 373,129 |
| 2012 - 2016 | 2,137,351 |

A profit sharing plan is maintained for the Company's U.S. based employees, not covered under defined benefit plans, who have met eligibility service requirements. The amount to be contributed by the Company under the profit sharing plan is determined at the discretion of the Board of Directors. Profit sharing plan expense was \$1,668,000, \$1,382,000 and \$1,510,000, for the years 2006, 2005 and 2004, respectively. In addition, the Company has a Supplemental Executive Retirement Plan (SERP) to provide participating senior executives with retirement benefits in addition to amounts payable under the profit sharing plan. Expense related to the SERP was (\$193,000), \$1,022,000 and \$1,175,000 for the years 2006, 2005 and 2004, respectively. The SERP is unfunded.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued****Leases**

The Company and certain of its subsidiaries are committed under non-cancelable operating leases involving certain facilities and equipment. Aggregate rental expense for all leased assets was \$9,713,000, \$8,574,000 and \$7,782,000 for the years ended December 31, 2006, 2005 and 2004, respectively

Future minimum rental commitments for the next five years are as follows:

| Year Ended December 31, | Commitment |
|------------------------------------|-------------------|
| 2007 | \$ 8,352,000 |
| 2008 | 7,031,000 |
| 2009 | 6,135,000 |
| 2010 | 4,751,000 |
| 2011 | 3,785,000 |
| Thereafter | 28,266,000 |

Income Taxes

The effective tax rate was 36.3% in 2006, 40.0% in 2005 and 39.0% in 2004. A reconciliation of the Federal statutory income tax rate to the Company's effective tax rate is as follows:

| | Percent of Pre-Tax Income | | |
|---|----------------------------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| Statutory Federal income tax rate | 35.0% | 35.0% | 35.0% |
| State income taxes net of Federal tax benefit | 2.1 | 4.9 | 4.7 |
| Foreign tax rate differential | .1 | (0.2) | (0.1) |
| Other | (0.9) | 0.3 | (0.6) |
| Effective tax rate for the year | 36.3% | 40.0% | 39.0% |

Income before income taxes was attributable to the following sources:

| | (Dollar in thousands) | | |
|---------------|------------------------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| United States | \$ 40,756 | \$ 30,845 | \$ 30,511 |

| | | | |
|---------|-----------|-----------|-----------|
| Foreign | 4,318 | 1,427 | 2,601 |
| Totals | \$ 45,074 | \$ 32,272 | \$ 33,112 |

Income taxes consisted of the following:

| | 2006 | | 2005 | | 2004 | |
|-------------------------------|-----------|----------|-----------|----------|-----------|----------|
| | Current | Deferred | Current | Deferred | Current | Deferred |
| (Dollars in thousands) | | | | | | |
| Federal | \$ 13,133 | \$ 266 | \$ 9,103 | \$ 935 | \$ 8,690 | \$ 928 |
| Foreign | 1,588 | (49) | 172 | 253 | 1,439 | (551) |
| State and local | 1,290 | 136 | 1,848 | 596 | 2,246 | 174 |
| | \$ 16,011 | \$ 353 | \$ 11,123 | \$ 1,784 | \$ 12,375 | \$ 551 |

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

Significant components of the Company's deferred taxes as of December 31, 2006 and 2005 are as follows:

| | 2006 | 2005 |
|--------------------------------------|-------------|-------------|
| (Dollars in thousands) | | |
| Deferred income tax liabilities | | |
| Property, plant and equipment | \$ 21,957 | \$ 24,835 |
| Tax deductible goodwill | 11,210 | 8,678 |
| State deferred taxes | 2,084 | 2,120 |
| Other | 2,866 | 3,282 |
| | 38,117 | 38,465 |
| Deferred income tax assets | | |
| Compensation | 2,797 | 3,280 |
| Inventory valuation | 1,210 | 1,384 |
| Allowance for uncollectible accounts | 848 | 1,049 |
| Non-deductible accruals | 2,102 | 1,944 |
| Tax and capital loss carryforwards | 15,273 | 340 |
| | 22,230 | 7,997 |
| Valuation Allowance | (15,273) | (340) |
| | 6,957 | 7,657 |
| Net deferred income tax liability | \$ 31,160 | \$ 30,808 |

