





Goodyear is the world's largest tire company. Together with its U.S. and international subsidiaries and joint ventures, Goodyear manufactures and markets tires for most applications. It also manufactures and sells several lines of power transmission belts, hose and other rubber products for the transportation industry and various industrial and consumer markets, as well as rubber-related chemicals for various applications. Goodyear is the world's largest operator of commercial truck service and tire retreading centers. In addition, it operates more than 1,600 tire and auto service center outlets. Goodyear manufactures its products in more than 80 facilities in 28 countries. It has marketing operations in almost every country around the world.



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Cover tire: Goodyear Assurance featuring TripleTred Technology





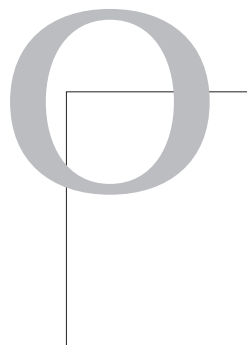
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Financial Overview

<i>(dollars in millions, except per share)</i>	Year ended December 31	
	2003	2002 as restated
Net Sales	\$ 15,119.0	\$ 13,856.2
Net Loss	(802.1)	(1,227.0)
– Per diluted share	(4.58)	(7.35)
Total Assets	\$ 15,005.5	\$ 13,038.7
Consolidated Debt	5,077.4	3,643.0
Total Shareholders' Equity	(13.1)	255.4
Debt to Debt and Equity	100.3%	93.4%
Cash Dividends per Share	\$ –	\$ 0.48
Common Shares Outstanding	175,326,429	175,307,433
Average Number of Associates	89,293	94,122

To Our Shareholders



Our energy, drive and determined efforts are concentrated on the continued transformation of The Goodyear Tire & Rubber Company into a market-focused, cost-competitive company that provides superior products and services, along with superior returns for our shareholders.

We are confident that we have a winning strategy in place, and we are aggressively executing against that strategy. There remains much work to do, but the tide is beginning to turn.

The year 2003 was one of many accomplishments at Goodyear, with much of our focus directed toward the North American Tire business, the nearly \$7 billion operation that represents almost half of our sales. Other initiatives addressed our overall financial condition and sought to build on our global brand, product and distribution strengths. We adopted very aggressive market-place and cost strategies to achieve our goals. We made fact-based decisions with passion, with speed, and with the courage that is necessary when taking bold action.

2003 Actions

- We completed a restatement of our previously reported financial results, which unfortunately delayed the release of our 2003 financial statements. As disappointing as it was for us to be in this situation, it was a positive factor that our people identified the accounting issues in our overseas operations. We have taken steps to address the issues identified during the restatement process, and we are implementing strengthened and improved controls to ensure that these problems do not reoccur. The entire company is committed to full and accurate public reporting.

- Six of our seven business units distinguished themselves with continued strong financial performance, resulting in an accelerated business momentum that has provided both financial results and insights that are being applied to our North American operational turnaround.
- We needed to rebuild relationships and credibility with our large network of independent dealers in North American Tire, and we accomplished that huge task.
- We launched a successful debt refinancing early in the year to extend our obligations and position our balance sheet to the point where we had the capability to progress our turnaround plan, and we succeeded with the completion of a \$3.3 billion refinancing. This was a crucial first step in our refinancing program.



Robert J. Keegan
Chairman, Chief Executive Officer & President

- We completed very painful, but critically necessary job cuts to reduce our cost base. We did what was necessary.
- We concluded intense negotiations with the United Steelworkers of America in which we needed significant cost savings to provide the Company the financial flexibility to support our turnaround plans. Again, we met the challenge.

We were able to meet our 2003 challenges one-by-one. Today we are continuing to drive improved results and accelerate the business progress that we have established.

Business Momentum

Over the past three years, we've made significant strides in terms of financial performance and market position in six of our seven businesses. Engineered Products, Chemical, European Union, Eastern Europe, Africa and the Middle East, Asia and Latin America have experienced both market and financial success for the second year in a row. We achieved this by focusing on the key features of the Company's turnaround strategy – leadership, cash, cost and revenue growth. Our Six Sigma initiatives continue to deliver for us as we improve both our cost structure and our market sensing.

While our seventh business – North American Tire – is still in the early stages of recovery, we are driving improvement in its key strategic areas.

Assurance

The exciting launch of the Assurance family of tires is just one of the many positive actions that helps illustrate the new direction of Goodyear.

This product family is a direct response to our customers' needs. At the 2003 North American Tire dealer conference, we promised to help our customers jump-start their businesses with new products targeted at key consumer benefits. From the very beginning, Assurance was a fully integrated endeavor between our technical, manufacturing and marketing teams. The tire was developed with unprecedented speed, utilizing our very best

technology and extremely talented associates. We fulfilled our promise.

The new tires are distinctive. They offer industry-leading performance. Assurance featuring ComforTred Technology offers a smooth and quiet ride and provides the ultimate luxury driving experience. Assurance featuring TripleTred Technology is a premium all-season tire designed to provide peace of mind in any driving conditions. When we unveiled these tires to our North American dealers in February, they immediately realized they would be selling the best broad-market passenger tires on the market. They responded with excitement, enthusiasm and support.

Consumers are contacting us to rave about the Assurance ride; they tell us the ride from Assurance with ComforTred feels like they're driving a new car. Assurance featuring TripleTred Technology became available to consumers in late April, and promptly was accorded prestigious status as one of 20 hot new technology products from *Popular Science* magazine. To quote this popular magazine, "With three zones – one for dry roads, one for rain and one for icy conditions – the Goodyear Assurance tire with TripleTred technology is the most complete approach to all-season tires we've seen. The new kid in this tire is the Ice Zone, whose embedded volcanic sand supplies extra grip when plain old rubber just won't do." The Assurance with TripleTred Technology was one of just two products singled out among the 20 as truly innovative.

Actual demand for the Assurance family is three times our initial estimates and we have expanded our production from Lawton, Oklahoma to include our tire plants in Napanee, Ontario; Gadsden, Alabama; and Tyler, Texas.

It is clear that Assurance is a brand that will be a success, and it joins our existing strong portfolio featuring Eagle, Wrangler and Fortera tires.

We couldn't be more delighted. The same is true with our dealers. However, the real beneficiaries will be the car owners who purchase Assurance tires.

Seven Reasons to Believe

Our positive business momentum is a direct result of a plan based on seven strategic drivers of our business – what we refer to as the Seven Reasons to Believe in Goodyear. These seven strategies are at the heart of all of our Company's activities moving forward, and we are fully focused on their successful execution.

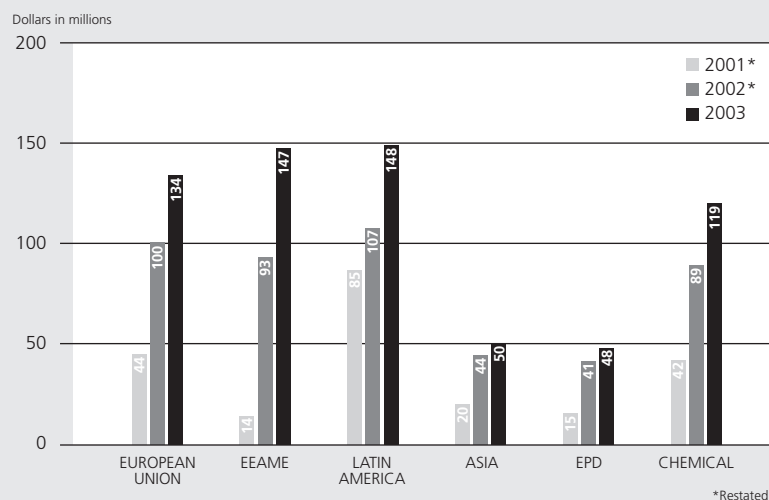
LEADERSHIP

These seven initiatives are not in rank order of importance, with the single exception being leadership. The rationale is simple: without the right leadership, the other strategies could not be successfully executed. We have taken major steps globally. We have made both broad and deep changes to our leadership teams and our organizational structure. Particular attention has been paid to North American Tire, to ensure that we have the right people in the right positions throughout the business unit. Our leadership team has the right skills, the right experience, the right mindset and the right incentives to execute a significant turnaround of our Company.

A FOCUS ON CASH

In last year's letter, we talked about the importance of the successful refinancing that was completed in April 2003. That effort extended the term of our financing and acted as an enabler for our plan. In early 2004, we successfully refinanced portions of that debt again, to increase our financial flexibility. Going forward, we need to refinance debt obligations before they mature, and may seek access to the capital markets as part of this effort. These efforts are necessary to the continued execution of our plans. In addition to addressing near-term obligations, we are also reviewing transactions that would reduce the Company's debts. These measures will help the Company address its financial challenges, including increased interest costs, mandatory pension contributions and large debt maturities in 2005 and 2006.

Segment Operating Income



Business momentum in six of our seven businesses

Operationally, our cash focus is strong. We will continue that effort through much better margins, selective investment and working capital management, with an overriding insistence that cash expectations drive all our decisions.

A LOWER COST STRUCTURE

Our philosophy on cost is simple: If an activity adds value, we will feed it. If it doesn't, we will seek to eliminate it. We have made difficult cost choices, and we will continue to do so.

We have committed to having a competitive cost structure in place, and have taken significant actions over the past year to offset headwinds that we face in rising raw material costs, energy costs, health benefit and pension costs to help position ourselves for the future. We closed manufacturing facilities in Huntsville, Alabama; Cartersville, Georgia; and Stow, Ohio.



We expanded production at low-cost facilities in Debica, Poland; Kranj, Slovenia and Americana, Brazil. We eliminated 500 salaried staff positions in North American factories and reduced U.S. salaried staffing by an additional 700. While sometimes painful, these cuts were necessary to restore competitiveness and profitability. In the summer of 2003, we faced critical negotiations with the United Steelworkers of America in the United States. The resulting three-year contract will provide significant savings against those headwinds as well as the financial flexibility to support our plans. We are aggressively addressing cost issues with productivity gains made through our efforts in Six Sigma and Lean Manufacturing.

We will take greater advantage of Goodyear's global manufacturing footprint to compete with the increasing volume of tires being imported into the North American and Western European markets.

LEVERAGE DISTRIBUTION

Goodyear has the broadest and deepest dealer network in the industry, and we intend to leverage this powerful asset more fully. One of our most crucial objectives last year was to rebuild our relationships and our credibility with our network of independent tire dealers in North America. In early 2003 we were struggling in our performance as a supplier and in our overall dealer relationships.

We committed to improving those relationships, and we changed our own emphasis to building our customers' businesses, not simply selling tires to them. After more than a year of hard work, the difference in these relationships is unmistakable. We are living up to our commitments, and we are implementing new initiatives that leverage our relationships with dealers in North America and around the world. Today, our dealers have, once again, become Goodyear's most important external supporters.

BUILDING BRAND STRENGTH

We continue to improve our consumer market share globally in the Goodyear brand business, and a great portfolio of brands around the world supports our flagship brand. We are now positioning all of our brands more effectively and investing sufficient dollar weight to grow them.

We are making Dunlop a brand of choice for the enthusiast market, and we are breathing new life into the Kelly brand in North America through new marketing initiatives and original equipment opportunities. Future product launches will continue to help differentiate our brands in the marketplace, and they will be backed by fully integrated marketing support. In Europe, the Dunlop brand has been a huge success among the enthusiast media and consumers with prestigious fitments and outstanding performance on premier European performance vehicles, further strengthening an already powerful European brand.

PRODUCT LEADERSHIP

Goodyear has never had a stronger product lineup. As mentioned earlier, the Assurance tires are quite simply the best-performing broad market passenger tires you can buy. The Eagle F-1 also has distinguished itself both in Europe and North America as the top ultra-high performance tire, and we are currently launching that product in the Asia region where we expect similar accolades and market success.

In Europe, we launched bold new products designed to further differentiate our brands in the market. The Goodyear HydraGrip is a high-performance summer tire specially developed for rainy and wet weather conditions. The Dunlop Sport Maxx performance tire was designed for superior dry handling, high-speed stability and excellent acceleration and braking performance. Fulda, our German-engineered brand, introduced Fulda Kristall Supremo, a new-generation high-performance winter tire offering outstanding protection against ice, snow and hydroplaning.

Within the past year, we have revitalized our truck tire business with the launch of new products in all of our global markets, including nine new commercial truck tires in Europe last fall. Our customers tell us we have the best performing truck tire package in the industry and, as a result, we have won very significant new business. The investments we made in this business two years ago are now paying off.

Our technology and marketing teams have been charged with continuing the new product momentum by bringing forward more outstanding new tires on greatly accelerated timelines. There is a lot of excitement to come.

ADVANTAGED SUPPLY CHAIN

Our Company's leadership team shares one common trait – an unwavering commitment to the customer. Our customers are critical to our success, and through an advantaged supply chain we are improving our service levels to exceed their business requirements and improve their businesses.

Our new supply chain organization was designed, staffed and funded to create a competitive advantage in our industry for our customers and for Goodyear. We are implementing a new customer ordering process that is accurate, streamlined, simple and works with unprecedented accuracy. It is designed to get the right tire to the right place at the right time, while keeping costs and inventories low.

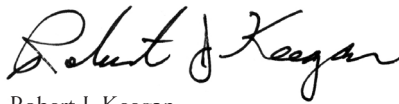
Looking Forward

Our new and focused management team is committed to winning with the strategies we are putting in place. There is a great deal of positive momentum and energy. We have set our expectations very high, and we plan to exceed them.

On behalf of the entire Company, I would like to express my appreciation to the customers and associates who are making the turnaround happen. And thank you to our shareholders for your continued confidence.

In the last 18 months, various audiences have asked, "How can we help Goodyear's turnaround?" There's one very simple way you can help: Try one of our new products, and let us know about your experiences. We are confident in our new product lines, and our commitment to quality, customer satisfaction and innovation. You will not be disappointed. Then tell a friend. We're happy with success one customer at a time.

We believe in our ability to win with the exceptional assets we have at our disposal. The future – our future – is promising.



Robert J. Keegan

Chairman, Chief Executive Officer & President



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

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

In each of the last three years we have experienced significant net losses. Our net losses for 2003, 2002 and 2001 were \$802.1 million, \$1,227.0 million (as restated and including a non-cash charge of \$1.20 billion to establish a tax valuation allowance) and \$254.1 million (as restated), respectively. Our results are highly dependent upon the results of our North American Tire segment, which accounted for approximately 45% of our consolidated net sales in 2003. In recent years, North American Tire results have been negatively impacted by several factors, including over-capacity which limits pricing leverage, weakness in the replacement tire market, increased competition from low cost manufacturers, a decline in market share and increases in medical and pension costs. In 2003, North American Tire has a segment operating loss of \$128.7 million compared to a segment operating loss of \$57.1 million (as restated) for 2002 and segment operating income of \$100.9 million (as restated) for 2001. In our second largest segment, European Union Tire, we had segment operating income of \$133.5 million, \$100.2 million (as restated) and \$44.2 million (as restated) in 2003, 2002 and 2001, respectively. Approximately 29% of the increase in segment operating income from 2002 to 2003 is attributable to the strength of the Euro. The segment operating income of our five other operating segments has remained strong and has increased each year since 2001.

In addition to the disappointing results of our North American Tire segment, increases in raw material and energy costs have offset many of the benefits of the numerous cost reduction actions we have taken over the past year. In particular, in 2003, the price of one of our most important raw materials, natural rubber, increased approximately 36% and the cost of oil increased approximately 25% over the same period. We estimate that the rise in raw material costs increased our Cost of Goods Sold by approximately \$335 million in 2003. We expect that the price of oil and natural rubber will continue to increase in 2004. Increased interest expense and financing fees also negatively impacted our results in 2003. Interest expense increased from \$241.7 million (as restated) in 2002 to \$296.3 million in 2003 primarily due to our refinancing efforts. Fees and expenses related to our refinancing efforts in 2003 totaled approximately \$120 million, of which \$45.6 million was charged against income in 2003. The amount charged against income in 2003 of \$45.6 million included the writeoff of unamortized fees associated with the facilities that were replaced. Financing activities completed in the first quarter of 2004 will further increase our interest expense.

A key indicator of our operating performance is market share, especially in our two largest regions, North America and western Europe. Listed below is our estimated market share in each of these two regions for our two primary tire markets: Original Equipment and Replacement.

	North America Estimated Market Share		Western Europe Estimated Market Share	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Original Equipment	41.6%	41.3%	23.6%	25.5%
Replacement	25.6	26.2	23.8	23.2

The above percentages are estimates only and are based on a combination of industry publications and surveys and internal company surveys. In the North American replacement market, a significant increase in business in our dealer channel was not enough to offset a large loss in the lower margin private label market primarily due to aggressive competition by low cost foreign manufacturers. The North American original equipment market remained steady even as we became more selective in the fitments we pursued with vehicle manufacturers. In western Europe, the increase in the replacement market was due to the successful

introduction of several new products and an increased focus on sales by product. The reduction in our share of the western European original equipment market is largely due to our strategy to be more selective in pursuing original equipment fitments.

We refinanced most of our debt on April 1, 2003 with facilities that are secured by a substantial portion of our assets. While we completed additional debt refinancing in the first quarter of 2004, we must take additional actions, including accessing the capital markets or refinancing additional debt, to ensure that we have sufficient liquidity over the long term. For example, we have a number of obligations coming due over the next few years, including substantial required domestic pension plan obligations of approximately \$160 million in 2004 and approximately \$325 million to \$350 million in 2005. In addition, after taking into account the paydown of certain obligations in connection with our recent financing activities, we have an aggregate of \$1,343 million and \$1,481 million of long-term debt coming due in 2005 and 2006, respectively. We expect to meet our obligations as they come due through available cash and cash equivalents, internally generated funds and borrowings. While new financing may be available to us, access to such financing cannot be assured given the recent performance of our business, our current debt ratings and restrictions on our ability to pledge additional assets as security. Failure to obtain new financing could have a material adverse effect on our liquidity.

Given these and other obligations, unanticipated events could significantly impact our liquidity. For example, although we have entered into a conditional settlement agreement to resolve a substantial portion of product liability claims relating to a rubber hose product we previously manufactured, unless this settlement is finalized, we will be subject to numerous claims, the resolution of which could have a material adverse effect on our results of operations, financial position and liquidity.

During the third quarter of 2003, our management and our Audit Committee determined that it was appropriate to restate our previously issued financial results to record adjustments resulting from various accounting matters. The results of an investigation into potential accounting improprieties in our overseas operations led to an additional restatement. The impact of these restatements is described in Note 2 to our Financial Statements. We are currently subject to an SEC investigation into the facts and circumstances surrounding the restatement. We cannot predict the outcome of the investigation, and any adverse developments in connection with the investigation, including the initiation of an enforcement action, could be costly and could seriously harm our business.

RESULTS OF OPERATIONS

(All per share amounts are diluted)

CONSOLIDATED

Net sales in 2003 were \$15.12 billion, compared to \$13.86 billion (as restated) in 2002 and \$14.16 billion (as restated) in 2001.

A net loss of \$802.1 million, \$4.58 per share, was recorded in 2003. A net loss of \$1.23 billion (as restated), \$7.35 per share (as restated), was recorded in 2002, primarily resulting from a non-cash charge of \$1.20 billion (as restated) to establish a valuation allowance against Goodyear's net Federal and state deferred tax assets. The valuation allowance was determined in accordance with the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes." A net loss of \$254.1 million (as restated), \$1.59 per share (as restated), was recorded in 2001.

Net Sales

(In millions of tires)	Year Ended December 31,		
	2003	2002	2001
North American Tire (U.S. and Canada)	68.6	69.8	79.7
International	82.0	77.9	75.5
Replacement tire units	150.6	147.7	155.2
North American Tire (U.S. and Canada)	32.6	34.1	32.3
International	30.3	32.5	31.8
OE tire units	62.9	66.6	64.1
Goodyear worldwide tire units	<u>213.5</u>	<u>214.3</u>	<u>219.3</u>

Goodyear's worldwide tire unit sales decreased 0.3% in 2003 compared to 2002. North American Tire (U.S. and Canada) volume decreased 2.5% in 2003, while international unit sales increased 1.7%. Worldwide replacement unit sales increased 2.0% from 2002, due to increases in all regions except North American and Asia Tire. Original equipment unit sales decreased 5.6% in 2003, due to decreases in all regions except Eastern Europe, Africa and Middle East Tire and Asia Tire.

Goodyear's worldwide tire unit sales in 2002 decreased 2.3% compared to 2001. North American Tire (U.S. and Canada) volume decreased 7.2% in 2002, while international unit sales increased 2.9%. Worldwide replacement unit sales decreased 4.9% from 2001, due to decreases in North American Tire and European Union Tire. Original equipment unit sales increased 4.0% in 2002, due to increases in all regions except Latin American Tire and Eastern Europe, Africa and Middle East Tire. Unit sales in North American Tire in 2002 included approximately 500 thousand tires in connection with the Ford Motor Company ("Ford") tire replacement program, compared to approximately 5 million in 2001.

Revenues increased 9.1% in 2003 primarily due to favorable currency translation of approximately \$737 million, largely related to the strong Euro. Favorable pricing and product mix in all business units, but primarily in Latin American Tire, Chemical Products and North American Tire, accounted for approximately \$418 million of the increase in revenues. In Europe, strong replacement sales also had a favorable impact on 2003 net sales of approximately \$104 million.

Revenues (as restated) decreased 2.2% in 2002 compared to 2001 primarily due to lower tire unit volume of approximately \$250 million, largely in North American Tire, and the negative impact of currency translation on international results of approximately \$102 million (as restated), primarily in Latin American Tire. Revenues in 2002 were also negatively impacted as a result of the sale of the Specialty Chemical Business in the fourth quarter of 2001. The Specialty Chemical Business contributed approximately \$127 million of sales in 2001. Revenues were favorably affected by tire pricing and product mix improvements, mainly in Latin American Tire, of approximately \$167 million.

Cost of Goods Sold

Cost of goods sold (CGS) was 82.6% of sales in 2003, compared to 81.6% in 2002 and 82.5% in 2001. CGS in 2003 was adversely impacted by approximately \$554 million due to currency movements, primarily in Europe, and by approximately \$335 million in higher raw material costs, largely natural and synthetic rubber. CGS in 2003 was also unfavorably impacted by approximately \$133 million related to accelerated depreciation charges, asset impairment charges and writeoffs, related to the 2003 rationalization actions. Changes in product mix of approximately \$184 million, primarily in North American Tire and inflationary cost increases in Latin American Tire also negatively impacted 2003 CGS. Savings from rationalization programs of approximately \$61 million, mainly European Union Tire and North American Tire, and the change in vacation policy described below of approximately \$33 million favorably impacted 2003 CGS.

CGS (as restated) in 2002 benefited by approximately \$204 million from lower raw material costs and other purchasing savings. CGS also decreased by approximately \$220 million (as restated) as a result of lower

sales volume compared to 2001 and the impact of the sale of the Specialty Chemical Business, which contributed approximately \$103 million of CGS in 2001. CGS benefited by approximately \$82 million (as restated) due to currency movements, primarily in Brazil, Argentina and South Africa partially offset by unfavorable currency movements in European Union and by approximately \$30 million due to lower transportation costs in North American Tire. Savings from rationalization programs of approximately \$20 million also favorably impacted CGS in 2002. 2002 CGS increased approximately \$238 million as a result of changes in product mix, mainly North American Tire and inflationary cost increases in Latin American Tire. CGS was unfavorably impacted by \$10 million related to the closure of Penske Automotive Centers in 2002. Compared to 2001, CGS in 2002 was adversely affected by lower demand and approximately \$76 million (as restated) in higher unit costs primarily resulting from significantly lower levels of plant utilization. In addition, 2001 CGS included a charge of \$30 million for a proactive tire replacement program covering certain tires in service on 15-passenger vans and ambulances.

Research and development expenses are included in CGS and were \$350.4 million in 2003, compared to \$385.8 million (as restated) in 2002 and \$371.8 million (as restated) in 2001. Research and development expenditures in 2004 are expected to be approximately \$369 million.

Selling, Administrative and General Expense

Selling, administrative and general expense (SAG) in 2003 was 15.7% of sales, compared to 15.9% in 2002 and 15.7% in 2001. SAG increased in 2003 primarily due to foreign currency translation, mainly the Euro, of approximately \$132 million and higher wages and benefits of approximately \$72 million. Also negatively impacting SAG was increased advertising expense, largely in European Union Tire and North American Tire, of approximately \$29 million and increased corporate consulting fees of approximately \$23 million. SAG was favorably impacted by rationalization programs of approximately \$74 million and by the change in vacation policy described below of approximately \$34 million.

SAG (as restated) decreased in dollars in 2002 compared to 2001 primarily as a result of the absence of expenses for amortization of goodwill and intangible assets with indefinite useful lives of approximately \$19 million due to Goodyear's adoption of Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." SAG also decreased as a result of the impact of the sale of the Specialty Chemical Business, which contributed approximately \$12 million of SAG in 2001. In addition, reductions in media expense of approximately \$31 million (as restated) (including advertising and administrative expenses), and reductions in computer related charges of approximately \$20 million (as restated) also benefited SAG. SAG was adversely impacted by increased wage and benefit costs of approximately \$60 million (as restated) in 2002 compared to 2001.

Other Financial Information

Net loss in 2001 included expenses related to amortization of goodwill and intangible assets with indefinite useful lives totaling \$29.1 million before tax (as restated). In accordance with SFAS 142, amortization of goodwill and intangible assets with indefinite useful lives ceased at January 1, 2002. For further information, refer to the note to the financial statements No. 7, Goodwill and Other Intangible Assets.

During 2002, Goodyear announced the suspension of the matching contribution portion of its savings plans for all salaried associates, effective January 1, 2003. Effective April 20, 2003, the Company suspended the matching contribution portion of the savings plan for bargaining unit associates including those covered by Goodyear's master contract with the United Steelworkers of America ("USWA"). 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 did not incur vacation expense for domestic salaried associates in 2003. Vacation expense was approximately \$67 million lower in 2003 compared to 2002 due to this change in vacation policy.

