

GOODYEAR TIRE & RUBBER CO /OH/

Form 10-Q/A

August 03, 2004

**Table of Contents**

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

**FORM 10-Q/A**

**(Amendment No. 1)**

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

**For the Quarterly Period Ended September 30, 2003**

**Commission File Number: 1-1927**

**THE GOODYEAR TIRE & RUBBER COMPANY**

(Exact name of Registrant as specified in its charter)

**OHIO**

(State or Other Jurisdiction of  
Incorporation or Organization)

**34-0253240**

(I.R.S. Employer  
Identification No.)

**1144 East Market Street, Akron, Ohio**

(Address of Principal Executive Offices)

**44316-0001**

(Zip Code)

**(330) 796-2121**

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Number of Shares of Common Stock,  
Without Par Value, Outstanding at September 30,  
2003:

175,326,333

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**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

**ITEM 1. RESTATED FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS**

**CONSOLIDATED BALANCE SHEET**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**NOTES TO FINANCIAL STATEMENTS**

**ITEM 2. RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS**

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**ITEM 4. CONTROLS AND PROCEDURES**

**PART II. OTHER INFORMATION**

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

**SIGNATURES**

**INDEX OF EXHIBITS**

**EX-12 Computation of Ratio of Earnings to Fixed Charges**

**EX-31.1 Certification**

**EX-31.2 Certification**

**EX-32.1 Certification**

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**Table of Contents**

**EXPLANATORY NOTE**

This Amendment No. 1 to The Goodyear Tire & Rubber Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 (the Form 10-Q/A) includes unaudited restated consolidated financial statements as of September 30, 2003 and for the three- and nine-month periods ended September 30, 2003 and 2002, and an audited restated consolidated balance sheet as of December 31, 2002. The accompanying restated consolidated financial statements, including the notes thereto, have been revised to reflect the restatement.

The Goodyear Tire & Rubber Company (the Company) has restated, by means of its Annual Report on Form 10-K for the year ended December 31, 2003 (the 2003 Form 10-K) filed on May 19, 2004, its consolidated balance sheet as of December 31, 2002, and consolidated statements of operations, cash flows, comprehensive income and shareholders' equity for the years ended December 31, 2002 and 2001. The restatement also affected periods prior to 2001. Note 2 to the financial statements included in the 2003 Form 10-K shows the impact of the restatement adjustments to retained earnings as of January 1, 2001, to reflect the impact of the restatement on periods prior to 2001. For information on the impact of the restatement on the years 2000 and 1999, reference is made to Item 6. Selected Financial Data in the Company's 2003 Form 10-K. In addition, the restatement impacts the first three quarters of 2003. The restated amounts for the first and second quarters of 2003 and the comparable interim periods in 2002 are presented in the Company's Quarterly Reports on Form 10-Q/A for the quarterly periods ended March 31, 2003 and June 30, 2003.

Refer to Note 1A, Restatement, for further information on the restatement impact for the third quarter and nine months ended September 30, 2003 and 2002.

For further discussion, see Item 8. Financial Statements Note 2. Restatement in the Company's 2003 Form 10-K, which discloses the nature of the restatement adjustments and shows the impact of the restatement adjustments on net loss and the cumulative impact of the adjustments on the Consolidated Statement of Operations and Consolidated Balance Sheet for each annual period on a restated basis.

This Form 10-Q/A amends and restates Items 1, 2, 3 and 4 of Part I and Item 6 of Part II of the original Form 10-Q as well as the information set forth under Forward-Looking Information Safe Harbor Statement, and no other information included in the original Form 10-Q is amended hereby.

All referenced amounts in this Amendment No. 1 to the Company's Quarterly Report on Form 10-Q/A for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

This Form 10-Q/A has not been updated for changes in events, estimates or other developments subsequent to November 19, 2003, the date of filing of the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003. For a discussion of these subsequent events and developments as well as revisions to prior estimates please refer to the Company's 2003 Form 10-K filed on May 19, 2004.

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. RESTATED FINANCIAL STATEMENTS.**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
(Unaudited)

*(In millions, except per share)*

	Restated			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<b>NET SALES</b>	<b>\$3,906.1</b>	<b>\$3,538.5</b>	<b>\$11,205.2</b>	<b>\$10,348.5</b>
Cost of Goods Sold	3,194.4	2,872.1	9,196.0	8,423.5
Selling, Administrative and General Expense	586.0	549.6	1,751.3	1,631.5
Rationalizations (Note 2)	54.3	12.0	130.4	12.0
Interest Expense	78.9	61.9	219.7	182.5
Other (Income) and Expense (Note 3)	89.7	6.5	162.7	46.8
Foreign Currency Exchange	10.8	(26.0)	29.8	(18.3)
Equity in (Earnings) Losses of Affiliates	0.2	2.9	4.5	10.6
Minority Interest in Net Income (Loss) of Subsidiaries	8.8	11.4	32.3	40.3
Income (Loss) before Income Taxes	(117.0)	48.1	(321.5)	19.6
United States and Foreign Taxes on Income (Loss)	1.2	19.9	46.2	25.7
<b>NET INCOME (LOSS)</b>	<b>\$ (118.2)</b>	<b>\$ 28.2</b>	<b>(367.7)</b>	<b>(6.1)</b>
Retained Earnings at Beginning of Period			1,782.5	3,089.3
<b>CASH DIVIDENDS</b>			<b>(58.9)</b>	<b>(58.9)</b>
Retained Earnings at End of Period			\$ 1,414.8	\$ 3,024.3
<b>NET INCOME (LOSS) PER SHARE OF COMMON STOCK BASIC</b>	<b>\$ (0.67)</b>	<b>\$ 0.17</b>	<b>\$ (2.10)</b>	<b>\$ (0.04)</b>

Average Shares Outstanding (Note 4)	175.3	166.5	175.3	164.5
<b>NET INCOME (LOSS) PER SHARE OF COMMON STOCK DILUTED</b>	<b>\$ (0.67)</b>	<b>\$ 0.17</b>	<b>\$ (2.10)</b>	<b>\$ (0.04)</b>
Average Shares Outstanding (Note 4)	175.3	166.5	175.3	164.5
<b>CASH DIVIDENDS PER SHARE</b>	<b>\$</b>	<b>\$ 0.12</b>	<b>\$</b>	<b>\$ 0.36</b>

*The accompanying notes are an integral part of this financial statement.*

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**(Unaudited)**

*(In millions)*

	<b>Restated September 30, 2003</b>	<b>December 31, 2002</b>
	<hr/>	<hr/>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,028.1	\$ 918.1
Restricted cash (Note 1)	5.9	
Short term securities		24.3
Accounts and notes receivable, less allowance (Note 6) \$118.8 (\$102.1 in 2002)	2,858.2	1,438.1
Inventories:		
Raw materials	463.0	459.2
Work in process	107.9	97.4
Finished products	1,926.1	1,789.6
	<hr/>	<hr/>
Prepaid expenses and other current assets	2,497.0	2,346.2
	256.0	453.7
	<hr/>	<hr/>
<b>Total Current Assets</b>	<b>6,645.2</b>	<b>5,180.4</b>
Long Term Accounts and Notes Receivable	288.5	242.8
Investments in and Advances to Affiliates	170.4	139.2
Other Assets	75.8	253.0
Goodwill	604.3	602.6
Other Intangible Assets	168.9	161.4
Prepaid and Deferred Pension Costs	916.8	911.2
Deferred Charges	468.1	391.9
Properties and Plants, less accumulated depreciation 2002) \$7,095.2 (\$6,572.5 in	5,237.9	5,156.2
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$14,575.9</b>	<b>\$13,038.7</b>
	<hr/>	<hr/>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable-trade	\$ 1,572.4	\$ 1,515.4
Compensation and benefits	964.9	913.6
Other current liabilities	499.4	512.3

United States and foreign taxes	466.3	358.2
Notes payable (Note 8)	112.2	283.4
Long term debt due within one year (Note 8)	52.0	369.8
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>3,667.2</b>	<b>3,952.7</b>
Long Term Debt and Capital Leases (Note 8)	4,779.6	2,989.8
Compensation and Benefits	4,648.8	4,497.3
Other Long Term Liabilities	606.9	615.7
Minority Equity in Subsidiaries	777.4	727.8
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>14,479.9</b>	<b>12,783.3</b>
Commitments and Contingent Liabilities (Note 9)		
<b>Shareholders Equity:</b>		
Preferred Stock, no par value:		
Authorized, 50.0 shares, unissued		
Common Stock, no par value:		
Authorized, 300.0 shares		
Outstanding shares - 175.3 (175.3 in 2002) after deducting 20.4 treasury shares (20.4 in 2002)	175.3	175.3
Capital Surplus	1,390.2	1,390.1
Retained Earnings	1,414.8	1,782.5
Accumulated Other Comprehensive Income (Loss)	(2,884.3)	(3,092.5)
	<hr/>	<hr/>
<b>Total Shareholders Equity</b>	<b>96.0</b>	<b>255.4</b>
	<hr/>	<hr/>
<b>Total Liabilities and Shareholders Equity</b>	<b>\$14,575.9</b>	<b>\$13,038.7</b>
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*The accompanying notes are an integral part of this financial statement.*

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY**  
(Unaudited)

*(In millions)*

	<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Shareholders Equity</u>
Balance at December 31, 2002	\$ 175.3	\$ 1,390.1	\$ 1,782.5	\$ (3,092.5)	\$ 255.4
Comprehensive income (loss) for 2003:					
<b>Net loss</b>			<b>(367.7)</b>		
Foreign currency translation				229.8	
Minimum pension liability				(47.4)	
Unrealized investment gain				11.4	
Deferred derivative gain				14.4	
<b>Total comprehensive loss</b>					<b>(159.5)</b>
Common stock issued from treasury:					
Stock compensation plans		0.1			0.1
<b>Balance at September 30, 2003 as restated</b>	<b>\$ 175.3</b>	<b>\$ 1,390.2</b>	<b>\$ 1,414.8</b>	<b>\$ (2,884.3)</b>	<b>\$ 96.0</b>

	<u>Restated September 30, 2003</u>	<u>December 31, 2002</u>
<b>Accumulated Other Comprehensive (Income) Loss</b>		
Foreign currency translation adjustment	\$(1,161.1)	\$(1,390.9)
Minimum pension liability adjustment	(1,720.9)	(1,673.5)
Unrealized investment gain (loss)	2.1	(9.3)
Deferred derivative loss	(4.4)	(18.8)
<b>Total</b>	<b>\$(2,884.3)</b>	<b>\$(3,092.5)</b>

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

*(In millions)*

	<b>Restated</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Net Income (Loss)</b>	<b>\$(118.2)</b>	<b>\$ 28.2</b>	<b>\$(367.7)</b>	<b>\$ (6.1)</b>
Other Comprehensive income (loss):				
Foreign currency translation	28.0	(104.9)	229.8	(61.5)
Minimum pension liability	(26.3)		(47.4)	(3.4)
Deferred derivative gain (loss)	5.7	(12.1)	27.4	29.2
Tax on deferred derivative gain (loss)		4.6		(11.1)
Reclassification adjustment for amounts recognized in income	(2.9)	3.7	(11.0)	(37.8)
Tax on derivative reclassification adjustment		(1.4)	(2.0)	14.4
Unrealized investment gain	1.8	6.6	11.4	10.5
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Comprehensive Income (Loss)</b>	<b>\$(111.9)</b>	<b>\$ (75.3)</b>	<b>\$(159.5)</b>	<b>\$(65.8)</b>
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*The accompanying notes are an integral part of this financial statement.*

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

*(In millions)*

	<b>Restated</b>	
	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2003</b>	<b>2002</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net Loss</b>	<b>\$ (367.7)</b>	<b>\$ (6.1)</b>
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	460.9	452.5
Rationalizations (Note 2)	33.3	1.1
Asset sales (Note 3)	10.7	(11.5)
Net cash flows from sale of accounts receivable (Note 6)	(794.7)	26.1
Changes in operating assets and liabilities, net of asset acquisitions and dispositions:		
Accounts and notes receivable	(502.4)	(285.6)
Inventories	(51.5)	(6.8)
Accounts payable trade	(39.8)	31.7
Prepaid expenses and other current assets	175.4	24.3
Other current liabilities	31.6	23.2
Other long term liabilities	101.5	(85.7)
Other assets and liabilities	92.9	(44.0)
	(482.1)	125.3
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(849.8)</b>	<b>119.2</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(269.2)	(293.8)
Short term securities acquired		(60.9)
Short term securities redeemed	26.1	
Asset dispositions (Note 7)	87.5	25.7
Asset acquisitions (Note 7)	(71.2)	(54.8)
Other transactions	82.7	(20.8)
	(144.1)	(404.6)
<b>TOTAL CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(144.1)</b>	<b>(404.6)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Short term debt incurred	318.3	84.4
Short term debt paid	(488.4)	(56.6)
Long term debt incurred	2,912.6	10.9

Long term debt paid	(1,575.3)	(87.0)
Common stock issued	0.1	18.8
Dividends paid to Sumitomo	(15.7)	(6.2)
Dividends paid to Goodyear shareholders		(58.9)
Debt issuance costs	(104.1)	
Increase in restricted cash (Note 1)	(5.9)	
Other transactions	27.9	
	<u>          </u>	<u>          </u>
<b>TOTAL CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>1,069.5</b>	<b>(94.6)</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	34.4	(27.0)
	<u>          </u>	<u>          </u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>110.0</b>	<b>(407.0)</b>
Cash and Cash Equivalents at Beginning of the Period	918.1	953.6
	<u>          </u>	<u>          </u>
<b>Cash and Cash Equivalents at End of the Period</b>	<b>\$ 1,028.1</b>	<b>\$ 546.6</b>
	<u>          </u>	<u>          </u>

*The accompanying notes are an integral part of this financial statement.*

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

*All per share amounts in these Notes to Financial Statements are diluted unless otherwise indicated.*

**NOTE 1. ACCOUNTING POLICIES**

***Adjustments***

The accompanying unaudited consolidated financial statements have been prepared in accordance with Form 10-Q instructions and in the opinion of management contain all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These restated interim statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (the 2003 10-K ).

***Restricted Cash***

The Company will from time to time maintain balances on deposit at various financial institutions primarily as collateral for borrowings incurred by various subsidiaries. The availability of these balances is restricted to the extent of the borrowings. At September 30, 2003, cash balances totaling approximately \$5.9 million were subject to such restrictions.

***Rationalizations***

The Company adopted Statement of Financial Accounting Standards No. 146 (SFAS 146), Accounting for Costs Associated with Exit or Disposal Activities, effective for all exit or disposal activities initiated after December 31, 2002. SFAS 146 requires, among other things, that liabilities for costs associated with exit or disposal activities be recognized when the liabilities are incurred, rather than when an entity commits to an exit plan. SFAS 146 changes the timing of liability and expense recognition related to exit or disposal activities, but not the ultimate amount of such expenses. Refer to Note 2.

***Stock-Based Compensation***

The Company uses the intrinsic value method to measure compensation cost for stock-based compensation. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's common stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation cost for stock appreciation rights and performance units is recorded based on the quoted market price of the Company's stock at the end of the reporting period.

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

The following table presents the pro forma effect from using the fair value method to measure compensation cost:

	Restated			
	Three Months Ended September 30, 2003		Nine Months Ended September 30, 2003	
(In millions, except per share)	2002	2003	2002	2003
Net income (loss) as reported	\$28.2	\$(118.2)	\$ (6.1)	\$(367.7)
Add: Stock-based compensation expense (income) included in net income (loss) (net of tax)	(1.9)	0.5	(5.4)	0.5
Deduct: Stock-based compensation expense calculated using the fair value method (net of tax)	(6.7)	(7.2)	(20.4)	(20.6)
	\$19.6	\$(124.9)	\$ (31.9)	\$(387.8)
Net income (loss) as adjusted				
Net income (loss) per share:				
Basic as reported	\$0.17	\$(0.67)	\$(0.04)	\$(2.10)
as adjusted	0.12	(0.71)	(0.19)	(2.21)
Diluted as reported	\$0.17	\$(0.67)	\$(0.04)	\$(2.10)
as adjusted	0.12	(0.71)	(0.19)	(2.21)

**Recently Adopted Accounting Pronouncement**

The Financial Accounting Standards Board (the FASB) has issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 requires companies to consolidate, at fair value, the assets, liabilities and results of operations of variable interest entities (VIEs) in which the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or in which they hold a controlling financial interest through means other than the majority ownership of voting equity. Controlling financial interests typically are present when a company either 1) has the direct or indirect ability to make decisions about the VIE's activities, 2) holds an obligation to absorb expected losses of a VIE, or 3) is entitled to receive the expected residual returns of a VIE. FIN 46 requires disclosures by companies, effective with financial statements issued after January 31, 2003, about the nature, purpose, size and activities of VIEs covered by its provisions, and their maximum exposure to loss. FIN 46 also requires companies to consolidate VIEs created before February 1, 2003, in financial statements for periods ending after December 15, 2003.

The Company is a party to lease agreements with two unrelated special purpose entities (SPEs) that are VIEs as defined by FIN 46. The agreements are related to certain North American distribution facilities and certain corporate aircraft. The fair value of the assets and liabilities, and the Company's maximum exposure to loss prior to insurance recoveries, is approximately \$30 million in each SPE. The assets, liabilities and results of operations of these SPEs were consolidated in the third quarter of 2003 resulting in an increase in long term debt of approximately \$60 million.

Financing costs recognized in the Company's financial statements are not expected to change significantly. Financing costs related to these two SPEs were included in Selling, Administrative and General Expense (SAG) prior to the third quarter 2003, and will be recognized prospectively as Interest Expense.

The FASB issued Staff Position No. FIN 46-6, Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities, which permitted the Company to defer the effective date, until December 31, 2003, for applying the provisions of FIN 46 to potential variable interest entities created before February 1, 2003. The

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

Company applied the provisions of FIN 46 to certain of its VIEs, however, it continues to evaluate the application of FIN 46 to two joint venture investments; South Pacific Tyres (SPT), a tire manufacturer, marketer and exporter of tires in Australia and New Zealand and T&WA, a wheel mounting operation in the United States which ships to original equipment manufacturers. For further information, refer to the notes to the financial statements No. 9, Commitments and Contingent Liabilities – Affiliate Financing and No. 11, Non-Consolidated Operations – South Pacific Tyres.

***Reclassification***

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current presentation.

**NOTE 1A. RESTATEMENT**

The financial statements have been restated in order to reflect certain adjustments to Goodyear's financial statements from what was previously reported in Goodyear's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 filed on November 19, 2003 (the Form 10-Q). The restatement also affects the three- and nine-month periods ended September 30, 2002. The adjustments increased the net loss by \$12.3 million and \$35.3 million for the quarter and nine-month period ended September 30, 2003, respectively. For the three- and nine-month periods ended September 30, 2002, adjustments reducing income by \$5.5 million were recorded. The restated financial information has been prepared by management and reflects all adjustments known to management.

For the three- and nine-month periods ended September 30, 2003, this footnote reflects restatement adjustments from the previously filed Form 10-Q to the financial statements filed herein. For the three- and nine-month periods ended September 30, 2002, this footnote reflects restatement adjustments from Goodyear's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 filed on October 30, 2002 to the financial statements filed herein.

The Company has restated, by means of its Annual Report on Form 10-K for the year ended December 31, 2003, filed on May 19, 2004, its consolidated balance sheet as of December 31, 2002, and consolidated statements of operations, cash flows and shareholders' equity for the years ended December 31, 2002 and 2001. The restatement also affects periods prior to 2001. In addition, the Company's 2003 and 2002 quarterly financial information has been restated to reflect adjustments to the Company's previously reported financial information on Form 10-Q for the quarters ended March 31, 2003; June 30, 2003; and September 30, 2003. Form 10-Q/As have been filed for the quarterly periods ended March 31, 2003 and June 30, 2003. Refer to Note 2, Restatement, and supplementary data in the 2003 10-K for further discussion of the restatement including the adjustments recorded in annual and quarterly periods other than the third quarters of 2003 and 2002. Accordingly, this footnote discusses the restatement adjustments related only to the third quarters and nine-month periods of 2003 and 2002.

The restatements initially arose out of an intensified effort to reconcile certain general ledger accounts in the second and third quarters of 2003. As a result of the Company's efforts to reconcile these accounts, the Company identified various adjustments that were recorded in the second quarter and needed to be recorded in the third quarter of 2003 arising out of account reconciliations. Based on an assessment of the impact of the adjustments, management and the Audit Committee decided to restate the Company's previously issued financial statements. Following the identification of



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

these adjustments, PricewaterhouseCoopers LLP ( PwC ) advised the Company in October 2003 that the failure to identify or monitor certain conditions with respect to certain general ledger accounts collectively resulted in a material weakness in internal controls that required strengthening.

In December 2003, the Company discovered accounting irregularities in its European Union Tire business segment. The Audit Committee initiated a special investigation of these irregularities, and this investigation was subsequently expanded to other overseas locations. The investigations identified accounting irregularities primarily related to earnings management whereby accrual accounts were improperly adjusted between periods or expenses were improperly deferred. In the first and second quarters of 2004, the Company identified other adjustments. Some of these adjustments resulted from accounting irregularities resulting in the understatement of workers' compensation liability and related to the valuation of real estate received in payment of trade accounts receivable in Chile. The Audit Committee also initiated an investigation into these adjustments. As a result of these investigations, management and the Audit Committee decided that a further restatement was necessary.

In May 2004, PwC advised the Company that the circumstances it previously identified to the Company as collectively resulting in a material weakness had each individually become a material weakness. PwC advised the Company that this determination was due to the number of previously undetected errors that were attributable to the material weakness previously identified. A significant portion of these errors were detected by the Company. PwC further identified an additional material weakness resulting from intentional overrides of internal controls that the Company had discovered by those in authority, particularly related to the European Union Tire segment and workers' compensation liability in the United States. These material weaknesses, if unaddressed, could result in material errors in the Company's financial statements. In addition, PwC advised the Company that it had identified as reportable conditions the Company's need to enhance certain finance personnel's knowledge of U.S. GAAP and internal controls and the need to enhance controls related to the establishment of bank accounts.

The Form 10-K for the year ended December 31, 2003 also included changes to the timing of certain previously recognized adjustments not arising from account reconciliations as well as other adjustments identified during the restatement process.

The adjustments resulting from the Company's initial restatement efforts, the special overseas accounting and workers' compensation investigations, and the 2003 year-end closing process are described as follows:

**Accounting Irregularities.** This category includes adjustments increasing income (decreasing loss) before tax by a total of \$4.9 million and \$0.4 million in the three- and nine-month periods ended September 30, 2003, respectively. For the three- and nine-month periods ended September 30, 2002, adjustments reducing income (increasing loss) before tax of \$2.4 million and \$8.9 million, respectively, were recorded. These adjustments resulted from the overseas special accounting investigation, the understatement of the Company's liability for workers' compensation payments, and certain adjustments in Chile, including the correction of the valuation of real estate received in payment for trade accounts receivable.

Adjustments reducing loss by a total of \$4.5 million before tax and increasing loss by a total of \$7.1 million before tax in the nine months ended September 30, 2003 and 2002, respectively, were included in the restatement as a result of the special accounting investigation overseas. For the quarters ended September 30, 2003 and 2002, loss was reduced by \$6.6 million before tax and increased by \$2.7 million before tax,



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

respectively. The majority of the adjustments addressed accrual accounts that were improperly adjusted between periods or expenses that were improperly deferred. These adjustments primarily related to accounts receivable, fixed assets, accounts payable-trade and other long-term liability accounts that were improperly adjusted. These adjustments are summarized in the table below under the two captions accruals and deferred expenses Europe and Asia and deferred income Europe. An adjustment was also made to defer income of \$0.1 million before tax beyond the first quarter of 2003 that was improperly recognized in the third quarter of 2003.

