

GOODYEAR TIRE & RUBBER CO /OH/

Form 10-Q/A

June 18, 2004

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

**FORM 10-Q/A**

**(Amendment No. 1)**

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

**For the Quarterly Period Ended March 31, 2003**

**Commission File Number: 1-1927**

**THE GOODYEAR TIRE & RUBBER COMPANY**

(Exact name of Registrant as specified in its charter)

<b>OHIO</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>34-0253240</b> (I.R.S. Employer Identification No.)
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<b>1144 East Market Street, Akron, Ohio</b> (Address of Principal Executive Offices)	<b>44316-0001</b> (Zip Code)
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**(330) 796-2121**  
(Registrant's Telephone Number, Including Area Code)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes [ ] No [ü]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ü] No [ ]

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

Number of Shares of Common Stock,  
Without Par Value, Outstanding at March 31, 2003: 175,309,002

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**EXPLANATORY NOTE**

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

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

Refer to Note 1A, Restatement for further information on the restatement impact for the first quarter of 2003.

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

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

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

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This Form 10-Q/A has not been updated for changes in events, estimates or other developments subsequent to April 30, 2003, the date of filing of the Quarterly Report on Form 10-Q for the period ended March 31, 2003. For a discussion of these subsequent events and developments as well as revisions to prior estimates please refer to the Company's 2003 Form 10-K filed on May 19, 2004.

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

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

	<b>Restated</b>	
	<b>Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>(In millions, except per share)</b>		
<b>NET SALES</b>	<b>\$3,545.8</b>	<b>\$3,319.2</b>
Cost of Goods Sold	2,962.8	2,755.4
Selling, Administrative and General Expense	571.3	527.0
Rationalizations (Note 2)	60.7	
Interest Expense	58.4	61.0
Other (Income) and Expense (Note 3)	43.6	19.8
Foreign Currency Exchange	0.9	13.8
Equity in (Earnings) Losses of Affiliates	3.4	5.8
Minority Interest in Net Income of Subsidiaries	10.2	13.4
	<hr/>	<hr/>
Loss before Income Taxes (Benefit)	(165.5)	(77.0)
United States and Foreign Taxes (Benefit) on Loss	31.0	(18.0)
	<hr/>	<hr/>
<b>NET LOSS</b>	<b>\$ (196.5)</b>	<b>\$ (59.0)</b>
Retained Earnings at Beginning of Period	1,782.5	3,089.3
<b>CASH DIVIDENDS</b>		<b>(19.7)</b>
	<hr/>	<hr/>
Retained Earnings at End of Period	\$1,586.0	\$3,010.6
	<hr/>	<hr/>
<b>NET LOSS PER SHARE OF COMMON STOCK BASIC</b>	<b>\$ (1.12)</b>	<b>\$ (0.36)</b>
	<hr/>	<hr/>
Average Shares Outstanding (Note 4)	175.3	163.2

<b>NET LOSS PER SHARE OF COMMON STOCK DILUTED</b>	<b>\$ (1.12)</b>	<b>\$ (0.36)</b>
	<b>_____</b>	<b>_____</b>
Average Shares Outstanding (Note 4)	175.3	163.2
<b>CASH DIVIDENDS PER SHARE</b>	<b>\$</b>	<b>\$ 0.12</b>
	<b>_____</b>	<b>_____</b>

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

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

	<b>Restated</b>	
	<b>March 31, 2003</b>	<b>December 31, 2002</b>
<b>(In millions)</b>		
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 685.1	\$ 918.1
Restricted cash (Note 1)	35.0	
Short term securities		24.3
Accounts and notes receivable, less allowance (Note 5)	\$104.9 (\$102.1 in 2002) 1,764.7	1,438.1
Inventories		
Raw materials	482.7	459.2
Work in process	116.2	97.4
Finished products	1,911.1	1,789.6
	2,510.0	2,346.2
Prepaid expenses and other current assets	387.9	453.7
	<b>5,382.7</b>	<b>5,180.4</b>
<b>Total Current Assets</b>		
Long Term Accounts and Notes Receivable	235.6	242.8
Investments in and Advances to Affiliates	140.9	139.2
Other Assets	252.4	253.0
Goodwill and Other Intangible Assets	764.8	764.0
Prepaid and Deferred Pension Costs	905.5	913.4
Deferred Charges	386.3	389.7
Properties and Plants, less accumulated depreciation - \$6,751.5 (\$6,572.5 in 2002)	5,178.3	5,156.2
	<b>\$13,246.5</b>	<b>\$13,038.7</b>
<b>TOTAL ASSETS</b>		
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable-trade	\$ 1,564.0	\$ 1,515.4
Compensation and benefits	926.5	913.6
Other current liabilities	495.6	512.3
United States and foreign taxes	491.3	358.2
Notes payable	165.1	283.4
Long term debt due within one year	59.6	369.8



<b>Total Current Liabilities</b>	<b>3,702.1</b>	<b>3,952.7</b>
Long Term Debt and Capital Leases	3,604.4	2,989.8
Compensation and Benefits	4,524.9	4,497.3
Other Long Term Liabilities	532.7	615.7
Minority Equity in Subsidiaries	756.3	727.8
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>13,120.4</b>	<b>12,783.3</b>
Commitments and Contingent Liabilities (Note 6)		
<b>Shareholders Equity:</b>		
Preferred Stock, no par value:		
Authorized, 50.0 shares, unissued		
Common Stock, no par value:		
Authorized, 300.0 shares		
Outstanding shares - 175.3 (175.3 in 2002)		
after deducting 20.4 treasury shares (20.4 in 2002)	175.3	175.3
Capital Surplus	1,390.1	1,390.1
Retained Earnings	1,586.0	1,782.5
Accumulated Other Comprehensive Income (Loss)	(3,025.3)	(3,092.5)
	<hr/>	<hr/>
<b>Total Shareholders Equity</b>	<b>126.1</b>	<b>255.4</b>
	<hr/>	<hr/>
<b>Total Liabilities and Shareholders Equity</b>	<b>\$13,246.5</b>	<b>\$13,038.7</b>
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*The accompanying notes are an integral part of this financial statement.*

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

(In millions)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity
Balance at December 31, 2002	\$175.3	\$1,390.1	\$1,782.5	\$(3,092.5)	\$ 255.4
Comprehensive income (loss) for 2003:					
<b>Net loss</b>			<b>(196.5)</b>		
Foreign currency translation				61.9	
Minimum pension liability				2.5	
Unrealized investment loss				(1.3)	
Deferred derivative gain				4.1	
<b>Total comprehensive loss</b>					<b>(129.3)</b>
<b>Balance at March 31, 2003 as restated</b>	<b>\$175.3</b>	<b>\$1,390.1</b>	<b>\$1,586.0</b>	<b>\$(3,025.3)</b>	<b>\$ 126.1</b>

	Restated	
	March 31, 2003	December 31, 2002
<b>Accumulated Other Comprehensive Income (Loss)</b>		
Foreign currency translation adjustment	\$(1,329.0)	\$(1,390.9)
Minimum pension liability adjustment	(1,671.0)	(1,673.5)
Unrealized investment loss	(10.6)	(9.3)
Deferred derivative loss	(14.7)	(18.8)
<b>Total</b>	<b>\$(3,025.3)</b>	<b>\$(3,092.5)</b>

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

Restated

Three Months Ended

(In millions)	March 31,	
	2003	2002
<b>Net Loss</b>	<b>\$(196.5)</b>	<b>\$(59.0)</b>
Other comprehensive income (loss):		
Foreign currency translation	61.9	(21.7)
Minimum pension liability	2.5	0.7
Deferred derivative gain (loss)	17.8	(9.4)
Tax on deferred derivative gain (loss)		3.6
Reclassification adjustment for amounts recognized in income	(13.9)	9.2
Tax on derivative reclassification adjustment	0.2	(3.5)
Unrealized investment loss	(1.3)	
<b>Comprehensive Loss</b>	<b>\$(129.3)</b>	<b>\$(80.1)</b>

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

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

<b>(In millions)</b>	<b>Restated</b>	
	<b>Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net Loss</b>	<b>\$(196.5)</b>	<b>\$ (59.0)</b>
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	148.2	147.0
Rationalizations (Note 2)	21.1	
Asset sales (Note 3)	(1.0)	
Net cash flows from sale of accounts receivable (Note 5)	(71.6)	(57.1)
Changes in operating assets and liabilities, net of asset acquisitions and dispositions:		
Accounts and notes receivable	(227.0)	(217.0)
Inventories	(133.1)	37.1
Accounts payable trade	87.2	7.7
Other assets and liabilities	144.5	(95.6)
	<u>          </u>	<u>          </u>
Total adjustments	(31.7)	(177.9)
	<u>          </u>	<u>          </u>
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(228.2)</b>	<b>(236.9)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(97.0)	(75.6)
Short term securities redeemed	25.2	
Asset dispositions	0.5	
Other transactions	7.9	(20.1)
	<u>          </u>	<u>          </u>
<b>TOTAL CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(63.4)</b>	<b>(95.7)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Short term debt incurred	696.1	23.6
Short term debt paid	(280.1)	32.9
Long term debt incurred	10.3	0.9
Long term debt paid	(331.8)	(7.6)
Common stock issued		2.3

Dividends paid to Goodyear shareholders		(19.7)
Debt issuance costs	(12.7)	
Increase in restricted cash	(35.0)	
Other transactions	3.6	
	<u>          </u>	<u>          </u>
<b>TOTAL CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>50.4</b>	<b>32.4</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	8.2	(6.3)
	<u>          </u>	<u>          </u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(233.0)</b>	<b>(306.5)</b>
Cash and Cash Equivalents at Beginning of the Period	918.1	953.6
	<u>          </u>	<u>          </u>
<b>Cash and Cash Equivalents at End of the Period</b>	<b>\$ 685.1</b>	<b>\$ 647.1</b>
	<u>          </u>	<u>          </u>

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

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

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

**NOTE 1. ACCOUNTING POLICIES**

***Adjustments***

All adjustments, including all normal recurring adjustments, necessary for a fair statement of the results of these unaudited interim periods have been included.

These restated consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (the 2003 10-K ).

***Restricted Cash***

The Company will from time to time maintain balances on deposit at various financial institutions as collateral for borrowings incurred by various subsidiaries. The availability of these balances is restricted to the extent of the borrowings. At March 31, 2003, cash balances totaling approximately \$35 million were subject to such restrictions.

***Rationalizations***

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

***Stock-Based Compensation***

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

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

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

<b>(In millions, except per share)</b>	<b>Restated</b>	
	<b>Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
Net loss as reported	\$(196.5)	\$(59.0)
Add: Stock-based compensation expense (income) included in net loss (net of tax)	(0.3)	(2.6)
Deduct: Stock-based compensation expense calculated using the fair value method (net of tax)	(6.4)	(6.0)
Net loss as adjusted	<u>\$(203.2)</u>	<u>\$(67.6)</u>
Net loss per share:		
Basic - as reported	\$ (1.12)	\$(0.36)
- as adjusted	(1.16)	(0.41)
Diluted - as reported	\$ (1.12)	\$(0.36)
- as adjusted	(1.16)	(0.41)

***Reclassification***

Certain items previously reported in specific financial statement captions have been reclassified to conform to the 2003 presentation.

**NOTE 1A. RESTATEMENT**

The financial statements have been restated in order to reflect certain adjustments to Goodyear's financial statements for 2003 as previously reported in Goodyear's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (the Form 10-Q). The restatement also affects the three-month period ended March 31, 2002. The adjustments increased the net loss by \$33.2 million for the three-month period ended March 31, 2003, and decreased the net loss by \$4.2 million for the three-month period ended March 31, 2002. The restated financial information has been prepared by management and reflects all adjustments known to management.

The Company has restated by means of its Annual Report on Form 10-K for the year ended December 31, 2003, filed on May 19, 2004, its consolidated balance sheet as of December 31, 2002, and consolidated statement of operations, cash flows and shareholders' equity for the years ended December 31, 2002 and 2001. The restatement also affects periods prior to 2001. In addition, the Company's 2003 and 2002 quarterly financial information has been

restated to reflect adjustments to the Company's previously reported financial information on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003, and September 30, 2003. The Forms 10-Q/A for the quarterly periods ended June 30, 2003 and September 30, 2003 will be filed as expeditiously as possible following the filing of the Form 10-Q for the quarterly period ended March 31, 2004. Refer to Note 2, Restatement and supplementary data in the 2003 10-K for further discussion of the restatement including the adjustments recorded in annual and quarterly periods other than the first quarters of 2003 and 2002. Accordingly, this footnote discusses the restatement adjustments related only to the first quarters of 2003 and 2002.

The restatements initially arose out of an intensified effort to reconcile certain general ledger accounts in the second and third quarters of 2003. As a result of the Company's efforts to reconcile these accounts, the Company identified various



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

adjustments that were recorded in the second quarter and needed to be recorded in the third quarter of 2003 arising out of account reconciliations. Based on an assessment of the impact of the adjustments, management and the Audit Committee decided to restate the Company's previously issued financial statements on the Form 10-Q for the quarter ended September 30, 2003 and for prior periods. Following the identification of these adjustments, PricewaterhouseCoopers LLP (PwC) advised the Company in October 2003 that the failure to identify or monitor certain conditions with respect to certain general ledger accounts collectively resulted in a material weakness in internal controls that required strengthening.

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

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

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

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

**Accounting Irregularities.** This category includes adjustments reducing income before tax by a total of \$1.6 million and \$2.2 million in the three months ending March 31, 2003 and 2002, respectively. These adjustments resulted from the overseas special accounting investigation, the understatement of the Company's liability for workers' compensation payments, and certain adjustments in Chile, including the correction of the valuation of real estate received in payment for trade accounts receivable.

Adjustments reducing income by a total of \$1.2 million and \$1.0 million before tax in the three months ended March 31, 2003 and 2002, respectively, were included in the restatement as a result of the special accounting investigation overseas. The majority of the adjustments addressed accrual accounts that were



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

improperly adjusted between periods or expenses that were improperly deferred. These adjustments primarily related to accounts receivable, fixed assets, accounts payable-trade and other long-term liability accounts that were improperly adjusted. An adjustment was made to defer income of \$0.1 before tax beyond the first quarter of 2003 that was improperly recognized in the first quarter of 2003.