Interest Expense

Interest expense in 2003 was \$296.3 million, compared to \$241.7 million (as restated) in 2002 and \$297.1 million (as restated) in 2001. Interest expense increased in 2003 due to higher average debt outstanding. Interest expense decreased in 2002 compared to 2001 due to both lower average debt levels and lower interest rates.

Other (Income) and Expense

Other (income) and expense was \$267.3 million in 2003, compared to \$56.8 million (as restated) in 2002 and \$40.8 million (as restated) in 2001. Other (income) and expense included accounts receivable sales fees, debt refinancing fees and commitment fees totaling \$99.4 million, \$48.4 million and \$50.1 million in 2003, 2002 and 2001, respectively. The increase in 2003 in financing fees and financial instruments is due to the costs incurred in connection with the restructuring and refinancing of the Company's bank credit and receivables securitization facilities discussed below. Financing fees and financial instruments included \$45.6 million in 2003 related to the new facilities. Refer to Note 11, Financing Arrangements and Derivative Financial Instruments, for further information about the restructuring and refinancing. Goodyear expects to incur additional financing fees in the future related to refinancings or capital market transactions.

Other (income) and expense in 2003 included a loss of \$17.6 million (\$8.9 million after tax or \$0.05 per share) on the sale of 20,833,000 shares of Sumitomo Rubber Industries, Ltd. ("SRI") in the second quarter. 2003 included a loss of \$11.6 million (\$11.2 million after tax or \$0.07 per share) on the sale of assets in the Engineered Products, North American Tire and European Union Tire Segments. 2003 also included a gain of \$7.7 million (\$6.4 million after tax or \$0.04 per share) resulting from the sale of land in the Asia Tire Segment and assets in the Latin American and European Union Tire Segments.

Other (income) and expense also includes General and product liability-discontinued products which includes charges for claims against Goodyear related to asbestos personal injury claims and for anticipated liabilities related to Entran II claims, primarily for a proposed settlement of such claims. Goodyear recorded net charges for General and product liability-discontinued products totaling approximately \$145 million in 2003 which included recognition of a receivable of approximately \$131 million from Goodyear's insurance carriers. Refer to Note 20, Commitments and Contingent Liabilities, for further information about general and product liabilities.

Other (income) and expense in 2002 included gains of \$28.0 million (as restated) (\$23.7 million after tax or \$0.14 per share (as restated)) resulting from the sale of land and buildings in the Latin American Tire, Engineered Products and European Union Tire Segments. The writeoff of a miscellaneous investment of \$4.1 million (\$4.1 million after tax or \$0.02 per share) was also included in Other (income) and expense in 2002.

Other (income) and expense in 2001 included gains of \$18.4 million (as restated) (\$14.7 million after tax or \$0.09 per share (as restated)) resulting from the sale of land and buildings in the European Union Tire Segment and \$27.4 million (\$16.9 million after tax or \$0.10 per share) resulting from the sale of Goodyear's Specialty Chemical Business.

For further information, refer to the note to the financial statements as restated No. 4, Other (Income) and Expense.

Foreign Currency Exchange

Foreign currency exchange loss was \$40.2 million in 2003, compared to a gain of \$9.7 million (as restated) in 2002 and a loss of \$10.0 million (as restated) in 2001. Foreign currency exchange in 2003 was adversely impacted by approximately \$48 million due to currency movements on U.S. dollar denominated monetary items in Brazil and Chile. Foreign currency exchange in 2002 benefited by approximately \$16 million from currency movements on U.S. dollar denominated monetary items in Brazil. A loss of approximately \$8 million resulting from currency movements on U.S. dollar denominated monetary items in Argentina was also incurred in 2002.

Equity in (Earnings) Losses of Affiliates

Equity in (earnings) losses of affiliates was \$12.1 million in 2003, compared to \$13.2 million (as restated) and \$39.7 million (as restated) in 2002 and 2001, respectively. Equity in (earnings) losses of affiliates improved in 2002 compared to 2001 due to the rationalization charges incurred in 2001 by South Pacific Tyres (SPT), an Australian tire manufacturer in which Goodyear owns a 50% equity interest. Goodyear's share of a net rationalization credit recorded by SPT was \$1.1 million (\$1.1 million after tax or \$0.01 per share) in 2002. Goodyear's share of rationalization charges recorded by SPT in 2001 totaled \$24.0 million (\$24.0 million after tax or \$0.15 per share).

Income Taxes

For 2003, Goodyear recorded tax expense of \$112.2 million on a loss before income taxes and minority interest in net income of subsidiaries of \$654.9 million. 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. In 2002, a non-cash charge of \$1.20 billion (as restated) (\$6.86 per share (as restated)) was recorded to establish the valuation allowance against the net Federal and state deferred tax assets. Goodyear had a tax benefit at an effective rate of 24.6% (as restated) for 2001.

In 2002, Goodyear also determined that earnings of certain international subsidiaries would no longer be permanently reinvested in working capital. Accordingly Goodyear recorded a provision of \$50.2 million for the incremental taxes incurred or to be incurred upon inclusion of such earnings in Federal taxable income.

For further information, refer to the note to the financial statements No. 14, Income Taxes.

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. Goodyear recorded net rationalization costs of \$291.5 million in 2003, \$5.5 million (as restated) in 2002 and \$210.3 million (as restated) in 2001. As of December 31, 2003, Goodyear has reduced employment levels by approximately 16,400 from December 31, 2000 and almost 25,400 since 1998, primarily as a result of rationalization activities.

During 2003, net charges of \$291.5 million (\$267.1 million after tax or \$1.27 per share) were recorded, which included reversals of \$15.7 million (\$14.3 million after tax or \$0.07 per share) for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of \$307.2 million (\$281.4 million after tax or \$1.34 per share). The 2003 rationalization actions consisted of manufacturing, research and development, administrative and retail consolidations in North America, Europe and Latin America. Of the \$307.2 million of new charges, \$174.8 million related to future cash outflows, primarily associate severance costs, and \$132.4 million related primarily to non-cash special termination benefits and pension and retiree benefit curtailments. In 2003, \$200.4 million and \$15.5 million, respectively, was incurred primarily for severance payments and noncancellable lease costs. Approximately 4,400 associates will be released under the programs initiated in 2003, of which approximately 2,700 were exited in 2003. The majority of the remaining accrual balance for all programs of \$141.9 million is expected to be utilized by the end of 2004.

As part of the 2003 rationalization program, Goodyear closed its Huntsville, Alabama tire facility in the fourth quarter. Of the \$307.2 million of new charges, approximately \$138 million related to the Huntsville closure primarily for associate-related costs, including severance, special termination benefits and pension and retiree benefit curtailments. The Huntsville closure also resulted in approximately \$35 million of asset impairment charges and \$85 million of accelerated depreciation charges and the writeoff of spare parts. Approximately \$8 million of construction in progress was written off in the first quarter of 2003 related to the research and development rationalization plan. Approximately \$5 million of accelerated depreciation charges were recorded for equipment taken out of service in the European Union related to two rationalization plans at

Goodyear's Wolverhampton facility. These amounts are recorded as CGS on the Consolidated Statement of Operations.

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 \$18.0 million (as restated) (\$14.3 million after tax or \$0.09 per share (as restated)) for reserves from rationalization actions no longer needed for their originally intended purposes, new charges of \$26.5 million (\$23.0 million after tax or \$0.14 per share) and other credits of \$3.0 million (as restated) (\$2.3 million after tax or \$0.02 per share (as restated)). 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. Of the \$26.5 million charge, \$24.2 million related to future cash outflows, primarily associate severance costs, and \$2.3 million related to a non-cash writeoff of equipment taken out of service in the Engineered Products and North American Tire Segments.

Goodyear recorded net rationalization charges totaling \$210.3 million (as restated) (\$161.4 million after tax or \$1.00 per share (as restated)) in 2001, which included \$4.1 million of reversals of prior year reserves no longer needed for their originally intended purposes. These actions were in response to continued competitive market conditions and worldwide economic uncertainty. Under these actions, Goodyear provided for worldwide associate reductions through retail and administrative consolidation and manufacturing plant downsizing and consolidation. Of this charge, \$132.0 million (as restated) related to future cash outflows, primarily associate severance and noncancellable lease costs, and \$82.4 million (as restated) related to non-cash charges, primarily for the writeoff of equipment taken out of service. Goodyear completed these actions during 2003 with the exception of ongoing severance and noncancellable lease payments.

Upon completion of the 2003 plans, the Company estimates that it will reduce annual operating costs by approximately \$280 million (approximately \$70 million SAG and approximately \$210 million CGS). Goodyear estimates that SAG and CGS were reduced in 2003 by approximately \$62 million as a result of the implementation of the 2003 plans, approximately \$41 million as a result of the implementation of the 2002 plans and approximately \$76 million as a result of the implementation of the 2001 plans. Plan savings have been substantially offset by higher SAG and conversion costs including increased compensation and benefit costs.

The remaining reserve for costs related to the completion of the Company's rationalization actions was \$141.9 million at December 31, 2003, compared to \$69.2 million at December 31, 2002.

For further information, refer to the note to the financial statements No. 3, Costs Associated with Rationalization Programs.

UNION AGREEMENT

On September 15, 2003, the United Steelworkers of America (the "USWA") and Goodyear announced the ratification of a new labor agreement. The agreement covers workers at 14 tire and engineered products plants in the United States and contains provisions governing healthcare benefits, pension service and wages. The agreement assigns protected plant status to 12 of the 14 plants and permits a 13th plant to achieve protected status if certain productivity goals are met. A protected plant cannot be closed during the duration of the agreement and Goodyear is generally required to maintain the current level of capital expenditures at these plants. The agreement also gives Goodyear the option to reduce the hourly workforce at protected plants by 15% compared to August 2003 staffing levels. Goodyear has also agreed to give USWA plants first consideration on all new products intended for sale in North America to the extent covered plants have the capacity and capability to manufacture the product. Goodyear retains the right to import tires from the Company's plants outside of the United States to the extent the USWA plant that is manufacturing the product is operating at full capacity. Under the agreement, the USWA has the right to nominate an individual for a seat on Goodyear's Board of Directors. Goodyear has also agreed to remain neutral should the USWA attempt to organize one of Goodyear's non-union facilities. Goodyear must also require a buyer of any of Goodyear's plants to negotiate a labor agreement as a precondition of the sale.

Goodyear also committed under the agreement to consummate the issuance or placement of at least \$250 million of debt securities and at least \$75 million of equity or equity-linked securities by December 31, 2003. Goodyear did not meet this commitment. As a result, the USWA may file a grievance and strike. In the event of a strike, the Company's financial position, results of operations and liquidity could be materially adversely affected. Goodyear has also committed to launch, by December 1, 2004, a refinancing of its U.S. term loan and revolving credit facilities due in April 2005 with loans or securities having a term of at least three years. If Goodyear fails to complete this refinancing commitment, the USWA would have the right to strike and Goodyear would be required to pay each covered union employee (approximately 13,700 as of December 31, 2003) \$1,000 and each covered union retiree (approximately 13,800 as of December 31, 2003) \$500. Finally, Goodyear committed to remain in compliance with the Interest Expense Coverage Ratio, Consolidated Net Worth, and Senior Secured Indebtedness Ratio covenants in its U.S. revolving credit facility. If Goodyear fails to remain in compliance with these covenants, it has agreed to use its best efforts to seek a substantial private equity investment. Such investment would be expected to provide the investor with significant influence in the management and direction of Goodyear.

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 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 conditions in the United States and Europe is likely to unfavorably impact Goodyear's sales and earnings in future periods. Similarly, continued volatile economic conditions in emerging markets could adversely affect sales and earnings in future periods. Goodyear may also be impacted by economic disruptions associated with global events including war, acts of terror and civil obstructions.

Critical Accounting Policies, Use of Estimates and Assumptions

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

General and Product Liability and Other Litigation. Goodyear had recorded liabilities totaling \$491.7 million at December 31, 2003 and \$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. Of these amounts, \$142.5 million and \$75.4 million (as restated) were included in Other current liabilities at December 31, 2003 and 2002, respectively. The amounts recorded were estimated on the basis of an assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and, where available, recent and current trends. The Company had recorded insurance receivables for potential product liability and other tort claims of \$199.3 million at December 31, 2003 and \$81.0 million at December 31, 2002. Of this amount, \$100.1 million and \$24.7 million was included in Current Assets as part of Accounts and notes receivable at December 31, 2003 and December 31, 2002, respectively.

Asbestos. Goodyear is a defendant in numerous lawsuits alleging various asbestos related personal injuries purported to result from alleged exposure to asbestos in certain rubber encapsulated products or aircraft

braking systems manufactured by Goodyear in the past or to asbestos in certain Goodyear facilities. Typically, these lawsuits have been brought against multiple defendants in state and Federal courts.

In connection with the preparation of its 2003 financial statements, the Company engaged an independent asbestos valuation expert to assist the Company in reviewing its reserves for asbestos claims, and review the Company's method of determining its receivables from probable insurance recoveries. Prior to the fourth quarter of 2003, the Company's estimate for asbestos liability was based upon a review of the various characteristics of the pending claims by an experienced asbestos counsel.

The Company, based on the advice of the valuation expert, has recorded liabilities for both asserted and unasserted claims at December 31, 2003 totaling \$131.1 million, inclusive of defense costs. The recorded liability represents the Company's estimated liability through 2008, which represents the period over which the liability can be reasonably estimated. Due to the difficulties in making these estimates, analysis based on new data and/or changed circumstances arising in the future could result in an increase in the recorded obligation in an amount that cannot currently be reasonably estimated, and that increase could be significant. The portion of the liability associated with unasserted asbestos claims at December 31, 2003 is \$31.9 million. Prior to the fourth quarter of 2003, the Company did not have an accrual for unasserted claims as sufficient information was deemed to be not available to reliably estimate such an obligation. This conclusion was further confirmed by the valuation expert during the preparation of the 2003 financial statements. At December 31, 2003, the Company's liability with respect to asserted claims and related defense costs was \$99.2 million compared to \$139.2 million at December 31, 2002, notwithstanding an increase in the number of pending claims between December 31, 2002 and December 31, 2003. The reduction in the amount recorded at December 31, 2003 compared to December 31, 2002 is due to refinements in certain assumptions used by the valuation expert.

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

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

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

The valuation expert also reviewed the Company's method of valuing its receivables recorded for probable insurance recoveries. Based upon the model employed by the valuation expert, as of December 31, 2003, the Company recorded a receivable related to asbestos claims of \$110.4 million. Based on the Company's current asbestos claim profile, the Company expects that approximately 85% of asbestos claim related losses will be recoverable up to its accessible policy limits. The receivable recorded consists of an amount the Company expects to collect under coverage-in-place agreements with certain primary carriers as well as an amount it believes is probable of recovery from certain of its excess coverage insurance carriers. Of this amount, \$20.4 million was included in Current Assets as part of Accounts and notes receivable at

December 31, 2003. Goodyear had recorded insurance receivables of \$69.7 million at December 31, 2002. Of this amount, \$20.0 million was included in Current Assets as part of Accounts and notes receivable.

Goodyear believes that its reserve for asbestos claims, and the insurance assets recorded in respect of these claims, reflect reasonable and probable estimates of these amounts, subject to the exclusion of claims for which it is not feasible to make reasonable estimates. The estimate of the assets and liabilities related to pending and expected future asbestos claims and insurance recoveries is subject to numerous uncertainties, including, but not limited to, changes in (i) the litigation environment; (ii) federal and state law governing the compensation of asbestos claimants; (iii) the Company's approach to defending and resolving claims; and (iv) the level of payments made to claimants from other sources, including other defendants. As a result, with respect to both asserted and unasserted claims, it is reasonably possible that the Company may incur a material amount in excess of the current reserve, however such amount cannot be reasonably estimated.

Heatway (Entran II). The Company is a defendant in 22 class actions or potential class actions and four other civil actions in various Federal, state and Canadian courts asserting non-asbestos property damage claims relating to Entran II, a rubber hose product that it supplied from 1989-1993 to Chiles Power Supply, Inc. (d/b/a Heatway Systems), a designer and seller of hydronic radiant heating systems in the United States. The plaintiffs in these actions are generally seeking recovery under various tort, contract and statutory causes of action, including breach of express warranty, breach of implied warranty of merchantability, breach of implied warranty of fitness for a particular purpose, negligence, strict liability and violation of state consumer protection statutes. In one of the above mentioned class actions, on October 9, 2003, the United States District Court for District Court of New Jersey preliminarily approved a proposed national settlement agreement (the Proposed Settlement) for pending Entran II claims in the U.S. and Canada, except for claims related to property in six New England states, two judgments in Colorado state court, two judgments in Colorado Federal court, and any future judgments involving claimants that opt out of the Proposed Settlement. Claimants had until May 7, 2004, to opt out of the Proposed Settlement. The Company has the right to withdraw from the Proposed Settlement if it determines in good faith and in its sole discretion that an excessive number of persons have opted out of the class and the Proposed Settlement. As of May 17, 2004, the Company had received notice that at least 525 potential sites had been opted out of the Proposed Settlement. The Company is currently assessing its options with respect to the Proposed Settlement and expects to decide shortly whether or not to withdraw from the Proposed Settlement.

The ultimate cost of disposing of Entran II claims is dependent upon a number of factors, including the Company's ability to satisfy the contingencies in any settlement, the number of claimants that opt out of any settlement, final approval of the terms of any settlement. Goodyear's ability to resolve claims not subject to any settlement (including the cases in which the Company received adverse judgments), and, in the event Goodyear fails to consummate a settlement for any reason, future judgments by courts in other currently pending or yet unasserted actions. Depending on the resolution of these uncertainties, the costs associated with Entran II claims could be significant and could have a material adverse effect on the Company's results of operations, financial position and liquidity in future periods. Due to the uncertainties inherent in Entran II matters, it is reasonably possible that there exists material liability beyond what Goodyear has already reserved for, but such amounts cannot be reasonably estimated.

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

Environmental Matters. Goodyear had recorded liabilities totaling \$32.8 million at December 31, 2003 and \$53.5 million at December 31, 2002 for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by Goodyear. Of these amounts, \$7.7 million and \$21.4 million were included in Other current liabilities at December 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. The liability was reduced in 2003 by approximately \$17 million due to the resolution related to one site during the year.

Workers' Compensation. Goodyear had recorded liabilities, on a discounted basis, totaling \$194.0 million and \$152.4 million (as restated) for anticipated costs related to workers' compensation at December 31, 2003 and December 31, 2002, respectively. Of these amounts, \$112.7 million and \$66.4 million (as restated) were included in Current Liabilities as part of Compensation and benefits at December 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.

Goodwill. In January 2002, Goodyear adopted Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." Under this standard, Goodyear no longer amortizes goodwill, but tests it annually for impairment because it is an asset with an indefinite useful life. However, the occurrence of a potential indicator of impairment, such as a significant adverse change in legal factors or business climate, an adverse action or assessment by a regulator, unanticipated competition, loss of key personnel or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of, would result in Goodyear's having to perform the impairment analysis more frequently than on an annual basis. These types of events and the resulting analysis could result in goodwill impairment charges in future periods.

The Company determined estimated fair values of the reporting units using a valuation methodology based largely on comparable company analysis. Under this method, the Company used an EBITDA multiple representative of the global automotive industry sector to arrive at the fair value of each reporting unit. The EBITDA multiple was adjusted to reflect local market conditions and recent transactions. The EBITDA of the reporting units was adjusted to exclude certain non-recurring or unusual items and corporate charges.

Deferred Tax Asset Valuation Allowance. At December 31, 2003, Goodyear had valuation allowances aggregating \$2.00 billion 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.

The valuation allowance was calculated in accordance with the provisions of SFAS 109 which requires an assessment of both negative and positive evidence when measuring the need for a valuation allowance. In accordance with SFAS 109, evidence, such as operating results during the most recent three-year period, is given more weight than our expectations of future profitability which are inherently uncertain. Goodyear's U.S. losses in recent periods represented sufficient negative evidence to require a full valuation allowance against its net Federal and state deferred tax assets under SFAS 109. Goodyear intends to maintain a valuation allowance against its deferred tax assets until sufficient positive evidence exists to support realization of the Federal and state 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. 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.

As of December 31, 2003, the aggregate projected benefit obligation for Goodyear's pension plans was \$6.88 billion. A 25 basis point change in the U.S. discount rate would impact pension expense in 2004 by approximately \$8 million. As of December 31, 2003, Goodyear's accumulated postretirement benefit obligation was \$3.08 billion. A 25 basis point change in the discount rate for its main U.S. plans would impact 2004 postretirement benefit expense by approximately \$2 million.

Goodyear's U.S. pension asset returns were 23.5% for the year ended December 31, 2003. The unfunded amount of Goodyear's projected benefit obligation at December 31, 2003 was \$2.75 billion, compared to \$2.46 billion (as restated) at December 31, 2002. For the year ended December 31, 2003, Goodyear recorded a \$128 million benefit to Accumulated Other Comprehensive Income (Loss) for unfunded pension benefit obligations, compared to a \$1.28 billion charge for the year ended December 31, 2002. If market conditions deteriorate, charges could increase in future periods.

Although subject to change, based on current estimates, Goodyear expects to make contributions to its domestic pension plans of approximately \$160 million in 2004, and approximately \$325 million to \$350 million in 2005 to satisfy statutory minimum funding requirements. Goodyear will be subject to additional statutory minimum funding requirements after 2005. 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.

SEGMENT INFORMATION

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

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

Total segment operating income was \$516.0 million in 2003, \$416.7 million (as restated) in 2002 and \$321.1 million (as restated) in 2001. Total segment operating margin (segment operating income divided by segment sales) in 2003 was 3.3%, compared to 2.9% (as restated) in 2002 and 2.2% (as restated) in 2001.

Management believes that total segment operating income is useful because it represents the aggregate value of income created by the Company's SBUs and excludes items not directly related to the SBUs for performance evaluation purposes. Total segment operating income is the sum of the individual SBUs' segment operating income as measured in accordance with Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information." Refer to the note to the financial statements No. 18, Business Segments, for further information and for a reconciliation of total segment operating income to Income (loss) before income taxes.

North American Tire

(In millions)	2003	Restated	
		2002	2001
Tire Units	101.2	103.9	112.0
Sales	\$6,745.6	\$6,703.0	\$7,170.2
Segment Operating Income (Loss)	(128.7)	(57.1)	100.9
Segment Operating Margin	(1.9)%	(0.9)%	1.4%

North American Tire Segment unit sales in 2003 decreased 2.7 million units or 2.5% from 2002 and 10.8 million units or 9.6% from 2001. Replacement unit sales in 2003 decreased 1.2 million units or 1.5% from 2002 and 11.1 million units or 13.9% from 2001. Original equipment volume in 2003 decreased 1.5 million units or 4.5% from 2002 and increased 0.3 million units or 0.7% from 2001.

Revenues in 2003 increased 0.6% from 2002 and decreased 5.9% from 2001. Net sales increased in 2003 due to improved pricing and product mix of approximately \$118 million, primarily in the consumer replacement and original equipment markets, and lower product related adjustments of approximately \$10 million. The production slowdown by automakers and a decrease in the consumer replacement custom brand channel contributed to lower volume of approximately \$86 million in 2003.

Revenues (as restated) in 2002 decreased 6.5% from 2001. Sales in 2002 decreased compared to 2001 due to reduced volume of approximately \$435 million, primarily in certain segments of the replacement market and the lower tire units delivered in connection with the Ford tire replacement program initiated in 2001, partially offset by increased sales to original equipment manufacturers in 2002 as automakers increased production. Unfavorable product mix in consumer and commercial replacement of approximately \$27 million also negatively impacted sales compared to 2001.

During 2002, Goodyear supplied approximately 500 thousand tire units with a segment operating income benefit of approximately \$10 million in connection with the Ford tire replacement program. Ford ended the replacement program on March 31, 2002. During 2001, Goodyear supplied approximately 5 million tire units with a segment operating income benefit of approximately \$95 million in connection with the Ford replacement program.

North American Tire segment operating income in 2003 decreased significantly from 2002 and 2001. Higher raw materials costs of approximately \$151 million, higher manufacturing conversion costs of approximately \$86 million, primarily related to contractual increases, and lower consumer volume of approximately \$12 million adversely impacted 2003 segment operating income. Segment operating income benefited by approximately \$66 million in savings related to rationalization programs and by approximately \$37 million due to lower research and development expenditures. One-time benefits of approximately \$51 million due to the change in the salaried associates' vacation policy discussed above and insurance recoveries related to general and product liabilities of approximately \$20 million also positively impacted 2003 segment operating income.

North American Tire segment operating income (as restated) decreased substantially in 2002 from 2001 due to lower tonnage and higher plant compensation costs and operating expenses of approximately \$161 million (as restated). Segment operating income was also negatively impacted by lower replacement sales volume, including the Ford program, of approximately \$74 million (as restated). Product mix, primarily replacement consumer and commercial, unfavorably impacted segment operating income by approximately \$122 million (as restated) as did the impact of the \$10 million charge related to the closure of Penske Automotive Centers. Segment operating income in 2002 was favorably impacted by a decrease in raw material costs of approximately \$120 million and lower transportation costs of approximately \$30 million. Lower SAG expenses, due primarily to reduced advertising and information technology expenses, of approximately \$20 million (as restated) and savings from rationalization programs of approximately \$13 million also benefited 2002 segment operating income. In addition, 2001 included a charge of \$30 million for a proactive tire replacement program covering certain tires in service on 15-passenger vans and ambulances.

Segment operating income in 2001 included expenses related to amortization of goodwill and intangible assets with indefinite useful lives totaling \$3.5 million. In accordance with SFAS 142, amortization of goodwill and intangible assets with indefinite useful lives ceased at January 1, 2002.

Segment operating income did not include net rationalization charges (credits) totaling \$191.9 million in 2003, \$(1.9) million in 2002 and \$31.6 million in 2001. Segment operating income also did not include the loss on asset sales of \$3.8 million in 2003 and the writeoff of a miscellaneous investment totaling \$4.1 million in 2002.

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 product mix, continued increases in raw material and energy prices, higher wage and benefit costs and general economic conditions.