The workers compensation adjustments reduced income \$4.1 million and \$4.1 million before tax in the nine months ended September 30, 2003 and 2002, respectively. For the three months ended September 30, 2003 and 2002, income was reduced by \$1.7 million and \$0.8 million before tax, respectively. These adjustments resulted from an understatement of the Company's potential liability for estimated payments relating to workers compensation claims by employees. In the first quarter of 2004, it was noted that claims arising from one of the Company's United States tire manufacturing plants were under-reserved. As a result, the Company, with the assistance of the outside administrator, reviewed approximately 85% of the open claims handled by this administrator at this plant as well as other facilities and determined that reserves needed to be increased to accurately value the claims. The under-reserving resulted in part from improper efforts to reduce, or restrict the amount of increase in, the reserves for certain workers compensation claims leading to claims data in the Company's workers compensation claims database that did not reflect the probable ultimate exposure to the Company.

In 2000, the Company received approximately 13 acres of land in Santiago, Chile, in payment for trade accounts receivable from one of its Chilean customers. At the time, the Company recorded the land based upon an inappropriate appraisal. In the first quarter of 2004, the Company had an additional appraisal performed that appropriately valued the land at a much lower value. The Audit Committee requested an investigation into the matter, and as a result, the Company recorded an adjustment to reduce the valuation of the land. The Company also identified other adjustments in Chile whereby accrual accounts were improperly adjusted between periods or expenses were improperly deferred. Adjustments increasing income by \$2.3 million before tax were recorded related to these accounts in the nine months ended September 30, 2002, including \$1.1 million in the third quarter of 2002.

A summary of the accounting irregularities adjustments and the time periods affected follows:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>(In millions, all amounts before tax)</b>				
(Income) Expense				
Accruals and deferred expenses Europe and Asia	\$(6.7)	\$ 2.3	\$(4.5)	\$ 3.9
Deferred income Europe	0.1	0.4		3.2
Workers compensation	1.7	0.8	4.1	4.1
Accruals and deferred expenses Chile	—	(1.1)	—	(2.3)
	<b>\$(4.9)</b>	<b>\$ 2.4</b>	<b>\$(0.4)</b>	<b>\$ 8.9</b>

**Account Reconciliations.** This category includes adjustments reducing income before tax by \$10.5 million and \$19.6 million in the three and nine months ended September 30, 2003, respectively, resulting from the failure to either reconcile accounts or resolve certain reconciliation issues in a timely manner. For the three and nine months ended September 30, 2002, income before tax was increased by \$0.5 million and \$12.8 million, respectively. The most significant adjustments in this category relate to certain reconciliations for accounts receivable, inventories, fixed assets, intercompany accounts, prepaid expenses and accounts payable-trade. Certain of these adjustments

- 9 -

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**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

were associated with the integration of a new enterprise resource planning system (ERP) into the Company's accounting processes beginning in 1999.

The following categories represent a majority of the account reconciliation adjustments included in the restatement (all amounts are before tax unless otherwise noted):

- A. *Interplant*. Goodyear uses an internal system, the Interplant System, to track the procurement and transfer of fixed assets, raw materials and spare parts acquired or manufactured by Goodyear units in the United States for its foreign manufacturing locations. Expenses of \$0.3 million are included in the nine months ended September 30, 2002 for Interplant adjustments. For the quarter ended September 30, 2002, Interplant adjustments reducing income by \$0.2 million were recorded. The most significant items in this category are 1) fixed assets and inventory which were not properly relieved from the Interplant System when they were billed to the foreign manufacturing locations and accordingly now have to be expensed and 2) the correction of a failure to depreciate fixed assets.
- B. *Engineered Products (EPD)*. It was not possible to allocate the amount of this adjustment to applicable periods and accordingly, Goodyear recorded substantially all of this adjustment in the first quarter of 2003. This adjustment includes the write-off of \$21.3 million consisting of \$3.7 million in intercompany accounts and \$17.6 million related to payables and other accounts. Of this amount, \$2.5 million and \$2.7 million are included in the nine months ended September 30, 2003 and 2002, respectively, for EPD adjustments. For the quarters ended September 30, 2003 and 2002, EPD adjustments decreasing income by \$0.9 million and \$0.6 million, respectively, were recorded. Several factors relating to the Company's ERP systems implementation resulted in EPD's inability to locate or recreate account reconciliations for prior periods.
- C. *Fixed Assets*. The adjustments to other fixed assets related primarily to the understatement of depreciation expenses and the write-off of assets previously disposed. Reductions to income of \$1.2 million and \$2.2 million are included in the nine-month periods ended September 30, 2003 and 2002, respectively, for these adjustments. For the quarters ended September 30, 2003 and 2002, fixed asset adjustments reducing income by \$0.5 million and \$0.6 million, respectively, were recorded.
- D. *General and Product Liability*. The expense for general and product claims increased \$11.6 million for the nine months ended September 30, 2003, including \$9.6 million in the third quarter, related to the timing of the recognition of certain liabilities for Entran II claims. Goodyear reached final agreement with one of its insurers in November 2003, prior to filing the third quarter 10-Q, and recorded both a receivable and separately a corresponding liability related to Entran II matters.

In addition, net adjustments totaling \$7.4 million were recorded in Other Comprehensive Income (OCI) through September 30, 2003. An adjustment was also made to record a \$6.8 million charge to currency translation, with an offsetting credit to long-term assets. This adjustment affected the period from January 1, 2003 to September 30, 2003. These adjustments were identified in conjunction with the completion of account reconciliations.

**Out-of-Period Adjustments.** This category includes adjustments previously identified but deemed to be immaterial and recorded in the period the Company identified the error or in a subsequent period. Adjustments in this category change the timing of income and expense items that were previously recognized. Income of \$0.4 million and \$14.3



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

million before tax is included in the nine months ended September 30, 2003 and 2002, respectively, for out-of-period adjustments. For the quarters ended September 30, 2003 and 2002, out-of-period adjustments increasing income by \$0.4 million and \$5.7 million, respectively, were recorded.

**Discount Rate Adjustments.** In preparing the 2003 annual financial statements, the Company reassessed the estimate of the discount rate used in determining the net periodic benefit cost and benefit obligations of the Company's domestic pension, workers' compensation and other postretirement benefit plans. Consistent with that effort and the restatement process, the Company determined that it would be appropriate to make similar reassessments for discount rates for all periods presented. As a result, the discount rate was revised to 6.75%, 7.25% and 7.50% from 7.25%, 7.75% and 8.00% for 2003, 2002 and 2001, respectively. Income before tax was decreased by \$13.0 million and \$11.7 million in the nine months ended September 30, 2003 and 2002, respectively. For the quarters ended September 30, 2003 and 2002, discount rate adjustments reducing income by \$4.3 million and \$3.9 million, respectively, were recorded. This change also resulted in a charge to deferred pension costs in OCI totaling \$150.1 million for the years ended December 31, 2002 and 2001. Additionally, in 2002, the Company had established a valuation allowance against its net Federal and state deferred tax assets. Accordingly, this restatement includes a charge to income tax expense of \$81.2 million to provide a valuation allowance against the tax benefit included in the adjustment to OCI in 2001, and a charge to OCI of \$10.8 million to provide a valuation allowance against the tax benefit included in the adjustment to OCI in 2002. Likewise, these adjustments impacted OCI at September 30, 2003.

**Chemical Products Segment.** This category primarily includes adjustments identified as a result of a stand-alone audit conducted in 2003 of a portion of the Chemical Products business segment. The most significant adjustments in this category relate to the timing of the recognition of manufacturing variances to reflect the actual cost of inventories, the fair value adjustment of a hedge for natural gas, and the correction of intercompany profit elimination in inventory to eliminate selling and administrative expenses in inventory. Income of \$0.6 million before tax and expense of \$6.9 million before tax is included in the nine months ended September 30, 2003 and 2002, respectively, for Chemical Products segment adjustments. Expense of \$1.1 million and \$8.2 million before tax is included in the quarters ended September 30, 2003 and 2002, respectively, for Chemical Products segment adjustments.

**Tax Adjustments.** These adjustments related to the correction of errors in the computation of deferred tax assets and liabilities.

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**Effect of restatement adjustments on Goodyear's previously issued financial statements****Increase (decrease) in Income (loss)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
<b>(In millions, except per share)</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Net income (loss) as originally reported	\$(105.9)	\$ 33.7	\$(332.4)	\$ (0.6)
Adjustments (pretax):				
Accounting Irregularities	4.9	(2.4)	0.4	(8.9)
Account Reconciliations	(10.5)	0.5	(19.6)	12.8
Out-of-Period	0.4	5.7	0.4	14.3
Discount Rate Adjustments	(4.3)	(3.9)	(13.0)	(11.7)
Chemical Products Segment	(1.1)	(8.2)	0.6	(6.9)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total adjustments (pretax)	(10.6)	(8.3)	(31.2)	(0.4)
Tax effect of restatement adjustments	(1.7)	1.9	(4.1)	3.7
Tax adjustments		0.9		(8.8)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total taxes	(1.7)	2.8	(4.1)	(5.1)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total net adjustments	(12.3)	(5.5)	(35.3)	(5.5)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss) as restated	\$(118.2)	\$ 28.2	\$(367.7)	\$ (6.1)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Per share common stock:				
Net income (loss) Basic, as originally reported	\$ (0.60)	\$ 0.20	\$ (1.90)	\$
Effect of net adjustments	(0.07)	(0.03)	(0.20)	(0.04)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss) Basic, as restated	\$ (0.67)	\$ 0.17	\$ (2.10)	\$(0.04)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss) Diluted, as originally reported	\$ (0.60)	\$ 0.20	\$ (1.90)	\$
Effect of net adjustments	(0.07)	(0.03)	(0.20)	(0.04)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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Net income (loss) Diluted, as restated	\$ (0.67)	\$ 0.17	\$ (2.10)	\$ (0.04)
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- 12 -

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Table of Contents

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

The following tables set forth the effects of the restatement adjustments discussed above on the Consolidated Statement of Operations for the three- and nine-month periods ended September 30, 2003 and 2002.

	<b>Three Months Ended September 30, 2003</b>		<b>Nine Months Ended September 30, 2003</b>	
	<b>As Previously Reported<sup>(A)</sup></b>	<b>As Restated<sup>(B)</sup></b>	<b>As Previously Reported<sup>(A)</sup></b>	<b>As Restated<sup>(B)</sup></b>
<b>(In millions, except per share)</b>				
Net Sales	\$3,906.0	\$3,906.1	\$11,210.3	\$11,205.2
Cost of Goods Sold	3,186.6	3,194.4	9,158.9	9,196.0
Selling, Administrative and General Expense	596.9	586.0	1,769.7	1,751.3
Rationalizations	56.0	54.3	140.3	130.4
Interest Expense	79.3	78.9	220.1	219.7
Other (Income) and Expense	75.4	89.7	144.9	162.7
Foreign Currency Exchange	10.8	10.8	29.9	29.8
Equity in (Earnings) Losses of Affiliates	0.6	0.2	5.0	4.5
Minority Interest	6.8	8.8	31.8	32.3
Loss before Income Taxes	(106.4)	(117.0)	(290.3)	(321.5)
U.S. & Foreign Taxes on Income (Loss)	(0.5)	1.2	42.1	46.2
Net Loss	<u>\$ (105.9)</u>	<u>\$ (118.2)</u>	<u>\$ (332.4)</u>	<u>\$ (367.7)</u>
Net Loss per share Basic	<u>\$ (0.60)</u>	<u>\$ (0.67)</u>	<u>\$ (1.90)</u>	<u>\$ (2.10)</u>
Average Shares Outstanding	175.3	175.3	175.3	175.3
Net Loss per share Diluted	<u>\$ (0.60)</u>	<u>\$ (0.67)</u>	<u>\$ (1.90)</u>	<u>\$ (2.10)</u>
Average Shares Outstanding	175.3	175.3	175.3	175.3

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

	<b>Three Months Ended September 30, 2002</b>		
	<b>As Originally Reported<sup>(C)</sup></b>	<b>As Previously Reported<sup>(A)</sup></b>	<b>As Restated<sup>(B)</sup></b>
<b>(In millions, except per share)</b>			
Net Sales	\$3,529.6	\$3,529.4	\$3,538.5
Cost of Goods Sold	2,854.9	2,856.9	2,872.1
Selling, Administrative and General Expense	552.2	552.1	549.6
Rationalizations	12.0	12.0	12.0
Interest Expense	61.8	61.8	61.9
Other (Income) and Expense	4.6	4.6	6.5
Foreign Currency Exchange	(26.0)	(26.0)	(26.0)
Equity in (Earnings) Losses of Affiliates	2.0	2.5	2.9
Minority Interest	11.7	11.6	11.4
	56.4	53.9	48.1
Income before Income Taxes	56.4	53.9	48.1
U.S. and Foreign Taxes on Income	22.7	21.2	19.9
	\$ 33.7	\$ 32.7	\$ 28.2
Net Income	\$ 33.7	\$ 32.7	\$ 28.2
	\$ 0.20	\$ 0.20	\$ 0.17
Net Income per share Basic	\$ 0.20	\$ 0.20	\$ 0.17
	166.5	166.5	166.5
Average Shares Outstanding	166.5	166.5	166.5
Net Income per share Diluted	\$ 0.20	\$ 0.20	\$ 0.17
	166.5	166.5	166.5
Average Shares Outstanding	166.5	166.5	166.5
	<b>Nine Months Ended September 30, 2002</b>		
	<b>As Originally Reported<sup>(C)</sup></b>	<b>As Previously Reported<sup>(A)</sup></b>	<b>As Restated<sup>(B)</sup></b>
<b>(In millions, except per share)</b>			
Net Sales	\$10,319.6	\$10,319.3	\$10,348.5
Cost of Goods Sold	8,403.4	8,381.0	8,423.5
Selling, Administrative and General Expense	1,630.7	1,631.7	1,631.5
Rationalizations	12.0	12.0	12.0
Interest Expense	182.4	182.2	182.5
Other (Income) and Expense	40.7	40.6	46.8

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Foreign Currency Exchange	(18.8)	(18.3)	(18.3)
Equity in (Earnings) Losses of Affiliates	8.0	9.9	10.6
Minority Interest	41.2	41.2	40.3
	<u>          </u>	<u>          </u>	<u>          </u>
Income before Income Taxes	20.0	39.0	19.6
U.S. and Foreign Taxes on Income	20.6	32.4	25.7
	<u>          </u>	<u>          </u>	<u>          </u>
Net Income (Loss)	\$ (0.6)	\$ 6.6	\$ (6.1)
	<u>          </u>	<u>          </u>	<u>          </u>
Net Income (Loss) per share Basic	\$	\$ 0.04	\$ (0.04)
	<u>          </u>	<u>          </u>	<u>          </u>
Average Shares Outstanding	164.5	164.5	164.5
Net Income (Loss) per share Diluted	\$	\$ 0.04	\$ (0.04)
	<u>          </u>	<u>          </u>	<u>          </u>
Average Shares Outstanding	164.5	165.6	164.5

- 14 -

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

The following table sets forth the effects of the restatement adjustments discussed above on the Consolidated Balance Sheet at September 30, 2003.

(In millions)

	<b>September 30, 2003</b>	
	<b>As Previously Reported<sup>(A)</sup></b>	<b>As Restated<sup>(B)</sup></b>
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,034.4	\$ 1,028.1
Restricted cash		5.9
Accounts and notes receivable, less allowance previously reported) \$118.8 (\$118.3 as	2,839.8	2,858.2
Inventories:		
Raw materials	452.9	463.0
Work in process	108.0	107.9
Finished products	1,941.6	1,926.1
	2,502.5	2,497.0
Prepaid expenses and other current assets	261.2	256.0
	6,637.9	6,645.2
<b>Total Current Assets</b>	6,637.9	6,645.2
Long Term Accounts and Notes Receivable	285.5	288.5
Investments in and Advances to Affiliates	169.2	170.4
Other Assets	77.8	75.8
Goodwill and Other Intangible Assets	785.3	773.2
Prepaid and Deferred Pension Costs	926.0	916.8
Deferred Charges	470.8	468.1
Properties and Plants, less accumulated depreciation - \$7,095.2 (\$7,091.8 as previously reported)	5,245.1	5,237.9
	\$14,597.6	\$14,575.9
<b>TOTAL ASSETS</b>	\$14,597.6	\$14,575.9
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts payable-trade	\$ 1,560.5	\$ 1,572.4

Compensation and benefits	997.2	964.9
Other current liabilities	489.7	499.4
United States and foreign taxes	468.2	466.3
Notes payable	112.2	112.2
Long term debt due within one year	51.9	52.0
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	3,679.7	3,667.2
Long Term Debt and Capital Leases	4,777.4	4,779.6
Compensation and Benefits	4,352.6	4,648.8
Other Long Term Liabilities	566.6	606.9
Minority Equity in Subsidiaries	792.0	777.4
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	14,168.3	14,479.9
Commitments and Contingent Liabilities		
<b>SHAREHOLDERS EQUITY:</b>		
Preferred Stock, no par value:		
Authorized 50.0 shares unissued		
Common Stock, no par value:		
Authorized 300.0 shares, Outstanding Shares 175.3 after deducting 20.4 treasury shares	175.3	175.3
Capital Surplus	1,390.4	1,390.2
Retained Earnings	1,579.6	1,414.8
Accumulated Other Comprehensive Income (Loss)	(2,716.0)	(2,884.3)
	<hr/>	<hr/>
<b>TOTAL SHAREHOLDERS EQUITY</b>	429.3	96.0
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	\$14,597.6	\$14,575.9
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**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

- (A) Represents amounts as presented on the Consolidated Statement of Operations in Goodyear's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 filed on November 19, 2003.
- (B) Represents amounts as presented on the Consolidated Statement of Operations in this Amendment No. 1 to Goodyear's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
- (C) Represents amounts as presented on the Consolidated Statement of Operations in Goodyear's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 filed on October 30, 2002.

**NOTE 2. RATIONALIZATIONS**

To maintain global competitiveness, Goodyear has implemented rationalization actions over the past several years for the purpose of reducing excess capacity, eliminating redundancies and reducing costs.

**2003 Program**

	<b>Restated</b>		
	<b>Associate- related Costs</b>	<b>Other Than Associate- related Costs</b>	<b>Total</b>
<b>(In millions)</b>			
Charges	\$ 131.6	\$ 2.6	\$ 134.2
Incurring	(56.0)	(1.2)	(57.2)
Reversed		(0.1)	(0.1)
	<u>      </u>	<u>      </u>	<u>      </u>
<b>Accrual balance at September 30, 2003</b>	<b>\$ 75.6</b>	<b>\$ 1.3</b>	<b>\$ 76.9</b>
	<u>      </u>	<u>      </u>	<u>      </u>

Goodyear recorded a net rationalization charge totaling \$130.4 million (as restated) (\$114.0 million after tax or \$0.65 per share (as restated)) in the nine months ended 2003, which included reversals of \$3.8 million (as restated) (\$3.2 million after tax or \$0.02 per share (as restated)) for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of \$134.2 million (as restated) (\$117.2 million after tax or \$0.67 per share (as restated)). The third quarter net rationalization charge of \$54.3 million (as restated) (\$44.8 million after tax or \$0.26 per share (as restated)) included new charges of \$56.3 million (as restated) (\$46.6 million after tax or \$0.27 per share (as restated)) and reversals of \$2.0 million (as restated) (\$1.8 million after tax or \$0.01 per share (as restated)). The 2003 rationalization actions consist of research and development, retail, manufacturing and administrative consolidations in North America, Europe and Latin America. Of the \$134.2 million charge (as restated), \$100.9 million related to future cash outflows, primarily associate severance costs, and \$33.3 million (as restated) related to non-cash pension curtailment charges. Of the \$56.3 million third quarter charge (as restated), \$44.1 million (as restated) related to future cash outflows and the remainder primarily represented non-cash pension

curtailments in North America. Goodyear plans to complete these actions during the first half of 2004.

Under the above programs, Goodyear provided for the release of approximately 2,600 research and development, retail, manufacturing and administrative associates in Europe, the United States and Latin America. During the first nine months of 2003, \$56.0 million was incurred in associate-related costs, including \$11.7 million during the third quarter of 2003.

Other than associate-related costs were for outplacement services, moving expenses and noncancellable lease payments. Goodyear incurred \$1.2 million (as restated) of other than associate-related costs during the first nine months of 2003, including \$0.1 million (as restated) during the third quarter of 2003.

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

The following table summarizes, by segment, the total amounts recorded in the nine-month period ended September 30, 2003, and the total costs incurred in the three- and nine-month periods ended September 30, 2003:

	<b>Restated</b>		
	<b>New Charges Recorded</b>	<b>Amount incurred for the three months ended September 30, 2003</b>	<b>Amount incurred for the nine months ended September 30, 2003</b>
<b>(In millions)</b>			
North American Tire	\$ 59.2	\$ 1.7	\$ 38.3
European Union Tire	46.9	8.8	11.8
Latin American Tire	5.5	1.0	2.9
Engineered Products	20.6	0.2	2.4
Corporate	2.0	0.1	1.8
	<b>\$134.2</b>	<b>\$ 11.8</b>	<b>\$ 57.2</b>

The amounts recorded above include all costs expected to be incurred in connection with these activities with the exception of European Union Tire and Engineered Products, which will incur approximately \$3 million of additional restructuring costs related to these plans.

**2002 Program**

	<b>Restated</b>		
	<b>Associate- related Costs</b>	<b>Other Than Associate- related Costs</b>	<b>Total</b>
<b>(In millions)</b>			
Original charge	\$ 19.5	\$ 7.0	\$ 26.5
Incurred	(2.7)	(2.9)	(5.6)
Reversed	(0.2)		(0.2)
<b>Accrual balance at December 31, 2002</b>	<b>16.6</b>	<b>4.1</b>	<b>20.7</b>

Incurred	(14.2)	(2.6)	(16.8)
Reversed		(1.1)	(1.1)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Accrual balance at September 30, 2003</b>	<b>\$ 2.4</b>	<b>\$ 0.4</b>	<b>\$ 2.8</b>
	<u>          </u>	<u>          </u>	<u>          </u>

Goodyear recorded a net rationalization charge totaling \$10.4 million (as restated) (\$12.1 million after tax or \$0.07 per share (as restated)) in 2002, which included reversals of \$16.1 million (as restated) (\$12.7 million after tax or \$0.07 per share (as restated)) for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of \$26.5 million (\$23.0 million after tax or \$0.14 per share). The 2002 rationalization actions consisted of a manufacturing facility consolidation in Europe, the closure of a mold manufacturing facility and a plant consolidation in the United States, and administrative consolidations. Goodyear plans to complete these actions during 2003.

Under the above programs, Goodyear provided for the release of approximately 1,000 manufacturing and administrative associates in Europe and the United States. To date, approximately 740 associates have been released. During the first nine months of 2003, approximately 470 associates were released, including approximately 20 associates in the third quarter of 2003. Goodyear incurred \$14.2 million of associate-related costs in the first nine months of 2003, including \$1.0 million during the third quarter of 2003.

Rationalization costs, other than associate-related costs, totaled \$7.0 million. These costs were primarily for the writeoff of equipment taken out of service in the Engineered Products and North American Tire Segments and noncancellable lease costs. Goodyear incurred \$2.6 million of other than associate-related costs during the first nine months of 2003, including \$0.7 million during the third quarter of 2003, primarily for ongoing noncancellable lease costs. The reversals of \$1.1 million (as restated) during the third quarter of 2003 were due to lower than initially estimated contract termination costs in the United States.

Table of Contents

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**Fourth Quarter 2001 Program**

(In millions)	Restated		
	Associate- related Costs	Other Than Associate- related Costs	Total
Charge	\$ 53.1	\$ 83.1	\$ 136.2
Incurred	(1.6)	(44.1)	(45.7)
	<b>51.5</b>	<b>39.0</b>	<b>90.5</b>
<b>Accrual balance at December 31, 2001</b>			
Incurred	(41.0)	(4.9)	(45.9)
Reversed	(5.4)	(10.5)	(15.9)
	<b>5.1</b>	<b>23.6</b>	<b>28.7</b>
<b>Accrual balance at December 31, 2002</b>			
Incurred	(3.3)	(2.0)	(5.3)
Reversed	(0.2)	(2.4)	(2.6)
	<b>1.6</b>	<b>19.2</b>	<b>20.8</b>
<b>Accrual balance at September 30, 2003</b>	<b>\$ 1.6</b>	<b>\$ 19.2</b>	<b>\$ 20.8</b>

Goodyear recorded a net rationalization charge totaling \$136.2 million (as restated) (\$107.5 million after tax or \$0.65 per share (as restated)) in the fourth quarter of 2001. These actions were in response to continued competitive market conditions and worldwide economic uncertainty. Goodyear plans to complete these actions during the fourth quarter of 2003 with the exception of ongoing noncancellable lease payments. Reversals of prior year reserves no longer needed for their originally intended purposes totaling \$4.1 million were recorded during 2001.