The workers' compensation adjustments to reduce income totaled \$0.4 million and \$1.7 million before tax in the three months ended March 31, 2003 and 2002, respectively. These adjustments resulted from an understatement of the Company's potential liability for estimated payments relating to workers' compensation claims by employees. In the first quarter of 2004, it was noted that claims arising from one of the Company's United States tire manufacturing plants were under-reserved. As a result, the Company, with the assistance of the outside administrator, reviewed approximately 85% of the open claims handled by this administrator at this plant as well as other facilities and determined that reserves needed to be increased to accurately value the claims. The under-reserving resulted in part from improper efforts to reduce, or restrict the amount of increase in, the reserves for certain workers' compensation claims leading to claims data in the Company's workers' compensation claims database that did not reflect the probable ultimate exposure to the Company.

In 2000, the Company received approximately 13 acres of land in Santiago, Chile, in payment for trade accounts receivable from one of its Chilean customers. At the time, the Company recorded the land based upon an inappropriate appraisal. In the first quarter of 2004, the Company had an additional appraisal performed that appropriately valued the land at a much lower value. The Audit Committee requested an investigation into the matter, and as a result, the Company recorded an adjustment to reduce the valuation of the land. The Company also identified other adjustments in Chile whereby accrual accounts were improperly adjusted between periods or expenses were improperly deferred. Adjustments of \$0.5 million before tax were recorded related to these accounts in the three months ended March 31, 2002.

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

<b>(In millions, all amounts before tax)</b>	<b>Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
Income (Expense)		
Accruals and deferred expenses Europe and Asia	\$ 1.3	\$ 1.0
Deferred income Europe	(0.1)	
Workers' compensation	0.4	1.7
Accruals and deferred expenses Chile		(0.5)
	\$ 1.6	\$ 2.2

**Account Reconciliations.** This category includes adjustments reducing income totaling \$27.7 million before tax and increasing income \$9.4 million before tax in the three months ended March 31, 2003 and 2002, respectively, resulting from the failure to either reconcile accounts or resolve certain reconciliation issues in a timely manner. The most significant adjustments in this category relate to certain reconciliations for accounts receivable, inventories, fixed assets, intercompany accounts, prepaid expenses and accounts payable-trade. Certain of these adjustments were associated with the integration of a new enterprise resource planning system (ERP) into the Company's accounting processes beginning in 1999.

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

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

- A. *Interplant.* Goodyear uses an internal system, the Interplant System, to track the procurement and transfer of fixed assets, raw materials and spare parts acquired or manufactured by Goodyear units in the United States for its foreign manufacturing locations. \$1.3 million of expense and \$0.1 million of income are included in the three months ended March 31, 2003 and 2002, respectively, for Interplant adjustments. The most significant items in this category are 1) fixed assets and inventory which were not properly relieved from the Interplant System when they were billed to the foreign manufacturing locations and accordingly now have to be expensed and 2) the correction of a failure to depreciate fixed assets.
- B. *Engineered Products (EPD).* It was not possible to allocate the amount of this adjustment to applicable periods and accordingly, Goodyear recorded substantially all of this adjustment in the first quarter of 2003. This adjustment includes the write-off of \$21.3 million consisting of \$3.7 million in intercompany accounts and \$17.6 million related to payables and other accounts. Of this amount, \$19.0 million and \$2.8 million are included in the three months ending March 31, 2003 and 2002, respectively, for EPD adjustments. Several factors relating to the Company's ERP systems implementation resulted in EPD's inability to locate or recreate account reconciliations for prior periods.
- C. *Fixed Assets.* The adjustments to other fixed assets related primarily to the understatement of depreciation expenses and the write-off of assets previously disposed. \$0.6 million and \$1.1 million are included in the three months ending March 31, 2003 and 2002, respectively, for these adjustments.
- D. *General and Product Liability.* The expense for general and product claims increased \$2.0 million for the three months ended March 31, 2003 related to the timing of the recognition of certain liabilities for Entran II claims. In addition, net adjustments totaling \$18.3 million were recorded in OCI through March 31, 2003. An adjustment was made to record an \$18 million charge to deferred derivative losses, with an offsetting credit to liabilities. This adjustment was associated with three interest rate swaps and a cross-currency contract for the period March 2001 through March 2003. An adjustment was also made to record a \$3.0 million charge to currency translation, with an offsetting credit to long-term assets. This adjustment affected the period from January 1, 2003 to March 31, 2003. These adjustments were identified in conjunction with the completion of account reconciliations.

**Out-of-Period Adjustments.** This category includes adjustments previously identified but deemed to be immaterial and recorded in the period the Company identified the error or in a subsequent period. Adjustments in this category change the timing of income and expense items that were previously recognized. Income of \$0.7 million and \$2.8 million before tax is included in the three months ending March 31, 2003 and 2002, respectively for out of period adjustments.

**Discount Rate Adjustments.** In preparing the 2003 annual financial statements, the Company reassessed the estimate of the discount rate used in determining the net periodic benefit cost and benefit obligations of the Company's domestic pension, workers' compensation and other postretirement benefit plans. Consistent with that effort and the restatement process, the Company determined that it would be appropriate to make similar reassessments for discount rates for all periods presented. As a result, the discount rate was revised to 6.75%, 7.25% and 7.50% from 7.25%, 7.75% and 8.00% for 2003, 2002 and 2001, respectively. Income before tax was decreased by \$4.3



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million and \$3.7 million in the three months ended March 31, 2003 and 2002, respectively. This change also resulted in a charge to deferred pension costs in OCI totaling \$150.1 million for the years ended December 31, 2002 and 2001. Additionally, in 2002, the Company had established a valuation allowance against its net Federal and state deferred tax assets. Accordingly, this restatement includes a charge to income tax expense of \$81.2 million to provide a valuation allowance against the tax benefit included in the adjustment to OCI in 2001, and a charge to OCI of \$10.8 million to provide a valuation allowance against the tax benefit included in the adjustment to OCI in 2002. These adjustments similarly impacted OCI at March 31, 2003.

**Chemical Products Segment.** This category primarily includes adjustments identified as a result of a stand-alone audit conducted in 2003 of a portion of the Chemical Products business segment. The most significant adjustments in this category relate to the timing of the recognition of manufacturing variances to reflect the actual cost of inventories, the fair value adjustment of a hedge for natural gas, and the correction of intercompany profit elimination in inventory to eliminate selling and administrative expenses in inventory. Income of \$2.4 million and \$2.3 million before tax is included in the three months ended March 31, 2003 and 2002, respectively, for Chemical Products segment adjustments.

**Tax Adjustments.** Adjustments related to the correction of errors in the computation of deferred tax assets and liabilities were \$2.7 million and \$4.4 million in the three months ended March 31, 2003 and 2002, respectively.

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

<b>(In millions, except per share)</b>	<b>Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
Net loss as originally reported	\$(163.3)	\$(63.2)
Adjustments (pretax):		
Accounting Irregularities	(1.6)	(2.2)
Account Reconciliations	(27.7)	9.4
Out-of-Period	0.7	2.8
Discount Rate Adjustments	(4.3)	(3.7)
Chemical Products Segment	2.4	2.3
	<hr/>	<hr/>
Total adjustments (pretax)	(30.5)	8.6
Tax effect of restatement adjustments	(2.7)	1.9
Tax adjustments		(6.3)
	<hr/>	<hr/>
Total taxes	(2.7)	(4.4)
	<hr/>	<hr/>
Total net adjustments	(33.2)	4.2
	<hr/>	<hr/>
Net loss as restated	\$(196.5)	\$(59.0)
	<hr/>	<hr/>
Per Share of Common Stock:		
Net loss Basic as originally reported	\$ (0.93)	\$(0.39)
Effect of net adjustments	(0.19)	0.03
	<hr/>	<hr/>
Net loss Basic as restated	\$ (1.12)	\$(0.36)
	<hr/>	<hr/>
Net loss Diluted as originally reported	\$ (0.93)	\$(0.39)
Effect of net adjustments	(0.19)	0.03
	<hr/>	<hr/>



Net loss Diluted as restated \$ (1.12) \$(0.36)

The following table sets forth the effects of the restatement adjustments discussed above on the Consolidated Statement of Operations for the three months ended March 31, 2003 and 2002.

	Three Months Ended March 31, 2003		Three Months Ended March 31, 2002	
	As Originally Reported	As Restated	As Originally Reported	As Restated
<b>(In millions, except per share)</b>				
Net Sales	\$3,545.5	\$3,545.8	\$3,311.2	\$3,319.2
Cost of Goods Sold	2,924.4	2,962.8	2,761.1	2,755.4
Selling, Administrative and General Expense	590.1	571.3	529.4	527.0
Rationalizations	68.2	60.7		
Interest Expense	57.8	58.4	61.0	61.0
Other (Income) and Expense	26.7	43.6	13.9	19.8
Foreign Currency Exchange	(0.6)	0.9	13.3	13.8
Equity in Earnings of Affiliates	2.5	3.4	4.6	5.8
Minority Interest	11.4	10.2	13.5	13.4
Loss before Income Taxes	(135.0)	(165.5)	(85.6)	(77.0)
U.S. and Foreign Taxes on Income (Loss)	28.3	31.0	(22.4)	(18.0)
Net Loss	<u>\$ (163.3)</u>	<u>\$ (196.5)</u>	<u>\$ (63.2)</u>	<u>\$ (59.0)</u>
Net Loss per share Basic	\$ (0.93)	\$ (1.12)	\$ (0.39)	\$ (0.36)
Average Shares Outstanding	175.3	175.3	163.2	163.2
Net Loss per share Diluted	\$ (0.93)	\$ (1.12)	\$ (0.39)	\$ (0.36)
Average Shares Outstanding	175.3	175.3	163.2	163.2

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The following table sets forth the effects of the restatement adjustments discussed above on the Consolidated Balance Sheet at March 31, 2003.

	<b>March 31, 2003</b>	
<b>(Dollars in millions)</b>	<b>As Originally Reported</b>	<b>As Restated</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 720.3	\$ 720.1
Accounts and notes receivable, net	1,792.3	1,764.7
Inventories	2,531.5	2,510.0
Prepaid expenses and other current assets	396.0	387.9
	5,440.1	5,382.7
<b>Total Current Assets</b>		
Long Term Accounts and Notes Receivable	229.1	235.6
Investments in and Advances to Affiliates	144.3	140.9
Other Assets	254.4	252.4
Goodwill and Other Intangible Assets	772.4	764.8
Prepaid and Deferred Pension Costs	905.5	905.5
Deferred Charges	411.5	386.3
Properties and Plants, net	5,210.6	5,178.3
	\$13,367.9	\$13,246.5
<b>Total Assets</b>		
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable-trade	\$ 1,535.0	\$ 1,564.0
Compensation and benefits	963.6	926.5
Other current liabilities	458.1	495.6
United States and foreign taxes	494.9	491.3
Notes payable	165.1	165.1
Long term debt due within one year	59.5	59.6
	3,676.2	3,702.1
<b>Total Current Liabilities</b>		
Long Term Debt and Capital Leases	3,602.1	3,604.4
Compensation and Benefits	4,231.6	4,524.9
Other Long Term Liabilities	526.2	532.7

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Minority Equity in Subsidiaries	769.8	756.3
	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	12,805.9	13,120.4
Commitments and Contingent Liabilities		
<b>Shareholders Equity</b>		
Preferred Stock, no par value:		
Authorized, 50.0 shares, unissued		
Common Stock, no par value:		
Authorized, 300.0 shares		
Outstanding shares, 175.3	175.3	175.3
Capital Surplus	1,390.3	1,390.1
Retained Earnings	1,843.8	1,586.0
Accumulated Other Comprehensive Income (Loss)	(2,847.4)	(3,025.3)
	<u>          </u>	<u>          </u>
<b>Total Shareholders Equity</b>	562.0	126.1
	<u>          </u>	<u>          </u>
<b>Total Liabilities and Shareholders Equity</b>	\$13,367.9	\$13,246.5
	<u>          </u>	<u>          </u>

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**NOTE 2. RATIONALIZATIONS**

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

**2003 Program**

(In millions)	Restated		
	Associate- related Costs	Other Than Associate- related Costs	Total
Original charge	\$ 60.3	\$ 0.4	\$ 60.7
Incurred	(24.3)	(0.3)	(24.6)
<b>Accrual balance at March 31, 2003</b>	<b>\$ 36.0</b>	<b>\$ 0.1</b>	<b>\$ 36.1</b>

Goodyear recorded a rationalization charge totaling \$60.7 million (as restated) (\$57.7 million after tax or \$0.33 per share (as restated)) in 2003. The 2003 rationalization actions consist of research and development, retail, manufacturing and administrative consolidations in North America, Europe and Latin America. Of the \$60.7 million (as restated) charge, \$39.6 million (as restated) related to future cash outflows, primarily associate severance costs, and \$21.1 million (as restated) related to pension curtailments. Goodyear plans to complete these actions by December 31, 2003.

Associate-related rationalization costs totaled \$60.3 million (as restated). Activity during 2003 is presented below:

(In millions)	Restated		
	Recorded	Incurred	Balance at March 31, 2003
North American Tire	\$48.5	\$(23.0)	\$ 25.5
European Union Tire	9.0	(0.9)	8.1
Latin American Tire	0.9		0.9
Engineered Products	0.6	(0.3)	0.3

Corporate	1.3	(0.1)	1.2
	<u>          </u>	<u>          </u>	<u>          </u>
	\$60.3	\$(24.3)	\$ 36.0
	<u>          </u>	<u>          </u>	<u>          </u>

Under the above programs, Goodyear provided for the release of approximately 950 research and development, retail, manufacturing and administrative associates in Europe, the United States and Latin America. During 2003, \$24.3 million was incurred for the release of approximately 450 associates.

Rationalization costs, other than associate-related costs, totaled \$0.4 million (as restated). Activity during the first quarter of 2003 is presented below:

(In millions)	<u>Restated</u>		
	<u>Recorded</u>	<u>Incurred</u>	<u>Balance at March 31, 2003</u>
Corporate	\$0.4	\$(0.3)	\$ 0.1
	<u>          </u>	<u>          </u>	<u>          </u>

These costs were for outplacement services. Goodyear incurred \$0.3 million (as restated) of other than associate-related costs during 2003 for outplacement services.