European Union Tire

(In millions)	2003	Restated	
		2002	2001
Tire Units	62.2	61.5	61.1
Sales	\$3,920.3	\$3,319.4	\$3,124.3
Segment Operating Income	133.5	100.2	44.2
Segment Operating Margin	3.4%	3.0%	1.4%

European Union Tire Segment unit sales in 2003 increased 0.7 million units or 1.2% from 2002 and 1.1 million units or 1.9% from 2001. Replacement unit sales in 2003 increased 2.6 million units or 6.3% from 2002 and 2.3 million units or 5.4% from 2001. Original equipment volume in 2003 decreased 1.9 million units or 9.2% from 2002 and 1.2 million units or 5.7% from 2001.

Revenue in 2003 increased 18.1% from 2002 and 25.5% from 2001. Net sales increased in 2003 compared to 2002 primarily due to the favorable impact of currency translation, mostly the Euro, of approximately \$587 million. Higher volume of approximately \$42 million in the consumer replacement markets also positively impacted 2003 sales, but were in part offset by approximately \$30 million due to negative pricing and product mix in the segment's retail operations.

Revenues (as restated) in 2002 increased 6.2% from 2001. Revenues increased in 2002 compared to 2001 primarily due to the favorable impact of currency translation of approximately \$166 million (as restated). Revenues were also positively impacted by higher volume of approximately \$21 million in the original equipment, high performance and winter tire markets.

European Union Tire segment operating income increased 33.2% from 2002 and substantially from 2001. Segment operating income in 2003 increased primarily due to savings from rationalization programs of approximately \$57 million and the benefit from higher production tonnage and productivity improvements of approximately \$17 million. The favorable impact of currency translation of approximately \$26 million, improved volume of approximately \$10 million, particularly in the replacement market, and favorable pricing and product mix of approximately \$5 million, mainly consumer replacement and original equipment, also benefited 2003 segment operating income. Higher raw material costs of approximately \$50 million, higher pension costs of approximately \$18 million and higher SAG costs due to increased advertising of approximately \$13 million negatively impacted 2003 segment operating income. In addition, 2003 included a charge of approximately \$13 million for an unfavorable court settlement.

Segment operating income (as restated) increased substantially in 2002 from 2001. Segment operating income increased in 2002 due primarily to lower raw material costs of approximately \$28 million, savings from rationalization programs of approximately \$15 million, higher production tonnage and cost containment programs of approximately \$13 million (as restated), the favorable impact of currency translation of approximately \$6 million and higher volume of approximately \$5 million. Higher SAG expenses of approximately \$19 million (as restated) adversely impacted segment operating income in 2002.

Segment operating income in 2001 included expenses related to amortization of goodwill and intangible assets with indefinite useful lives totaling \$13.0 million. In accordance with SFAS 142, amortization of goodwill and intangible assets with indefinite useful lives ceased at January 1, 2002.

Segment operating income did not include net rationalization charges totaling \$54.3 million and a gain on asset sales of \$2.1 million in 2003, net rationalization credits totaling \$(0.4) million (as restated) and gains on asset sales of \$13.6 million (as restated) in 2002, and net rationalization charges totaling \$84.2 million (as restated) and gains on asset sales of \$18.4 million (as restated) in 2001.

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, unanticipated increases in raw material and energy prices, currency translation and the general economic slowdown in the region.

Eastern Europe, Africa and Middle East Tire

(In millions)	2003	Restated	
		2002	2001
Tire Units	17.9	16.1	14.0
Sales	\$1,073.4	\$807.1	\$703.1
Segment Operating Income	146.6	93.2	14.0
Segment Operating Margin	13.7%	11.5%	2.0%

Eastern Europe, Africa and Middle East Tire Segment (“Eastern Europe Tire”) unit sales in 2003 increased 1.8 million units or 11.0% from 2002 and 3.9 million units or 28.3% from 2001. Replacement unit sales in 2003 increased 1.5 million units or 11.2% from 2002 and 3.6 million units or 33.3% from 2001. Original equipment volume in 2003 increased 0.3 million units or 10.5% from 2002 and 0.3 million units or 8.3% from 2001.

Revenue in 2003 increased 33.0% from 2002 and 52.7% from 2001. Net sales increased in 2003 compared to 2002 due largely to the favorable impact of currency translation, primarily in South Africa and Slovenia, of approximately \$156 million. Higher volume in both the consumer replacement and original equipment markets of approximately \$62 million and improved pricing and product mix, due primarily to higher sales of winter and high performance tires, of approximately \$48 million also positively impacted 2003 revenues.

Revenues in 2002 increased 14.8% from 2001. Revenues in 2002 increased from 2001 due to higher consumer and commercial replacement volume of approximately \$88 million, improved pricing and product mix, including improved retail performance, of approximately \$41 million. Currency translation, primarily in South Africa, adversely impacted revenue in 2002 by approximately \$25 million.

Eastern Europe Tire segment operating income in 2003 increased 57.3% from 2002 and significantly from 2001. Segment operating income increased in 2003 due to improved pricing and product mix of approximately \$33 million, higher volume of approximately \$24 million and the positive impact of currency translation of approximately \$15 million, mainly in South Africa and Slovenia. Pricing, product mix and volume benefited from price improvements and increased sales of winter and high performance tires. Higher raw material costs of approximately \$12 million and higher SAG costs of approximately \$12 million, largely wages, benefits and advertising, adversely impacted segment operating income in 2003.

Segment operating income (as restated) in 2002 increased significantly from 2001. Segment operating income in 2002 increased due to the benefit of cost reduction programs and higher levels of plant utilization of approximately \$42 million (as restated), a change in mix to higher margin replacement tires of approximately \$20 million and higher replacement volume of approximately \$19 million. Segment operating income was also favorably affected by lower raw material costs of approximately \$7 million and the impact of currency translation of approximately \$6 million mainly in South Africa. Higher SAG costs of approximately \$13 million adversely impacted segment operating income in 2002 mainly due to expanded operations and increased distribution costs.

Segment operating income in 2001 included expenses related to amortization of goodwill totaling \$4.2 million. In accordance with SFAS 142, amortization of goodwill ceased at January 1, 2002.

Segment operating income did not include net rationalization charges (credits) totaling \$(0.1) million in 2003, \$(0.4) million in 2002 and \$11.2 million in 2001.

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

Latin American Tire

(In millions)	2003	Restated	
		2002	2001
Tire Units	18.7	19.9	20.0
Sales	\$1,041.0	\$947.7	\$1,013.8
Segment Operating Income	147.9	107.1	85.2
Segment Operating Margin	14.2%	11.3%	8.4%

Latin American Tire Segment unit sales in 2003 decreased 1.2 million units or 6.3% from 2002 and 1.3 million units or 6.5% from 2001. Replacement unit sales in 2003 increased 0.1 million units or 0.4% from 2002 and 0.3 million units or 2.1% from 2001. Original equipment volume in 2003 decreased 1.3 million units or 23.1% from 2002 and 1.6 million units or 26.8% from 2001.

Revenue in 2003 increased 9.8% from 2002 and 2.7% from 2001. Net sales increased in 2003 due to improvements in price and product mix of approximately \$212 million. The impact of foreign currency translation of approximately \$79 million, mainly in Brazil and Venezuela, and lower volume of approximately \$38 million, primarily in the consumer and commercial original equipment segments, negatively impacted 2003 sales.

Revenues (as restated) in 2002 decreased 6.5% from 2001. Revenues in 2002 were adversely impacted by approximately \$227 million due to the effects of currency translation, particularly in Argentina, Brazil and Venezuela. Revenues were favorably impacted by price increases and improved replacement consumer and commercial product mix of approximately \$158 million to partially offset the effect of currency translation.

Latin American Tire segment operating income in 2003 increased 38.1% from 2002 and 73.6% from 2001. Segment operating income in 2003 was favorably affected by improvements in pricing and product mix of approximately \$134 million and higher replacement volume of approximately \$3 million. Partially offsetting these improvements were higher raw material costs of approximately \$50 million, the negative impact of currency translation of approximately \$20 million, mainly Brazil and Venezuela, higher conversion costs related to utilities of approximately \$12 million and increased SAG costs of approximately \$11 million, mainly blimp-related expenses, increased reserve for doubtful accounts and increased wages and benefits due to inflationary cost increases.

Latin American Tire segment operating income (as restated) in 2002 increased 25.7% from 2001. Segment operating income in 2002 was favorably impacted by approximately \$45 million related to pricing and product mix, approximately \$20 million related to lower raw material costs and higher sales volume, primarily in the replacement market, of approximately \$4 million. Segment operating income in 2002 was adversely impacted by the effects of currency translation of approximately \$46 million, mainly in Argentina, Brazil and Venezuela, and increased SAG expenses of approximately \$3 million due to higher wages and benefits largely due to inflationary cost increases.

Segment operating income in 2001 included expenses related to the amortization of goodwill totaling \$0.1 million. In accordance with SFAS 142, amortization of goodwill ceased at January 1, 2002.

Segment operating income did not include net rationalization charges totaling \$10.0 million and the gain from asset sales of \$2.0 million in 2003, the gain from the sale of land and buildings in Mexico totaling \$13.7 million in 2002 and rationalization charges totaling \$0.2 million in 2001.

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

Asia Tire

(In millions)	2003	Restated	
		2002	2001
Tire Units	13.5	12.9	12.2
Sales	\$581.8	\$531.3	\$494.6
Segment Operating Income	49.8	43.7	20.3
Segment Operating Margin	8.6%	8.2%	4.1%

Asia Tire Segment unit sales in 2003 increased 0.6 million units or 4.7% from 2002 and 1.3 million units or 10.5% from 2001. Replacement unit sales in 2003 decreased 0.1 million units or 1.0% from 2002 and increased 0.3 million units or 2.6% from 2001. Original equipment volume in 2003 increased 0.7 million units or 18.9% from 2002 and 1.0 million units or 31.3% from 2001.

Revenue in 2003 increased 9.5% from 2002 and 17.6% from 2001. Net sales increased in 2003 due to increased volume of approximately \$29 million primarily a result of strong original equipment demand. Favorable currency translation, largely in India and Australia, of approximately \$16 million also improved net sales.

Revenues (as restated) in 2002 increased 7.4% from 2001. Revenues in 2002 increased compared to 2001 due primarily to higher original equipment and replacement volumes of approximately \$26 million and improved selling prices on replacement consumer and commercial tires of approximately \$9 million. The effects of currency translation also had a favorable impact on sales of approximately \$2 million in 2002.

Asia Tire segment operating income in 2003 increased 14.0% from 2002 and substantially from 2001. Segment operating income in 2003 increased primarily due to improvements in consumer and farm product mix and higher selling prices in both replacement and original equipment markets of approximately \$14 million, favorable currency translation of approximately \$8 million, and increased volume of approximately \$7 million due to strong original equipment demand. Segment operating income in 2003 was favorably impacted by approximately \$3 million due to increased sales of miscellaneous products and improved equity income. Higher raw material costs of approximately \$27 million negatively impacted 2003 segment operating income.

Segment operating income (as restated) in 2002 increased substantially from 2001. Segment operating income in 2002 increased compared to 2001 due to lower raw material costs of approximately \$8 million, improved replacement consumer and commercial pricing and product mix of approximately \$7 million, higher original equipment and replacement volume of approximately \$4 million and lower conversion costs as a result of cost containment programs of approximately \$3 million (as restated). Segment operating income in 2002 improved due to the favorable effects of currency translation of approximately \$2 million and savings from rationalization actions of approximately \$3 million. Segment operating income in 2002 was adversely affected by higher SAG expenses of approximately \$5 million.

Segment operating income in 2001 included expenses related to the amortization of goodwill totaling \$1.7 million (as restated). In accordance with SFAS 142, amortization of goodwill ceased at January 1, 2002.

Segment operating income did not include the gain from asset sales of \$2.1 million in 2003, rationalization charges (credits) totaling \$(1.7) million in 2002 and \$47.0 million (as restated) in 2001.

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, unanticipated increases in raw material and energy costs and currency translation.

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

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

(In millions)	2003	Restated	
		2002	2001
Net Sales	\$642.0	\$523.6	\$481.3
Operating Income (Loss)	9.9	(7.1)	(22.2)

SPT net sales in 2003 increased 22.6% from 2002 and 33.4% from 2001. SPT net sales in 2003 increased from 2002 primarily due to higher sales volume and the strengthening of the Australian dollar against the U.S. dollar. SPT net sales in 2002 increased from 2001 due to the strengthening of the Australian dollar against the U.S. dollar.

SPT operating income in 2003 increased substantially from 2002 and 2001. SPT operating income in 2003 increased from 2002 and in 2002 from 2001 due to the benefits of the rationalization programs in the prior years.

SPT operating income did not include net rationalization charges (credits) totaling \$4.9 million in 2003, \$(2.1) million in 2002 and \$48.0 million in 2001.

SPT debt totaled \$196.9 million at December 31, 2003, of which \$72.0 million was payable to Goodyear. SPT debt totaled \$131.3 million at December 31, 2002, of which \$26.3 million was payable to Goodyear.

Engineered Products

(In millions)	2003	Restated	
		2002	2001
Sales	\$1,203.7	\$1,126.5	\$1,122.3
Segment Operating Income	47.5	40.9	14.6
Segment Operating Margin	3.9%	3.6%	1.3%

Engineered Products Segment sales in 2003 increased 6.9% from 2002 and 7.3% from 2001. Revenues in 2003 increased from 2002 due to the favorable impact of currency translation of approximately \$39 million, mainly in Canada, South Africa and Europe, and improved volume of approximately \$30 million as a result of increased military sales. Improved pricing and product mix, mainly industrial, of approximately \$8 million also positively impacted 2003 revenues.

Revenues in 2002 increased from 2001 due largely to increased volume of approximately \$36 million, mainly military and custom products. Partially offsetting this variance compared to 2001 is the unfavorable effects of currency translation of approximately \$24 million, mainly in Brazil, and unfavorable product mix of approximately \$8 million.

Engineered Products segment operating income in 2003 increased from 2002 and 2001. Segment operating income in 2003 increased 16.1% from 2002 due to volume increases of approximately \$7 million related to military sales, lower raw material costs of approximately \$5 million, and favorable effects of currency translation of approximately \$5 million. The change in salaried vacation policy described above also favorably impacted 2003 segment operating income by approximately \$8 million. Segment operating income was adversely impacted by unfavorable price/mix of approximately \$11 million due to increased sales of original equipment and heavy duty product and higher SAG costs, excluding the impact of the vacation policy change, of approximately \$9 million, primarily related to increased sales efforts.

Segment operating income (as restated) in 2002 increased significantly from 2001 due to improved productivity of approximately \$13 million (as restated), volume increases of approximately \$12 million and decreased SAG expenses of approximately \$12 million (as restated) primarily due to aggressive cost containment measures. Segment operating income in 2002 was adversely impacted by an unfavorable change in price/mix of approximately \$5 million and the effects of currency translation of approximately \$3 million.

Segment operating income in 2001 included expenses related to amortization of goodwill totaling \$1.0 million. In accordance with SFAS 142, amortization of goodwill ceased at January 1, 2002.

Segment operating income did not include a loss from the sale of assets totaling \$6.3 million and rationalization charges of \$29.4 million in 2003, a gain from the sale of land and buildings totaling \$0.6 million and net rationalization charges of \$4.6 million in 2002 and net rationalization charges of \$1.5 million in 2001.

In conjunction with the restatement, certain adjustments related to Engineered Products were recorded. 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 account reconciliation adjustment includes the write-off of \$21.3 million consisting of \$3.7 million in intercompany accounts and \$17.6 million related to payables and other accounts. Segment operating income was negatively impacted by approximately \$19 million in 2003 due to these 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.

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, unanticipated increases in raw material and energy prices, anticipated higher wage and benefit costs and currency translation.

Chemical Products

(In millions)	2003	Restated	
		2002	2001
Sales	\$1,220.8	\$940.2	\$1,036.5
Segment Operating Income	119.4	88.7	41.9
Segment Operating Margin	9.8%	9.4%	4.0%

Chemical Products Segment sales in 2003 increased 29.8% from 2002 and 17.8% from 2001. 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 2003 increased from 2002 largely due to higher net selling prices resulting from the pass through of increased raw material and energy costs of approximately \$145 million and increases in synthetic rubber volume of approximately \$42 million. Also favorably impacting 2003 revenues were higher pricing and volume from the natural rubber operations of approximately \$76 million and the relatively strong Euro of approximately \$18 million.

Revenues (as restated) in 2002 decreased from 2001 primarily due to the impact of selling the Specialty Chemical Business in December 2001, which contributed approximately \$127 million of revenue in 2001. Revenues in 2002 were also unfavorably impacted approximately \$33 million by lower net selling prices, which were caused by decreased raw material costs. 2002 revenues were favorably impacted approximately \$37 million due to increased revenue for natural rubber operations, approximately \$20 million due to increased synthetic volume, and approximately \$6 million in favorable currency translation largely a result of the strong Euro.

Chemical Products segment operating income in 2003 increased significantly from 2002 and 2001. Segment operating income increased in 2003 compared to 2002 primarily due to higher net selling prices of approximately \$145 million, currency translation of approximately \$18 million and improved pricing and

volume for natural rubber operations of approximately \$16 million. Increased raw material costs of approximately \$127 million and increased conversion costs of approximately \$22 million unfavorably impacted 2003 segment operating income.

The Specialty Chemical Business was sold in December 2001. Segment operating income (as restated) in 2002 increased substantially from 2001 despite the absence of approximately \$12 million contributed by the Specialty Chemical Business in 2001. Segment operating income in 2002 increased primarily due to lower raw material costs of approximately \$46 million and lower conversion costs of approximately \$33 million (as restated) partially offset by lower net selling prices of approximately \$33 million.

Segment operating income did not include gains on asset sales of \$27.4 million in 2001.

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 unanticipated increases in raw material and energy prices.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, the Company had \$1.56 billion in cash and cash equivalents as well as \$335.0 million of unused availability under its various credit agreements. Based upon the Company's projected operating results, the Company expects that cash flow from operations together with available borrowing under its restructured credit facilities and other sources of liquidity will be adequate to meet the Company's anticipated cash and cash equivalent requirements including working capital, debt service and capital expenditures through December 31, 2004. However, several contingencies could affect the Company's ability to meet its future obligations, including (i) the failure to successfully implement its turnaround strategy for the North American Tire Segment and restore the segment to profitability; (ii) a significant adverse ruling or development in the Company's legal proceedings, especially with respect to the Company's Entran II litigation; (iii) a further increase in our interest expense from an unexpected and significant increase in interest rates; and (iv) the failure to refinance certain of our credit facilities maturing in 2005 and 2006.

Operating Activities

Net cash used in operating activities was \$306.7 million during 2003, as reported on the Company's Consolidated Statement of Cash Flows. Working capital increased \$2.07 billion to \$3.30 billion at December 31, 2003, from \$1.23 billion (as restated) at December 31, 2002, due primarily to increased cash and cash equivalents and accounts receivable. The increased accounts receivable is due primarily to the termination of Goodyear's domestic accounts receivable securitization program effective April 1, 2003. For further information, refer to the note to the financial statements, No. 5, Accounts and Notes Receivable.

Investing Activities

Net cash used in investing activities was \$236.0 million during 2003. Capital expenditures in 2003 were \$375.4 million, of which \$221.2 million was used on projects to increase capacity and improve productivity and \$154.2 million was used for tire molds and various other projects. Capital expenditures have been reduced in response to current economic and business conditions. Capital expenditures are expected to approximate \$488 million in 2004, including approximately \$294 million for manufacturing improvements and approximately \$194 million for molds and various other projects.

(In millions)	2003	Restated	
		2002	2001
Capital expenditures	\$375.4	\$458.1	\$435.5
Depreciation	686.4	600.4	597.7
Amortization	6.9	4.3	40.4

Depreciation and amortization in 2003 included approximately \$78 million of accelerated depreciation charges related to the 2003 Huntsville and Wolverhampton restructuring plans. Depreciation and amortization in 2001 included \$29.1 million (as restated) of amortization related to goodwill and intangible assets with indefinite useful lives that are no longer amortized in accordance with SFAS 142.

Investing activities in 2003 included net proceeds from the sale of assets in the United States of \$85.8 million, in Latin America of \$2.0 million, in Asia of \$2.1 million and in Europe of \$14.5 million. Included in the United States total of \$85.8 million is \$82.9 million for the sale of 20.8 million shares of Goodyear's investment in SRI. Goodyear also purchased Arkansas Best Corporation's 19% ownership interest in Wingfoot Commercial Tire Systems, LLC ("Wingfoot") for \$71.2 million. Wingfoot was 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. Goodyear now owns 100% of Wingfoot.

At December 31, 2003, Goodyear had binding commitments for raw materials and investments in land, buildings and equipment of \$520.1 million and off-balance-sheet financial guarantees written and other commitments totaling \$74.4 million.

For further information on investing activities, refer to the note to the financial statements No. 8, Investments.

Financing Activities

Net cash from financing activities was \$1,125.3 million during 2003.

(In millions)	December 31,		
	2003	Restated	
		2002	2001
Consolidated Debt	\$5,077.4	\$3,643.0	\$3,568.3
Debt to Debt and Equity	100.3%	93.4%	57.6%

Certain of Goodyear's affiliates are restricted from remitting funds to the parent company by means of dividends, advances or loans, primarily due to credit facility restrictions currently in place in those locations. At December 31, 2003, approximately \$259 million of net assets were restricted.

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 which replaced a total of \$2,938 million in finance facilities with a total of \$3,345 million of the following finance facilities:

- \$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.

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.

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

At December 31, 2003, the Company had \$125.6 million of committed credit available under the facilities described above. In aggregate, the Company had committed and uncommitted credit facilities of \$5.90 billion available at December 31, 2003, of which \$335.0 million were unused.

Recent Financing Activities

Subsequent to the fiscal year end, on February 23, 2004, we completed the addition of a \$650 million tranche to our \$1.30 billion Senior Secured Asset-Backed Facility. Approximately \$335 million of the proceeds of the tranche were used to partially reduce amounts outstanding under the U.S. term facility discussed below. On March 12, 2004, we completed a private offering of \$650 million in senior secured notes, consisting of \$450 million of 11% senior secured notes due 2011 and \$200 million of floating rate notes at LIBOR plus 8%. The proceeds of the notes were used to repay the remaining outstanding amount under the U.S. term facility, to permanently reduce our commitment under the U.S. revolving credit facility by \$70 million, and for general corporate purposes. In connection with these financing activities, each of the above restructured credit facilities was amended on February 19, 2004. The Company's credit agreements were further amended on April 16, 2004, to extend until May 19, 2004, the deadline for filing the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and on May 18, 2004, to extend until June 4, 2004, the deadline for providing audited financial statements for the year ended December 31, 2003 of Goodyear Dunlop Tires Europe B.V. to lenders.

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

As of December 31, 2003, the balance due on the U.S. term facility was \$583.3 million due to a partial pay down of the balance during the second quarter. The U.S. term facility was originally scheduled to mature on April 30, 2005. In connection with our recent financing activities discussed above, on March 12, 2004, all outstanding amounts under the facility were prepaid and the facility was retired.

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

The Company's \$750 million revolving credit facility matures on April 30, 2005. Up to \$600 million of the facility is available for the issuance of letters of credit. Under the facility, as of December 31, 2003, there were borrowings of \$200.0 million and \$485.4 million in letters of credit issued. The Company pays an annual commitment fee of 75 basis points on the undrawn portion of the commitment under the U.S. revolving credit facility. On March 12, 2004, in connection with our recent financing activities, our commitment under this facility was permanently reduced to \$680 million.

We may obtain loans under the U.S. revolving credit facility bearing interest at LIBOR plus 400 basis points or an alternative base rate (the higher of JPMorgan's prime rate or the federal funds rate plus 50 basis points) plus 300 basis points.

The U.S. revolving credit facility contains certain covenants that, among other things, limit our ability to incur additional secured indebtedness (including a limit of 275 million Euros in accounts receivable transactions), make investments, and sell assets beyond specified limits. The facility prohibits us from paying dividends on our common stock. We must also maintain a minimum consolidated net worth (as such term is defined in the U.S. facility) 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.

The facilities have customary representations, warranties and covenants including, as a condition of borrowing, material adverse change representations in the Company's financial condition since December 31, 2002. In addition, under the facilities, Goodyear was not permitted to fall below a ratio of 2.25 to 1.00 of consolidated EBITDA to consolidated interest expense (as such terms are defined in each of the restructured credit facilities) for any period of four consecutive fiscal quarters. On February 19, 2004, in connection with an amendment to the credit facilities, the ratio was reduced to 2.00 to 1.00. In addition, Goodyear's ratio of consolidated senior secured indebtedness to consolidated EBITDA (as such terms are defined in each of the restructured credit facilities) is not permitted to be greater than 4.00 to 1.00 at any time. As of December 31, 2003, the Company was in compliance with the financial covenants under the credit facilities.

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

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

(In millions)	<u>2003</u>
Net Loss	\$ (802.1)
Consolidated Interest Expense	314.6
Income Tax	112.2
Depreciation and Amortization Expense	<u>693.3</u>
EBITDA	318.0
Credit Agreement Adjustments:	
Other (Income) and Expense	284.5
Foreign Currency Exchange	40.2
Equity in (Earnings) Losses of Affiliates	12.1
Minority Interest in Net Income (Loss) of Subsidiaries	35.0
Non-cash Extraordinary Gains	—
Non-cash Non-recurring Items	54.7
Rationalizations	291.5
Less Excess Cash Rationalization Charges	<u>(12.9)</u>
Consolidated EBITDA	<u><u>\$1,023.1</u></u>

The U.S. facilities also limit the amount of capital expenditures the Company may make to \$360 million, \$500 million, and \$500 million in 2003, 2004 and 2005 (\$200 million through April 30, 2005), 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 certain activities, the capital expenditure limit for 2003 was 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. The capital expenditure limit for 2004 has increased approximately \$270 million as a result of capital market transactions completed during the first quarter of 2004 and carryovers from 2003.

\$650 Million Senior Secured European Facilities

Goodyear Dunlop Tires Europe B.V. ("GDTE") is party to a \$250 million senior secured revolving credit facility and a \$400 million senior secured term loan facility. These facilities mature on April 30, 2005. As of December 31, 2003, there were borrowings of \$250.0 million and \$400.0 million under the European revolving and term facilities, respectively.