SFAS No. 109, "Accounting for Income Taxes", requires that deferred tax assets be reduced by a valuation allowance, if based on all available evidence, it is more likely than not that the deferred tax asset will not be realized. Available evidence includes the reversal of existing taxable temporary differences, future taxable income exclusive of temporary differences, taxable income in carryback years and tax planning strategies. The change in the valuation allowance in 2006 was an increase of \$373,000, primarily related to additional foreign and state net operating losses due to the uncertainty regarding future profitability in those jurisdictions. The Company has tax loss carryforwards of approximately \$6.5 million with carryforward periods that expire starting in 2019 and \$14.4 million of capital loss carryforwards expiring in 2012. The American Jobs Creation Act of 2004 introduced a special one-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer, provided certain provisions are met. Myers Industries has an accounting policy to not record a provision for unremitted earnings of foreign subsidiaries as it is the Company's intention to indefinitely reinvest these earnings of these subsidiaries. The American Jobs Creation Act of 2004 provided a special opportunity to review this policy and, accordingly, in 2005 the Company made a repatriation of approximately \$4.4 million in dividends which resulted in additional income taxes of approximately \$281,000.

At December 31, 2006, the Company had not recorded a deferred tax liability for temporary differences related to investments in its foreign subsidiaries that are essentially permanent in duration. The amount of such temporary differences was estimated to be approximately \$15.6 million. The amount may become taxable upon a repatriation of assets or a sales or liquidation of the subsidiaries. It is not practical to estimate the related amount of unrecognized tax liability.

Industry Segments

The Company's business units have separate management teams and offer different products and services. Using the criteria of SFAS No. 131, these business units have been aggregated into four reportable segments. These include three manufacturing segments encompassing a diverse mix of plastic and rubber products: 1) Material Handling North America, 2) Automotive and Custom, and 3) Lawn and Garden. The fourth segment is

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MYERS INDUSTRIES, INC. AND SUBSIDIARIES.

Notes to Consolidated Financial Statements Continued

Distribution of tire, wheel, and undervehicle service products. The aggregation of business units is based on management by the chief operating decision-maker for the segment as well as similarities of products, production processes, distribution methods and economic characteristics (e.g. average gross margin and the impact of economic conditions on long-term financial performance).

In each of its manufacturing segments, the Company designs, produces, and markets a wide range of polymer products for diverse markets, customers, and applications. These products are made through a variety of molding processes in facilities located throughout North America and South America.

The Material Handling North America Segment includes a broad selection of plastic reusable containers, pallets, small parts bins, bulk shipping containers, and storage and organization products. The product selection, manufacturing processes, and markets served by each segment are similar. The North American segment includes operations conducted in the United States, Canada, and Mexico. The reusable container products in both segments provide customers with cost-saving material handling solutions for applications such as shipping heavy automotive parts to assembly lines, transporting perishable food products to retailers, organizing small parts, and creating custom storage systems. Markets served encompass various niches of industrial manufacturing, food processing, retail/wholesale products distribution, agriculture, automotive, healthcare, appliance, bakery, electronics, textiles, consumer, and others. Products are sold both direct to end-users and through distributors.

In the Automotive and Custom Segment, the Company engineers and manufactures plastic and rubber original equipment and replacement parts, rubber tire repair and retread products, and a diverse array of custom plastic and rubber products. Representative products include: plastic HVAC ducts, water/waste storage tanks, and interior/exterior vehicle trim components; rubber air intake hoses, vibration isolators, emissions tubing assemblies, and trailer bushings; and custom products such as plastic tool boxes and calendered rubber sheet stock. The segment serves a diverse group of niche markets: automotive, recreational vehicle, recreational marine, heavy truck, construction and agriculture equipment, healthcare, and transportation, to name a few.

Myers Industries Lawn and Garden Segment serves the North American horticultural market with plastic products such as seedling trays, nursery pots, hanging baskets, and custom printed containers, as well as decorative resin planters. Markets/customers include professional growers, greenhouses, nurseries, retail garden centers, mass merchandisers, and consumers.

The Company's Distribution Segment is engaged in the distribution of equipment, tools, and supplies used for tire servicing and automotive undervehicle repair. The product line includes categories such as tire valves and accessories, tire changing and balancing equipment, lifts and alignment equipment, service equipment and tools, and tire repair/retread supplies. The Distribution Segment operates domestically through 37 branches located in major cities throughout the United States and in foreign countries through export sales. Markets served include retail and truck tire dealers, commercial auto and truck fleets, auto dealers, general service and repair centers, tire retreaders, and government agencies.