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**2002 Program**

(In millions)	Restated		
	Associate- related Costs	Other Than Associate- related Costs	Total
Original charge	\$ 19.5	\$ 7.0	\$ 26.5
Incurred	(2.7)	(2.9)	(5.6)
Reversed	(0.2)		(0.2)
	<b>16.6</b>	<b>4.1</b>	<b>20.7</b>
<b>Accrual balance at December 31, 2002</b>			
Incurred	(10.1)	(1.5)	(11.6)
	<b>6.5</b>	<b>2.6</b>	<b>9.1</b>
<b>Accrual balance at March 31, 2003</b>			

Goodyear recorded a net rationalization charge totaling \$5.5 million (as restated) (\$6.4 million after tax or \$0.03 per share (as restated)) in 2002, which included reversals of \$21.0 million (as restated) (\$16.6 million after tax or \$0.11 per share (as restated)) for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of \$26.5 million (\$23.0 million after tax or \$0.14 per share). The 2002 rationalization actions consisted of a manufacturing facility consolidation in Europe, the closure of a mold manufacturing facility and a plant consolidation in the United States, and administrative consolidations. Goodyear plans to complete these actions during 2003.

Associate-related rationalization costs totaled \$19.5 million (as restated). Activity during the first quarter of 2003 is presented below:

(In millions)	Restated		
	Balance at December 31, 2002	Incurred	Balance at March 31, 2003

Plant consolidation	\$12.4	\$ (7.7)	\$ 4.7
Administrative consolidation	4.2	(2.4)	1.8
	<u>        </u>	<u>        </u>	<u>        </u>
	\$16.6	\$(10.1)	\$ 6.5
	<u>        </u>	<u>        </u>	<u>        </u>

Under the above programs, Goodyear provided for the release of approximately 1,000 manufacturing and administrative associates in Europe and the United States. During 2003, \$10.1 million was incurred for the release of approximately 200 associates.

Rationalization costs, other than associate-related costs, totaled \$7.0 million (as restated). Activity during the first quarter of 2003 is presented below:

(In millions)	<b>Restated</b>		
	<b>Balance at December 31, 2002</b>	<b>Incurred</b>	<b>Balance at March 31, 2003</b>
Plant consolidation	\$1.4	\$(0.3)	\$ 1.1
Administrative consolidation	2.7	(1.2)	1.5
	<u>        </u>	<u>        </u>	<u>        </u>
	<b>\$4.1</b>	<b>\$(1.5)</b>	<b>\$ 2.6</b>
	<u>        </u>	<u>        </u>	<u>        </u>

These costs were primarily for the writeoff of equipment taken out of service in the Engineered Products and North American Tire Segments and noncancellable lease costs. Goodyear incurred \$1.5 million of other than associate-related costs during 2003 primarily for ongoing noncancellable lease costs.

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**Fourth Quarter 2001 Program**

(In millions)	Restated		
	Associate- related Costs	Other Than Associate- related Costs	Total
Original charge	\$ 53.1	\$ 83.1	\$136.2
Incurred	(1.6)	(44.1)	(45.7)
	<b>51.5</b>	<b>39.0</b>	<b>90.5</b>
<b>Accrual balance at December 31, 2001</b>			
Incurred	(41.0)	(4.9)	(45.9)
Reversed	(5.4)	(10.5)	(15.9)
	<b>5.1</b>	<b>23.6</b>	<b>28.7</b>
<b>Accrual balance at December 31, 2002</b>			
Incurred	(1.8)	(0.7)	(2.5)
	<b>3.3</b>	<b>22.9</b>	<b>26.2</b>
<b>Accrual balance at March 31, 2003</b>			

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

Associate-related rationalization costs totaling \$53.1 million were recorded. Activity during the first quarter of 2003 is presented below:

Restated	
Balance at	Balance at



(In millions)	December		March 31,
	31, 2002	Incurred	2003
Retail and administrative consolidation	<u>\$5.1</u>	<u>\$(1.8)</u>	<u>\$ 3.3</u>

Under the above programs, Goodyear provided for the release of approximately 2,200 associates around the world, primarily production and administrative associates. During 2003, \$1.8 million was incurred for the release of approximately 50 associates.

Rationalization costs, other than associate-related costs, totaling \$83.1 million (as restated) were recorded. Activity during the first quarter of 2003 is presented below:

(In millions)	Restated		
	Balance at December 31, 2002	Incurred	Balance at March 31, 2003
Plant downsizing and consolidation	\$ 2.0	\$	\$ 2.0
Retail and administrative consolidation	<u>21.6</u>	<u>(0.7)</u>	<u>20.9</u>
	<u>\$23.6</u>	<u>\$(0.7)</u>	<u>\$ 22.9</u>

These costs were primarily for the writeoff of \$41.6 million (as restated) of tire production equipment taken out of service, principally related to the closure of a tire manufacturing facility in the Asia Tire Segment, and noncancellable lease costs. Goodyear incurred \$0.7 million of other than associate-related costs during the first quarter of 2003, primarily for noncancellable lease costs.

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

<b>(In millions)</b>	<b>Restated</b>	
	<b>Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
Asset sales	\$ (1.4)	\$
Interest income	(5.2)	(2.1)
Financing fees and financial instruments	28.0	11.0
General & product liability    Discontinued products	19.1	6.0
Miscellaneous	3.1	4.9
	<b>\$ 43.6</b>	<b>\$ 19.8</b>

Other (Income) and Expense in 2003 included a gain of \$1.4 million (as restated) (\$1.0 million after tax or \$0.01 per share (as restated)) on the sale of assets in European Union Tire.

Financing fees and financial instruments in 2003 include \$14.4 million of costs incurred in connection with the restructuring and refinancing of the Company's bank credit and receivables securitization facilities. Refer to Note 9, Subsequent Events, for further information about the restructuring and refinancing.

General & product liability discontinued products includes charges for claims against Goodyear related to asbestos personal injury claims and for other products no longer manufactured by the Company. Of the \$19.1 million (as restated) of expense recorded in the first quarter of 2003, \$2.9 million relates to Entran II claims and \$16.2 million relates to asbestos claims, net of a receivable. For the first quarter of 2002, \$1.7 million (as restated) related to Entran II claims and \$4.3 million (as restated) related to asbestos claims. Due to the non-operational nature of these claims, Goodyear has reclassified such charges from Selling, Administrative & General Expense (SAG) to Other (Income) and Expense. Charges for general and product liabilities related to ongoing operations continue to be recorded as SAG. Refer to Note 6, Commitments and Contingent Liabilities, for further information about general and product liabilities.

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

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

		<b>Three Months Ended</b>	
		<b>March 31,</b>	
<b>(In millions)</b>		<b>2003</b>	<b>2002</b>
Average shares outstanding	basic	175.3	163.2
	Stock options	—	—
Average shares outstanding	diluted	175.3	163.2

The average shares outstanding-diluted for the first three months of 2002 does not include the antidilutive impact of 2.4 million shares of potential common stock associated with stock options.

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**NOTE 5. ACCOUNTS RECEIVABLE**

At March 31, 2003, Goodyear maintained a program for the continuous sale of substantially all of its domestic trade accounts receivable to Wingfoot A/R LLC, a wholly-owned limited liability subsidiary company that is a bankruptcy-remote special purpose entity. The results of operations and financial position of Wingfoot A/R LLC are not included in the consolidated financial statements of Goodyear as provided by Statement of Financial Accounting Standards No. 140 (SFAS 140), Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. Wingfoot A/R LLC purchased Goodyear's receivables with (a) the cash proceeds of borrowings from a group of four bank-affiliated issuers of commercial paper, which borrowings (\$577.5 million and \$624.1 million at March 31, 2003 and December 31, 2002, respectively) were secured by the trade accounts receivable purchased from Goodyear, (b) the proceeds of Goodyear's equity investment in Wingfoot A/R LLC, and (c) a subordinated note payable to Goodyear. Goodyear retained the responsibility for servicing the receivables. As the receivables were collected, the cash proceeds were used to purchase additional receivables. Goodyear paid fees under the program based on certain variable market interest rates and other agreed amounts. These fees were reported as Other (Income) and Expense. Wingfoot A/R LLC could borrow up to \$700 million from the note purchasers. The amount that could be borrowed from time to time by Wingfoot A/R LLC depended on, among other things, the total uncollected balance of receivables owned by it. The borrowings were available to Wingfoot A/R LLC until December 2003, unless extended by the lenders for additional one-year periods. The Company retained the risk of the non-payment of receivables it sold to Wingfoot A/R LLC to the extent of its investment in the equity of Wingfoot A/R LLC and in the subordinated note issued by Wingfoot A/R LLC to Goodyear. The aggregate amount of Goodyear's investments in Wingfoot A/R LLC was \$448.7 million and \$313.1 million at March 31, 2003 and December 31, 2002, respectively.

This program was terminated on April 1, 2003. Refer to Note 9, Subsequent Events, for further information.

<b>(In millions)</b>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2003</b>	<b>2002</b>
Proceeds from collections reinvested in previous securitizations	\$1,089.1	\$1,452.6
Servicing fees received	1.2	1.4
Reimbursement for rebates and discounts issued	28.2	24.5

Various international subsidiaries of Goodyear have also established accounts receivable continuous sales programs whereunder these subsidiaries may receive proceeds from the sale of certain of their receivables to affiliates of certain banks. These subsidiaries retained servicing responsibilities. At March 31, 2003, the value in U.S. dollars of which these international subsidiaries may borrow is approximately \$198 million. The following table presents certain cash flows related to these programs:

**Three Months**  
**Ended**  
**March 31,**

<b>(In millions)</b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Proceeds from collections reinvested in previous securitizations	\$570.0	\$492.2
Reimbursement for rebates and discounts issued	28.1	12.7

In addition, various other international subsidiaries of Goodyear sold certain of their trade receivables at March 31, 2003 and December 31, 2002. The total amount of

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financing provided from all domestic and international agreements worldwide was \$859.3 million at March 31, 2003, compared to \$916.1 million at December 31, 2002.

**NOTE 6. COMMITMENTS AND CONTINGENT LIABILITIES**

At March 31, 2003, Goodyear had binding commitments for raw materials and investments in land, buildings and equipment of \$431.7 million (as restated), and off-balance-sheet financial guarantees written and other commitments totaling \$86.2 million (as restated).

**Warranty**

At March 31, 2003, Goodyear had recorded liabilities, included in other current liabilities, totaling \$11.0 million (as restated) (\$11.0 million at December 31, 2002(as restated)) 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 three months of 2003:

<b>(In millions)</b>	<b>Restated</b>
	<b>2003</b>
Balance at December 31, 2002	\$ 11.0
Settlements made during the period	(3.6)
Additional accrual for warranties issued during the period	3.6
	<hr/>
Balance at March 31, 2003	<b>\$ 11.0</b>
	<hr/>

**Environmental Matters**

Goodyear had recorded liabilities totaling \$54.5 million and \$53.5 million for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by Goodyear, at March 31, 2003 and December 31, 2002, respectively. Of these amounts, \$22.8 million and \$21.4 million were included in Other current liabilities at March 31, 2003 and December 31, 2002, respectively. The costs include legal and consulting fees, site studies, the design and implementation of remediation plans, post-remediation monitoring and related activities and will be paid over several years. The amount of Goodyear's ultimate liability in respect of these matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute.

***Workers Compensation***

Goodyear had recorded liabilities totaling \$157.2 million (as restated) and \$152.4 million (as restated) for anticipated costs related to workers compensation at March 31, 2003 and December 31, 2002, respectively. Of these amounts, \$69.4 million (as restated) and \$66.4 million (as restated) were included in Current Liabilities as part of Compensation and benefits at March 31, 2003 and December 31, 2002, respectively. The costs include an estimate of expected settlements on pending claims, defense costs and a provision for claims incurred but not reported. These estimates are based on Goodyear's assessment of potential liability using an analysis of available information with respect to pending claims, historical experience, and current cost trends. The

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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 \$262.0 million (as restated) and \$240.7 million (as restated) for potential product liability and other tort claims, including related legal fees expected to be incurred, presently asserted against Goodyear, at March 31, 2003 and December 31, 2002, respectively. Of these amounts, \$77.4 million (as restated) and \$75.4 million (as restated) were included in Other current liabilities at March 31, 2003 and December 31, 2002, respectively. The amount recorded was determined on the basis of an assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and, where available, current trends.

Goodyear is a defendant in numerous lawsuits involving, at March 31, 2003, approximately 101,200 claimants (approximately 100,600 claimants at December 31, 2002) alleging various asbestos related personal injuries purported to result from alleged exposure to asbestos in certain rubber coated products manufactured by Goodyear in the past or to asbestos in certain Goodyear facilities. Typically, these lawsuits have been brought against multiple defendants in state and Federal courts. In the past, Goodyear has disposed of approximately 22,200 cases by defending and obtaining the dismissal thereof or by entering into a settlement. Goodyear has policies and coverage-in-place agreements with certain of its insurance carriers that cover a substantial portion of estimated indemnity payments and legal fees in respect of the pending claims. At March 31, 2003, Goodyear has recorded an asset in the amount it expects to collect under coverage-in-place agreements with certain carriers related to its estimated asbestos liability. Goodyear has also commenced discussions with certain of its excess coverage insurance carriers to establish arrangements in respect of their policies.

The portion of the recorded liabilities for potential product liability and other tort claims relating to asbestos claims is based on pending claims. The amount recorded reflects an estimate of the cost of defending and resolving pending claims, based on available information and our experience in disposing of asbestos claims in the past. No liability has been recorded for unknown asbestos claims, and Goodyear cannot predict the number of future claims, the ultimate cost of disposing of existing and future claims, or the future ability to recover from insurance carriers.

The Company appealed judgments of \$22.7 million and \$1.3 million in civil actions in Colorado State Court on February 25, 2002 and May 16, 2002, respectively. These cases relate to alleged breaches of warranties and defects in the Company's Entran II hose installed as a part of Heatway radiant heating systems in property of the claimants. The Company believes the verdicts were based on material errors of fact and law. The Company is also a defendant in eleven class actions and five other civil actions in various Federal and state courts related to the Company's Entran II hose installed as a part of Heatway radiant heating systems in the homes or other structures of the claimants. The Company is also party to actions relating to alleged breaches of warranty or product defects relating to certain of Goodyear's Load Range D and E light truck tires.

Subject to the uncertainties referred to above, Goodyear has concluded that in respect of any of the above described liabilities, it is not reasonably possible that it would incur a loss exceeding the amount currently accrued for at March 31, 2003, with respect thereto that would be material relative to the consolidated financial position, results of operations or liquidity of Goodyear at March 31, 2003.