GDTE pays an annual commitment fee of 75 basis points on the undrawn portion of the commitments under the European revolving facility. GDTE may obtain loans under the European facilities bearing interest

at LIBOR plus 400 basis points or an alternative base rate (the higher of JPMorgan's prime rate or the federal funds rate plus 50 basis points) plus 300 basis points.

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 Euros in accounts receivable transactions), make investments, sell assets beyond specified limits, pay dividends and make loans or advances to Goodyear companies that are not subsidiaries of GDTE. The European facilities also contain certain representations, warranties and 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.

\$1.30 Billion Senior Secured Asset-Backed Credit Facilities

The Company has also entered into senior secured asset-backed credit facilities in an aggregate principal amount of \$1.30 billion, consisting of a \$500 million revolving credit facility and an \$800 million term loan facility. As of December 31, 2003, there were borrowings of \$389.0 million and \$800.0 million under the revolving credit and term loan asset-backed facilities, respectively. The facilities mature on March 31, 2006 and contain certain representations, warranties and covenants which are materially the same as those in the U.S. facility, with capital expenditures of \$500 million and \$150 million permitted in 2005 and 2006 (through March 31), respectively. 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. On February 20, 2004, the Company added a \$650 million tranche to the existing \$1.30 billion facility.

Foreign Credit Facilities

As of December 31, 2003, Goodyear had short term committed and uncommitted bank credit arrangements totaling \$347.0 million, of which \$209.3 million were unused. The continued availability of these arrangements is at the discretion of the relevant lender, and a portion of these arrangements may be terminated at any time.

Non-Domestic Accounts Receivable Securitization Facilities

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

As of December 31, 2003, international subsidiaries of Goodyear had \$122.8 million of available borrowings under non-domestic accounts receivable securitization facilities.

As of December 31, 2003, the amount outstanding and fully utilized under the program maintained by GDTE totaled \$104.2 million. The Company is currently working to refinance this facility and the commitment period has been extended to September 2004. If the Company is unable to replace this facility, the Company would pursue short term financing alternatives.

In addition to the \$104.2 million of GDTE receivable programs, the Company had an additional \$18.6 million outstanding under other non-domestic receivable financing programs.

At December 31, 2003, the net proceeds for all sales of receivables by Goodyear were \$122.8 million. Net cash outflows of \$831.8 million were recorded in 2003 for transfers of accounts receivable under these and other programs. For further information, refer to the note to the financial statements No. 5, Accounts and Notes Receivable.

Credit Ratings

The current credit ratings for the Company are presented below:

	<u>S&P</u>	<u>Moody's</u>
Senior Secured Asset-Backed Facilities	BB+	B1
U.S./European Facilities	B+/BB-	B1/B1
\$650 million Asset-backed Tranche	B+	B2
\$650 million Senior Secured Notes due 2011	*	B3
Corporate Rating	BB-	B1 (implied)
Senior Unsecured Debt	B	B3

* Private Rating

While Goodyear does not request ratings from Fitch, the rating agency rates the Company's secured facilities "B" and the Company's unsecured debt "CCC+." Moody's currently maintains a negative outlook for the Company, while S&P has placed us on "credit watch." Unless the Company's debt credit ratings and operating performance improve, its access to the credit markets in the future may be limited. Moreover, a further reduction in the Company's credit ratings would further increase the cost of any financing initiatives the Company may pursue.

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

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

Turnaround Strategy

The Company is currently implementing a turnaround strategy for the North American Tire Segment that will require the Company to 1) stabilize margins and market shares, 2) simplify the sales and supply chain process, 3) execute key cost-cutting, brand and distribution strategies and 4) grow the business through new product introductions and new sales channels. The ability of the Company to successfully implement its cost-cutting strategy is also dependent upon its ability to realize anticipated savings and operational benefits from its recently ratified new master contract with the USWA. There is no assurance that the Company will successfully implement this turnaround strategy. In particular, this strategy and the Company's liquidity could be affected adversely by trends that affected the North American Tire Segment negatively in 2003 and prior years, including industry overcapacity which limits pricing leverage, weakness in the replacement tire market, increased competition from low cost manufacturers and a related decline in Goodyear's market share, weak U.S. economic conditions, and increases in medical and pension costs. In addition, the turnaround strategy has been, and may continue to be, impacted negatively by higher than expected raw materials and energy prices. The price of natural rubber, one of our most important raw materials, increased approximately 36% in 2003 and is expected to increase in 2004. In addition, the price of oil, an important feedstock for several other raw materials, increased approximately 25% in 2003. Our turnaround plan could continue to be impacted by higher raw material costs. Furthermore, market conditions may prevent us from passing these increases on to our customers through timely price increases.

Future Liquidity Requirements

As of December 31, 2003, the Company had \$1.56 billion in cash and cash equivalents, of which \$612.7 million was held in the United States and \$432.8 million was in accounts of GDTE. The remaining amounts were held in the Company's other non-U.S. operations. The Company's ability to move cash and cash equivalents among its various operating locations is subject to the operating needs of the operating

locations as well as restrictions imposed by local laws and applicable credit facility agreements. As of December 31, 2003, approximately \$215 million of cash was held in locations where significant tax or legal impediments would make it difficult or costly to execute monetary transfers. Based upon the Company's projected operating results, the Company expects that cash flow from operations together with available borrowing under its restructured credit facilities and other sources of liquidity will be adequate to meet the Company's anticipated cash and cash equivalent requirements including working capital, debt service and capital expenditures through December 31, 2004.

At December 31, 2003, the Company also had \$335.0 million of unused availability under its various credit agreements.

The Company's restructured and refinanced credit facilities mature in 2005 and 2006 and the Company would have to refinance these facilities in the capital markets if they were not renewed by the banks. After taking into account the paydown of certain obligations in connection with recent financing activities, the aggregate amount of long-term debt maturing in 2005 and 2006 is \$1,343 million and \$1,481 million, respectively. Because of our debt ratings, recent operating performance and other factors, access to such markets cannot be assured. The Company's ongoing ability to access the capital markets is highly dependent on successfully implementing its North American Tire turnaround strategy. In addition to facilitating access to the capital markets, successful implementation of the turnaround strategy is also crucial to ensuring that the Company has sufficient cash flow from operations to meet its obligations. There is no assurance that the Company will be successful in implementing its turnaround strategy. Failure to complete the turnaround strategy successfully could have a material adverse effect on the Company's financial position, results of operations and liquidity.

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

Under the Company's master contract with the USWA, the Company committed to consummate the issuance or placement of at least \$250 million of debt securities and at least \$75 million of equity or equity-linked securities by December 31, 2003. It did not meet this commitment. As a result, the USWA may file a grievance and strike. In the event of a strike, the Company's financial position, results of operations and liquidity could be materially adversely affected. The Company has also committed to launch, by December 1, 2004, a refinancing of its U.S. term loan and revolving credit facilities due in April 2005, with loans or securities having a term of at least three years. If the Company fails to complete this refinancing commitment, the USWA would have the right to strike and the Company would be required to pay each covered union employee (approximately 13,700 as of December 31, 2003) \$1,000 and each covered union retiree (approximately 13,800 as of December 31, 2003) \$500. In addition, if the Company failed to comply with the covenants in its credit agreements, the lenders would have the right to cease further loans to the Company and demand the repayment of all outstanding loans under these facilities.

The Company is subject to various legal proceedings, including the Entran II litigation described in Note 20, Commitments and Contingent Liabilities. The ultimate cost of disposing of Entran II claims is dependent upon a number of factors, including the Company's ability to satisfy the contingencies in a proposed settlement, the number of claimants that opt out of any settlement, final approval of the terms of the settlement at a fairness hearing, Goodyear's ability to resolve claims not subject to the settlement (including the cases in which the Company received adverse judgments), and, in the event Goodyear fails to consummate the proposed settlement for any reason, future judgments by courts in other currently pending or yet unasserted actions. Depending on the resolution of these uncertainties, the costs associated with Entran II claims could be significant and could have a material adverse effect on the Company's results of operations, financial position and liquidity in future periods. In the event the Company wishes to appeal any future adverse judgment in any Entran II or other proceeding, it would be required to post an appeal bond with the relevant

court. If the Company does not have sufficient availability under its U.S. revolving credit facility to issue a letter of credit to support an appeal bond, it may be required to pay down borrowings under the facility in order to increase the amount available for issuing letters of credit or deposit cash collateral in order to stay the enforcement of the judgment pending an appeal. A significant deposit of cash collateral may have a material adverse effect on the Company's liquidity.

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

In addition, Goodyear expects to make contributions to its pension plans of approximately \$210 million in 2004. Contributions to domestic pension plans are expected to be approximately \$160 million in 2004 and approximately \$325 million to \$350 million in 2005 in order to satisfy statutory minimum funding requirements.

Dividends

On February 4, 2003, the Company announced that it eliminated its quarterly cash dividend. The dividend reduction was decided on by the Board of Directors in order to conserve cash. Under our restructured credit agreements, we are not permitted to pay dividends on our common stock.

Commitments & Contingencies

The following table presents, at December 31, 2003, Goodyear's obligations and commitments to make future payments under contracts and contingent commitments.

(In millions)	Payment Due by Period as of December 31, 2003						
	Total	1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years
Contractual Obligations							
Long Term Debt (1)	\$5,029.3	\$ 246.9	\$2,004.7	\$1,542.8	\$302.5	\$103.0	\$ 829.4
Capital Lease Obligations (2)	74.2	8.3	7.0	6.3	5.8	5.8	41.0
Operating Leases (3)	1,462.4	287.2	236.8	188.9	145.4	106.3	497.8
Binding Commitments (4)	520.1	482.2	14.7	8.0	2.3	1.8	11.1
Total Contractual Cash Obligations	<u>\$7,086.0</u>	<u>\$1,024.6</u>	<u>\$2,263.2</u>	<u>\$1,746.0</u>	<u>\$456.0</u>	<u>\$216.9</u>	<u>\$1,379.3</u>

(1) Long term debt payments include notes payable and reflect long term debt maturities as of December 31, 2003. In connection with the Company's financing activities in the first quarter of 2004, our long term debt commitments in 2005 and 2006 were reduced by \$665 million and \$64 million, respectively.

(2) The present value of capital lease obligations is \$48.1 million.

(3) Operating leases do not include minimum sublease rentals of \$43.8 million, \$33.7 million, \$25.0 million, \$18.0 million, \$12.2 million, and \$13.6 million in each of the periods above, respectively, for a total of \$146.3 million. Net operating lease payments total \$1,316.1 million. The present value of operating leases is \$812.3 million. The operating leases relate to, among other things, computers and office equipment, real estate and miscellaneous other assets. No asset is leased from any related party.

(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.

In addition to the commitments summarized above, Goodyear is required to make contributions to its defined benefit pension plans. These contributions are required under the minimum funding requirements of the Employee Retirement Pension Plan Income Security Act ("ERISA"). Subject to change, Goodyear expects to make contributions to its domestic pension plans of approximately \$160 million in 2004 and approximately \$325 million to \$350 million in 2005 in order to satisfy these statutory minimum funding requirements. These estimates reflect legislation passed by Congress in 2004 providing for changes to ERISA

funding requirements to defer certain contributions to subsequent periods. Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as interest rate levels and the amount and timing of asset returns, Goodyear is not able to reasonably estimate its future required contributions beyond 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 Sumitomo as set forth in the Umbrella Agreement between Goodyear and Sumitomo provide for certain minority exit rights available to Sumitomo commencing in 2009. In addition, the occurrence of certain other events enumerated in the Umbrella Agreement, including certain bankruptcy events or changes in control of Goodyear, could trigger a right of Sumitomo to require Goodyear to purchase these interests immediately. Sumitomo’s exit rights, in the unlikely event of exercise, could require Goodyear to make a substantial payment to acquire Sumitomo’s interest in the alliance.
- Pursuant to an agreement entered into in 2001, Ansell Ltd. (Ansell) has the right, during the period beginning August 2005 and ending one year later, to require Goodyear to purchase Ansell’s 50% interest in SPT 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.

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

Off-Balance Sheet Arrangements

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

(In millions)	Amount of Commitment Expiration per Period						After 5 Years
	Total	1 Year	2 Years	3 Years	4 Years	5 Years	
Off-Balance-Sheet Arrangements (1)	\$74.4	\$56.2	\$0.7	\$0.1	\$4.9	\$3.7	\$8.8

(1) Off-balance-sheet arrangements include, at December 31, 2003, approximately \$50.4 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. Goodyear has a similar call option on the remaining 20% interest. The minority partner could exercise its option and Goodyear could exercise its call option during various periods beginning in 2003 and extending through 2005. On April 7, 2004, Goodyear announced that it would exercise its call option and purchase the remaining 20% of Sava Tires. The transaction is expected to be completed in June 2004 and Goodyear expects to pay approximately \$52 million at that time.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

Goodyear continuously monitors its fixed and floating rate debt mix. Within defined limitations, Goodyear manages the mix using refinancing and unleveraged interest rate swaps. Goodyear will enter into fixed and floating interest rate swaps to alter its exposure to the impact of changing interest rates on consolidated results of operations and future cash outflows for interest. 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, and are normally designated as fair value hedges. Interest rate swap contracts are thus used by Goodyear to separate interest rate risk management from debt funding decisions. At December 31, 2003, the interest rates on 47% 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. The decrease in the percent of fixed rate debt was primarily due to the maturity of the 8¹/₈% notes during 2003. Goodyear also has from time to time entered into interest rate lock contracts to hedge the risk-free component of anticipated debt issuances. As a result of credit ratings actions and other related events, the Company's access to these instruments may be limited.

The following tables present information at December 31:

(Dollars in millions)	<u>2003</u>	<u>2002</u>
Interest Rate Swap Contracts		
Fixed Rate Contracts:		
Notional principal amount	\$325.0	\$325.0
Pay fixed rate	5.00%	5.00%
Receive variable LIBOR	1.17	1.40
Average years to maturity	0.25	1.25
Fair value — liability	\$ (3.1)	\$(14.2)
Pro forma fair value — liability	(3.1)	(14.6)
Floating Rate Contracts:		
Notional principal amount	\$200.0	\$250.0
Pay variable LIBOR	2.96%	3.18%
Receive fixed rate	6.63	6.63
Average years to maturity	2.95	3.95
Fair value — asset	\$ 13.0	\$ 20.3
Pro forma fair value — asset	12.3	21.4

The pro forma fair value assumes a 10% increase in variable market interest rates at December 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:

(Dollars in millions)	<u>2003</u>	<u>2002</u>	<u>2001</u>
Fixed Rate Contracts:			
Notional principal amount	\$325.0	\$325.0	\$29.0
Pay fixed rate	5.00%	5.00%	5.43%
Receive variable LIBOR	1.24	1.91	3.58
Floating Rate Contracts:			
Notional principal amount	\$207.0	\$210.0	—
Pay variable LIBOR	3.03%	3.68%	—
Receive fixed rate	6.63	6.63	—

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

(In millions)	<u>2003</u>	<u>2002</u>
Fixed Rate Debt:		
Fair value — liability	\$2,107.9	\$2,097.5
Carrying amount — liability	2,228.7	2,484.1
Pro forma fair value — liability	2,183.9	2,183.1

The pro forma information assumes a 100 basis point decrease in market interest rates at December 31 of each year, 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.

Foreign Currency Exchange Risk

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

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

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

(In millions)	<u>2003</u>	<u>2002</u>
Foreign Exchange Contracts		
Fair value — asset (liability)	\$71.7	\$65.2
Pro forma change in fair value	(22.0)	37.6
Contract maturities	1/04-7/19	1/03-12/18
Fair value — asset (liability):		
Swiss franc swap-current	\$(1.6)	\$(2.8)
Swiss franc swap-long term	46.8	31.6
Euro swaps-current	20.5	(1.1)
Euro swaps-long term	13.2	27.8
Other-current asset	7.2	11.8
Other-current (liability)	(14.4)	(2.1)

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

At December 31, 2002, Goodyear held foreign currency Euro put options, exercisable during 2003, to reduce exposure to currency movements on 2003 forecasted intercompany sales. These options were designated as cash flow hedges. At December 31, 2002, the underlying contract value of these options totaled \$42.6 million, and the fair value totaled \$0.2 million. At December 31, 2003, the Company did not hold any outstanding foreign currency options.

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

For further information on interest rate contracts and foreign currency exchange contracts, refer to the note to the financial statements No. 11, Financing Arrangements and Derivative Financial Instruments.

New Tire Sales

The principal products of Goodyear's Tire Segments are new tires for most applications. Approximately 78.3% of our consolidated sales in 2003 were new tire sales (77.5% (as restated) in 2002 and 76.9% (as restated) in 2001). The percentages of each Tire Segment's sales attributable to new tires during the periods indicated were:

<u>Sales of New Tires By</u>	<u>Year Ended December 31,</u>		
	<u>2003</u>	<u>Restated</u>	
		<u>2002</u>	<u>2001</u>
North American Tire	86.3%	86.2%	87.1%
European Union Tire	89.2%	85.6%	83.4%
EEAME Tire.....	94.1%	91.8%	91.6%
Latin American Tire.....	91.1%	90.6%	90.5%
Asia Tire	97.7%	97.2%	97.1%

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 Annual 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;
- we must complete and deliver to our lenders the financial statements for our Goodyear Dunlop Tires B.V. joint venture by June 4, 2004 in order to avoid defaults under our principal credit facilities;
- we have not yet filed our Form 10-Q for the first quarter of 2004, if we do not file it by June 30, 2004 there could be an event of default under our principal credit facilities;
- an ongoing SEC investigation regarding our accounting restatement could materially adversely affect us;
- we have experienced significant losses in 2001, 2002 and 2003. We cannot assure you 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 \$1,343 million and \$1,481 million, respectively, is dependent on our ability to access capital markets in the future and to improve our operating results;
- we have a substantial amount of debt, which could restrict our growth, place us at a competitive disadvantage or otherwise materially adversely affect our financial health;
- any failure to be in compliance with any material provision or covenant of our secured credit facilities and the indenture governing our senior secured notes could have a material adverse effect on our liquidity and our operations;
- our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly;
- if 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.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Consolidated Statement of Operations

(Dollars in millions, except per share)	Year Ended December 31,		
	2003	Restated	
		2002	2001
Net Sales	\$ 15,119.0	\$ 13,856.2	\$ 14,162.5
Cost of Goods Sold	12,495.3	11,303.9	11,685.3
Selling, Administrative and General Expense	2,371.2	2,203.2	2,220.5
Rationalizations (Note 3)	291.5	5.5	210.3
Interest Expense (Note 15)	296.3	241.7	297.1
Other (Income) and Expense (Note 4)	267.3	56.8	40.8
Foreign Currency Exchange	40.2	(9.7)	10.0
Equity in (Earnings) Losses of Affiliates	12.1	13.2	39.7
Minority Interest in Net Income (Loss) of Subsidiaries	35.0	55.3	(3.3)
Loss before Income Taxes	(689.9)	(13.7)	(337.9)
United States and Foreign Taxes on Income (Loss) (Note 14)	112.2	1,213.3	(83.8)
Net Loss	\$ (802.1)	\$ (1,227.0)	\$ (254.1)
Net Loss Per Share — Basic	\$ (4.58)	\$ (7.35)	\$ (1.59)
Average Shares Outstanding (Note 12)	175,314,449	167,020,375	159,955,869
Net Loss Per Share — Diluted	\$ (4.58)	\$ (7.35)	\$ (1.59)
Average Shares Outstanding (Note 12)	175,314,449	167,020,375	159,955,869

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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Consolidated Balance Sheet

	December 31,	
	2003	Restated 2002
(Dollars in millions)		
Assets		
Current Assets:		
Cash and cash equivalents (Note 1)	\$ 1,564.9	\$ 918.1
Short term securities	—	24.3
Accounts and notes receivable (Note 5)	2,621.5	1,438.1
Inventories (Note 6)	2,465.0	2,346.2
Prepaid expenses and other current assets	336.7	453.7
Total Current Assets	6,988.1	5,180.4
Long Term Accounts and Notes Receivable	255.0	242.8
Investments in and Advances to Affiliates	177.5	139.2
Other Assets (Note 8)	74.9	253.0
Goodwill (Note 7)	622.5	602.6
Other Intangible Assets (Note 7)	161.8	161.4
Deferred Income Tax (Note 14)	397.5	187.0
Prepaid and Deferred Pension Costs (Note 13)	868.3	913.4
Deferred Charges	252.7	202.7
Properties and Plants (Note 9)	5,207.2	5,156.2
Total Assets	\$15,005.5	\$13,038.7
Liabilities		
Current Liabilities:		
Accounts payable-trade	\$ 1,572.9	\$ 1,515.4
Compensation and benefits (Note 13)	983.1	913.6
Other current liabilities	572.2	512.3
United States and foreign taxes	306.1	358.2
Notes payable (Note 11)	137.7	283.4
Long term debt due within one year (Note 11)	113.5	369.8
Total Current Liabilities	3,685.5	3,952.7
Long Term Debt and Capital Leases (Note 11)	4,826.2	2,989.8
Compensation and Benefits (Note 13)	4,540.4	4,497.3
Other Long Term Liabilities	1,140.8	615.7
Minority Equity in Subsidiaries	825.7	727.8
Total Liabilities	15,018.6	12,783.3
Commitments and Contingent Liabilities (Note 20)		
Shareholders' Equity		
Preferred Stock, no par value:		
Authorized, 50,000,000 shares, unissued	—	—
Common Stock, no par value:		
Authorized, 300,000,000 shares		
Outstanding shares, 175,326,429 (175,307,433 in 2002)	175.3	175.3
Capital Surplus	1,390.2	1,390.1
Retained Earnings	980.4	1,782.5
Accumulated Other Comprehensive Income (Loss) (Note 19)	(2,559.0)	(3,092.5)
Total Shareholders' Equity	(13.1)	255.4
Total Liabilities and Shareholders' Equity	\$15,005.5	\$13,038.7

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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Consolidated Statement of Shareholders' Equity

	<u>Common Stock</u>		<u>Capital</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Surplus</u>	<u>Earnings</u>	<u>Other</u>	<u>Shareholders'</u>
					<u>Comprehensive</u>	<u>Equity</u>
					<u>Income (Loss)</u>	
<i>(Dollars in millions, except per share)</i>						
Balance at December 31, 2000 as originally reported . . .	157,603,962	\$157.6	\$1,092.4	\$3,558.8	\$(1,305.8)	\$3,503.0
(after deducting 38,074,706 treasury shares)						
Effect of restatement on periods ending on or prior to						
December 31, 2000				(52.9)	4.2	(48.7)
Balance at December 31, 2000 as restated	<u>157,603,962</u>	<u>157.6</u>	<u>1,092.4</u>	<u>3,505.9</u>	<u>(1,301.6)</u>	<u>3,454.3</u>
Comprehensive income (loss):						
Net loss				(254.1)		
Foreign currency translation (net of tax benefit of						
\$6.3)					(186.3)	
Reclassification adjustment for amounts						
recognized in income					7.2	
Minimum pension liability (net of tax of \$205.6) . .					(367.9)	
Unrealized investment loss (net of tax of \$4.1) . . .					(6.6)	
Transition adjustment from adoption of SFAS 133 . .					5.4	
Deferred derivative loss (net of tax of \$18.1)					(29.5)	
Reclassification adjustment for amounts						
recognized in income (net of tax of \$5.7)					9.2	
Total comprehensive loss						(822.6)
Cash dividends — \$1.02 per share				(162.5)		(162.5)
Common stock issued from treasury:						
Domestic pension funding	4,300,000	4.3	95.7			100.0
Conversion of 1.2% Convertible Note Payable . . .	1,140,866	1.1	55.1			56.2
Stock compensation plans	<u>120,870</u>	<u>0.2</u>	<u>2.2</u>			<u>2.4</u>
Balance at December 31, 2001 as restated	<u>163,165,698</u>	<u>163.2</u>	<u>1,245.4</u>	<u>3,089.3</u>	<u>(1,870.1)</u>	<u>2,627.8</u>
(after deducting 32,512,970 treasury shares)						
Comprehensive income (loss):						
Net loss				(1,227.0)		
Foreign currency translation (net of tax benefit						
of \$0)					57.8	
Minimum pension liability (net of tax of \$42.4) . . .					(1,283.6)	
Unrealized investment gain (net of tax of \$0)					7.3	
Deferred derivative gain (net of tax of \$0)					60.6	
Reclassification adjustment for amounts						
recognized in income (net of tax of \$0)					(64.5)	
Total comprehensive loss						(2,449.4)
Cash dividends — \$0.48 per share				(79.8)		(79.8)
Common stock issued from treasury:						
Domestic pension funding	11,300,000	11.3	126.6			137.9
Common stock issued for acquisitions	693,740	0.7	15.2			15.9
Stock compensation plans	<u>147,995</u>	<u>0.1</u>	<u>2.9</u>			<u>3.0</u>
Balance at December 31, 2002 as restated	<u>175,307,433</u>	<u>175.3</u>	<u>1,390.1</u>	<u>1,782.5</u>	<u>(3,092.5)</u>	<u>255.4</u>
(after deducting 20,371,235 treasury shares)						
Comprehensive income (loss):						
Net loss				(802.1)		
Foreign currency translation (net of tax benefit						
of \$0)					373.0	
Minimum pension liability (net of tax of \$2.2)					128.5	
Unrealized investment gain (net of tax of \$0)					4.1	
Reclassification adjustment for amounts						
recognized in income (net of tax of \$8.7)					8.8	
Deferred derivative gain (net of tax of \$0)					46.3	
Reclassification adjustment for amounts						
recognized in income (net of tax of \$1.9)					(27.2)	
Total comprehensive loss						(268.6)
Common stock issued from treasury:						
Stock compensation plans	<u>18,996</u>		<u>0.1</u>			<u>0.1</u>
Balance at December 31, 2003	<u><u>175,326,429</u></u>	<u><u>\$175.3</u></u>	<u><u>\$1,390.2</u></u>	<u><u>\$ 980.4</u></u>	<u><u>\$(2,559.0)</u></u>	<u><u>\$ (13.1)</u></u>
(after deducting 20,352,239 treasury shares)						

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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Consolidated Statement of Cash Flows

	Year Ended December 31,		
	2003	Restated	
		2002	2001
<i>(Dollars in millions)</i>			
Cash Flows from Operating Activities:			
Net Loss	\$ (802.1)	\$(1,227.0)	\$ (254.1)
Adjustments to reconcile net loss to cash flows from operating activities:			
Depreciation and amortization	693.3	604.7	638.1
Deferred tax provision (Note 14)	(14.8)	1,116.6	(265.7)
Rationalizations (Note 3)	132.4	2.4	36.5
Asset sales (Note 4)	13.7	(23.7)	(31.6)
Net cash flows from sale of accounts receivable (Note 5)	(831.8)	34.8	249.1
Changes in operating assets and liabilities, net of asset acquisitions and dispositions:			
Accounts and notes receivable	(118.9)	47.2	243.1
Inventories	41.6	59.7	454.7
Accounts payable-trade	(90.5)	93.4	(83.7)
Prepays	201.6	(132.6)	(40.8)
Deferred charges	169.1	347.4	(175.4)
Long term compensation and benefits	(118.7)	1,284.5	824.9
Accumulated other comprehensive income (loss) —			
deferred pension gain (loss)	191.0	(1,265.9)	(367.9)
Other long term liabilities	193.4	(72.1)	85.8
Other assets and liabilities	34.0	(193.9)	19.4
Total adjustments	495.4	1,902.5	1,586.5
Total cash flows from operating activities	(306.7)	675.5	1,332.4
Cash Flows from Investing Activities:			
Capital expenditures	(375.4)	(458.1)	(435.5)
Short term securities acquired	0.5	(64.7)	(2.3)
Short term securities redeemed	26.1	38.5	1.9
Asset dispositions	104.4	55.6	119.6
Asset acquisitions	(71.2)	(54.8)	—
Other transactions	79.6	(56.8)	(169.5)
Total cash flows from investing activities	(236.0)	(540.3)	(485.8)
Cash Flows from Financing Activities:			
Short term debt incurred	323.1	84.1	83.8
Short term debt paid	(478.2)	(87.5)	(1,388.9)
Long term debt incurred	2,983.8	38.4	1,510.2
Long term debt paid	(1,611.7)	(124.8)	(158.1)
Common stock issued (Notes 8, 12)	0.2	18.7	1.7
Dividends paid to Sumitomo	(15.7)	(6.2)	(13.1)
Dividends paid to Goodyear shareholders	—	(79.8)	(162.5)
Debt issuance costs	(104.1)	—	—
Other transactions	27.9	—	—
Total cash flows from financing activities	1,125.3	(157.1)	(126.9)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	64.2	(13.6)	(9.6)
Net Change in Cash and Cash Equivalents	646.8	(35.5)	710.1
Cash and Cash Equivalents at Beginning of the Period	918.1	953.6	243.5
Cash and Cash Equivalents at End of the Period	\$ 1,564.9	\$ 918.1	\$ 953.6

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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

Note 1. Accounting Policies

A summary of the significant accounting policies used in the preparation of the accompanying financial statements follows:

Principles of Consolidation

The consolidated financial statements include the accounts of all majority-owned subsidiaries in which no substantive participating rights are held by minority shareholders. Goodyear has no majority-owned subsidiaries in which substantive participating rights are held by minority shareholders. All intercompany transactions have been eliminated.

