UNITY BANCORP INC /NJ/
Form 10-K
March 06, 2014

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITIONAL REPORTS PURSUANT TO

SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year endedDecember 31, 2013

OR

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

For the transition period from to ________

Commission file number 1-12431

Unity Bancorp, Inc.

(Exact Name of Registrant as Specified in Its Charter)

New Jersey	22-3282551
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
64 Old Highway 22, Clinton, NJ	08809
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (908) 730-7630

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

Common Stock, no par value	NASDAQ
(Title of Each Class)	(Name of Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No x

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

Yes x No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act

Yes No x

As of June 30, 2013, the aggregate market value of the registrant's Common Stock, no par value per share, held by non-affiliates of the registrant was $35,705,836 and 5,028,991 shares of the Common Stock were outstanding to non-affiliates. As of February 28, 2014, 7,579,377 shares of the registrant's Common Stock were outstanding.

Documents incorporated by reference:

- Portions of Unity Bancorp's Annual Report to Shareholders for the fiscal year ended December 31, 2013 are incorporated by reference into Parts I, II and IV of this Annual Report on Form 10-K.
- Portions of Unity Bancorp's Proxy Statement for the Annual Meeting of Shareholders to be filed no later than 120 days from December 31, 2013 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Item 1. Business:

a) General

Unity Bancorp, Inc., (the "Company" or "Registrant"), is a bank holding company incorporated under the laws of the State of New Jersey to serve as a holding company for Unity Bank (the "Bank"). The Company was organized at the direction of the Board of Directors of the Bank for the purpose of acquiring all of the capital stock of the Bank. Pursuant to the New Jersey Banking Act of 1948 (the "Banking Act"), and pursuant to approval of the shareholders of the Bank, the Company acquired the Bank and became its holding company on December 1, 1994. The only significant activity of the Company is ownership and supervision of the Bank. The Company also owns 100% of the common equity of Unity (NJ) Statutory Trust II and Unity (NJ) Statutory Trust III. The trusts have issued \$10.3 million and \$5.2 million of preferred securities to investors, respectively.

The Bank opened for business on September 16, 1991. The Bank received its charter from the New Jersey Department of Banking and Insurance on September 13, 1991. The Bank is a full-service commercial bank, providing a wide range of business and consumer financial services through its main office in Clinton, New Jersey and fourteen New Jersey branches located in Clinton, Edison, Flemington, Highland Park, Linden, Middlesex, North Plainfield, Phillipsburg, Scotch Plains, Somerset, South Plainfield, Union, Washington and Whitehouse. In addition, the Bank has one Pennsylvania branch located in Forks Township. The Bank's primary service area encompasses the Route 22/Route 78 corridors between the Forks Township, Pennsylvania office and its Linden, New Jersey branch.

The principal executive offices of the Company are located at 64 Old Highway 22, Clinton, New Jersey 08809, and the telephone number is (908) 730-7630. The Company's website address is www.unitybank.com.

Business of the Company

The Company's primary business is ownership and supervision of the Bank. The Company, through the Bank, conducts a traditional and community-oriented commercial banking business and offers services, including personal and business checking accounts, time deposits, money market accounts and regular savings accounts. The Company structures its specific services and charges in a manner designed to attract the business of the small and medium sized business and professional community, as well as that of individuals residing, working and shopping in its service area. The Company engages in a wide range of lending activities and offers commercial, Small Business Administration ("SBA"), consumer, mortgage, home equity and personal loans.

Service Areas

The Company's primary service area is defined as the neighborhoods served by the Bank's offices. The Bank's main office, located in Clinton, NJ, in combination with its Flemington and Whitehouse offices, serves the greater area of Hunterdon County. The Bank's North Plainfield and Somerset offices serve those communities located in the northern, eastern and central parts of Somerset County and the southernmost communities of Union County. The Bank's Scotch Plains, Linden, and Union offices serve the majority of the communities in Union County and the southwestern communities of Essex County. The offices in Middlesex, South Plainfield, Highland Park, and Edison extend the Company's service area into Middlesex County. The Bank’s Phillipsburg and Washington offices serve Warren County. The Bank’s Forks Township office serves Northampton County, Pennsylvania.

Competition

The Company is located in an extremely competitive area. The Company's service area is also serviced by national banks, major regional banks, large thrift institutions and a variety of credit unions. In addition, since passage of the Gramm-Leach-Bliley Financial Modernization Act of 1999 (the “Modernization Act”), securities firms and insurance companies have been allowed to acquire or form financial institutions, thereby increasing competition in the financial services market. Most of the Company's competitors have substantially more capital, and therefore greater lending limits than the Company. The Company's competitors generally have established positions in the service area and have greater resources than the Company with which to pay for advertising, physical facilities, personnel and interest on deposited funds. The Company relies on the competitive pricing of its loans, deposits and other services, as well as its ability to provide local decision-making and personal service in order to compete with these larger institutions.

Employees

At December 31, 2013, the Company employed 148 full-time and 30 part-time employees. None of the Company's employees are represented by any collective bargaining units. The Company believes that its relations with its employees are good.

Executive Officers of Registrant

The following table sets forth certain information as of December 31, 2013, regarding each executive officer of the Company who is not also a director.

Name, Age and Position	Officer Since	Principal Occupation During Past Five Years
John Kauchak, 60, Chief Operating Officer and Executive Vice President of the Company and Bank	2002	Previously, Mr. Kauchak was the head of Deposit Operations for Unity Bank from 1996 to 2002.
Alan J. Bedner, 43, Chief Financial Officer and Executive Vice President of the Company and Bank	2003	Previously, Mr. Bedner was Controller for Unity Bank from 2001 to 2003.
Janice Bolomey, 45, Chief Administrative Officer and Executive Vice President of the Company and Bank	2013	Previously, Ms. Bolomey was Director of Sales for Unity Bank from 2002 to 2013.

SUPERVISION AND REGULATION

General Supervision and Regulation

Bank holding companies and banks are extensively regulated under both federal and state law, and these laws are subject to change. As an example, in the summer of 2010, Congress passed, and the President signed, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) (discussed below). These laws and regulations are intended to protect depositors, not stockholders. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in the applicable law or regulation may have a material effect on the business and prospects of the Company and the Bank. Management of the Company is unable to predict, at this time, the impact of future changes to laws and regulations.

General Bank Holding Company Regulation

General: As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, (the "BHCA"), the Company is subject to the regulation and supervision of the Federal Reserve Board (the “FRB”). The Company is required to file with the FRB annual reports and other information regarding its business operations and those of its subsidiaries. Under the BHCA, the Company's activities and those of its subsidiaries are limited to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries or engaging in any other activity which the FRB determines to be so closely related to banking or managing or controlling banks as to be properly incident thereto.

The BHCA requires, among other things, the prior approval of the FRB in any case where a bank holding company proposes to; (i) acquire all or substantially all of the assets of any other bank; (ii) acquire direct or indirect ownership or control of more than 5% of the outstanding voting stock of any bank (unless it owns a majority of such bank's voting shares); or (iii) merge or consolidate with any other bank holding company. The FRB will not approve any acquisition, merger or consolidation that would have a substantially anti-competitive effect, unless the anti-competitive impact of the proposed transaction is clearly outweighed by a greater public interest in meeting the convenience and needs of the community to be served. The FRB also considers capital adequacy and other financial and managerial resources and future prospects of the companies and the banks concerned, together with the convenience and needs of the community to be served, when reviewing acquisitions or mergers.

The BHCA also generally prohibits a bank holding company, with certain limited exceptions, from; (i) acquiring or retaining direct or indirect ownership or control of more than 5% of the outstanding voting stock of any company which is not a bank or bank holding company; or (ii) engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or performing services for its subsidiaries, unless such non-banking business is determined by the FRB to be so closely related to banking or managing or controlling banks as to be properly incident thereto. In making such determinations, the FRB is required to weigh the expected benefits to the public such as greater convenience, increased competition or gains in efficiency, against the possible adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

The BHCA was substantially amended through the Modernization Act. The Modernization Act permits bank holding companies and banks, which meet certain capital, management and Community Reinvestment Act standards, to engage in a broader range of non-banking activities. In addition, bank holding companies, which elect to become financial holding companies, may engage in certain banking and non-banking activities without prior FRB approval. Finally, the Modernization Act imposes certain privacy requirements on all financial institutions and their treatment of consumer information. At this time, the Company has elected not to become a financial holding company.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by law and regulatory policy that are designed to minimize potential loss to the depositors of such depository institutions and the Federal Deposit Insurance Corporation (the “FDIC”) insurance fund in the event the depository institution becomes in danger of default. Under regulations of the FRB, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such policy. The FRB also has the authority under the BHCA to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the FRB's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

Capital Adequacy Guidelines for Bank Holding Companies: The FRB has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Under these guidelines, assets and off-balance sheet items are assigned to broad-risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The risk-based guidelines apply on a consolidated basis to bank holding companies with consolidated assets of $500 million or more. The minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) is 8%. At least 4% of the total capital is required to be "Tier I," consisting of common stockholders' equity and certain preferred stock and other qualifying hybrid instruments, less certain goodwill items and other intangible assets. The remainder, "Tier II Capital," may consist of the allowance for loan losses of up to 1.25% of risk-weighted assets and certain other securities which do not qualify as Tier I capital. Total capital is the sum of Tier I and Tier II capital, less reciprocal holdings of other banking organizations' capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the FRB (determined on a case-by-case basis or as a matter of policy after formal rule-making).

Bank holding company assets are given risk-weights of 0%, 20%, 50% and 100%. In addition, certain off-balance sheet items are given similar credit conversion factors to convert them to asset-equivalent amounts to which an appropriate risk-weighting will apply. These computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for performing first-mortgage loans that are fully secured by residential property, which carry a 50% risk-weighting. Most investment securities (including, primarily, general obligation claims of states or other political subdivisions of the United States) are assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% risk-weighting, and direct obligations of the U.S. Treasury or obligations backed by the full faith and credit of the U.S. Government, which have a 0% risk-weighting. In converting off-balance sheet items, direct credit substitutes (including general guarantees and standby letters of credit backing financial obligations) are given a 100% risk-weighting. Transaction-related contingencies, such as standby letters of credit backing non-financial obligations and undrawn commitments (including commercial credit lines with an initial maturity of more than one year), have a 50% risk-weighting. Short-term commercial letters of credit have a 20% risk-weighting and certain short-term unconditionally cancelable commitments have a 0% risk-weighting.

In addition to the risk-based capital guidelines, the FRB has adopted a minimum Tier I capital (leverage) ratio, under which a bank holding company must maintain a minimum level of Tier I capital to average total consolidated assets of at least 3% in the case of a bank holding company that has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a leverage ratio of at least 100 to 200 basis points above the stated minimum.

The Company is currently in compliance with these minimum Federal capital requirements. However, recently adopted regulations will change the Company's capital requirements in the future.

The Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, adopted Basel III in September 2010, which constitutes a set of capital reform measures designed to strengthen the regulation, supervision and risk management of banking organizations worldwide. In order to implement Basel III and certain additional capital changes required by the Dodd-Frank Act, on July 9, 2013, the FRB approved, as an interim final rule, the regulatory capital requirements for U.S. bank holding companies, such as us, substantially similar to final rules issued by the FDIC and the Office of the Comptroller of the Currency.

The interim final rule includes new risk-based capital and leverage ratios that will be phased-in from 2015 to 2019. The rule includes a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets, which is in addition to the Tier 1 and Total risk-based capital requirements. The interim final rule also raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0% and requires a minimum leverage ratio of 4.0%. The required minimum ratio of total capital to risk-weighted assets will remain 8.0%. The new risk-based capital requirements (except for the capital conservation buffer) will become effective on January 1, 2015. The capital conservation buffer will be phased in over four years beginning on January 1, 2016, with a maximum buffer of 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. Failure to maintain the required capital conservation buffer will result in limitations on capital distributions and on discretionary bonuses to executive officers.

The following chart compares the risk-based capital required under existing rules to those prescribed under the interim final rule under the phase-in period described above:

	Current Treatment		Treatment in Final Rule	
Leverage ratio	4.00	%	4.00	%
Common equity tier 1 capital (CET1) ratio	N/A		4.50	%
Additional tier 1	N/A		1.50	%
Tier 1 capital ratio	4.00	%	6.00	%
Tier 2	4.00	%	2.00	%
Total capital ratio	8.00	%	8.00	%
Capital conservation buffer	N/A		2.50	%

The interim final rule also implements revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses and instruments that will no longer qualify as Tier 1 capital. The interim final rule also sets forth certain changes for the calculation of risk-weighted assets that we will be required to implement beginning January 1, 2015. Management is currently evaluating the provisions of the interim final rule and its expected impact. Based on our current capital composition and levels, management does not presently anticipate that the interim final rule presents a material risk to our financial condition or results of operations.

General Bank Regulation

As a New Jersey-chartered commercial bank, the Bank is subject to the regulation, supervision, and control of the New Jersey Department of Banking and Insurance (the “Department”). As an FDIC-insured institution, the Bank is subject to regulation, supervision and control of the FDIC, an agency of the federal government. The regulations of the FDIC and the Department affect virtually all activities of the Bank, including the minimum level of capital that the Bank must maintain, the ability of the Bank to pay dividends, the ability of the Bank to expand through new branches or acquisitions and various other matters.

Insurance of Deposits: The Dodd-Frank Act has caused significant changes in the FDIC's insurance of deposit accounts. Among other things, the Dodd-Frank Act permanently increased the FDIC deposit insurance limit to $250 thousand per depositor.

On February 7, 2011 the FDIC announced the approval of the assessment system mandated by the Dodd-Frank Act. Dodd-Frank required that the base on which deposit insurance assessments are charged be revised from one based on domestic deposits to one based on assets. The FDIC's rule to base the assessment base on average total consolidated assets minus average tangible equity instead of domestic deposits lowered assessments for many community banks with less than $10 billion in assets and reduced the Company's costs.

Dividend Rights: Under the Banking Act, a bank may declare and pay dividends only if, after payment of the dividend, the capital stock of the bank will be unimpaired and either the bank will have a surplus of not less than 50% of its capital stock or the payment of the dividend will not reduce the bank's surplus. Unless and until the Company develops other lines of business, payments of dividends from the Bank will remain the Company's primary source of income and the primary source of funds for dividend payments to the shareholders of the Company.

Capital Requirements: The FDIC imposes on the Bank minimum regulatory requirements that are substantially the same as those applicable to the Company under FRB regulations discussed above.

Sarbanes-Oxley Act

On July 30, 2002, the Sarbanes-Oxley Act ("SOX") was enacted. SOX is not a banking law, but applies to all public companies, including the Company. The stated goals of SOX are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. SOX is the most far-reaching U.S. securities legislation enacted in some time. SOX generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended.

SOX includes very specific additional disclosure requirements and corporate governance rules and requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules and mandates further studies of specific issues by the SEC. SOX represents significant federal involvement in matters traditionally left to state regulatory systems such as, the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees.

SOX addresses, among other matters:

· Audit Committees;

· certification of financial statements by the Chief Executive Officer and the Chief Financial Officer;

· the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement;

· a prohibition on insider trading during pension plan black-out periods;

· disclosure of off-balance sheet transactions;

· a prohibition on personal loans to officers and directors, unless subject to Federal Reserve Regulation O;

· expedited filing requirements for Form 4 statements of changes of beneficial ownership of securities required to be filed by officers, directors and 10% shareholders;

- disclosure of whether or not a company has adopted a code of ethics;

- “real time” filing of periodic reports;

- auditor independence; and

- various increased criminal penalties for violations of securities laws.

Complying with the requirements of SOX as implemented by the SEC has increased our compliance costs and could make it more difficult to attract and retain board members.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), enacted on July 21, 2010, significantly changed the bank regulatory landscape and has impacted and will continue to impact the lending, deposit, investment, trading and operating activities of insured depository institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations. The Dodd-Frank Act, among other things:

× capped debit card interchange fees for institutions with $10 billion in assets or more at $0.21 plus 5 basis points times the transaction amount, a substantially lower rate than the average rate in effect prior to adoption of the Dodd-Frank Act;
× provided for an increase in the FDIC assessment for depository institutions with assets of $10 billion or more, increases in the minimum reserve ratio for the DIF from 1.15% to 1.35% and changes the basis for determining FDIC premiums from deposits to assets;
× permanently increased the deposit insurance coverage to $250 thousand and allowed depository institutions to pay interest on checking accounts;
× created a new Consumer Financial Protection Bureau (“CFPB”) that has rulemaking authority for a wide range of consumer financial protection laws that apply to all banks and has broad authority to enforce these laws;
× provided for new disclosure and other requirements relating to executive compensation and corporate governance;
× changed standards for Federal preemption of state laws related to federally-chartered institutions and their subsidiaries;
× provided mortgage reform provisions regarding a customer’s ability to repay, restricting variable rate lending by requiring the ability to repay to be determined for variable rate loans by using the maximum rate that will apply during the first five years of a variable rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; and
× created a financial stability oversight council that will recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity.

The Dodd-Frank Act also imposes new obligations on originators of residential mortgage loans, such as the Bank. Among other things, the Dodd-Frank Act requires originators to make a reasonable and good faith determination based on documented information that a borrower has a reasonable ability to repay a particular mortgage loan over the long term. If the originator cannot meet this standard, the loan may be unenforceable. The Dodd-Frank Act contains an exception from this ability-to-repay rule for “Qualified Mortgages”. A rule issued by the CFPB in January 2013, and effective January 10, 2014, sets forth specific underwriting criteria for a loan to qualify as a Qualified Mortgage. The criteria generally exclude loans that (1) are interest-only, (2) have excessive upfront points or fees, or (3) have negative amortization features, balloon payments, or terms in excess of 30 years. The underwriting criteria also impose a maximum debt to income ratio of 43%, based upon documented and verifiable information. If a loan meets these criteria and is not a “higher priced loan” as defined in FRB regulations, the CFPB rule establishes a safe harbor preventing a consumer from asserting the failure of the originator to establish the consumer’s ability to repay. However, a consumer may assert the lender’s failure to comply with the ability-to-repay rule for all residential mortgage loans other than Qualified Mortgages, and may challenge whether a loan in fact qualified as a Qualified Mortgage.

Although the majority of residential mortgages historically originated by the Bank would be considered Qualified Mortgages, the Bank has and may continue to make residential mortgage loans that would not qualify. The Bank is still evaluating the impact of the recently issued Qualified Mortgage definition and related ability-to-repay rules, as well as other rules recently issued by the by the CFPB related to mortgage origination and servicing, to determine if such rules will have any long-term impact on its mortgage loan origination and servicing activities. As a result of such rules, the Bank might experience increased compliance costs, loan losses, litigation related expenses and delays in taking title to real estate collateral, if these loans do not perform and borrowers challenge whether the Bank satisfied the ability-to-repay rule upon originating the loan.

The requirements of the Dodd-Frank Act and other regulatory reforms continue to be implemented. It is difficult to predict at this time what specific impact certain provisions and yet-to-be-finalized rules and regulations will have on us, including any regulations promulgated by the CFPB. Financial reform legislation and rules could have adverse implications on the financial industry, the competitive environment, and our ability to conduct business. Management will have to apply resources to ensure compliance with all applicable provisions of regulatory reforms, including the Dodd-Frank Act and any implementing rules, which may increase our costs of operations and adversely impact our earnings.

a) Statistical Information

The table below provides a cross-reference to portions of Unity Bancorp. Inc.'s Annual Report to Shareholders for the year ended December 31, 2013 (Exhibit 13 hereto), which, to the extent indicated, is incorporated by reference herein. Information that is not applicable is indicated by (N/A):

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Item 1A. Risk Factors:

Our business, financial condition, results of operations and the trading price of our securities can be materially and adversely affected by many events and conditions including the following:

We have been and may continue to be adversely affected by national financial markets and economic conditions, as well as local conditions.

Our business and results of operations are affected by the financial markets and general economic conditions in the United States, including factors such as the level and volatility of interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income, consumer spending, investor confidence and the strength of the U.S. economy. The deterioration of any of these conditions can adversely affect our securities and loan portfolios, our level of charge-offs and provision for credit losses, our capital levels, liquidity and our results of operations.

In addition, we are affected by the economic conditions within our New Jersey and Pennsylvania trade areas. Though there have been signs of improvement, economic growth in these areas has been slow to recover. Unlike larger banks that are more geographically diversified, we provide banking and financial services primarily to customers in the six counties in the New Jersey market and one county in Pennsylvania in which we have branches, so any decline in the economy of New Jersey or eastern Pennsylvania could have an adverse impact on us.

Our loans, the ability of borrowers to repay these loans, and the value of collateral securing these loans are impacted by economic conditions. Our financial results, the credit quality of our existing loan portfolio, and the ability to generate new loans with acceptable yield and credit characteristics may be adversely affected by changes in prevailing economic conditions, including declines in real estate values, changes in interest rates, adverse employment conditions and the monetary and fiscal policies of the federal government. Although economic conditions in our primary market have fared better than other areas of the United States, we cannot assure you that these conditions will continue to prevail. We cannot assure you that positive trends or developments discussed in this annual report will continue or that negative trends or developments will not have a significant adverse effect on us.

A significant portion of our loan portfolio is secured by real estate, and events that negatively impact the real estate market could hurt our business.

A significant portion of our loan portfolio is secured by real estate. As of December 31, 2013, approximately 96 percent of our loans had real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. Continued weakening of the real estate market in our primary market areas could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on our profitability and asset quality. Any future declines in home prices in the New Jersey and Pennsylvania markets we serve also may result in increases in delinquencies and losses in our loan portfolios. Stress in the real estate market, combined with weak economic conditions and continued elevated unemployment levels could drive losses beyond that which is provided for in our allowance for loan losses. In that event, our earnings could be adversely affected.

Our offering of alternative credit products may expose us to increased lending risks.