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Various other legal actions, claims and governmental investigations and proceedings covering a wide range of matters are pending against Goodyear and its subsidiaries. Management, after reviewing available information relating to such matters and consulting with Goodyear's General Counsel, has determined with respect to each such matter either that it is not reasonably possible that Goodyear has incurred any liability in respect thereof or that any liability ultimately incurred will not exceed the amount, if any, recorded at March 31, 2003 in respect thereof that would be material relative to the consolidated financial position, results of operations or liquidity of Goodyear. However, in the event of an unanticipated adverse final determination in respect of certain matters, Goodyear's consolidated financial position, results of operations or liquidity for the period in which such determination occurs could be materially affected.

***Guarantees***

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued on behalf of the Company's affiliates or customers of the Company. The guaranteed party is typically a financial institution that has extended credit to these parties. Normally there is no separate premium received by the Company as consideration for the issuance of guarantees.

***Customer Financing***

At March 31, 2003, the Company had guarantees outstanding under which the maximum potential amount of payments totaled \$22.0 million, and which expire at various times through 2015. The Company has not recorded any liabilities associated with these guarantees on the Consolidated Balance Sheet as of March 31, 2003 or December 31, 2002.

***Affiliate Financing***

At March 31, 2003, the Company had guarantees outstanding under which the maximum potential amount of payments totaled \$19.2 million, and which expire at various times through 2011.

The Company holds a 50% equity interest in South Pacific Tyres (SPT), a partnership in Australia that manufactures and distributes tires. The terms of the partnership agreement provide that the Company is jointly and severally liable for all liabilities of the partnership. At March 31, 2003, SPT had debt totaling \$147.2 million, of which \$33.0 million was payable to Goodyear. The Company also owns, jointly and severally, all of the assets of the partnership.

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

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**NOTE 7. BUSINESS SEGMENTS**

(In millions)	Restated	
	Three Months Ended	
	March 31,	
	2003	2002
<b>Sales:</b>		
North American Tire	\$ 1,592.2	\$ 1,652.5
European Union Tire	928.3	746.0
Eastern Europe, Africa and Middle East Tire	227.4	174.5
Latin American Tire	231.7	245.7
Asia Tire	140.7	121.6
	<b>3,120.3</b>	<b>2,940.3</b>
<b>Total Tires</b>		
Engineered Products	291.9	283.1
Chemical Products	299.5	202.5
	<b>3,711.7</b>	<b>3,425.9</b>
<b>Total Segment Sales</b>		
Inter-SBU Sales	(177.7)	(118.7)
Other	11.8	12.0
	<b>\$3,545.8</b>	<b>\$3,319.2</b>
<b>Net Sales</b>		
	<b>\$3,545.8</b>	<b>\$3,319.2</b>
<b>Segment Operating Income (Loss):</b>		
North American Tire	\$ (66.5)	\$ (51.7)
European Union Tire	25.0	18.9
Eastern Europe, Africa and Middle East Tire	20.9	10.9
Latin American Tire	26.6	27.7
Asia Tire	13.2	8.0
	<b>19.2</b>	<b>13.8</b>
<b>Total Tires</b>		
Engineered Products	(8.6)	7.5
Chemical Products	31.4	22.4
	<b>19.2</b>	<b>13.8</b>

<b>Total Segment Operating Income</b>	<b>42.0</b>	<b>43.7</b>
Rationalizations and asset sales	(59.3)	
Interest expense	(58.4)	(61.0)
Foreign currency exchange	(0.9)	(13.8)
Minority interest in net income of subsidiaries	(10.2)	(13.4)
Inter-SBU income	(17.8)	(11.4)
Financing fees and financial instruments	(28.0)	(11.0)
Equity in earnings (losses) of corporate affiliates	(4.2)	(6.1)
General and product liability discontinued products	(19.1)	(6.0)
Other	(9.6)	2.0
	<hr/>	<hr/>
<b>Loss before Income Taxes</b>	<b>\$ (165.5)</b>	<b>\$ (77.0)</b>
	<hr/>	<hr/>

Items reported as Rationalizations on the Consolidated Statement of Operations were not charged to the strategic business units ( SBU ) for performance evaluation purposes, but were attributable to the SBUs as follows:

	<b>Restated</b>
	<b>Three Months Ended March 31, 2003</b>
<b>(In millions)</b>	<hr/>
<b>Rationalizations:</b>	
North American Tire	\$ 48.5
European Union Tire	9.0
Eastern Europe, Africa and Middle East Tire	
Latin American Tire	0.9
Asia Tire	
Engineered Products	0.6
Chemical Products	
Corporate	1.7
	<hr/>
<b>Total Rationalizations</b>	<b>\$ 60.7</b>
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**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
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Rationalizations and asset sales of \$59.3 million (as restated) includes a gain of \$1.4 million (as restated) due to the sale of assets in the European Union.

**NOTE 8. NON-CONSOLIDATED OPERATIONS SOUTH PACIFIC TYRES**

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

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

(In millions)	Restated	
	Three Months Ended	
	March 31,	
	2003	2002
Net sales	\$ 142.1	\$ 121.0
Operating loss	(1.0)	(4.6)

SPT debt totaled \$147.2 million at March 31, 2003, of which \$33.0 million is payable to Goodyear. At December 31, 2002, SPT debt totaled \$131.3 million, of which \$26.3 million was payable to Goodyear.

**NOTE 9. SUBSEQUENT EVENTS****Restructuring and Refinancing of Credit Facilities**

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

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

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

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

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

The Company had approximately \$319 million of unused available committed credit under the new facilities as of April 1, 2003. In addition, in connection with the restructuring and refinancing, the Company estimates that it increased its cash balance by approximately \$515 million on April 1, 2003.

With the exception of approximately \$700 million in domestic accounts receivable securitizations and \$63 million in Canadian accounts receivable securitizations, each of the replaced finance facilities was unsecured. In addition to the restructured facilities, at April 1, 2003, various international subsidiaries of Goodyear had approximately \$275 million (\$346 million prior to the restructuring) of available borrowings under non-domestic accounts receivable securitization facilities. As of April 1, 2003, Goodyear had short term committed and uncommitted bank credit arrangements totaling approximately \$418 million, of which approximately \$253 million were unused.

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As of April 1, 2003, the Company estimates that the total fees and expenses incurred for the restructuring and refinancing will be approximately \$120 million. In addition, the Company will pay a termination fee on the senior secured asset-backed facilities at termination estimated to be equal to 100 basis points of the aggregate principal amount. Of these costs, \$14.4 million was charged against income in the first quarter of 2003 and the remainder will be charged against income over the term of the agreements.

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

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

The Company's amended and restated senior secured \$750 million five-year revolving credit facility is with 26 domestic and international banks and provides for borrowing up to the \$750 million commitment at any time until April 30, 2005. Up to \$600 million of the facility is available for the issuance of letters of credit. The Company pays an annual commitment fee of 75 basis points on the undrawn portion of the commitment under the U.S. five-year revolving credit facility.

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

The \$645 million U.S. term facility is with 33 domestic and international banks and matures on April 30, 2005.

The Company may obtain loans under the U.S. five-year revolving credit facility and the U.S. term facility (collectively, the U.S. facilities) bearing interest at LIBOR plus 400 basis points or an alternative base rate (the higher of JPMorgan's prime rate or the federal funds rate plus 5 basis points) plus 300 basis points. If loans under the \$645 million term facility remain outstanding on April 30, 2004, fees equal to 100 basis points (or 75 basis points if such facility has been reduced to not more than \$200 million) shall be paid to each lender on its ratable portion of the amount outstanding under the U.S. facilities.

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

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

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

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

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

The indentures for the Company's Swiss franc denominated bonds limit its ability to use its domestic tire and automotive parts manufacturing facilities as collateral for secured debt without triggering a requirement that bond holders be secured on an equal and ratable basis. The manufacturing facilities indicated above will be pledged



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to ratably secure the Company's Swiss franc denominated bonds to the extent required under the applicable indenture. However, the aggregate amount collateralized by these manufacturing facilities will be limited to 15% of the Company's shareholders' equity, in order that the security interests granted to the lenders under the restructured facilities will not be required to be shared with the holders of indebtedness outstanding under the Company's other existing bond indentures.

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

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

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

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

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

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

The U.S. facilities also limit the amount of capital expenditures the Company may make to \$360 million, \$500 million, and \$200 million in 2003, 2004 and 2005 (through April 30), respectively. The amounts of permitted capital expenditures may be increased by the amount of net proceeds retained by the Company from permitted asset sales and equity and debt issuances after application of the prepayment requirement in the U.S. term facility described above. As a result of the second quarter 2003 sale of 20,833,000 shares of SRI for approximately \$83 million discussed below, the capital expenditure limit for 2003 has increased from \$360 million to approximately \$381 million. In addition, to the extent the Company does not reach the limit of permitted capital expenditures in any given year, such shortfall may be carried over into the next year.

*\$650 Million Senior Secured European Facilities*

Goodyear Dunlop Tires Europe B.V. (GDTE) has entered into a \$250 million senior secured revolving credit facility and a \$400 million senior secured term loan facility (collectively, the European facilities). These facilities are with 33 domestic and international banks and mature on April 30, 2005.

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 5 basis

points) plus 300 basis points. If loans under the \$645 million U.S. term facility remain outstanding on April 30, 2004, fees equal to 100 basis points (or 75 basis

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points if such facility has been reduced to not more than \$200 million) shall be paid to each lender on its ratable portion of the amount outstanding under each of the European facilities.

The collateral pledged under the European facilities includes:

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

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

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

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

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

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

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

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

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

The Company has also entered into senior secured asset-backed credit facilities in an aggregate principal amount of \$1.30 billion, consisting of a \$500 million revolving credit facility and an \$800 million term loan facility. These facilities may be increased to not more than \$1.60 billion through extensions of, or increases in, commitments by new or existing creditors. The facilities mature on March 31, 2006. Availability under the facilities is limited by a borrowing base equal to the sum of (a) 85% of adjusted eligible accounts receivable and (b) (i) if the effective advance rate for inventory is equal to or greater than 85% of the recovery rate (as determined by a third party appraisal) of such inventory, 85% of the recovery rate of such inventory, or (ii) if the effective advance rate for inventory is less than 85% of the recovery rate, (A) the sum of 35% of eligible raw materials, 65% of adjusted eligible



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finished goods relating to the North American Tire Segment, and 60% of adjusted eligible finished goods relating to the retail division, Engineered Products Segment and Chemical Products Segment minus (B) a rent reserve equal to three months' rent and warehouse charges at facilities where inventory is stored. The calculation of the borrowing base and reserves against inventory and accounts receivable included in the borrowing base are subject to adjustment from time to time by the administrative agent and the majority lenders in their discretion (not to be exercised unreasonably), based on the results of ongoing collateral and borrowing base evaluations and appraisals. Availability under the facilities is further limited by a \$50 million availability block. If at any time the amount of outstanding borrowings under the facilities exceeds the borrowing base, the Company will be required to prepay borrowings sufficient to eliminate the excess or maintain compensating deposits with the agent bank. The facilities are collateralized by a first-priority security interest in all accounts receivable and inventory of Goodyear and its domestic and Canadian subsidiaries (excluding accounts receivable and inventory related to the Company's North American joint venture with SRI and Wingfoot Commercial Systems). The facilities contain certain covenants which are materially the same as those in the U.S. facilities, with capital expenditures of \$500 million and \$150 million permitted in 2005 and 2006 (through March 31), respectively.

*Terminated or Amended Facilities*

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

As of April 1, 2003, there were borrowings of \$600 million under the revolving facilities.

Refer to Note 5 for further information on the accounts receivable facilities.

**Sumitomo Rubber Industries, Ltd.**

On April 8, 2003, the Company sold 20,833,000 shares of SRI for approximately \$83 million. Goodyear had acquired a 10% ownership of SRI as part of the 1999 global alliance between the two companies. Goodyear now holds approximately 1.5% of SRI's outstanding shares and will recognize a net loss on the transaction in the second quarter of 2003 totaling approximately \$8.9 million (\$0.05 per share).

**Sava Tires Joint Venture Holding d.o.o.**

On April 18, 2003, the Company transferred its 80% ownership of Sava Tires Joint Venture Holding d.o.o. (Sava Tire), a tire manufacturing subsidiary in Slovenia, to Goodyear Dunlop Tires Europe B.V.

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**Wingfoot Commercial Tire Systems LLC**

On April 28, 2003, the Company purchased Arkansas Best Corporation's 19% ownership interest in Wingfoot Commercial Tire Systems LLC ( Wingfoot ), a joint venture company formed by Goodyear and Arkansas Best Corporation to sell and service commercial truck tires, provide retread services and conduct related business, for approximately \$71 million for which Goodyear has a liability recorded. Goodyear now owns 100% of Wingfoot.

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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 financial statements for 2003 as previously reported in Goodyear's Form 10-Q for the quarter ended March 31, 2003 (the Form 10-Q). The restatement also affects the three month period ended March 31, 2002. The adjustments increased the net loss by \$33.2 million for the three-month period ending March 31, 2003, and decreased the net loss by \$4.2 million for the three-month period ending March 31, 2002. The restated financial information has been prepared by management and reflects all adjustments known to management.

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

**RESULTS OF OPERATIONS**

**CONSOLIDATED**

*(All per share amounts are diluted)*

Net sales in the first quarter of 2003 were \$3.55 billion (as restated), increasing 6.8% from \$3.32 billion (as restated) in the 2002 first quarter. A net loss of \$196.5 million (as restated) or \$1.12 per share (as restated) was recorded in the 2003 first quarter compared to a net loss of \$59.0 million (as restated) or \$0.36 per share (as restated) in the 2002 period. The 2003 first quarter included an after-tax rationalization charge of \$57.7 million (as restated) or \$0.33 per share (as restated).

Revenues in the first quarter of 2003 increased from the 2002 period primarily due to the impact of currency translation of approximately \$135 million (as restated). Tire unit price improvements also had a favorable impact on first quarter revenues while lower tire unit volume had a negative impact on the 2003 period.

Worldwide tire unit sales in the first quarter of 2003 were 52.6 million units, a decrease of 0.4 million units or 0.8% compared to the 2002 period. North American Tire (U.S. and Canada) volume decreased 1.4 million units or 5.2% in the quarter, while international unit sales increased 1.0 million units or 3.6%. Worldwide replacement unit sales increased 0.7% from the 2002 quarter, due to increases in European Union Tire and Eastern Europe, Africa and Middle East Tire. Original equipment (OE) unit sales decreased 3.8% in the quarter, due to decreases in all regions except Asia Tire. Unit sales in the first quarter of 2002 included approximately 500,000 tires in connection with the Ford tire replacement program.