Goodyear's investments in 20% to 50% owned companies in which it has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Accordingly, Goodyear's share of the earnings of these companies is included in consolidated net income (loss). Investments in other companies are carried at cost.

Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities – an Interpretation of ARB No. 51." FIN 46 requires companies to consolidate, at fair value, the assets, liabilities and results of operations of variable interest entities (VIEs) in which the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or in which they hold a controlling financial interest through means other than the majority ownership of voting equity. Controlling financial interests typically are present when a company either 1) has the direct or indirect ability to make decisions about the VIE's activities, 2) holds an obligation to absorb expected losses of a VIE, or 3) is entitled to receive the expected residual returns of a VIE. FIN 46 became effective immediately for all VIEs created after January 31, 2003 and required certain disclosures in financial statements issued after January 31, 2003 about the nature, purpose, size and activities of all VIEs covered by its provisions, and their maximum exposure to loss. FIN 46 also required companies to consolidate VIEs created before February 1, 2003, in financial statements for periods ending after June 15, 2003. During 2003, the FASB delayed the required implementation date of FIN 46 for entities that are not special purpose entities (SPEs) until the first reporting period ending after March 15, 2004.

The Company applied the provisions of FIN 46, effective July 1, 2003, to those VIEs representing lease-financing arrangements with SPEs. The Company is a party to lease agreements with several unrelated SPEs that are VIEs as defined by FIN 46. The agreements are related to certain North American distribution facilities and certain corporate aircraft. The fair value of the assets and liabilities, and the Company's maximum exposure to loss prior to insurance recoveries, is approximately \$60 million in these SPEs. The assets, liabilities and results of operations of these SPEs were consolidated in the third quarter of 2003 resulting in an increase in long-term liabilities of approximately \$34 million and an increase in net property of approximately \$28 million. The Company also recorded a \$6.1 million charge in other (income) and expense due to the adoption of this new standard. Financing costs recognized in the Company's financial statements are not expected to change significantly. Financing costs related to these SPEs were included in Selling, Administrative & General Expense (SAG) prior to the third quarter 2003. Effective with the third quarter 2003, the financing costs are recognized as Interest Expense.

The Company has evaluated the impact of FIN 46 for entities that are not SPEs and has elected to defer, until the first quarter of 2004, the application of FIN 46 to two joint venture investments; South Pacific Tyres (SPT), a tire manufacturer, marketer and exporter of tires in Australia and New Zealand and T&WA, a wheel mounting operation in the United States which ships to original equipment manufacturers. The

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 1. Accounting Policies (continued)

Company will consolidate these joint venture investments effective January 1, 2004. The application of FIN 46 in the first quarter of 2004 is not expected to have a material impact on the Company's results of operations, cash flows or financial position. For further information, refer to the notes to the financial statements No. 20, Commitments and Contingent Liabilities — Affiliate Financing and No. 18, Business Segments.

Cash and Cash Equivalents

The Company will from time to time maintain balances on deposit at various financial institutions primarily as collateral for borrowings incurred by various subsidiaries. The availability of these balances is restricted to the extent of the borrowings. At December 31, 2003, cash balances totaling \$23.9 million were subject to such restrictions.

Consolidated Statement of Cash Flows

Cash and cash equivalents include cash on hand and in the bank as well as all short term securities held for the primary purpose of general liquidity. Such securities normally mature within three months from the date of acquisition. Cash flows associated with items intended as hedges of identifiable transactions or events are classified in the same category as the cash flows from the items being hedged. Book overdrafts are recorded within accounts payable-trade and were \$139.6 million at December 31, 2003, and \$131.5 million at December 31, 2002. Cash flows related to such amounts are classified as financing activities and, for the three years ended December 31, 2003, totaled \$8.1 million, \$3.6 million and \$23.9 million, respectively.

Revenue Recognition

Revenues are recognized when finished products are shipped to unaffiliated customers and both title and the risks and rewards of ownership are transferred, or services have been rendered and accepted. Appropriate provision is made for uncollectible accounts.

Warranty

Goodyear offers warranties on the sale of certain of its products and services and records an accrual for estimated future claims at the time revenue is recognized. 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. Refer to Note 20.

Rationalizations

The Company adopted Statement of Financial Accounting Standards No. 146 (SFAS 146), "Accounting for Costs Associated with Exit or Disposal Activities," effective for all exit or disposal activities initiated after December 31, 2002. SFAS 146 requires, among other things, that liabilities for costs associated with exit or disposal activities be recognized when the liabilities are incurred, rather than when an entity commits to an exit plan. SFAS 146 changes the timing of liability and expense recognition related to exit or disposal activities, but not the ultimate amount of such expenses. Refer to Note 3.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 1. Accounting Policies (continued)

Shipping and Handling Fees and Costs

Expenses for transportation of products to customers are recorded as a component of cost of goods sold.

Legal Expenses

The Company records a liability for estimated legal and defense costs related to pending general and product liability claims, environmental matters and workers' compensation claims. Refer to Note 20.

Inventories

Worldwide inventories are stated at the lower of cost or market. Cost is determined using FIFO or the average cost method. Costs include direct material, direct labor and applicable manufacturing and engineering overhead. Refer to Note 6.

Investments

Investments in marketable equity securities are stated at fair value. Fair value is determined using quoted market prices at the end of the reporting period and, when appropriate, exchange rates at that date. Unrealized gains and losses on marketable equity securities classified as available-for-sale are recorded in Accumulated Other Comprehensive Income (Loss), net of tax. Refer to Notes 8 and 19.

Goodwill and Other Intangible Assets

Goodyear adopted Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets," effective January 1, 2002. Goodwill is recorded when the cost of acquired businesses exceeds the fair value of the identifiable net assets acquired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or when events or circumstances indicate that impairment may have occurred. Goodyear has elected to perform the goodwill impairment test annually as of July 31. If considered impaired, the goodwill or intangible asset with an indefinite useful life is written down to fair value. Prior to January 1, 2002, Goodyear was amortizing goodwill over its estimated useful life, based on an evaluation of all relevant factors. The carrying amount and estimated useful life of goodwill were reviewed whenever events or circumstances indicated that revisions might have been warranted. Refer to Note 7.

Properties and Plants

Properties and plants are stated at cost. Depreciation is computed using the straight-line method. Refer to Note 9.

Advertising Costs

Costs incurred for producing and communicating advertising are generally expensed when incurred. Costs incurred under Goodyear's cooperative advertising program with dealers and franchisees are recorded as reductions of sales as related revenues are recognized. Refer to Note 17.

Foreign Currency Translation

Financial statements of international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted-average exchange rate for each period for revenues, expenses, gains and losses. Where the local currency is the functional currency, translation adjustments are recorded as Accumulated Other Comprehensive Income (Loss). Where the U.S. dollar is the functional currency, translation adjustments are recorded in income.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 1. Accounting Policies (continued)

Environmental Cleanup Matters

Goodyear expenses environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. Goodyear determines its liability on a site by site basis and records a liability at the time when it is probable and can be reasonably estimated. Goodyear's estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. The estimated liability of Goodyear is not discounted or reduced for possible recoveries from insurance carriers. Refer to Note 20.

Stock-Based Compensation

The Company used 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. Refer to Note 12.

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

	<u>2003</u>	<u>Restated</u>	
<i>(In millions, except per share)</i>		<u>2002</u>	<u>2001</u>
Net income (loss) as reported	\$(802.1)	\$(1,227.0)	\$(254.1)
Add: Stock-based compensation expense (income) included in net income (net of tax)	1.3	(5.6)	3.3
Deduct: Stock-based compensation expense calculated using the fair value method (net of tax)	<u>(28.0)</u>	<u>(28.7)</u>	<u>(33.8)</u>
Net income (loss) as adjusted	<u><u>\$(828.8)</u></u>	<u><u>\$(1,261.3)</u></u>	<u><u>\$(284.6)</u></u>
Net income (loss) per share:			
Basic — as reported	\$ (4.58)	\$ (7.35)	\$ (1.59)
— as adjusted	(4.73)	(7.55)	(1.78)
Diluted — as reported	\$ (4.58)	\$ (7.35)	\$ (1.59)
— as adjusted	(4.73)	(7.55)	(1.78)

Per Share of Common Stock

Basic earnings per share has been computed based on the average number of common shares outstanding. Diluted earnings per share reflects the dilutive impact of outstanding stock options (computed using the treasury stock method). All earnings per share amounts in these notes to financial statements are diluted, unless otherwise noted. Refer to Note 12.

Income Taxes

Income taxes are recognized during the year in which transactions enter into the determination of financial statement income, with deferred taxes being provided for temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Refer to Note 14.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 1. Accounting Policies (continued)

Use of Estimates

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 allowances, 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.

Derivative Financial Instruments and Hedging Activities

Derivative financial instrument contracts and nonderivative instruments are utilized by Goodyear to manage interest rate, foreign exchange and commodity price risks. Goodyear has established a control environment that includes policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. Company policy prohibits holding or issuing derivative financial instruments for trading purposes.

To qualify for hedge accounting, hedging instruments must be designated as hedges and meet defined correlation and effectiveness criteria. These criteria require that the anticipated cash flows and/or financial statement effects of the hedging instrument substantially offset those of the position being hedged.

Derivative contracts are reported at fair value on the Consolidated Balance Sheet as both current and long term Accounts Receivable or Other Liabilities. Deferred gains and losses on contracts designated as cash flow hedges are recorded in Accumulated Other Comprehensive Income (Loss) (OCI). Ineffectiveness in hedging relationships is recorded as Other (Income) and Expense in the current period.

Interest Rate Contracts — Gains and losses on contracts designated as cash flow hedges are initially deferred and recorded in OCI. Amounts are transferred from OCI and recognized in income as Interest Expense in the same period that the hedged item is recognized in income. Gains and losses on contracts designated as fair value hedges are recognized in income in the current period as Interest Expense. Gains and losses on contracts with no hedging designation are recorded in income in the current period as Other (Income) and Expense.

Foreign Currency Contracts — Gains and losses on contracts designated as cash flow hedges are initially deferred and recorded in OCI. Amounts are transferred from OCI and recognized in income in the same period and on the same line that the hedged item is recognized in income. Gains and losses on contracts with no hedging designation are recorded in income currently as Foreign Currency Exchange.

Goodyear does not include premiums paid on forward currency contracts in its assessment of hedge effectiveness. Premiums on contracts designated as hedges are recognized in income as Foreign Currency Exchange over the life of the contract.

Net Investment Hedging — Nonderivative instruments denominated in foreign currencies are used to hedge net investments in foreign subsidiaries. Gains and losses on these instruments are deferred and recorded in OCI as Foreign Currency Translation Adjustment. These gains and losses are only recognized in income upon the complete or partial sale of the related investment or the complete liquidation of the investment.

Termination of Contracts — Gains and losses (including deferred gains and losses in OCI) are recognized in income as Other (Income) and Expense when contracts are terminated concurrently with the

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 1. Accounting Policies (continued)

termination of the hedged position. To the extent that such position remains outstanding, gains and losses are amortized to Interest Expense or Foreign Currency Exchange over the remaining life of that position. Gains and losses on contracts that Goodyear temporarily continues to hold after the early termination of a hedged position, or that otherwise no longer qualify for hedge accounting, are recognized in income as Other (Income) and Expense.

Refer to Note 11.

Concentrations of Labor

At December 31, 2003, approximately 60% of the Company's employees were covered by collective bargaining agreements. 30% of the Company's employees were covered by collective bargaining agreements that will expire in 2004. It is uncertain at this time whether agreements will be reached without interruption of production, and the terms of the agreements ultimately reached could result in higher wage and benefit costs.

Reclassification

Certain items previously reported in specific financial statement captions have been reclassified to conform to the 2003 presentation. Charges related to general and product liability-discontinued products for claims against Goodyear related to asbestos personal injury claims and for other products no longer manufactured by the Company have been reclassified from Selling, Administrative & General Expense (SAG) to Other (Income) and Expense due to the non-operational nature of these claims. Charges for general and product liabilities related to ongoing operations continue to be recorded as SAG. Refer to Note 4, Other (Income) and Expense and Note 20, Commitments and Contingent Liabilities, for further information about general and product liabilities.

Note 2. Restatement

These financial statements have been restated to reflect adjustments to the Company's financial information previously reported on Form 10-K for the years ended December 31, 2002 and 2001. The Company's 2003 and 2002 quarterly financial information also 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. Amounts disclosed in this note that are as of or for the periods ended March 31, 2003; June 30, 2003; or September 30, 2003 are all unaudited. The restatement also affects periods prior to 2001. The Company identified adjustments through the current date that were required to be recorded which reduced previously reported after-tax income by a total of \$280.8 million. Of this amount, \$56.2 million was included in 2003 net income. The impact on net income for the years ended December 31, 2002 and 2001 was \$121.2 million and \$50.5 million, respectively. The impact related to years prior to 2001 was a decrease in retained earnings of \$52.9 million at January 1, 2001. Total shareholders' equity at September 30, 2003 was also reduced by adjustments to Accumulated Other Comprehensive Income (Loss) (OCI) of \$183.9 million. The restated financial statements have been prepared by management and reflect all adjustments known to management.

The total reductions in net income of \$280.8 million include \$31.3 million recorded in the quarter ended June 30, 2003; \$84.7 million in additional items previously reflected in the restated financial results included in the Form 8-K filed on November 20, 2003 and the Form 10-Q for the quarter ended September 30, 2003 filed on November 19, 2003; and \$164.8 million in additional items reflected in the financial statements included in the Form 10-K for the year ended December 31, 2003 filed on May 19, 2004.

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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 2. Restatement (continued)

Company identified various adjustments that were recorded in the second quarter and needed to be recorded in the third quarter of 2003 arising out of account reconciliations. Based on an assessment of the impact of the adjustments, management and the Audit Committee decided to restate the Company's previously issued financial statements 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.

This 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 \$29.0 million related to periods ending September 30, 2003 and earlier. These adjustments resulted from the overseas special accounting investigation, the understatement of the Company's liability for workers' compensation payments, the improper deferral of manufacturing variances in 1998, 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 \$9.2 million before tax were included in the restatement as a result of the special accounting investigation in Europe and Asia. The majority of the adjustments addressed accrual accounts that were improperly adjusted between periods or expenses that were improperly deferred beyond the third quarter of 2003. These adjustments primarily related to accounts receivable, fixed assets, accounts payable-trade and other long-term liability accounts that were improperly adjusted. As part of this

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 2. Restatement (continued)

investigation, an adjustment was made to defer income of \$3.9 million before tax beyond the third quarter of 2003 that was improperly recognized in prior periods.

The workers' compensation adjustments totaled \$17.7 million before tax related to periods ending on September 30, 2003 and earlier. 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. Of the \$17.7 million before tax adjustment, \$4.1 million affected income before tax for the nine months ended 2003, \$5.6 million and \$2.3 million affected income before tax for the years ended December 31, 2002 and 2001, respectively, and \$5.7 million affected pre-2001 income before tax. In addition, in the fourth quarter of 2003, \$6.2 million before tax was recorded relating to the understatement.

In the second quarter of 1999, the Company discovered that \$18.1 million of manufacturing variances at one of its United States tire manufacturing plants had been improperly deferred from 1998 to 1999. When the matter was discovered in the second quarter of 1999, the Company recorded the remaining costs that had not previously been recorded. As part of this restatement, the Company reduced income before tax in 1998 by \$18.1 million and increased income before tax in 1999 by the same amount.

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 adjustment reduced income before tax by \$1.5 million in 2000. The Company also identified other adjustments in Chile whereby accrual accounts were improperly adjusted between periods or expenses were improperly deferred. Adjustments of \$0.6 million before tax were recorded related to these accounts.

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

(In millions, all amounts before tax)	<u>Nine Months Ended September 30, 2003 (Unaudited)</u>	<u>Year Ended December 31,</u>		<u>Pre-2001</u>	<u>Total</u>
	<u>2002</u>	<u>2001</u>			
Income (Expense)					
Accruals and deferred expenses — Europe and Asia	\$4.5	\$ 0.5	\$ (8.3)	\$ (2.0)	\$ (5.3)
Deferred income — Europe	—	(2.9)	(1.0)	—	(3.9)
Workers' compensation	(4.1)	(5.6)	(2.3)	(5.7)	(17.7)
Accruals and deferred expenses — Chile	—	4.5	(1.6)	(3.5)	(0.6)
Land valuation — Chile	—	—	—	(1.5)	(1.5)
	<u>\$0.4</u>	<u>\$(3.5)</u>	<u>\$(13.2)</u>	<u>\$(12.7)</u>	<u>\$(29.0)</u>

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 2. Restatement (continued)

Account Reconciliations. This category includes adjustments totaling \$144.9 million before tax 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.

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. The \$28.8 million Interplant charge corrects an overstatement of income and assets. The most significant items in this category are 1) fixed assets and inventory of \$26.0 million 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 \$2.8 million of fixed assets.
- B. *North American Tire (NAT) Receivables.* The adjustment to accounts receivable of \$25.0 million is attributable to amounts erroneously recorded in Goodyear's general ledger during the period April 1999 to November 2000. During this period, Goodyear implemented certain modules of an ERP accounting system. These modules were not properly integrated with existing systems resulting in an overstatement of sales and accounts receivable in the general ledger. This overstatement had to be reversed. Billings to customers and cash collections were appropriate during this period.
- C. *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. Several factors relating to the Company's ERP systems implementation resulted in EPD's inability to locate or recreate account reconciliations for prior periods.
- D. *Wingfoot Commercial Tire Systems, LLC.* On November 1, 2000, Goodyear made a contribution, which included inventory, to Wingfoot Commercial Tire Systems, LLC, a consolidated subsidiary. On a consolidated basis, the inventory was valued at Goodyear's historical cost. Upon the sale of the inventory, consolidated cost of goods sold was understated by \$11.0 million. Additionally, inventory and fixed asset losses totaling \$4.2 million were not expensed as incurred and were written off in connection with the restatement.
- E. *Fixed Assets.* The adjustments to other fixed assets totaled \$13.1 million and related primarily to the understatement of depreciation expenses and the write-off of assets previously disposed.
- F. *General and Product Liability.* The expense for general and product claims increased \$11.6 million for the third quarter and nine months ended September 30, 2003, and related to the timing of the recognition of certain liabilities for Entran II claims. Goodyear reached final agreement with one of its insurers in November 2003, prior to filing the third quarter 10-Q, and recorded both a receivable and separately a corresponding liability related to Entran II matters. This amount will be reflected in the Company's amended quarterly report on Form 10-Q for the period ended September 30, 2003 when filed.

In addition, adjustments totaling \$23.0 million were recorded in OCI. 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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 2. Restatement (continued)

March 2003. An adjustment was also made to record a \$6.8 million charge to currency translation, with an offsetting credit to long-term assets. The adjustment affected the period from January 1, 2003 to September 30, 2003. These adjustments were identified in conjunction with the completion of account reconciliations.

Out-of-Period Adjustments. This category includes adjustments previously identified but deemed to be immaterial and recorded in the period the Company identified the error or in a subsequent period. Adjustments in this category change the timing of income and expense items that were previously recognized. The cumulative amount of out-of-period adjustments was a decrease to income before tax of \$0.6 million.

The most significant item in this category relates to the timing of the recognition of certain SAG expenses. As a result of the integration of the new enterprise resource planning system into the Company's accounting processes beginning in 1999, certain expenses were incorrectly capitalized in inventory during 2001, 2000 and 1999. The Company recorded an adjustment totaling \$16.8 million before tax during 2002 to correct the impact on prior years. Of this amount, \$13.9 million before tax applied to 2001.

Discount Rate Adjustments. In preparing the 2003 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. Total reductions to income before tax for 2000-2003 were \$18.9 million, of which \$13.0 million decreased income before tax for the nine months ended September 30, 2003, and \$14.9 million and \$5.5 million decreased income before tax for the years ended December 31, 2002 and 2001, respectively. Pre-2001 income before tax was increased by \$14.5 million as a result of these adjustments. This change also resulted in a charge to deferred pension costs in accumulated other comprehensive income (loss) (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.

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. The cumulative effect of Chemical Product segment adjustments at September 30, 2003 was a decrease to income before tax of \$7.7 million.

Tax Adjustments. As a result of the restatement adjustments, an additional Federal and state valuation allowance of \$121.6 million (including the \$81.2 million charge for discount rate adjustments) was required to be recognized in 2002, the period in which the Company previously provided for its valuation allowance. The remaining amounts relate to the correction of errors in the computation of deferred tax assets and liabilities.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 2. Restatement (continued)

Effect of restatement adjustments on Goodyear's previously issued financial statements

Increase (decrease) in Income (loss)

(In millions, except per share)	Years Ended December 31,		<u>Pre-2001</u>	<u>Total</u>
	2002	2001		
Net loss as originally reported	\$(1,105.8)	\$(203.6)		
Adjustments (pretax):				
Accounting Irregularities	(3.5)	(13.2)	\$(12.7)	\$ (29.4)
Account Reconciliations	(6.8)	(12.8)	(82.5)	(102.1)
Out-of-Period	15.2	(14.5)	(2.1)	(1.4)
Discount Rate Adjustments	(14.9)	(5.5)	14.5	(5.9)
Chemical Products Segment	14.2	(18.9)	(3.6)	(8.3)
Total adjustments (pretax)	4.2	(64.9)	(86.4)	(147.1)
Tax effect of restatement adjustments	(2.9)	17.9	32.3	47.3
Tax adjustments	(122.5)	(3.5)	1.2	(124.8)
Total taxes	(125.4)	14.4	33.5	(77.5)
Total net adjustments	(121.2)	(50.5)	<u>\$(52.9)</u>	<u>\$(224.6)</u>
Net loss as restated	<u>\$(1,227.0)</u>	<u>\$(254.1)</u>		
Per Share of Common Stock:				
Net loss — Basic as originally reported	\$ (6.62)	\$ (1.27)		
Effect of net adjustments	(0.73)	(0.32)		
Net loss — Basic as restated	<u>\$ (7.35)</u>	<u>\$ (1.59)</u>		
Net loss — Diluted as originally reported	\$ (6.62)	\$ (1.27)		
Effect of net adjustments	(0.73)	(0.32)		
Net loss — Diluted as restated	<u>\$ (7.35)</u>	<u>\$ (1.59)</u>		

The following table sets forth the effects of the restatement adjustments discussed above on the Consolidated Statement of Operations for each of the years ended December 31, 2002 and 2001, respectively.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 2. Restatement (continued)

(In millions, except per share)	Year Ended December 31, 2002		Year Ended December 31, 2001	
	As Originally Reported	As Restated	As Originally Reported	As Restated
Net Sales	\$13,850.0	\$13,856.2	\$14,147.2	\$14,162.5
Cost of Goods Sold	11,313.9	11,303.9	11,619.5	11,685.3
Selling, Administrative and General Expense	2,223.9	2,203.2	2,248.8	2,220.5
Rationalizations	8.6	5.5	206.8	210.3
Interest Expense	241.3	241.7	292.4	297.1
Other (Income) and Expense	25.8	56.8	11.8	40.8
Foreign Currency Exchange	(10.2)	(9.7)	0.1	10.0
Equity in Earnings of Affiliates	8.8	13.2	40.6	39.7
Minority Interest	55.8	55.3	0.2	(3.3)
Loss before Income Taxes	(17.9)	(13.7)	(273.0)	(337.9)
U.S. and Foreign Taxes on Income (Loss) . . .	1,087.9	1,213.3	(69.4)	(83.8)
Net Loss	<u>\$(1,105.8)</u>	<u>\$(1,227.0)</u>	<u>\$ (203.6)</u>	<u>\$ (254.1)</u>
Net Loss per share — Basic	\$ (6.62)	\$ (7.35)	\$ (1.27)	\$ (1.59)
Average Shares Outstanding	167.0	167.0	160.0	160.0
Net Loss per share — Diluted	\$ (6.62)	\$ (7.35)	\$ (1.27)	\$ (1.59)
Average Shares Outstanding	167.0	167.0	160.0	160.0

The following table sets forth the effects of the restatement adjustments discussed above on the Consolidated Balance Sheet at December 31, 2002.