The Dodd-Frank Act imposes new obligations on originators of residential mortgage loans. Among other things, the Dodd-Frank Act requires originators to make a reasonable and good faith determination based on documented information that a borrower has a reasonable ability to repay a particular mortgage loan over the long term. If the originator cannot meet this standard, the loan may be unenforceable. The Dodd-Frank Act contains an exception from this ability-to-repay rule for “Qualified Mortgages”. A rule issued by the CFPB in January 2013, and effective January 10, 2014, sets forth specific underwriting criteria for a loan to qualify as a Qualified Mortgage. The criteria generally exclude loans that (1) are interest-only, (2) have excessive upfront points or fees, or (3) have negative amortization features, balloon payments, or terms in excess of 30 years. The underwriting criteria also impose a maximum debt to income ratio of 43%, based upon documented and verifiable information. If a loan meets these criteria and is not a “higher priced loan” as defined in Federal Reserve regulations, the CFPB rule establishes a safe harbor preventing a consumer from asserting the failure of the originator to establish the consumer’s ability to repay. However, a consumer may assert the lender’s failure to comply with the ability-to-repay rule for all residential mortgage loans other than Qualified Mortgages.

Although the majority of residential mortgages historically originated by the Bank would be considered Qualified Mortgages, the Bank has and may continue to make residential mortgage loans that would not qualify. The Bank is still evaluating the impact of the recently issued Qualified Mortgage definition and related ability-to-repay rules, as well as other rules recently issued by the by the CFPB related to mortgage origination and servicing, to determine if such rules will have any long-term impact on its mortgage loan origination and servicing activities. As a result of such rules, the Bank might experience increased compliance costs, loan losses, litigation related expenses and delays in taking title to real estate collateral, if these loans do not perform and borrowers challenge whether the Bank satisfied the ability-to-repay rule upon originating the loan.

There is a risk that the SBA will not honor their guarantee.

The Company has historically been a participant in various SBA lending programs which guarantee up to 90% of the principal on the underlying loan. There is a risk that the SBA will not honor their guarantee if a loan is not underwritten and administered to SBA guidelines. The Company follows the underwriting guidelines of the SBA; however our ability to manage this will depend on our ability to continue to attract, hire and retain skilled employees who have knowledge of the SBA program.

There is a risk that we may not be repaid in a timely manner, or at all, for loans we make.

The risk of nonpayment (or deferred or delayed payment) of loans is inherent in commercial banking. Such nonpayment, or delayed or deferred payment of loans to the Company, if they occur, may have a material adverse effect on our earnings and overall financial condition. Additionally, in compliance with applicable banking laws and regulations, the Company maintains an allowance for loan losses created through charges against earnings. As of December 31, 2013, the Company's allowance for loan losses was $13.1 million, or 1.94 percent of our total loan portfolio and 85.98 percent of our nonperforming loans. The Company's marketing focus on small to medium size businesses may result in the assumption by the Company of certain lending risks that are different from or greater than those which would apply to loans made to larger companies. We seek to minimize our credit risk exposure through credit controls, which include evaluation of potential borrowers' available collateral, liquidity and cash flow. However, there can be no assurance that such procedures will actually reduce loan losses.

We have a significant level of nonperforming assets, and this has, and will continue, to affect our results of operations.

At December 31, 2013, our total nonperforming assets equaled $15.9 million or 2.34 percent of total loans and OREO. This is a significant level of nonperforming assets compared to our peer group institutions. Our level of nonperforming assets reflects the general economic slowdown in our marketplace and its effect on our borrowers, and our focus on SBA lending, which may entail greater credit risk than other types of lending. This deterioration in credit quality has negatively impacted our results of operations, through additional provisions for loan losses and reduced interest income, and will continue to impact our performance until these assets are resolved. In addition, future increases in our nonperforming assets will further negatively affect our results of operations. We can give you no assurance that our nonperforming assets will not increase further.

Our allowance for loan losses may not be adequate to cover actual losses.

Like all financial institutions, we maintain an allowance for loan losses to provide for loan defaults and nonperformance. Our allowance for loan losses may not be adequate to cover actual losses, and future provisions for loan losses could materially and adversely affect the results of our operations. Risks within the loan portfolio are analyzed on a continuous basis by management; and, periodically, by an independent loan review function and by the Audit Committee. A risk system, consisting of multiple-grading categories, is utilized as an analytical tool to assess risk and the appropriate level of loss reserves. Along with the risk system, management further evaluates risk characteristics of the loan portfolio under current economic conditions and considers such factors as the financial condition of the borrowers, past and expected loan loss experience and other factors management feels deserve recognition in establishing an adequate reserve. This risk assessment process is performed at least quarterly and, as adjustments become necessary, they are realized in the periods in which they become known. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond our control, and these losses may exceed current estimates. State and federal regulatory agencies, as an integral part of their examination process, review our loans and allowance for loan losses and have in the past required an increase in our allowance for loan losses. Although we believe that our allowance for loan losses is adequate to cover probable and reasonably estimated losses, we cannot assure you that we will not further increase the allowance for loan losses or that our regulators will not require us to increase this allowance. Either of these occurrences could adversely affect our earnings.

Incurred	(37.9)	(6.5)	(44.4)
Reversed	(13.9)	(1.5)	(15.4)
Accrual balance at September 30, 2004	**$54.5**	**$29.2**	**$83.7**

2004 rationalizations consist primarily of administrative associate reductions, a manufacturing consolidation in the European Union Tire segment, warehouse, manufacturing and sales and marketing associate reductions in the Engineered Products segment and manufacturing, sales and research and development associate reductions in the Chemical Products segment. Approximately 1,100 associates will be released under programs initiated in 2004 (approximately 600 from plans initiated during the third quarter of 2004), of which approximately 375 were exited during the first nine months of 2004 (approximately 170 in the third quarter of 2004).

During the third quarter of 2004, net charges of $28.8 million ($30.4 million after tax or $0.17 per share) were recorded, which included reversals of $15.4 million ($12.6 million after tax or $0.07 per share) for reserves from rationalization actions no longer needed for their originally intended purposes, and new charges of $44.2 million ($42.9 million after tax or $0.24 per share). Included in the $44.2 million of new charges are $2.5 million of expenses, consisting of $0.4 million of associate-related costs and $2.0 million of other than associate-related costs incurred in the third quarter of 2004 related to plans initiated in 2003, and $0.1 million of associate-related costs for a plan initiated in 2000. The $41.7 million of new charges for plans initiated in 2004 consisted of $31.1 million in non-cash pension curtailments and postretirement benefit costs, $7.9 million related to future cash outflows, primarily for associate severance costs, and $2.7 million of other exit costs.

For the first nine months of 2004, net charges of $62.6 million ($59.4 million after-tax or $0.34 per share) were recorded, which included reversals of $15.8 million ($12.8 million after-tax or $0.07 per share) for reserves from rationalization actions no longer needed for their originally intended purpose, and new charges of $78.4 million ($72.3 million after tax or $0.41 per share). Included in the $78.4 million of new charges are $12.2 million of expenses, consisting of $2.4 million of associate-related costs and $8.7 million of other than associate-related costs incurred during the first nine months of 2004 related to plans initiated in 2003 and $1.1 million of associated-related costs for a plan initiated in 2000. The $66.2 million of new charges for plans initiated in 2004 consisted of $29.3 million related to future cash outflows, primarily for associate severance costs, $32.0 million in non-cash charges, primarily for pension curtailments and postretirement benefit costs, and $4.9 million in other exit costs.

In the third quarter of 2004, $37.9 was incurred primarily for non-cash pension curtailments, postretirement benefit costs, and severance payments, while $6.5 million was incurred for non-cancelable lease costs and other costs. During the first nine months of 2004, $105.2 million was incurred primarily for severance payments, non-cash pension curtailments, and postretirement benefit costs, and $18.2 million was incurred for non-cancelable lease costs and other

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costs. The majority of the remaining $83.7 million (as restated) accrual balance at September 30, 2004 for all programs is expected to be utilized within the next twelve months.

Accelerated depreciation charges were recorded for fixed assets that will be taken out of service in connection with certain rationalization plans initiated in 2003 and 2004 in the European Union Tire, Latin American Tire, and Engineered Products Segments. During the third quarter of 2004, $1.1 million was recorded as Costs of Goods Sold and $1.1 million was recorded as Selling, Administrative and General Expense for accelerated depreciation charges. For the first nine months of 2004, $5.6 million was recorded as Cost of Goods sold and $1.5 million was recorded as Selling, Administrative and General expense for accelerated depreciation charges.

The following table summarizes, by segment, the total charges expected to be recorded and the total charges recorded in 2004, related to the new plans initiated in 2004:

(In millions)	**Total Charges Expected To be Recorded**	**Charges Recorded for the Three Months Ended September 30, 2004**	**Charges Recorded for the Nine Months Ended September 30, 2004**
European Union Tire	$ 26.9	$ 1.2	$ 24.5
Engineered Products	38.6	34.7	34.7
Chemical Products	4.9	4.9	4.9
Corporate	2.1	0.9	2.1
	$ 72.5	**$ 41.7**	**$ 66.2**

The additional restructuring costs not yet recorded are expected to be recorded primarily during the fourth quarter of 2004.

During the full year 2003, net charges of $291.5 million ($267.1 million after tax or $1.52 per share) were recorded, which included reversals of approximately $16 million (approximately $14 million after tax or $0.08 per share) related to all plans for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of $307.2 million ($281.4 million after tax or $1.60 per share). The 2003 rationalization actions consisted of manufacturing, research and development, administrative and retail consolidations in North America, Europe and Latin America. Of the $307.2 million of new charges, $174.8 million related to future cash outflows, primarily associate severance costs, and $132.4 million related primarily to non-cash special termination benefits and pension and retiree benefit curtailments. Approximately 4,400 associates will be released under the programs initiated in 2003, of which approximately 2,700 were exited in 2003 and approximately 900 were exited during the first nine months of 2004. The reversals are primarily the result of lower than initially estimated associate-related payments of approximately $12 million, favorable sublease contract signings in the European Union of approximately $3 million and lower contract termination costs in the United States of approximately $1 million. These reversals do not represent a change in the plan as originally approved by management. Of the $307.2 million of new charges recorded in 2003, $56.3 million, and $134.2 million, were recorded during the third quarter and the first nine months of 2003, respectively.

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The following table summarizes, by segment, the total charges expected to be recorded, the new charges recorded in 2004, the total charges recorded to date and the total amounts reversed to date, related to plans initiated in 2003:

(In millions)	Total Charges Expected To be Recorded (excluding reversals)	Charges Recorded in 2004	Charges Recorded to Date	Amount Reversed to Date
North American Tire	$ 220.0	$ 7.3	$ 208.0	$ 8.8
European Union Tire	63.0	2.1	61.4	1.2
Latin American Tire	12.0	1.3	11.7	0.4
Engineered Products	42.0	0.4	29.8	12.2
Corporate	8.0		7.4	0.2
	$ 345.0	**$ 11.1**	**$ 318.3**	**$ 22.8**

The additional restructuring costs not yet recorded are expected to be recorded primarily during the next twelve months.

NOTE 3. OTHER (INCOME) AND EXPENSE

	Restated			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2004	2003	2004	2003
Asset sales	$ (1.7)	$ 5.9	$ (6.2)	$ 20.3
Interest income	(9.0)	(6.6)	(22.6)	(18.4)
Financing fees and financial instruments	29.2	18.8	89.7	71.9
General & product liability discontinued products	8.1	62.5	25.3	72.5
Insurance fire loss deductible			11.7	
Miscellaneous	2.0	9.6	10.3	18.1
	$ 28.6	**$ 90.2**	**$ 108.2**	**$ 164.4**

Other (Income) and Expense for the third quarter of 2004 included a loss of $0.7 million (as restated) ($0.6 million (as restated) after tax or $0.00 per share (as restated)) and a gain of $2.4 million ($1.7 million after tax or $0.01 per share) on the sale of assets in the North American Tire Segment and the European Union Tire Segment. Other (Income) and

Expense for the third quarter of 2003 included a loss of $6.8 million (as restated) ($6.7 million (as restated) after tax or $0.04 per share) on the sale of assets in the Engineered Products Segment (EPD) and European Union Tire Segment and a gain of $0.9 million (as restated) ($0.7 million (as restated) after tax or $0.01 per share (as restated)) on the sale of assets in the European Union Tire Segment. Other (Income) and Expense for the first nine months of 2004 included a gain of $9.3 million (as restated) ($6.8 million (as restated) after tax or $0.04 per share) on the sale of assets in North American Tire, European Union Tire and Engineered Products and a loss of $3.1 million (as restated) ($2.5 million (as restated) after tax or $0.02 per share (as restated)) on the sale of corporate assets and assets in North American Tire and European Union Tire segments. Other (Income) and Expense in the first nine months of 2003 included a loss of $25.8 million (as restated) ($16.6 million (as restated) after tax or $0.10 per share (as restated)) on the sale of 20,833,000 shares of Sumitomo Rubber Industries, Ltd. and the sale of assets in EPD and European Union Tire and a gain of $5.5 million (as restated) ($4.5 million (as restated) after tax of $0.03 per share (as restated)) resulting from the sale of land in the Asia/Pacific Tire Segment and the sale of assets in the European Union Tire Segment.

Financing fees and financial instruments included $4.2 million and $17.1 million (as restated), of deferred costs written off, in the three and nine month periods ended September 2004, respectively, in connection with the Company s refinancing activities during 2004. Additionally, during the third quarter of 2004 the Company incurred higher amortization of financing fees of approximately $6.0 million related to higher debt levels. Refer to Note 5, Financing Arrangements, for further information on the Company s 2004 refinancing activities.

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General & product liability discontinued products includes charges for claims against Goodyear related to asbestos personal injury claims and for anticipated liabilities related to Entran II claims. Of the $8.1 million (as restated) of expense, net of probable insurance recoveries, recorded in the third quarter of 2004, $5.5 million related to Entran II claims ($105.5 million of expense and $100.0 million of probable insurance recoveries) and $2.6 million (as restated) related to asbestos claims. Of the $25.3 million (as restated) of expense, net of probable insurance recoveries, recorded in the first nine months of 2004, $15.4 million related to Entran II claims ($115.4 million in expense and $100.0 million in probable insurance recoveries) and $9.9 million (as restated) related to asbestos claims ($12.8 million (as restated) in expense and $2.9 million (as restated) in probable insurance recoveries). Substantially all of the $62.5 million net charge for general & product liability-discontinued products in the third quarter of 2003 is related to Entran II claims. Goodyear recorded net charges for general & product liability-discontinued products totaling $72.5 million 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. Refer to Note 7, Commitments and Contingent Liabilities, for further discussion.

Other (Income) and Expense in the first nine months of 2004 includes $11.7 million ($11.6 million after tax or $0.07 per share) of expense for insurance fire loss deductibles related to fires at Company facilities in Germany, France and Thailand. During the nine months, approximately $23 million in insurance recoveries were received to cover expenses related to the fire losses in Germany. At September 30, 2004, Goodyear recorded an insurance receivable of approximately $27 million to recover additional expenses incurred associated with the fire losses in Germany. Subsequent to September 30, 2004, Goodyear received approximately $4 million in insurance recoveries. At September 30, 2004 Goodyear did not record any insurance recoveries associated with the fixed assets destroyed. Additional insurance recoveries in future periods will be accounted for pursuant to FASB Statement No. 5, Accounting for Contingencies .

Miscellaneous expense included $6.1 million of expense related to the adoption of FIN 46 in both the third quarter and the nine months of 2003. In addition, $2.2 million (as restated) and $2.7 million (as restated) of expense related to the potential sale of the Chemical Products segment in the third quarter and nine months of 2003, respectively. The Company subsequently determined to retain the business.

NOTE 4. EARNINGS PER SHARE

Basic earnings per share have been computed based on the average number of common shares outstanding.

We have adopted the provisions of Emerging Issues Task Force Issue No. 04-08, The Effect of Contingently Convertible Debt on Diluted Earnings per Share . This pronouncement requires shares, issuable under contingent conversion provisions in debt agreements, to be included in the calculation of diluted earnings per share regardless of whether the provisions of the contingent features had been met. The provisions of Issue No. 04-08 are effective for reporting periods ending after December 15, 2004. Retroactive restatement of diluted earnings per share is required.

There are contingent conversion features included in our $350 million 4% Convertible Senior Notes due 2034, issued on July 2, 2004. Accordingly, average shares outstanding diluted in 2004 included approximately 29.1 million contingently issuable shares in the third quarter. Net income per share diluted in 2004 included an earnings adjustment representing avoided after-tax interest expense of $3.5 million in the third quarter resulting from the assumed conversion of the Notes. Diluted earnings per share in 2004 was reduced by approximately $0.02 in the third quarter as a result of the adoption of this standard.

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The following table presents the number of incremental weighted-average shares used in computing diluted per share amounts:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	Restated 2004	2003	2004	2003
Average shares outstanding basic	175.4	175.3	175.3	175.3
4% Convertible Senior Notes due 2034	29.1			
Dilutive securities (2.1 million stock options, 0.3 other)	2.4			
Average shares outstanding diluted	206.9	175.3	175.3	175.3

In 2004 and 2003, approximately 28 million and 27 million, respectively, of stock options, restricted stock and performance grants with exercise prices that were greater than the average market price of the Company s common shares were excluded from average shares outstanding diluted, as inclusion would have been anti-dilutive. In addition, approximately 2 million of stock options, restricted stock and performance grants with exercise prices that were less than the average market price of the Company s common shares were excluded from average shares outstanding diluted for the nine month period ended September 30, 2004 (less than one thousand shares for the three and nine month periods ended September 30, 2003), as the Company was in a net loss position and, thus inclusion would also have been anti-dilutive.

The following table presents the computation of adjusted net income used in computing net income (loss) per share diluted. The computation assumes that after-tax interest costs incurred on the 4% Convertible Senior Notes due 2034 would have been avoided had the Notes been converted when issued on July 2, 2004:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2004	2003	2004	2003
Net Income (Loss)	$ 38.5	$ (120.3)	$ (9.8)	$ (380.4)
After-tax impact of 4% Convertible Senior Notes due 2034	3.5			
Adjusted Net Income (Loss)	$ 42.0	$ (120.3)	$ (9.8)	$ (380.4)

NOTE 5. FINANCING ARRANGEMENTS

Goodyear had credit arrangements of $7.00 billion (as restated) available at September 30, 2004, of which $841.8 million (as restated) were unused.

Notes Payable and Long-term Debt Due Within One Year

At September 30, 2004, Goodyear had short-term committed and uncommitted credit arrangements totaling $386.2 million (as restated), of which $115.3 million (as restated) ($18.5 million (as restated) unused) related to the consolidation of VIEs. Of the total amount, $144.1 million (as restated) was unused. These arrangements are available primarily to certain of the Company s international subsidiaries through various 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 $1,451.0 million (as restated) at September 30, 2004 ($260.2 million (as restated) at December 31, 2003), of which $101.5 million (as restated) related to the consolidation of VIEs. Current maturities of long-term debt, which includes the maturity of the 6.375% Euro Note and European credit facilities, represents $1,209.0 million, with a weighted-average interest rate of 6.34% at September 30, 2004 ($113.5 million and 5.25% at December 31, 2003, respectively). The remaining $242.0 million (as restated), of which $96.8 million (as restated) related to VIEs consolidated in the

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period, was short-term debt of international subsidiaries, with a weighted-average interest rate of 5.75% (as restated) at September 30, 2004 ($146.7 million (as restated and 4.81% at December 31, 2003, respectively).

Long-term Debt and Financing Arrangements

At September 30, 2004, Goodyear had long-term credit arrangements totaling $6.61 billion, of which $697.7 million were unused.

The following table presents long-term debt at September 30, 2004 and December 31, 2003:

(In millions)	**2004**	**Restated 2003**
6.375% Euro notes due 2005	$ 493.6	$ 504.6
5.375% Swiss Franc bonds due 2006	126.3	128.0
4.00% Convertible notes due 2034	350.0	
Notes:		
6 5/8% due 2006	225.4	264.5
8 1/2% due 2007	300.0	300.0
6 3/8% due 2008	99.9	99.8
7 6/7% due 2011	650.0	650.0
Floating rate notes due 2011	200.0	
11% due 2011	447.6	
7% due 2028	149.1	149.1
Bank term loans:		
$645 million senior secured U.S. term facility due 2005		583.3
$400 million senior secured term loan European facility due 2005	400.0	400.0
$800 million senior secured asset-backed term loan due 2006	800.0	800.0
$650 million senior secured asset-backed term loan due 2006	650.0	
Revolving credit facilities due 2005 and 2006	250.0	839.0
Other domestic and international debt	221.2	173.3
	5,363.1	4,891.6
Capital lease obligations	55.4	47.7
	5,418.5	4,939.3
Less portion due within one year	1,209.0	113.5
	$ 4,209.5	**$ 4,825.8**

At September 30, 2004, the fair value of Goodyear s long-term fixed rate debt amounted to $3.02 billion, compared to its carrying amount of $2.98 billion. At December 31, 2003, the fair value of Goodyear s long-term fixed rate debt amounted to $2.11 billion, compared to its carrying amount of $2.23 billion. The increase of the carrying values and fair values in 2004 as compared to 2003 was primarily attributable to the issuance of the 11% Notes due 2011 and the 4% Convertible Notes due 2034. In addition, the increase in the fair value of the Company s long-term fixed rate debt in 2004 as compared to 2003 was attributed to an improvement in the Company s credit spreads . The fair value was estimated using quoted market prices or discounted future cash flows. The fair value of the 6 5/8% Notes due 2006 was hedged by floating interest rate contracts of $200 million at September 30, 2004 ($200 million at December 31, 2003). The fair value of Goodyear s variable rate debt approximated its carrying amount at September 30, 2004 and December 31, 2003.

The Notes and Euro Notes have an aggregate face amount of $2.97 billion and are reported net of unamortized discounts aggregating $3.87 million ($1.96 billion and $1.7 million, respectively, at December 31, 2003).

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At September 30, 2004, the bank term loans due 2005 and 2006 were comprised of $1.85 billion of variable rate agreements based upon LIBOR plus a fixed spread, bearing interest at a weighted-average rate of 6.06% per annum. At December 31, 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 5.17% per annum, of which the interest rate on $325 million principal amount of bank term loans due 2005 and 2006 was hedged by interest rate contracts. There were no domestic short-term bank borrowings outstanding at September 30, 2004 or December 31, 2003.

At September 30, 2004, borrowings under the revolving credit facilities due 2005 and 2006 were comprised of $250.0 million of variable rate agreements based upon LIBOR plus a fixed spread bearing interest at a weighted-average rate of 5.66% per annum ($839.0 million and 5.15% at December 31, 2003, respectively).