Under the above programs, Goodyear provided for the release of approximately 2,200 associates around the world, primarily production and administrative associates. During the first nine months of 2003, approximately 70 associates were released, all in the first and second quarters. Goodyear incurred \$3.3 million of associate-related costs in the first nine months of 2003, including \$0.4 million during the third quarter of 2003. The reversals of \$0.2 million, including \$0.1 million in the third quarter, are primarily the result of lower than initially estimated associate-related payments.

Rationalization costs, other than associate-related costs, totaling \$83.1 million (as restated) were recorded. These costs were primarily for the writeoff of \$41.6 million (as restated) of tire production equipment taken out of service, principally related to the closure of a tire manufacturing facility in the Asia Tire Segment, and noncancellable lease costs. Goodyear incurred \$2.0 million (as restated) of other than associate-related costs during the first nine months of

2003, including \$0.4 million (as restated) during the third quarter of 2003, primarily for noncancellable lease costs. The reversals of \$2.4 million, including \$0.8 million in the third quarter, are primarily the result of lower than initially estimated lease cancellation fees in the European Union.

**NOTE 3. OTHER (INCOME) AND EXPENSE**

	Restated			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(In millions)	2003	2002	2003	2002
Asset sales	\$ 5.4	\$(14.3)	\$ 18.4	\$(15.4)
Interest income	(6.6)	(5.7)	(18.4)	(12.3)
Financing fees and financial instruments	18.8	12.3	71.9	35.3
General & product liability discontinued products	62.5	6.2	72.5	20.6
Miscellaneous	9.6	8.0	18.3	18.6
	<u>\$89.7</u>	<u>\$ 6.5</u>	<u>\$162.7</u>	<u>\$ 46.8</u>

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

Other (Income) and Expense in the third quarter of 2003 included a loss of \$6.3 million (\$6.3 million after tax or \$0.04 per share) on the sale of assets in the Engineered Products Segment ( EPD ) and a gain of \$0.9 million (as restated) (\$0.7 million after tax or \$0.01 per share (as restated)) on the sale of assets in the European Union Tire Segment. Other (Income) and Expense in the nine months of 2003 included a loss of \$23.9 million (as restated) (\$15.2 million after tax or \$0.09 per share (as restated)) on the sale of 20,833,000 shares of Sumitomo Rubber Industries, Ltd. ( SRI ) and the sale of assets in EPD and a gain of \$5.5 million (as restated) (\$4.5 million after tax or \$0.03 per share (as restated)) resulting from the sale of land in the Asia Tire Segment and the sale of assets in the European Union Tire Segment.

Other (Income) and Expense in the third quarter of 2002 included a gain of \$14.3 million (\$10.7 million after tax or \$0.06 per share) resulting from the sale of land and buildings in Mexico and the United States. Other (Income) and Expense in the nine months of 2002 included a gain of \$15.4 million (as restated) (\$11.5 million after tax or \$0.07 per share (as restated)) resulting from the sale of assets in Mexico, Europe and the United States. Included in miscellaneous other (income) and expense in the third quarter of 2002 is the writeoff of a miscellaneous investment of \$4.1 million (\$2.5 million after tax or \$0.02 per share).

Financing fees and financial instruments increased in the three and nine months of 2003 due to the costs incurred in connection with the restructuring and refinancing of the Company's bank credit and receivables securitization facilities. Financing fees and financial instruments included approximately \$13 million in the third quarter of 2003 and approximately \$39 million for the nine months ended September 30, 2003, related to the new facilities. Refer to Note 8, Financing Arrangements, for further information about the restructuring and refinancing.

General & product liability-discontinued products includes charges for claims against Goodyear related to asbestos personal injury claims and for anticipated liabilities related to a proposed settlement for Entran II claims. Substantially all of the \$62.5 million (as restated) charge for general & product liability-discontinued products in the third quarter of 2003 is related to the proposed settlement for Entran II claims. Goodyear recorded net charges for general & product liability-discontinued products totaling \$72.5 million (as restated) in the nine months ended September 30, 2003, which included recognition of a receivable of approximately \$105 million, primarily from Goodyear's excess insurance carriers related to general & product liability-discontinued products. Refer to Note 9, Commitments and Contingent Liabilities, for further information about general and product liabilities.

**NOTE 4. PER SHARE OF COMMON STOCK**

Basic earnings per share has been computed based on the average number of common shares outstanding. The following table presents the number of incremental weighted average shares used in computing diluted per share amounts:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Average shares outstanding - basic	175.3	166.5	175.3	164.5
Potential common stock - stock options	—	—	—	—

Average shares outstanding diluted	<u>175.3</u>	<u>166.5</u>	<u>175.3</u>	<u>164.5</u>
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For all periods presented, average shares outstanding-diluted excludes the effect of stock options with exercise prices that were greater than the average market price of the Company's common shares, as the effect would have been antidilutive. The average shares

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

outstanding-diluted for the first nine months of 2002 does not include the antidilutive impact of 1.1 million shares of potential common stock associated with stock options.

During the third quarter of 2002, the Company acquired additional shares of its tire manufacturing subsidiary in Turkey at a cost of \$15.9 million and concurrently issued 693,740 shares of common stock of the Company to the sellers for \$15.9 million. This transaction had no net impact on the Company's cash position.

**NOTE 5. NONCASH INVESTING AND FINANCING ACTIVITIES**

The Consolidated Statement of Cash Flows is presented net of the following transaction.

On September 12, 2002, the Company issued 11.3 million shares of its common stock and recorded \$137.9 million as a contribution to certain domestic pension plans.

**NOTE 6. ACCOUNTS RECEIVABLE**

Prior to April 1, 2003, Goodyear maintained a program for the continuous sale of substantially all of its domestic trade accounts receivable to Wingfoot A/R LLC, a wholly-owned limited liability subsidiary company that was a bankruptcy-remote special purpose entity. The results of operations and financial position of Wingfoot A/R LLC were not included in the consolidated financial statements of Goodyear as provided by Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This program was terminated on April 1, 2003. Accordingly, accounts receivable sold under this program are now recognized on Goodyear's Consolidated Balance Sheet, and the related subordinated note receivable and investment in the equity of Wingfoot A/R LLC were derecognized. Goodyear's consolidated debt increased by \$577.5 million and Wingfoot A/R LLC transferred cash to Goodyear totaling \$32.2 million. This cash represented collections of accounts receivable which had not yet been reinvested in additional Goodyear receivables prior to the termination of the program.

The following table presents certain cash flows related to this program:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Proceeds from collections reinvested in previous securitizations	\$	\$1,440.8	\$1,089.1	\$4,345.2
Servicing fees received		1.6	1.2	4.5
Reimbursement for rebates and discounts issued		31.3	28.2	84.2
Cash used for termination of program			545.3	

International subsidiaries of Goodyear have established accounts receivable continuous sales programs whereunder these subsidiaries may receive proceeds from the sale of certain of their receivables to affiliates of certain banks. These subsidiaries retained servicing responsibilities. At September 30, 2003, the value in U.S. dollars of which these international subsidiaries may borrow is \$139.7 million. The following table presents certain cash flows related to

these programs:

	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
<b>(In millions)</b>				
Proceeds from collections reinvested in previous securitizations	\$294.4	\$476.1	\$1,201.0	\$1,492.0
Reimbursement for rebates and discounts issued	16.5	14.5	60.8	36.0

- 20 -

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

In addition, various other international subsidiaries of Goodyear sold certain of their trade receivables at September 30, 2003 and December 31, 2002. The total amount of financing provided from all domestic and international agreements worldwide was \$152.0 million at September 30, 2003, compared to \$916.1 million at December 31, 2002. Included in the \$152.0 million at September 30, 2003 were receivable financing programs totaling \$12.3 million that did not utilize a special purpose entity.

**NOTE 7. INVESTMENTS**

On April 8, 2003, the Company sold 20,833,000 shares of SRI for approximately \$83 million. Goodyear had acquired a 10% ownership of SRI as part of the 1999 global alliance between the two companies. Goodyear now holds approximately 1.5% of SRI's outstanding shares.

On April 18, 2003, the Company transferred its 80% ownership of Sava Tires Joint Venture Holding d.o.o. ( Sava Tire ), a tire manufacturing subsidiary in Slovenia, to Goodyear Dunlop Tires Europe B.V. ( GDTE ) for \$282.3 million. Goodyear owns 75% of GDTE. As a result of this transaction, Goodyear now indirectly owns 60% of Sava Tire.

On April 28, 2003, the Company purchased Arkansas Best Corporation's 19% ownership interest in Wingfoot Commercial Tire Systems, LLC, a joint venture company formed by Goodyear and Arkansas Best Corporation to sell and service commercial truck tires, provide retread services and conduct related business, for approximately \$71 million.

**NOTE 8. FINANCING ARRANGEMENTS**

Goodyear had credit arrangements of \$5.90 billion available at September 30, 2003, of which \$529.7 million were unused.

***Short Term Debt and Financing Arrangements***

At September 30, 2003, Goodyear had short term committed and uncommitted credit arrangements totaling \$388.1 million, of which \$275.9 million were unused. These arrangements are available to the Company or certain of its international subsidiaries through various domestic and international banks at quoted market interest rates. There are no commitment fees associated with these arrangements.

Goodyear had outstanding debt obligations, which by their terms are due within one year, amounting to \$164.2 million (as restated) at September 30, 2003, compared to \$653.2 million at December 31, 2002. Current maturities of long term debt represented \$52.0 million (as restated) of this total, with a weighted average interest rate of 7.23% at September 30, 2003 (\$369.8 million and 7.83% at December 31, 2002, respectively). The remaining \$112.2 million was short term debt of international subsidiaries, with a weighted average interest rate of 5.41% at September 30, 2003 (\$283.4 million and 5.31% at December 31, 2002, respectively).

***Long Term Debt and Financing Arrangements***

At September 30, 2003, Goodyear had long term credit arrangements totaling \$5.51 billion, of which \$253.8 million were unused.



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

The following table presents long term debt at September 30, 2003 and December 31, 2002:

<b>(In millions)</b>	<b>Restated 2003</b>	<b>2002</b>
5.375% Swiss franc bond due 2006	\$ 119.9	\$ 114.0
6.375% Euro Notes due 2005	467.2	418.8
Notes:		
8 1/8% due 2003		300.0
6 5/8% due 2006	267.4	269.2
8 1/2% due 2007	300.0	300.0
6 3/8% due 2008	99.8	99.8
7 6/7% due 2011	650.0	650.0
7% due 2028	149.0	149.0
Bank term loans due 2005 and 2006 (at December 31, 2002, due 2004 and 2005)	1,783.3	850.0
Revolving credit facilities due 2005 and 2006	757.0	
Other domestic and international debt	171.4	145.0
	<hr/>	<hr/>
	4,765.0	3,295.8
Capital lease obligations	66.6	63.8
	<hr/>	<hr/>
	4,831.6	3,359.6
Less portion due within one year	52.0	369.8
	<hr/>	<hr/>
	<b>\$4,779.6</b>	<b>\$2,989.8</b>
	<hr/>	<hr/>

At September 30, 2003, the fair value of Goodyear's long term fixed rate debt amounted to \$2.04 billion, compared to its carrying amount of \$2.24 billion. At December 31, 2002, the fair value of Goodyear's long term fixed rate debt amounted to \$2.10 billion, compared to its carrying amount of \$2.48 billion. The carrying amount difference was attributable primarily to lower long term fixed rate debt as a result of the new restructuring and refinancing in 2003, discussed below. The difference between the fair market and carrying values was attributable to higher yields in 2002. The fair value was estimated using quoted market prices or discounted future cash flows. The fair value of \$200 million of the 6 5/8% Notes due 2006 was hedged by interest rate contracts at September 30, 2003 (\$250 million at December 31, 2002). The fair value of Goodyear's variable rate debt approximated its carrying amount at September 30, 2003 and December 31, 2002.

The Swiss franc bond, Euro Notes and related interest payments on each were fully hedged against currency

exposure at September 30, 2003 and December 31, 2002.

The Notes and Euro Notes have an aggregate face amount of \$1.92 billion and are reported net of unamortized discounts aggregating \$1.8 million (\$2.17 billion and \$2.2 million, respectively, at December 31, 2002).

At September 30, 2003, the bank term loans due 2005 and 2006 were comprised of \$1.78 billion of variable rate agreements based upon LIBOR plus a fixed spread, bearing interest at a weighted average rate of 5.11% per annum, of which the interest rate on \$325.0 million principal amount of bank term loans due 2005 and 2006 was hedged by interest rate contracts. At December 31, 2002, the bank term loans due 2004 and 2005 are comprised of \$850.0 million of variable rate agreements based upon LIBOR plus a fixed spread bearing interest at a weighted average rate of 3.82% per annum, of which the interest rate on \$325 million principal amount of bank term loans due 2004 and 2005

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

was hedged by interest rate contracts. There were no domestic short term bank borrowings outstanding at September 30, 2003 or December 31, 2002.

At September 30, 2003, borrowings under the revolving credit facilities due 2005 and 2006 were comprised of \$757.0 million of variable rate agreements based upon LIBOR plus a fixed spread bearing interest at a weighted average rate of 5.12% per annum.

Other domestic and international debt consisted of fixed and floating rate loans denominated in U.S. dollars and other currencies and maturing in 2003-2012. The weighted average interest rate in effect under these loans was 6.41% at September 30, 2003, compared to 6.15% at December 31, 2002.

On April 1, 2003, the Company completed a comprehensive restructuring and refinancing of its bank credit and receivables securitization facilities. After completing the restructuring and refinancing, the Company replaced a total of \$2,938 million in finance facilities with a total of \$3,345 million of finance facilities including:

\$750 million Senior Secured U.S. Revolving Credit Facility due April 2005;

\$645 million Senior Secured U.S. Term Facility due April 2005;

\$650 million Senior Secured European Facilities due April 2005; and

\$1.30 billion Senior Secured Asset-Backed Facilities due March 2006.

The accounts receivable and debt that are subject to the new \$1.30 billion asset-backed facilities are included on Goodyear's consolidated balance sheet at September 30, 2003. Accounts receivable subject to the terminated \$763 million domestic and Canadian accounts receivable programs were not included on the consolidated balance sheet at December 31, 2002.

*\$750 Million Senior Secured U.S. Revolving Credit Facility*

The Company's amended and restated senior secured \$750 million revolving credit facility provides for borrowing up to the \$750 million commitment at any time until April 30, 2005. Up to \$600 million of the facility is available for the issuance of letters of credit. Under the facility, as of September 30, 2003, there were borrowings of \$225.0 million and \$439.2 million in letters of credit issued. The Company pays an annual commitment fee of 75 basis points on the undrawn portion of the commitment under the U.S. revolving credit facility.

*\$645 Million Senior Secured U.S. Term Facility*

As of September 30, 2003, the balance due on the U.S. term facility was \$583.3 million due to a partial pay down of the balance during the second quarter of 2003. The U.S. term facility matures on April 30, 2005.

The Company may obtain loans under the U.S. revolving credit facility and the U.S. term facility (collectively, the U.S. facilities) bearing interest at LIBOR plus 400 basis points or an alternative base rate (the higher of JPMorgan's prime rate or the federal funds rate plus 50 basis points) plus 300 basis points. If loans under the \$645 million term facility remain outstanding on April 30, 2004, fees equal to 100 basis points (or 75 basis points if such facility has been reduced to not more than \$200 million) shall be paid to each lender on its ratable portion of the facility amount

under the U.S. facilities.

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

The collateral pledged under the U.S. facilities includes:

subject to certain exceptions, all of the capital stock of the Company's domestic subsidiaries and 65% of the capital stock of its foreign subsidiaries;

perfected first-priority security interests in and mortgages on certain property, plant and equipment with a book value of at least \$1.00 billion;

perfected first-priority security interests in and mortgages on substantially all of Goodyear's other tangible and intangible assets including real property, equipment, contract rights and intellectual property; and

perfected second-priority security interests in all accounts receivable and inventory pledged as security under the Company's \$1.30 billion senior secured asset-backed facilities, cash and cash accounts, and 65% of the capital stock of Goodyear Finance Holding S.A.

The indentures for the Company's Swiss franc denominated bonds limit its ability to use its domestic tire and automotive parts manufacturing facilities as collateral for secured debt without triggering a requirement that bond holders be secured on an equal and ratable basis. The manufacturing facilities indicated above will be pledged to ratably secure the Company's Swiss franc denominated bonds to the extent required under the applicable indenture. However, the aggregate amount collateralized by these manufacturing facilities will be limited to 15% of the Company's shareholders' equity, in order that the security interests granted to the lenders under the restructured facilities will not be required to be shared with the holders of indebtedness outstanding under the Company's other existing bond indentures.

The U.S. facilities contain certain covenants that, among other things, limit the Company's ability to incur additional secured indebtedness (including a limit, subject to certain exceptions, of \$275 million in accounts receivable transactions which is computed using the exchange rate as of the first day of the quarter), make investments, and sell assets beyond specified limits. The facilities prohibit Goodyear from paying dividends on its common stock. Goodyear must also maintain a minimum consolidated net worth (as such term is defined in the U.S. facilities) of at least \$2.80 billion and \$2.50 billion for quarters ending in 2003 and 2004, respectively, and \$2.00 billion for the quarter ending March 31, 2005. Goodyear also is not permitted to fall below a ratio of 2.25 to 1.00 of consolidated EBITDA to consolidated interest expense (as such terms are defined in the U.S. facilities) for any period of four consecutive fiscal quarters. In addition, Goodyear's ratio of consolidated senior secured indebtedness to consolidated EBITDA (as such terms are defined in the U.S. facilities) is not permitted to be greater than 4.00 to 1.00 at any time.

In addition, the U.S. term facility requires that any amount outstanding under the facility be prepaid with:

75% of the net cash proceeds of any asset sales or dispositions greater than \$5.0 million;

50% of net cash proceeds of any sale of the Engineered Products Segment; and

50% of the net cash proceeds of any debt or equity issuances.

Since April 1, 2003, the Company has used the proceeds of the sale of shares of SRI to pay down \$62.1 million of the U.S. term facility.

The U.S. facilities also limit the amount of capital expenditures the Company may make to \$360 million, \$500 million, and \$200 million in 2003, 2004 and 2005 (through April 30), respectively. The amounts of permitted capital expenditures may be increased by the amount of net proceeds retained by the Company from permitted asset sales and

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

equity and debt issuances after application of the prepayment requirement in the U.S. term facility described above. As a result of the second quarter 2003 sale of 20,833,000 shares of SRI for approximately \$83 million discussed above, the capital expenditure limit for 2003 has increased from \$360 million to approximately \$381 million. In addition, to the extent the Company does not reach the limit of permitted capital expenditures in any given year, such shortfall may be carried over into the next year.

*\$650 Million Senior Secured European Facilities*

GDTE is party to a \$250 million senior secured revolving credit facility and a \$400 million senior secured term loan facility (collectively, the European facilities). These facilities mature on April 30, 2005. As of September 30, 2003, there were borrowings of \$175.0 million and \$400.0 million under the European revolving and term facilities, respectively.

GDTE pays an annual commitment fee of 75 basis points on the undrawn portion of the commitments under the European revolving facility. GDTE may obtain loans under the European facilities bearing interest at LIBOR plus 400 basis points or an alternative base rate (the higher of JPMorgan's prime rate or the federal funds rate plus 50 basis points) plus 300 basis points. If loans under the \$645 million U.S. term facility remain outstanding on April 30, 2004, fees equal to 100 basis points (or 75 basis points if such facility has been reduced to not more than \$200 million) shall be paid to each lender on its ratable portion of the facility amount under the term loan and the commitment amount under the revolving facility.

The collateral pledged under the European facilities includes:

all of the capital stock of Goodyear Finance Holding S.A. and certain subsidiaries of GDTE; and

a perfected first-priority interest in and mortgages on substantially all the tangible and intangible assets of GDTE in the United Kingdom, Luxembourg, France and Germany (and Slovenia if Sava Tire becomes a wholly-owned subsidiary of GDTE), including certain accounts receivable, inventory, real property, equipment, contract rights and cash and cash accounts, but excluding certain accounts receivable used in securitization programs.

Consistent with the covenants applicable to Goodyear in the U.S. facilities, the European facilities contain certain covenants applicable to GDTE and its subsidiaries which, among other things, limit GDTE's ability to incur additional indebtedness (including a limit of \$275 million in accounts receivable transactions which is computed using the exchange rate as of the first day of the quarter), make investments, sell assets beyond specified limits, pay dividends and make loans or advances to Goodyear companies that are not subsidiaries of GDTE. The European facilities also contain certain covenants applicable to the Company identical to those in the U.S. facilities. The European facilities also limit the amount of capital expenditures that GDTE may make to \$180 million, \$250 million and \$100 million in 2003, 2004 and 2005 (through April 30), respectively.

Subject to the provisions in the European facilities and agreements with Goodyear's joint venture partner, SRI (which include limitations on loans and advances from GDTE to Goodyear and a requirement that transactions with affiliates be consistent with past practices or on arms-length terms), GDTE is permitted to transfer funds to Goodyear.

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

Any amount outstanding under the term facility is required to be prepaid with:

75% of the net cash proceeds of all sales and dispositions of assets by GDTE and its subsidiaries greater than \$5 million; and

50% of the net cash proceeds of debt and equity issuances by GDTE and its subsidiaries.

The U.S. and European facilities can be used, if necessary, to fund ordinary course of business needs, to repay maturing debt, and for other needs as they arise.

*\$1.30 Billion Senior Secured Asset-Backed Credit Facilities*

The Company has also entered into senior secured asset-backed credit facilities in an aggregate principal amount of \$1.30 billion, consisting of a \$500 million revolving credit facility and an \$800 million term loan facility. As of September 30, 2003, there were borrowings of \$357.0 million and \$800.0 million under the revolving credit and term loan asset-backed facilities, respectively. These facilities may be increased to not more than \$1.60 billion through extensions of, or increases in, commitments by new or existing creditors. The facilities mature on March 31, 2006. Availability under the facilities is limited by a borrowing base equal to the sum of (a) 85% of adjusted eligible accounts receivable and (b) (i) if the effective advance rate for inventory is equal to or greater than 85% of the recovery rate (as determined by a third party appraisal) of such inventory, 85% of the recovery rate of such inventory, or (ii) if the effective advance rate for inventory is less than 85% of the recovery rate, (A) the sum of 35% of eligible raw materials, 65% of adjusted eligible finished goods relating to the North American Tire Segment, and 60% of adjusted eligible finished goods relating to the retail division, Engineered Products Segment and Chemical Products Segment minus (B) a rent reserve equal to three months' rent and warehouse charges at facilities where inventory is stored. The calculation of the borrowing base and reserves against inventory and accounts receivable included in the borrowing base are subject to adjustment from time to time by the administrative agent and the majority lenders in their discretion (not to be exercised unreasonably), based on the results of ongoing collateral and borrowing base evaluations and appraisals. Availability under the facilities is further limited by a \$50 million availability block. If at any time the amount of outstanding borrowings under the facilities exceeds the borrowing base, the Company will be required to prepay borrowings sufficient to eliminate the excess or maintain compensating deposits with the agent bank. The facilities are collateralized by a first-priority security interest in all accounts receivable and inventory of Goodyear and its domestic and Canadian subsidiaries (excluding accounts receivable and inventory related to the Company's North American joint venture with SRI). The facilities contain certain covenants which are materially the same as those in the U.S. facilities, with capital expenditures of \$500 million and \$150 million permitted in 2005 and 2006 (through March 31), respectively.