(Dollars in millions)	December 31, 2002	
	As Originally Reported	As Restated
Assets		
Current Assets:		
Cash and cash equivalents	\$ 923.0	\$ 918.1
Short term securities	24.3	24.3
Accounts and notes receivable	1,459.7	1,438.1
Inventories	2,371.6	2,346.2
Prepaid expenses and other current assets	448.1	453.7
Total Current Assets	<u>5,226.7</u>	<u>5,180.4</u>
Long Term Accounts and Notes Receivable	236.3	242.8
Investments in and Advances to Affiliates	141.7	139.2
Other Assets	254.9	253.0
Goodwill	607.4	602.6
Other Intangible Assets	161.3	161.4
Deferred Income Tax	207.5	187.0
Prepaid and Deferred Pension Costs	913.4	913.4
Deferred Charges	205.1	202.7
Properties and Plants	5,192.3	5,156.2
Total Assets	<u>\$13,146.6</u>	<u>\$13,038.7</u>

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 2. Restatement (continued)

(Dollars in millions)	December 31, 2002	
	As Originally Reported	As Restated
Liabilities		
Current Liabilities:		
Accounts payable-trade	\$ 1,502.2	\$ 1,515.4
Compensation and benefits	961.2	913.6
Other current liabilities	481.6	512.3
United States and foreign taxes	473.2	358.2
Notes payable	283.4	283.4
Long term debt due within one year	369.8	369.8
Total Current Liabilities	4,071.4	3,952.7
Long Term Debt and Capital Leases	2,989.0	2,989.8
Compensation and Benefits	4,194.2	4,497.3
Other Long Term Liabilities	501.2	615.7
Minority Equity in Subsidiaries	740.2	727.8
Total Liabilities	12,496.0	12,783.3
Commitments and Contingent Liabilities		
Shareholders' Equity		
Preferred Stock, no par value:		
Authorized, 50,000,000 shares, unissued	—	—
Common Stock, no par value:		
Authorized, 300,000,000 shares		
Outstanding shares, 175,309,002	175.3	175.3
Capital Surplus	1,390.3	1,390.1
Retained Earnings	2,007.1	1,782.5
Accumulated Other Comprehensive Income (Loss)	(2,922.1)	(3,092.5)
Total Shareholders' Equity	650.6	255.4
Total Liabilities and Shareholders' Equity	\$13,146.6	\$13,038.7

Note 3. Costs Associated with Rationalization Programs

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. The net amounts of rationalization charges to the Consolidated Statement of Operations were as follows:

(In millions)	Restated		
	2003	2002	2001
New charges	\$307.2	\$26.5	\$214.4
Reversals	(15.7)	(18.0)	(4.1)
Other credits	—	(3.0)	—
	\$291.5	\$ 5.5	\$210.3

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 3. Costs Associated with Rationalization Programs (continued)

The following table shows the reconciliation of the liability balance between periods:

(In millions)	Associate- related Costs	Other Than Associate- related Costs	Total
Accrual balance at December 31, 2000	\$104.5	\$32.9	\$137.4
2001 charges	127.3	87.1	214.4
Charge to goodwill	5.7	—	5.7
Incurred	(159.5)	(66.0)	(225.5)
Reversed to goodwill	(5.0)	(0.5)	(5.5)
Reversed to the income statement	<u>(3.9)</u>	<u>(0.2)</u>	<u>(4.1)</u>
Accrual balance at December 31, 2001	69.1	53.3	122.4
2002 charges	19.5	7.0	26.5
Incurred	(49.5)	(11.7)	(61.2)
Reversed to goodwill	(0.5)	—	(0.5)
Reversed to the income statement	<u>(13.3)</u>	<u>(4.7)</u>	<u>(18.0)</u>
Accrual balance at December 31, 2002	25.3	43.9	69.2
2003 charges	295.3	11.9	307.2
Incurred	(200.4)	(15.5)	(215.9)
Reversed to goodwill	—	(2.9)	(2.9)
Reversed to the income statement	<u>(11.7)</u>	<u>(4.0)</u>	<u>(15.7)</u>
Accrual balance at December 31, 2003	<u>\$108.5</u>	<u>\$33.4</u>	<u>\$141.9</u>

During 2003, net charges of \$291.5 million (\$267.1 million after tax or \$1.27 per share) were recorded, which included reversals of \$15.7 million (\$14.3 million after tax or \$0.07 per share) for reserves from rationalization actions no longer needed for their originally intended purposes and new charges of \$307.2 million (\$281.4 million after tax or \$1.34 per share). The 2003 rationalization actions consisted of manufacturing, research and development, administrative and retail consolidations in North America, Europe and Latin America. Of the \$307.2 million of new charges, \$174.8 million related to future cash outflows, primarily associate severance costs, and \$132.4 million related primarily to non-cash special termination benefits and pension and retiree benefit curtailments. Approximately 4,400 associates will be released under the programs initiated in 2003, of which approximately 2,700 were exited in 2003. The reversals are primarily the result of lower than initially estimated associate-related payments of approximately \$12 million, sublease contract signings in the European Union of approximately \$3 million and lower contract termination costs in the United States of approximately \$1 million. These reversals do not represent a change in the plan as originally approved by management.

In 2003, \$200.4 million and \$15.5 million, respectively, was incurred primarily for severance payments and noncancellable lease costs. The majority of the remaining accrual balance for all programs of \$141.9 million is expected to be utilized by the end of 2004.

As part of the 2003 rationalization program, Goodyear closed its Huntsville, Alabama tire facility in the fourth quarter. Of the \$307.2 million of new rationalization charges, approximately \$138 million related to the Huntsville closure primarily for associate-related costs for approximately 1,100 associates, including severance, special termination benefits and pension and retiree benefit curtailments. The Huntsville closure also resulted in approximately \$35 million of asset impairment charges and \$85 million of asset writeoffs and accelerated depreciation charges. These amounts are recorded as cost of goods sold (CGS) on the Consolidated Statement of Operations. The accelerated depreciation charges were recorded on the machinery

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 3. Costs Associated with Rationalization Programs (continued)

& equipment and spare parts that were being disposed as of the date of the shutdown for the period from the date the shutdown was announced to the date the plant was closed. An asset impairment charge was recorded for the land and buildings to write down the balance to fair value based on expected future cash flows.

Approximately \$8 million of construction in progress was written off in CGS in the first quarter 2003 related to the research and development rationalization plan. CGS also included accelerated depreciation charges of approximately \$5 million for equipment taken out of service in the European Union related to two rationalization plans in 2003 at Goodyear's Wolverhampton facility.

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 \$18.0 million (as restated) (\$14.3 million after tax or \$0.09 per share (as restated)) for reserves from rationalization actions no longer needed for their originally intended purposes, new charges of \$26.5 million (\$23.0 million after tax or \$0.14 per share) and other credits of \$3.0 million (as restated) (\$2.3 million after tax or \$0.02 per share (as restated)). 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. Of the \$26.5 million charge, \$24.2 million related to future cash outflows, primarily associate severance costs, and \$2.3 million related to a non-cash writeoff of equipment taken out of service in the Engineered Products and North American Tire Segments. The reversals are primarily the result of lower than initially estimated associate-related payments of approximately \$6 million, lower lease cancellation fees in the European Union of approximately \$6 million and sublease contract signings in North America of approximately \$3 million. \$1.7 million of the reversals represents a portion of a legal reserve related to a previous rationalization plan in the Asia region, determined to be no longer necessary as a result of a court ruling in Goodyear's favor. The \$3.0 million of other credits to restructuring expense represent the writeoff of a deferred gain from a sale leaseback transaction. Goodyear exited the location in the fourth quarter of 2002 and wrote off the remaining deferred gain against restructuring to offset the restructuring charge recorded for that location. The reversals do not represent a change in the plan originally approved by management. Goodyear provided for the release of approximately 1,000 manufacturing and administrative associates in Europe and the United States under the programs initiated in 2002. As of December 31, 2003, approximately 810 associates have been released, including approximately 540 associates in 2003.

Goodyear recorded net rationalization charges totaling \$210.3 million (as restated) (\$161.4 million after tax or \$1.00 per share (as restated)) in 2001, which included \$4.1 million of reversals of prior year reserves no longer needed for their originally intended purposes. These actions were in response to continued competitive market conditions and worldwide economic uncertainty. Under these actions, Goodyear provided for worldwide associate reductions through retail and administrative consolidation and manufacturing plant downsizing and consolidation. Of this charge, \$132.0 million (as restated) related to future cash outflows, primarily associate severance and noncancellable lease costs, and \$82.4 million (as restated) related to non-cash charges, primarily for the writeoff of equipment taken out of service. Goodyear provided for the release of approximately 3,700 associates around the world, primarily production and administrative associates under the programs initiated in 2001. As of December 31, 2003, approximately 3,570 associates have been released, as opposed to the 3,700 originally planned for, including approximately 70 associates in 2003. Goodyear completed these actions during 2003 with the exception of ongoing severance and noncancellable lease payments.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 3. Costs Associated with Rationalization Programs (continued)

The following table summarizes, by segment, the total charges expected to be recorded, the total amounts recorded in 2003, the total costs incurred in 2003 and the total amounts reversed in 2003, related to the new charges taken in 2003:

(In millions)	Total Charge Expected to be Recorded	Total Charge Recorded in 2003	Total Amount Incurred in 2003	Total Amount Reversed in 2003
North American Tire	\$220.0	\$200.7	\$144.6	\$ 8.8
European Union Tire	63.0	59.3	15.1	1.0
Latin American Tire	12.0	10.4	5.5	0.4
Engineered Products	32.0	29.4	18.7	—
Corporate	<u>8.0</u>	<u>7.4</u>	<u>3.9</u>	<u>0.2</u>
	<u>\$335.0</u>	<u>\$307.2</u>	<u>\$187.8</u>	<u>\$10.4</u>

The additional restructuring costs not yet recorded are expected to be incurred and recorded in 2004 and subsequent periods.

Note 4. Other (Income) and Expense

(In millions)	Restated		
	2003	2002	2001
Asset sales	\$ 21.5	\$(28.0)	\$(45.8)
Interest income	(25.9)	(18.8)	(13.5)
Financing fees and financial instruments	99.4	48.4	50.1
General and product liability — discontinued products	145.4	33.8	31.1
Miscellaneous	<u>26.9</u>	<u>21.4</u>	<u>18.9</u>
	<u>\$267.3</u>	<u>\$ 56.8</u>	<u>\$ 40.8</u>

Other (Income) and Expense in 2003 included a loss of \$17.6 million (\$8.9 million after tax or \$0.05 per share) on the sale of 20,833,000 shares of Sumitomo Rubber Industries, Ltd. (“SRI”) in the second quarter. 2003 included a loss of \$11.6 million (\$11.2 million after tax or \$0.07 per share) on the sale of assets in the Engineered Products, North American Tire and European Union Tire Segments. 2003 also included a gain of \$7.7 million (\$6.4 million after tax or \$0.04 per share) resulting from the sale of land in the Asia Tire Segment and assets in the Latin American and European Union Tire Segments. During 2002, Goodyear recorded a gain of \$28.0 million (as restated) (\$23.7 million after tax or \$0.14 per share (as restated)) resulting from the sale of land and buildings in the Latin American Tire, Engineered Products and European Union Tire Segments. 2002 also included the writeoff of a miscellaneous investment of \$4.1 million (\$4.1 million after tax or \$0.02 per share). In 2001, Goodyear recorded a gain of \$18.4 million (as restated) (\$14.7 million after tax or \$0.09 per share (as restated)) resulting from the sale of land and buildings in the European Union Tire Segment in the first quarter. Additionally, Goodyear recorded a gain of \$27.4 million (\$16.9 million after tax or \$0.10 per share) resulting from the sale of the Specialty Chemical Business in the 2001 fourth quarter. Refer to Note 18 for further information on Business Segments.

Interest income consists of amounts earned on deposits. At December 31, 2003, \$648.6 million or 41.4% of Goodyear’s cash, cash equivalents and short term securities was concentrated in Europe, primarily western Europe, (\$354.2 million or 37.6% at December 31, 2002), \$176.3 million or 11.3% was concentrated in Latin America, primarily Brazil, (\$142.6 million or 15.1% at December 31, 2002) and \$116.8 million or 7.5% was concentrated in Asia (\$68.8 million (as restated) or 7.3% at December 31, 2002).

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 4. Other (Income) and Expense (continued)

Financing fees and financial instruments increased in 2003 due to the costs incurred in connection with the restructuring and refinancing of the Company's bank credit and receivables securitization facilities. Financing fees and financial instruments included \$45.6 million in 2003 related to the new facilities. Refer to Note 11, Financing Arrangements and Derivative Financial Instruments, for further information about the restructuring and refinancing.

General and product liability-discontinued products includes charges for claims against Goodyear related to asbestos personal injury claims and for anticipated liabilities related to Entran II claims, primarily for a proposed settlement of such claims. Goodyear recorded net charges for General and product liability-discontinued products totaling approximately \$145 million in 2003 which included recognition of a receivable of approximately \$131 million from Goodyear's insurance carriers. Refer to Note 20, Commitments and Contingent Liabilities, for further information about general and product liabilities.

Note 5. Accounts and Notes Receivable

(In millions)	2003	Restated 2002
Accounts and notes receivable	\$2,749.7	\$1,540.2
Allowance for doubtful accounts	(128.2)	(102.1)
	\$2,621.5	\$1,438.1

Accounts and Notes Receivable includes other non-trade receivables of \$363.2 million and \$253.2 million (as restated) at December 31, 2003 and 2002, respectively.

Prior to April 1, 2003, Goodyear maintained a program for the continuous sale of substantially all of its domestic trade accounts receivable to Wingfoot A/R LLC, a wholly-owned limited liability subsidiary company that was a bankruptcy-remote special purpose entity. A similar program also was maintained for substantially all of the Company's Canadian trade accounts receivable. The results of operations and financial position of Wingfoot A/R LLC were not included in the consolidated financial statements of Goodyear as provided by Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." 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 (\$624.1 million at December 31, 2002) 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 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 \$313.1 million at December 31, 2002. This program was terminated on April 1, 2003. Accordingly, accounts receivable sold under this program are now recognized on Goodyear's Consolidated Balance Sheet, and the related subordinated note receivable and investment in the equity of Wingfoot A/R LLC were derecognized. Goodyear's consolidated debt increased by \$577.5 million and Wingfoot A/R LLC transferred cash to Goodyear totaling \$32.2 million at April 1, 2003. This cash represented collections of accounts receivable which had not yet been reinvested in additional Goodyear receivables prior to the termination of the program.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 5. Accounts and Notes Receivable (continued)

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

(In millions)	<u>2003</u>	<u>2002</u>
Proceeds from collections reinvested in previous securitizations	\$1,089.1	\$5,835.4
Servicing fees received	1.2	6.3
Reimbursement for rebates and discounts issued	28.2	116.8
Cash used for termination of program	545.3	—

International subsidiaries of Goodyear have established accounts receivable continuous sales programs whereunder these subsidiaries may receive proceeds from the sale of certain of their receivables to affiliates of certain banks. These subsidiaries retained servicing responsibilities. At December 31, 2003, the value in U.S. dollars of which these international subsidiaries could borrow was \$104.2 million, compared to \$283.5 million at December 31, 2002. The following table presents certain cash flows related to these programs:

(In millions)	<u>2003</u>	<u>2002</u>
Proceeds from collections reinvested in previous securitizations	\$1,440.3	\$2,015.8
Reimbursement for rebates and discounts issued	76.5	54.2

In addition, various other international subsidiaries of Goodyear sold certain of their trade receivables during 2003 and 2002. The receivable financing programs of these international subsidiaries did not utilize an SPE at December 31, 2003. At December 31, 2003, the value in U.S. dollars of which these international subsidiaries could borrow was \$18.6 million, compared to \$129.8 million at December 31, 2002. The total amount of financing provided from all domestic and international agreements worldwide was \$122.8 million at December 31, 2003, compared to \$916.1 million at December 31, 2002.

Note 6. Inventories

(In millions)	<u>2003</u>	<u>Restated 2002</u>
Raw materials	\$ 459.2	\$ 459.2
Work in process	112.2	97.4
Finished products	<u>1,893.6</u>	<u>1,789.6</u>
	<u>\$2,465.0</u>	<u>\$2,346.2</u>

Note 7. Goodwill and Other Intangible Assets

Goodyear adopted SFAS 142 effective January 1, 2002. This standard specifies, among other things, that goodwill no longer be amortized. The standard requires goodwill to be periodically tested for impairment and written down to fair value if considered impaired. In accordance with the provisions of SFAS 142, Goodyear completed the initial impairment testing by June 30, 2002. Based on the results of the testing, no impairment was indicated. In addition, Goodyear completed the required annual impairment testing of goodwill as of July 31, 2003 and 2002, and based on the results of the testing, no impairment was indicated.

SFAS 142 also required Goodyear to reassess the useful lives of intangible assets and adjust the remaining amortization periods accordingly. For those intangible assets deemed to have indefinite lives, amortization ceased effective January 1, 2002, and the intangible assets will be periodically tested for impairment and written down to fair value if considered impaired. Goodyear has ceased amortization related to \$107.1 million of intangible assets as a result of this reassessment.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 7. Goodwill and Other Intangible Assets (continued)

The following table presents goodwill, intangible assets and accumulated amortization balances at December 31, 2003 and 2002:

(In millions)	December 31, 2003			Restated December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	Goodwill	<u>\$745.6</u>	<u>\$(123.1)</u>	<u>\$622.5</u>	<u>\$721.2</u>	<u>\$(118.6)</u>
Intangible assets with indefinite lives	\$114.4	\$ (7.3)	\$107.1	\$114.4	\$ (7.3)	\$107.1
Trademarks and Patents	44.6	(16.8)	27.8	35.2	(11.6)	23.6
Other intangible assets	<u>35.8</u>	<u>(8.9)</u>	<u>26.9</u>	<u>35.0</u>	<u>(4.3)</u>	<u>30.7</u>
Total other intangible assets	<u>\$194.8</u>	<u>\$(33.0)</u>	<u>\$161.8</u>	<u>\$184.6</u>	<u>\$(23.2)</u>	<u>\$161.4</u>

During 2003, net goodwill increased by approximately \$23 million due to currency translation.

During the fourth quarter of 2002, Goodyear recorded \$10.4 million of goodwill and other intangible assets in connection with the acquisition of a chain of retail outlets, which was assigned to the North American Tire Segment. During the second quarter of 2002, Goodyear's minority partner in Sava Tires, a tire manufacturing subsidiary in Slovenia, exercised its option to sell equity interests to Goodyear representing a 20% interest in Sava Tires for \$38.9 million, which increased Goodyear's ownership interest to 80%. Goodyear recorded \$6.8 million of goodwill related to this transaction, which was assigned to the Eastern Europe, Africa and Middle East Tire Segment.

The net carrying amount of goodwill allocated by reporting unit is as follows:

(In millions)	Restated Balance at December 31, 2002	Purchase Price Adjustment Reversals	Translation & Other Adjustments	Balance at December 31, 2003
North American Tire	\$ 98.5	\$ —	\$ 0.5	\$ 99.0
European Union Tire	305.3	(2.9)	11.2	313.6
Eastern Europe, Africa and Middle East Tire	115.9	—	10.4	126.3
Latin American Tire	1.2	—	(0.3)	0.9
Asia Tire	63.7	—	0.1	63.8
Engineered Products	18.0	—	0.9	18.9
Chemical Products	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$602.6</u>	<u>\$(2.9)</u>	<u>\$22.8</u>	<u>\$622.5</u>

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 7. Goodwill and Other Intangible Assets (continued)

(In millions)	Restated			
	Balance at December 31, 2001	Goodwill Acquired	Translation & Other Adjustments	Balance at December 31, 2002
North American Tire	\$ 84.5	\$ 9.5	\$ 4.5	\$ 98.5
European Union Tire	293.3	—	12.0	305.3
Eastern Europe, Africa and Middle East Tire	101.4	6.8	7.7	115.9
Latin American Tire	1.2	—	—	1.2
Asia Tire	62.8	—	0.9	63.7
Engineered Products	18.3	—	(0.3)	18.0
Chemical Products	—	—	—	—
	<u>\$561.5</u>	<u>\$16.3</u>	<u>\$24.8</u>	<u>\$602.6</u>

Also, during the fourth quarter of 2002, Goodyear recorded AUD\$28.5 million (approximately US\$16 million at December 31, 2002) of other intangible assets for a supply agreement with South Pacific Tyres (SPT), a tire manufacturer in Australia and New Zealand in which Goodyear owns a 50% interest. The agreement provides that Goodyear will be the exclusive provider of certain tires to SPT for the ten-year period ending December 31, 2012. The AUD\$28.5 million will be amortized over the ten-year life of the agreement.

Amortization expense for intangible assets totaled \$6.6 million, \$4.3 million (as restated) and \$2.4 million for 2003, 2002 and 2001, respectively. Goodyear estimates that annual amortization expense related to intangible assets will range from approximately \$4 million to \$6 million during each of the next five years and the weighted average remaining amortization period is approximately 17 years.

The total carrying amount of intangible assets not subject to amortization totaled \$107.1 million at December 31, 2003 and 2002. This amount is related to a non-compete agreement resulting from the global alliance with Sumitomo Rubber Industries, Ltd. that commenced operations on September 1, 1999 and a trademark in Europe. In accordance with SFAS 142, Goodyear completed the initial impairment testing prior to March 31, 2002. Based on the results of the testing, no impairment was indicated. In addition, Goodyear completed the required annual impairment testing for 2003 and 2002, and based on the results of the testing, no impairment was indicated.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 7. Goodwill and Other Intangible Assets (continued)

The following table presents the transitional disclosures required by SFAS 142:

(In millions, except per share)	Year Ended December 31,		
	2003	Restated	
	2002	2001	
Net income (loss)	\$(802.1)	\$(1,227.0)	\$(254.1)
Add back: Amortization of goodwill and intangible assets with indefinite lives (net of tax)	—	—	27.5
Adjusted net income (loss)	<u>\$(802.1)</u>	<u>\$(1,227.0)</u>	<u>\$(226.6)</u>
Basic earnings per share:			
Net income (loss)	\$ (4.58)	\$ (7.35)	\$ (1.59)
Add back: Amortization of goodwill and intangible assets with indefinite lives (net of tax)	—	—	0.17
Adjusted net income (loss)	<u>\$ (4.58)</u>	<u>\$ (7.35)</u>	<u>\$ (1.42)</u>
Diluted earnings per share:			
Restated net income (loss)	\$ (4.58)	\$ (7.35)	\$ (1.59)
Add back: Amortization of goodwill and intangible assets with indefinite lives (net of tax)	—	—	0.17
Adjusted net income (loss)	<u>\$ (4.58)</u>	<u>\$ (7.35)</u>	<u>\$ (1.42)</u>

Note 8. Investments

Investments

The Company owns 3,421,305 shares of Sumitomo Rubber Industries, Ltd. (“SRI”) at December 31, 2003 (the “Sumitomo Investment”) (24,254,306 shares at December 31, 2002). The fair value of the Sumitomo Investment was \$18.6 million and \$97.5 million at December 31, 2003 and 2002, respectively, and is included in Other Assets on the Consolidated Balance Sheet. Goodyear has classified the Sumitomo Investment as available-for-sale, as provided in Statement of Financial Accounting Standards No. 115, “Accounting for Certain Investments in Debt and Equity Securities.” Changes in the fair value of the Sumitomo Investment are reported in the Consolidated Balance Sheet as OCI. At December 31, 2003, the gross unrealized holding gain on the Sumitomo Investment totaled \$2.1 million (\$3.6 million after tax), compared to the unrealized holding loss of \$19.5 million (\$9.3 million after tax) at December 31, 2002.

During 2003, the Company sold 20,833,000 shares of SRI for approximately \$83 million and recorded a loss of \$17.6 million (\$8.9 million after tax or \$0.05 per share). 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. Also during 2003, the Company transferred its 80% ownership of Sava Tires Joint Venture Holding d.o.o. (“Sava Tire”), a tire manufacturing subsidiary in Slovenia, to Goodyear Dunlop Tires Europe B.V. (“GDTE”) for \$282.3 million. Goodyear owns 75% of GDTE. As a result of this transaction, Goodyear now indirectly owns 60% of Sava Tire. Refer to Note 23, Subsequent Events, for further information about Sava Tire. Additionally in 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 \$71.2 million.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 8. Investments (continued)

During 2002, the Company acquired additional shares of Sava Tire at a cost of \$38.9 million. The Company's ownership of this subsidiary increased from 60% to 80%. Also, during 2002, the Company acquired additional shares of its tire manufacturing subsidiary in Turkey at a cost of \$15.9 million. The Company's ownership of this subsidiary increased from 59.4% to 74.6%.