Total sales from foreign business units and export were approximately \$92.4 million, \$87.9 million and \$75.2 million for the years 2006, 2005 and 2004, respectively. There are no individual foreign countries for which sales are material. Long-lived assets in foreign countries, consisting primarily of property, plant and equipment and goodwill, were approximately \$17.7 million at December 31, 2006 and \$15.4 million at December 31, 2005.

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| | 2006 | 2005 | 2004 |
|-----------------------------------|-------------------------------|-------------|-------------|
| | (Dollars in thousands) | | |
| Net Sales | | | |
| Distribution | \$ 197,329 | \$ 189,950 | \$ 171,626 |
| Material Handling North America | 240,050 | 209,469 | 189,393 |
| Automotive and Custom | 204,659 | 195,125 | 171,089 |
| Lawn and Garden | 160,155 | 170,416 | 118,544 |
| Intra-segment elimination | (22,209) | (28,080) | (14,740) |
| | \$ 779,984 | \$ 736,880 | \$ 635,912 |
| Income Before Income Taxes | | | |
| Distribution | \$ 22,241 | \$ 20,566 | \$ 17,289 |
| Material Handling North America | 34,872 | 16,265 | 19,665 |
| Automotive and Custom | 14,041 | 9,967 | 13,093 |
| Lawn and Garden | 8,089 | 16,420 | 11,963 |
| Corporate | (18,320) | (15,483) | (15,843) |
| Interest expense-net | (15,849) | (15,463) | (13,055) |
| | \$ 45,074 | \$ 32,272 | \$ 33,112 |
| Identifiable Assets | | | |
| Distribution | \$ 54,636 | \$ 52,404 | \$ 48,339 |
| Material Handling North America | 149,114 | 149,709 | 152,110 |
| Automotive and Custom | 142,185 | 153,933 | 157,672 |
| Lawn and Garden | 163,434 | 176,826 | 173,909 |
| Corporate | 15,831 | 11,671 | 12,228 |
| Intra-segment elimination | 0 | (985) | (468) |
| | \$ 525,200 | \$ 543,558 | \$ 543,790 |
| Capital Additions, Net | | | |
| Distribution | \$ 416 | \$ 654 | \$ 180 |
| Material Handling North America | 4,910 | 13,404 | 6,576 |
| Automotive and Custom | 1,773 | 3,861 | 5,420 |
| Lawn and Garden | 5,116 | 6,929 | 5,352 |
| Corporate | 166 | (270) | (791) |
| | \$ 12,381 | \$ 24,578 | \$ 16,737 |
| Depreciation | | | |
| Distribution | \$ 351 | \$ 336 | \$ 361 |
| Material Handling North America | 10,378 | 11,419 | 12,820 |

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| | | | |
|-----------------------|-----------|-----------|-----------|
| Automotive and Custom | 6,120 | 6,318 | 5,577 |
| Lawn and Garden | 9,215 | 8,553 | 8,358 |
| Corporate | 441 | 534 | 644 |
| | \$ 26,505 | \$ 27,160 | \$ 27,760 |

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ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

The Audit Committee of the Board of Directors selects the Company's independent registered public accounting firm. Effective on May 13, 2005, the Audit Committee appointed KPMG LLP as the Company's independent registered public accounting firm. On June 9, 2005, KPMG LLP accepted the engagement, after completing its due diligence.

During the fiscal years ended December 31, 2004 and 2003 and through June 9, 2005, the Company, nor anyone acting on its behalf, consulted KPMG LLP with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any other matters or reportable events listed in Items 304(a)(2)(i) and (ii) of Regulation S-K.

On May 10, 2005, upon the filing of the Company's Form 10-Q for the quarter ended March 31, 2005, Ernst & Young LLP (E&Y) completed all of its work for the Company and was no longer the Company's independent registered public accounting firm. Prior to the Company filing the Form 10-Q for the quarter ended March 31, 2005, E&Y performed a review of the Company's financial results for the quarter ended March 31, 2005 in accordance with the provisions of SAS 100 (AU 722), Interim Financial Information.

On March 11, 2005, the Audit Committee determined that it would request proposals from independent registered public accounting firms for the Company's 2005 audit. E&Y, the Company's then independent registered public accounting firm for the fiscal year ended December 31, 2004, received a request for proposal, but notified the Company on April 13, 2005, that they declined to stand for reappointment as the Company's independent registered public accounting firm.