Cost of goods sold (CGS) increased 7.5% (as restated) in dollars and was 83.6% (as restated) of net sales, in the first quarter of 2003, compared to 83.0% (as restated) in the 2002 period. CGS in the first quarter of 2003 was adversely impacted by approximately \$109 million (as restated) due to currency translation and by approximately \$64 million (as restated) from higher raw material costs. CGS was also adversely impacted by adjustments that were related to the Engineered Products Segment which were recorded in conjunction with the restatement. It was not possible to allocate the amount of this adjustment to applicable periods and accordingly, Goodyear recorded substantially all of this adjustment in the first quarter of 2003. This adjustment includes the write-off of \$21.3 million consisting of \$3.7 million in intercompany accounts and \$17.6 million related to

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payables and other accounts. Of this amount, \$19.0 million and \$2.8 million are included in the three months ending March 31, 2003 and 2002, respectively.

Selling, administrative and general expense (SAG) in the first quarter of 2003 increased 8.4% (as restated) in dollars compared to the 2002 period and was 16.1% (as restated) of net sales compared to 15.9% (as restated) in the 2002 period. SAG increased in the first quarter of 2003 compared to the 2002 period primarily as a result of currency translation of approximately \$33 million (as restated) and higher wage and benefit costs of approximately \$23 million (as restated). Also, SAG was higher in the 2003 quarter due to increases in general and product liability. SAG was favorably impacted due to the change in the vacation policy discussed below.

During 2002, Goodyear announced the suspension of the matching contribution portion of its savings plans for all salaried associates, effective January 1, 2003. On April 19, 2003, Goodyear's master contract with the United Steelworkers of America (USWA) expired. The Company and the USWA have agreed to extend the master contract on a day to day basis. The Company plans to suspend the matching contribution portion of the savings plan for those employees covered by that contract. Goodyear contributed approximately \$38 million to the savings plans in 2002. In addition, the Company changed its vacation policy for domestic salaried associates in 2002. As a result of the changes to the policy, the Company will not incur vacation expense for domestic salaried associates in 2003. Vacation expense in 2003 is expected to be reduced by approximately \$50 million due to this change in the vacation policy. Expenses were approximately \$13 million lower in the first quarter 2003 compared to the 2002 period as a result of the change in the vacation policy.

Revenues in future periods may continue to be adversely affected by competitive pricing conditions and changes in product mix and channels of distribution. Revenues and earnings in future periods are likely to be unfavorably impacted if the dollar strengthens versus various foreign currencies. In addition, lower demand from the original equipment industry, loss of market share in the replacement market and increases in raw material, energy and labor costs, which may not be recoverable in the market due to pricing pressures present in today's highly competitive market, may also adversely affect earnings in future periods. Currency fluctuations, increased financing costs and general economic and industry conditions may also adversely impact sales and earnings in future periods.

Interest expense of \$58.4 million (as restated) decreased 4.3% (as restated) in the 2003 first quarter compared to the 2002 period. The decrease is due primarily to lower interest rates.

Other (income) and expense was \$43.6 million (as restated) net expense in the 2003 first quarter compared to \$19.8 million (as restated) net expense in the 2002 period. Other (income) and expense included fees related to financing and financial instruments of \$28.0 million and \$11.0 million in the first quarters of 2003 and 2002, respectively. Financing fees and financial instruments in the first quarter of 2003 include \$14.4 million of costs incurred in connection with the restructuring and refinancing of the Company's bank credit and receivables securitization facilities.

Other (income) and expense also includes General & product liability discontinued products which includes charges for claims against Goodyear related to asbestos personal injury claims and for other products no longer manufactured by the Company. Expenses totaled \$19.1 million (as restated) in the first quarter of 2003 and \$6.0 million (as restated) in the first quarter of 2002.

Foreign currency exchange loss was \$0.9 million (as restated) in the 2003 first quarter compared to a loss of \$13.8 million (as restated) in the 2002 quarter. Foreign currency exchange in the 2002 first quarter was adversely



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impacted by approximately \$13 million due to currency movements on U.S. dollar denominated monetary items in Argentina.

For the first three months of 2003, Goodyear recorded tax expense of \$31.0 million (as restated) on a loss before income taxes and minority interest in net income of subsidiaries of \$155.3 million (as restated). 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 quarter is a favorable tax adjustment of \$1.2 million (as restated) related to the settlement of prior years tax liabilities. For the first quarter of 2002, Goodyear recorded a tax benefit of \$18.0 million (as restated) on a loss before income taxes and minority interest in net income of subsidiaries of \$63.6 million (as restated).

## **Rationalization Activity**

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

### **2003 Program**

Goodyear recorded a rationalization charge totaling \$60.7 million (as restated) (\$57.7 million after tax or \$0.33 per share (as restated)) in 2003. The 2003 rationalization actions consist of research and development, retail, manufacturing and administrative consolidations in North America, Europe and Latin America. Of the \$60.7 million (as restated) charge, \$39.6 million (as restated) related to future cash outflows, primarily associate severance costs, and \$21.1 million (as restated) related to and pension curtailments. Upon completion of these plans, the Company estimates that it will further reduce annual operating costs by approximately \$70 million (approximately \$40 million SAG and approximately \$30 million CGS). Goodyear estimates that SAG and CGS were reduced by approximately \$9 million in the first quarter of 2003 as a result of the implementation of this program.

The 2003 actions included associate-related costs of \$60.3 million (as restated) for the release of approximately 950 research and development, retail, manufacturing and administrative associates in Europe, the United States and Latin America. During the first quarter of 2003, \$24.3 million was incurred for the release of approximately 450 associates. Rationalization costs, other than associate-related costs, totaled \$0.4 million (as restated) and were for outplacement services. During the first quarter of 2003, \$0.3 million of other than associate-related costs were incurred. The remaining reserve for costs related to the completion of these actions was \$36.1 million (as restated) at March 31, 2003.

### **2002 Program**

Goodyear recorded a net rationalization charge of \$5.5 million (as restated) (\$6.4 million after tax or \$0.03 per share (as restated)) in 2002, which included reversals of \$21.0 million (as restated) (\$16.6 million after tax or \$0.11 per share (as restated)) for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of \$26.5 million (\$23.0 million after tax or \$0.14 per share). The 2002 rationalization actions consisted of a manufacturing facility consolidation in Europe, the closure of a mold manufacturing facility and a plant consolidation in the United States and administrative consolidations.

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The 2002 actions included associate-related costs of \$19.5 million (as restated) for the release of approximately 1,000 manufacturing and administrative associates in Europe and the United States. As of March 31, 2003, approximately 450 associates have been released, including approximately 200 associates during the first quarter of 2003, for which \$10.1 million was incurred. Rationalization costs, other than associate-related costs, totaled \$7.0 million (as restated) and were primarily for the writeoff of equipment taken out of service in the Engineered Products and North American Tire Segments and noncancellable contract costs. Goodyear incurred \$1.5 million of other than associate-related costs during the first quarter of 2003, primarily for ongoing noncancellable lease costs. The remaining reserve for costs related to the completion of these actions was \$9.1 million and \$20.7 million at March 31, 2003 and December 31, 2002, respectively.

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

**Fourth Quarter 2001 Program**

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

The 2001 fourth quarter actions included associate-related costs of \$53.1 million for the release of approximately 2,200 associates around the world, primarily production and administrative associates in Europe. As of March 31, 2003, approximately 2,050 associates have been released, including approximately 50 associates during the first quarter of 2003, for which \$1.8 million was incurred. Rationalization costs, other than associate-related costs, totaled \$83.1 million (as restated), of which \$41.6 million (as restated) related to the writeoff of tire manufacturing equipment taken out of service, principally in the Asia Tire Segment, and noncancellable lease costs. Goodyear incurred \$0.7 million of other than associate-related costs in the first quarter of 2003, primarily for ongoing noncancellable lease costs. The remaining reserve for costs related to the completion of these actions was \$26.2 million (as restated) and \$28.7 million (as restated) at March 31, 2003 and December 31, 2002, respectively.

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

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

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

**General Market Uncertainties**

Goodyear's results of operations, financial position and liquidity could be adversely affected in future periods by loss of market share or lower demand in the replacement market or from the original equipment industry, which would result in lower levels of plant utilization that would increase unit costs. Also, Goodyear could experience unexpected higher raw material and energy prices in future periods. These costs, if incurred, may not be recoverable due to pricing pressures present in today's highly competitive market. Goodyear is unable to predict future currency fluctuations. Sales and earnings in future periods would be unfavorably impacted if the U.S. dollar strengthens versus various foreign currencies. A continuation of the current economic downturn in the U.S. and Europe is likely to unfavorably impact Goodyear's sales and earnings in future periods. Similarly, continued volatile economic conditions in emerging markets could adversely affect sales and earnings in future periods. Goodyear may also be impacted by economic disruptions associated with global events including war, acts of terror and civil obstructions. On April 19, 2003, Goodyear's master contract with the USWA expired. Although Goodyear and the USWA have agreed to extend the master contract on a day-to-day basis, it is uncertain at this time whether an agreement will be reached without interruption of production, and the terms of the agreement ultimately reached could result in higher wage and benefit costs in the United States.

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

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

**General and Product Liability and Other Litigation.** The ultimate liability of Goodyear in respect of the various claims, lawsuits and other legal proceedings to which it is a party cannot be estimated with certainty. Goodyear's accounting policy is to determine whether a liability should be recorded, and to estimate the amount of such liability based on the information available and assumptions and methods it has concluded are appropriate, in accordance with the provisions of Statement of Financial Accounting Standards No. 5, Accounting for Contingencies, and related pronouncements. As additional information becomes available, Goodyear will reassess its evaluation of the pending claims, lawsuits and other proceedings.

At March 31, 2003, Goodyear had recorded liabilities aggregating \$262.0 million (as restated) (\$240.7 million (as restated) at December 31, 2002) for potential product liability and other tort claims, including related legal fees expected to be incurred, presently asserted against Goodyear. Generally, the amount recorded was determined on the basis of an assessment of the potential liability using an analysis of available information with respect to pending claims, historical experience and, where available, current trends.

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Goodyear has established a liability, as part of its general and product liability, in respect of the approximately 101,200 asbestos claims pending at March 31, 2003 (approximately 100,600 claims at December 31, 2002), and an asset for expected recoveries under coverage-in-place agreements with certain primary insurance carriers. The claims relate to alleged exposure to asbestos in certain rubber coated products manufactured by Goodyear in the past or to asbestos in certain Goodyear facilities. During the first quarter of 2003, Goodyear received approximately 7,900 new claims and resolved approximately 7,300 asbestos claims. The amount spent on asbestos litigation defense and claim resolution (before recovery of insurance proceeds) was approximately \$7.5 million (as restated) during the first quarter of 2003.

The portion of the recorded liabilities relating to asbestos claims is based on pending claims only. The amount recorded reflects an estimate of the cost of defending and resolving pending claims, based on available information and our experience in disposing of asbestos claims in the past. No liability has been recorded for unknown asbestos claims, and Goodyear cannot predict the number of future asbestos claims, the ultimate cost of disposing of existing and future claims, or the future ability to recover from insurance carriers. Goodyear believes it will recover a substantial portion of its liability from the proceeds of existing insurance policies, most of which are not subject to coverage-in-place agreements.

Goodyear also has claims asserted in other legal proceedings to which it is currently a party. The Company appealed judgments of \$22.7 million and \$1.3 million in civil actions in Colorado State Court, related to alleged breaches of warranties and defects in the Company's Entran II hose installed as a part of Heatway radiant heating systems in the property of the claimants. The Company believes the verdicts were based on material errors of fact and law. The Company is also a defendant in eleven class actions and five other civil actions in various Federal and state courts related to the Company's Entran II hose installed in the homes or other structures of the claimants. The Company is also party to a class action relating to alleged breaches of warranty or product defects relating to certain of Goodyear's Load Range D and E light truck tires.

Goodyear's recorded liability for general and product liability (other than asbestos claims) is based on assumptions about the number of claims filed and expected to be filed and the amount expected to be paid per claim. The expected number of claims is developed based in part on industry statistics and past claims experience. The amount expected to be paid per claim is based in part on whether the claim involves Goodyear's products or other alleged tort liability. It also includes assumptions about future judicial actions related to the potential aggregation of claims, expected trends in litigation costs and the nature of claims not yet received or reviewed by Goodyear. If the actual experience differs from expectations, Goodyear's results of operations, financial position and liquidity would be affected.

Subject to the uncertainties referred to above, Goodyear has concluded that in respect of any of the above described liabilities, it is not reasonably possible that it would incur a loss exceeding the amount currently accrued for at March 31, 2003, with respect thereto which would be material relative to the consolidated financial position, results of operations or liquidity of Goodyear at March 31, 2003, although an unanticipated adverse final determination in these proceedings could have a material impact on Goodyear's results of operations, financial position and liquidity in any quarter or for the year.

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**Environmental Matters.** At March 31, 2003, Goodyear had recorded liabilities totaling \$54.5 million (\$53.5 million at December 31, 2002) for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by Goodyear. These costs include legal and consulting fees, site studies, the design and implementation of remediation plans, post-remediation monitoring and related activities and will be paid over several years. The amount of Goodyear's ultimate liability in respect of these matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute.

**Workers Compensation.** Goodyear had recorded liabilities totaling \$157.2 million (as restated) and \$152.4 million (as restated) for anticipated costs related to workers' compensation at March 31, 2003 and December 31, 2002, respectively. The costs include an estimate of expected settlements on pending claims, defense costs and a provision for claims incurred but not reported. These estimates are based on Goodyear's assessment of potential liability using an analysis of available information with respect to pending claims, historical experience, and current cost trends. The amount of Goodyear's ultimate liability in respect of these matters may differ from these estimates.

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

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

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

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

Although subject to change in view of the volatility of the capital markets, based on current estimates, Goodyear expects to make contributions to its domestic pension plans of approximately \$375 million to \$425 million in 2004 in order to satisfy statutory minimum funding requirements. Goodyear will be subject to additional statutory minimum funding requirements after 2004. The amount of funding requirements could be substantial and will be based on a number of factors, including the value of the pension assets at the time as well as the interest rate for the relevant period.