*Terminated or Amended Facilities*

Until April 1, 2003, the Company was a party to two revolving credit facilities, consisting of a \$750 million five-year revolving credit facility and a \$575 million 364-day revolving credit facility. The Company was also a party to an \$800 million term loan agreement, a \$50 million term loan agreement, a \$700 million accounts receivable facility with respect to its domestic trade accounts receivable and an aggregate of \$346 million of non-domestic accounts receivable facilities. With the exception of (i) \$275 million of the non-domestic accounts receivable facilities, which remained in place as of April 1, 2003, and (ii) the \$750 million five-year revolving credit facility, which was amended and restated, each of these arrangements was terminated as of April 1, 2003, in connection with the restructuring and refinancing.



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

Refer to Note 6 for further information on the accounts receivable facilities.

*Debt Maturities*

The annual aggregate maturities of long term debt and capital leases for the five years subsequent to September 30, 2003 are presented below. Maturities of debt supported by the availability of the revolving credit agreements have been reported on the basis that the commitments to lend under these agreements will be terminated effective at the end of their current terms.

<b>(In millions)</b>	<b>Restated</b>				
	<b>2004</b>	<b>Twelve Months Ended September 30,</b>			<b>2008</b>
	<b>2005</b>	<b>2006</b>	<b>2007</b>		
Debt incurred under or supported by revolving credit agreements	\$	\$ 400.0	\$ 357.0	\$	\$
Other	52.0	1,530.6	1,221.9	306.0	118.1
	<b>\$52.0</b>	<b>\$1,930.6</b>	<b>\$1,578.9</b>	<b>\$306.0</b>	<b>\$118.1</b>

**NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES**

At September 30, 2003, Goodyear had binding commitments for raw materials and investments in land, buildings and equipment of \$490.9 million (as restated), and off-balance-sheet financial guarantees written and other commitments totaling \$74.3 million.

*Warranty*

At September 30, 2003, Goodyear recorded, in other current liabilities, \$11.8 million (as restated) (\$11.0 million at December 31, 2002) for potential claims under warranties offered by the Company. Tire replacement under most of the warranties offered by Goodyear is on a prorated basis. Warranty reserves are based on past claims experience, sales history and other considerations. The amount of Goodyear's ultimate liability in respect of these matters may differ from these estimates.

The following table presents changes in the warranty reserve during the first nine months of 2003:

<b>(In millions)</b>	<b>Restated 2003</b>
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Balance at December 31, 2002	\$ 11.0
Settlements made during the period	(11.7)
Additional accrual for warranties issued during the period	12.5
	<hr/>
Balance at September 30, 2003	<b>\$ 11.8</b>
	<hr/>

***Environmental Matters***

Goodyear had recorded liabilities totaling \$45.6 million at September 30, 2003 and \$53.5 million at December 31, 2002 for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by Goodyear. Of these amounts, \$19.9 million and \$21.4 million were included in Other current liabilities at September 30, 2003 and December 31, 2002, respectively. The costs include legal and consulting fees, site studies, the design and implementation of remediation plans, post-remediation monitoring and related activities and will be paid over several years. The amount of Goodyear's ultimate

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

liability in respect of these matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute. The liability was reduced during the third quarter of 2003 by approximately \$6 million due to the favorable resolution related to one site.

***Workers Compensation***

Goodyear had recorded liabilities, on a discounted basis, totaling \$172.8 million (as restated) and \$152.4 million for anticipated costs related to workers compensation at September 30, 2003 and December 31, 2002, respectively. Of these amounts, \$89.2 million (as restated) and \$66.4 million were included in Current Liabilities as part of Compensation and benefits at September 30, 2003 and December 31, 2002, respectively. The costs include an estimate of expected settlements on pending claims, defense costs and a provision for claims incurred but not reported. These estimates are based on Goodyear's assessment of potential liability using an analysis of available information with respect to pending claims, historical experience, and current cost trends. The amount of Goodyear's ultimate liability in respect of these matters may differ from these estimates.

***General and Product Liability and Other Litigation***

Goodyear recorded liabilities totaling \$400.0 million (as restated) at September 30, 2003, and \$240.7 million at December 31, 2002, for potential product liability and other tort claims, including related legal fees expected to be incurred, presently asserted against Goodyear. Of these amounts, \$124.3 million (as restated) and \$75.4 million were included in Other current liabilities at September 30, 2003 and December 31, 2002, respectively. Where the amount recorded reflects an estimate of the liability, this estimate was determined on the basis of an assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and, where available, recent and current trends. Goodyear does not believe that it is possible at the present time to reasonably estimate certain categories of liabilities detailed below and, accordingly, the amount recorded for potential product liability and other tort claims does not represent an overall estimate of Goodyear's liability for these items. The ultimate resolution of these matters may result in Goodyear recording additional liability.

Goodyear maintains primary and excess liability insurance coverage with respect to general and product liabilities. Goodyear does not record assets with respect to such policies until it determines that recovery is probable and it can reasonably estimate the amount of a particular recovery. With respect to general and product liability related insurance recoveries, Goodyear had recorded assets of approximately \$133 million (as restated) at September 30, 2003, and approximately \$56 million at December 31, 2002, which it expects to collect under coverage-in-place agreements with certain primary carriers. At September 30, 2003, Goodyear also recorded an amount it believes is probable of recovery from certain of its excess coverage insurance carriers.

As Goodyear establishes reserves for liabilities in respect of general and product liability claims made in future periods, Goodyear expects to record an asset for probable recoveries from excess carriers in respect of a portion of such liabilities.

Goodyear is a defendant in numerous lawsuits involving, at September 30, 2003, approximately 112,700 claimants (approximately 100,600 claimants at December 31, 2002) alleging various asbestos related personal injuries purported to result from alleged exposure to asbestos in certain rubber encapsulated products manufactured by Goodyear



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

in the past or to asbestos in certain Goodyear facilities. Typically, these lawsuits have been brought against multiple defendants in state and Federal courts. In the past, Goodyear has disposed of approximately 24,200 cases by defending and obtaining the dismissal thereof or by entering into a settlement.

A summary of approximate asbestos claims activity in recent years follows. Because claims are often filed and disposed of by dismissal or settlement in large numbers, the amount and timing of settlements and the number of open claims during a particular period can fluctuate significantly from period to period.

<b>(Dollars in millions)</b>	<b>Nine Months Ended September 30, 2003</b>	<b>Year Ended December 31,</b>	
		<b>2002</b>	<b>2001</b>
Pending claims, beginning of period	100,600	64,500	58,500
New claims filed	21,000	39,800	17,100
Claims settled/dismissed	(8,900)	(3,700)	(11,100)
	<u>112,700</u>	<u>100,600</u>	<u>64,500</u>
Pending claims, end of period	112,700	100,600	64,500
	<u>112,700</u>	<u>100,600</u>	<u>64,500</u>
Payments (1)	\$ 17.7	\$ 18.8	\$ 14.4
	<u>\$ 17.7</u>	<u>\$ 18.8</u>	<u>\$ 14.4</u>

(1) Amount spent on asbestos litigation defense and claim resolution before recovery of insurance proceeds.

The portion of the recorded liabilities for potential product liability and other tort claims relating to asbestos claims is based on pending claims only. The amount recorded reflects an estimate of the cost of defending and resolving pending claims, based on available information and our experience in disposing of asbestos claims in the past. Although the ultimate cost of disposing of pending asbestos claims and the future ability to recover from insurance carriers are uncertain, Goodyear believes that its reserve for pending asbestos claims, and the insurance assets recorded in respect of these claims, reflect reasonable and probable estimates of these amounts. Based on Goodyear's historical experience set forth above, Goodyear expects additional asbestos claims to be made, and additional liabilities to be incurred in respect of those claims. However, Goodyear does not believe that reasonable estimates can be determined for these liabilities, and no liability has been recorded for unknown asbestos claims. The estimate of the assets and liabilities related to asbestos claims and recovery is subject to numerous uncertainties, the ultimate outcome of which may result in significant changes to current estimates.

The Company is a defendant in 22 class actions or potential class actions and four other civil actions in various Federal, state and Canadian courts asserting non-asbestos property damage claims relating to Entran II, a rubber hose product that it supplied from 1989-1993 to Chiles Power Supply, Inc. (d/b/a Heatway Systems), a designer and seller of hydronic radiant heating systems in the United States. The plaintiffs in these actions are generally seeking recovery

under various tort, contract and statutory causes of action, including breach of express warranty, breach of implied warranty of merchantability, breach of implied warranty of fitness for a particular purpose, negligence, strict liability and violation of state consumer protection statutes.

In addition to the actions referred to above, in 2002, two state courts in Colorado entered judgments against the Company in Entran II cases of \$22.7 million and \$1.3 million, respectively. The Company has appealed both of these judgments. No charge was recorded with respect to these judgments or any of the then pending Entran II claims through the first quarter of 2003 due to a history of favorable court judgments in Entran II actions and the Company's belief that the \$22.7 million and \$1.3 million verdicts were based on material errors of fact and law.

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

In another *Entran II* action on June 19, 2003, a jury in Colorado Federal court awarded a judgment against the Company of \$4.1 million. An additional \$5.7 million in prejudgment interest was awarded on September 8, 2003.

In the third quarter of 2003, Goodyear recorded a charge in Other (Income) and Expense for anticipated liabilities as part of General & product liability-discontinued products related to potential *Entran II* liabilities, including potential liabilities under a proposed settlement for pending *Entran II* claims in the United States and Canada and for additional claims primarily related to property in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. Refer to Note 12, Subsequent Events, for further information about the proposed settlement.

The Company is also a party to actions relating to alleged breaches of warranty or product defects relating to certain of Goodyear's Load Range D and E light truck tires.

Various other legal actions, claims and governmental investigations and proceedings covering a wide range of matters are pending against Goodyear and its subsidiaries. Management, after reviewing available information relating to such matters and consulting with Goodyear's General Counsel, has determined with respect to each such matter either that it is not reasonably possible that Goodyear has incurred any liability in respect thereof or that any liability ultimately incurred will not exceed the amount, if any, recorded at September 30, 2003, in respect thereof that would be material relative to the consolidated financial position, results of operations or liquidity of Goodyear. However, in the event of an unanticipated adverse final determination in respect of certain matters, Goodyear's consolidated financial position, results of operations or liquidity for the period in which such determination occurs could be materially affected.

***Guarantees***

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. Guarantees have been issued on behalf of the Company's affiliates or customers of the Company. Normally there is no separate premium received by the Company as consideration for the issuance of guarantees. The Company's performance under these guarantees would normally be triggered by the occurrence of one or more events as provided in the specific agreements. Collateral and recourse provisions available to the Company under these agreements were not significant.

***Customer Financing***

At September 30, 2003, the Company had guarantees outstanding under which the maximum potential amount of payments totaled \$7.5 million, and which expire at various times through 2012.

***Affiliate Financing***

The Company will from time to time issue guarantees to financial institutions on behalf of certain of its affiliates, which are accounted for using the equity method. The financing arrangements of the affiliates may be for either working capital or capital expenditures. The Company generally does not require collateral in connection with the issuance of these guarantees. In the event of non-payment by an affiliate, the Company is obligated to make payment to the financial institution, and will typically have recourse to the assets of that affiliate. At September 30, 2003, the Company had guarantees outstanding under which the maximum potential amount of payments totaled \$17.7 million, and which expire at various times through 2011. The Company is unable



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

to estimate the extent to which its affiliates' assets would be adequate to recover the maximum amount of potential payments with that affiliate.

The Company holds a 50% equity interest in South Pacific Tyres (SPT), a partnership in Australia that manufactures and distributes tires. The terms of the partnership agreement provide that the Company is jointly and severally liable for all liabilities of the partnership. At September 30, 2003, SPT had debt totaling \$170.2 million, of which \$57.6 million was payable to Goodyear. The Company also owns a 50% undivided interest in all of the assets of the partnership.

The Company's percentage ownership of the net assets of the above affiliates is included on the Consolidated Balance Sheet as Investments in and Advances to Affiliates.

*Indemnifications*

At September 30, 2003, the Company was a party to various agreements under which it had assumed obligations to indemnify the counterparties from certain potential claims and losses. These agreements typically involve standard commercial activities undertaken by the Company in the normal course of business; the sale of assets by the Company; the formation of joint venture businesses to which the Company has contributed assets in exchange for ownership interests; and other financial transactions. Indemnifications provided by the Company pursuant to these agreements relate to various matters including, among other things, environmental, tax and shareholder matters; intellectual property rights; government regulations and employment-related matters; and dealer, supplier and other commercial matters.

Certain indemnifications expire from time to time, and certain other indemnifications are not subject to an expiration date. In addition, the Company's potential liability under certain indemnifications is subject to maximum caps while other indemnifications are not subject to caps. In addition, although the Company has been subject to indemnification claims in the past, the Company cannot reasonably estimate the number, type and size of indemnification claims that may arise in the future. Due to these and other uncertainties associated with the indemnifications, the Company's maximum exposure to loss under these agreements cannot be estimated.

The Company has determined that there are no guarantees other than liabilities for which amounts are already recorded or reserved in its financial statements under which it is probable that it has incurred a liability and accordingly, there are no amounts recorded on the Consolidated Balance Sheet at September 30, 2003 related to these guarantees.

Table of Contents

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 10. BUSINESS SEGMENTS**

(In millions)	Restated			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<b>Sales:</b>				
North American Tire	\$ 1,792.2	\$ 1,738.3	\$ 5,076.4	\$ 5,088.9
European Union Tire	985.3	846.1	2,875.0	2,402.7
Eastern Europe, Africa and Middle East Tire	283.2	211.3	779.2	579.0
Latin American Tire	262.1	220.0	752.1	719.7
Asia Tire	140.1	136.4	429.9	392.7
	<u>3,462.9</u>	<u>3,152.1</u>	<u>9,912.6</u>	<u>9,183.0</u>
<b>Total Tires</b>				
Engineered Products	299.9	274.5	890.8	861.5
Chemical Products	306.7	247.0	909.8	682.5
	<u>4,069.5</u>	<u>3,673.6</u>	<u>11,713.2</u>	<u>10,727.0</u>
<b>Total Segment Sales</b>				
Inter-SBU Sales	(169.2)	(144.1)	(526.1)	(402.1)
Other	5.8	9.0	18.1	23.6
	<u>\$ 3,906.1</u>	<u>\$ 3,538.5</u>	<u>\$ 11,205.2</u>	<u>\$ 10,348.5</u>
<b>Segment Operating Income (Loss):</b>				
North American Tire	\$ (36.4)	\$ 8.6	\$ (113.1)	\$ (8.6)
European Union Tire	49.2	29.4	111.8	82.8
Eastern Europe, Africa and Middle East Tire	43.5	30.7	98.8	62.8
Latin American Tire	43.8	25.6	104.2	79.3
Asia Tire	10.3	12.3	36.2	32.5
	<u>110.4</u>	<u>106.6</u>	<u>237.9</u>	<u>248.8</u>
<b>Total Tires</b>				
Engineered Products	14.3	10.3	25.9	34.4
Chemical Products	27.4	14.2	79.4	54.1
	<u>152.1</u>	<u>131.1</u>	<u>343.2</u>	<u>337.3</u>
<b>Total Segment Operating Income</b>	<b>152.1</b>	<b>131.1</b>	<b>343.2</b>	<b>337.3</b>

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Rationalizations and asset sales	(59.7)	(1.8)	(148.8)	(0.7)
Interest expense	(78.9)	(61.9)	(219.7)	(182.5)
Foreign currency exchange	(10.8)	26.0	(29.8)	18.3
Minority interest in net income of subsidiaries	(8.8)	(11.4)	(32.3)	(40.3)
Inter-SBU income	(22.7)	(14.7)	(58.7)	(43.0)
Financing fees and financial instruments	(18.8)	(12.3)	(71.9)	(35.3)
Equity in earnings (losses) of corporate affiliates	(1.6)	(3.4)	(8.0)	(11.4)
General and product liability discontinued products	(62.5)	(6.2)	(72.5)	(20.6)
Other	(5.3)	2.7	(23.0)	(2.2)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Income (Loss) before Income Taxes</b>	<b>\$ (117.0)</b>	<b>\$ 48.1</b>	<b>\$ (321.5)</b>	<b>\$ 19.6</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

- 32 -

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

Portions of items reported as Rationalizations and Other (Income) and Expense on the Consolidated Statement of Income were not charged to the strategic business units ( SBU's ) for performance evaluation purposes, but were attributable to the SBUs as follows:

(In millions)	Restated			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<b>Rationalizations:</b>				
North American Tire	\$ 10.7	\$ 2.2	\$ 59.2	\$ 2.2
European Union Tire	27.3	9.0	44.4	9.0
Eastern Europe, Africa and Middle East Tire			(0.1)	
Latin American Tire			5.5	
Asia Tire		(1.1)		(1.1)
<b>Total Tires</b>	<b>38.0</b>	<b>10.1</b>	<b>109.0</b>	<b>10.1</b>
Engineered Products	17.3		20.5	
Chemical Products				
<b>Total Segments</b>	<b>55.3</b>	<b>10.1</b>	<b>129.5</b>	<b>10.1</b>
Corporate	(1.0)	1.9	0.9	1.9
<b>Total Rationalizations</b>	<b>\$ 54.3</b>	<b>\$ 12.0</b>	<b>\$ 130.4</b>	<b>\$ 12.0</b>
<b>Other (Income) and Expense:</b>				
North American Tire	\$ (0.9)	\$ 4.1	\$ (3.4)	\$ 4.1
European Union Tire			(3.4)	(1.1)
Eastern Europe, Africa and Middle East Tire				(13.7)
Latin American Tire		(13.7)		(13.7)
Asia Tire			(2.1)	
<b>Total Tires</b>	<b>(0.9)</b>	<b>(9.6)</b>	<b>(5.5)</b>	<b>(10.7)</b>
Engineered Products	6.3	(0.6)	6.3	(0.6)
Chemical Products				

<b>Total Segments</b>	<b>5.4</b>	<b>(10.2)</b>	<b>0.8</b>	<b>(11.3)</b>
Corporate	84.3	16.7	161.9	58.1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Other (Income) and Expense</b>	<b>\$89.7</b>	<b>\$ 6.5</b>	<b>\$162.7</b>	<b>\$ 46.8</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**NOTE 11. NON-CONSOLIDATED OPERATIONS - SOUTH PACIFIC TYRES**

In addition to its consolidated operations in the Asia region, the Company owns a 50% interest in SPT, a partnership with Ansell Ltd. (formerly Pacific Dunlop Ltd) of Australia. SPT is the largest tire manufacturer, marketer and exporter in Australia and New Zealand. The Company is required to use the equity method to account for its interest in the results of operations and financial position of SPT.

The following presents 100% of the sales and operating income (loss) of SPT:

<b>(In millions)</b>	<b>Restated</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Net sales	\$ 158.6	\$ 126.6	\$ 459.1	\$ 389.9
Operating income (loss)	2.6	(2.5)	2.4	(8.4)

SPT debt totaled \$170.2 million at September 30, 2003, of which \$57.6 million is payable to Goodyear. At December 31, 2002, SPT debt totaled \$131.3 million, of which \$26.3 million was payable to Goodyear.

**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

**NOTE 12. SUBSEQUENT EVENTS**

**Fourth Quarter 2003 Rationalization Plans**

On October 6, 2003, Goodyear announced plans to close the tire manufacturing facility in Huntsville, Alabama, by December 5, 2003. The closure will affect approximately 1,100 hourly and salaried associates at the facility. Goodyear, in the fourth quarter of 2003, will record rationalization charges of approximately \$155 million and an accelerated depreciation charge of approximately \$100 million in connection with the closing.

In addition to the Huntsville charges, Goodyear expects to record rationalization charges in the fourth quarter of 2003 of approximately \$40 million to \$45 million. These actions consist of manufacturing, administrative and retail consolidations in North America, Europe and Latin America and provide for the release of approximately 1,200 associates. The Company is in the process of finalizing the costs of these plans.

**Proposed Settlement of Certain Heatway Claims**

On October 9, 2003, attorneys representing certain class members filed a proposed settlement (the Proposed Settlement ) covering all pending Entran II actions in the United States and Canada except for the claims of persons arising from property they own or have owned in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. The Proposed Settlement was initiated through the filing of a national class action complaint on October 6, 2003 and motion for preliminary approval of settlement filed October 8, 2003. On October 10, 2003, the judge gave preliminary approval to the Proposed Settlement and conditionally certified the class. The court will conduct a fairness hearing to resolve any objections to final approval of the settlement. Class members who object to the settlement will have the right to opt out. Class members participating in the Proposed Settlement will be required to release all claims against Goodyear relating to Entran II hose. Certain plaintiffs will not participate in the Proposed Settlement, including those plaintiffs who have received judgments for their claims. Goodyear will continue to appeal cases in which judgments have been rendered.

Under the Proposed Settlement, Goodyear will make annual cash contributions to a settlement fund of \$40 million, \$6 million, \$6 million, \$8 million and \$16 million in 2004, 2005, 2006, 2007 and 2008, respectively. Goodyear will also make additional contingent payments of \$10 million in each of 2005, 2006, 2007 and 2008 if Goodyear meets the following EBITDA targets: \$1.20 billion in 2004 and \$1.40 billion in each of 2005, 2006 and 2007. For purposes of the Proposed Settlement, EBITDA is defined by reference to the definition of Consolidated EBITDA in Goodyear's \$645 million U.S. term loan agreement. In the event the EBITDA target is not met in any given year, the contingent payment will remain payable in the first subsequent year in which the following cumulative EBITDA targets are met: \$2.60 billion in 2005, \$4.00 billion in 2006 and \$5.40 billion in 2007. The settlement fund will be used to pay for damage awards to class members, class counsel's attorney fees, the cost of notice to the class and the cost to administer the claims process. In addition to the required contributions of Goodyear, 80% of Goodyear's insurance recoveries from Entran II claims will be paid into the settlement fund. If these insurance recoveries, plus any additional amounts that Goodyear elects to pay into the settlement fund, are less than \$120 million by February 23, 2004, the plaintiffs may withdraw from the settlement. If the plaintiffs do not withdraw from the settlement, the parties have agreed to jointly request the Court to stay all Entran II litigation (with certain exceptions) pending final approval of the settlement and notice will be given to potential class members. Such persons or entities may opt out of the Proposed Settlement. Goodyear reserves the



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

right to withdraw from the settlement if it determines in its sole discretion that an excessive number of persons have opted out.

For additional information on these matters as of the original filing date of the Form 10-Q for the quarter ended September 30, 2003, refer to the description in Legal Proceedings set forth at Item 1 of Part II of the Form 10-Q for the quarter ended September 30, 2003, filed on November 19, 2003.

**SEC Informal Inquiry**

On October 22, 2003, the Company announced that it would restate its financial results for the years 1998-2002 and for the first and second quarters of 2003. Following this announcement, the SEC advised the Company that the SEC had initiated an informal inquiry into the facts and circumstances related to the restatement. The Company is cooperating fully with the SEC and has provided requested information as expeditiously as possible. Because the informal SEC inquiry is currently ongoing, the outcome of such inquiry cannot be predicted at this time.

**Securities Litigation**

On October 22, 2003, the Company announced that it would restate its financial results for the years ended 1998-2002 and for the first and second quarters of 2003. In connection with this announcement, a number of actions were instituted in federal and state court as described below.

Since October 23, 2003, at least seventeen lawsuits have been filed in the United States District Court for the Northern District of Ohio against Goodyear and current and/or former officers. The plaintiffs seek to represent classes of certain purchasers of Goodyear common stock during specified class periods ranging from October 22, 1998 to October 22, 2003. No class or classes have been certified. The complaints allege violations of the provisions of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, and Section 11 of the Securities Act of 1933, as amended, relating to alleged materially false and misleading statements. The named individual defendants are current or former officers, and in some cases, directors, of Goodyear. The plaintiffs seek compensatory damages, costs and expenses. While Goodyear believes the claims are without merit and intends to vigorously defend these lawsuits, it is unable to predict the outcome of these actions.