Other domestic and international debt at September 30, 2004 and December 31, 2003, consisted of fixed and floating rate loans denominated in U.S. dollars and other currencies that mature in 2004-2023. The weighted-average interest rate in effect under these loans was 6.08% at September 30, 2004, compared to 6.25% at December 31, 2003. Of the long-term debt outstanding, $73.6 million is related to the consolidation of VIEs.

$350 Million Convertible Note Offering

On July 2, 2004, the Company completed an offering of $350 million aggregate principal amount of 4.00% convertible senior notes due June 15, 2034. The notes are convertible into shares of the Company s common stock initially at a conversion rate of 83.07 shares of common stock per $1,000 principal amount of notes, which is equal to an initial conversion price of $12.04 per share. The proceeds from the notes were used to repay a revolving credit facility and for working capital purposes.

In September 2004, the Emerging Issues Task Force (EITF) reached a final consensus on EITF Issue No. 04-08 Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings per Share. Under the EITF Issue, contingently convertible shares attached to a debt instrument, such as the 4% convertible senior notes discussed above, are to be included in the calculation of diluted earnings per share regardless of whether the contingency has been met. The provisions of EITF No. 04-08, were effective for reporting periods ending after December 15, 2004, including the retroactive restatement of previously reported earnings per share amounts. As such, the adoption of this standard has been retroactively reflected and included in this Form 10-Q/A as applicable, resulting in a decrease in diluted earnings per share of $0.02 for the third quarter of 2004. Refer to Note 4, Earnings Per Share, for further discussion as to the impact of adopting this standard.

$650 Million Senior Secured Notes

On March 12, 2004, the Company completed a private offering of $650 million of senior secured notes, consisting of $450 million of 11% senior secured notes due 2011 and $200 million of floating rate notes due 2011, which accrue interest at LIBOR plus 8%. The proceeds of the notes were used to prepay the remaining outstanding amount under the U.S. term loan facility, permanently reduce commitments under the revolving credit facility by $70 million, and for general corporate purposes. The notes are guaranteed by the same subsidiaries that guarantee the U.S. deposit-funded credit facility and asset-backed credit facilities and are secured by perfected fourth-priority liens on the same collateral securing those facilities (pari-passu with the liens on that domestic collateral securing the parent guarantees of the European revolving credit facility).

The Company has the right to redeem the fixed rate notes in whole or in part from time to time on and after March 1, 2008 at a redemption price, plus accrued and unpaid interest to the redemption date, of 105.5%, 102.75%, and 100.0% on and after March 1, 2008, 2009 and 2010, respectively. The Company may also redeem the fixed rate notes prior to March 1, 2008 at a redemption price equal to 100% of the principal amount plus a make-whole premium. The Company has the right to redeem the floating rate notes in whole or in part from time to time on and after March 1, 2008 at the redemption price, plus accrued and unpaid interest to the redemption date, of 104.0%, 102.0%, and 100.0%

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on and after March 1, 2008, 2009 and 2010, respectively. In addition, prior to March 1, 2007, the Company has the right to redeem up to 35% of the fixed and floating rate notes with net cash proceeds from one or more public equity offerings at a redemption price of 111% for the fixed rate notes and 100% plus the then applicable floating rate for the floating rate notes, of the principal amount thereof, plus accrued and unpaid interest to the redemption date.

The indenture for the senior secured notes contains restrictions on the Company s operations, including limitations on (i) incurring additional indebtedness or liens, (ii) making dividends, distributions and stock repurchases, (iii) making investments, (iv) selling assets and (v) merging and consolidating. In the event that the senior secured notes have a rating equal to or greater than Baa3 from Moody s and BBB- from Standard and Poor s, a number of those restrictions will not apply, for so long as those credit ratings are maintained.

$645 Million Senior Secured U.S. Term Facility

As of December 31, 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. On March 12, 2004, all outstanding amounts under the facility were prepaid and the facility was retired. The U.S. term facility had a maturity date of 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 (collectively, the European facilities). These facilities mature on April 30, 2005. As of September 30, 2004, there were borrowings of $250.0 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.

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, 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 representations, warranties and 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 Euros in accounts receivable transactions), 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 additional 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 $250 million and $100 million in 2004 and 2005 (through April 30), respectively.

Subject to the provisions in the European facilities and agreements with Goodyear s joint venture partner, Sumitomo Rubber Industries, Ltd. (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.

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

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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.

U.S. Deposit-Funded Credit Facility

On August 18, 2004, Goodyear refinanced its then existing $680 million senior secured U.S. revolving credit facility with a U.S. deposit-funded credit facility, which is a synthetic revolving credit and letter of credit facility, pursuant to which the lenders deposited the entire $680 million of the facility in an account held by the administrative agent, and those funds are used to support letters of credit or borrowings on a revolving basis, in each case subject to customary conditions. The lenders under the new facility will receive annual compensation on the amount of the facility equivalent to 450 basis points over LIBOR. The full amount of the facility is available for the issuance of letters of credit or for revolving loans. The $500.7 million of letters of credit that were outstanding under the U.S. revolving credit facility as of June 30, 2004 were transferred to the deposit-funded credit facility. As of September 30, 2004, there were $500.5 million of letters of credit issued under the facility. The facility matures on September 30, 2007.

Goodyear s obligations under the deposit-funded credit facility are guaranteed by most of its wholly-owned U.S. subsidiaries and by its direct Canadian subsidiary, Goodyear Canada Inc. Goodyear s obligations under this facility and its subsidiaries obligations under the related guarantees are secured by collateral that includes:

subject to certain exceptions, perfected first-priority security interests in the equity interests in its U.S. subsidiaries and 65% of the equity interests in its non-European foreign subsidiaries;

a perfected second-priority security interest in 65% of the capital stock of Goodyear Finance Holding S.A.;

perfected first-priority security interests in and mortgages on its U.S. corporate headquarters and certain of its U.S. manufacturing facilities;

perfected third-priority security interests in all accounts receivable, inventory, cash and cash accounts pledged as security under the Company s asset-backed facilities; and perfected first-priority security interests in substantially all other tangible and intangible assets, including equipment, contract rights and intellectual property.

The bond agreement for Goodyear s Swiss Franc bonds limits the Company s ability to use its U.S. tire and automotive parts manufacturing facilities as collateral for secured debt without triggering a requirement that holders of the Swiss Franc bonds be secured on an equal and ratable basis. The manufacturing facilities indicated above were pledged to ratably secure Goodyear s Swiss Franc bonds to the extent required by the bond agreement. However, the aggregate amount of debt secured by these manufacturing facilities is limited to 15% of Goodyear s positive consolidated shareholders equity, in order that the security interests granted to the lenders under the U.S. senior secured funded credit facility not be required to be shared with the holders of debt outstanding under the Company s other existing unsecured bond indentures.

The deposit-funded credit facility contains certain covenants that, among other things, limit Goodyear s ability to incur additional unsecured and secured indebtedness (including a limit, subject to certain exceptions, of 275 million Euros in accounts receivable transactions), make investments and sell assets beyond specified limits. The facility prohibits Goodyear from paying dividends on its common stock. Goodyear must also maintain a minimum consolidated net worth (as such term is defined in the deposit-funded credit facility) of at least $2.0 billion for quarters ending in 2004 and 2005 and the first quarter of 2006 and $1.75 billion for the last three quarters of 2006 and the first three quarters of 2007. Goodyear is not permitted to allow the ratio of Consolidated EBITDA to consolidated interest expense to fall below 2.00 to 1.00 for any period of four consecutive fiscal quarters. In addition, Goodyear s ratio of consolidated senior secured indebtedness to Consolidated EBITDA is not permitted to be greater than 4.00 to 1.00 at

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any time. As of September 30, 2004, the Company was in compliance with each of the financial covenants.

$1.95 Billion Senior Secured Asset-Backed Credit Facilities

In April 2003, the Company 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. On February 20, 2004, the Company added a $650 million term loan tranche to the facility, not subject to the borrowing base, and with junior liens on the collateral securing the facility. As of September 30, 2004, there were no borrowings and $800.0 million drawn under the revolving credit and term loan asset-backed facilities, respectively. As of September 30, 2004, the $650.0 million tranche was fully drawn. The facilities mature on March 31, 2006.

Availability under the facilities, other than the $650 million term loan tranche, 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 multiplied by the inventory value 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 minus (C) a priority payables reserve based on liabilities for certain taxes or certain obligations related to employees that have a senior or pari passu lien on the collateral.

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 subject to the borrowing base 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 first and second priority security interests 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) and, effective as of February 20, 2004, second and third priority security interests on the other assets securing the U.S. facilities. The facilities contain certain representations, warranties and 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.

Debt Maturities

The annual aggregate maturities of long-term debt and capital leases for the five years subsequent to September 30, 2004 are presented below. Maturities of debt 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.

	Restated **Twelve Months Ended September 30,**

(In millions)	**1 Year**	**2 Year**	**3 Year**	**4 Year**	**5 Year**
Debt incurred under revolving credit agreements	$ 250.0	$	$	$	$
Other international	436.7	52.4	66.9	2.7	3.4
Other domestic	522.3	1,578.5	527.7	102.3	2.3
	$ 1,209.0	**$ 1,630.9**	**$ 594.6**	**$ 105.0**	**$ 5.7**

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NOTE 6. PENSION, OTHER POSTRETIREMENT BENEFIT AND SAVINGS PLANS

Goodyear and its subsidiaries provide substantially all employees with pension benefits and substantially all domestic employees and employees at certain international subsidiaries with health care and life insurance benefits upon retirement. The benefit obligation for other postretirement benefits includes $15.3 million for the increase in the Company s contribution requirements based upon the attainment of certain profit levels by certain businesses in 2004 and 2005. On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act (the Act) was signed into law. The Act will provide plan sponsors a federal subsidy for certain qualifying prescription drug benefits covered under the sponsor s postretirement health care plans. FASB Staff Position No. FAS 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the FSP), was issued on May 19, 2004. The FSP provides guidance on accounting for the effects of the new Medicare prescription drug legislation by employers whose prescription drug benefits are actuarially equivalent to the drug benefit under Medicare Part D. It also contains basic guidance on related income tax accounting, and complex rules for transition that permit various alternative prospective and retroactive transition approaches. During the third quarter of 2004 the Company determined the overall impact of the adoption of the FSP was a reduction of expense of approximately $2 million on an annual basis of which approximately $1 million was recorded in the third quarter. The adoption of the FSP also reduced the accumulated postretirement benefit obligation by approximately $19.7 million.

Pension cost follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
		Restated		**Restated**
(In millions)	**2004**	**2003**	**2004**	**2003**
Service cost benefits earned during the period	$ 21.6	$ 31.2	$ 66.8	$ 93.2
Interest cost on projected benefit obligation	104.2	101.9	315.3	303.9
Expected return on plan assets	(87.4)	(78.8)	(259.8)	(234.0)
Amortization of unrecognized: - prior service cost	18.9	19.1	56.6	56.8
- net (gains) losses	28.7	31.7	89.6	94.9
- transition amount	0.3	0.3	1.0	0.8
Net periodic pension cost	**86.3**	**105.4**	**269.5**	**315.6**
Curtailments / settlements	9.5	3.1	10.4	14.4
Special termination benefits	4.2		4.2	
Total pension cost	**$ 100.0**	**$ 108.5**	**$ 284.1**	**$ 330.0**

For the three and nine month periods ended September 30, 2004, the Company contributed $60.6 million and $73.9 million, respectively, to domestic plans and $15.0 million and $45.5 million, respectively, to its foreign plans. Refer to Note 11, Future Liquidity Requirements, for further discussion.

Postretirement benefit cost follows:

(In millions)	Three Months Ended September 30, 2004	Three Months Ended September 30, Restated 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, Restated 2003
Service cost benefits earned during the period	$ 6.2	$ 6.2	$ 18.9	$ 19.1
Interest cost on projected benefit obligation	46.8	45.2	145.0	134.5
Amortization of unrecognized: - prior service cost	11.4	4.5	35.2	13.5
- net (gains) losses	8.8	8.3	27.1	26.5
Net periodic postretirement cost	**73.2**	**64.2**	**226.2**	**193.6**
Curtailments / settlements	12.5		12.5	7.3
Special termination benefits	0.3		0.3	
Total postretirement cost	**$ 86.0**	**$ 64.2**	**$ 239.0**	**$ 200.9**

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In the third quarter of 2004, pension and postretirement benefit curtailments, settlements, and special termination benefits of $31.1 million related to the Chemical and EPD segments rationalization initiatives were recorded as further discussed in Note 2, Rationalizations.

Substantially all domestic employees are eligible to participate in a savings plan. The main Hourly Bargaining Plans provided for matching contributions, through April 20, 2003, (up to a maximum of 6% of the employee s annual pay or, if less, $12,000) at the rate of 50%. Goodyear suspended the matching contributions for all participants in the main Salaried Plan effective January 1, 2003. The expenses recognized for Goodyear domestic contributions for the three and nine month periods ended September 30, 2004 were $1.0 million and $3.1 million (($0.5) million and $7.6 million for the three and nine months ended September 30, 2003), respectively.

In addition, defined contribution pension plans are available for certain foreign employees. The expenses recognized for Company contributions for these plans for the three and nine month periods ended September 30, 2004 were $2.9 million and $9.5 million ($0.8 million and $3.1 million for the three and nine months ended September 30, 2003), respectively. The 2004 amounts have increased over 2003 primarily due to the inclusion of contributions for SPT due to the adoption of FIN 46.

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES

At September 30, 2004, Goodyear had binding commitments for raw materials and investments in land, buildings and equipment of $563.9 million, and off-balance-sheet financial guarantees written and other commitments totaling $18.0 million.

Warranty

At September 30, 2004, Goodyear had recorded liabilities, included in Other current liabilities, totaling $15.8 million (as restated) ($12.5 million (as restated) at December 31, 2003) 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 2004 and 2003:

(In millions)	**2004 Restated**	**2003**
Balance at January 1	$ 12.5	$ 11.2
Settlements made during the period	(15.6)	(11.8)
Additional accrual for warranties issued during the period	16.6	12.5
Translation adjustments	(0.1)	-
Impact of FIN 46	2.4	-
Balance at September 30	**$ 15.8**	**$ 11.9**

Environmental Matters

Goodyear had recorded liabilities totaling $37.6 million and $32.6 million (as restated) for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by Goodyear, at September 30, 2004 and December 31, 2003, respectively. Of these amounts, $7.3 million and $7.5 million (as restated) were included in Other current liabilities at September 30, 2004 and December 31, 2003, 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 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.

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Workers Compensation

Goodyear had recorded liabilities, on a discounted basis, totaling $207.3 million and $195.7 million (as restated) for anticipated costs related to workers compensation at September 30, 2004 and December 31, 2003, respectively. Of these amounts, $116.8 million and $112.6 million were included in Current Liabilities as part of Compensation and benefits at September 30, 2004 and December 31, 2003, 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 had recorded liabilities totaling $591.4 million (as restated) and $495.3 million (as restated) for potential product liability and other tort claims, including related legal fees expected to be incurred, presently asserted against Goodyear at September 30, 2004 and December 31, 2003, respectively. Of these amounts, $126.8 million (as restated) and $147.4 million (as restated) were included in Other current liabilities at September 30, 2004 and December 31, 2003, respectively. The amounts recorded were estimated 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, current trends. The Company had recorded insurance receivables for potential product liability and other tort claims of $221.2 million (as restated) at September 30, 2004 and $210.2 million (as restated) at December 31, 2003. Of these amounts, $114.9 million (as restated) and $91.5 million (as restated) were included in Current Assets as part of Accounts and notes receivable at September 30, 2004 and December 31, 2003, respectively.

Asbestos. Goodyear is a defendant in numerous lawsuits alleging various asbestos-related personal injuries purported to result from alleged exposure to asbestos in certain rubber encapsulated products or aircraft braking systems 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. To date, Goodyear has disposed of approximately 25,800 cases (as restated) by defending and obtaining the dismissal thereof or by entering into a settlement. The sum of the Company s accrued asbestos related liability and gross payments to date, including legal costs, totaled approximately $226 million (as restated) through September 30, 2004 and approximately $212 million (as restated) through December 31, 2003.

A summary of approximate asbestos claims activity in recent periods 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.

	Nine Months Ended September	**Year Ended December 31,**	
(Dollars in millions)	**30, 2004**	**2003**[(2)]	**2002**[(2)]
Pending claims, beginning of period	118,000	99,700	64,200

New claims filed	10,400	26,700	38,900
Claims settled/dismissed	(2,600)	(8,400)	(3,400)
Pending claims, end of period	125,800	118,000	99,700
Payments (1)	$ 24.7	$ 29.6	$ 18.8

(1) Represents amount spent by Goodyear and its insurers on asbestos litigation defense and claim resolution.

(2) Changes in claims tracking methods resulted in a modification of previously reported claims for these periods.

In connection with the preparation of its 2003 financial statements, the Company engaged an independent asbestos valuation firm to review the Company s existing reserves for pending claims, to determine whether or not the Company could make a reasonable estimate of the liability associated with unasserted asbestos claims, and review the Company s method of determining its receivables from probable insurance recoveries. Prior to the fourth quarter of

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2003, the Company s estimate for asbestos liability was based upon a review of the various characteristics of the pending claims by an experienced asbestos counsel.

The Company, based on the advice of the valuation firm, has recorded liabilities for both asserted and unasserted claims at September 30, 2004 totaling $124.4 million (as restated), inclusive of defense costs, compared to $134.7 million (as restated) at December 31, 2003. The recorded liability represents the Company s estimated liability through 2008, which represents the period over which the liability can be reasonably estimated. Due to the difficulties in making these estimates, analyses based on new data and/or changed circumstances arising in the future could result in an increase in the recorded obligation in an amount that cannot currently be reasonably estimated, and that increase could be significant. The portion of the liability associated with unasserted asbestos claims at September 30, 2004 is $42.0 million (as restated) compared to $54.4 million (as restated) at December 31, 2003. Prior to the fourth quarter of 2003, the Company did not have an accrual for unasserted claims as sufficient information was deemed to be not available to reliably estimate such an obligation. This conclusion was further confirmed by the valuation firm during the preparation of the 2003 financial statements. At September 30, 2004, the Company s liability with respect to asserted claims and related defense costs was $82.4 million (as restated) compared to $80.3 million (as restated) at December 31, 2003, notwithstanding an increase in the number of pending claims between December 31, 2003 and September 30, 2004.

At December 31, 2003, after reviewing the Company s recent settlement history by jurisdiction, law firm, disease type and alleged date of first exposure, the valuation firm cited two primary reasons for the Company to refine its valuation assumptions. First, in calculating the Company s estimated liability, the valuation firm determined that the Company had previously assumed it would resolve more claims in the foreseeable future than is likely based on its historical record and nationwide trends. As a result, the Company now assumes that a smaller percentage of pending claims will be resolved within the predictable future. Second, the valuation firm determined that it was not possible to estimate a liability for as many non-malignancy claims as the Company had done in the past. As a result, the Company s current estimated liability includes fewer liabilities associated with non-malignancy claims.

Goodyear maintains primary insurance coverage under coverage-in-place agreements as well as excess liability insurance with respect to asbestos liabilities. Goodyear records a receivable with respect to such policies when it determines that recovery is probable and it can reasonably estimate the amount of a particular recovery.

Prior to 2003, Goodyear did not record a receivable for expected recoveries from excess carriers in respect to asbestos-related matters. Goodyear has instituted coverage actions against certain of these excess carriers. After consultation with its outside legal counsel and giving consideration to relevant factors including the ongoing legal proceedings with certain of its excess coverage insurance carriers, their financial viability, their legal obligations and other pertinent facts, Goodyear determined an amount it expects is probable of recovery from such carriers. Accordingly, Goodyear first recorded a receivable during 2003 which represents an estimate of recovery from its excess coverage insurance carriers relating to potential asbestos-related liabilities.

The valuation firm also reviewed our method of valuing receivables recorded for probable insurance recoveries. Based upon the model employed by the valuation firm, as of September 30, 2004, (i) the Company had recorded a receivable related to asbestos claims of $112.0 million (as restated), compared to $121.3 million (as restated) at December 31, 2003, and (ii) the Company expects that approximately 90% of asbestos claim related losses will be recoverable up to its accessible policy limits through the period covered by the estimated liability. The receivable recorded consists of an amount the Company expects to collect under coverage-in-place agreements with certain primary carriers as well as an amount it believes is probable of recovery from certain of its excess coverage insurance carriers. Of this amount, $9.5 million (as restated) and $11.8 million (as restated) was included in Current Assets as part of Accounts and notes receivable at September 30, 2004 and December 31, 2003, respectively.

The Company believes that at September 30, 2004, it had approximately $410 million in aggregate limits of excess level policies potentially applicable to indemnity payments for asbestos products claims in addition to limits of available primary insurance policies. Some of these excess policies provide for payment of defense costs in addition to indemnity limits. A portion of the availability of the excess level policies is included in the $112.0 million (as restated) insurance receivable recorded at September 30, 2004. The Company also had approximately $23 million in aggregate

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limits for products claims as well as coverage for premise claims on a per occurrence basis and defense costs available with its primary insurance carriers through coverage-in-place agreements at September 30, 2004.

Goodyear believes that its reserve for asbestos claims, and the insurance receivables recorded in respect of these claims, reflect reasonable and probable estimates of these amounts. The estimate of the assets and liabilities related to pending and expected future asbestos claims and insurance recoveries is subject to numerous uncertainties, including, but not limited to, changes in (i) the litigation environment; (ii) federal and state law governing the compensation of asbestos claimants; (iii) the Company s approach to defending and resolving claims; and (iv) the level of payments made to claimants from other sources, including other defendants. As a result, with respect to both asserted and unasserted claims, it is reasonably possible that the Company may incur a liability in excess of the current reserve. Coverage under insurance policies is subject to varying characteristics of asbestos claims including, but not limited to, the type of claim (premise vs. product exposure), alleged date of first exposure to the Company s products or premises and disease alleged. Depending upon the nature of these characteristics, as well as the resolution of certain legal issues, some portion of the insurance may not be accessible by the Company.

Heatway (Entran II). The Company is a defendant in 22 class actions or potential class actions and a number of 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.