**Table of Contents****SEGMENT INFORMATION**

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

Results of operations in the Tire and Engineered Products Segments were measured based on net sales to unaffiliated customers and segment operating income. Results of operations of the Chemical Products Segment were measured based on net sales (including sales to other SBUs) and segment operating income. Segment operating income included transfers to other SBUs. Segment operating income was computed as follows: Net Sales less CGS and SAG (excluding certain corporate expenses). Segment operating income also included equity (earnings) losses in affiliates. Segment operating income did not include the previously discussed rationalization charges.

Total segment operating income was \$42.0 million (as restated) in the first quarter of 2003, decreasing 3.9% from \$43.7 million (as restated) in the 2002 quarter. Total segment operating margin (total segment operating income divided by segment sales) in the first quarter of 2003 was 1.1% (as restated), compared to 1.3% (as restated) in the 2002 period.

Management believes that total segment operating income is useful because it represents the aggregate value of income created by the Company's SBUs and excludes items not directly related to the SBUs for performance evaluation purposes. Total segment operating income is the sum of the individual SBUs' segment operating income as measured in accordance with Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information. Refer to the note to the financial statements as restated No. 7, Business Segments, for a reconciliation of total segment operating income to loss before income taxes.

**North American Tire**

	<b>Restated</b>	
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>
Tire Units	24.8	26.2
Sales	\$1,592.2	\$1,652.5
Segment Operating Income (Loss)	(66.5)	(51.7)
Segment Operating Margin	(4.2)%	(3.1)%

North American Tire segment unit sales in the 2003 first quarter decreased 1.4 million units or 5.2% from the 2002 period. Replacement unit volume decreased 6.4% and OE unit volume decreased 2.7%.

Revenues decreased 3.6% (as restated) the first quarter of 2003 from the 2002 period due to reduced volume in most markets, primarily certain segments of the replacement market, and the lower tire units delivered in connection with the Ford tire replacement program initiated in 2001. 2002 first quarter OE sales were also favorably impacted by an increase in auto production. Favorable product mix primarily in the consumer market, positively impacted sales compared to 2002.

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

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

North American Tire segment operating income in the first quarter of 2003 decreased 28.6% (as restated) from the 2002 quarter. Higher raw material costs of approximately \$22 million and a volume shortfall of approximately \$3 million (as restated) unfavorably impacted 2003 segment operating income. 2003 segment operating income was positively impacted by approximately \$9 million (as restated) due to the change in the salaried associates' vacation policy discussed above. Reduced research and development costs, improvements in retail operations and cost savings initiatives also benefited segment operating income.

Segment operating income in 2003 did not include first quarter rationalization charges totaling \$48.5 million (as restated).

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 market, changes in mix, increases in raw material and energy prices, higher wage and benefit costs and general economic conditions. On April 19, 2003, Goodyear's master contract with the USWA expired. Approximately 8,400 employees or 26% of the segment's employees are covered by this contract. Although Goodyear and the USWA have agreed to extend the master contract on a day-to-day basis, it is uncertain at this time whether an agreement will be reached without interruption of production, and the terms of any agreement ultimately reached could result in higher wage and benefit costs in the United States. Any prolonged interruption of production could have a material adverse effect on the Company's financial position, results of operations and liquidity.

**European Union Tire**

	<b>Restated</b>	
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>
Tire Units	15.8	15.1
Sales	\$928.3	\$746.0
Segment Operating Income	25.0	18.9
Segment Operating Margin	2.7%	2.5%

European Union Tire segment unit sales in the 2003 first quarter increased 0.7 million units or 4.8% from the 2002 period. Replacement unit sales increased 11.6% while OE volume decreased 7.7%.

Revenues in the first quarter of 2003 increased 24.4% (as restated) compared to 2002 primarily due to the favorable effect of currency translation of approximately \$168 million (as restated). Higher volume, price increases and improved product mix also positively affected revenues in the 2003 quarter.

For the first quarter of 2003, segment operating income increased 32.3% (as restated) compared to 2002 due to lower conversion costs of approximately \$9 million (as restated), the positive effect of currency translation of approximately \$7 million (as restated) and higher volume of approximately \$10 million (as restated). Higher raw material costs of approximately \$10 million, higher pension costs of approximately \$5 million and higher SAG costs of \$9 million (as restated) negatively affected first quarter 2003 segment operating income compared to 2002.





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Segment operating income in 2003 did not include first quarter rationalization charges totaling \$9.0 million and gain on the sale of assets of \$1.4 million.

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

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

	<b>Restated</b>	
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>
Tire Units	4.0	3.8
Sales	\$227.4	\$174.5
Segment Operating Income	20.9	10.9
Segment Operating Margin	9.2%	6.2%

Eastern Europe, Africa and Middle East Tire ( Eastern Europe Tire ) segment unit sales in the 2003 first quarter increased 0.2 million units or 6.4% from the 2002 period. Replacement unit sales increased 10.9% while OE volume decreased 11.1%.

Revenues increased 30.3% in the 2003 first quarter compared to 2002 primarily due to improved pricing and the positive impact of currency translation. Revenue was favorably affected by currency translation of approximately \$35 million, primarily in South Africa where the Rand gained against the U.S. dollar compared to the 2002 period.

Segment operating income in the 2003 quarter increased 91.7% (as restated) from the 2002 quarter. Segment operating income for the 2003 period was favorably impacted by approximately \$6 million related to currency translation and by approximately \$8 million (as restated) due to lower conversion costs. Higher raw material prices of approximately \$4 million negatively impacted the 2003 period.

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

**Latin American Tire**

	<b>Restated</b>	
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>
Tire Units	4.7	4.9
Sales	\$231.7	\$245.7

Segment Operating Income	26.6	27.7
Segment Operating Margin	11.5%	11.3%

Latin American Tire segment unit sales in the 2003 first quarter were down 0.2 million units or 5.7% from the 2002 period. Replacement unit sales decreased 1.7% and OE volume decreased 15.9%.

Revenues in the 2003 first quarter decreased 5.7% from the 2002 period. Currency translation reduced sales by approximately \$76 million (as restated) in

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the first quarter compared to 2002. Revenues during the period benefited from improved prices and product mix.

Segment operating income in the 2003 quarter decreased 4.0% (as restated) from the 2002 period. Segment operating income was favorably impacted by approximately \$36 million related to improved pricing levels and product mix. Price adjustments were made to partially offset the adverse impact of currency movements. Currency translation reduced segment operating income by approximately \$27 million. Higher conversion costs of approximately \$5 million (as restated) and increased raw material costs of approximately \$5 million also negatively impacted segment operating income compared to the 2002 period.

Segment operating income in the first quarter of 2003 did not include first quarter rationalization charges totaling \$0.9 million.

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

**Asia Tire**

	<b>Restated</b>	
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>
Tire Units	3.3	3.0
Sales	\$140.7	\$121.6
Segment Operating Income	13.2	8.0
Segment Operating Margin	9.4%	6.6%

Asia Tire segment unit sales in the 2003 first quarter increased 0.3 million or 8.9% from the 2002 period. Replacement unit sales decreased 1.1% and OE volume increased 35.3%.

Revenues in the 2003 quarter increased 15.7% (as restated) compared to the 2002 period due primarily to higher OE volume. Improved selling prices on replacement and OE tires also favorably impacted revenues in the 2003 period.

Segment operating income in the first quarter increased 65.0% (as restated) compared to the 2002 period due to improved pricing and product mix of approximately \$6 million, the favorable impact of currency translation of approximately \$2 million and higher volume of approximately \$2 million. 2003 segment operating income was adversely affected by higher raw material prices of approximately \$6 million and increased SAG costs.

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

Sales and segment operating income of the Asia Tire Segment reflect the results of Goodyear's majority-owned tire business in the region. In addition, Goodyear owns a 50% interest in South Pacific Tyres, (SPT), the largest tire

manufacturer, marketer and exporter in Australia and New Zealand. Results of operations of SPT are not reported in segment results, but are reflected in Goodyear's Consolidated Statement of Income using the equity method.

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

<b>(In millions)</b>	<b>Restated</b>	
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2003</b>	<b>2002</b>
Net sales	\$ 142.1	\$ 121.0
Operating loss	(1.0)	(4.6)

SPT debt totaled \$147.2 million at March 31, 2003, of which \$33.0 million was payable to Goodyear. At December 31, 2002, debt totaled \$131.3 million, of which \$26.3 million was payable to Goodyear.

**Engineered Products**

<b>(In millions)</b>	<b>Restated</b>	
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2003</b>	<b>2002</b>
Sales	\$ 291.9	\$ 283.1
Segment Operating Income	(8.6)	7.5
Segment Operating Margin	(2.9)%	2.6%

Engineered Products revenues increased 3.1% in the first quarter of 2003 from 2002 due largely to higher sales of replacement and military products, while sales of industrial products declined. Revenues were adversely impacted by currency translation of approximately \$1 million (as restated).

Segment operating income decreased significantly in the first quarter of 2003 compared to the 2002 period due primarily to adjustments recorded in conjunction 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. This adjustment includes the write-off of \$21.3 million consisting of \$3.7 million in intercompany accounts and \$17.6 million related to payables and other accounts. Of this amount, \$19.0 million and \$2.8 million are included in the three months ending March 31, 2003 and 2002, respectively. Several factors relating to the Company's ERP systems implementation resulted in EPD's inability to locate or recreate account reconciliations for prior periods. 2003 segment operating income (as restated) was negatively impacted by higher conversion costs of approximately \$4 million and higher SAG costs of approximately \$2 million (as restated).

Segment operating income in 2003 was favorably impacted by higher volume of approximately \$4 million which is due in part to a customer's purchase of inventory previously held on consignment and improved pricing and product mix of approximately \$2 million.

Segment operating income in 2003 did not include first quarter rationalization charges totaling \$0.6 million.

Revenues and segment operating income in the Engineered Products Segment may be adversely affected in future periods by lower original equipment demand, competitive pricing pressures, expected continuing unfavorable economic conditions in certain markets, adverse economic conditions globally in the mining, construction and agriculture industries, increases in raw material and energy prices, anticipated higher wage and benefit costs and currency translation. The Engineered Products Segment plants in the U.S. are included in Goodyear's master contract with the USWA, which expired on April 19, 2003. Approximately 2,300 employees or 31% of the

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segment's employees are covered by this contract. Although Goodyear and the USWA have agreed to extend the master contract on a day-to-day basis, it is uncertain at this time whether an agreement will be reached without interruption of production and the terms of the agreement ultimately reached could result in higher wage and benefit costs in the United States. Any prolonged interruption of production could have a material effect on the Company's financial position, results of operations and liquidity.

**Chemical Products**

	<b>Restated</b>	
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<b>(In millions)</b>	<b>2003</b>	<b>2002</b>
Sales	\$299.5	\$202.5
Segment Operating Income	31.4	22.4
Segment Operating Margin	10.5%	11.1%

Chemical Products revenues increased 47.9% (as restated) in the 2003 first quarter compared to 2002. Approximately 63% of the total pounds of synthetic materials sold by the Chemical Products segment in 2003 were to Goodyear's other segments. Natural rubber plantations, a rubber processing facility and natural rubber purchasing operations are included in the Chemical Products Segment. Revenues in the first quarter of 2003 increased primarily due to higher volume and higher net selling prices. The higher net selling prices were caused by increased raw material and energy costs.

Segment operating income in the 2003 quarter increased 40.2% (as restated) from the 2002 period primarily due to higher net selling prices of approximately \$58 million, the favorable impact of currency translation of approximately \$5 million and the natural rubber operations which contributed approximately \$4 million (as restated) of the improvement through pricing and volume. Higher raw materials prices of approximately \$46 million and increased conversion costs of approximately \$13 million unfavorably impacted 2003 segment operating income.

Certain items were identified as a result of a stand-alone audit of a portion of the Chemical Products business segment which were recorded in 2002 but which related to prior periods and were restated out of 2003. The most significant adjustments related to the timing of the recognition of the actual cost of inventories and the fair value adjustment of a hedge for natural gas.

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

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



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

Net cash used in operating activities was \$228.2 million (as restated) during the first quarter of 2003, as reported on the Company's Consolidated Statement of Cash Flows. Cash flows from operations were used during the first quarter of 2003 primarily to increase the Company's working capital requirements by approximately \$273 million (as restated).

**INVESTING ACTIVITIES**

Net cash used in investing activities was \$63.4 million (as restated) during the first quarter of 2003. Capital expenditures were \$97.0 million (as restated), and were primarily for plant modernizations and new tire molds. Capital expenditures are expected not to exceed \$360 million in 2003.

<b>(In millions)</b>	<b>Restated</b>	
	<b>Three Months</b>	
	<b>Ended</b>	
	<b>March 31,</b>	
	<b>2003</b>	<b>2002</b>
Capital Expenditures	\$ 97.0	\$ 75.6
Depreciation and Amortization	148.2	147.0

On April 8, 2003, Goodyear sold 20.8 million shares of its investment in Sumitomo Rubber Industries, Ltd. ( SRI ) for approximately \$83 million.

On April 28, 2003, the Company purchased Arkansas Best Corporation's 19% ownership interest in Wingfoot Commercial Tire Systems LLC, a joint venture company formed by Goodyear and Arkansas Best Corporation to sell and service commercial truck tires, provide retread services and conduct related business, for approximately \$71 million for which Goodyear has a liability recorded. Goodyear now owns 100% of Wingfoot Commercial Tire Systems LLC.

**FINANCING ACTIVITIES**

Net cash provided by financing activities was \$50.4 million (as restated) during the first three months of 2003.

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

<b>(In millions)</b>	<b>Restated</b>		
	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2003</b>	<b>2002</b>	<b>2002</b>
Consolidated Debt	\$3,829.1	\$ 3,643.0	\$3,561.0
	96.8%	93.4%	58.5%

Debt to Debt and  
Equity

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**Credit Sources**

*Restructuring and Refinancing of Credit Facilities*

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

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

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

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

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

The Company had approximately \$319 million of unused available committed credit under the new facilities as of April 1, 2003. In addition, in connection with the restructuring and refinancing, the Company estimates that it increased its cash balance by approximately \$515 million on April 1, 2003.