Dividends received by the Company from its consolidated subsidiaries for 2003, 2002 and 2001 were \$219.0 million, \$113.1 million and \$114.8 million, respectively. Dividends received by the Company from its unconsolidated affiliates accounted for using the equity method for 2003, 2002 and 2001 were \$2.8 million, \$1.6 million and \$3.0 million, respectively.

Non-cash Investing and Financing Activities

The Consolidated Statement of Cash Flows is presented net of the following transactions:

On July 7, 2000, Goodyear and Sumitomo amended the Note Agreement and on August 15, 2000: (1) Sumitomo converted ¥6,536,535,167 principal amount of the Company's Note into approximately 1,138,030 shares of the Common Stock of the Company; (2) the Company paid ¥223,933,167 of interest on the Note; and (3) Sumitomo surrendered the Note and the Company issued a replacement note in the principal amount of ¥6,536,535,767 due on August 16, 2001 and payable at the Company's option in cash or in shares of Common Stock at a conversion price of ¥5,731, subject to adjustment. The replacement note bore interest at the rate of 1.2% per annum from August 15, 2000 until the fifteenth day prior to its conversion into 1,140,866 shares of the Company's Common Stock on February 6, 2001.

In 2002, the Company issued 11.3 million shares of its Common Stock and recorded \$137.9 million as a contribution to certain domestic pension plans. In 2001, the Company issued 4.3 million shares of its Common Stock and recorded \$100.0 million as a contribution to certain domestic pension plans.

Note 9. Properties and Plants

(In millions)	2003			Restated		
	Owned	Capital Leases	Total	Owned	Capital Leases	Total
Properties and plants, at cost:						
Land and improvements	\$ 341.6	\$ 9.3	\$ 350.9	\$ 384.4	\$ 15.9	\$ 400.3
Buildings and improvements . .	1,651.8	67.9	1,719.7	1,643.1	109.2	1,752.3
Machinery and equipment . . .	9,872.4	92.1	9,964.5	9,019.9	88.4	9,108.3
Construction in progress	418.9	—	418.9	467.8	—	467.8
	12,284.7	169.3	12,454.0	11,515.2	213.5	11,728.7
Accumulated depreciation	(7,162.9)	(83.9)	(7,246.8)	(6,491.2)	(81.3)	(6,572.5)
	\$ 5,121.8	\$ 85.4	\$ 5,207.2	\$ 5,024.0	\$ 132.2	\$ 5,156.2

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 9. Properties and Plants (continued)

The weighted average useful lives of property used in arriving at the annual amount of depreciation provided are as follows: buildings and improvements, approximately 18 years; machinery and equipment, approximately 10 years.

Note 10. Leased Assets

Net rental expense charged to income follows:

(In millions)	<u>2003</u>	<u>Restated</u>	
		<u>2002</u>	<u>2001</u>
Gross rental expense	\$330.5	\$298.8	\$290.3
Sublease rental income	<u>(64.9)</u>	<u>(68.4)</u>	<u>(67.8)</u>
	<u>\$265.6</u>	<u>\$230.4</u>	<u>\$222.5</u>

Goodyear enters into capital and operating leases primarily for its vehicles, data processing equipment and its wholesale and retail distribution facilities under varying terms and conditions. Goodyear subleases some of its domestic retail distribution network to independent dealers. Many of the leases provide that Goodyear will pay taxes assessed against leased property and the cost of insurance and maintenance.

While substantially all subleases and some operating leases are cancellable for periods beyond 2004, management expects that in the normal course of its business nearly all of its independent dealer distribution network will be actively operated. As leases and subleases for existing locations expire, Goodyear would normally expect to renew the leases or substitute another more favorable retail location.

The following table presents minimum future lease payments:

(In millions)	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009 and Beyond</u>	<u>Total</u>
Capital Leases							
Minimum lease payments	\$ 8.3	\$ 7.0	\$ 6.3	\$ 5.8	\$ 5.8	\$ 41.0	\$ 74.2
Imputed interest							(24.9)
Executory costs							(1.2)
Present value							<u>\$ 48.1</u>
Operating Leases							
Minimum lease payments	\$287.2	\$236.8	\$188.9	\$145.4	\$106.3	\$497.8	\$1,462.4
Minimum sublease rentals	<u>(43.8)</u>	<u>(33.7)</u>	<u>(25.0)</u>	<u>(18.0)</u>	<u>(12.2)</u>	<u>(13.6)</u>	<u>(146.3)</u>
	<u>\$243.4</u>	<u>\$203.1</u>	<u>\$163.9</u>	<u>\$127.4</u>	<u>\$ 94.1</u>	<u>\$484.2</u>	<u>\$1,316.1</u>
Imputed interest							(503.8)
Present value							<u>\$ 812.3</u>

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 10. Leased Assets (continued)

The Company is a party to lease agreements with several unrelated SPEs that are VIEs as defined by FIN 46. The agreements are related to certain North American distribution facilities and certain corporate aircraft. The fair value of the assets and liabilities, and the Company's maximum exposure to loss prior to insurance recoveries, is approximately \$60 million in these SPEs. The assets, liabilities and results of operations of these SPEs were consolidated in the third quarter of 2003 resulting in an increase in long term liabilities of approximately \$34 million and an increase in net property of approximately \$28 million. The Company also recorded a \$6.1 million charge in other (income) and expense due to the adoption of this new standard. Financing costs recognized in the Company's financial statements are not expected to change significantly. Financing costs related to these SPEs were included in SAG prior to the third quarter 2003. Effective with the third quarter 2003, the financing costs are recognized as Interest Expense.

Note 11. Financing Arrangements and Derivative Financial Instruments

Goodyear had credit arrangements of \$5.90 billion available at December 31, 2003, of which \$335.0 million were unused.

Short Term Debt and Financing Arrangements

At December 31, 2003, Goodyear had short term committed and uncommitted credit arrangements totaling \$347.0 million, of which \$209.3 million were unused. These arrangements are available to the Company or certain of its international subsidiaries through various domestic and international banks at quoted market interest rates. There are no commitment fees associated with these arrangements.

Goodyear had outstanding debt obligations, which by their terms are due within one year, amounting to \$251.2 million at December 31, 2003, compared to \$653.2 million at December 31, 2002. Current maturities of long term debt represented \$113.5 million of this total, with a weighted average interest rate of 5.25% at December 31, 2003 (\$369.8 million and 7.83% at December 31, 2002, respectively). The remaining \$137.7 million was short term debt of international subsidiaries, with a weighted average interest rate of 4.81% at December 31, 2003 (\$283.4 million and 5.31% at December 31, 2002, respectively).

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

Long Term Debt and Financing Arrangements

At December 31, 2003, Goodyear had long term credit arrangements totaling \$5.55 billion, of which \$125.6 million were unused.

The following table presents long term debt at December 31:

(In millions)	2003	Restated 2002
5.375% Swiss franc bond due 2006	\$ 128.0	\$ 114.0
6.375% Euro Notes due 2005	504.6	418.8
Notes:		
8½% due 2003	—	300.0
6½% due 2006	264.5	269.2
8½% due 2007	300.0	300.0
6¾% due 2008	99.8	99.8
7 ¼% due 2011	650.0	650.0
7% due 2028	149.1	149.0
Bank term loans:		
\$645 million senior secured U.S. term facility due 2005	583.3	—
\$650 million senior secured European facilities due 2005	400.0	—
\$1.30 billion senior secured asset-backed credit facilities due 2006	800.0	—
Bank term loans due 2004 and 2005	—	850.0
Revolving credit facilities due 2005 and 2006	839.0	—
Other domestic and international debt	<u>173.3</u>	<u>145.0</u>
	4,891.6	3,295.8
Capital lease obligations	<u>48.1</u>	<u>63.8</u>
	4,939.7	3,359.6
Less portion due within one year	<u>113.5</u>	<u>369.8</u>
	<u><u>\$4,826.2</u></u>	<u><u>\$2,989.8</u></u>

At December 31, 2003, the fair value of Goodyear's long term fixed rate debt amounted to \$2.11 billion, compared to its carrying amount of \$2.23 billion. At December 31, 2002, the fair value of Goodyear's long term fixed rate debt amounted to \$2.10 billion, compared to its carrying amount of \$2.48 billion. The difference between the carrying value in 2003 and 2002 was attributable primarily to lower long term fixed rate debt resulting from the maturity of notes in March of 2003. The difference between the fair market and carrying values year over year was attributable to lower yields in 2003. The fair value was estimated using quoted market prices or discounted future cash flows. The fair value of the 6½% Notes due 2006 was hedged by floating interest rate contracts of \$200 million and \$250 million at December 31, 2003 and 2002, respectively. The fair value of Goodyear's variable rate debt approximated its carrying amount at December 31, 2003 and 2002.

The Notes and Euro Notes have an aggregate face amount of \$1.96 billion and are reported net of unamortized discounts aggregating \$1.7 million (\$2.17 billion and \$2.2 million, respectively, at December 31, 2002).

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

At December 31, 2003, the bank term loans due 2005 and 2006 were comprised of \$1.78 billion of variable rate agreements based upon LIBOR plus a fixed spread, bearing interest at a weighted average rate of 5.17% per annum, of which the interest rate on \$325.0 million principal amount of bank term loans due 2005 and 2006 was hedged by fixed interest rate contracts. At December 31, 2002, the bank term loans due 2004 and 2005 were comprised of \$850.0 million of variable rate agreements based upon LIBOR plus a fixed spread bearing interest at a weighted average rate of 3.82% per annum, of which the interest rate on \$325 million principal amount of bank term loans due 2004 and 2005 was hedged by interest rate contracts. There were no domestic short term bank borrowings outstanding at December 31, 2003 or 2002.

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

Other domestic and international debt at December 31, 2003, consisted of fixed and floating rate loans denominated in U.S. dollars and other currencies that mature in 2004-2023. Other domestic and international debt that was outstanding at December 31, 2002, was scheduled to mature in 2003-2012. The weighted average interest rate in effect under these loans was 6.25% at December 31, 2003, compared to 6.15% at December 31, 2002.

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

- \$750 million Senior Secured U.S. Revolving Credit Facility due April 2005;
- \$645 million Senior Secured U.S. Term Facility due April 2005;
- \$650 million Senior Secured European Facilities due April 2005; and
- \$1.30 billion Senior Secured Asset-Backed Facilities due March 2006.

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

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

The Company's amended and restated senior secured \$750 million revolving credit facility provides for borrowing up to the \$750 million commitment at any time until April 30, 2005. Up to \$600 million of the facility is available for the issuance of letters of credit. Under the facility, as of December 31, 2003, there were borrowings of \$200.0 million and \$485.4 million in letters of credit issued. The Company pays an annual commitment fee of 75 basis points on the undrawn portion of the commitment under the U.S. revolving credit facility. On March 12, 2004, in connection with the Company's recent financing activities, \$70.0 million of the outstanding balance was prepaid and the bank commitments under this facility were permanently reduced to \$680 million.

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

As of December 31, 2003, the balance due on the U.S. term facility was \$583.3 million due to a partial pay down of the balance during the second quarter of 2003. In connection with the Company's recent financing

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

activities, on March 12, 2004, all outstanding amounts under the facility were prepaid and the facility was retired. The U.S. term facility had a maturity date of April 30, 2005.

In 2003, the Company obtained loans under the U.S. revolving credit facility and the U.S. term facility (collectively, the “U.S. facilities”) bearing interest at LIBOR plus 400 basis points or an alternative base rate (the higher of JPMorgan’s prime rate or the federal funds rate plus 50 basis points) plus 300 basis points.

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 direct-owned 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 equipment, contract rights and intellectual property; and
- perfected third-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 indenture for the Company’s Swiss franc denominated bonds limits 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 facilities have customary representations and warranties including, as a condition of borrowing, material adverse change representations in the Company’s financial condition since December 31, 2002. In addition, the U.S. facilities contain certain covenants that, among other things, limit the Company’s ability to incur additional secured indebtedness (including a limit, subject to certain exceptions, of 275 million Euros 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. Under the facilities, Goodyear was not permitted to fall below a ratio of 2.25 to 1.00 of consolidated EBITDA to consolidated interest expense (as such terms are defined in each of the restructured credit facilities) for any period of four consecutive fiscal quarters. On February 19, 2004, in connection with an amendment to the credit facilities, the ratio was reduced to 2.00 to 1.00. 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. As of December 31, 2003, the Company was in compliance with the financial covenants under the credit facilities.

The U.S. facilities also limit the amount of capital expenditures the Company may make to \$360 million, \$500 million, and \$500 million in 2003, 2004 and 2005 (\$200 million through April 30, 2005), 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. As a result of certain activities, the capital expenditure limit for 2003

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

was 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. With respect to 2004, increases totaling \$270 million are permitted as a result of capital market transactions completed during the first quarter 2004 and unused allowances from 2003.

\$650 Million Senior Secured European Facilities

GDTE is party to a \$250 million senior secured revolving credit facility and a \$400 million senior secured term loan facility (collectively, the “European facilities”). These facilities mature on April 30, 2005. As of December 31, 2003, there were borrowings of \$250.0 million and \$400.0 million under the European revolving and term facilities, respectively.

GDTE pays an annual commitment fee of 75 basis points on the undrawn portion of the commitments under the European revolving facility. GDTE may obtain loans under the European facilities bearing interest at LIBOR plus 400 basis points or an alternative base rate (the higher of JPMorgan’s prime rate or the federal funds rate plus 50 basis points) plus 300 basis points.

The collateral pledged under the European facilities includes:

- all of the capital stock of Goodyear Finance Holding S.A. and certain subsidiaries of GDTE; and
- a perfected first-priority interest in and mortgages on substantially all the tangible and intangible assets of GDTE in the United Kingdom, Luxembourg, France and Germany, including certain accounts receivable, inventory, real property, equipment, contract rights and cash and cash accounts, but excluding certain accounts receivable used in securitization programs.

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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

facility. As of December 31, 2003, there were borrowings of \$389.0 million and \$800.0 million under the revolving credit and term loan asset-backed facilities, respectively. 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, effective as of February 20, 2004, second-priority security interest on the other assets securing the U.S. facilities. The facilities contain certain representations, warranties and covenants which are materially the same as those in the U.S. facilities, with capital expenditures of \$500 million and \$150 million permitted in 2005 and 2006 (through March 31), respectively. On February 20, 2004, the Company added a \$650 million tranche to the facility, not subject to the borrowing base, and with junior lien on the collateral securing the facility.

Terminated or Amended Facilities

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

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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

Debt Maturities

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

(In millions)	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt incurred under or supported by					
revolving credit agreements	\$ 70.0	\$ 450.0	\$ 319.0	\$ —	\$ —
Other — international	40.8	437.9	2.0	1.2	3.6
Other — domestic	<u>2.7</u>	<u>1,120.0</u>	<u>1,224.6</u>	<u>303.7</u>	<u>101.9</u>
	<u>\$113.5</u>	<u>\$2,007.9</u>	<u>\$1,545.6</u>	<u>\$304.9</u>	<u>\$105.5</u>

In connection with the Company's financing activities during the first quarter of 2004, Goodyear's long-term debt commitments in 2005 and 2006 were reduced by \$665 million and \$64 million, respectively. Refer to Note 23 for further information about the Company's financing activities in 2004.

Derivative Financial Instruments

Goodyear adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted, on January 1, 2001.

Interest Rate Exchange Contracts

Goodyear 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 hedge against the effects of adverse changes in 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, and are normally designated as fair value hedges. Interest rate swap contracts are used by Goodyear to separate interest rate risk management from the debt funding decision. At December 31, 2003, the interest rate on 47% of Goodyear's debt was fixed by either the nature of the obligation or through the interest rate contracts, compared to 70% at December 31, 2002.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

The following tables present contract information and weighted average interest rates. Current market pricing models were used to estimate the fair values of interest rate exchange contracts.

(Dollars in millions)	<u>December 31, 2002</u>	<u>Settled</u>	<u>December 31, 2003</u>
Fixed rate contracts:			
Notional principal amount	\$325.0	—	\$325.0
Pay fixed rate	5.00%	—	5.00%
Receive variable LIBOR	1.40	—	1.17
Average years to maturity	1.25		0.25
Fair value: asset (liability)	\$(14.2)		\$ (3.1)
Carrying amount:			
Current liability	(11.6)		(3.1)
Long term liability	(2.6)		—
Floating rate contracts:			
Notional principal amount	\$250.0	\$50.0	\$200.0
Pay variable LIBOR	3.18%	3.35%	2.96%
Receive fixed rate	6.63	6.63	6.63
Average years to maturity	3.95		2.95
Fair value: asset (liability)	\$ 20.3		\$ 13.0
Carrying amount:			
Current asset	8.4		7.4
Long term asset	11.9		5.6

Weighted average information during the years 2003, 2002 and 2001 follows:

(Dollars in millions)	<u>2003</u>	<u>2002</u>	<u>2001</u>
Fixed rate contracts:			
Notional principal amount	\$325.0	\$325.0	\$129.0
Pay fixed rate	5.00%	5.00%	5.43%
Receive variable LIBOR	1.24	1.91	3.58
Floating rate contracts:			
Notional principal amount	\$207.0	\$210.0	—
Pay variable LIBOR	3.03%	3.68%	—
Receive fixed rate	6.63	6.63	—

Interest Rate Lock Contracts

Goodyear will use, when appropriate, interest rate lock contracts to hedge the risk-free rate component of anticipated long term debt issuances. These contracts are designated as cash flow hedges of forecasted transactions. Gains and losses on these contracts are amortized to income over the life of the debt. No contracts were outstanding at December 31, 2003 or 2002.

Foreign Currency Contracts

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 will enter into foreign currency contracts. These

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

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, royalty agreements and forecasted purchases and sales. In addition, the principal and interest on Goodyear's Swiss franc bond due 2006 and Euro100 million of Euro Notes due 2005 are hedged by currency swap agreements.

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

Amounts are reclassified from OCI into earnings each period to offset the effects of exchange rate movements on the principal and interest of the Swiss franc bond and the Euro Notes. Amounts are also reclassified concurrently with the recognition of intercompany royalty expense and sales of intercompany purchases to third parties.

The following table presents foreign currency contracts at December 31:

(In millions)	2003		Restated 2002	
	Fair Value	Contract Amount	Fair Value	Contract Amount
Buy currency:				
Euro	\$155.1	\$119.2	\$353.4	\$320.6
Swiss franc	125.8	80.6	140.3	111.2
Brazilian real	—	—	42.4	40.0
Japanese yen	13.0	16.7	14.4	15.2
U.S. dollar	127.9	128.4	13.7	14.2
Czech krona	—	—	13.3	13.5
British pound	—	—	2.1	2.1
	<u>\$421.8</u>	<u>\$344.9</u>	<u>\$579.6</u>	<u>\$516.8</u>
Contract maturity:				
Swiss franc swap		3/06		3/06
Euro swap		6/05		6/05
All other		1/04 – 7/19		1/03 – 12/18

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

(In millions)	2003		Restated 2002	
	Fair Value	Contract Amount	Fair Value	Contract Amount
Sell currency:				
British pound	\$157.9	\$155.2	\$ 52.6	\$ 53.1
Brazilian real	—	—	42.4	43.6
Swedish krona	44.2	44.3	35.4	35.6
Canadian dollar	93.0	91.7	23.4	23.7
Euro	71.3	70.0	13.6	13.4
All other	19.8	19.8	8.7	9.1
	\$386.2	\$381.0	\$176.1	\$178.5
Contract maturity	2/04		1/03	
			<u>2003</u>	<u>Restated 2002</u>
Carrying amount — asset (liability):				
Swiss franc swap — current			\$(1.6)	\$(2.8)
Swiss franc swap — long term			46.8	31.6
Euro swaps — current			20.5	(1.1)
Euro swaps — long term			13.2	27.8
Other — current asset			7.2	11.8
Other — current (liability)			(14.4)	(2.1)

At December 31, 2002, Goodyear held foreign currency Euro put options, exercisable during 2003, to reduce exposure to currency movements on 2003 forecasted intercompany sales. These options were designated as cash flow hedges. At December 31, 2002, the underlying contract value of these options totaled \$42.6 million and the fair value totaled \$0.2 million. At December 31, 2003, the Company did not hold any outstanding foreign currency options.

The counterparties to Goodyear's interest rate swaps and foreign exchange contracts were substantial and creditworthy multinational commercial banks or other financial institutions that are recognized market makers. Due to the creditworthiness of the counterparties, Goodyear considers the risk of counterparty nonperformance associated with these contracts to be remote. However, the inability of a counterparty to fulfill its obligations when due could be material relative to the consolidated financial position, results of operations or liquidity of Goodyear in the period in which it occurs.

Hedges of Net Investment in Foreign Operations

In order to reduce the impact of changes in foreign exchange rates on consolidated shareholders' equity, Goodyear has designated certain foreign currency-denominated non-derivative instruments as hedges of its net investment in various foreign operations.

Throughout 2002, Euro100 million of Goodyear's 6.375% Euro Notes due 2005 was designated as hedging Goodyear's net investment in certain European subsidiaries that have the Euro as the functional currency. During 2003, the Company eliminated this hedge in order to more effectively manage other foreign currency exposures.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 11. Financing Arrangements and Derivative Financial Instruments (continued)

Results of Hedging Activities

Ineffectiveness and premium amortization pretax charges totaled \$1.0 million and \$0.5 million during the twelve months ended December 31, 2003 and 2002, respectively. Deferred net pretax losses totaling \$3.3 million on hedges of forecasted transactions are anticipated to be recognized in income during the twelve months ending December 31, 2004, due to pay/receive interest rate differentials on fixed rate interest rate contracts. It is not practicable to estimate the amount of deferred gains and losses that will be recognized in income resulting from the remeasurement of certain long term currency exchange agreements.

Deferred pretax losses totaling \$4.2 million and gains totaling \$16.0 million were recorded as Foreign Currency Translation Adjustment during the twelve months ended December 31, 2003 and 2002, respectively, as a result of the designation of nonderivative instruments as net investment hedges. These gains and losses are only recognized in earnings upon the complete or partial sale of the related investment or the complete liquidation of the investment.

Note 12. Stock Compensation Plans and Dilutive Securities

The Company's 1989 Goodyear Performance and Equity Incentive Plan, the 1997 Performance Incentive Plan of The Goodyear Tire & Rubber Company and the 2002 Performance Plan of The Goodyear Tire & Rubber Company provide for the granting of stock options and stock appreciation rights (SARs), restricted stock, performance grants and other stock-based awards. For options granted in tandem with SARs, the exercise of a SAR cancels the stock option; conversely, the exercise of the stock option cancels the SAR. The 1989 Plan expired on April 14, 1997, and the 1997 Plan expired on December 31, 2001, except, in each case, with respect to grants and awards outstanding. The 2002 Plan will expire by its terms on April 15, 2005, except with respect to grants and awards then outstanding. A maximum of 12,000,000 shares of the Company's Common Stock are available for issuance pursuant to grants and awards made under the 2002 Plan through April 15, 2005. Stock options and related SARs granted under the above plans generally have a maximum term of ten years and vest pro rata over four years.

Performance units granted during 2002 and 2001 are earned based on Return on Invested Capital and Total Shareholder Return relative to the S&P Auto Parts & Equipment Companies (each weighted at 50%) over a three year performance period beginning January 1 of the year subsequent to the year of grant. To the extent earned, a portion of the performance units will generally be paid 50% in cash and 50% in stock (subject to deferral under certain circumstances). A portion may be automatically deferred in the form of units until the participant is no longer an employee of the company. Each unit is equivalent to a share of the Company's Common Stock and payable in cash, shares of the Company's Common Stock or a combination thereof at the election of the participant.

On December 4, 2000, the Company adopted The Goodyear Tire & Rubber Company Stock Option Plan for Hourly Bargaining Unit Employees, under which options in respect of up to 3,500,000 shares of the Common Stock of the Company may be granted, and the Hourly and Salaried Employee Stock Option Plan, under which options in respect of up to 600,000 shares of the Company's Common Stock may be granted. Stock options granted under these plans generally have a maximum term of ten years and vest over one to three years. The Hourly Bargaining Unit Plan expired on September 30, 2001, and the Hourly and Salaried Plan expired on December 31, 2002, except, in each case, with respect to options then outstanding.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 12. Stock Compensation Plans and Dilutive Securities (continued)

Stock-based compensation activity for the years 2003, 2002 (as restated) and 2001 follows:

	2003		Restated 2002		2001	
	Shares	SARs	Shares	SARs	Shares	SARs
Outstanding at January 1	24,476,229	4,110,830	21,841,798	3,398,781	19,054,838	2,783,983
Options granted	3,907,552	1,009,588	3,454,724	863,372	3,208,270	732,248
Options without SARs exercised	—	—	(110,642)	—	(105,360)	—
Options with SARs exercised	—	—	(6,439)	(6,439)	(6,665)	(6,665)
SARs exercised	—	—	(400)	(400)	(13,500)	(13,500)
Options without SARs expired	(1,011,943)	—	(509,313)	—	(345,151)	—
Options with SARs expired	(154,629)	(154,629)	(144,484)	(144,484)	(97,285)	(97,285)
Performance units granted	8,500	—	227,100	—	283,300	—
Performance unit shares issued	—	—	(28,196)	—	—	—
Performance units cancelled	(225,724)	—	(247,919)	—	(136,649)	—
Outstanding at December 31	<u>26,999,985</u>	<u>4,965,789</u>	<u>24,476,229</u>	<u>4,110,830</u>	<u>21,841,798</u>	<u>3,398,781</u>
Exercisable at December 31	<u>18,697,146</u>	<u>2,899,381</u>	<u>15,205,724</u>	<u>2,314,354</u>	<u>12,217,868</u>	<u>1,809,894</u>
Available for grant at December 31	<u>4,846,238</u>	—	<u>8,497,830</u>	—	<u>486,130</u>	—

Significant option groups outstanding at December 31, 2003 and related weighted average price and remaining life information follows:

<u>Grant Date</u>	<u>Options Outstanding</u>	<u>Options Exercisable</u>	<u>Exercisable Price</u>	<u>Remaining Life (Years)</u>
12/03/03	3,850,350	—	\$6.81	10
12/03/02	2,852,209	883,110	7.94	9
12/03/01	2,866,659	1,759,012	22.05	8
12/04/00	5,565,588	5,117,938	17.68	7
12/06/99	3,038,882	3,038,882	32.00	6
11/30/98	1,985,082	1,985,082	57.25	5
12/02/97	1,724,537	1,724,537	63.50	4
12/03/96	1,463,898	1,463,898	50.00	3
1/09/96	1,114,990	1,114,990	44.00	2
All other	1,963,669	1,609,697	32.89	4.3

The 1,963,669 options in the “All other” category were outstanding at exercise prices ranging from \$5.52 to \$74.25, with a weighted average exercise price of \$29.45. All options and SARs were granted at an exercise price equal to the fair market value of the Company’s Common Stock at the date of grant.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 12. Stock Compensation Plans and Dilutive Securities (continued)

Weighted average option exercise price information follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Outstanding at January 1	\$30.28	\$33.87	\$35.54
Granted during the year	6.81	7.94	22.05
Exercised during the year	—	17.78	20.53
Outstanding at December 31	26.90	30.28	33.87
Exercisable at December 31	33.80	38.13	41.34

Forfeitures and cancellations were insignificant.