As disclosed in the Company's Form 10-K/A filed on May 2, 2005, management concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2004 due to material weaknesses identified in the business segment reporting process, the financial statement close process and the income tax process. E&Y issued an adverse opinion on the effectiveness of internal controls over financial reporting because of these material weaknesses as of December 31, 2004.

E&Y's reports on the Company's consolidated financial statements for the fiscal years ended December 31, 2004 and 2003 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. In connection with the audits of the Company's financial statements for each of the two fiscal years ended December 31, 2004 and 2003 and through June 9, 2005, there were no disagreements with E&Y on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures which, if not resolved to the satisfaction of E&Y would have caused E&Y to make reference to the matter in their report.

ITEM 9.A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-a5(e) of the Securities Exchange Act of 1934, as amended, that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer and Secretary, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well

designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer and Secretary, to evaluate the effectiveness of the design and operation of the Company's disclosure controls and

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procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer and Secretary concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

Management's report of internal controls over financial reporting, and the report of the independent registered public accounting firm on internal control, are titled "Management's Annual Assessment of and Report on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting" and are included herein.

Management's Annual Assessment of and Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer and Corporate Secretary, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the internal control over financial reporting was effective as of December 31, 2006.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report included herein.

John C. Orr
President and
Chief Executive Officer

Donald A. Merrill
Vice President,
Chief Financial Officer and
Secretary

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**Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting**

The Board of Directors and Shareholders
Myers Industries, Inc.:

We have audited management's assessment, included in the accompanying Management's Annual Assessment of and Report On Internal Control Over Financial Reporting, that Myers Industries, Inc. and subsidiaries (Company) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statements of consolidated financial position of Myers Industries, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related statements of consolidated income, shareholders' equity and comprehensive income

(loss), and cash flows for the years then ended, and our report dated March 16, 2007, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Cleveland, Ohio

March 16, 2007

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ITEM 9B. Other Information.

None

PART III

ITEM 10. Directors and Executive Officers and Corporate Governance

For information about the directors of the Registrant, see the sections titled Nominees, Director Independence, Committee Charters and Policies, Shareholder Nominations of Director Candidates and Corporate Governance Policies of Registrant's Proxy Statement dated March 20, 2007 (Proxy Statement), which is incorporated herein by reference.

Each member of the Audit Committee is financially literate and independent as defined under the Company's Independence Criteria Policy and the independence standards set by the New York Stock Exchange. The Board has identified Vincent C. Byrd as Audit Committee financial expert .

Information about the Executive Officers appears in Part I of this Report.

Disclosures by the Registrant with respect to compliance with Section 16(a) appears under the section entitled Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement, and is incorporated herein by reference.

For information about our Code of Ethics, see the section titled Corporate Governance Policies of our Proxy Statement, incorporated herein by reference.

ITEM 11. Executive Compensation

See the sections titled Executive Compensation and Related Information of the Proxy Statement, which is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

See the sections titled Security Ownership of Certain Beneficial Owners and Management, Employment Agreements Including Change of Control, Compensation Committee Interlocks and Insider Participation and the Compensation Committee Report of the Proxy Statement, which is incorporated herein by reference.

See Item 5 of this Form 10-K for the Equity Compensation Plan Information Table, which is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

See the sections titled Policies and Procedures with Respect to Related Party Transactions and Director Independence of the Proxy Statement, which are incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services

Required information regarding fees paid to and services provided by the Company's independent auditor during the years ended December 31, 2006 and 2005 and the pre-approval policies and procedures of the Audit Committee of the Company's Board of Directors is set forth under the section titled "Matters Relating to the Independent Registered Public Accounting Firm" of the Proxy Statement, which is incorporated herein by reference.

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PART IV

ITEM 15. Exhibits, Financial Statement Schedules

The following consolidated financial statements of the Registrant appear in Part II of this Report:

15. (A)(1) Financial Statements

Consolidated Financial Statements of Myers Industries, Inc. and Subsidiaries

Report of Independent Registered Public Accounting Firm

Statements of Consolidated Financial Position As of December 31, 2006 and 2005

Statements of Consolidated Income For The Years Ended December 31, 2006, 2005 and 2004

Statements of Consolidated Shareholders' Equity and Comprehensive Income For The Years Ended December 31, 2006, 2005 and 2004

Statements of Consolidated Cash Flows For The Years Ended December 31, 2006, 2005 and 2004

Notes to Consolidated Financial Statements For The Years Ended December 31, 2006, 2005 and 2004

15. (A)(2) Financial Statement Schedules

All other schedules are omitted because they are inapplicable, not required, or because the information is included in the consolidated financial statements or notes thereto which appear in Part II of this Report.