With the exception of approximately \$700 million in domestic accounts receivable securitizations and \$63 million in Canadian accounts receivable securitizations, each of the replaced finance facilities was unsecured. In addition to the restructured facilities, at April 1, 2003, various international subsidiaries of Goodyear had approximately \$275 million (\$346 million prior to restructuring) of available borrowings under non-domestic accounts receivable securitization facilities. The Company expects these international accounts receivable securitization facilities to be reduced in the second quarter of 2003 and is evaluating alternatives to replace or restructure them. As of April 1, 2003, Goodyear had short term committed and uncommitted bank credit arrangements totaling approximately \$418 million, of which approximately \$253 million were unused. The continued availability of these arrangements is at the discretion of the relevant lender and a portion of these arrangements may be terminated as a result of the restructuring and refinancing.

As of April 1, 2003, the Company estimates that the total fees and expenses incurred for the restructuring and refinancing will be approximately \$120 million. In addition, the Company will pay a termination fee on the senior secured asset-backed facilities at termination estimated to be equal to 100 basis points of the aggregate principal amount. Of these costs, \$14.4 million was charged against income in the first quarter of 2003 and the remainder will be charged against income over the term of the agreements.

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

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

The Company's amended and restated senior secured \$750 million five-year revolving credit facility is with 26 domestic and international banks and provides for borrowing up to the \$750 million commitment at any time until April 30, 2005. Up to \$600 million of the facility is available for the issuance of letters of credit. The Company pays an annual commitment fee of 75 basis points on the undrawn portion of the commitment under the U.S. five-year revolving credit facility.



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

The \$645 million U.S. term facility is with 33 domestic and international banks and matures on April 30, 2005.

The Company may obtain loans under both the U.S. five-year revolving credit facility and the U.S. term facility (collectively, the U.S. facilities ) bearing interest at LIBOR plus 400 basis points or an alternative base rate (the higher of JPMorgan's prime rate or the federal funds rate plus 5 basis points) plus 300 basis points. If loans under the \$645 million term facility remain outstanding on April 30, 2004, fees equal to 100 basis points (or 75 basis points if such facility has been reduced to not more than \$200 million) shall be paid to each lender on its ratable portion of the amount outstanding under the U.S. facilities.

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

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

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

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

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

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

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

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

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

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

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

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

The U.S. facilities also limit the amount of capital expenditures the Company may make to \$360 million, \$500 million, and \$200 million in 2003, 2004 and 2005 (through April 30), respectively. The amounts of permitted capital expenditures may be increased by the amount of net proceeds retained by the Company from permitted asset sales and equity and debt issuances after application of the prepayment requirement in the U.S. term facility described above. As a result of the second quarter 2003 sale of 20,833,000 shares of SRI for approximately \$83 million, the capital expenditure limit for 2003 has increased from \$360 million to approximately \$381 million. In addition, to the extent the Company does not reach the limit of permitted capital expenditures in any given year, such shortfall may be carried over into the next year.

*\$650 Million Senior Secured European Facilities*

Goodyear Dunlop Tires Europe B.V. ( GDTE ) has entered into a \$250 million senior secured revolving credit facility and a \$400 million senior secured term loan facility (collectively, the European facilities ). These facilities are with 33 domestic and international banks and mature on April 30, 2005.

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 5 basis points) plus 300 basis points. If loans under the \$645 million U.S. term facility remain outstanding on April 30, 2004, fees equal to 100 basis points (or 75 basis points if such facility has been reduced to not more than \$200 million) shall be paid to each lender on its ratable portion of the amount outstanding under each of the European facilities.

The collateral pledged under the European facilities includes:

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

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

Consistent with the covenants applicable to Goodyear in the U.S. facilities, the European facilities contain certain covenants applicable to GDTE and its subsidiaries which, among other things, limit GDTE's ability to incur additional indebtedness (including a limit of \$275 million in accounts receivable transactions), make investments, sell assets beyond specified limits, pay dividends and make loans or advances to Goodyear companies that are not subsidiaries of GDTE. The European facilities also contain certain covenants

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applicable to the Company identical to those in the U.S. facilities. The European facilities also limit the amount of capital expenditures that GDTE may make to \$180 million, \$250 million and \$100 million in 2003, 2004 and 2005 (through April 30), respectively.

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

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

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

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

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

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

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

*Terminated or Amended Facilities*

Until April 1, 2003, the Company was a party to two revolving credit facilities, consisting of a \$750 million five-year revolving credit facility and a \$575 million 364-day revolving credit facility. The Company was also a party to an

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

*Terminated or Amended Credit Facilities*

Prior to being amended and restated, the \$750 million five-year revolving credit facility was with 26 domestic and international banks and provided for borrowings of up to the \$750 million commitment at any time until August 15, 2005, when the commitment was to terminate and any outstanding loans were to mature. During the first three months of 2003, commitment fees averaged 50 basis points. Under the five-year revolving credit facility, the Company was permitted to provide up to \$200 million of standby letters of credit. The Company provided \$199.7 million of standby letters of credit as of March 31, 2003. During the first quarter of 2003, participation fees for the five-year revolving credit facility averaged 150 basis points.

The \$575 million 364-day revolving credit facility, which was an extension of a \$775 million facility which expired on August 13, 2002, was with 21 domestic and international banks and provided for borrowings of up to the \$575 million commitment at any time until August 12, 2003. During the first quarter of 2003, commitment fees for the 364-day revolving credit facility averaged 35 basis points.

As of April 1, 2003, there were borrowings of \$600 million under the revolving facilities.

The \$800 million term loan was with 28 domestic and international banks and was scheduled to mature on March 30, 2004.

The revolving credit facilities and the term loan contained certain covenants which, among other things, required the Company to maintain at the end of each fiscal quarter a minimum consolidated net worth and a defined minimum interest coverage ratio. In addition, the agreements established limits on the aggregate amount of consolidated debt and certain other obligations the Company and its subsidiaries were permitted to incur and on the amount of unfunded benefit obligations permitted under certain of the Company's pension plans.

During 2002 and early 2003 there was a series of reductions in the Company's credit ratings, and the Company perceived the possibility that it would not continue to comply with covenants in its financing agreements relating to pension plan funding and minimum net worth in its existing financing agreements. Accordingly, the Company entered into discussions with its lenders regarding amendments of its financing agreements. On December 24, 2002, the Company obtained waivers of the pension funding and net worth covenants contained in its revolving credit facilities and term loan agreement. The Company paid fees to the lenders as consideration for their granting the waivers. On March 5, 2003, these waivers were extended to April 4, 2003, and additional fees were paid.

*Terminated Domestic Accounts Receivable Securitization Facility*

Until April 1, 2003, Goodyear maintained a program for the continuous sale of substantially all of its domestic trade accounts receivable to Wingfoot A/R LLC, a wholly-owned limited liability subsidiary company that is a bankruptcy-remote special purpose entity (SPE). The results of operations and financial position of Wingfoot A/R LLC are not included in the consolidated financial statements of the





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Company as provided by Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. Wingfoot A/R LLC purchased Goodyear's receivables with (a) the cash proceeds of borrowings from a group of four bank-affiliated issuers of commercial paper, which borrowings (\$577.5 million and \$624.1 million at March 31, 2003 and December 31, 2002, respectively) were secured by the trade accounts receivable purchased from Goodyear, (b) the proceeds of Goodyear's equity investment in Wingfoot A/R LLC, and (c) a subordinated note payable to Goodyear. Goodyear paid fees under the program based on certain variable market interest rates and other agreed amounts. These fees were reported as Other (Income) and Expense. Wingfoot A/R LLC was permitted to borrow a maximum of \$700 million from the note purchasers. The aggregate amount of Goodyear's investments in Wingfoot A/R LLC was \$448.7 million and \$313.1 million at March 31, 2003 and December 31, 2002, respectively.

The Wingfoot A/R facility was amended on December 10, 2002. The amendment reduced the rating required to be maintained by the Company for its long term debt discussed above from Ba2/BB to Ba3/BB-. In connection with the amendment, the Company agreed to increase the amounts payable to the lenders under the facility and paid fees to the lenders as additional consideration for their granting the amendment. On March 20, 2003, Moody's Investor Services lowered Goodyear's senior unsecured rating to B1. Although this rating provided the lenders with certain termination rights, the lenders did not seek to terminate the facility and the outstanding borrowings under the facility were retired in connection with the restructuring and refinancing on April 1, 2003.

### *Non-Domestic Accounts Receivable Securitization Facilities*

Various international subsidiaries of the Company have also established accounts receivable continuous sales programs whereunder these subsidiaries may receive proceeds from the sale of certain of their receivables. These subsidiaries retain servicing responsibilities. As of April 1, 2003, the amount available for borrowing under these facilities was approximately \$275 million (\$346 million prior to the restructuring). The Company expects these facilities to be reduced in the second quarter of 2003 and is evaluating alternatives to replace them. During March 2003, a \$63 million accounts receivable facility in Canada was retired. The receivables pledged under the retired Canadian facility now constitute a portion of the collateral pledged under the \$1.30 billion senior secured asset-backed facility. In addition, various other international subsidiaries of Goodyear sold certain of their trade receivables during 2003 and 2002.

At March 31, 2003, the net proceeds for all sales of receivables by Goodyear were \$859.3 million. Net cash outflows of \$71.6 million were recorded in the first quarter of 2003 for transfers of accounts receivable under these and other programs. For further information, refer to the note to the financial statements as restated No. 5, Accounts and Notes Receivable.

### Credit Ratings

On January 1, 2002, Standard & Poor's and Moody's Investor Services rated the Company's long term debt at BBB and Baa3, respectively. During 2002 and early 2003, credit rating agencies reduced the Company's credit rating on short term and long term debt to non-investment grade status. As a result of these ratings actions and other related events, the Company's access to the capital markets is limited. In addition, financing and related expenses under some existing arrangements have increased as a result of the Company's non-investment grade ratings.

On March 20, 2003, Moody's Investor Services assigned a Ba2 long term debt rating to Goodyear's then proposed restructured credit facilities. At the same time, Moody's assigned Goodyear a senior implied rating of Ba3, an unsecured long-term issuer rating of B1 and lowered Goodyear's senior unsecured debt rating to



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B1. Moody's rating outlook is stable. On March 20, 2003, Standard & Poor's assigned ratings on the then proposed restructured credit facilities of BB+ for the \$1.30 billion senior secured asset-backed credit facility; and BB- for the U.S. facilities and the European facilities. On April 2, 2003, Standard & Poor's affirmed its BB- long term debt rating, maintained its negative outlook and lowered the rating on Goodyear's unsecured notes to B+.

## Dividends

On February 4, 2003, the Company announced that it eliminated its quarterly cash dividend. The Company had paid cash dividends at a quarterly rate of \$.12 per share since the fourth quarter of 2001, when it was decreased from \$.30 per share. The determination of dividend payments is made by the Company's Board of Directors on a quarterly basis. The dividend reduction was effected by the Board in order to conserve cash for the Company's business and should result in annual cash savings to the Company of approximately \$84 million per year. Under the Company's restructured credit agreements, the Company is not permitted to pay dividends on its common stock.

## Turnaround Strategy

The Company is currently implementing the initial stages of a turnaround strategy for the North American Tire Segment which will require the Company to 1) stabilize margins and market shares, 2) simplify the sales and supply chain process, 3) execute key cost-cutting, brand and distribution strategies and 4) grow the business through new product introductions and new sales channels. There is no assurance that the Company will successfully implement this turnaround strategy. In particular, this strategy and the Company's liquidity could be adversely affected by trends that negatively affected the North American Tire Segment in 2002 and prior years, including industry overcapacity which limits pricing power, 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. The Company's financial position, results of operations and liquidity could also be adversely affected by events related to the expiration of Goodyear's master contract with the United Steelworkers of America on April 19, 2003, and other factors mentioned in the discussion of the North American Tire Segment above.

## Future Capital Requirements

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

Prior to March 2003, the Company had not historically drawn down its revolving credit facilities to meet its liquidity demands. However, during March 2003, the Company drew down \$600 million from its revolving credit facilities. In the future, the Company intends to access its restructured revolving credit facilities to support its liquidity demands on an as needed basis.

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

The Company's \$3,345 million of bank finance facilities mature in 2005 and 2006; and the Company would have to refinance these facilities in the capital

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markets if they were not renewed by the banks. Because of its debt ratings, recent operating performance and other factors, the Company believes its access to such markets at the present is limited. The Company's ability to improve its access to the capital markets is highly dependent on successfully implementing its turnaround strategy. There is no assurance that the Company will be successful in implementing its turnaround strategy. Failure to successfully complete the turnaround strategy could have a material adverse effect on the Company's financial position, results of operations and liquidity.

**COMMITMENTS & CONTINGENCIES**

The following table presents, at March 31, 2003 (except Long Term Debt, see (1) below), Goodyear's obligations and commitments to make future payments under contracts and contingent commitments.

<b>Restated</b>							
<b>(In millions)</b>	<b>Payment Due by Period as of March 31, 2003</b>						
<b>Contractual Obligations</b>	<b>Total</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>4 Years</b>	<b>5 Years</b>	<b>After 5 Years</b>
Long Term Debt (1)	\$4,949.1	\$223.4	\$ 1.5	\$3,245.3	\$570.8	\$101.6	\$ 806.5
Capital Lease Obligations (2)	104.6	9.9	9.3	7.8	7.2	7.0	63.4
Operating Leases (3)	1,423.5	256.3	216.3	173.4	158.7	102.4	516.4
Binding Commitments (4)	431.7	400.5	21.4	1.7	1.5	1.4	5.2
<b>Total Contractual Cash Obligations</b>	<b>\$6,908.9</b>	<b>\$890.1</b>	<b>\$248.5</b>	<b>\$3,428.2</b>	<b>\$738.2</b>	<b>\$212.4</b>	<b>\$1,391.5</b>
<b>Amount of Commitment Expiration per Period</b>							
Other Off Balance Sheet Financial Guarantees Written and Other Commitments (5)	\$ 86.2	\$ 60.8	\$ 5.3	\$ 0.8	\$ 0.5	\$ 4.9	\$ 13.9

(1) Long term debt payments include notes payable and reflect the restructuring and refinancing of the Company's credit facilities on April 1, 2003.

(2) The present value of capital lease obligations is \$65.4 million (as restated).