On October 24, 2003 and October 29, 2003, derivative lawsuits were filed by purported shareholders on behalf of Goodyear in the United States District Court for the Northern District of Ohio. The plaintiffs allege violations of Section 304 of the Sarbanes-Oxley Act of 2002, by certain of the named defendants, breach of fiduciary duty for insider selling and misappropriation of information by certain of the named defendants, and breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment by all the named individual defendants. The named individual defendants are current or former officers and/or directors of Goodyear. Plaintiffs seek damages, costs and attorneys' fees. Plaintiffs also seek reimbursement to Goodyear for bonuses or other incentive-based or equity based compensation received by certain of the named defendants. On October 30, 2003, and November 7, 2003, similar derivative lawsuits were filed in the Court of Common Pleas for Summit County, Ohio. The alleged violations in these state court actions are the same except that no violations of Section 304 of the Sarbanes-Oxley Act of 2002 are alleged. While Goodyear believes the claims are without merit and intends to vigorously defend these lawsuits, it is unable to predict the outcome of these actions.



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

Since October 27, 2003, at least six lawsuits have been filed in the United States District Court for the Northern District of Ohio against Goodyear, The Northern Trust Company, and current and/or former officers of Goodyear asserting breach of fiduciary duty claims under the Employee Retirement Income Security Act (ERISA) on behalf of a putative class of participants in Goodyear's Employee Savings Plan for Bargaining Unit Employees and Goodyear's Savings Plan for Salaried Employees. The plaintiffs seek to represent a class of participants in such plans during the period between March 26, 1999 and October 22, 2003 based on factual allegations substantially the same as the other cases described above pending in the United States District Court for the Northern District of Ohio. The named individual defendants are current and/or former officers, and in some cases, directors, of Goodyear. While Goodyear believes the claims are without merit and intends to vigorously defend these lawsuits, it is unable to predict the outcome of these actions.

For additional information on these matters, refer to the description in *Legal Proceedings* set forth at Item 1 of Part II of the Form 10-Q for the quarter ended September 20, 2003, filed on November 19, 2003.

**NOTE 13. FUTURE LIQUIDITY REQUIREMENTS**

Based upon the Company's projected operating results, the Company believes that cash flow from operations together with available borrowing under its restructured credit facilities and other sources of liquidity will be adequate to meet the Company's anticipated cash and cash equivalent requirements including working capital, debt service and capital expenditures.

As of September 30, 2003, the Company had \$1.03 billion in cash and cash equivalents, of which \$331 million was held in the United States and \$233 million was in accounts of GDTE. The remaining amounts were held in the Company's other non-U.S. operations. The Company's ability to move cash and cash equivalents among its various operating locations is subject to the operating needs of the operating locations as well as restrictions imposed by local laws and applicable credit facility agreements.

The Company is required to meet certain covenants related to the credit agreements. In the event the Company failed to comply with these covenants, the lenders would have the right to cease further loans to the Company and to demand the repayment of all outstanding loans under these facilities.

The Company's restructured and refinanced credit facilities mature in 2005 and 2006 and the Company would have to refinance these facilities in the capital markets if they were not renewed by the banks. Because of its debt ratings, recent operating performance and other factors, access to such markets cannot be assured. The Company's on-going ability to access the capital markets is highly dependent on successfully implementing its turnaround strategy. There is no assurance that the Company will be successful in implementing its turnaround strategy. Failure to successfully complete the turnaround strategy could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Under the Company's new master contract with the USWA, the Company has committed to consummate the issuance or placement of at least \$250 million of debt securities and at least \$75 million of equity or equity-linked securities by December 31, 2003. If the Company does not meet this commitment, the USWA may file a grievance and strike. In the event of a strike, the Company's financial position, results of operations and liquidity could be materially adversely affected. The Company has also committed to launch, by December 1, 2004, a refinancing of its U.S. term loan and revolving credit



**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

facilities due in April 2005 with loans or securities having a term of at least three years. If the Company fails to meet this refinancing commitment, the USWA would have the right to strike and the Company would be required to pay each covered union employee (approximately 15,300 as of September 30, 2003) \$1,000 and each covered union retiree (approximately 13,800 as of September 30, 2003) \$500. Finally, the Company committed to remain in compliance with any of the Interest Expense Coverage Ratio, Consolidated Net Worth, and Senior Secured Indebtedness Ratio covenants in the U.S. revolving credit facility. If the Company fails to remain in compliance with these covenants, it has agreed to use its best efforts to seek a substantial private equity investment. Such investment would be expected to provide the investor with significant influence in the management and direction of the Company.

The Company is subject to various legal proceedings, including the Entran II litigation described in Note 9, Commitments and Contingent Liabilities. In the event the Company wishes to appeal any future adverse judgment in any of these proceedings, it would be required to post an appeal bond with the relevant court. In connection with posting an appeal bond, the Company would likely be required to issue a letter of credit to the surety posting the bond. Under the Company's \$750 million U.S. revolving credit facility, the Company may issue up to an aggregate of \$600 million in letters of credit. At the end of September 30, 2003, the Company had issued \$439.2 million in letters of credit and had borrowings of \$225.0 million under the facility, leaving \$85.8 million available under the facility. If the Company is subject to a significant adverse judgment and does not have sufficient availability under its U.S. revolving credit facility to issue a letter of credit to support an appeal bond, it may be required to pay down borrowings under the facility in order to increase the amount available for issuing letters of credit or deposit cash collateral in order to stay the enforcement of the judgment pending an appeal. A significant deposit of cash collateral may have a material adverse effect on the Company's liquidity. If the Company were unable to post cash collateral, it may be unable to stay enforcement of the judgment.

**Table of Contents**

**ITEM 2. RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in this Item 2 has been restated to reflect certain adjustments to Goodyear's financial statements from what was previously reported in Goodyear's Quarterly Report on Form 10-Q for the three- and nine-month periods ended September 30, 2003 filed on November 19, 2003 (the "Form 10-Q"). The restatement also affects the three- and nine-month periods ended September 30, 2002. The adjustments increased the net loss by \$12.3 million and \$35.3 million for the quarter and nine-month period ended September 30, 2003. For the three- and nine-month periods ended September 30, 2002, adjustments reducing income by \$5.5 million were recorded. The restated financial information has been prepared by management and reflects all adjustments known to management.

Refer to Note 1A, "Restatement," to the financial statements for further information.

**RESULTS OF OPERATIONS**

**CONSOLIDATED**

*(All per share amounts are diluted)*

Net sales in the third quarter of 2003 were \$3.91 billion (as restated), increasing 10.4% (as restated) from \$3.54 billion (as restated) in the 2002 third quarter. A net loss of \$118.2 million (as restated) or \$0.67 per share (as restated) was recorded in the 2003 third quarter compared to net income of \$28.2 million (as restated) or \$0.17 per share (as restated) in the 2002 period. The 2003 third quarter included an after-tax rationalization charge of \$44.8 million (as restated) or \$0.26 per share (as restated) compared to an after-tax rationalization charge of \$8.9 million or \$0.05 per share in the 2002 third quarter.

In the first nine months of 2003, sales of \$11.21 billion (as restated) increased 8.3% (as restated) from \$10.35 billion (as restated) in the 2002 period. A net loss of \$367.7 million (as restated) or \$2.10 per share (as restated) was recorded in the 2003 period compared to net loss of \$6.1 million (as restated) or \$0.04 per share (as restated) in the 2002 first nine months. The 2003 first nine months included an after-tax rationalization charge of \$114.0 million (as restated) or \$0.65 per share (as restated) compared to an after-tax rationalization charge of \$8.9 million or \$0.05 per share in the 2002 nine months.

Revenues (as restated) in the third quarter of 2003 increased from the 2002 period partially due to the impact of currency translation of approximately \$174 million (as restated). Price and mix improvements and higher tire unit volume also had favorable impacts on third quarter 2003 revenues.

Worldwide tire unit sales in the third quarter of 2003 were 55.3 million units, an increase of 0.9 million units or 1.7% compared to the 2002 period. North American Tire (U.S. and Canada) volume increased 0.1 million units or 0.4% in the quarter, while international unit sales increased 0.8 million units or 2.9%. Worldwide replacement unit sales increased 2.2 million units or 5.7% from the 2002 quarter, due to increases in all regions except Asia Tire. Original equipment (OE) unit sales decreased 1.3 million units or 8.1% in the quarter, due to decreases in North American Tire, European Union Tire and Latin American Tire.

**Table of Contents**

Revenues (as restated) in the first nine months of 2003 increased from the 2002 period partially due to the impact of currency translation of approximately \$487 million (as restated). Price and mix improvements also had a favorable impact on nine months revenues.

Worldwide tire unit sales in the first nine months of 2003 were 160.7 million units and were flat compared to the 2002 period. North American Tire (U.S. and Canada) volume decreased 2.4 million units or 3.0% in the period, while international unit sales increased 2.4 million units or 3.0%. Worldwide replacement unit sales increased 3.1 million units or 2.8% from the 2002 nine months, due to increases in European Union Tire and Eastern Europe, Africa and Middle East Tire ( Eastern Europe Tire ). OE unit sales decreased 3.1 million units or 6.0% in the period, due to decreases in North American Tire, European Union Tire and Latin American Tire. Unit sales in the first nine months of 2002 included approximately 500,000 tires in connection with the Ford Motor Company tire replacement program.

Cost of goods sold (CGS) increased in dollars and increased to 81.8% (as restated) of net sales in the third quarter of 2003, compared to 81.2% (as restated) in the 2002 period. CGS in the third quarter of 2003 was adversely impacted by an increase in raw material costs of approximately \$95 million (as restated) and by approximately \$129 million due to currency translation.

CGS increased in dollars, and increased to 82.1% (as restated) of net sales in the first nine months of 2003, compared to 81.4% (as restated) in the 2002 period. CGS in the first nine months of 2003 was adversely impacted by higher raw material costs of approximately \$282 million (as restated) and by approximately \$372 million due to currency translation. CGS was also adversely impacted by adjustments that were related to the Engineered Products Segment which were recorded in conjunction with the restatement. It was not possible to allocate the amount of the account reconciliation adjustment to applicable periods and accordingly, Goodyear recorded substantially all of this adjustment in the first quarter of 2003. This account reconciliation adjustment includes the write-off of \$21.3 million consisting of \$3.7 million in intercompany accounts and \$17.6 million related to payables and other accounts.

Selling, administrative and general expense (SAG) in the third quarter of 2003 increased 6.6% (as restated) in dollars compared to the 2002 period but decreased to 15.0% (as restated) of net sales compared to 15.5% (as restated) in the 2002 quarter. SAG increased in the third quarter of 2003 compared to the 2002 period primarily as a result of currency translation of approximately \$31 million and higher consulting expenses primarily in connection with the debt refinancing discussed below. Higher wage and benefit costs were offset by the favorable impact of the change in vacation policy of approximately \$9 million discussed below.

SAG in the first nine months of 2003 increased 7.3% (as restated) in dollars compared to the 2002 period but decreased to 15.6% (as restated) of net sales compared to 15.8% in the 2002 period. SAG increased in the first nine months of 2003 compared to the 2002 period primarily as a result of currency translation of approximately \$95 million and higher consulting expenses primarily in connection with the debt refinancing discussed below. Higher wage and benefit costs were offset by the favorable impact of the change in vacation policy of approximately \$21 million (as restated) discussed below.

During 2002, Goodyear announced the suspension of the matching contribution portion of its savings plans for all salaried associates, effective January 1,

**Table of Contents**

2003. Effective April 20, 2003, the Company suspended the matching contribution portion of the savings plan for bargaining unit associates including those covered by Goodyear's master contract with the United Steelworkers of America ( USWA ) that expired on April 19, 2003. Goodyear contributed approximately \$38 million to the savings plans in 2002. In addition, the Company changed its vacation policy for domestic salaried associates in 2002. As a result of the changes to the policy, the Company will not incur vacation expense for domestic salaried associates in 2003. Vacation expense in 2003 is expected to be reduced by approximately \$58 million due to this change in the vacation policy. Expenses were approximately \$43 million (as restated) lower in the nine months of 2003 compared to the 2002 period as a result of this change in the vacation policy.

Interest expense of \$78.9 million (as restated) increased 27.5% in the 2003 third quarter compared to the 2002 period. For the first nine months of 2003, interest expense increased 20.4% to \$219.7 million (as restated) compared to the 2002 period. The increase in both periods is due primarily to higher average debt outstanding.

Other (income) and expense was \$89.7 million (as restated) net expense in the 2003 third quarter compared to \$6.5 million (as restated) net expense in the 2002 period. The 2003 third quarter included a loss of \$6.3 million (\$6.3 million after tax or \$0.04 per share) on the sale of assets in the Engineered Products Segment ( EPD ) and a gain of \$0.9 million (as restated) (\$0.7 million after tax or \$0.01 per share (as restated)) on the sale of assets in the European Union Tire Segment. The 2002 quarter included a gain of \$14.3 million (\$10.7 million after tax or \$0.06 per share) resulting from the sale of land and buildings in Mexico and the United States. The third quarter of 2002 also included the writeoff of a miscellaneous investment of \$4.1 million (\$2.5 million after tax or \$0.02 per share). Other (income) and expense also included fees related to financing and financial instruments of \$18.8 million (as restated) and \$12.3 million in the third quarters of 2003 and 2002, respectively. Financing fees and financial instruments included approximately \$13 million in the third quarter of 2003 related to the restructured and refinanced facilities discussed below.

Other (income) and expense includes general & product liability-discontinued products charges for claims against Goodyear related to asbestos personal injury claims and for anticipated liabilities related to a proposed settlement for Entran II claims. Substantially all of the \$62.5 million (as restated) charge for general & product liability-discontinued products in the third quarter is related to the proposed settlement for Entran II claims. Goodyear recorded net charges for general & product liability-discontinued products totaling \$72.5 million (as restated) in the nine months ended September 30, 2003 which included recognition of a receivable of approximately \$105 million, primarily from Goodyear's excess insurance carriers related to general & product liability-discontinued products. Refer to Note 9, Commitments and Contingent Liabilities, for further information about general and product liabilities.

For the first nine months of 2003, Other (income) and expense was \$162.7 million (as restated) net expense compared to \$46.8 million (as restated) net expense in the 2002 period. Other (income) and expense in the 2003 first nine months included a loss of \$23.9 million (as restated) (\$15.2 million after tax or \$0.09 per share (as restated)) on the sale of 20,833,000 shares of Sumitomo Rubber Industries, Ltd. ( SRI ) and the sale of assets in EPD and a gain of \$5.5 million (as restated) (\$4.5 million after tax or \$0.03 per share (as restated)) resulting from the sale of land in the Asia Tire Segment and the sale of assets in the European Union Tire Segment. Other (income) and expense in the nine months of 2002 included a gain of \$15.4 million (as restated) (\$11.5 million after tax or

**Table of Contents**

\$0.07 per share (as restated)) resulting from the sale of assets in Mexico, Europe and the United States. Other (income) and expense also included fees related to financing and financial instruments of \$71.9 million (as restated) and \$35.3 million in the first nine months of 2003 and 2002, respectively. The increase is due to the costs incurred in connection with the restructuring and refinancing of the Company's bank credit and receivables securitization facilities discussed below. Financing fees and financial instruments included approximately \$39 million for the nine months ended September 30, 2003, related to the new facilities.

Foreign currency exchange loss was \$10.8 million in the 2003 third quarter compared to a gain of \$26.0 million in the 2002 quarter. Foreign currency exchange gain in the 2002 quarter benefited from approximately \$25 million resulting from currency movements on U.S. dollar denominated monetary items in Brazil. For the first nine months of 2003, foreign currency exchange loss was \$29.8 million (as restated) compared to a gain of \$18.3 million in the 2002 period. Foreign currency exchange loss in the first nine months of 2003 was adversely impacted by approximately \$19 million due to currency movements on U.S. dollar denominated monetary items in Brazil, Chile and South Africa.

For the 2003 first nine months, Goodyear recorded tax expense of \$46.2 million (as restated) on a loss before income taxes and minority interest in net income of subsidiaries of \$289.2 million (as restated). Goodyear's effective tax rate was greater than the U.S. statutory rate because the Company continues to maintain a full valuation allowance against its net Federal and state deferred tax assets. Included in tax expense for the first nine months and third quarter of 2003 are benefits of \$52.2 million (as restated) and \$35.8 million, respectively. These benefits are primarily related to the favorable settlement of prior years' tax liabilities and adjustments to the valuation allowances of certain Goodyear entities. For the first nine months of 2002, Goodyear recorded tax expense of \$25.7 million (as restated) on income before income taxes and minority interest in net income of subsidiaries of \$59.9 million (as restated).

**Agreement with the United Steelworkers of America**

On September 15, 2003, the USWA and Goodyear announced the ratification of a new labor agreement. The agreement covers workers at fourteen tire and engineered products plants in the United States and contains provisions governing healthcare benefits, pension service and wages. The agreement assigns protected plant status to twelve of the fourteen plants and permits a thirteenth plant to achieve protected status if certain productivity goals are met. A protected plant cannot be closed during the duration of the agreement and Goodyear is generally required to maintain current level of capital expenditures at these plants. The agreement also gives Goodyear the option to reduce the hourly workforce at protected plants by 15% compared to August 2003 staffing levels.

Under the agreement, the USWA has the right to nominate an individual for a seat on Goodyear's Board of Directors. Goodyear has also agreed to remain neutral should the USWA attempt to organize one of Goodyear's non-union facilities. Goodyear must also require a buyer of any of Goodyear's plants to negotiate a labor agreement as a precondition of the sale.

**Table of Contents**

**Rationalization Activity**

To maintain global competitiveness, Goodyear has implemented rationalization actions over the past several years for the purpose of reducing excess capacity, eliminating redundancies and reducing costs.

**2003 Program**

Goodyear recorded a net rationalization charge totaling \$130.4 million (as restated) (\$114.0 million after tax or \$0.65 per share (as restated)) during 2003, which included reversals of \$3.8 million (as restated) (\$3.2 million after tax or \$0.02 per share (as restated)) for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of \$134.2 million (as restated) (\$117.2 million after tax or \$0.67 per share (as restated)). The third quarter net rationalization charge of \$54.3 million (as restated) (\$44.8 million after tax or \$0.26 per share (as restated)) included new charges of \$56.3 million (as restated) (\$46.6 million after tax or \$0.27 per share (as restated)) and reversals of \$2.0 million (as restated) (\$1.8 million after tax or \$0.01 per share (as restated)). The 2003 rationalization actions consist of research and development, retail, manufacturing and administrative consolidations in North America, Europe and Latin America. Of the \$134.2 million charge (as restated), \$100.9 million related to future cash outflows, primarily associate severance costs, and \$33.3 million (as restated) related to non-cash pension curtailment charges. Of the \$56.3 million third quarter charge (as restated), \$44.1 million (as restated) related to future cash outflows and \$12.2 million (as restated) related to non-cash pension curtailments in North America. Upon completion of these plans, the Company estimates that it will reduce annual operating costs by approximately \$150 million (approximately \$60 million SAG and approximately \$90 million CGS). Goodyear estimates that SAG and CGS were reduced by approximately \$36 million in the first nine months of 2003, including approximately \$15 million in the third quarter, as a result of the implementation of this program.

The 2003 actions included associate-related costs of \$131.6 million (as restated) for the release of approximately 2,600 research and development, retail, manufacturing and administrative associates in Europe, the United States and Latin America. To date, \$56.0 million was incurred in associate-related costs, including \$11.7 million in the third quarter. Rationalization costs, other than associate-related costs, totaled \$2.6 million (as restated) and were primarily for outplacement services, moving expenses and noncancellable lease payments. During the first nine months of 2003, \$1.2 million (as restated) of other than associate-related costs were incurred, including \$0.1 million (as restated) in the third quarter. The remaining reserve for costs related to the completion of these actions was \$76.9 million at September 30, 2003.

**2002 Program**

Goodyear recorded a net rationalization charge of \$10.4 million (as restated) (\$12.1 million after tax or \$0.07 per share (as restated)) in 2002, which included reversals of \$16.1 million (as restated) (\$12.7 million after tax or \$0.07 per share (as restated)) for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of \$26.5 million (\$23.0 million after tax or \$0.14 per share). The 2002 rationalization actions consisted of a manufacturing facility consolidation in Europe, the closure of a mold manufacturing facility and a plant consolidation in the United States and administrative consolidations.

**Table of Contents**

The 2002 actions included associate-related costs of \$19.5 million for the release of approximately 1,000 manufacturing and administrative associates in Europe and the United States. To date, approximately 740 associates have been released. Approximately 470 associates have been released in the first nine months of 2003, including approximately 20 associates in the third quarter. Goodyear incurred \$14.2 million of associate-related costs in the first nine months of 2003, including \$1.0 million during the third quarter of 2003. Rationalization costs, other than associate-related costs, totaled \$7.0 million and were primarily for the writeoff of equipment taken out of service in the Engineered Products and North American Tire Segments and noncancellable contract costs. Goodyear incurred \$2.6 million of other than associate-related costs during the first nine months of 2003, including \$0.7 million in the third quarter, primarily for ongoing noncancellable lease costs. The reversals from the 2002 Program of \$1.1 million (as restated) during the third quarter of 2003 were due to lower than initially estimated contract termination costs in the United States. The remaining reserve for costs related to the completion of these actions was \$2.8 million (as restated) and \$20.7 million at September 30, 2003 and December 31, 2002, respectively.

Goodyear estimates that operating costs were reduced by approximately \$45 million in the first nine months of 2003, including approximately \$15 million in the third quarter as a result of the implementation of this program. Plan savings have been substantially offset by higher conversion costs including increased compensation and benefit costs.

**Fourth Quarter 2001 Program**

Goodyear recorded rationalization charges totaling \$136.2 million (as restated) (\$107.5 million after tax or \$0.65 per share (as restated)) in the fourth quarter of 2001. These actions were in response to continued competitive conditions in the markets served by Goodyear and worldwide economic uncertainty. Under these actions, Goodyear provided for worldwide associate reductions through retail and administrative consolidation and manufacturing plant downsizing and consolidation. Reversals of reserves no longer needed for their originally intended purposes totaling \$4.1 million were recorded during 2001.

The 2001 fourth quarter actions included associate-related costs of \$53.1 million for the release of approximately 2,200 associates around the world, primarily production and administrative associates in Europe. To date, approximately 2,060 associates have been released. Approximately 70 associates were released in the first nine months of 2003, all in the first and second quarters. Goodyear incurred \$3.3 million of associate-related costs in the first nine months of 2003, including \$0.4 million during the third quarter. Rationalization costs, other than associate-related costs, totaled \$83.1 million (as restated), of which \$41.6 million related to the writeoff of tire manufacturing equipment taken out of service, principally in the Asia Tire Segment, and noncancellable lease contracts. Goodyear incurred \$2.0 million (as restated) of other than associate-related costs in the first nine months of 2003, including \$0.4 million (as restated) in the third quarter, primarily for ongoing noncancellable lease costs. During the first nine months of 2003, Goodyear reversed \$2.6 million of reserves from the fourth quarter 2001 program, including \$0.9 million during the third quarter, no longer needed for their originally intended purposes. Of the \$2.6 million reversal, \$0.2 million was primarily the result of lower than initially estimated associate-related payments and \$2.4 million was primarily the result of lower than initially estimated lease cancellation fees in the European Union. The remaining reserve for costs related to the completion of these actions was \$20.8 million (as restated) and \$28.7 million at September 30, 2003 and December 31, 2002, respectively.

## **Table of Contents**

Goodyear estimates that operating costs were reduced by approximately \$60 million in the first nine months of 2003, including approximately \$20 million in the third quarter as a result of the implementation of this program. Plan savings have been substantially offset by higher conversion costs including increased compensation and benefit costs.

For further information, refer to the note to the financial statements as restated No. 2, Rationalizations.