As previously reported, on June 4, 2004, the Company entered into an amended settlement agreement that was intended to address a substantial portion of its Entran II liabilities (the Amended Settlement). On October 19, 2004, the court conducted a fairness hearing on, and gave final approval to, the Amended Settlement. As a result, Goodyear will make annual cash contributions to a settlement fund of $60 million, $40 million, $15 million, $15 million and $20 million in 2004, 2005, 2006, 2007 and 2008, respectively. The first of these payments will be made within ten days of the Final Order and Judgment and will consist of $60 million, less the amount paid as of June 30, 2004 to cover the cost of administration and class notice. In addition to these annual payments, Goodyear was required to contribute to the settlement fund by October 19, 2004, the amount of insurance Goodyear recovered from its carriers relating to Entran II but, in any event, no less than $150 million. As of October 19, 2004, $150 million had been deposited by the Company in the settlement fund comprised of $75 million of insurance recoveries previously obtained by the Company and $75 million of cash contributions made by the Company. The Company expects to receive an additional $100 million of insurance reimbursements during the 4th quarter. Of this amount, $75 million will reimburse the Company for its October 19, 2004 cash contribution to the settlement fund and the balance (net of unreimbursed legal costs incurred to obtain the insurance recoveries) will be deposited into the settlement fund. The Company does not expect to receive any further insurance reimbursements beyond the amounts described above.

A total of 62 claimants have been opted out of the Amended Settlement. The Amended Settlement does not cover the liability associated with these opt outs, however, the Company will be entitled to assert proxy claims against the settlement fund for the payments such claimants would have been entitled to under the Amended Settlement if these claimants assert claims against the Company. The Company is a defendant in two pending state court actions in Colorado involving approximately 15 sites that have been opted out of the amended settlement.

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. On June 19, 2003, a jury in Colorado Federal court awarded a judgment in an Entran II case against the Company of $4.1 million. An additional $5.7 million in prejudgment interest was awarded on September 8, 2003. Any liability of the Company arising out of these actions will not be covered by the Amended Settlement. The Company will continue to pursue appeals of these judgements.

In another Entran II action, on May 13, 2004, a federal jury in Colorado awarded the plaintiffs aggregate damages of $8.1 million, of which 40% was allocated to Goodyear. The court subsequently awarded plaintiffs $4.8 million in prejudgment interest, all of which was allocated to the Company. On June 21, 2004, a jury in another Entran

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II case in Colorado state court awarded the plaintiff $0.6 million in damages, 20% of which was allocated to the Company. The plaintiff was also awarded approximately $0.4 million in prejudgment interest and costs. Any liability of the Company arising out of these actions also will not be covered by the Amended Settlement. However, the Company will be entitled to a credit from the settlement fund against amounts (if any) paid to the plaintiffs in these actions. The Company will continue to pursue appeals of these judgements.

Goodyear has recorded liabilities of approximately $353 million and $246 million at September 30, 2004 and December 31, 2003, respectively, related to Entran II litigation. Goodyear recorded insurance receivables related to Entran II litigation of $100 million and $55 million at September 30, 2004 and December 31, 2003, respectively. The Company has also recorded, at September 30, 2004, approximately $72.2 million in restricted cash for insurance recoveries previously received that will be included in the settlement fund.

Goodyear believes that its reserve for Entran II litigation, and the related insurance receivables recorded in respect of these matters, reflect reasonable and probable estimates of these amounts. The ultimate cost of disposing of Entran II claims is dependent upon a number of factors, including the Company s ability to resolve claims not subject to the Amended Settlement (including the cases in which the Company has received adverse judgments) and whether or not claimants opting out of the Amended Settlement pursue claims against Goodyear in the future. As a result, it is reasonably possible that the Company may incur a liability in excess of its recorded reserve, however, Goodyear cannot predict such range of additional loss.

Refer to Part II, Item 1, Legal Proceedings in the Form 10-Q filed on November 9, 2004, for further information about Heatway matters.

Other Actions. The Company is currently a party to various claims and legal proceedings in addition to those noted above. If management believes that a loss arising from these matters is probable and can reasonably be estimated, the Company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the Company s financial position or overall trends in results of operations. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or an injunction prohibiting the Company from selling one or more products. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which the ruling occurs, or future periods.

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. In the normal course of business, the Company will from time to time issue guarantees to financial institutions on behalf of its customers. The Company normally issues these guarantees in connection with the arrangement of financing by the customer. The Company generally does not require collateral in connection with the issuance of these guarantees. In the event of non-payment by a customer, the Company is obligated to make payment to the financial institution, and will typically have recourse to the assets of that customer. At September 30, 2004, the Company had guarantees outstanding under which the maximum potential amount of payments totaled $7.5 million, and which expire at various times through 2011. The Company cannot estimate the extent to which its customers assets, in the aggregate, would be adequate to recover the maximum amount of potential payments. The Company has

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not recorded any liabilities associated with these guarantees on the Consolidated Balance Sheet as of September 30, 2004 or December 31, 2003.

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, 2004, the Company had guarantees outstanding under which the maximum potential amount of payments totaled $9.8 million, and which expire at various times through 2007. The Company is unable to estimate the extent to which its affiliates assets would be adequate to recover the maximum amount of potential payments with that affiliate.

Employee Guarantees. The Company will from time to time, issue guarantees to financial institutions or other companies on behalf of certain employees or associates that are relocated to international operations. At September 30, 2004, the Company had guarantees outstanding under which the maximum potential amount of payments totaled $0.7 million.

Indemnifications. At September 30, 2004, 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. 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.

NOTE 8. ACQUISITIONS

During June 2004, Goodyear exercised its call option and purchased the remaining 20% of Sava Tires d.o.o. (Sava Tires), a joint venture tire manufacturing company in Kranj, Slovenia, for approximately $52 million. Following the purchase, the Company transferred Sava Tires to the Company s 75 percent-owned Goodyear Dunlop Tires Europe affiliate. In conjunction with the purchase of the remaining 20% of Sava Tires, the Company recorded an addition to goodwill of approximately $1.0 million. The acquisition of the remaining 20% of Sava Tires was accounted for under the purchase method of accounting. The purchase price has been allocated on a preliminary basis, as the Company is completing its asset valuations (expected to be completed during the fourth quarter of 2004). The Company had purchased its original 60% stake in Sava Tires in 1998 and then completed an additional purchase of 20% in 2002.

On July 13, 2004, Goodyear completed the acquisition of the remaining 50% ownership interest of Däckia, a major tire retail group in Sweden, for approximately $10 million. Goodyear originally acquired a 50% stake in Däckia in 1995. The acquisition of the remaining 50% of Däckia was accounted for under the purchase method of accounting. The purchase price has been allocated on a preliminary basis, entirely to goodwill, as the Company is completing its asset valuations (expected to be completed during the fourth quarter of 2004). In conjunction with the consolidation of and the purchase of the remaining 50% of Däckia, the Company recorded goodwill of $26 million.

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NOTE 9. PREFERRED STOCK PURCHASE RIGHTS PLAN

On February 3, 2004, the Company s Board of Directors, approved an amendment to the Amended and Restated Rights Agreement, dated as of April 15, 2002 (the Rights Agreement), between the Company and EquiServe Trust Company, N.A., as Rights Agent, to change the final expiration date of the Rights Agreement from July 26, 2006 to June 1, 2004. The amendment was finalized by the Company and the Rights Agent on March 1, 2004. As a result, the preferred stock purchase rights granted under the Rights Agreement expired at the close of business on June 1, 2004.

NOTE 10. BUSINESS SEGMENTS

			Restated	
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2004**	**2003**	**2004**	**2003**
Net Sales:				
North American Tire	$ 2,070.5	$ 1,792.2	$ 5,837.2	$ 5,076.4
European Union Tire	1,084.7	985.6	3,255.8	2,875.9
Eastern Europe, Middle East and Africa Tire	344.6	283.2	928.4	779.2
Latin American Tire	315.7	262.1	909.7	752.1
Asia/Pacific Tire	319.9	140.1	970.5	429.9
Total Tires	**4,135.4**	**3,463.2**	**11,901.6**	**9,913.5**
Engineered Products	377.2	299.9	1,090.0	890.8
Chemical Products	395.8	306.7	1,130.8	909.8
Total Segment Sales	**4,908.4**	**4,069.8**	**14,122.4**	**11,714.1**
Inter-SBU Sales	(209.3)	(169.2)	(602.2)	(526.1)
Other	15.1	6.1	15.3	19.3
Net Sales	**$ 4,714.2**	**$ 3,906.7**	**$ 13,535.5**	**$ 11,207.3**
Segment Operating Income (Loss):				
North American Tire	$ 14.5	$ (36.6)	$ 15.7	$ (116.2)
European Union Tire	68.4	49.2	194.9	109.5
Eastern Europe, Middle East and Africa Tire	59.8	43.5	148.2	98.8
Latin American Tire	63.9	44.0	187.4	104.8
Asia/Pacific Tire	19.5	10.3	44.5	36.2
Total Tires	**226.1**	**110.4**	**590.7**	**233.1**
Engineered Products	34.0	13.6	88.8	25.0
Chemical Products	45.4	27.4	130.5	79.4

Total Segment Operating Income	**305.5**	**151.4**	**810.0**	**337.5**
Rationalizations and asset sales	(27.1)	(60.2)	(56.4)	(150.7)
Accelerated depreciation charges and asset write-offs	(2.2)	(0.5)	(7.1)	(8.7)
Interest expense	(95.7)	(78.9)	(268.3)	(219.7)
Foreign currency exchange	(10.6)	(10.9)	(14.5)	(31.3)
Minority interest in net income of subsidiaries	(18.7)	(8.7)	(43.4)	(30.8)
Inter-SBU income	(34.6)	(22.7)	(99.1)	(58.7)
Financing fees and financial instruments	(29.2)	(18.8)	(89.7)	(71.9)
Equity in earnings (losses) of corporate affiliates	0.4	(2.1)	1.0	(10.8)
General and product liability discontinued products	(8.1)	(62.5)	(25.3)	(72.5)
Expenses for insurance fire loss deductibles			(11.7)	
Professional fees associated with the restatement	(2.2)		(26.5)	
Other	(10.7)	(4.5)	(33.8)	(12.6)
Income (Loss) before Income Taxes	**$ 66.8**	**$ (118.4)**	**$ 135.2**	**$ (330.2)**

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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 (SBUs) for performance evaluation purposes, but were attributable to the SBUs as follows:

	Restated			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2004	2003	2004	2003
Rationalizations:				
North American Tire	$ (1.2)	$ 10.7	$ 4.5	$ 59.2
European Union Tire	0.9	27.3	25.8	44.4
Eastern Europe, Middle East and Africa Tire	0.1		0.1	(0.1)
Latin American Tire	0.6		2.4	5.5
Engineered Products	22.6	17.3	22.8	20.5
Chemical	4.9		4.9	
Corporate	0.9	(1.0)	2.1	0.9
Total Rationalizations	**$ 28.8**	**$ 54.3**	**$ 62.6**	**$ 130.4**
Other (Income) and Expense:				
North American Tire	$ 0.2	$	$ (1.3)	$
European Union Tire	(1.9)	(0.4)	(3.8)	(1.5)
Asia/Pacific Tire				(2.1)
Engineered Products		6.3	(1.3)	6.3
Corporate[1]	30.3	84.3	114.6	161.7
Total Other (Income) and Expense	**$ 28.6**	**$ 90.2**	**$ 108.2**	**$ 164.4**

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[1] Includes the expense for general & product liability-discontinued products, insurance fire loss deductibles, and financing fees and financial instruments. See Note 3, Other (Income) and Expense for further discussion.

NOTE 11. FUTURE LIQUIDITY REQUIREMENTS

As of September 30, 2004, the Company had $1.60 billion in cash and cash equivalents, of which $796.1 million was held in the United States and $261.4 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. As of September 30, 2004, approximately $195.5 million of cash was held in locations where significant tax or legal impediments would make it difficult or costly to execute monetary transfers. Based upon the Company s projected operating results, the Company expects 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, minimum pension funding requirements and capital expenditures through September 30, 2005.

At September 30, 2004, the Company also had $841.8 million (as restated) of unused availability under its various credit agreements.

The Company s liquidity may be materially adversely affected by a significant amount of debt maturing in 2005 and 2006 and substantial required contributions to be made to its defined benefit pension plans in 2004, 2005 and beyond. The aggregate amount of long-term debt maturing in calendar years 2005 and 2006 is approximately $1.22 billion and $1.90 billion, respectively. Included in these amounts is $650.0 million related to our primary European credit facilities maturing in 2005 and $1.45 billion related to our asset-backed facilities maturing in 2006. These facilities will have to be refinanced in the capital markets if they are not renewed by the existing lenders. Because of our debt ratings, operating performance over the past few years and other factors, access to such markets cannot be assured. The Company s ongoing ability to access the capital markets is highly dependent on the degree of success it has implementing its North American Tire turnaround strategy. In addition to facilitating access to the capital markets,

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successful implementation of the turnaround strategy is also crucial to ensuring that the Company has sufficient cash flow from operations to meet its obligations. There is no assurance that the Company will have a sufficient degree of success implementing its turnaround strategy to maintain access to capital markets and meet liquidity requirements. Failure to complete the turnaround strategy successfully could have a material adverse effect on the Company s financial position, results of operations and liquidity.

In addition to the commitments summarized above, Goodyear is required to make contributions to its domestic defined benefit pension plans. These contributions are required under the minimum funding requirements of the Employee Retirement Income Security Act (ERISA). Although subject to change, Goodyear expects to be required by ERISA to make contributions to its domestic pension plans of approximately $160 million in 2004 and approximately $425 million to $450 million in 2005. The expected contributions are based upon participant data as of January 1, 2004, and assume a stable population in future years. In calculating these estimates, the Company relied on a number of assumptions, including (i) an ERISA liability interest rate of 6.53% and 6.11% for 2004 and 2005, respectively, (ii) plan asset returns of 3.8% in 2004, and (iii) the effect of legislation signed into law in 2004 providing for changes to ERISA funding requirements. Prior 2005 funding estimates had assumed an ERISA liability interest rate of 6.67% for 2005, and 2004 asset returns of 8.5%. The new estimates for these items are based upon bond rates and asset returns as of September 30, 2004. For the three and nine month periods ended September 30**,** 2004, the Company contributed $60.6 million and $73.9 million, respectively, to its domestic plans. The estimates of the contributions required in 2004 and 2005 reflect legislation passed by Congress in 2004 providing for changes to the ERISA funding requirements permitting the deferral of certain contributions that would have otherwise been required in 2004 and 2005 to subsequent periods. Goodyear will be subject to additional statutory minimum funding requirements after 2005. Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as interest rate levels, the amount and timing of asset returns and whether the Company makes contributions in excess of those required, and what, if any, changes may occur in legislation, Goodyear is not able to reasonably estimate its future required contributions beyond 2005. Nevertheless, Goodyear expects that the amount of contributions required in years beyond 2005 will be substantial. In particular, the funding relief provided under current law expires at the end of 2005. As a result, if funding relief is not extended or renewed, Goodyear expects that its minimum funding obligations in 2006 would be substantially greater than in 2005. In 2004, in addition to required domestic plan contributions, Goodyear expects to contribute approximately $60 million to its funded international pension plans. For the three and nine month periods ended September 30**,** 2004, the Company contributed $15.0 million and $45.5 million, respectively, to its foreign plans.

Goodyear s postretirement benefit plans, primarily, will require amounts to cover benefit payments in the future. Benefit payments in the future are expected to be approximately $285 million in 2004, $300 million in 2005 and $300 million in 2006. These estimates are based upon the plan provisions currently in effect. Ultimate payments are expected to be $3.1 billion as calculated on December 31, 2003. The majority of these payments would be made more than five years hence.

Although the Company is highly leveraged, it may become necessary for it to incur additional debt to ensure that it has adequate liquidity. A substantial portion of the Company s assets is already subject to liens securing its indebtedness. The Company is limited in its ability to pledge its remaining assets as security for additional secured indebtedness. In addition, unless the Company s financial performance improves, its ability to raise unsecured debt may be significantly limited.

The Company s master contract with the USWA committed the Company 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 or the USWA would have the right to file a grievance and strike. On March 12, 2004, the Company completed a private offering of $650 million in senior secured notes due 2011, consisting of $450 million of 11% senior secured notes and $200 million of floating rate notes at LIBOR plus 8%. On July 2, 2004, the Company completed a private offering of $350 million in 4% convertible senior notes due 2034 (an equity-linked security). Under the master contract the Company 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. The Company completed the refinancing of the U.S. term loan in March 2004 and refinanced the U.S. revolving credit facility in

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August 2004. In the event of a strike by the USWA, the Company s financial position, results of operations and liquidity could be materially adversely affected.

The Company is subject to various legal proceedings, including those described in Note 7, Commitments and Contingent Liabilities. In the event the Company wishes to appeal any future adverse judgment in any Entran II or other proceeding, it would be required to post an appeal bond with the relevant court. If the Company does not have sufficient availability under its U.S. funded 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.

A substantial portion of Goodyear s borrowings is at variable rates of interest and exposes the Company to interest rate risk. If interest rates rise, the Company s debt service obligations would increase. An unanticipated significant rise in interest rates could have a material adverse effect on the Company s liquidity in future periods.

NOTE 12. INCOME TAXES

For the 2004 first nine months, Goodyear recorded tax expense of $145.0 million (as restated) ($28.3 million (as restated) for the third quarter) on income before taxes and minority interest in net income of subsidiaries of $178.6 million (as restated) ($85.5 million (as restated) for the third quarter). The difference between Goodyear s effective tax rate and the U.S. statutory rate was primarily attributable to the Company continuing to maintain a full valuation allowance against its Federal and state deferred tax assets. Included in tax expense for the first nine months and third quarter are net favorable tax adjustments of $50.4 million and $43.6 million, respectively. These favorable tax adjustments related to the settlement of prior years tax liabilities, which were partially offset by the establishment of valuation allowances against certain Goodyear subsidiaries deferred tax assets. For the three and nine months ended 2003, Goodyear recorded tax expense of $1.9 million (as restated) and $50.2 million (as restated) on a loss before taxes and minority interest in net income of subsidiaries of $109.7 million (as restated) and $299.4 million (as restated), respectively.

The American Job Creation Act of 2004 (AJCA), which was signed into law in October 2004, replaces an export incentive with a deduction from domestic manufacturing income. As Goodyear is both an exporter and a domestic manufacturer and in a U.S. tax loss position, this change should have no material impact on the Company s income tax provision.

NOTE 13. SUBSEQUENT EVENTS

On October 29, 2004, the Company completed a settlement with suppliers, which will result in after tax income and cash flow of approximately $19 million in the fourth quarter of 2004.

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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 consolidated financial information previously reported in Goodyear s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 filed on November 9, 2004 (the Form 10-Q). The restatement also affects the three and nine month periods ended September 30, 2003. The restatement adjustments increased net income by $2.0 million and $5.5 million in the three and nine month periods ended September 30, 2004, respectively, and increased the net loss by $12.7 million (as restated) and $2.1 million (as restated) in the three and nine month periods ended September 30, 2003, respectively.

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

(All per share amounts are diluted)

OVERVIEW

The Goodyear Tire & Rubber Company is one of the world s leading manufacturers of tires and rubber products with one of the most recognized brand names in the world. We have a broad global footprint with 95 manufacturing facilities in 28 countries. Our business is managed through seven operating segments: North American Tire; European Union Tire; Eastern Europe, Middle East and Africa Tire (EEMEA or Eastern Europe Tire) (formerly known as Eastern Europe, Africa and Middle East Tire); Latin American Tire; Asia/Pacific Tire (formerly known as Asia Tire); Engineered Products; and Chemical Products.

We had net income of $38.5 million (as restated) in the third quarter of 2004 compared to a net loss of $120.3 million (as restated) for the same period in 2003. For the first nine months of 2004 we had a net loss of $9.8 million (as restated), compared to a net loss of $380.4 million (as restated) for the first nine months of 2003. Our consolidated results are significantly dependent on the performance of our North American Tire segment. For the third quarter of 2004, North American Tire had segment operating income of $14.5 million (as restated) compared to a segment operating loss of $36.6 million (as restated) for the third quarter of 2003. The improvement was due primarily to sustained improvement in pricing and product mix as sales of Goodyear brand tires remained strong. Additional improvement was a result of savings from rationalization programs and increased sales in the consumer replacement market and commercial markets. Our second largest segment, European Union Tire, had segment operating income of $68.4 million (as restated) and $49.2 million (as restated) in the third quarter of 2004 and 2003, respectively. The improvement in the European Union Tire segment is also due to improved pricing and product mix.

The segment operating income in each of our other five segments also increased compared to the comparable prior year period. For the third quarter of 2004, the Eastern Europe, Middle East and Africa Tire segment reported segment operating income of $59.8 million compared to $43.5 million in the third quarter of 2003. Latin American Tire reported segment operating income of $63.9 million (as restated) in the third quarter of 2004 compared to $44.0 million (as restated) in the third quarter of 2003. Segment operating income for Asia/Pacific Tire of $19.5 million (as restated) for the third quarter of 2004 increased from $10.3 million reported in the third quarter of 2003. Engineered Products and Chemical Products reported third quarter 2004 operating income of $34.0 million (as restated) and $45.4 million, respectively, as compared to 2003 third quarter operating income of $13.6 million (as restated) and $27.4 million, respectively.

High raw material costs, particularly for natural rubber, continue to negatively impact our results. Increases in raw material costs increased our Cost of Goods Sold by approximately $75 million and $146 million in the third quarter and first nine months of 2004, respectively. We expect that raw material costs will increase between 5% and 7% in

2004 compared to 2003. Interest expense remains high primarily due to our increased level of average debt. Interest expense increased from $78.9 million in the third quarter of 2003 to $95.7 million (as restated) in the third quarter of 2004.

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A significant indicator of our operating performance is share of sales, especially in our two largest regions, North America and Western Europe. In North America, our share of sales in the replacement segment increased in the third quarter of 2004 as compared to the first half of 2004 as sales of Goodyear brand tires remained strong while the share of sales of Dunlop brand tires declined. While our private label business declined in the first half of 2004, this business stabilized during the third quarter. Our share of sales in the North American original equipment segment fell slightly during the third quarter of 2004 compared to the first half due to our selective fitment strategy in the consumer original equipment business. In Western Europe, our estimated share of sales decreased in all segments in the third quarter compared to the first half, except in the commercial OE segment, which increased slightly.