15. (B) Exhibits

EXHIBIT INDEX

- 3(a) Myers Industries, Inc. Amended and Restated Articles of Incorporation. Reference is made to Exhibit 3(a) to Form 10-K filed with the Commission on March 16, 2005.
- 3(b) Myers Industries, Inc. Amended and Restated Code of Regulations. Reference is made to Exhibit(3)(b) to Form 10-K filed with the Commission on March 26, 2003.
- 10(a) Myers Industries, Inc. Amended and Restated Employee Stock Purchase Plan. Reference is made to Exhibit 10(a) to Form 10-K filed with the Commission on March 30, 2001.
- 10(b) Form of Indemnification Agreement for Directors and Officers. Reference is made to Exhibit 10(b) to Form 10-K filed with the Commission on March 30, 2001.*
- 10(c) Myers Industries, Inc. Amended and Restated 1992 Stock Option Plan. Reference is made to Exhibit 10(c) to Form 10-K filed with the Commission on March 30, 2001.*
- 10(d) Myers Industries, Inc. Amended and Restated Dividend Reinvestment and Stock Purchase Plan. Reference is made to Exhibit 10(d) to Form 10-K filed with the Commission on March 19, 2004.
- 10(e) Myers Industries, Inc. 1997 Incentive Stock Plan. Reference is made to Exhibit 10.2 to Form S-8 (Registration Statement No. 333-90367) filed with the Commission on November 5, 1999.*
- 10(f)

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- Myers Industries, Inc. Amended and Restated 1999 Incentive Stock Plan. Reference is made to Exhibit 10(f) to Form 10-Q filed with the Commission on May 6, 2003.*
- 10(g) Myers Industries, Inc. Executive Supplemental Retirement Plan. Reference is made to Exhibit (10)(g) to Form 10-K filed with the Commission on March 26, 2003.*
- 10(h) Employment Agreement between Myers Industries, Inc. and John C. Orr effective May 1, 2005. Reference is made to Exhibit 10(h) to Form 10-Q filed with the Commission on August 10, 2005.*
- 10(i) Non-Disclosure and Non-Competition Agreement between Myers Industries, Inc. and John C. Orr dated July 18, 2000. Reference is made to Exhibit 10(j) to Form 10-Q filed with the Commission on May 6, 2003.*
- 10(j) Amendment to the Myers Industries, Inc. Executive Supplemental Retirement Plan (John C. Orr) effective May 1, 2005.* Reference is made to Exhibit 10(j) to Form 10-K filed with the Commission on March 16, 2006.
- 10(k) Employment Agreement between Myers Industries, Inc. and Donald A. Merrill dated January 24, 2006.* Reference is made to Exhibit 10(k) to Form 10-K filed with the Commission on March 16, 2006.