## **CRITICAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND UNCERTAINTIES**

### **General Market Uncertainties**

Goodyear's results of operations, financial position and liquidity could be adversely affected in future periods by loss of market share or lower demand in the replacement market or from the OE industry, which would result in lower levels of plant utilization that would increase unit costs. Also, Goodyear could experience unexpected higher raw material, labor and energy prices in future periods. These costs, if incurred, may not be recoverable due to pricing pressures present in today's highly competitive market. Goodyear is unable to predict future currency fluctuations. Sales and earnings in future periods would be unfavorably impacted if the U.S. dollar strengthens versus various foreign currencies. A continuation of the current economic conditions in the United States and Europe is likely to unfavorably impact Goodyear's sales and earnings in future periods. Similarly, continued volatile economic conditions in emerging markets could adversely affect sales and earnings in future periods. Goodyear may also be impacted by economic disruptions associated with global events including war, acts of terror and civil obstructions.

### **Critical Accounting Policies, Use of Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to financial statements. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates, including those related to the allowance for doubtful accounts, recoverability of intangibles and other long-lived assets, deferred tax asset valuation allowance, warranty, workers' compensation, litigation, general and product liabilities, environmental liabilities, pension and postretirement benefits, and various other operating allowances and accruals, based on currently available information. Changes in facts and circumstances may alter such estimates and affect results of operations and financial position in future periods.

**General and Product Liability and Other Litigation.** Goodyear recorded liabilities totaling \$400.0 million (as restated) at September 30, 2003, and \$240.7 million at December 31, 2002, for potential product liability and other tort claims, including related legal fees expected to be incurred, presently asserted against Goodyear. Of these amounts, \$124.3 million (as restated) and \$75.4 million were included in Other current liabilities at September 30, 2003 and December 31, 2002, respectively. Where the amount recorded reflects an estimate of the liability, this estimate was determined on the basis of an assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and, where available, recent and current trends. Goodyear does not believe that it is possible at the present time to reasonably estimate certain categories of liabilities detailed below and, accordingly, the amount

**Table of Contents**

recorded for potential product liability and other tort claims does not represent an overall estimate of Goodyear's liability for these items. The ultimate resolution of these matters may result in Goodyear recording additional liability.

Goodyear maintains primary and excess liability insurance coverage with respect to general and product liabilities. Goodyear does not record assets with respect to such policies until it determines that recovery is probable and it can reasonably estimate the amount of a particular recovery. With respect to general and product liability related insurance recoveries, Goodyear had recorded assets of approximately \$133 million (as restated) at September 30, 2003, and approximately \$56 million at December 31, 2002, which it expects to collect under coverage-in-place agreements with certain primary carriers. At September 30, 2003, Goodyear also recorded an amount it believes is probable of recovery from certain of its excess coverage insurance carriers.

As Goodyear establishes reserves for liabilities in respect of general and product liability claims made in future periods, Goodyear expects to record an asset for probable recoveries from excess carriers in respect of a portion of such liabilities.

Goodyear is a defendant in numerous lawsuits involving, at September 30, 2003, approximately 112,700 claimants (approximately 100,600 claimants at December 31, 2002) alleging various asbestos related personal injuries purported to result from alleged exposure to asbestos in certain rubber encapsulated products manufactured by Goodyear in the past or to asbestos in certain Goodyear facilities. Typically, these lawsuits have been brought against multiple defendants in state and Federal courts. In the past, Goodyear has disposed of approximately 24,200 cases by defending and obtaining the dismissal thereof or by entering into a settlement.

A summary of approximate asbestos claims activity in recent years follows. Because claims are often filed and disposed of by dismissal or settlement in large numbers, the amount and timing of settlements and the number of open claims during a particular period can fluctuate significantly from period to period.

<b>(Dollars in millions)</b>	<b>Nine Months Ended September 30, 2003</b>	<b>Year Ended December 31,</b>	
		<b>2002</b>	<b>2001</b>
Pending claims, beginning of period	100,600	64,500	58,500
New claims filed	21,000	39,800	17,100
Claims settled/dismissed	(8,900)	(3,700)	(11,500)
	<u>112,700</u>	<u>100,600</u>	<u>64,500</u>
Payments (1)	\$ 17.7	\$ 18.8	\$ 14.4
	<u>          </u>	<u>          </u>	<u>          </u>

(1) Amount spent on asbestos litigation defense and claim resolution before recovery of insurance proceeds.

The portion of the recorded liabilities for potential product liability and other tort claims relating to asbestos claims is based on pending claims only. The amount recorded reflects an estimate of the cost of defending and resolving

pending claims, based on available information and our experience in disposing of asbestos claims in the past. Although the ultimate cost of disposing of pending asbestos claims and the future ability to recover from insurance carriers are uncertain, Goodyear believes that its reserve for pending asbestos claims, and the insurance assets recorded in respect of these claims, reflect reasonable and probable estimates of these amounts. Based on Goodyear's historical experience set forth above, Goodyear expects additional asbestos claims to be made, and additional liabilities to be incurred in respect of those claims. However,

- 45 -

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**Table of Contents**

Goodyear does not believe that reasonable estimates can be determined for these liabilities, and no liability has been recorded for unknown asbestos claims. The estimate of the assets and liabilities related to asbestos claims and recovery is subject to numerous uncertainties, the ultimate outcome of which may result in significant changes to current estimates.

The Company is a defendant in 22 class actions or potential class actions and four other civil actions in various Federal and state courts asserting non-asbestos property damage claims relating to Entran II, a rubber hose product that it supplied from 1989-1993 to Chiles Power Supply, Inc. (d/b/a Heatway Systems), a designer and seller of hydronic radiant heating systems in the United States. The plaintiffs in these actions are generally seeking recovery under various tort, contract and statutory causes of action, including breach of express warranty, breach of implied warranty of merchantability, breach of implied warranty of fitness for a particular purpose, negligence, strict liability and violation of state consumer protection statutes.

In addition to the actions referred to above, in 2002, two state courts in Colorado entered judgments against the Company in Entran II cases of \$22.7 million and \$1.3 million, respectively. The Company has appealed both of these judgments. No charge was recorded with respect to these judgments or any of the then pending Entran II claims through the first quarter of 2003 due to a history of favorable court judgments in Entran II actions and the Company's belief that the \$22.7 million and \$1.3 million verdicts were based on material errors of fact and law.

In another Entran II action on June 19, 2003, a jury in Colorado Federal court awarded a judgment against the Company of \$4.1 million. An additional \$5.7 million in prejudgment interest was awarded on September 8, 2003.

Based on developments in Entran II litigation during the third quarter of 2003, Goodyear recorded a charge in Other (Income) and Expense for anticipated liabilities as part of General & product liability-discontinued products related to potential Entran II liabilities, including potential liabilities under a proposed settlement for pending Entran II claims in the United States and Canada and for additional claims primarily related to property in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. Refer to Note 12, Subsequent Events, for further information about the proposed settlement.

The Company is also a party to actions relating to alleged breaches of warranty or product defects relating to certain of Goodyear's Load Range D and E light truck tires.

Various other legal actions, claims and governmental investigations and proceedings covering a wide range of matters are pending against Goodyear and its subsidiaries. Management, after reviewing available information relating to such matters and consulting with Goodyear's General Counsel, has determined with respect to each such matter either that it is not reasonably possible that Goodyear has incurred any liability in respect thereof or that any liability ultimately incurred will not exceed the amount, if any, recorded at September 30, 2003, in respect thereof that would be material relative to the consolidated financial position, results of operations or liquidity of Goodyear. However, in the event of an unanticipated adverse final determination in respect of certain matters, Goodyear's consolidated financial position, results of operations or liquidity for the period in which such determination occurs could be materially affected.

**Table of Contents**

**Environmental Matters.** At September 30, 2003, Goodyear had recorded liabilities totaling \$45.6 million (\$53.5 million at December 31, 2002) for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by Goodyear. These costs include legal and consulting fees, site studies, the design and implementation of remediation plans, post-remediation monitoring and related activities and will be paid over several years. The amount of Goodyear's ultimate liability in respect of these matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute.

**Workers Compensation.** At September 30, 2003, Goodyear had recorded liabilities, on a discounted basis, totaling \$172.8 million (as restated) (\$152.4 million at December 31, 2002) for anticipated costs related to workers compensation. The costs include an estimate of expected settlements on pending claims, defense costs and a provision for claims incurred but not reported. These estimates are based on Goodyear's assessment of potential liability using an analysis of available information with respect to pending claims, historical experience, and current cost trends. The amount of Goodyear's ultimate liability in respect of these matters may differ from these estimates.

**Deferred Tax Asset Valuation Allowance.** Goodyear continues to maintain a valuation allowance against all of its net Federal and state and some of its international subsidiaries deferred tax assets.

The net Federal and state deferred tax assets are almost entirely composed of deductions available to reduce Federal and state taxable income in future years. The international deferred tax assets include loss carryforwards as well as deductions available to reduce future international taxable income.

Goodyear intends to adjust or eliminate the valuation allowance when sufficient positive evidence exists to support realization of some or all of its Federal, state and international deferred tax assets.

**Pensions and Postretirement Benefits.** Goodyear's recorded liability for pensions and postretirement benefits other than pensions is based on a number of assumptions, including future health care costs, maximum company covered benefit costs, life expectancies, retirement rates, discount rates, long term rates of return on plan assets and future compensation levels. Certain of these assumptions are determined with the assistance of outside actuaries. Assumptions about health care costs, life expectancies, retirement rates and future compensation levels are based on past experience and anticipated future trends, including an assumption about inflation. Discount rates are based on market indicators at the time these assumptions are established. The expected return on plan assets is determined using historical compound annualized returns of Goodyear's pension fund for 15 or more years. These assumptions are regularly reviewed and revised when appropriate, and changes in one or more of them could affect the amount of Goodyear's recorded expenses for these benefits. If the actual experience differs from expectations, Goodyear's financial position, results of operations and liquidity in future periods could be affected.

Although subject to change in view of the volatility of the capital markets, based on current estimates, Goodyear expects to make contributions to its domestic pension plans of approximately \$270 million to \$290 million in 2004 in order to satisfy statutory minimum funding requirements. Goodyear will be subject to additional statutory minimum funding requirements after 2004. The amount of funding requirements could be substantial and will be based on a number of factors, including the value of the pension assets at the time as well as the interest rate for the relevant period.

**Table of Contents**

**RECENTLY ISSUED ACCOUNTING STANDARDS**

In April 2003, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standard No. 149 (SFAS 149), Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under Statement of Financial Accounting Standard No. 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003 except for the provisions that were cleared by the FASB in prior pronouncements. The adoption of this statement did not have a significant impact on the Company's consolidated financial statements.

In May 2003, the FASB issued Statement of Financial Accounting Standard No. 150 (SFAS 150), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability because that financial instrument embodies an obligation of the issuer. The adoption of this statement did not have a significant impact on the Company's consolidated financial statements.

The FASB issued Staff Position No. FIN 46-6, Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities, which permitted the Company to defer the effective date, until December 31, 2003, for applying the provisions of FIN 46 to potential variable interest entities created before February 1, 2003. The Company applied the provisions of FIN 46 to certain of its VIEs, however, it continues to evaluate the application of FIN 46 to two joint venture investments; South Pacific Tyres (SPT), a tire manufacturer, marketer and exporter of tires in Australia and New Zealand and T&WA, a wheel mounting operation in the United States which ships to original equipment manufacturers. For further information, refer to the notes to the financial statements No. 9, Commitments and Contingent Liabilities - Affiliate Financing and No. 11, Non-Consolidated Operations - South Pacific Tyres.

**SEGMENT INFORMATION**

Segment information reflects the strategic business units (SBU's) of Goodyear, which are organized to meet customer requirements and global competition. The Tire business is managed on a regional basis. Engineered Products and Chemical Products are managed on a global basis.

Results of operations in the Tire and Engineered Products Segments were measured based on net sales to unaffiliated customers and segment operating income. Results of operations of the Chemical Products Segment were measured based on net sales (including sales to other SBU's) and segment operating income. Segment operating income included transfers to other SBU's. Segment operating income was computed as follows: Net Sales less CGS and SAG (excluding certain corporate expenses). Segment operating income also included equity earnings/

**Table of Contents**

losses in affiliates. Segment operating income did not include the previously discussed rationalization charges and certain other items.

Total segment operating income was \$152.1 million (as restated) in the third quarter of 2003, increasing 16.0% from \$131.1 million (as restated) in the 2002 quarter. Total segment operating margin (total segment operating income divided by segment sales) was 3.7% (as restated) for the third quarter of 2003 compared to 3.6% (as restated) for the third quarter of 2002.

In the nine months, total segment operating income was \$343.2 million (as restated), increasing 1.7% from \$337.3 million (as restated) in the 2002 period. Total segment operating margin was 2.9% (as restated) for the nine months of 2003 compared to 3.1% (as restated) for the nine months of 2002.

Management believes that total segment operating income is useful because it represents the aggregate value of income created by the Company's SBUs and excludes items not directly related to the SBUs for performance evaluation purposes. Total segment operating income is the sum of the individual SBUs' segment operating income as measured in accordance with Statement of Financial Accounting Standard No. 131, Disclosures about Segments of an Enterprise and Related Information. Refer to the note to the financial statements as restated No. 10, Business Segments, for a reconciliation of total segment operating income to Income (loss) before income taxes.

**North American Tire**

(In millions)	Restated			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Tire Units	26.6	26.5	76.7	79.1
Sales	\$1,792.2	\$1,738.3	\$5,076.4	\$5,088.9
Segment Operating Income (Loss)	(36.4)	8.6	(113.1)	(8.6)
Segment Operating Margin	(2.0)%	0.5%	(2.2)%	(0.2)%

North American Tire segment unit sales in the 2003 third quarter increased 0.1 million units or 0.4% from the 2002 period. Replacement unit volume increased 0.7 million units or 4.1% and OE unit volume decreased 0.6 million units or 7.9%.

Unit sales in the nine months decreased 2.4 million units or 3.0% from the 2002 period. Replacement unit volume decreased 0.8 million units or 1.5% and OE unit volume decreased 1.6 million units or 5.9%.

Revenues in 2003 increased 3.1% (as restated) in the third quarter from the 2002 period due primarily to improved product mix in the consumer replacement markets and higher retail sales. OE sales in the 2003 period were unfavorably impacted as a result of a decrease in auto production.

For the nine months of 2003, revenues decreased 0.2% (as restated) from the 2002 period. Improvements in the consumer replacement markets, primarily due to pricing and product mix, and retail sales were offset by deterioration in volume, particularly consumer OE, as a result of a decrease in auto production.

During the first nine months of 2002, Goodyear supplied approximately 500,000 tire units for the Ford Motor Company tire replacement program with a segment operating income benefit of approximately \$10 million for that period. Ford ended the replacement program on March 31, 2002. Segment operating income in the first nine months of 2002 also included a charge of approximately \$10 million related to

**Table of Contents**

the return of tires previously sold by Goodyear to Penske Automotive Centers. On April 6, 2002, Penske Automotive Centers announced plans to close its 563 stores in the United States.

North American Tire segment operating income (as restated) in the third quarter of 2003 decreased substantially from the 2002 quarter. Higher raw material costs of approximately \$49 million, increased conversion costs of approximately \$25 million (as restated) negatively impacted third quarter 2003 segment operating income. 2003 third quarter segment operating income was positively impacted by approximately \$14 million (as restated) due to the change in the salaried associates' vacation policy discussed above, savings from prior rationalization actions of approximately \$13 million and lower research and development expenditures of approximately \$7 million.

North American Tire segment operating income (as restated) in the first nine months of 2003 decreased considerably from the 2002 period. Higher raw material costs of approximately \$126 million (as restated), increased conversion costs of approximately \$58 million (as restated) and increased SAG of approximately \$47 million, primarily due to wages and benefits, unfavorably impacted 2003 segment operating income. 2003 segment operating income was positively impacted by savings from prior rationalization programs of approximately \$47 million, approximately \$32 million due to the change in the salaried associates' vacation policy discussed above, lower research and development expenses of approximately \$22 million and lower transportation costs of approximately \$14 million.

Segment operating income (as restated) in the nine months of 2003 did not include rationalization charges totaling \$59.2 million (as restated), including \$10.7 million in the third quarter. Segment operating income in 2002 did not include rationalization charges totaling \$2.2 million or the writeoff of a miscellaneous investment totaling \$4.1 million, both recorded in the third quarter.

Revenues and segment operating income in the North American Tire Segment may be adversely affected in future periods by the effects of continued competitive pricing conditions, reduced demand in the replacement and OE market, changes in mix, increases in raw material and energy prices, higher wage and benefit costs and general economic conditions.

**European Union Tire**

<b>(In millions)</b>	<b>Restated</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Tire Units	16.0	15.4	46.7	45.3
Sales	\$985.3	\$846.1	\$2,875.0	\$2,402.7
Segment Operating Income	49.2	29.4	111.8	82.8
Segment Operating Margin	5.0%	3.5%	3.9%	3.4%

European Union Tire segment unit sales in the 2003 third quarter increased 0.6 million units or 3.4% from the 2002 period. Replacement unit sales increased 1.1 million units or 9.9% while OE unit volume decreased 0.5 million units or 11.8%.

Unit sales in the nine months increased 1.4 million units or 3.1% from the 2002 period. Replacement unit volume increased 2.7 million units or 8.9% while OE unit volume decreased 1.3 million units or 8.5%.



**Table of Contents**

Revenues in 2003 increased 16.5% (as restated) in the third quarter and 19.7% (as restated) in the first nine months from the 2002 periods due primarily to the favorable effect of currency translation of approximately \$109 million (as restated) and \$429 million (as restated), respectively. Higher replacement volume also positively impacted revenues in the 2003 periods.

European Union Tire segment operating income (as restated) increased 67.3% in the 2003 third quarter compared to 2002 due to savings from prior rationalization programs of approximately \$13 million, lower conversion costs of approximately \$9 million, improved product mix of approximately \$9 million (as restated) and higher volume of approximately \$7 million. Higher raw material costs of approximately \$13 million (as restated), higher pension costs of approximately \$5 million and higher marketing costs negatively affected third quarter 2003 segment operating income compared to 2002.

For the nine months of 2003, segment operating income (as restated) increased 35.0% compared to 2002 due to savings from rationalization actions of approximately \$44 million, lower conversion costs of approximately \$28 million (as restated), the positive effect of currency translation of approximately \$20 million (as restated) and higher volume of approximately \$20 million (as restated). Higher raw material costs of approximately \$42 million (as restated), increased SAG costs of approximately \$22 million and higher pension costs of approximately \$14 million negatively affected segment operating income in the first nine months of 2003 compared to 2002.

Segment operating income (as restated) in the nine months of 2003 did not include rationalization charges totaling \$44.4 million (as restated) and a gain on the sale of assets of \$3.4 million (as restated), including \$27.3 (as restated) rationalization charges and \$0.9 million (as restated) gain on the sale of assets in the third quarter. Segment operating income in 2002 did not include rationalization charges, recorded in the third quarter, totaling \$9.0 million (as restated). Segment operating income in the nine months of 2002 also did not include \$1.1 million (as restated) gain on asset sales.

Revenues and segment operating income in the European Union Tire Segment may be adversely affected in future periods by the effects of continued competitive pricing conditions, changes in mix, increases in raw material and energy prices, currency translation and the general economic slowdown in the region.

**Eastern Europe, Africa and Middle East Tire**

	<b>Restated</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Tire Units	4.8	4.2	13.5	11.7
Sales	\$283.2	\$211.3	\$779.2	\$579.0
Segment Operating Income	43.5	30.7	98.8	62.8
Segment Operating Margin	15.4%	14.5%	12.7%	10.8%

Eastern Europe Tire segment unit sales in the 2003 third quarter increased 0.6 million units or 12.4% from the 2002 period. Replacement unit sales increased 0.5 million units or 12.2% and OE unit volume increased 0.1 million units or 13.8%.

Unit sales in the nine months increased 1.8 million units or 14.7% from the 2002 period. Replacement unit volume increased 1.5 million units or 15.4% and OE unit volume increased 0.3 million units or 11.7%.

**Table of Contents**

Revenues increased 34.0% in the 2003 third quarter compared to 2002 primarily due to the positive impact of currency translation. Revenue was favorably affected by currency translation of approximately \$40 million (as restated), primarily in South Africa where the Rand gained against the U.S. dollar compared to the 2002 period. Higher volume in the 2003 quarter also positively impacted revenues.

For the nine months of 2003, revenues increased 34.6% compared to 2002 primarily due to the positive impact of currency translation, higher volume and improved pricing and product mix. Revenue was favorably affected by currency translation of approximately \$111 million, primarily in South Africa where the Rand gained against the U.S. dollar compared to the 2002 period.

Segment operating income (as restated) in the 2003 third quarter increased 41.7% from the 2002 quarter. Segment operating income for the 2003 period was favorably impacted by approximately \$9 million (as restated) related to improved pricing and product mix, approximately \$6 million due to higher volume and approximately \$4 million due to the favorable impact of currency translation. Higher raw material prices of approximately \$5 million (as restated) and higher SAG costs of approximately \$2 million (as restated) adversely impacted 2003 segment operating income.

Segment operating income (as restated) in the first nine months of 2003 increased 57.3% from the 2002 period. Segment operating income for the 2003 period was favorably impacted by approximately \$22 million related to higher volume, approximately \$21 million due to improved pricing and product mix, approximately \$13 million (as restated) due to lower conversion costs and approximately \$9 million due to the favorable impact of currency translation. Higher raw material prices of approximately \$15 million and higher SAG costs of approximately \$10 million adversely impacted 2003 segment operating income for the nine months.

Segment operating income in the nine months of 2003 did not include rationalization credits totaling \$0.1 million.

Revenues and segment operating income in the Eastern Europe Tire Segment may be adversely affected in future periods by the effects of continued competitive pricing conditions, changes in mix, increases in raw material and energy prices, continued volatile economic conditions, labor disturbances and currency translation.

**Latin American Tire**

	<b>Restated</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Tire Units	4.7	4.9	13.8	15.0
Sales	\$262.1	\$220.0	\$752.1	\$719.7
Segment Operating Income	43.8	25.6	104.2	79.3
Segment Operating Margin	16.7%	11.6%	13.9%	11.0%

Latin American Tire segment unit sales in the 2003 third quarter were down 0.2 million units or 3.9% from the 2002 period. Replacement unit sales increased 0.1 million units or 2.1% while OE unit volume decreased 0.3 million units or 20.0% due to planned changes and reduced production by vehicle manufacturers in the region.

**Table of Contents**

Unit sales in the nine months decreased 1.2 million units or 8.2% from the 2002 period. Replacement unit volume decreased 0.1 million units or 1.6% and OE unit volume decreased 1.1 million units or 24.1%.

Revenues in the 2003 third quarter increased 19.1% from the 2002 period due primarily to changes in pricing and mix and the positive effect of currency translation of approximately \$4 million (as restated).

For the nine months, revenues increased 4.5% compared to 2002 primarily due to improvements in price and mix. Partially offsetting these improvements in 2003 was the negative impact of currency translation of approximately \$96 million (as restated) and lower volume.

Segment operating income (as restated) in the 2003 quarter increased 71.1% from the 2002 period. Segment operating income was favorably impacted by approximately \$37 million related to improvements in pricing and mix. Increased raw material costs of approximately \$16 million negatively impacted segment operating income compared to the 2002 period.

Segment operating income (as restated) in the first nine months of 2003 increased 31.4% from the 2002 period due primarily to mix and pricing of approximately \$110 million offsetting the adverse impact of currency translation of approximately \$30 million (as restated). Negatively impacting segment operating income for 2003 were higher raw material prices of approximately \$41 million and increased conversion costs of approximately \$10 million (as restated).

Segment operating income in the nine months of 2003 did not include rationalization charges totaling \$5.5 million. Segment operating income in 2002 did not include the gain from the sale of land and buildings in Mexico, recorded in the third quarter, totaling \$13.7 million.

Revenues and segment operating income in the Latin American Tire Segment may be adversely affected in future periods by the effects of continued competitive pricing conditions, changes in mix, increases in raw material and energy prices, continued volatile economic conditions, future adverse economic conditions in the region and currency translation.