On July 2, 2004, we completed a private offering of $350 million of 4% convertible senior notes due 2034. The proceeds of the notes were used for general corporate purposes. On August 18, 2004, we refinanced our $680 million senior secured U.S. revolving credit facility, which would have matured on April 30, 2005, with a $680 million senior secured deposit-funded credit facility. The new facility matures in September of 2007 and is secured by the same collateral as, and contains covenants similar to, those in the facility it replaces. The new facility is structured as a synthetic revolving credit and letter of credit facility, pursuant to which the lenders deposited the entire $680 million of the facility in an account held by the administrative agent, and those funds are used to support letters of credit or borrowings on a revolving basis, in each case subject to customary conditions. We anticipate undertaking additional refinancing activities in order to address $1.22 billion and $1.90 billion of long-term debt maturing in 2005 and 2006, respectively, required contributions to our domestic pension plans (minimum contributions of approximately $160 million and $425 million to $450 million are expected to be required in 2004 and 2005, respectively, of which approximately $74 million was contributed as of September 30, 2004 and additional minimum contributions will be required in years beyond 2005), enhance our financial flexibility and ensure adequate liquidity. As part of our refinancing efforts, we may also seek to access the capital markets, although our current credit ratings may restrict our ability to do so. Failure to obtain new financing could have a material adverse effect on our liquidity. In addition, we continue to review potential asset sales.

On October 19, 2004, an amended settlement agreement to resolve a substantial portion of our product liability claims relating to Entran II, a rubber hose product we previously manufactured, received court approval. As a result, we will make annual cash contributions to a settlement fund of $60 million, $40 million, $15 million, $15 million and $20 million in 2004, 2005, 2006, 2007 and 2008, respectively. In addition to these annual payments, Goodyear was required to contribute to the settlement fund by October 19, 2004, the amount of insurance recovered from its carriers relating to Entran II but, in any event, no less than $150 million. As of October 19, 2004, the $150 million had been deposited by the Company in the settlement fund comprised of $75 million of insurance recoveries previously obtained by the Company and $75 million of cash contributions made by the Company. The Company expects to receive an additional $100 million of insurance reimbursements during the fourth quarter. Of this amount, $75 million will reimburse the Company for its October 19, 2004 cash contribution to the settlement fund and the balance (net of unreimbursed legal costs incurred to obtain the insurance recoveries) will be deposited into the settlement fund.

On November 5, 2004, we announced that we would restate our financial statements for the years ended December 31, 2003, 2002 and 2001 and our interim unaudited financial statements for the first and second quarters of 2004. The restatement also affects periods prior to 2001. In the restatement we will include a note to the financial statements containing summary financial information related to certain of the Company s investments in affiliates, and adjustments to our prior period financial statements to record net after-tax expense adjustments of approximately $7.6 million, of which $5.2 million relates to 2003 and $2.4 million relates to prior years. Additionally, we will amend our first and second quarter 2004 Form 10-Qs to reflect after-tax income adjustments of approximately $3.0 million for the six months ended June 30, 2004. Most of these adjustments were identified through the implementation of our previously announced measures to improve account reconciliation procedures. In addition, we will correct a misclassification of deferred income tax assets and liabilities in the Company s Consolidated Balance Sheet beginning December 31, 2003. For further information, refer to Note 1A, Restatement.

We remain subject to a Securities and Exchange Commission (SEC) investigation into the facts and circumstances surrounding the restatement of our historical financial statements. We are cooperating fully with the SEC and have provided requested information as expeditiously as possible. Because the SEC investigation is currently ongoing, the outcome cannot be predicted at this time. In May 2004, following the conclusion of certain internal investigations initiated by the Company s Audit Committee, our external auditors advised us that the circumstances they previously identified to the Company as collectively resulting in a material weakness in October 2003 had each individually become a material weakness. Our external auditors further identified an additional material weakness resulting from intentional overrides of internal controls by middle managerial personnel, particularly related to the European Union Tire segment and workers compensation liability in the United States, which the Company s internal investigation had identified and brought to the auditor s attention. We are currently implementing a remediation plan to address these matters.

RESULTS OF OPERATIONS

CONSOLIDATED

Net sales in the third quarter of 2004 were $4.71 billion (as restated), increasing 20.7% from $3.91 billion (as restated) in the 2003 third quarter. Net income of $38.5 million (as restated) or $0.20 per diluted share (as restated) was recorded in the 2004 third quarter compared to a net loss of $120.3 million (as restated) or $0.69 per diluted share (as restated) in the 2003 period. The 2004 third quarter included an after-tax rationalization charge of $30.4 million or $0.17 per share compared to an after-tax rationalization charge of $44.8 million or $0.26 per share in 2003.

In the first nine months of 2004, sales of $13.54 billion (as restated) increased 20.8% from $11.21 billion (as restated) in the 2003 period. A net loss of $9.8 million (as restated) or $0.06 per share (as restated) was recorded in the first nine months of 2004 compared to a net loss of $380.4 million (as restated) or $2.17 per share (as restated) in the first nine months of 2003. The first nine months of 2004 included an after-tax rationalization charge of $59.5 million or $0.34 per share compared to an after-tax rationalization charge of $114.0 million or $0.65 per share in 2003.

Revenues in the third quarter of 2004 increased approximately $808 million (as restated) from the 2003 period due partially to the consolidation of two variable interest entities in January 2004 in accordance with the Financial Accounting Standards Board s (FASB) Interpretation No. 46, Consolidation of Variable Interest Entities an Interpretation of ARB No. 51, as amended by FASB Interpretation No. 46 (revised December 2003) (collectively, FIN 46). Consolidation of these variable interest entities benefited 2004 sales by approximately $315 million in the third quarter. Revenue increases of approximately $214 million, attributable to pricing and product mix improvements, primarily in North American Tire, Latin American Tire, and European Union Tire and revenue increases of approximately $120 million (as restated), attributable to higher unit volume primarily in North American Tire, Engineered Products, Eastern Europe and Latin American Tire had a favorable impact on third quarter 2004 revenues. 2004 revenue also benefited from the positive impact of currency translation of approximately $105 million in the third quarter, mainly in Europe.

Worldwide tire unit sales in the third quarter of 2004 were 57.4 million units, an increase of 2.1 million units or 3.8% compared to the 2003 period. Tire units increased by approximately 1.6 million units due to the consolidation of a variable interest entity in accordance with FIN 46. North American Tire (U.S. and Canada) volume increased 0.1 million units in the quarter, while international unit sales increased 2.0 million units or 7.3%. Worldwide replacement unit sales increased 1.4 million units or 3.4% from the 2003 quarter, due to increases in all regions except European Union Tire. Original equipment (OE) unit sales increased 0.7 million units or 4.7% in the quarter, due to increases in European Union Tire, Latin American Tire and Eastern Europe Tire.

Revenues in the first nine months of 2004 increased approximately $2.33 billion from the 2003 period partially as a result of the consolidation of two variable interest entities in accordance with FIN 46 of approximately $896 million. Improved pricing and product mix improvements, primarily in North American Tire, Latin American Tire, Eastern Europe Tire and European Union Tire of approximately $552 million and higher unit volume of approximately

$447 million, driven by European Union Tire and Latin American Tire, as well as higher volume in Engineered Products, had a favorable impact on revenues in the first nine months of 2004. Additionally, the impact of currency translation of approximately $391 million, mainly in Europe, benefited 2004 sales.

Worldwide tire unit sales in the first nine months of 2004 were 168.1 million units, an increase of 7.4 million units or 4.6% compared to the 2003 period. Tire units increased by approximately 4.7 million units due to the consolidation of variable interest entities in accordance with FIN 46. North American Tire volume increased 0.4 million units or 0.4%, while international unit sales increased 7.0 million units or 8.4%. Worldwide replacement unit sales increased 7.1 million units or 6.3% from the 2003 nine months, due to increases in all segments. OE unit sales increased 0.3 million units or 0.7% during the first nine months of 2004 due to increases primarily in Latin American Tire and European Union Tire.

Cost of goods sold (CGS) increased approximately $572 million (as restated), or 17.9%, but decreased to 79.9% of net sales, in the third quarter of 2004, compared to 81.8% in the 2003 period. CGS in the third quarter of 2004 increased by approximately $259 million due to the consolidation of two variable interest entities in accordance with FIN 46. 2004 CGS was increased by approximately $81 million due to higher volume, largely in North American Tire, Engineered Products, and Eastern Europe Tire, and was negatively impacted by currency translation of approximately $79 million, primarily in Europe. Increased manufacturing costs related to changes in product mix of approximately $50 million (as restated), in part related to North American Tire and Engineered Products, and increased raw material costs of approximately $75 million and higher conversion costs of approximately $10 million (as restated) related primarily to North American Tire were partially offset by savings from rationalization programs of approximately $38 million.

CGS increased approximately $1.64 billion (as restated), or 17.8%, but decreased to 80.0% of net sales in the first nine months of 2004, compared to 82.1% in the 2003 period. CGS in the first nine months of 2004 increased by approximately $741 million (as restated) due to the consolidation of two variable interest entities in accordance with FIN 46. Additionally, increased unit volume of approximately $312 million, currency translation of approximately $298 million and increases in product mix of approximately $190 million increased the 2004 CGS. Higher raw material costs of approximately $146 million and conversion costs of approximately $6 million (as restated) were partially offset by savings from rationalization programs of approximately $95 million which favorably impacted 2004 CGS. In 2003, CGS was adversely impacted by adjustments that were related to the Engineered Products Segment and recorded in conjunction with the restatement. It was not possible to allocate the amount of these adjustments to applicable periods and accordingly, Goodyear recorded substantially all of this adjustment in the first quarter of 2003. This 2003 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 2004 increased approximately $114 million (as restated), or 19.4%, compared to the 2003 period but decreased to 14.8% (as restated) of net sales in 2004 compared to 15.0% in the 2003 period. SAG in the third quarter of 2004 increased by approximately $50 million (as restated) due to the consolidation of two variable interest entities in accordance with FIN 46. 2004 SAG was also unfavorably impacted by increased corporate consulting fees of approximately $23 million, of which approximately $7 million related to compliance with Sarbanes-Oxley and approximately $2 million related to professional fees associated with the SEC investigation. In addition, currency translation of approximately $20 million, largely in Europe, increased advertising expense of approximately $12 million, in part due to the launch of the Assurance tire and higher wages and benefit costs of approximately $8 million (as restated) negatively impacted 2004 SAG. The overall increases were partially offset by savings from rationalization actions of approximately $9 million.

SAG in the first nine months of 2004 increased approximately $319 million (as restated), or 18.2%, compared to the 2003 period but decreased from 15.6% of net sales in 2003 to 15.3% in 2004. SAG increased in the first nine months of 2004 compared to the 2003 period primarily as a result of the consolidation of two variable interest entities totaling approximately $151 million (as restated). Currency translation of approximately $69 million, increased corporate consulting fees of approximately $59 million, of which approximately $26 million related to professional fees associated with the restatement and SEC investigation and approximately $14 million related to Sarbanes-Oxley compliance, and higher advertising expenses of approximately $39 million also led to higher SAG expense. SAG in the 2004 period benefited from approximately $25 million in savings from rationalization programs.

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Interest expense increased 21.3% from $78.9 million in the third quarter of 2003 to $95.7 million (as restated) in the third quarter of 2004 primarily as a result of higher average debt outstanding and higher average interest rates. For the first nine months of 2004, interest expense increased 22.1% to $268.3 million (as restated) compared to the 2003 period, reflecting a higher average debt balance and higher interest rate as well as the April 1, 2003 restructuring and refinancing of our credit facilities.

Other (Income) and Expense was $28.6 million net expense (as restated) in the 2004 third quarter compared to $90.2 million (as restated) net expense in the 2003 period. Other (Income) and Expense included fees related to financing and financial instruments of $29.2 million and $18.8 million in the third quarters of 2004 and 2003, respectively. Other (Income) and Expense for the third quarter of 2004 included a loss of $0.7 million (as restated) ($0.6 million (as restated) after tax or $0.00 per share) and a gain of $2.4 million ($1.7 million after tax or $0.01 per share) on the sale of assets in the North American Tire and European Union Tire Segments. The 2003 third quarter included a loss of $6.8 million ($6.7 million (as restated) after tax or $0.04 per share) on the sale of assets in the Engineered Products and European Union Tire Segments and a gain of $0.9 million (as restated) ($0.7 million (as restated) after tax or $0.01 per share (as restated)) on the sale of assets in the European Union Tire Segment. For the third quarter of 2004, and 2003, expense of $105.5 million and $78.2 million, respectively, and probable insurance recoveries of $100 million and $20 million, respectively, related to Entran II were recorded.

For the first nine months of 2004, Other (Income) and Expense was $108.2 million net expense (as restated) compared to $164.4 million (as restated) net expense in the 2003 period. Other (Income) and Expense included fees related to financing and financial instruments of $89.7 million (as restated) and $71.9 million in the first nine months of 2004 and 2003, respectively. Other (Income) and Expense in 2004 also included a gain of $9.3 million (as restated) ($6.8 million (as restated) after tax or $0.04 per share) on the sale of assets in the North American Tire, European Union Tire and Engineered Products segments and a loss of $3.1 million (as restated) ($2.5 million (as restated) after tax or $0.02 per share (as restated)) on the sale of corporate assets and assets in North American Tire and European Union Tire Segments. Other (Income) and Expense in the first nine months of 2003 included a loss of $25.8 million (as restated) ($16.6 million (as restated) after tax or $0.10 per share (as restated)) on the sale of 20,833,000 shares of Sumitomo Rubber Industries, Ltd. (SRI) and the sale of assets in Engineered Products and a gain of $5.5 million (as restated) ($4.5 million (as restated) after tax or $0.03, per share (as restated)) resulting from the sale of land in the Asia/Pacific Tire Segment and the sale of assets in the European Union Tire Segment. Financing fees and financial instruments included $17.1 million (as restated), of deferred costs written off, in the nine months ended September 2004, in connection with the Company s refinancing activities during 2004. Of the $25.3 million (as restated) of expense recorded in the first nine months of 2004 ($72.5 million in 2003) related to general product liability-discontinued products, $15.4 million ($113.8 million (as restated) of expense in 2003) relates to Entran II claims and $9.9 million (as restated) ($41.3 million (as restated) of income in 2003) relates to asbestos claims, net of probable insurance recoveries.

Miscellaneous expense in the first nine months of 2004 includes $11.7 million ($11.6 million after tax or $0.07 per share) of expense for insurance fire loss deductibles related to fires at Company facilities in Germany, France and Thailand. During the nine months, approximately $23 million in insurance recoveries were received to cover expenses related to these fire losses in Germany. At September 30, 2004, Goodyear recorded an insurance receivable of approximately $27 million to recover additional expenses incurred associated with fire losses in Germany. Subsequent to September 30, 2004, Goodyear received approximately $4 million. At September 30, 2004, Goodyear did not record any insurance recoveries associated with fixed assets destroyed. Additional insurance recoveries in future periods will be accounted for pursuant to FASB Statement No. 5, Accounting for Contingencies.

Foreign currency exchange loss was $10.6 million (as restated) and $10.9 million (as restated) in the third quarter of 2004 and 2003, respectively. For the first nine months of 2004, foreign currency exchange loss was $14.5 million (as restated) compared to a loss of $31.3 million (as restated) in the 2003 period reflecting the weakening of the

Brazilian Real in 2003 versus the U.S. dollar.

For the 2004 first nine months, Goodyear recorded tax expense of $145.0 million (as restated) ($28.3 million (as restated) for the third quarter) on income before income taxes and minority interest in net income of subsidiaries of $178.6 million (as restated) ($85.5 million (as restated) for the third quarter). The difference between Goodyear s effective tax rate and the U.S. statutory rate was primarily attributable to the Company continuing 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 are net favorable tax adjustments of $50.4 million and $43.6 million, respectively. These favorable tax adjustments relate primarily to the settlement of prior years tax liabilities, which were partially offset by the establishment of valuation allowances against certain Goodyear subsidiaries deferred tax assets. For the three and nine months ended 2003, Goodyear recorded tax expense of $1.9 million (as restated) and $50.2 million (as restated) on a loss before taxes and minority interest in net income of subsidiaries of $109.7 million (as restated) and $299.4 million (as restated), respectively.

The Company completed its valuation in accordance with Statement of Financial Accounting Standards 142, Goodwill and Other Intangible Assets during the third quarter of 2004. The valuation indicated there was no impairment of goodwill or intangible assets.

In September 2004, the Emerging Issues Task Force (EITF) reached a final consensus EITF Issue No. 04-08 Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings per Share . Under the EITF, contingently convertible shares attached to a debt instrument, such as the $350 million of 4% Convertible Senior Notes issued by the Company on July 2, 2004, are to be included in the calculation of diluted earnings per share regardless of whether the contingency has been met. The provisions of EITF No. 04-08, were effective for reporting periods ending after December 15, 2004, including the retroactive restatement of previously reported earnings per share amounts. As such, the adoption of this standard has been retroactively reflected and included in this Form 10-Q/A as applicable. Refer to Note 4, Earnings Per Share, for further discussion as to the impact of adopting this standard.

On October 29, 2004, the Company completed a settlement with suppliers, which will result in after tax income and cash flow of approximately $19 million in the fourth quarter of 2004.

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.

During the third quarter of 2004, net charges of $28.8 million ($30.4 million after tax or $0.17 per share) were recorded, which included reversals of $15.4 million ($12.6 million after tax or $0.07 per share) for reserves from rationalization actions no longer needed for their originally intended purposes, and new charges of $44.2 million ($42.9 million after tax or $0.24 per share). Included in the $44.2 million of new charges are $2.5 million of expenses, consisting of $0.4 million of associate-related costs and $2.0 million of other than associate-related costs incurred in the third quarter of 2004 related to plans initiated in 2003, and $0.1 million of associate-related costs for a plan initiated in 2000. The $41.7 million of new charges for plans initiated in 2004 consisted of $31.1 million in non-cash pension curtailments and postretirement benefit costs, $7.9 million related to future cash outflows, primarily for associate severance costs, and $2.7 million of other exit costs.

For the first nine months of 2004, net charges of $62.6 million ($59.4 million after-tax or $0.34 per share) were recorded, which included reversals of $15.8 million ($12.8 million after-tax or $0.07 per share) for reserves from rationalization actions no longer needed for their originally intended purpose, and new charges of $78.4 million ($72.3 million after-tax or $0.41 per share). Included in the $78.4 million of new charges are $12.2 million of expenses, consisting of $2.4 million of associate-related costs and $8.7 million of other than associate-related costs incurred during the first nine months of 2004 related to plans initiated in 2003 and $1.1 million of associated-related costs for a plan initiated in 2000. The $66.2 million of new charges for plans initiated in 2004 consisted of $29.3 million related to future cash outflows, primarily for associate severance costs, $32.0 million in non-cash charges for, pension curtailments and postretirement benefit costs, and $4.9 million in other exit costs.

In the third quarter of 2004, $37.9 million was incurred primarily for non-cash pension curtailments, postretirement benefit costs, and severance payments, while $6.5 million was incurred for non-cancelable lease costs and other costs. During the first nine months of 2004, $105.2 million was incurred primarily for non-cash pension curtailments, postretirement benefit costs, and severance payments, and $18.2 million was incurred for non-cancelable lease costs and other costs. The majority of the remaining $83.7 million (as restated) accrual balance at September 30, 2004 for all programs is expected to be utilized within the next twelve months.

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Accelerated depreciation charges were recorded for fixed assets that will be taken out of service in connection with certain rationalization plans initiated in 2003 and 2004 in the European Union Tire, Latin American Tire, and Engineered Products segments. During the third quarter of 2004, $1.1 million was recorded as Cost of Goods Sold and $1.1 million was recorded as Selling, Administrative and General Expense for accelerated depreciation charges. For the first nine months of 2004, $5.6 million was recorded as Cost of Goods Sold and $1.5 million was recorded as Selling, Administrative and General Expense for accelerated depreciation charges.

During the full year 2003, net charges of $291.5 million ($267.1 million after-tax or $1.52 per share) were recorded, which included reversals of approximately $16 million (approximately $14 million after-tax or $0.08 per share) related to all plans for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of $307.2 million ($281.4 million after-tax or $1.60 per share). The 2003 rationalization actions consisted of manufacturing, research and development, administrative and retail consolidations in North America, Europe and Latin America. Of the $307.2 million of new charges, $174.8 million related to future cash outflows, primarily associate severance costs, and $132.4 million related primarily to non-cash special termination benefits and pension and retiree benefit curtailments. Approximately 4,400 associates will be released under the programs initiated in 2003, of which approximately 2,700 were exited in 2003 and approximately 900 were exited during the first nine months of 2004. The reversals are primarily the result of lower than initially estimated associate-related payments of approximately $12 million, favorable sublease contract signings in the European Union of approximately $3 million and lower contract termination costs in the United States of approximately $1 million. These reversals do not represent a change in the plan as originally approved by management. Of the $307.2 million of new charges recorded in 2003, $56.3 million, and $134.2 million, was recorded during the third quarter and the first nine months of 2003, respectively.

Upon completion of the 2004 plans, the Company estimates that it will reduce annual operating costs by approximately $85 million (approximately $40 million SAG and approximately $45 million CGS), of which $3.6 million and $5.0 million was realized during the third quarter and first nine months of 2004, respectively. Goodyear estimates that SAG and CGS were reduced in the third quarter and first nine months of 2004 by approximately $55 million and approximately $133 million, respectively, as a result of the implementation of the 2003 plans. Plan savings have been substantially offset by higher SAG and conversion costs including increased compensation and benefit costs.

For further information, refer to Note 2, Costs Associated with Rationalization Programs.

SEGMENT INFORMATION

Segment information reflects the operations of the strategic business units (SBUs) 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 SBUs) and segment operating income. Segment operating income included transfers to other SBUs. Segment operating income was computed as follows: Net Sales less CGS (excluding certain accelerated depreciation charges, asset impairment charges and asset write-offs) and SAG (excluding certain corporate expenses). Segment operating income also included equity (earnings) losses in affiliates managed by the respective operating segments. Segment operating income did not include the previously discussed rationalization charges and certain other items.

Total segment operating income was $305.5 million (as restated) in the third quarter of 2004, increasing 101.8% from $151.4 million in the comparable 2003 quarter. Total segment operating margin (total segment operating income divided by segment sales) in the third quarter of 2004 was 6.2%, compared to 3.7% in the 2003 period.