(3) Operating leases do not include minimum sublease rentals of \$42.3 million, \$33.8 million, \$24.1 million, \$16.0 million, \$9.9 million and \$17.4 million in each of the periods above, respectively, for a total of \$143.5 million. Net operating lease payments total \$1,280.0 million (as restated). The present value of operating leases is \$707.9 million (as restated). The operating leases relate to, among other things, computers and office equipment, real estate and miscellaneous other assets, which are in some instances leased from SPEs owned and controlled by independent, unaffiliated lessors that are owned or financed by financial institutions. At March 31, 2003, the Company was a party to lease agreements with two unrelated SPEs. The agreements are related to certain North American distribution facilities and certain corporate aircraft. Minimum operating lease payments in the above table include approximately \$30 million in 2006 related to the distribution facilities. No director, officer or employee of Goodyear or any of its subsidiaries or other affiliate holds any direct or indirect interest in such entities. No asset is leased from any related party.

- (4) Binding commitments are for normal operations of the Company and include investments in land, buildings and equipment and raw materials purchased through short term supply contracts at fixed prices or at formula prices related to market prices or negotiated prices.

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(5) Other off-balance-sheet financial guarantees written and other commitments include, at March 31, 2003, approximately \$44.1 million related to an option held by Goodyear's minority partner in Sava Tires to require Goodyear to purchase the partner's 20% equity interest in Sava Tires. The minority partner may exercise its option during various periods beginning in 2003 and extending through 2005.

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

Pursuant to an agreement entered into in 2001, Ansell Ltd. (Ansell), formerly Pacific Dunlop Ltd., has the right, during the period beginning August 2005 and ending one year later, to require Goodyear to purchase Ansell's 50% interest in SPT at a formula price based on the earnings of SPT. If Ansell does not exercise its right, Goodyear may require Ansell to sell its interest to Goodyear during the 180 days following the expiration of Ansell's right at a price established using the same formula.

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

Goodyear expects to make contributions to its domestic pension plans of approximately \$375 million to \$425 million in 2004 in order to satisfy statutory minimum funding requirements.

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

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

***Interest Rate Risk***

Goodyear actively manages its fixed and floating rate debt mix, within defined limitations, using refinancings and unleveraged interest rate swaps. Goodyear will enter into fixed and floating interest rate swaps to alter its exposure to the impact of changing interest rates on consolidated results of operations and future cash outflows for interest. Fixed rate swaps are used to reduce Goodyear's risk of increased interest costs during periods of rising interest rates, and are normally designated as cash flow hedges. Floating rate swaps are used to convert the fixed rates of long term borrowings into short term variable rates. Interest rate swap contracts are thus used by Goodyear to separate interest rate risk management from debt funding decisions. At March 31, 2003, the interest rates on 61% of Goodyear's debt were fixed by either the nature of the obligation or through the interest rate swap contracts, compared to 70% at December 31, 2002. Goodyear also from time to time enters into interest rate lock contracts to hedge the risk-free component of anticipated long term debt issuances.

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The following tables present information at March 31:

<b>(Dollars in millions)</b>		
<b>Interest Rate Swap Contracts</b>	<b>2003</b>	<b>2002</b>
Fixed Rate Contracts:		
Notional principal amount	\$325.0	\$325.0
Pay fixed rate	5.00%	5.00%
Receive variable LIBOR	1.29	2.00
Average years to maturity	1.00	2.00
Fair value liability	\$ (12.2)	\$ (6.3)
Pro forma fair value liability	(12.6)	(7.5)
Floating Rate Contracts:		
Notional principal amount	\$200.0	\$250.0
Pay variable LIBOR	3.16%	3.66%
Receive fixed rate	6.63	6.63
Average years to maturity	3.71	4.70
Fair value asset (liability)	\$ 18.1	\$ (3.7)
Pro forma fair value asset (liability)	19.0	(1.9)

The pro forma fair value assumes a 10% decrease in variable market interest rates at March 31 of each year, and reflects the estimated fair value of contracts outstanding at that date under that assumption.

Weighted average interest rate swap contract information follows:

<b>(Dollars in millions)</b>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2003</b>	<b>2002</b>
Fixed Rate Contracts:		
Notional principal	\$325.0	\$325.0
Pay fixed rate	5.00%	5.00%
Receive variable LIBOR	1.40	2.00
Floating Rate Contracts:		
Notional principal	\$227.0	\$ 88.0
Pay variable LIBOR	3.18%	3.76%
Receive fixed rate	6.63	6.63

The following table presents fixed rate debt information at March 31:

<b>(In millions)</b>		
<b>Fixed Rate Debt</b>	<b>2003</b>	<b>2002</b>
Fair value liability	\$1,678.7	\$2,317.5
Carrying amount liability	2,189.8	2,337.1
Pro forma fair value liability	1,738.2	2,416.7



The pro forma information assumes a 100 basis point decrease in market interest rates at March 31, 2003 and 2002, respectively, and reflects the estimated fair value of fixed rate debt outstanding at that date under that assumption.

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

**Table of Contents****Foreign Currency Exchange Risk**

In order to reduce the impact of changes in foreign exchange rates on consolidated results of operations and future foreign currency-denominated cash flows, Goodyear enters into foreign currency contracts. These contracts reduce exposure to currency movements affecting existing foreign currency-denominated assets, liabilities, firm commitments and forecasted transactions resulting primarily from trade receivables and payables, equipment acquisitions, intercompany loans and royalty agreements and forecasted purchases and sales. In addition, the principal and interest on Goodyear's Swiss franc bond due 2006 and Euro300 million of the Euro Notes due 2005 are hedged by currency swap agreements. In April 2003, Euro200 million of the currency swaps were liquidated, resulting in a hedge balance of Euro100 million.

Contracts hedging the Swiss franc bond, the Euro Notes and forecasted transactions under intercompany royalty agreements are designated as cash flow hedges. The hedged intercompany royalty transactions will occur during 2003. Contracts hedging short term trade receivables and payables normally have no hedging designation.

The following table presents foreign currency contract information at March 31:

*(In millions)*

**Foreign Exchange Contracts**

	<b>Restated 2003</b>	<b>2002</b>
	_____	_____
Fair value asset (liability)	\$ 73.7	\$ (25.0)
Pro forma change in fair value	9.9	19.6
Contract maturities	4/03-12/18	4/02-3/06
Fair value asset (liability):		
Swiss franc swap-current	\$ (1.5)	\$ (2.7)
Swiss franc swap-long term	35.0	10.1
Euro swaps-current	0.1	(7.3)
Euro swaps-long term	42.6	(20.5)
Other-current asset	2.6	0.8
Other-current liability	(5.1)	(3.4)

The pro forma change in fair value assumes a 10% change in foreign exchange rates at March 31 of each year, and reflects the estimated change in the fair value of contracts outstanding at that date under that assumption.

At March 31, 2003, Goodyear held foreign currency Euro put options, exercisable during 2003, to reduce exposure to currency movements on 2003 forecasted intercompany sales. These options are designated as cash flow hedges. At March 31, 2003, the underlying contract value of these options totaled \$24.2 million with minimal fair value. The uncertainty of foreign currency markets in the future precludes the Company from assessing whether or not these options will be exercised.

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

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

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

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

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

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

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

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

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

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

our financial position, results of operations and liquidity could be materially adversely affected if we experience a labor strike, work stoppage or other similar difficulty and the United Steelworkers of America currently has the right to strike after going through a grievance process;

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

our long-term ability to meet current obligations and to repay maturing indebtedness, including long-term debt maturing in 2005 and 2006 of approximately \$1.23 billion and \$1.95 billion, respectively, is dependent on our ability to access capital markets in the future and to improve our operating results;

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

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

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

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

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

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

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

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

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

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

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

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

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

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**ITEM 4. CONTROLS AND PROCEDURES.**

Overview

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

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

On December 10, 2003, the Company announced that it was delaying the filing of its 2002 Form 10-K/A containing restated financial statements in order to permit the Audit Committee to conduct an internal investigation into potential improper accounting issues in its European Union 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.

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 was necessary.

In May 2004, following the conclusion of certain internal investigations conducted by the Company's Audit Committee, PwC advised the Company that the circumstances it previously identified to the Company as collectively resulting in a material weakness had each individually become a material weakness. PwC advised the Company that this determination was due to the number of previously undetected errors that were attributable to the material weakness previously identified. A significant portion of these errors were detected by the Company. PwC further identified 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.

In the course of preparing its Form 10-Q for the quarter ended March 31, 2004, the Company identified approximately \$5 million in expenses relating to prior periods that had not been reflected in prior-period financial statements and were recorded as expenses in the March 31, 2004 financial statements. These expenses included items related to the North American Tire workers' compensation and pension plan discount rate adjustments that were part of the restatement.

In April 2003, the Company began to implement various measures to strengthen its account reconciliation control processes. The Company established a requirement that the finance director of each operating unit that maintains a general ledger or sub-ledger confirm on a quarterly basis that all balance sheet accounts for which he or she has responsibility have been reconciled accurately and on a timely basis. At the corporate level, each employee responsible for an account is required to

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certify, on a quarterly basis, that such account has been accurately reconciled. The Company's Internal Audit Department has commenced targeted reviews of selected account reconciliations. In response to the overseas accounting investigation, senior finance personnel visited various overseas locations in preparation for the filing of the Company's 2003 Form 10-K and reviewed and confirmed the accuracy of selected account reconciliations, analyzed reported results, reviewed items identified by prior audits to ensure corrective actions were in place and reviewed the certification process with local management.

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

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

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

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

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

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

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

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;

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

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

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

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

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

Development of new and enhanced monitoring controls;

Simplification of financial processes and information technology systems;

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

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

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

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

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

## Disclosure Controls and Procedures

The Company's senior management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2003. Based upon that evaluation, combined with a consideration of the additional procedures described above, the Company's Chief Executive Officer and Chief Financial Officer concluded that, notwithstanding the material weaknesses and reportable conditions described above, after taking into account the remedial measures implemented by the Company, as of the evaluation date, the Company's disclosure controls and procedures are designed, and are effective, to give reasonable assurance that information the Company must disclose in reports filed with the SEC is properly recorded, processed and summarized, and then reported as required.

## Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the first quarter of 2003 that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting. Developments in the Company's internal controls over financial reporting subsequent to the filing of the original Form 10-Q for the quarter ended March 31, 2003 are described above.



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**PART II. OTHER INFORMATION**

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

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

(b) Reports on Form 8-K. The following Current Report on Form 8-K was filed by The Goodyear Tire & Rubber Company during the quarter ended March 31, 2003:

Form 8-K, dated February 4, 2003 (Items 5 and 7).

**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: June 18, 2004

By /s/ Richard J. Kramer

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Richard J. Kramer , Executive Vice  
President and Chief Financial Officer

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

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**THE GOODYEAR TIRE & RUBBER COMPANY**  
**Quarterly Report on Form 10-Q/A**  
**For the Quarter Ended March 31, 2003**  
**INDEX OF EXHIBITS**

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

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

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<b>EXHIBIT Table Item No.</b>	<b>Description of Exhibit</b>	<b>EXHIBIT Number</b>
4	<p>reference, filed as Exhibit 4.1 to Goodyear's Form 10-Q for the quarter ended March 31, 1998, File No. 1-1927).</p> <p>(i) Form of Indenture, dated as of March 1, 1999, between Goodyear and The Chase Manhattan Bank (now JPMorgan Chase Bank), as Trustee, as supplemented on March 14, 2000 (incorporated by reference, filed as Exhibit 4.1 to Goodyear's Form 10-Q for the quarter ended March 31, 2000, File No. 1-1927) and as further supplemented on August 15, 2001 (incorporated by reference, filed as Exhibit 4.3 to Goodyear's Form 10-Q for the quarter ended September 30, 2001, File No. 1-1927).</p> <p>(j) Conformed copy of Amended and Restated Five-Year Revolving Credit Agreement, dated as of August 13, 2002, among Goodyear, the Lenders named therein and JPMorgan Chase Bank, as Agent (incorporated by reference, filed as Exhibit 4.1 to Goodyear's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, File No. 1-1927).</p> <p>(k) Conformed copy of Amended and Restated 364-Day Revolving Credit Agreement, dated as of August 13, 2002, among Goodyear, the Lenders named therein and JPMorgan Chase Bank, as Agent (incorporated by reference, filed as Exhibit 4.2 to Goodyear's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, File No. 1-1927).</p> <p>(l) Conformed copy of Term Loan Agreement, dated as of March 30, 2001, among Goodyear, the Lenders named therein, JPMorgan Chase Bank, as Agent, and Chase Manhattan International Limited, as London Agent (incorporated by reference, filed as Exhibit 4.1 to Goodyear's Form 10-Q for the quarter ended March 31, 2002, File No. 1-1927).</p> <p>(m) Form of First Amendment, dated as of November 9, 2001, to the Term Loan Agreement, dated as of March 30, 2001, among Goodyear, the Lenders named therein, JPMorgan Chase Bank, as Agent, and JPMorgan Chase International Limited, as London Agent (incorporated by reference, filed as Exhibit 4.4 to Goodyear's Form 10-Q for the quarter ended September 30, 2001, File No. 1-1927).</p> <p>(n) Conformed copy of Second Amendment,</p>	

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<b>EXHIBIT Table Item No.</b>	<b>Description of Exhibit</b>	<b>EXHIBIT Number</b>
4	<p>dated as of August 13, 2002, among Goodyear, the Lenders named therein, JPMorgan Chase Bank, as Agent, and Chase Bank International Limited, as Lender's Agent (incorporated by reference, filed as Exhibit 4.3 to Goodyear's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, File No. 1-1927).</p> <p>In accordance with paragraph (iii) to Part 4 of Item 601 of Regulation S-K, agreements and instruments defining the rights of holders of certain items of long term debt entered into during the quarter ended March 31, 2003 which relate to securities having an aggregate principal amount less than 10% of the consolidated assets of Registrant and its Subsidiaries are not filed herewith. The Registrant hereby agrees to furnish a copy of any such agreements or instruments to the Securities and Exchange Commission upon request.</p>	
<b>10</b>	<b>MATERIAL CONTRACTS</b>	
	<p>Agreement dated as of March 3, 2003, between Goodyear and Sumitomo Rubber Industries, Ltd. amending certain provisions of the alliance agreements (incorporated by reference, filed as Exhibit 10.1 to Goodyear's Quarterly Report on Form 10-Q for quarter ended March 31, 2003, filed on April 30, 2003, File No. 1-1927).</p>	
<b>12</b>	<b>STATEMENT RE COMPUTATION OF RATIOS</b>	
	Statement setting forth the computation of Ratio of Earnings to Fixed Charges.	12
<b>31</b>	<b>302 CERTIFICATIONS</b>	
	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	31.1
	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	31.2
<b>32</b>	<b>906 CERTIFICATIONS</b>	
	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	32.1