**Asia Tire**

	<b>Restated</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Tire Units	3.2	3.4	10.0	9.6
Sales	\$140.1	\$136.4	\$429.9	\$392.7
Segment Operating Income	10.3	12.3	36.2	32.5
Segment Operating Margin	7.4%	9.0%	8.4%	8.3%

Asia Tire segment unit sales in the 2003 third quarter decreased 0.2 million units or 1.5% from the 2002 period. Replacement unit sales decreased 0.2 million units or 6.1% while OE unit volume increased less than 0.1 million units or 9.7%.

Segment unit sales in the first nine months increased 0.4 million units or 5.0% from the 2002 period. Replacement unit sales decreased 0.2 million units or 2.1% while OE unit volume increased 0.6 million units or 22.9%.

Revenues in 2003 increased 2.7% (as restated) in the third quarter from the 2002 period due primarily to the impact of currency translation of approximately

**Table of Contents**

\$3 million. Improved pricing and product mix also favorably impacted revenues in the 2003 third quarter.

For the nine months of 2003, revenues increased 9.5% (as restated) compared to the 2002 period primarily due to higher volume and higher selling prices. Currency translation of approximately \$9 million also favorably impacted revenues in the 2003 nine months.

Segment operating income (as restated) in the third quarter decreased 16.3% compared to the 2002 period due to higher raw material prices of approximately \$6 million (as restated). Improved pricing and product mix of approximately \$2 million (as restated) and the favorable impact of currency translation of approximately \$2 million favorably impacted 2003 segment operating income.

For the first nine months of 2003, segment operating income (as restated) increased 11.4% compared to the 2002 period due to improved pricing and product mix of approximately \$13 million, higher volume of approximately \$4 million, the favorable impact of currency translation of approximately \$5 million and lower conversion costs of approximately \$1 million. 2003 segment operating income was adversely affected by higher raw material prices of approximately \$20 million.

Segment operating income (as restated) in 2003 did not include the second quarter gain on the sale of land of \$2.1 million. Segment operating income in 2002 did not include net rationalization credits, recorded in the third quarter, totaling \$1.1 million.

Revenues and segment operating income in the Asia Tire Segment may be adversely affected in future periods by the effects of continued competitive pricing conditions, changes in mix, increases in raw material and energy costs and currency translation.

In addition, Goodyear owns a 50% interest in South Pacific Tyres (SPT), the largest tire manufacturer, marketer and exporter in Australia and New Zealand. Results of operations of SPT are not reported in segment results, but are reflected in Goodyear's Consolidated Statement of Income using the equity method.

The following presents 100% of the sales and operating income (loss) of SPT:

	<b>Restated</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Net sales	\$158.6	\$126.6	\$459.1	\$389.9
Operating income (loss)	2.6	(2.5)	2.4	(8.4)

SPT debt totaled \$170.2 million at September 30, 2003, of which \$57.6 million is payable to Goodyear. At December 31, 2002, SPT debt totaled \$131.3 million, of which \$26.3 million was payable to Goodyear.

**Table of Contents****Engineered Products**

(In millions)	Restated			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Sales	\$299.9	\$274.5	\$890.8	\$861.5
Segment Operating Income	14.3	10.3	25.9	34.4
Segment Operating Margin	4.8%	3.8%	2.9%	4.0%

Engineered Products revenues increased 9.3% in the third quarter of 2003 from 2002 due largely to higher sales of industrial and military products. Revenues were favorably impacted by currency translation of approximately \$13 million.

Revenues increased 3.4% in the first nine months of 2003 from 2002 due largely to strong sales of industrial, replacement and military products, while sales of OE and heavy duty products declined. Revenues were favorably impacted by currency translation of approximately \$20 million (as restated).

Segment operating income (as restated) increased 38.8% in the third quarter of 2003 compared to the 2002 period due to the favorable impact of currency translation of approximately \$1 million (as restated), raw material substitutions resulting in lower raw material costs of approximately \$2 million (as restated), and increased volume of approximately \$1 million. 2003 segment operating income was negatively impacted by unfavorable pricing and product mix of approximately \$3 million and higher conversion costs of approximately \$1 million.

For the nine month period, segment operating income (as restated) decreased 24.7% in 2003 compared to the 2002 period. 2003 segment operating income was favorably impacted by foreign currency translation of approximately \$3 million, raw material substitutions resulting in lower raw material costs of approximately \$3 million, lower research and development expenditures of approximately \$3 million and other cost improvements of approximately \$6 million. Segment operating income for the nine months of 2003 was negatively impacted by adjustments recorded in conjunction with the restatement. It was not possible to allocate the amount of Engineered Products account reconciliation adjustment to applicable periods and accordingly, Goodyear recorded substantially all of this adjustment in the first quarter of 2003. This account reconciliation adjustment includes the write-off of \$21.3 million consisting of \$3.7 million in intercompany accounts and \$17.6 million related to payables and other accounts. 2003 segment operating income was also negatively impacted by the unfavorable impact of pricing and product mix of approximately \$5 million and lower volume of approximately \$3 million.

Segment operating income in the nine months of 2003 did not include rationalization charges totaling \$20.5 million, including \$17.3 million in the third quarter. Segment operating income in the nine months of 2003 also did not include the loss on asset sale of \$6.3 million recorded in the third quarter. Segment operating income in 2002 did not include the gain from the sale of land and buildings, recorded in the third quarter, totaling \$0.6 million.

Revenues and segment operating income in the Engineered Products Segment may be adversely affected in future periods by lower OE demand, competitive pricing pressures, expected continuing unfavorable economic conditions in certain markets, adverse economic conditions globally in the mining, construction and agriculture industries, increases in raw material and energy prices, anticipated higher wage and benefit costs and currency translation.



**Table of Contents****Chemical Products**

	<b>Restated</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Sales	\$306.7	\$247.0	\$909.8	\$682.5
Segment Operating Income	27.4	14.2	79.4	54.1
Segment Operating Margin	8.9%	5.7%	8.7%	7.9%

Chemical Products revenues increased 24.2% (as restated) in the 2003 third quarter and 33.3% (as restated) in the nine month period compared to the 2002 periods. Approximately 63% of the total pounds of synthetic materials sold by the Chemical Products segment in 2003 were to Goodyear's other segments. Natural rubber plantations, a rubber processing facility and natural rubber purchasing operations are included in the Chemical Products Segment. Revenues in both 2003 periods increased primarily due to higher net selling prices resulting from the pass through of higher raw material and energy costs. The relatively strong Euro also contributed favorably to 2003 revenue.

Segment operating income (as restated) in the 2003 third quarter increased 93.0% from the 2002 period. Higher net selling prices of approximately \$33 million and favorable currency translation of approximately \$3 million positively impacted segment operating income. Increases in raw material costs of approximately \$19 million and increased production costs of approximately \$5 million had an unfavorable impact on segment operating income. The natural rubber operations contributed approximately \$3 million of the improvement through pricing and volume.

For the first nine months of 2003, segment operating income (as restated) increased 46.8% from the 2002 period. Higher net selling prices of approximately \$128 million and currency translation of approximately \$13 million favorably impacted 2003 segment operating income. Higher raw material costs of approximately \$100 million and higher production costs of approximately \$22 million negatively impacted segment operating income. The natural rubber operations contributed approximately \$8 million (as restated) of the improvement through pricing and volume.

The Company is exploring the possible sale of its Chemical business, or portions thereof, to both enhance its financial flexibility and focus future investments on its core business.

Revenues and segment operating income in the Chemical Products Segment may be adversely affected in future periods by competitive pricing pressures, lower aggregate demand levels for its products and increases in raw material and energy prices.

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES****OPERATING ACTIVITIES**

Net cash used in operating activities was \$849.8 million (as restated) during the first nine months of 2003, as reported on the Company's Consolidated Statement of Cash Flows (as restated). Working capital increased from September 30, 2002 to September 30, 2003, due primarily to increased cash and cash equivalents, accounts receivable and inventory. The increased accounts receivable is due primarily to the termination of Goodyear's domestic accounts receivable securitization program effective April 1, 2003. Working capital requirements for accounts receivable increased primarily in Europe and North America. For further information, refer to the note to the financial statements (as restated), No. 6, Accounts Receivable.

**INVESTING ACTIVITIES**

Net cash used in investing activities was \$144.1 million (as restated) during the first nine months of 2003. Capital expenditures were \$269.2 million (as restated), and were primarily for plant modernizations and new tire molds. The amount of capital expenditures are restricted under the Company's restructured credit facilities.

	<b>Restated</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Capital Expenditures	\$ 85.8	\$ 121.1	\$ 269.2	\$ 293.8
Depreciation and Amortization	158.2	149.5	460.9	452.5

On April 8, 2003, Goodyear sold 20.8 million shares of its investment in SRI for approximately \$83 million.

On April 28, 2003, the Company purchased Arkansas Best Corporation's 19% ownership interest in Wingfoot Commercial Tire Systems, LLC, a joint venture company formed by Goodyear and Arkansas Best Corporation to sell and service commercial truck tires, provide retread services and conduct related business, for approximately \$71 million.

**FINANCING ACTIVITIES**

Net cash provided by financing activities was \$1.07 billion (as restated) during the first nine months of 2003.

Consolidated Debt and the Debt to Debt and Equity Ratio for the periods indicated:

	<b>Restated</b>		
	<b>September 30,</b>	<b>December 31, 2002</b>	<b>September 30,</b>
<b>(In millions)</b>	<b>2003</b>		<b>2002</b>
Consolidated Debt	\$4,943.8	\$3,643.0	\$3,631.3
Debt to Debt and Equity	98.1%	93.4%	57.7%



**Table of Contents**

**Credit Sources**

**Restructuring and Refinancing of Credit Facilities**

On April 1, 2003, the Company completed a comprehensive restructuring and refinancing of its bank credit and receivables securitization facilities. After completing the restructuring and refinancing, the Company replaced a total of \$2,938 million in finance facilities with a total of \$3,345 million of finance facilities including:

\$750 million Senior Secured U.S. Revolving Credit Facility due April 2005;

\$645 million Senior Secured U.S. Term Facility due April 2005;

\$650 million Senior Secured European Facilities due April 2005; and

\$1.30 billion Senior Secured Asset-Backed Facilities due March 2006.

The Company had \$253.8 million of unused available committed credit under the new facilities as of September 30, 2003.

The accounts receivable and debt that are subject to the new \$1.30 billion asset-backed facilities are included on Goodyear's consolidated balance sheet at September 30, 2003. Accounts receivable subject to the terminated \$763 million domestic and Canadian accounts receivable programs were not included on the consolidated balance sheet at December 31, 2002.

*\$750 Million Senior Secured U.S. Revolving Credit Facility*

The Company's \$750 million revolving credit facility matures on April 30, 2005. Up to \$600 million of the facility is available for the issuance of letters of credit. Under the facility, as of September 30, 2003, there were borrowings of \$225.0 million and \$439.2 million in letters of credit issued. The Company pays an annual commitment fee of 75 basis points on the undrawn portion of the commitment under the U.S. revolving credit facility.

*\$645 Million Senior Secured U.S. Term Facility*

As of September 30, 2003, the balance due on the U.S. term facility was \$583.3 million due to a partial pay down of the balance during the second quarter. The U.S. term facility matures on April 30, 2005.

*\$650 Million Senior Secured European Facilities*

Goodyear Dunlop Tires Europe B.V. ( GDTE ) is party to a \$250 million senior secured revolving credit facility and a \$400 million senior secured term loan facility. These facilities mature on April 30, 2005. As of September 30, 2003, there were borrowings of \$175.0 million and \$400.0 million under the European revolving and term facilities, respectively.

*\$1.30 Billion Senior Secured Asset-Backed Credit Facilities*

The Company has also entered into senior secured asset-backed credit facilities in an aggregate principal amount of \$1.30 billion, consisting of a \$500 million revolving credit facility and an \$800 million term loan facility. As of September 30, 2003, there were borrowings of \$357.0 million and \$800.0 million under the revolving credit and term loan asset-backed facilities, respectively.



## Table of Contents

### Foreign Credit Facilities

As of September 30, 2003, Goodyear had short term committed and uncommitted bank credit arrangements totaling \$388.1 million, of which \$275.9 million were unused. The continued availability of these arrangements is at the discretion of the relevant lender, and a portion of these arrangements may be terminated at any time.

### Non-Domestic Accounts Receivable Securitization Facilities

Various international subsidiaries of the Company have also established accounts receivable continuous sales programs whereunder these subsidiaries may receive proceeds from the sale of certain of their receivables. These subsidiaries retain servicing responsibilities.

As of September 30, 2003, international subsidiaries of Goodyear had \$152.0 million of available borrowings under non-domestic accounts receivable securitization facilities.

As of September 30, 2003, the amount outstanding under programs maintained by GDTE totaled \$139.7 million and such programs were fully utilized. As of October 31, 2003, the available amounts were reduced to \$93.8 million, all of which will be renewable in October 2004. The Company is working to replace and increase these facilities with new European facilities in the fourth quarter. If the Company is unable to replace and increase these facilities, the Company would pursue short term financing alternatives.

In addition to the \$139.7 million of GDTE receivable programs, the Company had \$12.3 million outstanding under other non-domestic receivable financing programs.

At September 30, 2003, the net proceeds for all sales of receivables by Goodyear were \$152.0 million. Net cash outflows of \$794.7 million were recorded in the first nine months of 2003 for transfers of accounts receivable under these and other programs. For further information, refer to the note to the financial statements (as restated) No. 6, Accounts Receivable.

### Consolidated EBITDA

Under the terms of the restructured credit facilities, Goodyear is not permitted to fall below a ratio of 2.25 to 1.00 of consolidated EBITDA to consolidated interest expense (as such terms are defined in each of the restructured credit facilities) for any period of four consecutive fiscal quarters. In addition, Goodyear's ratio of consolidated senior secured indebtedness to consolidated EBITDA (as such terms are defined in each of the restructured credit facilities) is not permitted to be greater than 4.00 to 1.00 at any time.

Consolidated EBITDA is a non-GAAP financial measure that is presented not as a measure of operating results, but rather as a measure of the Company's ability to service debt. It should not be construed as an alternative to either (i) income from operations or (ii) cash flows from operating activities. The Company's failure to comply with the financial covenants in the restructured credit facilities could have a material adverse effect on Goodyear's liquidity and operations. Accordingly, management believes that the presentation of consolidated EBITDA will provide investors with information needed to assess the Company's ability to continue to comply with these covenants.

**Table of Contents**

The following table presents the calculation of EBITDA and Consolidated EBITDA for the three- and nine-month periods ended September 30, 2003. Other companies may calculate similarly titled measures differently than Goodyear does. Certain line items are presented as defined in the restructured credit facilities, and do not reflect amounts as presented in the Consolidated Statement of Income.

	<b>Restated</b>	
	<b>Three Months Ended September 30, 2003</b>	<b>Nine Months Ended September 30, 2003</b>
<b>(In millions)</b>		
<b>Net Loss</b>	<b>\$(118.2)</b>	<b>\$ (367.7)</b>
Consolidated Interest Expense	84.5	234.8
Income Tax	1.2	46.2
Depreciation and Amortization Expense	158.2	460.9
	<hr/>	<hr/>
<b>EBITDA</b>	<b>125.7</b>	<b>374.2</b>
<b>Credit Agreement Adjustments:</b>		
Other (Income) and Expense	79.8	188.9
Foreign Currency Exchange	10.8	29.8
Equity in (Earnings) Losses of Affiliates	0.2	4.5
Minority Interest in Net Income (Loss) of Subsidiaries	8.8	32.3
Non-cash Extraordinary Gains		
Non-cash Non-recurring Items		
Rationalizations	54.3	130.4
Less Excess Cash Rationalization Charges	(8.9)	(12.9)
	<hr/>	<hr/>
<b>Consolidated EBITDA</b>	<b>\$ 270.7</b>	<b>\$ 747.2</b>
	<hr/>	<hr/>

**Credit Ratings**

The current credit ratings for the Company are presented below:

	<b>S&amp;P</b>	<b>Moody s</b>
	<hr/>	<hr/>
Senior Secured Asset-Backed Facilities	BB+	Ba2
U.S. and European Facilities	BB-	Ba2
Corporate Rating	BB-	Ba3 (implied)
Senior Unsecured Debt	B+	B1

In addition, Fitch rates the Company's secured facilities B+ and the Company's unsecured debt B. Moody's currently

maintains a stable outlook for the Company, while S&P maintains a negative outlook. Unless the Company's debt credit ratings and operating performance improve, its access to the credit markets in the future may be limited. Moreover, a further reduction in the Company's credit ratings would further increase the cost of any financing initiatives the Company may pursue.

As a result of these ratings and other related events, the Company believes that its access to capital markets may be limited. In addition, financing and related expenses under some existing arrangements have increased as a result of the Company's non-investment grade ratings.

A rating reflects only the view of a rating agency, and is not a recommendation to buy, sell or hold securities. Any rating can be revised upward or downward at any time by a rating agency if such rating agency decides that circumstances warrant such a change.

**Table of Contents**

**Dividends**

On February 4, 2003, the Company announced that it eliminated its quarterly cash dividend. The dividend reduction was effected by the Board of Directors in order to conserve cash for the Company's business and should result in annual cash savings to the Company of approximately \$84 million per year. Under the Company's restructured credit agreements, the Company is not permitted to pay dividends on its common stock.

**Turnaround Strategy**

The Company is currently implementing a turnaround strategy for the North American Tire Segment that will require the Company to 1) stabilize margins and market shares, 2) simplify the sales and supply chain process, 3) execute key cost-cutting, brand and distribution strategies and 4) grow the business through new product introductions and new sales channels. The ability of the Company to successfully implement its cost-cutting strategy is also dependent upon its ability to realize anticipated savings and operational benefits from its recently ratified new master contract with the USWA. There is no assurance that the Company will successfully implement this turnaround strategy. In particular, this strategy and the Company's liquidity could be adversely affected by trends that negatively affected the North American Tire Segment in 2003 and prior years, including industry overcapacity which limits pricing leverage, weakness in the replacement tire market, increased competition from low cost manufacturers and a related decline in Goodyear's market share, weak U.S. economic conditions, and increases in medical and pension costs. In addition, the turnaround strategy has been, and may continue to be, negatively impacted by higher than expected raw materials and energy prices.

**Future Liquidity Requirements**

Subject to the uncertainties and contingencies identified elsewhere in this document, including but not limited to the risks identified in Forward-Looking Information Safe Harbor Statement, and based upon the Company's projected operating results, the Company believes that cash flow from operations together with available borrowing under its restructured credit facilities and other sources of liquidity will be adequate to meet the Company's anticipated cash and cash equivalent requirements including working capital, debt service and capital expenditures.

As of September 30, 2003, the Company had \$1.03 billion in cash and cash equivalents, of which \$331 million was held in the United States and \$233 million was in accounts of GDTE. The remaining amounts were held in the Company's other non-U.S. operations. The Company's ability to move cash and cash equivalents among its various operating locations is subject to the operating needs of the operating locations as well as restrictions imposed by local laws and applicable credit facility agreements.

The Company is required to meet certain covenants related to the credit agreements. In the event the Company failed to comply with these covenants, the lenders would have the right to cease further loans to the Company and to demand the repayment of all outstanding loans under these facilities.

The Company's restructured and refinanced credit facilities mature in 2005 and 2006 and the Company would have to refinance these facilities in the capital markets if they were not renewed by the banks. Because of its debt ratings, recent operating performance and other factors, access to such markets cannot be assured. The Company's on-going ability to access the capital markets is highly

**Table of Contents**

dependent on successfully implementing its turnaround strategy. There is no assurance that the Company will be successful in implementing its turnaround strategy. Failure to successfully complete the turnaround strategy could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Under the Company's new master contract with the USWA, the Company has committed to consummate the issuance or placement of at least \$250 million of debt securities and at least \$75 million of equity or equity-linked securities by December 31, 2003. If the Company does not meet this commitment, the USWA may file a grievance and strike. In the event of a strike, the Company's financial position, results of operations and liquidity could be materially adversely affected. The Company has also committed to launch, by December 1, 2004, a refinancing of its U.S. term loan and revolving credit facilities due in April 2005 with loans or securities having a term of at least three years. If the Company fails to meet this refinancing commitment, the USWA would have the right to strike and the Company would be required to pay each covered union employee (approximately 15,300 as of September 30, 2003) \$1,000 and each covered union retiree (approximately 13,800 as of September 30, 2003) \$500. Finally, the Company committed to remain in compliance with any of the Interest Expense Coverage Ratio, Consolidated Net Worth, and Senior Secured Indebtedness Ratio covenants in the U.S. revolving credit facility. If the Company fails to remain in compliance with these covenants, it has agreed to use its best efforts to seek a substantial private equity investment. Such investment would be expected to provide the investor with significant influence in the management and direction of the Company.

The Company is subject to various legal proceedings, including the Entran II litigation described in Note 9, Commitments and Contingent Liabilities. In the event the Company wishes to appeal any future adverse judgment in any of these proceedings, it would be required to post an appeal bond with the relevant court. In connection with posting an appeal bond, the Company would likely be required to issue a letter of credit to the surety posting the bond. Under the Company's \$750 million U.S. revolving credit facility, the Company may issue up to an aggregate of \$600 million in letters of credit. At the end of September 30, 2003, the Company had issued \$439.2 million in letters of credit and had borrowings of \$225.0 million under the facility, leaving \$85.8 million available under the facility. If the Company is subject to a significant adverse judgment and does not have sufficient availability under its U.S. revolving credit facility to issue a letter of credit to support an appeal bond, it may be required to pay down borrowings under the facility in order to increase the amount available for issuing letters of credit or deposit cash collateral in order to stay the enforcement of the judgment pending an appeal. A significant deposit of cash collateral may have a material adverse effect on the Company's liquidity. If the Company were unable to post cash collateral, it may be unable to stay enforcement of the judgment.

**Table of Contents****COMMITMENTS & CONTINGENCIES**

The following table presents, at September 30, 2003, Goodyear's obligations and commitments to make future payments under contracts and contingent commitments.

(In millions)	Restated Payment Due by Period as of September 30, 2003						
	Total	1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years
<b>Contractual Obligations</b>							
Long Term Debt (1)	\$4,877.2	\$160.1	\$1,854.4	\$1,353.2	\$599.6	\$102.0	\$ 807.9
Capital Lease Obligations (2)	105.6	9.6	9.4	8.1	7.5	7.4	63.6
Operating Leases (3)	1,454.5	283.6	233.9	188.7	144.7	105.8	497.8
Binding Commitments (4)	490.9	456.4	16.1	9.6	1.7	1.4	5.7
<b>Total Contractual Cash Obligations</b>	<b>\$6,928.2</b>	<b>\$909.7</b>	<b>\$2,113.8</b>	<b>\$1,559.6</b>	<b>\$753.5</b>	<b>\$216.6</b>	<b>\$1,375.0</b>

**Amount of Commitment Expiration per Period**

Other Off-Balance-Sheet Financial Guarantees Written and Other Commitments (5)	\$ 74.3	\$ 53.3	\$ 2.2	\$ 0.5	\$ 0.1	\$ 4.9	\$ 13.3
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- (1) Long term debt payments include notes payable.
- (2) The present value of capital lease obligations is \$66.6 million (as restated).
- (3) Operating leases do not include minimum sublease rentals of \$40.9 million, \$32.1 million, \$23.3 million, \$16.3 million, \$10.9 million and \$13.5 million in each of the periods above, respectively, for a total of \$137.0 million. Net operating lease payments total \$1,317.5 million (as restated). The present value of operating leases is \$797.8 million (as restated). The operating leases relate to, among other things, computers and office equipment, real estate and miscellaneous other assets. No asset is leased from any related party.
- (4) Binding commitments are for normal operations of the Company and include investments in land, buildings and equipment and raw materials purchased through short term supply contracts at fixed prices or at formula prices related to market prices or negotiated prices.
- (5) Other off-balance-sheet financial guarantees written and other commitments include, at September 30, 2003, approximately \$46.5 million related to an option held by one of Goodyear's minority partners in Sava Tire to require Goodyear to purchase the partner's 20% equity interest in Sava Tire. The minority partner may exercise its option during various periods extending through 2005.