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In the first nine months of 2004, total segment operating income was $810.0 million (as restated), increasing 140.0% from $337.5 million (as restated) in the 2003 period. Total segment operating margin in the first nine months of 2004 was 5.7%, compared to 2.9% in the 2003 period.

Management believes that total segment operating income is useful because it represents the aggregate value of income earned 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 Standards No. 131, Disclosures about Segments of an Enterprise and Related Information. Refer to Note 10, Business Segments, for a reconciliation of total segment operating income to income (loss) before income taxes.

North American Tire

			Restated					
	Three Months Ended September 30,				Nine Months Ended September 30,			
(In millions)	**2004**	**2003**	**Change**	**Percent Change**	**2004**	**2003**	**Change**	**Percent Change**
Tire Units	26.7	26.6	0.1	%	77.1	76.7	0.4	0.4%
Sales	$ 2,070.5	$ 1,792.2	$ 278.3	15.5	$ 5,837.2	$ 5,076.4	$ 760.8	15.0
Segment Operating Income (Loss)	14.5	(36.6)	51.1	139.6	15.7	(116.2)	131.9	113.5
Segment Operating Margin	0.7%	(2.0)%			0.3%	(2.3)%		

North American Tire segment unit sales in the 2004 third quarter increased 0.1 million units from the 2003 period. Replacement unit volume increased 0.2 million units or 0.9% while OE volume decreased 0.1 million units or 2.2%. Unit sales in the nine months increased 0.4 million units or 0.4% from the 2003 period. Replacement unit volume increased 1.0 million units or 1.9%, while OE volume decreased 0.6 million units or 2.6%. For both periods, replacement unit volume increased due primarily to the improved performance of the Goodyear brand, while OE volume was lower due to a decrease in the vehicle build rate.

Revenues increased approximately $278 million, or 15.5%, in the third quarter of 2004 from the 2003 period due primarily to the consolidation of T&WA in January 2004 in accordance with FIN 46. Consolidation of T&WA benefited 2004 sales by approximately $147 million. Favorable pricing and product mix of approximately $89 million, primarily in the consumer and commercial replacement and OE markets, positively impacted sales compared to 2003. Increased volumes of approximately $40 million, due largely to improved sales in the retail, retread, consumer and commercial replacement markets also favorably impacted sales in the 2004 third quarter.

For the first nine months of 2004, revenues increased approximately $761 million, or 15.0%, from the 2003 period. Approximately $373 million of the increase was due to the consolidation of T&WA. Sales were also impacted by favorable pricing and product mix of approximately $241 million, primarily due to strong consumer replacement sales, and increased volume of approximately $145 million, mainly in the commercial OE and consumer replacement, retail and retread markets.

North American Tire segment operating income in the third quarter of 2004 increased approximately $51 million (as restated) or 139.6% compared to the 2003 quarter. Improved pricing and product mix of approximately $65 million, primarily in the consumer and commercial markets, higher volume of approximately $11 million, primarily due to strong sales in the retail, retread, consumer replacement and commercial OE markets and savings from rationalization programs of approximately $27 million favorably impacted third quarter 2004 operating income. Unfavorable impacts affecting third quarter operating income included increased raw material costs of approximately $23 million, higher conversion costs of approximately $8 million and increased advertising costs of approximately $7 million, due primarily to the Assurance line product launch. Additionally, the segment incurred increased general and product liability expense of approximately $5 million and increased wages and benefits costs of $4 million.

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North American Tire segment operating income in the first nine months of 2004 increased approximately $132 million (as restated), or 113.5%, from the 2003 period. Favorable impacts included improvements in pricing and product mix of approximately $139 million, primarily in the consumer replacement and commercial replacement markets, increased volume of approximately $38 million due to strong sales in the commercial OE, consumer replacement, retail and retread markets and savings from rationalization programs of approximately $62 million. Unfavorable impacts affecting nine months operating income included increased raw material costs of approximately $57 million and higher conversion costs of approximately $28 million, and increased advertising cost of $23 million. The consolidation of T&WA in 2004 also positively impacted the 2004 period by approximately $1 million.

Segment operating income did not include in the first nine months rationalization charges totaling $4.5 million in 2004 and $59.2 million in 2003. Third quarter rationalization charges were $(1.2) million and $10.7 million in 2004 and 2003, respectively. Segment operating income in the third quarter and first nine months of 2004 did not include a loss on asset sales of $0.2 million (as restated), and a gain on the sale of assets of $1.3 million (as restated), respectively.

The Company is implementing a turnaround strategy for North American Tire segment as described in Turnaround Strategy under Liquidity and Capital Resources. 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 markets, changes in product mix, continued increases in raw material and energy prices, higher wage and benefit costs and general economic conditions.

European Union Tire

	Restated							
	Three Months Ended September 30,				Nine Months Ended September 30,			
(In millions)	**2004**	**2003**	**Change**	**Percent Change**	**2004**	**2003**	**Change**	**Percent Change**
Tire Units	15.8	16.0	(0.2)	(1.1)%	47.5	46.7	0.8	1.6%
Sales	$ 1,084.7	$ 985.6	$ 99.1	10.1	$ 3,255.8	$ 2,875.9	$ 379.9	13.2
Segment Operating Income	68.4	49.2	19.2	39.0	194.9	109.5	85.4	78.0
Segment Operating Margin	6.3%	5.0%			6.0%	3.8%		

European Union Tire segment unit sales in the 2004 third quarter decreased 0.2 million units or 1.1% from the 2003 period. Replacement sales decreased 0.5 million units or 3.8%, while OE volume increased 0.3 million units or 6.6%. Unit sales in the first nine months of 2004 increased 0.8 million units or 1.6% from the 2003 period. Replacement volume increased 0.6 million units or 1.8% due to a strong sell-in of winter tires while OE volume increased 0.2 million units or 1.2% due to a strong market.

Revenues in 2004 increased approximately $99 million, or 10.1%, in the third quarter from the 2003 period due to positive currency translation of approximately $82 million, driven mainly by the strong Euro, and improved overall pricing and product mix of approximately $27 million. The 2004 period was unfavorably impacted by lower volume of approximately $12 million (as restated), largely due to lower replacement market sales.

Revenues in the first nine months of 2004 increased approximately $380 million, or 13.2%, compared to 2003 due mainly to positive effects of currency translation, primarily the Euro, of approximately $277 million. Additionally, higher volume of approximately $53 million, largely in the replacement market, and improved pricing and product mix of approximately $50 million, due mostly to improved replacement sales, increased revenues in 2004.

For the third quarter of 2004, segment operating income increased approximately $19 million (as restated), or 39.0%, compared to 2003 due to improved pricing and product mix of approximately $22 million and the favorable impact of currency translation of approximately $4 million (as restated). The negative effects of approximately $3 million of lower volume and rising raw material costs of approximately $8 were partially offset by savings from rationalization actions of approximately $13 million.

For the first nine months of 2004, segment operating income increased approximately $85 million (as restated), or 78.0%, compared to 2003 due to improved pricing and product mix of approximately $47 million, the benefit from higher production volume and productivity improvements of approximately $17 million, and savings from rationalization actions of approximately $33 million. Stronger volume of approximately $12 million, primarily in the replacement market, and the positive effect of currency translation of approximately $10 million also favorably impacted 2004 segment operating income. Higher SAG costs of approximately $16 million (as restated), related to higher selling expenses to support increased volumes and the sale of premium brand tires, and increased raw material costs of approximately $18 million negatively affected segment operating income in the first nine months of 2004 compared to 2003.

Segment operating income in the first nine months of 2004 did not include net rationalization charges totaling $25.8 million and a gain on asset sales of $3.8 million (as restated), including $0.9 million rationalization charges and a $1.9 million (as restated) gain on asset sales in the third quarter. Segment operating income in the first nine months of 2003 did not include net rationalization charges totaling $44.4 million and a gain on asset sales of $1.5 million (as restated) including $27.3 million of net rationalization charges and a gain on sale of assets of $0.4 million (as restated) in the third quarter.

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, continued increases in raw material and energy prices, currency translation and general economic conditions.

Eastern Europe, Middle East and Africa Tire

	Three Months Ended September 30,				**Nine Months Ended September 30,**			
(In millions)	**2004**	**2003**	**Change**	**Percent Change**	**2004**	**2003**	**Change**	**Percent Change**
Tire Units	5.2	4.8	0.4	8.4%	14.4	13.5	0.9	6.7%
Sales	$ 344.6	$ 283.2	$ 61.4	21.7	$ 928.4	$ 779.2	$ 149.2	19.1
Segment Operating Income	59.8	43.5	16.3	37.5	148.2	98.8	49.4	50.0
Segment Operating Margin	17.4%	15.4%			16.0%	12.7%		

Eastern Europe, Middle East and Africa Tire (Eastern Europe Tire) segment unit sales in the 2004 third quarter increased 0.4 million units or 8.4% from the 2003 period. Replacement sales increased 0.2 million units or 6.0% and OE volume increased 0.2 million units or 22.9%. Unit sales in the first nine months of 2004 increased 0.9 million units or 6.7% from the 2003 period. Replacement volume increased 0.6 million units or 5.7% due to a strong sell-in of winter tires and market growth and OE volume increased 0.3 million units or 11.7% due to strong industry growth.

Revenues increased approximately $61 million, or 21.7%, in the 2004 third quarter compared to 2003 primarily due to improved pricing and product mix, largely due to increased sales of high performance tires, winter tires and truck tires and the positive impact of price increases, of approximately $25 million, the favorable impact of currency translation, primarily in South Africa, of approximately $22 million and higher volume in the replacement and OE markets of approximately $20 million. Unfavorable results in retail operations reduced revenues by approximately $5 million, due to the net effect of volume, price and product mix and currency translation.

For the first nine months of 2004, revenues increased approximately $149 million, or 19.1%, compared to 2003 due to improved pricing and product mix of approximately $75 million, overall volume increase of approximately

$37 million, mainly due to increased sales of high performance tires, winter tires and truck tires and the impact of price increases, and the positive impact of currency translation, primarily in South Africa, of approximately $70 million. Negative results in the retail business, as a result of the net impact of volume, price and product mix and currency translation, of approximately $32 million unfavorably affected 2004 revenues.

Segment operating income in the 2004 third quarter increased approximately $16 million, or 37.5%, from the 2003 quarter. Segment operating income for the 2004 period was favorably impacted by improved pricing and

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product mix of approximately $18 million, related to strong sales of high performance tires, winter tires and truck tires, and approximately $5 million related to higher volume, primarily due to increased sales in all countries except Poland and Morocco. Currency translation of approximately $4 million also had a positive impact on operating income. Higher SAG costs of approximately $2 million, conversion costs of approximately $2 million, and increases in raw material prices of approximately $6 million negatively impacted the 2004 period.

Segment operating income in the first nine months of 2004 increased approximately $49 million, or 50.0%, from the 2003 period. Segment operating income for the 2004 period was favorably impacted by approximately $46 million due to price increases and the sale of high performance tires, winter tires and truck tires, by approximately $15 million related to higher volume, largely in Turkey, Russia, South Africa and Central Eastern Europe and by approximately $8 million due to the favorable impact of currency translation. Increased raw material prices of $6 million and SAG costs of approximately $12 million, due primarily to increased advertising costs related to new product launches negatively impacted 2004 earnings.

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, continued increases in raw material and energy prices, continued volatile economic conditions and currency translation.

Latin American Tire

	Restated							
	Three Months Ended September 30,				**Nine Months Ended September 30,**			
(In millions)	**2004**	**2003**	**Change**	**Percent Change**	**2004**	**2003**	**Change**	**Percent Change**
Tire Units	4.9	4.7	0.2	5.1%	14.5	13.8	0.7	5.8%
Sales	$ 315.7	$ 262.1	$ 53.6	20.5	$ 909.7	$ 752.1	$ 157.6	21.0
Segment Operating Income	63.9	44.0	19.9	45.2	187.4	104.8	82.6	78.8
Segment Operating Margin	20.2%	16.8%			20.6%	13.9%		

Latin American Tire segment unit sales in the 2004 third quarter increased 0.2 million units or 5.1% from the 2003 period. Replacement sales were relatively flat, while OE volume increased 0.2 million units or 19.9%. Unit sales in the first nine months of 2004 increased 0.7 million units or 5.8% from the 2003 period. Replacement volume increased 0.7 million units or 7.4% due to improved commercial and consumer demand, while OE volume was relatively flat.

Revenues in the 2004 third quarter increased approximately $54 million, or 20.5%, from the 2003 period. Net sales increased in 2004 due to price increases and improved product mix, primarily in the replacement market, of approximately $36 million. Higher volume, largely in the OE markets, of approximately $16 million and approximately $2 million of non-tire business partially offset the unfavorable impact of currency translation, mainly in Venezuela, of approximately $5 million compared to the 2003 third quarter.

For the first nine months of 2004, revenues increased approximately $158 million, or 21.0%, compared to 2003 primarily due to both price increases and improved product mix in the replacement market of approximately $98 million. Additionally, increased volume of approximately $49 million and the positive effects of currency translation in Brazil and Chile of approximately $4 million benefited 2004 revenues.

Segment operating income in the 2004 third quarter increased approximately $20 million (as restated), or 45.2%, from the 2003 period. Segment operating income was favorably impacted by approximately $30 million related to improvements in pricing levels and product mix. The benefit from higher volume of approximately $2 million, largely in the OE market, and the savings from rationalization actions of approximately $1 million partially offset negative effects of rising raw material costs of approximately $9 million and productivity declines of approximately $3 million.

Segment operating income in the first nine months of 2004 increased approximately $83 million (as restated), or 78.8%, from the 2003 period due primarily to approximately $87 million related to price increases and

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improved product mix in the replacement markets. Volume increases of approximately $11 million, savings from rationalization programs of approximately $5 million and lower conversion costs of approximately $1 million also favorably impacted 2004 segment operating income. Partially offsetting these positive effects were rising raw material costs of approximately $19 million and higher SAG costs of approximately $7 million, related in part to higher advertising costs.

Segment operating income did not include in the first nine months rationalization charges totaling $2.4 million in 2004 and $5.5 million in 2003. Third quarter rationalization charges were $0.6 million in 2004.

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, continued increases in raw material and energy prices, continued volatile economic and government conditions, future adverse economic conditions in the region and currency translation.

Asia/Pacific Tire

		Restated						
	Three Months Ended September 30,				**Nine Months Ended September 30,**			
(In millions)	**2004**	**2003**	**Change**	**Percent Change**	**2004**	**2003**	**Change**	**Percent Change**
Tire Units	4.8	3.2	1.6	49.6%	14.6	10.0	4.6	46.0%
Sales	$ 319.9	$ 140.1	$ 179.8	128.3	$ 970.5	$ 429.9	$ 540.6	125.8
Segment Operating Income	19.5	10.3	9.2	89.3	44.5	36.2	8.3	22.9
Segment Operating Margin	6.1%	7.4%			4.6%	8.4%		

Asia/Pacific Tire segment unit sales in the 2004 third quarter increased 1.6 million or 49.6% from the 2003 period. Replacement unit sales increased 1.4 million or 64.2% and OE volume increased 0.2 million units or 19.7%. Tire units increased by approximately 1.6 million units due to the consolidation of South Pacific Tyres (SPT) in accordance with FIN 46. Unit sales in the first nine months of 2004 increased 4.6 million units or 46.0% from the 2003 period. Replacement sales increased 4.1 million units or 61.0%, while OE volume increased 0.5 million units or 15.7%. During 2004, tire units increased by approximately 4.7 million units due to the consolidation of SPT.

Revenues in the 2004 third quarter increased approximately $180 million (as restated), or 128.3%, compared to the 2003 period due primarily to the consolidation of SPT which benefited 2004 sales by approximately $168 million. Also benefiting 2004 sales was improved pricing and product mix of approximately $11 million.

For the first nine months of 2004, revenues increased approximately $541 million (as restated), or 125.8%, compared to the 2003 period primarily due to the consolidation of SPT which benefited 2004 sales by approximately $523 million. Additionally, price increases and improved product mix increased revenues by approximately $19 million.

Segment operating income in the third quarter increased approximately $9 million (as restated), or 89.3%, compared to the 2003 period due to improved pricing and product mix of approximately $10 million and lower conversion costs of approximately $2 million offsetting higher raw material costs of approximately $9 million. The consolidation of SPT increased 2004 segment operating income by approximately $6 million (as restated); however, reduced segment operating margin to 6.1% (as restated) in 2004 from 7.4% in 2003.

For the first nine months of 2004, segment operating income increased approximately $8 million (as restated), or 22.9%, compared to the 2003 period due to price increases and improved product mix of approximately $21 million and lower conversion costs of approximately $4 million. Increases in raw material costs of approximately $15 million, higher SAG expenses of approximately $4 million and volume declines of approximately $2 million negatively impacted segment operating income in 2004. The consolidation of SPT increased 2004 segment operating income by approximately $4 million (as restated); however, reduced segment operating margin to 4.6% in 2004 from 8.4% in 2003.

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Segment operating income in the first nine months of 2003 did not include a gain on sale of assets of $2.1 million.

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

Engineered Products

	Three Months Ended September 30,			Restated	Nine Months Ended September 30,			
(In millions)	**2004**	**2003**	**Change**	**Percent Change**	**2004**	**2003**	**Change**	**Percent Change**
Sales	$ 377.2	$ 299.9	$ 77.3	25.8%	$ 1,090.0	$ 890.8	$ 199.2	22.4%
Segment Operating Income	34.0	13.6	20.4	150.0	88.8	25.0	63.8	255.2
Segment Operating Margin	9.0%	4.5%			8.1%	2.8%		

Engineered Products revenues increased approximately $77 million, or 25.8%, in the third quarter of 2004 from the 2003 period due largely to improved volume of approximately $56 million and favorable product mix of approximately $16 million, both as a result of strong military and industrial, OE and replacement sales. The favorable effect of currency translation of approximately $5 million, mainly in Canada, Brazil, Australia and Europe, also benefited the 2004 revenues.

Revenues increased approximately $199 million, or 22.4%, in the first nine months of 2004 from the 2003 period, due largely to increases in volume of approximately $144 million due mainly to improved military and OE sales. Favorable product mix of approximately $28 million, largely as a result of strong sales of military and OE and currency translation of approximately $27 million, mainly in Canada, South Africa, Australia and Europe also favorably impacted 2004 revenues.

Segment operating income increased approximately $20 million (as restated), or 150.0%, in the third quarter of 2004 compared to the 2003 period due primarily to increased volume of approximately $25 million, due mainly to the military and industrial businesses. Additionally, 2004 segment operating income was favorably impacted by savings from rationalization actions of approximately $7 million and price increases and improved product mix of approximately $1 million. The 2004 quarter was unfavorably impacted by approximately $3 million in higher conversion costs, approximately $1 million of higher freight costs and approximately $8 million of higher SAG costs to support increased sales levels. Also negatively impacting the 2004 third quarter were increased raw material costs of approximately $1 million.

For the first nine months of 2004, segment operating income increased approximately $64 million (as restated), or 255.2%, in 2004 compared to the 2003 period due primarily to a $57 million increase in volume, mainly due to military and industrial sales. Savings from rationalization actions of approximately $18 million also contributed to the increase. The 2003 first quarter included approximately $19 million of charges related to account reconciliation adjustments made in connection with the restatement. 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. Increased conversion costs of approximately $8 million, higher SAG costs to support increased sales levels of approximately $11 million, increased freight costs of approximately $5 million and facility start-up costs of approximately $2 million unfavorably impacted 2004 segment operating income.

Segment operating income in the first nine months of 2004 did not include gains on sales of assets of $1.3 million or rationalization charges totaling $22.8 million, including $22.6 million in the third quarter. Segment operating income in the first nine months of 2003 did not include a third quarter loss on sale of assets of $6.3 million or rationalization charges of $20.5 million, including third quarter charges of $17.3 million.

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

Chemical Products

	Three Months Ended September 30,				Nine Months Ended September 30,			
(In millions)	2004	2003	Change	Percent Change	2004	2003	Change	Percent Change
Sales	$ 395.8	$ 306.7	$ 89.1	29.1%	$ 1,130.8	$ 909.8	$ 221.0	24.3%
Segment Operating Income	45.4	27.4	18.0	65.7	130.5	79.4	51.1	64.4
Segment Operating Margin	11.5%	8.9%			11.5%	8.7%		

Chemical Products revenues increased approximately $89 million, or 29.1%, in the 2004 third quarter compared to the 2003 period. Approximately 65% of the total pounds of synthetic materials sold by the Chemical Products segment in 2004 were to Goodyear s other segments. Higher volume of approximately $20 million and higher net selling prices resulting from the pass through of increased raw material and energy costs of approximately $45 million also favorably impacted 2004 revenues. Natural rubber plantations, a rubber processing facility and natural rubber purchasing operations are included in the Chemical Products segment. Revenues in the third quarter of 2004 benefited from increased volume from the natural rubber operations of approximately $22 million.

Revenues in the first nine months of 2004 increased approximately $221 million, or 24.3%, from the 2003 period due to higher volume of approximately $68 million, increased net selling prices of approximately $79 million resulting from the pass through of rising raw material and energy costs and by approximately $8 million due to the positive impact of currency translation. Additionally, natural rubber operations contributed approximately $66 million to revenue increases in the first nine months of 2004.

Segment operating income in the 2004 third quarter increased approximately $18 million, or 65.7%, from the 2003 period primarily due to improved pricing and product mix of approximately $24 million, improved conversion costs of approximately $10 million, higher volume of approximately $4 million and by approximately $2 million due to the positive impact of currency translation. Additionally, natural rubber operations contributed approximately $2 million of the improvement through pricing and volume. The increases were partially offset by higher raw material prices of approximately $25 million.

For the first nine months of 2004, segment operating income increased approximately $51 million, or 64.4%, from the 2003 period. Higher net selling prices of approximately $34 million, higher volume of approximately $12 million, improved conversion costs of approximately $14 million and favorable currency translation of approximately $8 million favorably impacted segment operating income in 2004. The natural rubber operations contributed approximately $9 million of the improvement through pricing and volume. Partially offsetting these positive effects were rising raw material costs of approximately $28 million.

Although the Company had previously announced its intention to explore the possible sale of the Chemical business, on July 21, 2004, the Company announced its intention to retain this business. The Company, however, is exploring the possible sale of certain assets of the segment.