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EXHIBIT INDEX

- 10(l) Amendment to the Myers Industries, Inc. Executive Supplemental Retirement Plan (Donald A. Merrill) dated January 24, 2006.* Reference is made to Exhibit 10(l) to Form 10-K filed with the Commission on March 16, 2006.
- 10(m) Non-Disclosure and Non-Competition Agreement between Myers Industries, Inc. and Donald A. Merrill dated January 24, 2006.* Reference is made to Exhibit 10(m) to Form 10-K filed with the Commission on March 16, 2006.
- 10(n) Resignation and Retirement Agreement between Myers Industries, Inc. and Gregory J. Stodnick dated January 24, 2006.* Reference is made to Exhibit 10(n) to Form 10-K filed with the Commission on March 16, 2006.
- 10(o) Employment Agreement between Myers Industries, Inc. and Kevin C. O Neil dated August 21, 2005. Reference is made to Exhibit 10(j) to Form 10-Q filed with the Commission on November 4, 2005.*
- 10(p) Amendment to the Myers Industries, Inc. Executive Supplemental Retirement Plan (Kevin C. O Neil) effective August 21, 2005.* Reference is made to Exhibit 10(p) to Form 10-K filed with the Commission on March 16, 2006.
- 10(q) Separation Agreement between Myers Industries, Inc. and Kevin C. O Neil dated August 8, 2006. Reference is made to Exhibit 10(q) to Form 10-Q filed with the Commission on August 8, 2006.
- 10(r) Retirement and Separation Agreement between Myers Industries, Inc. and Stephen E. Myers effective May 1, 2005. Reference is made to Exhibit 10(k) to Form 10-Q filed with the Commission on August 10, 2005.*
- 10(s) Form of Stock Option Grant Agreement. Reference is made to Exhibit 10(r) to Form 10-K filed with the Commission on March 16, 2005.*
- 10(t) Third Amendment to Amended and Restate Loan Agreement between Myers Industries, Inc. and JP Morgan Chase Bank, N.A. Agent dated as of July 27, 2006. Reference is made to Exhibit 10 to Form 8-K filed with the Commission on July 27, 2006.
- 10(u) Note Purchase Agreement between Myers Industries, Inc. and the Note Purchasers, dated December 12, 2003, regarding the issuance of (i) \$65,000,000 of 6.08% Series 2003-A Senior Notes due December 12, 2010, and (ii) \$35,000,000 of 6.81% Series 2003-A Senior Notes due December 12, 2013. Reference is made to Exhibit 10(o) to Form 10-K filed with the Commission on March 15, 2004.
- 10(v) Myers Industries, Inc. Non-Employee Board of Directors Compensation Arrangement.* Reference is made to Exhibit 10(w) to Form 10-K filed with the Commission on March 16, 2006.
- 10(w) Myers Industries, Inc. Amended and Restated 1999 Incentive Stock Plan. Reference is made to Exhibit 10(w) to Form 10-Q filed with the Commission on August 9, 2006.
- 14(a) Myers Industries, Inc. Code of Business Conduct and Ethics. Reference is made to Exhibit 14(a) to Form 10-K filed with the Commission on March 16, 2005.
- 14(b) Myers Industries, Inc. Code of Ethical Conduct for the Finance Officers and Finance Department Personnel. Reference is made to Exhibit 14(b) to Form 10-K filed with the Commission on March 16, 2005.
- 21 List of Direct and Indirect Subsidiaries, and Operating Divisions, of Myers Industries, Inc.
- 23(a) Consent of Independent Registered Public Accounting Firm (KPMG LLP)
- 23(b) Consent of Independent Registered Public Accounting Firm (Ernst & Young LLP)
- 31(a) Certification of John C. Orr, President and Chief Executive Officer of Myers Industries, Inc, pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.
- 31(b) Certification of Donald A. Merrill, Vice President (Chief Financial Officer and Secretary) of Myers Industries, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.
- 32 Certifications of John C. Orr Myers, President and Chief Executive Officer of Myers Industries, Inc. and Donald A. Merrill, Vice President Finance (Chief Financial Officer and Secretary), of Myers Industries, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates executive compensation plan or arrangement.

15. (D) Financial Statements

See subparagraph 15(a)(1) above.

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Myers Industries, Inc.

/s/ Donald A. Merrill
Donald A. Merrill
*Vice President and
Chief Financial Officer and
Secretary*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|--|---|----------------|
| /s/ Donald A. Merrill Donald A. Merrill | Vice President and Chief Financial Officer and Secretary (Principal Financial and Accounting Officer) | March 16, 2007 |
| /s/ Keith A. Brown Keith A. Brown | Director | March 16, 2007 |
| /s/ Vincent Byrd Vincent Byrd | Director | March 16, 2007 |
| /s/ Karl S. Hay Karl S. Hay | Director | March 16, 2007 |
| /s/ Richard P. Johnston Richard P. Johnston | Director | March 16, 2007 |
| /s/ Edward W. Kissel Edward W. Kissel | Director | March 16, 2007 |
| /s/ Stephen E. Myers Stephen E. Myers | Director | March 16, 2007 |
| /s/ John C. Orr | President, Chief Executive Officer and Director (Principal Executive Officer) | March 16, 2007 |

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| | | |
|------------------------|----------|----------------|
| John C. Orr | | |
| /s/ Richard L. Osborne | Director | March 16, 2007 |
| Richard L. Osborne | | |
| /s/ Jon H. Outcalt | Director | March 16, 2007 |
| Jon H. Outcalt | | |