In addition, the following contingent contractual obligations, the amounts of which cannot be estimated, are not included in the table above:

The terms and conditions of Goodyear's global alliance with SRI as set forth in the Umbrella Agreement between Goodyear and SRI provide for certain minority exit rights available to SRI commencing in 2009. SRI's exit rights, in the unlikely event of exercise, could require Goodyear to make a substantial payment to

acquire SRI s interest in the alliance.

Pursuant to an agreement entered into in 2001, Ansell Ltd. (Ansell), formerly Pacific Dunlop Ltd., has the right, during the period beginning August 2005 and ending one year later, to require Goodyear to purchase

- 63 -

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**Table of Contents**

Ansell's 50% interest in SPT at a formula price based on the earnings of SPT. If Ansell does not exercise its right, Goodyear may require Ansell to sell its interest to Goodyear during the 180 days following the expiration of Ansell's right at a price established using the same formula.

Pursuant to an agreement entered into in 2001, Goodyear shall purchase minimum amounts of carbon black from a certain supplier from January 1, 2003 through December 31, 2006, at agreed upon base prices that are subject to quarterly adjustments for changes in raw material costs and natural gas costs and a one time adjustment for other manufacturing costs.

Goodyear expects to make contributions to its domestic pension plans of approximately \$270 million to \$290 million in 2004 in order to satisfy statutory minimum funding requirements.

The Company does not engage in the trading of commodity contracts or any related derivative contracts. The Company generally purchases raw materials and energy through short term, intermediate and long term supply contracts at fixed prices or at formula prices related to market prices or negotiated prices.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

***Interest Rate Risk***

Goodyear continuously monitors its fixed and floating rate debt mix. Within defined limitations, Goodyear actively manages the mix using refinancing and unleveraged interest rate swaps. Goodyear will enter into fixed and floating interest rate swaps to alter its exposure to the impact of changing interest rates on consolidated results of operations and future cash outflows for interest. As a result of credit ratings actions and other related events, the Company's access to these instruments may be limited. Fixed rate swaps are used to reduce Goodyear's risk of increased interest costs during periods of rising interest rates, and are normally designated as cash flow hedges. Floating rate swaps are used to convert the fixed rates of long-term borrowings into short-term variable rates. Interest rate swap contracts are thus used by Goodyear to separate interest rate risk management from debt funding decisions. At September 30, 2003, the interest rates on 48% of Goodyear's debt were fixed by either the nature of the obligation or through the interest rate swap contracts, compared to 70% at December 31, 2002. Goodyear also has from time to time entered into interest rate lock contracts to hedge the risk-free component of anticipated debt issuances. As a result of credit ratings actions and other related events, the Company's access to these instruments may be limited.

**Table of Contents**

The following tables present information at September 30:

<b>(Dollars in millions)</b>	<b>2003</b>	<b>2002</b>
<b>Interest Rate Swap Contracts</b>		
Fixed Rate Contracts:		
Notional principal amount	\$325.0	\$325.0
Pay fixed rate	5.00%	5.00%
Receive variable LIBOR	1.14	1.80
Average years to maturity	0.50	1.50
Fair value liability	\$ (6.3)	\$ (15.4)
Pro forma fair value liability	(6.4)	(16.1)
Floating Rate Contracts:		
Notional principal amount	\$200.0	\$250.0
Pay variable LIBOR	2.91%	3.80%
Receive fixed rate	6.63	6.63
Average years to maturity	3.21	4.20
Fair value asset	\$ 17.5	\$ 20.7
Pro forma fair value asset	18.3	22.4

The pro forma fair value assumes a 10% decrease in variable market interest rates at September 30 of each year, and reflects the estimated fair value of contracts outstanding at that date under that assumption.

Weighted average interest rate swap contract information follows:

<b>(Dollars in millions)</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Fixed Rate Contracts:				
Notional principal	\$325.0	\$325.0	\$325.0	\$325.0
Pay fixed rate	5.00%	5.00%	5.00%	5.00%
Receive variable LIBOR	1.10	1.85	1.27	1.94
Floating Rate Contracts:				
Notional principal	\$200.0	\$250.0	\$209.0	\$195.0
Pay variable LIBOR	2.91%	3.77%	3.05%	3.73%
Receive fixed rate	6.63	6.63	6.63	6.63

The following table presents fixed rate debt information at September 30:

<b>(In millions)</b>	<b>2003</b>	<b>2002</b>
<b>Fixed Rate Debt</b>		
Fair value liability	\$2,035.0	\$2,229.9
Carrying amount liability	2,241.8	2,427.7
Pro forma fair value liability	2,105.1	2,310.3

The pro forma information assumes a 100 basis point decrease in market interest rates at September 30, 2003 and 2002, respectively, and reflects the estimated fair value of fixed rate debt outstanding at that date under that assumption.

The sensitivity to changes in interest rates of Goodyear's interest rate contracts and fixed rate debt was determined with a valuation model based upon net modified duration analysis. The model assumes a parallel shift in the yield

**Table of Contents**

curve. The precision of the model decreases as the assumed change in interest rates increases.

**Foreign Currency Exchange Risk**

In order to reduce the impact of changes in foreign exchange rates on consolidated results of operations and future foreign currency-denominated cash flows, Goodyear enters into foreign currency contracts. These contracts reduce exposure to currency movements affecting existing foreign currency-denominated assets, liabilities, firm commitments and forecasted transactions resulting primarily from trade receivables and payables, equipment acquisitions, intercompany loans and royalty agreements and forecasted purchases and sales. In addition, the principal and interest on Goodyear's Swiss franc bond due 2006 and Euro100 million of the Euro Notes due 2005 are hedged by currency swap agreements.

Contracts hedging the Swiss franc bond and the Euro Notes are designated as cash flow hedges. Contracts hedging short term trade receivables and payables normally have no hedging designation.

The following table presents foreign currency contract information at September 30:

<b>(In millions)</b>	<b>Restated</b>	
<b>Foreign Exchange Contracts</b>	<b>2003</b>	<b>2002</b>
Fair value asset	\$ 48.3	\$32.9
Pro forma change in fair value	(26.4)	26.5
Contract maturities	10/03-12/18	10/02-3/06
Fair value asset (liability):		
Swiss franc swap-current	\$ (2.0)	\$ (3.0)
Swiss franc swap-long term	37.8	23.0
Euro swaps-current	6.4	(2.5)
Euro swaps-long term	17.5	7.2
Other-current asset	3.0	14.6
Other-current liability	(14.4)	(6.4)

The pro forma change in fair value assumes a 10% change in foreign exchange rates at September 30 of each year, and reflects the estimated change in the fair value of contracts outstanding at that date under that assumption.

The sensitivity to changes in exchange rates of Goodyear's foreign currency positions was determined using current market pricing models.

**Table of Contents**

**FORWARD-LOOKING INFORMATION - SAFE HARBOR STATEMENT**

Certain information set forth herein (other than historical data and information) may constitute forward-looking statements regarding events and trends which may affect our future operating results and financial position. The words estimate, expect, intend and project, as well as other words or expressions of similar meaning, are intended to identify forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Quarterly Report. Such statements are based on current expectations and assumptions, are inherently uncertain, are subject to risks and should be viewed with caution. Actual results and experience may differ materially from the forward-looking statements as a result of many factors, including:

we have not yet completed the implementation of our plan to improve our internal controls and may be unable to remedy certain internal control weaknesses identified by our external auditors and take other actions in time to meet the March 1, 2005 deadline for complying with Section 404 of the Sarbanes-Oxley Act of 2002;

pending litigation relating to our restatement could have a material adverse effect on our financial condition;

an ongoing SEC investigation regarding our restatement could materially adversely affect us;

we have experienced significant losses in 2001, 2002 and 2003. We cannot assure that we will be able to achieve future profitability. Our future profitability is dependent upon our ability to successfully implement our turnaround strategy for our North American Tire segment and our previously announced rationalization actions;

we face significant global competition, including increasingly from lower cost manufacturers, and our market share could decline;

our secured credit facilities limit the amount of capital expenditures that we may make;

higher raw material and energy costs may materially adversely affect our operating results and financial condition;

continued pricing pressures from vehicle manufacturers may materially adversely affect our business;

our financial position, results of operations and liquidity could be materially adversely affected if we experience a labor strike, work stoppage or other similar difficulty;

decline in the value of the securities held by our employee benefit plans or a decline in interest rates would increase our pension expense and underfunding levels. Termination by the Pension Benefit Guaranty Corporation of any of our U.S. pension plans would further increase our pension expense and could result in additional liens on material amounts of our assets;

our long term ability to meet current obligations and to repay maturing indebtedness, including long term debt maturing in 2005 and 2006 of approximately \$1.21 billion and \$1.96 billion at June 30, 2004, respectively, is dependent on

**Table of Contents**

our ability to access capital markets in the future and to improve our operating results;

we have a substantial amount of debt, which could restrict our growth, place us at a competitive disadvantage or otherwise materially adversely affect our financial health;

any failure to be in compliance with any material provision or covenant of our secured credit facilities and the indenture governing our senior secured notes could have a material adverse effect on our liquidity and our operations;

our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly;

if we fail to manage healthcare costs successfully, our financial results may be materially adversely affected;

we may incur significant costs in connection with product liability and other tort claims;

our reserves for product liability and other tort claims and our recorded insurance assets are subject to various uncertainties, the outcome of which may result in our actual costs being significantly higher than the amounts recorded;

we may be required to deposit cash collateral to support an appeal bond if we are subject to a significant adverse judgment, which may have a material adverse effect on our liquidity;

we are subject to extensive government regulations that may materially adversely affect our ongoing operating results;

our international operations have certain risks that may materially adversely affect our operating results;

the terms and conditions of our global alliance with Sumitomo Rubber Industries, Ltd. (SRI) provide for certain exit rights available to SRI upon the occurrence of certain events, which could require us to make a substantial payment to acquire SRI's interest in certain of our joint venture alliances (which include much of our operations in Europe);

we have foreign currency translation and transaction risks that may materially adversely affect our operating results; and

if we are unable to attract and retain key personnel, our business could be materially adversely affected.

It is not possible to foresee or identify all such factors. We will not revise or update any forward-looking statement or disclose any facts, events or circumstances that occur after the date hereof that may affect the accuracy of any forward-looking statement.

**Table of Contents**

**ITEM 4. CONTROLS AND PROCEDURES.**

Overview.

On May 19, 2004, the Company filed its Annual Report on Form 10-K for the year ended December 31, 2003, containing restated financial statements reflecting adjustments to the Company's previously reported financial information on Form 10-K for the years ended December 31, 2002 and 2001. This Form 10-Q/A contains restated financial information reflecting adjustments to the Company's previously reported financial information on Form 10-Q for the quarter ended September 30, 2003.

Following the Company's decision in the third quarter of 2003 to restate the Company's previously issued financial statements, the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP ( PwC ), advised the Company that the failure to identify certain issues that had affected several years related to the monitoring and review of general ledger accounts collectively resulted in a material weakness in internal controls that required strengthening of procedures for account reconciliation, and internal reporting and monitoring of these matters.

On December 10, 2003, the Company announced that it was delaying the filing of its 2002 Form 10-K/A containing restated financial statements in order to permit the Audit Committee to conduct an internal investigation into potential improper accounting issues in its European Union Tire business segment. The investigation subsequently expanded to other locations of the Company's overseas operations. The investigation identified accounting irregularities primarily related to earnings management whereby accrual accounts were adjusted or expenses were improperly deferred in order to increase the segment's operating income.

Prior to filing its 2003 Annual Report on Form 10-K on May 19, 2004, the Company identified other matters requiring adjustment. Some of these adjustments resulted from an improper understatement of workers' compensation liability and improper accounting related to the valuation of real estate received in payment of trade accounts receivable. The Audit Committee also initiated an investigation into these adjustments. As a result of these investigations, management and the Audit Committee decided that a further restatement was necessary.

In May 2004, following the conclusion of these internal investigations conducted by the Company's Audit Committee, PwC advised the Company that the circumstances it previously identified to the Company as collectively resulting in a material weakness had each individually become a material weakness. PwC advised the Company that this determination was due to the number of previously undetected errors that were attributable to the material weakness previously identified. A significant portion of these errors were detected by the Company. PwC further identified as an additional material weakness certain intentional overrides that the Company had discovered of internal controls by middle managerial personnel, particularly related to the European Union Tire segment and workers compensation liability in the United States. These material weaknesses, if unaddressed, could result in material errors in the Company's financial statements. In addition, PwC advised the Company that it had identified as reportable conditions the Company's need to enhance certain finance personnel's knowledge of U.S. GAAP and internal controls and the need to enhance controls related to the establishment of bank accounts. PwC also identified a number of other internal control weaknesses and made additional business and controls recommendations.

**Table of Contents**

In April 2003, the Company began to implement various measures to strengthen its account reconciliation control processes. The Company established a requirement that the finance director of each operating unit that maintains a general ledger or sub-ledger confirm on a monthly basis that all balance sheet accounts for which he or she has responsibility have been reconciled accurately and on a timely basis. At the corporate level, each employee responsible for an account is required to certify, on a quarterly basis, that such account has been accurately reconciled. The Company's Internal Audit Department has commenced targeted reviews of selected account reconciliations. In response to the overseas accounting investigation, senior finance personnel visited various overseas locations in preparation for the filing of the Company's 2003 Form 10-K and reviewed and confirmed the accuracy of selected account reconciliations, analyzed reported results, reviewed items identified by prior audits to ensure corrective actions were in place and reviewed the certification process with local management.

In connection with the restatement process and the internal investigation by the Audit Committee, the Company has dedicated substantial resources to the review of its control processes and procedures. As a result of that review, the Company has determined that it will strengthen its internal controls by (i) making personnel and organizational changes, (ii) improving communications and reporting, (iii) improving monitoring controls, (iv) increasing oversight to reduce opportunities for intentional overrides of control procedures, and (v) simplifying and improving financial processes and procedures. Specific remedial measures that have already been undertaken, principally since the beginning of 2004, include the following:

Various disciplinary actions (ranging from reprimand to termination) against numerous employees;

Restructured reporting relationships within the finance function such that the finance directors of all seven strategic business units report directly to the Chief Financial Officer and the controllers of these business units report to the Corporate Controller;

Changed compensation structures for business unit finance directors so that compensation is no longer directly tied to financial performance of the business unit;

Increased staffing (including the use of temporary personnel) in various aspects of the Company's finance and internal audit functions;

Increased management oversight by creating a new Disclosure Committee comprised of senior managers with responsibility for responding to issues raised during the financial reporting process;

Streamlined the organization of its European Business Unit to eliminate a level of management and financial reporting;

Continued conducting enhanced training on the certification process whereby senior finance management explained each matter to be certified with each of the seven strategic business units and their local management teams;

**Table of Contents**

Commissioned a review of a significant portion of open workers' compensation claims, including a certification by an outside administrator that such claims had been properly valued; and

Revised procedures with respect to opening bank accounts to ensure appropriate oversight by the Treasury Department.

A number of other initiatives to strengthen the Company's internal controls are currently in process or under development. These include:

Expanding the personnel, resources and responsibilities of the internal audit function;

Increasing finance staff and upgrading the technical capabilities of individuals within the finance function, through improved and formalized training;

Development of new and enhanced monitoring controls;

Simplification of financial processes and information technology systems;

Creation of a Remediation Project Management Office responsible for the design and implementation of the Company's long-term remediation plan;

Establishing a communications program to improve inter-department and cross-functional communications, maintain awareness of the financial statement certification process and finance issues in general and to encourage associates to raise issues for review and/or resolution; and

Review all accounting policies and procedures, and where appropriate make modifications.

The Company will continue to evaluate the effectiveness of its controls and procedures on an ongoing basis, including consideration of the internal control weaknesses identified and the business and controls recommendations made by PwC, and will implement further actions as necessary in its continuing efforts to strengthen the control process. PwC has not completed its assessment of the effectiveness of the Company's actions.

In addition, the Company is undertaking a thorough review of its internal controls, including information technology systems and financial reporting, as part of the Company's preparation for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. Given the effort needed to remedy the internal control weaknesses identified by PwC, the Company may not be able to fully remedy these weaknesses and take the other actions required for compliance with Section 404 of the Sarbanes-Oxley Act by the March 1, 2005 deadline for Section 404 compliance.

**Table of Contents**

**Disclosure Controls and Procedures.**

The Company's senior management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2003. Based upon that evaluation, combined with a consideration of the additional procedures described above, the Company's Chief Executive Officer and Chief Financial Officer concluded that, notwithstanding the material weaknesses and reportable conditions described above, after taking into account the remedial measures implemented by the Company, as of the evaluation date, the Company's disclosure controls and procedures are designed, and are effective, to give reasonable assurance that information the Company must disclose in reports filed with the SEC is properly recorded, processed and summarized, and then reported as required.

**Changes in Internal Control over Financial Reporting.**

Except as described above, there were no changes in the Company's internal controls over financial reporting during the third quarter of 2003 that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

**PART II. OTHER INFORMATION**

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.**

(a) Exhibits. See the Index of Exhibits at page E-1, which is by specific reference incorporated into and made a part of this Quarterly Report on Form 10-Q/A.

(b) Reports on Form 8-K. The following Current Reports on Form 8-K were furnished by The Goodyear Tire & Rubber Company to the Securities and Exchange Commission during the quarter ended September 30, 2003:

Form 8-K, dated July 30, 2003 (Items 7 and 12)\*

\* The information furnished in the report shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934.

**SIGNATURES**

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

THE GOODYEAR TIRE & RUBBER  
COMPANY

(Registrant)

Date: August 3, 2004

By /s/ Thomas A. Connell

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Thomas A. Connell, Vice President and Controller

(Signing on behalf of Registrant as a duly authorized officer of Registrant and signing as the principal accounting officer of Registrant.)

- 73 -

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**Table of Contents**

**THE GOODYEAR TIRE & RUBBER COMPANY  
Quarterly Report on Form 10-Q/A  
For the Quarter Ended September 30, 2003**

**INDEX OF EXHIBITS**

<b>EXHIBIT Table Item No.</b>	<b>Description of Exhibit</b>	<b>EXHIBIT Number</b>
<b>3</b>	<p><b>ARTICLES OF INCORPORATION AND BY-LAWS</b></p> <p>(a) Certificate of Amended Articles of Incorporation of The Goodyear Tire &amp; Rubber Company ( Goodyear ), dated December 20, 1954, and Certificate of Amendment to Amended Articles of Incorporation of Goodyear, dated April 6, 1993, and Certificate of Amendment to Amended Articles of Incorporation of Goodyear dated June 4, 1996, three documents comprising Goodyear s Articles of Incorporation as amended (incorporated by reference, filed as Exhibit 4.1 to Goodyear s Registration Statement on Form S-3, File No. 333-90786).</p> <p>(b) Code of Regulations of Goodyear, adopted November 22, 1955, as amended April 5, 1965, April 7, 1980, April 6, 1981, April 13, 1987 and May 7, 2003 (incorporated by reference, filed as Exhibit 3.1 to Goodyear s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed on July 30, 2003, File No. 1-1927).</p>	
<b>4</b>	<p><b>INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES</b></p> <p>(a) Specimen nondenominational Certificate for shares of the Common Stock, Without Par Value, of Goodyear; EquiServe Trust Company, N.A., as transfer agent and registrar (incorporated by reference, filed as Exhibit 4.4 to Goodyear s Registration Statement on Form S-3, File No. 333-90786).</p> <p>(b) Conformed copy of Amended and Restated Rights April 15, 2002, between Goodyear and EquiServe Trust Company, N.A., as successor Rights Agent, amending and restating the Rights Agreement, dated as of June 4, 1996, between Goodyear and First Chicago Trust Company of New York, Rights Agent (incorporated by reference, filed as Exhibit 4.1 to Goodyear s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, File No. 1-1927).</p> <p>(c) Conformed copy of \$750,000,000 Amended and Restated Revolving Credit Agreement dated as of March 31, 2003 among Goodyear, the Lenders Named therein, and JPMorgan Chase Bank, as Administrative Agent (incorporated by reference, filed as Exhibit 4.1 to Goodyear s Form 10-Q for the quarter ended March 31, 2003 filed on April 30, 2003, File No. 1-1927).</p>	



**Table of Contents**

<b>EXHIBIT Table Item No.</b>	<b>Description of Exhibit</b>	<b>EXHIBIT Number</b>
4	<p>(d) Conformed copy of \$645,454,545 Term Loan Agreement dated as of March 31, 2003 among Goodyear, the Lenders named therein, and JPMorgan Chase Bank, as Administrative Agent (incorporated by reference, filed as Exhibit 4.2 to Goodyear's Form 10-Q for the quarter ended March 31, 2003 filed on April 30, 2003, File No. 1-1927).</p> <p>(e) Term Loan and Revolving Credit Agreement dated as of March 31, 2003 among Goodyear, Goodyear Dunlop Tires Europe B.V., Goodyear Dunlop Tires Germany GmbH, Goodyear GmbH &amp; Co KG, Dunlop GmbH &amp; Co KG, Goodyear Luxembourg Tires SA, the Lenders named therein and JPMorgan Chase Bank, as Administrative Agent and Collateral Agent (incorporated by reference, filed as Exhibit 4.3 to Goodyear's Form 10-Q for the quarter ended March 31, 2003 filed on April 30, 2003, File No. 1-1927).</p> <p>(f) Term Loan and Revolving Credit Agreement dated as of March 31, 2003 among Goodyear, the Lenders named therein, and JPMorgan Chase Bank, as Administrative Agent (incorporated by reference, filed as Exhibit 4.4 to Goodyear's Form 10-Q for the quarter ended March 31, 2003 filed on April 30, 2003, File No. 1-1927).</p> <p>(g) Master Guarantee and Collateral Agreement dated as of March 31, 2003 among Goodyear, certain subsidiaries of Goodyear as Grantors and Guarantors, the Lenders named therein and JPMorgan Chase Bank, as Collateral Agent (incorporated by reference, filed as Exhibit 4.5 to Goodyear's Form 10-Q for the quarter ended March 31, 2003 filed on April 30, 2003, File No. 1-1927).</p> <p>(h) Form of Indenture, dated as of March 15, 1996, between Goodyear and Chemical Bank (now JPMorgan Chase Bank), as Trustee, as supplemented on December 3, 1996, March 11, 1998 and March 17, 1998 (incorporated by reference, filed as Exhibit 4.1 to Goodyear's Form 10-Q for the quarter ended March 31, 1998, File No. 1-1927).</p> <p>(i) Form of Indenture, dated as of March 1, 1999, between Goodyear and The Chase Manhattan Bank (now JPMorgan Chase Bank), as Trustee, as supplemented on March 14, 2000 (incorporated by reference, filed as Exhibit 4.1 to Goodyear's Form 10-Q for the quarter ended March 31, 2000, File No. 1-1927) and as further supplemented on August 15, 2001 (incorporated by reference, filed as Exhibit 4.3 to Goodyear's Form 10-Q for the quarter ended September 30, 2001, File No. 1-1927).</p>	

Table of Contents

<b>EXHIBIT Table Item No.</b>	<b>Description of Exhibit</b>	<b>EXHIBIT Number</b>
	In accordance with paragraph (iii) to Part 4 of Item 601 of Regulation S-K, agreements and instruments defining the rights of holders of certain items of long term debt entered into during the quarter ended June 30, 2003 which relate to securities having an aggregate principal amount less than 10% of the consolidated assets of Registrant and its Subsidiaries are not filed herewith. The Registrant hereby agrees to furnish a copy of any such agreements or instruments to the Securities and Exchange Commission upon request.	
<b>12</b>	<b>STATEMENT RE COMPUTATION OF RATIOS</b>	
	Statement setting forth the computation of Ratio of Earnings to Fixed Charges.	12
<b>31</b>	<b>302 CERTIFICATIONS</b>	
	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	31.1
	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	31.2
<b>32</b>	<b>906 CERTIFICATIONS</b>	
	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	32.1

E-3