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 continued increases in raw material and energy prices. Segment operating income in the first nine months and third quarter of 2004 did not include rationalization charges totaling $4.9 million.

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LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2004, the Company had $1.60 billion in cash and cash equivalents as well as $841.8 million (as restated) of unused availability under its various credit agreements, compared to $1.55 billion (as restated) and $335.0 million at December 31, 2003, and $1.03 billion and $529.7 million at September 30, 2003.

The Company s ability to service its debt depends in part on the results of operations of its subsidiaries and upon the ability of its subsidiaries to make distributions of cash to the Company, whether in the form of dividends, loans or otherwise. In recent years, the Company s foreign subsidiaries have been a significant source of cash flow for the Company. In certain countries where the Company operates, transfers of funds into or out of such countries are generally or periodically subject to various restrictive governmental regulations and there may be adverse tax consequences to such transfers. In addition, certain of the Company s credit agreements and other debt instruments restrict the ability of foreign subsidiaries to make distributions of cash to the Company.

OPERATING ACTIVITIES

Net cash flow from operating activities was $1.2 million (as restated) during the first nine months of 2004, as reported on the Company s Consolidated Statement of Cash Flows, consisting primarily of net loss of $9.8 million (as restated), adjusted for non-cash items, including depreciation and amortization and rationalization charges of $460.8 million (as restated) and $32.0 million respectively, as well as the following operating sources and uses of cash.

Operating uses of cash included an increase in accounts receivable of $940.4 million (as restated). Accounts receivable increase reflecting seasonal growth, as well as higher sales, the impact of consolidating SPT and T&WA under the provisions of FIN 46 in 2004 compared to the 2003 period.

Operating sources of cash included an increase in liability for compensation and benefits of $360.9 million (as restated), excluding $119.4 million of pension contributions, net other assets and liabilities of $114.3 million (as restated) and United States and foreign current taxes payable of $75.9 million (as restated). The increase in the liability for compensation and benefits is largely attributed to increases in the pension and post retirement medical benefits liabilities, as well as the consolidation of SPT and T&WA. The source of cash from changes in net other liabilities is primarily attributed to increases in general & product liability discontinued products reserves and net deferred tax liabilities. The increase in United States and foreign current taxes payable is attributed to an increase in value added taxes and in foreign current taxes payable due to the improving performance of our foreign businesses.

INVESTING ACTIVITIES

Net cash used in investing activities was $290.3 million (as restated) during the first nine months of 2004. Capital expenditures were $278.3 million, and were primarily for plant modernizations and new tire molds. Capital expenditures are expected to approximate $488 million in 2004.

	Restated			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In millions)	**2004**	**2003**	**2004**	**2003**
Capital Expenditures	$ 113.4	$ 82.9	$ 278.3	$ 266.3
Depreciation and Amortization	150.7	158.0	460.8	459.9

FINANCING ACTIVITIES

Net cash provided by financing activities was $365.4 million (as restated) during the first nine months of 2004.

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

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(In millions)	September 30, 2004	Restated December 31, 2003	September 30, 2003
Consolidated Debt	$ 5,660.5	$ 5,086.0	$ 4,944.8
Debt to Debt and Equity	100.9%	100.6%	98.7%

Credit Sources

In aggregate, the Company had committed and uncommitted credit facilities of $7.00 billion (as restated) available at September 30, 2004, of which $841.8 million (as restated) were unused, compared to $5.90 billion available at December 31, 2003, of which $335.0 million were unused and $5.90 billion available at September 30, 2003 of which $529.7 million were unused.

$350 Million Convertible Note Offering

On July 2, 2004, the Company completed an offering of $350 million aggregate principal amount of 4.00% convertible senior notes due June 15, 2034. The notes are convertible into shares of the Company s common stock initially at a conversion rate of 83.07 shares of common stock per $1,000 principal amount of notes, which is equal to an initial conversion price of $12.04 per share. The proceeds of notes were used to temporarily repay a revolving credit facility and for working capital purposes.

$650 Million Senior Secured Notes

On March 12, 2004, the Company completed a private offering of $650 million in senior secured notes, consisting of $450 million of 11% senior secured notes due 2011 and $200 million of floating rate notes at LIBOR plus 8% due 2011. The proceeds of the notes were used to prepay the remaining outstanding amount under the Company s U.S. term facility, to permanently reduce its commitment under the U.S. revolving credit facility by $70 million, and for general corporate purposes.

U.S. Deposit-Funded Credit Facility

On August 18, 2004, Goodyear refinanced its then existing $680 million U.S. revolving credit facility with a U.S. deposit-funded credit facility, which is a synthetic revolving credit and letter of credit facility, pursuant to which the lenders deposited the entire $680 million of the facility in an account held by the administrative agent, and those funds are used to support letters of credit or borrowings on a revolving basis, in each case subject to customary conditions. The lenders under the new facility will receive annual compensation on the amount of the facility equivalent to 450 basis points over LIBOR. The full amount of the facility is available for the issuance of letters of credit or for revolving loans. The $500.7 million of letters of credit that were outstanding under the U.S. revolving credit facility as of June 30, 2004 were transferred to the deposit-funded credit facility. As of September 30, 2004, there were no borrowings under the facility and $500.5 million of letters of credit issued under the facility. The facility matures on September 30, 2007.

Goodyear s obligations under the deposit-funded credit facility are guaranteed by most of its wholly-owned U.S. subsidiaries and by its direct Canadian subsidiary, Goodyear Canada Inc. Goodyear s obligations under this facility and its subsidiaries obligations under the related guarantees are secured by collateral that includes:

subject to certain exceptions, perfected first-priority security interests in the equity interests in its U.S. subsidiaries and 65% of the equity interests in our non-European foreign subsidiaries;

a perfected second-priority security interest in 65% of the capital stock of Goodyear Finance Holding S.A.;

perfected first-priority security interests in and mortgages on its U.S. corporate headquarters and certain of its U.S. manufacturing facilities;

perfected third-priority security interests in all accounts receivable, inventory, cash and cash accounts pledged as security under the Company s asset-backed facilities; and

perfected first-priority security interests in substantially all other tangible and intangible assets, including equipment, contract rights and intellectual property.

The bond agreement for Goodyear s Swiss Franc bonds limits the Company s ability to use its U.S. tire and automotive parts manufacturing facilities as collateral for secured debt without triggering a requirement that holders of the Swiss Franc bonds be secured on an equal and ratable basis. The manufacturing facilities indicated above were pledged to ratably secure Goodyear s Swiss Franc bonds to the extent required by the bond agreement. However, the aggregate amount of debt secured by these manufacturing facilities is limited to 15% of Goodyear s positive consolidated shareholders equity, in order that the security interests granted to the lenders under the U.S. senior secured funded credit facility not be required to be shared with the holders of debt outstanding under the Company s other existing unsecured bond indentures.

The deposit-funded credit facility contains certain covenants that, among other things, limit Goodyear s ability to incur additional unsecured and secured indebtedness (including a limit, subject to certain exceptions, of 275 million Euros in accounts receivable transactions), make investments and sell assets beyond specified limits. The facility prohibits Goodyear from paying dividends on its common stock. Goodyear must also maintain a minimum consolidated net worth (as such term is defined in the deposit-funded credit facility) of at least $2.0 billion for quarters ending in 2004 and 2005 and the first quarter of 2006 and $1.75 billion for the last three quarters of 2006 and the first three quarters of 2007. Goodyear is not permitted to allow the ratio of Consolidated EBITDA to consolidated interest expense to fall below a ratio of 2.00 to 1.00 for any period of four consecutive fiscal quarters. In addition, Goodyear s ratio of consolidated senior secured indebtedness to Consolidated EBITDA is not permitted to be greater than 4.00 to 1.00 at any time.

$645 Million Senior Secured U.S. Term Facility

As of March 12, 2004, all outstanding amounts under the facility were prepaid and the facility was retired. At December 31, 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.

$680 Million Senior Secured U.S. Revolving Credit Facility

As of August 18, 2004, all outstanding amounts under the facility were prepaid and the facility was retired. In addition, $500.7 million of letters of credit issued under the facility were transferred to the Company s $680 million senior secured deposit funded credit facility.

$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. As of September 30, 2004, December 31, 2003 and September 30, 2003, each of these facilities were fully drawn.

$1.95 Billion Senior Secured Asset-Backed Credit Facilities

In April 2003, the Company 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, 2004, there were no borrowings and $800 million drawn against the revolving credit and term loan asset-backed facilities, respectively, compared to $389 million and $800 million at December 31, 2003. On

September 30, 2003, there were borrowings of $357 million and $800 million under the revolving credit and term loan asset-backed facilities, respectively. On February 20, 2004, the Company added a $650 million term loan tranche to the existing $1.30 billion facility, which was fully drawn as of September 30, 2004. The $650 million tranche was used partially to prepay its U.S. term loan facility, to repay other indebtedness of the Company, and for general corporate purposes.

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Registration Obligations

The Company has entered into two registration rights agreements in connection with its private placements of $350 million of convertible notes in July 2004 and $650 million of senior secured notes in March 2004. With respect to the convertible notes, the registration rights agreement requires the Company to pay additional interest (at a rate of 0.25% per year for the first 90 days and 0.50% per year thereafter) to investors if the Company does not file a registration statement to register the convertible notes by November 7, 2004 or if such registration statement is not declared effective by the SEC by December 31, 2004. The Company did not file a registration statement for the convertible notes by November 7, 2004, and as a result, anticipates that it will pay additional interest until such time as a registration statement is filed. With respect to the senior secured notes, the registration rights agreement requires the Company to pay additional interest (1.0% per year for the first 90 days, increasing in increments of 0.25% every 90 days thereafter, to a maximum of 2.00% per year) to investors if a registered exchange offer for the notes is not completed by December 7, 2004. The Company does not expect to complete the exchange offer by December 7, 2004, and as a result, anticipates that it will pay additional interest until an exchange offer for the secured notes is completed. If the rate of additional interest payable reaches 2.00% per year then the interest rate for the secured notes will be permanently increased by 0.25% per annum after the exchange offer is completed.

Consolidated EBITDA

Under its primary credit facilities, Goodyear is not permitted to allow the ratio of consolidated EBITDA to consolidated interest expense to fall below 2.00 to 1.00 (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.

The following table presents the calculation of EBITDA and Consolidated EBITDA for the three and nine month periods ended September 30, 2004 and 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.

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	Restated			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2004**	**2003**	**2004**	**2003**
Net Income/(Loss)	**$ 38.5**	**$ (120.3)**	**$ (9.8)**	**$ (380.4)**
Consolidated Interest Expense	98.2	84.5	275.2	235.9
Income Tax	28.3	1.9	145.0	50.2
Depreciation and Amortization Expense	150.7	158.0	460.8	459.9
EBITDA	**$ 315.7**	**$ 124.1**	**$ 871.2**	**$ 365.6**
Credit Agreement Adjustments:				
Other (Income) and Expense	23.5	80.3	91.4	189.5
Foreign Currency Exchange	10.6	10.9	14.5	31.3
Equity in (Earnings) Losses of Affiliates	(2.1)	0.5	(5.8)	6.7
Minority Interest in Net Income of Subsidiaries	18.7	8.7	43.4	30.8
Non-Cash, Non-Recurring Items				7.5
Rationalizations	28.8	54.3	62.6	130.4
Less Excess Cash Rationalization Charges		(8.9)		(12.9)
Consolidated EBITDA	**$ 395.2**	**$ 269.9**	**$ 1,077.3**	**$ 748.9**

The Company is subject to additional financial covenants in its primary credit facilities as described in its 2003 Form 10-K. As of September 30, 2004, the Company was in compliance with each of the financial covenants.

Capital Expenditures

The capital expenditure limit in the Company s U.S. credit facilities for 2004 is approximately $1.1 billion as a result of capital market transactions completed during the first nine months of 2004 and unused capital expenditures carried over from 2003. During the first nine months of 2004, capital expenditures totaled approximately $278 million. Capital expenditures are expected to approximate $488 million in 2004.

Foreign Credit Facilities

As of September 30, 2004, Goodyear had short-term committed and uncommitted bank credit arrangements totaling $386.2 million (as restated), of which $144.1 million (as restated) were unused, compared to $347.0 million and $209.4 million at December 31, 2003. In addition, as of September 30, 2004, Goodyear had availability under long-term committed credit facilities of $63.1 million. Of this amount, $5.1 million is related to the consolidation of VIEs.

Non-Domestic Accounts Receivable Securitization Facilities

As of September 30, 2004, international subsidiaries of Goodyear had $106.6 million (as restated) of borrowings under non-domestic accounts receivable securitization facilities compared to $122.8 million and $152.0 million at December 31, 2003 and September 30, 2003, respectively. As of September 30, 2004, the amount outstanding and fully utilized under the program maintained by GDTE totaled $102.1 million. The Company is currently working to refinance this facility and the commitment period has been extended. If the Company is unable to replace this facility, the Company would pursue other short-term financing alternatives.

Credit Ratings

On May 25, 2004, Standard & Poor s lowered the Company s Corporate Rating from BB- to B+ and removed the Company from CreditWatch with a stable outlook. Standard & Poor s also maintained its B+ rating on the Company s U.S. revolving credit facility and reduced the ratings on its other facilities as follows: European facilities from BB- to B+; Senior Secured Asset-Backed facilities from BB+ to BB; recent $650 million Asset-Backed tranche from B+ to B; and senior unsecured debt rating from B to B-.

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 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.

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, 4) implement brand and distribution strategies and 5) 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 master contract with the USWA ratified in 2003. Based in part on success in implementing the turnaround strategy, North American Tire had stronger operating results in the first nine months and third quarter of 2004 than in comparable periods of 2003. However, additional progress in implementing the turnaround strategy is needed to achieve a satisfactory level of profitability in the North American Tire business segment. If the goals of the turnaround strategy are not met, the Company will not be able to achieve or sustain future profitability which would impair its ability to meet its debt service obligations and otherwise negatively affect its operations. There is no assurance that the Company will successfully implement this turnaround strategy. In particular, this strategy and the Company s liquidity could be affected adversely by trends that affected the North American Tire segment negatively 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, impacted negatively by higher raw materials and energy prices. During the first nine months of 2004, the market price of natural rubber, one of our most important raw materials, increased approximately 20% versus the same period in the prior year. In addition, the market price of oil, an important feedstock for several other raw materials, increased 25% versus the same period in the prior year. Based on a combination of the Company s inventory turns and raw material shipment lead times, market price fluctuations in raw materials typically impact the Company s CGS three to six months subsequent to the raw material purchase date. Furthermore, market conditions may prevent us from passing these increases on to our customers through timely price increases. Goodyear has retained The Blackstone Group L.P. and Bain & Company to provide consulting advice on the turnaround strategy and other possible strategic initiatives to maximize shareholder value.

Future Liquidity Requirements

As of September 30, 2004, the Company had $1.60 billion in cash and cash equivalents, of which $796.1 million was held in the United States and $261.4 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. As of September 30, 2004, approximately $195.5 million of cash was held in locations where significant tax or legal impediments would make it difficult or costly to execute monetary transfers. Based upon the Company s projected operating results, the Company expects 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, minimum pension funding requirements and capital expenditures through September 30, 2005.

At September 30, 2004, the Company also had $841.8 million (as restated) of unused availability under its various credit agreements.

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The Company s liquidity may be materially adversely affected by a significant amount of debt maturing in 2005 and 2006 and substantial required contributions to be made to its defined benefit pension plans in 2004, 2005 and beyond. The aggregate amount of long-term debt maturing in calendar years 2005 and 2006 is approximately $1.22 billion and $1.90 billion, respectively. Included in these amounts is $650.0 million related to our primary European credit facilities maturing in 2005 and $1.45 billion related to our asset-backed facilities maturing in 2006. These facilities will have to be refinanced in the capital markets if they are not renewed by the existing lenders. Because of our debt ratings, operating performance over the past few years and other factors, access to such markets cannot be assured. The Company s ongoing ability to access the capital markets is highly dependent on the degree of success it has implementing its North American Tire turnaround strategy. In addition to facilitating access to the capital markets, successful implementation of the turnaround strategy is also crucial to ensuring that the Company has sufficient cash flow from operations to meet its obligations. There is no assurance that the Company will have a sufficient degree of success implementing its turnaround strategy to maintain access to capital markets and meet liquidity requirements. Failure to complete the turnaround strategy successfully could have a material adverse effect on the Company s financial position, results of operations and liquidity.

In addition to the commitments summarized above, Goodyear is required to make contributions to its domestic defined benefit pension plans. These contributions are required under the minimum funding requirements of the Employee Retirement Income Security Act (ERISA). Although subject to change, Goodyear expects to be required by ERISA to make contributions to its domestic pension plans of approximately $160 million in 2004 and approximately $425 million to $450 million in 2005. The expected contributions are based upon participant data as of January 1, 2004, and assume a stable population in future years. In calculating these estimates, the Company relied on a number of assumptions, including (i) an ERISA liability interest rate of 6.53% and 6.11% for the 2004 and 2005, respectively, (ii) plan asset returns of 3.8% in 2004 and (iii) the effect of legislation signed into law in 2004 providing for changes to ERISA law in 2004 providing for changes to ERISA funding requirements. Funding estimates for 2005 had assumed an ERISA liability interest rate of 6.78% for 2005, and 2004 asset returns of 8.5%. The new estimates for these items are based upon bond rates and asset returns as of September 30, 2004. For the three and nine month periods ended September 30**,** 2004, the Company contributed $60.6 million and $73.9 million, respectively, to its domestic plans. The estimates of the contributions required in 2004 and 2005 reflect legislation passed by Congress in 2004 providing for changes to ERISA funding requirements permitting the deferral of certain contributions that would otherwise have been required in 2004 and 2005 to subsequent periods. Goodyear will be subject to additional statutory minimum funding requirements after 2005. Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as interest rate levels, the amount and timing of asset returns, and whether the Company makes contributions in excess of those required, and what, if any, changes may occur in legislation, Goodyear is not able to reasonably estimate its future required contributions beyond 2005. Nevertheless, Goodyear expects that the amount of contributions required in years beyond 2005 will be substantial. In particular, the funding relief provided under current law expires at the end of 2005. As a result, if funding relief is not extended or renewed, Goodyear expects that its minimum funding obligations in 2006 would be substantially greater than in 2005. In 2004, in addition to required domestic plan contributions, Goodyear expects to contribute approximately $60 million to its funded pension plans. For the three and nine month periods ended September 30, 2004, the Company contributed $15.0 million and $45.5 million, respectively, to foreign plans.

Goodyear s postretirement benefit plans will require amounts to cover benefit payments in the future. Benefit payments are expected to be approximately $285 million in 2004, $300 million in 2005 and $300 million in 2006. These estimates are based upon the plan provisions currently in effect. Ultimate payments are expected to be $3.1 billion as calculated on December 31, 2003. The majority of these payments would be made more than five years hence.

Although the Company is highly leveraged, it may become necessary for it to incur additional debt to ensure that it has adequate liquidity. A substantial portion of the Company s assets is already subject to liens securing its indebtedness. The Company is limited in its ability to pledge its remaining assets as security for additional secured indebtedness. In addition, unless the Company s financial performance improves, its ability to raise unsecured debt may be significantly limited.

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The Company s master contract with the USWA committed the Company 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 or the USWA would have the right to file a grievance and strike. On March 12, 2004, the Company completed a private offering of $650 million in senior secured notes due 2011, consisting of $450 million of 11% senior secured notes and $200 million of floating rate notes at LIBOR plus 8%. On July 2, 2004, the Company completed a private offering of $350 million in 4% convertible senior notes due 2034 (an equity-linked security). Under the master contract the Company 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. The Company completed the refinancing of the U.S. term loan in March 2004 and refinanced the U.S. revolving credit facility in August 2004. In the event of a strike by the USWA, the Company s financial position, results of operations and liquidity could be materially adversely affected.

The Company is subject to various legal proceedings, including those described in Note 7, Commitments and Contingent Liabilities. In the event the Company wishes to appeal any future adverse judgment in any proceeding, it would be required to post an appeal bond with the relevant court. If the Company does not have sufficient availability under its U.S. funded 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.

A substantial portion of Goodyear s borrowings is at variable rates of interest and exposes the Company to interest rates risk. If interest rates rise, the Company s debt service obligations would increase. An unanticipated significant rise in interest rates could have a material adverse effect on the Company s liquidity in future periods.

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COMMITMENTS & CONTINGENCIES

The following table presents, at September 30, 2004, 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, 2004			
Contractual Obligations	**Total**	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**	**After 5 Years**
Long Term Debt (1)	$ 5,605.1	$ 1,445.4	$ 1,626.7	$ 590.5	$ 100.6	$ 1.4	$ 1,840.5
Capital Lease Obligations (2)	82.1	10.1	8.8	7.9	7.8	7.1	40.4
Interest Payments (3)	1,820.0	355.9	247.8	171.2	150.5	147.2	747.4
Operating Leases (4)	1,502.9	307.6	257.3	199.0	145.3	108.2	485.5
Pension Benefits (5)	657.5	220.0	437.5	(5)	(5)	(5)	(5)
Other Post Retirement Benefits (6)	3,080.0	285.0	300.0	300.0	270.0	260.0	1,665.0
Workers Compensation (7)	250.0	50.0	40.0	35.0	30.0	25.0	70.0
Binding Commitments (8)	563.9	531.6	14.3	2.7	2.2	2.1	11.0
Total Contractual Cash Obligations	$ 13,561.5	$ 3,205.6	$ 2,932.4	$ 1,306.3	$ 706.4	$ 551.0	$ 4,859.8

(1) Long-term debt payments include notes payable and reflect long-term debt maturities as of September 30, 2004. In connection with the Company s financing activities in the first quarter of 2004, our long-term debt commitments in 2005 and 2006 were reduced by $665 million and $64 million, respectively.

(2) The present value of capital lease obligations is $55.4 million.

(3) These amounts represent estimated future interest payments related to our existing current debt obligations based on fixed and variable interest rates specified in the associated debt agreements. Payments related to variable debt are based on the six-month LIBOR rate at September 30, 2004 plus the specified margin in the associated debt agreements for each period presented. The amounts provided relate only to existing debt obligations and do not assume the refinancing or replacement of such debt.

(4) Operating leases do not include minimum sublease rentals of $51.2 million, $42.6 million, $33.9 million, $25.5 million, $17.2 million, and $29.6 million in each of the periods above, respectively, for a total of $200.0 million. Net operating lease payments total $1,303.0 million. The present value of operating leases is $763.0 million. 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.

(5) The obligation related to pension benefits is actuarially determined and is reflective of obligations as of December 31, 2003. The amounts set forth in the table represent Goodyear s estimated minimum funding

requirements for its domestic defined benefit pension plans under the Employee Retirement Income Security Act (ERISA) for 2004 and 2005 and $60 million of expected contributions to its funded international pension plans in 2004. Goodyear expects to be required to fund contributions to its domestic defined benefit pension plans of $160 million in 2004, and approximately $425 million to $450 million in 2005. The estimated amount set forth in the table above for 2005 represents the approximate mid-point of this range. The expected contributions are based upon participant data as of January 1, 2004, and assume a stable population in future years. In calculating these estimates, the Company relied on a number of assumptions, including (i) and ERISA liability interest rate of 6.53% and 6.11% for 2004 and 2005, respectively, (ii) plan asset returns of 3.8% in 2004, and (iii) the effect of legislation signed into law in 2004 providing for changes to ERISA funding requirements. Prior funding estimates for 2005 had assumed an ERISA liability interest rate of 6.67% for 2005, and 2004 asset returns of 8.5%. The new estimates for these items are based upon bond rates and asset returns as of September 30, 2004. Goodyear will be subject to additional statutory minimum funding requirements after 2005. Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as interest rate levels, the amount and timing of asset returns and whether the Company makes contributions in excess of the minimum requirements, and what, if any, changes may occur in legislation, Goodyear is not able to reasonably estimate its future required contributions beyond 2005. Nevertheless, Goodyear expects the amount of contributions required in years beyond 2005 will be substantial. In particular, the funding relief provided under current law expires at the end of 2005. As a result, if funding relief is not extended or renewed, Goodyear expects that its minimum funding obligations in 2006 would be substantially greater than in 2005.

(6) The payments for post-retirement benefits reflect the estimated benefit payments of the plans using the provisions currently in effect. The Company reserves the right to modify or terminate the plans at any time. The obligation related to post-retirement benefits is actuarially determined on an annual basis.

(7) The payments for workers compensation are based upon recent historical payment patterns.

(8) 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.

Additional other long-term liabilities include items such as income taxes, general and product liabilities, environmental liabilities and miscellaneous other long-term liabilities. These other liabilities are not contractual obligations by nature. The Company cannot, with any degree of reliability, determine the years in which these liabilities might ultimately be settled. Accordingly, these other long-term liabilities are not included in the above table.

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

The terms and conditions of Goodyear s global alliance with Sumitomo as set forth in the Umbrella Agreement between Goodyear and Sumitomo provide for certain minority exit rights available to Sumitomo commencing in 2009. In addition, the occurrence of certain other events enumerated in the Umbrella Agreement, including certain bankruptcy events or changes in control of Goodyear, could trigger a right of Sumitomo to require Goodyear to purchase these interests immediately. Sumitomo s exit rights, in the unlikely event of exercise, could require Goodyear to make a substantial payment to acquire Sumitomo s interest in the alliance.

Pursuant to an agreement entered into in 2001, Ansell Ltd. (Ansell) has the right, during the period beginning August 2005 and ending one year later, to require Goodyear to purchase Ansell s 50% interest in SPT. The purchase price is a formula price based on the earnings of SPT, subject to various adjustments. 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.

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. The Company will, however, from time to time, enter into contracts to hedge its energy costs.

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Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under certain derivative instruments or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company, or that engages in leasing, hedging or research and development arrangements with the Company.

(In millions)	Amount of Commitment Expiration per Period						
	Total	**1st Year**	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**	**Thereafter**
Customer Financing Guarantees	$ 7.5	$ 2.7	$ 0.6	$ 0.1	$ 0.2	$ 0.1	$ 3.8
Affiliate Financing Guarantees	9.8			4.9	4.9		
Other Guarantees	0.7				0.2		0.5
Off-Balance Sheet Arrangements	$ 18.0	$ 2.7	$ 0.6	$ 5.0	$ 5.3	$ 0.1	$ 4.3

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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 that 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 ident forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Form 10-Q/A. 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, as described in Item 9A of our 2004 Form 10-K, as of December 31, 2004, we had two material weaknesses in our internal controls. If these material weaknesses are not remediated or otherwise mitigated they could result in material misstatements in our financial statements in the future, which would result in additional restatements or impact our ability to timely file our financial statements in the future;

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

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

we have experienced significant losses in 2001, 2002 and 2003. Although we recorded net income in 2004, we cannot provide assurance that we will be able to achieve or sustain future profitability. Our future profitability is dependent upon our ability to continue to successfully implement our turnaround strategy for our North American Tire Segment;

we face significant global competition, 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;

a 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 the underfunded levels of our plans. 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 is dependent on 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 healthcare costs continue to escalate, 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;

potential changes in foreign laws and regulations could prevent repatriation of future earnings to our parent Company;

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 in 2009 or thereafter, 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.

ITEM 4. CONTROLS AND PROCEDURES.

Overview.

This Quarterly Report on Form 10-Q/A reflects adjustments made pursuant to the restatements included in the 2003 Form 10-K as well as the restatements included in the 2004 Form 10-K. Please refer to the Note to the Financial Statements No. 1A, Restatement, in this Form 10-Q/A for a detailed description of these restatements as well as their impact on the Company s prior period financial statements.

Restatements Included in 2003 Form 10-K

These restatements arose initially out of an intensified effort to reconcile certain general ledger accounts, which were out-of-balance largely as a result of problems associated with the implementation of enterprise resource planning software, and following the receipt of a management letter dated March 11, 2003, from the Company s independent registered public accounting firm, PricewaterhouseCoopers LLP (PwC), in which PwC noted the need for increased attention to the account reconciliation process.

As a result of Goodyear s efforts to reconcile these accounts, the Company initially recorded adjustments that reduced net income for the quarter ended June 30, 2003 by $31.3 million. The Company subsequently determined in the third quarter of 2003 that it needed to make additional adjustments arising out of account reconciliations. Based on an assessment of the impact of the adjustments to the expected 2003 results, management and the Audit Committee decided to restate the Company s previously issued financial statements. PwC, in October 2003, advised the Company that the failure to identify certain issues that had affected several years financial statements 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. The restatement, which was contained in the Company s Report on Form 8-K filed concurrently with its Form 10-Q for the quarter ended September 30, 2003, resulted in a decrease in cumulative net income through June 30, 2003 of $84.7 million. The restatement 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.

On December 10, 2003, the Company announced that its Audit Committee was conducting an internal investigation into potential improper accounting issues in its European Union 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 segments operating income.

Additionally, in the first and second quarters of 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 of the financial information contained in the Form 8-K discussed above was necessary. This further restatement was reflected in the 2003 Form 10-K filed on May 19, 2004. The adjustments identified through May 19, 2004 reduced previously reported net income through September 30, 2003 by a total of $280.8 million, including the effect of the adjustments described above.

<u>May 2004 Material Weaknesses</u>

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 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. PwC also identified a number of other internal control weaknesses/business recommendations.

<u>Restatements Included in the 2004 Form 10-K and this Form 10-Q/A</u>

On November 5, 2004, the Company announced that it would amend its previously filed financial statements to include financial information related to certain of the Company s investments in affiliates, and a restatement of the Company s prior period financial statements to record certain additional out-of-period adjustments identified, recorded and disclosed in the first and second quarters of 2004. The out-of-period adjustments recorded in the first quarter of 2004 consisted of approximately $5 million in expenses relating to the North American Tire workers compensation and pension plan discount rate adjustments that were part of the restatement included in the 2003 Form 10-K. The out-of-period adjustments recorded in the second quarter of 2004 consisted of approximately $1 million of income, net, primarily relating to pension adjustments. In the course of preparing the third quarter Form 10-Q the Company identified additional net out-of-period expense adjustments. The net impact of the restatement on net loss for the three and nine month periods ended September 30, 2003 was to increase the net loss by $1.2 million and $4.6 million, respectively.

The Company also identified a misclassification of balance sheet deferred tax accounts in the course of preparing its third quarter Form 10-Q. The Company recorded certain deferred tax assets and liabilities on a gross basis beginning in the December 31, 2003 balance sheet, rather than netting short-term deferred tax assets with short-term deferred tax liabilities and long-term deferred tax assets with long-term deferred tax liabilities. This misclassification resulted in an overstatement of total assets and total liabilities by approximately $357 million. There was no effect on shareholders equity, net income or cash flow previously reported by the Company.

Following the filing of its third quarter Form 10-Q on November 9, 2004, which reflected a restatement for all known adjustments up to that point in time, Goodyear identified additional out-of-period adjustments affecting the third quarter of 2004 and earlier periods. In addition, on December 30, 2004, the Company announced that it was working to resolve an accounting issue concerning its Australian affiliate, South Pacific Tyres (SPT), and that the resolution of the matter could have an impact on the Company s previously reported financial results. Although the primary focus of this effort was to resolve the accounting treatment of a 10-year supply agreement between the Company and SPT, the Company also noted the possibility that other items having an impact on SPT s prior period financial statements could arise in the course of the review. The 2004 Form 10-K and this Form 10-Q/A reflect a resolution of the SPT accounting issues.

Remediation of Internal Control Weaknesses

The Company has dedicated substantial resources to the review of its internal control processes and procedures. As a result of that review, the Company has determined that it would 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. Certain measures to strengthen controls were undertaken by the Company prior to the initial filing of the Form 10-Q for the third quarter of 2004 on November 9, 2004 (the Third Quarter 10-Q filing). Prior to January 1, 2004 the Company:

Established a requirement at the corporate level that each manager responsible for an account certify, on a monthly basis, that such account has been accurately reconciled;

Directed its Internal Audit Department to commence targeted reviews of selected account reconciliations;

Established a requirement that the finance director of each operating unit that maintains a general ledger or sub-ledger confirm on a quarterly basis that all balance sheet accounts for which he or she has responsibility have been reconciled accurately and on a timely basis;

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;

The implementation of other remedial actions was completed between January 1, 2004 and May 19, 2004, the date on which the Company filed its 2003 Form 10-K. During that time period the Company:

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

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;

Addressed the intentional overrides of internal controls in the European Union Tire business unit by streamlining that organization to eliminate a level of management and financial reporting;

Began 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;

Visited various overseas locations 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;

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.

At the time of the Third Quarter 10-Q filing, a number of other initiatives to strengthen the Company s internal controls were in process or under development. These included:

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;

Developing new and enhanced monitoring controls;

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

Reviewing accounting policies and procedures, and where appropriate making modifications.

Since the Third Quarter 10-Q filing, the Company continued to evaluate the effectiveness of its controls and procedures on an ongoing basis, including consideration of the internal control weaknesses/business recommendations identified by PwC, and implemented further actions as necessary in its continuing efforts to strengthen the control process. In addition, the Company undertook 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 of 2002. For a recent evaluation by management of the effectiveness of the Company s internal controls see Remediation of May 2004 Material Weaknesses and Reportable Conditions , Current Material Weaknesses and Compliance with Sarbanes-Oxley Section 404 in Item 9A of the 2004 10-K.

Disclosure Controls and Procedures

In connection with the preparation of this Form 10-Q/A, 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, 2004. Based upon that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were ineffective, as of September 30, 2004 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the

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Securities Exchange Act of 1934 (the Act), is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to management, including the Company s principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. This conclusion is based primarily on the fact that the Company s internal control over financial reporting was ineffective as of such date. Through the date of the filing of this Form 10-Q/A, the Company has adopted additional remedial measures described above to address the deficiencies in its disclosure controls that existed on September 30, 2004 and has taken additional measures to verify the information in its financial statements. The Company believes that, as a result of these remedial and other measures, this Form 10-Q/A properly reports all information required to be included in such report. It should be noted that no system of controls can provide complete assurance of achieving its objectives, and future events may impact the effectiveness of a system of controls.

Changes in Internal Control over Financial Reporting

During the period covered by this report, there were changes in the Company s internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting. These changes are described above under Remediation of Internal Control Weaknesses as initiatives to strengthen the Company's internal controls that were in process or under development at the time of the Third Quarter 10-Q filing.

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PART II. OTHER INFORMATION

ITEM 6. 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.

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: April 28, 2005

By /s/ Thomas A. Connell

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.)

THE GOODYEAR TIRE & RUBBER COMPANY
Quarterly Report on Form 10-Q/A
For the Quarter Ended September 30, 2004

INDEX OF EXHIBITS

Exhibit Table Item No.	Description of Exhibit	Exhibit Number
3	**Articles of Incorporation and By-Laws**	
(a)	Certificate of Amended Articles of Incorporation of The Goodyear Tire & Rubber Company, dated December 20, 1954, and Certificate of Amendment to Amended Articles of Incorporation of The Goodyear Tire & Rubber Company, dated April 6, 1993, and Certificate of Amendment to Amended Articles of Incorporation of the Company dated June 4, 1996, three documents comprising the Company s Articles of Incorporation, as amended (incorporated by reference, filed as Exhibit 4.1 to the Company s Registration Statement on Form S-3, File No. 333-90786).	
(b)	Code of Regulations of The Goodyear Tire & Rubber Company, adopted November 22, 1955, and 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 the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, File No. 1-1927).	
4	**Instruments Defining the Rights of Security Holders, Including Indentures**	
(a)	Specimen nondenominational Certificate for shares of the Common Stock, Without Par Value, of the Company; EquiServe Trust Company, transfer agent and registrar (incorporated by reference, filed as Exhibit 4.4 to the Company s Registration Statement on Form S-3, File No. 333-90786).	
(b)	Indenture, dated as of March 15, 1996, between the Company and 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 the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, File No. 1-1927).	
(c)	Indenture, dated as of March 1, 1999, between the Company and JPMorgan Chase Bank, as Trustee, as supplemented on March 14, 2000 in respect of $300,000,000 principal amount of the Company s 8.50% Notes due 2007 (incorporated by reference, filed as Exhibit 4.1, to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, File No. 1-1927), and as further supplemented on August 15, 2001, in respect of the Company s $650,000,000 principal amount of the Company s 7.857% Notes due 2011 (incorporated by reference, filed as Exhibit 4.3 to the Company s Quarterly Report on Form 10-Q for the period ended September 30, 2001, File No. 1-1927).	
(d)		

$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, File No. 1-1927).

(e) First Amendment dated as of February 19, 2004 to the $750,000,000 Amended and Restated Revolving Credit Agreement dated as of March 31, 2003, among Goodyear, JPMorgan Chase Bank, as Administrative Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.2 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).

(f) Second Amendment dated as of April 16, 2004 to the $750,000,000 Amended and Restated Revolving Credit Agreement dated as of March 31, 2003, as amended as of February 19, 2004, among Goodyear, JPMorgan Chase Bank, as Administrative Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.3 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).

(g) Third Amendment dated as of May 27, 2004, to the $750,000,000 Amended and Restated Revolving Credit Agreement dated as of March 31, 2003, among Goodyear, JPMorgan Chase Bank, as administrative agent, and the lenders party thereto

Exhibit Table Item No.	Description of Exhibit	Exhibit Number
	(incorporated by reference, filed as Exhibit 4.1 to Goodyear s Form 10-Q for the quarter ended June 30, 2004, File No. 1-1927).	
(h)	$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, File No. 1-1927).	
(i)	First Amendment dated as of February 19, 2004 to the $645,454,545 Term Loan Agreement dated as of March 31, 2003, among Goodyear, JPMorgan Chase Bank, as Administrative Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.4 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(j)	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 & Co KG, Dunlop GmbH & 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, File No. 1-1927).	
(k)	First Amendment dated as of February 19, 2004 to the 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 & Co KG, Dunlop GmbH & Co. KG, Goodyear Luxembourg Tires SA, JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.5 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(l)	Second Amendment dated as of April 16, 2004 to the Term Loan and Revolving Credit Agreement dated as of March 31, 2003, as amended as of February 19, 2004, among Goodyear, Goodyear Dunlop Tires Europe B.V., Goodyear Dunlop Tires Germany GmbH, Goodyear GmbH & Co KG, Dunlop GmbH & Co. KG, Goodyear Luxembourg Tires SA, JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.6 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(m)	Third Amendment dated as of May 18, 2004, to the 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 & Co KG, Dunlop GmbH & Co. KG, Goodyear Luxembourg Tires SA, JPMorgan Chase Bank, as Administrative Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.2 to Goodyear s Form 10-Q for the quarter ended June 30, 2004, File No. 1-1927).	

(n) Fourth Amendment dated as of May 27, 2004, to the 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 & Co KG, Dunlop GmbH & Co. KG, Goodyear Luxembourg Tires SA, JPMorgan Chase Bank, as Administrative Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.3 to Goodyear s Form 10-Q for the quarter ended June 30, 2004, File No. 1-1927).

(o) 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, File No. 1-1927).

(p) First Amendment dated as of February 19, 2004 to the Term Loan and Revolving Credit Agreement dated as of February 19, 2004 among Goodyear, JPMorgan Chase Bank, as Administrative Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.7 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).

Exhibit Table Item No.	Description of Exhibit	Exhibit Number
(q)	Amended and Restated Term Loan and Revolving Credit Agreement dated as of February 19, 2004 among Goodyear, JPMorgan Chase Bank, as Administrative Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.8 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(r)	First Amendment dated as of April 16, 2004 to the Amended and Restated Term Loan and Revolving Credit Agreement dated as of February 19, 2004 among Goodyear, JPMorgan Chase Bank, as Administrative Agent, and the lenders party thereto (incorporated by reference, filed as Exhibit 4.9 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(s)	Second Amendment dated as of May 27, 2004, to the Amended and Restated Term Loan and Revolving Credit Agreement dated as of February 19, 2004, among Goodyear, the lenders party thereto, JPMorgan Chase Bank, as Administrative Agent (incorporated by reference, filed as Exhibit 4.4 to Goodyear s Form 10-Q for the quarter ended June 30, 2004, File No. 1-1927).	
(t)	Master Guarantee and Collateral Agreement dated as of March 31, 2003, as Amended and Restated as of February 20, 2004, among Goodyear, the subsidiaries of Goodyear identified therein, the lenders party thereto and JPMorgan Chase Bank, as Collateral Agent (incorporated by reference, filed as Exhibit 4.10 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(u)	Indenture dated as of March 12, 2004 among Goodyear, the subsidiary guarantors party thereto and Wells Fargo Bank, N.A., as Trustee (incorporated by reference, filed as Exhibit 4.11 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(v)	Note Purchase Agreement dated as of March 12, 2004 among Goodyear, certain subsidiaries of Goodyear and the investors listed therein (incorporated by reference, filed as Exhibit 4.12 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(w)	Registration Rights Agreement dated as of March 12, 2004 among Goodyear, certain subsidiaries of Goodyear and the investors listed therein (incorporated by reference, filed as Exhibit 4.13 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(x)	Collateral Agreement dated as of March 12, 2004 among Goodyear, certain subsidiaries of Goodyear and Wilmington Trust Company, as Collateral Agent (incorporated by reference, filed as Exhibit 4.14 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).	
(y)		

Lien Subordination and Intercreditor Agreement dated as of March 12, 2004 among Goodyear, certain subsidiaries of Goodyear, JPMorgan Chase Bank and Wilmington Trust Company (incorporated by reference, filed as Exhibit 4.15 to Goodyear s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-1927).

(z) Guarantee and Collateral Agreement, dated as of August 17, 2004, among Goodyear, as Borrower, the subsidiaries of Goodyear identified therein, and JPMorgan Chase Bank, as Collateral Agent (incorporated by reference, filed as Exhibit 4.1 to Goodyear s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on November 9, 2004, File No. 1-1927).

(aa) Deposit-Funded Credit Agreement, dated as of August 17, 2004, among Goodyear, the lenders party thereto, the issuing banks party thereto, JPMorgan Chase Bank, as Administrative Agent, J.P. Morgan Securities Inc., as Joint Lead Arranger and Sole Bookrunner, and BNP Paribas, as Joint Lead Arranger (incorporated by reference, filed as Exhibit 4.2 to Goodyear s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on November 9, 2004, File No. 1-1927).

(bb) Note Purchase Agreement, dated June 28, 2004, among Goodyear and the purchasers listed therein (incorporated by reference, filed as Exhibit 4.3 to Goodyear s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on November 9,

Exhibit Table Item No.		Description of Exhibit	Exhibit Number
		2004, File No. 1-1927).	
	(cc)	Indenture, dated as of July 2, 2004, between Goodyear, as Company, and Wells Fargo Bank, N.A., as Trustee (incorporated by reference, filed as Exhibit 4.4 to Goodyear s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on November 9, 2004, File No. 1-1927).	
	(dd)	Registration Rights Agreement, dated as of July 2, 2004, among Goodyear, Goldman, Sachs & Co., Deutsche Bank Securities Inc., and J.P. Morgan Securities Inc. (incorporated by reference, filed as Exhibit 4.5 to Goodyear s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on November 9, 2004, File No. 1-1927).	
		In accordance with Item 601(b)(4)(iii) of Regulation S-K, agreements and instruments defining the rights of holders of long-term debt of the Company pursuant to which the amount of securities authorized thereunder does not exceed 10% of the consolidated assets of the Company and its subsidiaries are not filed herewith. The Company hereby agrees to furnish a copy of any such agreement or instrument to the Securities and Exchange Commission upon request.	
10		**Material Contracts**	
	(a)	Amendment No. 3 to the Umbrella Agreement dated July 15, 2004, between the Company and Sumitomo Rubber Industries, Ltd. (incorporated by reference, filed as Exhibit 10.1 to Goodyear s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on November 9, 2004, File No. 1-1927).	
	(b)	Amendment No. 2 to the Shareholders Agreement for the Europe JVC dated July 15, 2004, among the Company, Goodyear S.A. (France), Goodyear S.A. (Luxembourg), Goodyear Canada Inc. and Sumitomo Rubber Industries, Ltd. (incorporated by reference, filed as Exhibit 10.2 to Goodyear s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on November 9, 2004, File No. 1-1927).	
12		**Statement re Computation of Ratios**	
	(a)	Statement setting forth the Computation of Ratio of Earnings to Fixed Charges.	12
31		**302 Certifications**	
	(a)	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	31.1
	(b)	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	31.2

32	**906 Certifications**	
(a)	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	32.1

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