Weighted average fair values at date of grant for grants in 2003, 2002 and 2001 follow:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Options	\$3.41	\$3.59	\$6.95
Performance units	6.81	7.94	22.05

The above fair value of options at date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Expected life (years)	5	5	5
Interest rate	3.41%	3.18%	4.48%
Volatility	54.0	47.5	25.2
Dividend yield	—	—	3.18

The fair value of performance units at date of grant was equal to the market value of the Company's Common Stock at that date.

Stock-based compensation expense (income) included in income before tax for 2003, 2002 and 2001 was \$1.3 million, \$(5.6) million and \$5.3 million, respectively.

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:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Average shares outstanding — basic	175,314,449	167,020,375	159,955,869
Stock options	—	—	—
Average shares outstanding — diluted	<u>175,314,449</u>	<u>167,020,375</u>	<u>159,955,869</u>

The average shares outstanding-diluted totals for 2003, 2002 and 2001 do not include the antidilutive impact of 0.1 million, 0.8 million and 1.8 million shares, respectively, of potential common stock associated with stock options. 2001 does not include 0.1 million shares associated with the Sumitomo 1.2% Convertible Note Payable.

Refer to Note 1 for additional information on stock-based compensation.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 13. Pension, Other Postretirement Benefit and Savings Plans

Goodyear and its subsidiaries provide substantially all employees with pension benefits. The principal domestic hourly plan provides benefits based on length of service. The principal domestic plans covering salaried employees provide benefits based on final five-year average earnings formulas. Salaried employees making voluntary contributions to these plans receive higher benefits. Other plans provide benefits similar to the principal domestic plans as well as termination indemnity plans at certain international subsidiaries. At the end of 2003 and 2002, assets exceeded accumulated benefits in certain plans and accumulated benefits exceeded assets in others.

The Company and its subsidiaries provide substantially all domestic employees and employees at certain international subsidiaries with health care and life insurance benefits upon retirement. Insurance companies provide life insurance and certain health care benefits through premiums based on expected benefits to be paid during the year. Substantial portions of the health care benefits for domestic retirees are not insured and are paid by Goodyear. Benefit payments are funded from operations. The December 31, 2003, benefit obligation for other postretirement benefits includes \$11.0 million for the increase in the Company's contribution requirements based upon the attainment of certain profit levels by certain businesses in 2004 and 2005. On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act (the "Act") was signed into law. In accordance with FASB Staff Position 106-1, all amounts are presented without reflecting any potential effects of the Act. Specific authoritative guidance on the accounting implications of the Act is pending. Such guidance, when issued, may require restatement of previously disclosed amounts.

The Company uses a December 31 measurement date for the majority of its plans.

Net periodic pension cost follows:

(In millions)	2003	Restated	
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Service cost – benefits earned during the period	\$122.2	\$116.3	\$116.6
Interest cost on projected benefit obligation	400.0	385.1	372.7
Expected return on plan assets	(310.6)	(391.1)	(441.0)
Amortization of unrecognized: — prior service cost	74.2	81.6	84.1
— net (gains) losses	125.1	35.9	7.1
— transition amount	<u>1.1</u>	<u>0.6</u>	<u>0.6</u>
	<u>\$412.0</u>	<u>\$228.4</u>	<u>\$140.1</u>

Goodyear recognized a settlement loss of \$7.1 million, a curtailment loss of \$38.1 million and a special termination loss of \$43.0 million during 2003. Goodyear recognized a curtailment loss of \$0.3 million and a special termination loss of \$0.8 million during 2002. During 2001, Goodyear recognized a settlement gain of \$1.1 million, a curtailment gain of \$0.8 million and a special termination loss of \$25.1 million. Refer to Note 3.

Net periodic postretirement benefit cost follows:

(In millions)	2003	Restated	
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Service cost – benefits earned during the period	\$ 24.1	\$ 19.5	\$ 19.2
Interest cost on accumulated benefit obligation	174.0	186.9	179.3
Amortization of unrecognized: — net losses	32.0	26.2	19.7
— prior service cost	<u>17.0</u>	<u>19.4</u>	<u>10.4</u>
	<u>\$247.1</u>	<u>\$252.0</u>	<u>\$228.6</u>

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 13. Pension, Other Postretirement Benefit and Savings Plans (continued)

As a result of rationalization actions in 2003, Goodyear recognized a curtailment loss of \$23.6 million and a loss from special termination benefits of \$20.0 million. Goodyear recognized a curtailment gain of \$0.2 million and a special termination loss of \$6.5 million as a result of rationalization actions in 2001. Refer to Note 3.

The change in benefit obligation and plan assets for 2003 and 2002 and the amounts recognized in Goodyear's Consolidated Balance Sheet at December 31, 2003 and 2002 are as follows:

(In millions)	Pension Plans		Other Benefits	
	2003	Restated 2002	2003	Restated 2002
Change in benefit obligation:				
Beginning balance	\$(6,059.3)	\$(5,443.0)	\$(2,723.1)	\$(2,565.0)
Service cost — benefits earned	(122.2)	(116.3)	(24.1)	(19.5)
Interest cost	(400.0)	(385.1)	(174.0)	(186.9)
Plan amendments	(112.4)	(5.4)	(275.8)	(127.0)
Actuarial loss	(360.0)	(323.8)	(88.9)	(111.3)
Employee contributions	(18.8)	(19.7)	(6.6)	(4.8)
Curtailments/settlements	16.3	1.6	(15.0)	—
Special termination benefits	(42.9)	—	(21.3)	—
Foreign currency translation	(257.6)	(126.6)	(22.9)	1.8
Benefit payments	473.4	359.0	273.1	289.6
Ending balance	(6,883.5)	(6,059.3)	(3,078.6)	(2,723.1)
Change in plan assets:				
Beginning balance	\$ 3,602.4	\$ 4,176.2	\$ —	\$ —
Actual return on plan assets	707.4	(535.7)	—	—
Company contributions	115.7	226.9	—	—
Employee contributions	18.8	19.7	—	—
Foreign currency translation	158.2	74.3	—	—
Benefit payments	(473.4)	(359.0)	—	—
Ending balance	\$ 4,129.1	\$ 3,602.4	\$ —	\$ —
Funded status	(2,754.4)	(2,456.9)	(3,078.6)	(2,723.1)
Unrecognized prior service cost	503.4	492.3	480.9	229.3
Unrecognized net loss	2,195.4	2,298.9	763.1	704.3
Unrecognized net obligation at transition	3.9	4.4	—	—
Net amount recognized	\$ (51.7)	\$ 338.7	\$(1,834.6)	\$(1,789.5)

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 13. Pension, Other Postretirement Benefit and Savings Plans (continued)

Amounts recognized in the statement of financial position consist of:

(In millions)	Pension Plans		Other Benefits	
	2003	Restated 2002	2003	Restated 2002
	Prepaid benefit cost — current	\$ 87.7	\$ 303.9	\$ —
— long term	345.1	369.6	—	—
Accrued benefit cost — current	(110.8)	(26.3)	(287.4)	(315.4)
— long term	(2,830.6)	(2,866.5)	(1,547.2)	(1,474.1)
Intangible asset	512.4	499.7	—	—
Deferred income taxes	273.0	260.0	—	—
Minority shareholders' equity	126.5	124.8	—	—
Accumulated other comprehensive income	1,545.0	1,673.5	—	—
Net amount recognized on the Consolidated Balance Sheet	\$ (51.7)	\$ 338.7	\$(1,834.6)	\$(1,789.5)

The accumulated benefit obligation for all defined benefit pension plans was \$6,508 million and \$5,769 million (as restated) at December 31, 2003 and 2002, respectively.

For pension plans that are not fully funded:

(In millions)	Restated	
	2003	2002
Projected benefit obligation	\$6,768.7	\$6,024.6
Accumulated benefit obligation	6,507.6	5,768.7
Fair value of plan assets	4,020.5	3,566.4

Certain international subsidiaries maintain unfunded pension plans consistent with local practices and requirements. At December 31, 2003, these plans accounted for \$208.3 million of Goodyear's accumulated benefit obligation, \$215.9 million of its projected benefit obligation and \$22.0 million of its minimum pension liability adjustment (\$177.0 million, \$187.2 million and \$16.9 million, respectively, at December 31, 2002).

The increase (decrease) in minimum liability (net of tax) included in other comprehensive income follows:

(In millions)	Pension Plans			Other Benefits		
	Restated			2003	2002	2001
	2003	2002	2001			
Increase (decrease) in minimum liability included in other comprehensive income	\$(128.5)	\$1,283.6	\$367.9	N/A	N/A	N/A

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 13. Pension, Other Postretirement Benefit and Savings Plans (continued)

The following table presents significant weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Plans		Other Benefits	
	Restated		Restated	
	2003	2002	2003	2002
Discount rate — U.S.	6.25%	6.75%	6.25%	6.75%
— International	5.93	6.20	7.22	7.48
Rate of compensation increase — U.S.	4.00	4.00	4.00	4.00
— International	3.43	3.50	4.47	4.80

The following table presents significant weighted-average assumptions used to determine net periodic pension/benefit cost for the years ended December 31:

	Pension Plans			Other Benefits		
	Restated			Restated		
	2003	2002	2001	2003	2002	2001
Discount rate — U.S.	6.75%	7.25%	7.50%	6.75%	7.25%	7.50%
— International	6.20	6.50	6.70	7.48	7.50	7.70
Expected long term return on plan assets — U.S.	8.50	9.50	10.00	—	—	—
— International ...	8.03	8.50	8.50	—	—	—
Rate of compensation increase — U.S.	4.00	4.00	4.00	4.00	4.00	4.00
— International	3.50	3.50	3.50	4.80	4.50	4.60

For 2003, an assumed long-term rate of return of 8.50% was used for the U.S. pension plans. In developing this rate, the Company evaluated the compound annualized returns of its U.S. pension fund over periods of 15 years or more (through December 31, 2002). In addition, the Company evaluated input from its pension fund consultant on asset class return expectations and long-term inflation. For the Company's international locations, a weighted average assumed long-term rate of return of 8.40% was used. Input from local pension fund consultants concerning asset class return expectations and long-term inflation form the basis of this assumption.

Assumed health care cost trend rates at December 31 follow:

	2003	2002
Health care cost trend rate assumed for next year	12.5%	7.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0	5.0
Year that the rate reaches the ultimate trend rate	2013	2007

A 1% change in the assumed health care cost trend would have increased (decreased) the accumulated benefit obligation at December 31, 2003 and the aggregate service and interest cost for the year then ended as follows:

(In millions)	1% Increase	1% Decrease
Accumulated benefit obligation	\$36.8	\$(36.2)
Aggregate service and interest cost	1.9	(1.6)

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 13. Pension, Other Postretirement Benefit and Savings Plans (continued)

Goodyear's pension plan weighted-average asset allocation at December 31, 2003 and 2002, by asset category, are as follows:

Asset Category	<u>Plan Assets at December 31,</u>	
	<u>2003</u>	<u>2002</u>
Equity securities	69%	66%
Debt securities	30	32
Short term and cash	<u>1</u>	<u>2</u>
Total	<u>100%</u>	<u>100%</u>

The Company's pension investment policy recognizes the long-term nature of pension liabilities, the benefits of diversification across asset classes and the effects of inflation. The diversified portfolio is designed to maximize returns consistent with levels of liquidity and investment risk that are prudent and reasonable. All assets are managed externally according to guidelines established individually with investment managers. The manager guidelines prohibit the use of any type of investment derivative without prior approval of the Company. Portfolio risk is controlled by having managers comply with guidelines, establishing the maximum size of any single holding in their portfolios and by using managers with different investment styles. The Company periodically undertakes asset and liability modeling studies to determine the appropriateness of the investments. The portfolio includes holdings of domestic, international, and private equities, global high quality and high yield fixed income, and short-term interest bearing deposits. The target asset allocation of the U.S. pension fund is 70% equities and 30% fixed income.

Equity securities include the Company's common stock in the amounts of \$35.6 million (0.9% of total plan assets) and \$104.7 million (2.9% of total plan assets) at December 31, 2003 and 2002, respectively.

The Company expects to contribute approximately \$210 million to its major U.S. and international pension plans in 2004.

Substantially all domestic employees are eligible to participate in one of seven savings plans. The main Hourly Bargaining Plans provided for matching contributions, through April 20, 2003, (up to a maximum of 6% of the employee's annual pay or, if less, \$12,000) at the rate of 50%. Goodyear suspended the matching contributions for all participants in the main Salaried Plan effective January 1, 2003. Goodyear's domestic matching contributions were \$9.8 million, \$41.9 million and \$40.2 million for 2003, 2002 and 2001, respectively.

In addition, defined contribution pension plans are available for certain foreign employees. Company contributions for these plans were \$5.2 million, \$3.8 million (as restated), and \$3.8 million (as restated) in 2003, 2002 and 2001, respectively.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 14. Income Taxes

The components of Income (Loss) before Income Taxes, adjusted for Minority Interest in Net Income (Loss) of Subsidiaries, follow:

(In millions)	Restated		
	2003	2002	2001
U.S.	\$(1,051.0)	\$(421.4)	\$(391.3)
Foreign	361.1	407.7	53.4
	(689.9)	(13.7)	(337.9)
Minority Interest in Net Income (Loss) of Subsidiaries	35.0	55.3	(3.3)
	<u>\$ (654.9)</u>	<u>\$ 41.6</u>	<u>\$(341.2)</u>

A reconciliation of income taxes at the U.S. statutory rate to income taxes provided follows:

(In millions)	Restated		
	2003	2002	2001
U.S. Federal income tax at the statutory rate of 35%	\$(229.2)	\$ 14.6	\$(119.4)
Adjustment for foreign income taxed at different rates	1.1	(20.7)	(12.2)
Valuation allowance for U.S. tax assets	—	1,203.1	—
U.S. loss with no tax benefit	357.6	—	—
State income taxes, net of Federal benefit	(4.2)	(4.3)	(22.4)
Foreign operating loss with no tax benefit provided	30.0	5.6	72.0
Settlement of prior years' liabilities	(44.2)	(36.4)	—
Provision for repatriation of foreign earnings	7.7	50.2	0.1
Other	(6.6)	1.2	(1.9)
United States and Foreign Taxes on Income (Loss)	<u>\$ 112.2</u>	<u>\$1,213.3</u>	<u>\$ (83.8)</u>

The components of the provision (benefit) for income taxes by taxing jurisdiction follow:

(In millions)	Restated		
	2003	2002	2001
Current:			
Federal	\$(49.2)	\$ (46.6)	\$ 48.1
Foreign income and withholding taxes	180.4	150.9	131.6
State	(4.2)	(7.6)	2.2
	127.0	96.7	181.9
Deferred:			
Federal	(9.9)	1,014.3	(204.4)
Foreign	(4.9)	(16.2)	(25.3)
State	—	118.5	(36.0)
	(14.8)	1,116.6	(265.7)
United States and Foreign Taxes on Income (Loss)	<u>\$112.2</u>	<u>\$1,213.3</u>	<u>\$ (83.8)</u>

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 14. Income Taxes (continued)

Temporary differences and carryforwards giving rise to deferred tax assets and liabilities at December 31, 2003 and 2002 follow:

(In millions)	<u>2003</u>	<u>Restated</u> <u>2002</u>
Postretirement benefits and pensions	\$1,163.8	\$1,023.7
Tax credit and operating loss carryforwards	426.6	256.8
Capitalized expenditures for tax reporting	324.7	457.0
Accrued expenses deductible as paid	210.5	135.7
Alternative minimum tax credit carryforwards	68.2	68.2
Vacation and sick pay	39.0	70.4
Rationalizations and other provisions	25.9	15.1
Other	<u>84.4</u>	<u>120.7</u>
	2,343.1	2,147.6
Valuation allowance	<u>(1,998.3)</u>	<u>(1,781.3)</u>
Total deferred tax assets	344.8	366.3
Total deferred tax liabilities:		
— property basis differences	(448.3)	(470.0)
— inventory	—	(10.9)
— tax on undistributed subsidiary earnings	<u>(22.9)</u>	<u>(13.9)</u>
Total deferred tax assets (liabilities)	<u>\$ (126.4)</u>	<u>\$ (128.5)</u>

In the fourth quarter of 2002, Goodyear recorded a non-cash charge of \$1.20 billion (as restated), or \$6.86 (as restated) per share (\$7.20 (as restated) per share on a year to date basis), to establish a valuation allowance against net Federal and state deferred tax assets. In addition, a valuation allowance of \$352.9 million (as restated) was established against tax benefits that were recorded in OCI in 2002. Goodyear intends to maintain a valuation allowance until sufficient positive evidence exists to support realization of the Federal and state deferred tax assets.

At December 31, 2003, Goodyear had \$286.7 million of tax assets for net operating loss carryforwards related to certain international subsidiaries, some of which are subject to expiration beginning in 2004. A valuation allowance totaling \$209.0 million has been recorded against these and other deferred tax assets where recovery of the asset or carryforward is uncertain. In addition, Goodyear had \$139.9 million of tax assets for tax credit carryforwards, some of which are subject to expiration beginning in 2007. A full valuation allowance has been recorded against these deferred tax assets as recovery is uncertain.

Goodyear determined that earnings of certain international subsidiaries would no longer be permanently reinvested in working capital. Accordingly, Goodyear recorded a provision of \$50.2 million in 2002 for the incremental taxes incurred or to be incurred upon inclusion of such earnings in Federal taxable income.

No provision for Federal income tax or foreign withholding tax on undistributed earnings of international subsidiaries of \$1.73 billion is required because the amount has been or will be reinvested in properties and plants and working capital. It is not practicable to calculate the deferred taxes associated with the remittance of these investments.

Goodyear made net cash payments for income taxes in 2003, 2002 and 2001 of \$73.0 million, \$125.9 million and \$50.8 million, respectively.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 15. Interest Expense

Interest expense includes interest and amortization of debt discounts, less amounts capitalized as follows:

(In millions)	<u>2003</u>	<u>Restated</u> <u>2002</u>	<u>2001</u>
Interest expense before capitalization	\$304.3	\$248.9	\$298.8
Capitalized interest	<u>(8.0)</u>	<u>(7.2)</u>	<u>(1.7)</u>
	<u>\$296.3</u>	<u>\$241.7</u>	<u>\$297.1</u>

Goodyear made cash payments for interest in 2003, 2002 and 2001 of \$280.6 million, \$260.6 million (as restated) and \$292.6 million, respectively.

Note 16. Research and Development

Research and development costs for 2003, 2002 and 2001 were \$350.4 million, \$385.8 million (as restated) and \$371.8 million (as restated), respectively.

Note 17. Advertising Costs

Advertising costs, including costs for Goodyear's cooperative advertising programs with dealers and franchisees, for 2003, 2002 and 2001 were \$331.3 million, \$281.4 million (as restated) and \$292.8 million (as restated), respectively.

Note 18. Business Segments

Segment information reflects the strategic business units of Goodyear (SBUs), which are organized to meet customer requirements and global competition.

The Tire business is comprised of five regional SBUs. The Engineered Products and Chemical Products businesses are each managed on a global basis. Segment information is reported on the basis used for reporting to Goodyear's President and Chief Executive Officer.

Each of the five regional tire business segments is involved in the development, manufacture, distribution and sale of tires. Certain of the tire business segments also provide related products and services, which include retreads, automotive repair services and merchandise purchased for resale.

North American Tire provides original equipment and replacement tires for autos, motorcycles, trucks, farm, aircraft and construction applications in the United States, Canada and export markets. North American Tire also provides related products and services including tread rubber, tubes, retreaded tires, automotive repair services and merchandise purchased for resale.

European Union Tire provides original equipment and replacement tires for autos, motorcycles, trucks, farm and construction applications in western Europe and export markets. European Union Tire also retreads truck and aircraft tires.

Eastern Europe, Africa and Middle East Tire provides original equipment and replacement tires for autos, trucks, farm, bicycle, construction and mining applications in Eastern Europe, Africa, the Middle East and export markets.

Latin American Tire provides original equipment and replacement tires for autos, trucks, tractors, aircraft and construction applications in Central and South America, Mexico and export markets. Latin American Tire also manufactures materials for tire retreading.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 18. Business Segments (continued)

Asia Tire provides original equipment and replacement tires for autos, trucks, farm, aircraft and construction applications in Asia, the Pacific and export markets. Asia Tire also retreads aircraft tires.

Engineered Products develops, manufactures and sells belts, hoses, molded products, airsprings, tank tracks and other products for original equipment and replacement transportation applications and industrial markets worldwide.

Chemical Products develops, manufactures and sells synthetic rubber and rubber latices, synthetic resins, and other organic chemical products for internal and external customers worldwide. Chemical Products also engages in plantation and natural rubber purchasing operations.

(In millions)	<u>2003</u>	<u>Restated</u>	
		<u>2002</u>	<u>2001</u>
Sales			
North American Tire.....	\$ 6,745.6	\$ 6,703.0	\$ 7,170.2
European Union Tire.....	3,920.3	3,319.4	3,124.3
Eastern Europe, Africa and Middle East Tire	1,073.4	807.1	703.1
Latin American Tire	1,041.0	947.7	1,013.8
Asia Tire	<u>581.8</u>	<u>531.3</u>	<u>494.6</u>
Total Tires	13,362.1	12,308.5	12,506.0
Engineered Products	1,203.7	1,126.5	1,122.3
Chemical Products.....	<u>1,220.8</u>	<u>940.2</u>	<u>1,036.5</u>
Total Segment Sales	15,786.6	14,375.2	14,664.8
Inter-SBU Sales	(687.2)	(545.5)	(521.0)
Other	<u>19.6</u>	<u>26.5</u>	<u>18.7</u>
Net Sales	<u><u>\$15,119.0</u></u>	<u><u>\$13,856.2</u></u>	<u><u>\$14,162.5</u></u>

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 18. Business Segments (continued)

(In millions)	2003	Restated	
		2002	2001
Segment Operating Income			
North American Tire.....	\$ (128.7)	\$ (57.1)	\$ 100.9
European Union Tire.....	133.5	100.2	44.2
Eastern Europe, Africa and Middle East Tire	146.6	93.2	14.0
Latin American Tire	147.9	107.1	85.2
Asia Tire	49.8	43.7	20.3
Total Tires	349.1	287.1	264.6
Engineered Products	47.5	40.9	14.6
Chemical Products.....	119.4	88.7	41.9
Total Segment Operating Income	516.0	416.7	321.1
Rationalizations and asset sales	(313.0)	22.4	(164.5)
Accelerated depreciation charges and asset writeoffs.....	(132.8)	—	—
Interest expense	(296.3)	(241.7)	(297.1)
Foreign currency exchange	(40.2)	9.7	(10.0)
Minority interest in net income of subsidiaries.....	(35.0)	(55.3)	3.3
Inter-SBU income	(87.7)	(54.7)	(32.3)
Financing fees and financial instruments.....	(99.4)	(48.4)	(50.1)
Equity in earnings (losses) of corporate affiliates	(15.2)	(12.9)	(44.3)
Corporate goodwill amortization.....	—	—	(5.6)
General and product liability – discontinued products.....	(145.4)	(33.8)	(31.1)
Other	(40.9)	(15.7)	(27.3)
Income (Loss) before Income Taxes	\$ (689.9)	\$ (13.7)	\$ (337.9)
(In millions)	2003	Restated	
		2002	
Assets			
North American Tire.....	\$ 4,467.7	\$ 4,553.6	
European Union Tire.....	3,996.8	3,111.4	
Eastern Europe, Africa and Middle East Tire	1,100.8	899.4	
Latin American Tire	710.0	631.0	
Asia Tire	666.5	592.5	
Total Tires	10,941.8	9,787.9	
Engineered Products	680.9	675.0	
Chemical Products.....	632.8	627.1	
Total Segment Assets	12,255.5	11,090.0	
Corporate	2,750.0	1,948.7	
Assets	\$15,005.5	\$13,038.7	

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 18. Business Segments (continued)

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 cost of goods sold (excluding accelerated depreciation charges, asset impairment charges and asset writeoffs) and selling, administrative and general expense (excluding corporate administrative expenses). Segment operating income also included equity (earnings) losses in affiliates. Inter-SBU sales by Chemical Products were at a formulated price or market. Purchases from Chemical Products were included in the purchasing SBU's segment operating income at Chemical Products cost. Segment assets included those assets under the management of the SBU.

(In millions)	<u>2003</u>	<u>Restated</u> <u>2002</u>
Investments and Advances in Affiliates		
North American Tire	\$ 57.8	\$ 66.5
European Union Tire	11.8	11.7
Eastern Europe, Africa and Middle East Tire	2.3	1.8
Asia Tire	11.2	8.1
Corporate	<u>94.4</u>	<u>51.1</u>
Investments in Affiliates	<u>\$177.5</u>	<u>\$139.2</u>

In addition to its consolidated operations in the Asia region, Goodyear owns a 50% interest in SPT, a partnership with Ansell Ltd. of Australia. SPT is 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 Operations using the equity method.

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

(In millions)	<u>2003</u>	<u>Restated</u>	
		<u>2002</u>	<u>2001</u>
Net Sales	\$642.0	\$523.6	\$481.3
Operating Income (Loss)	9.9	(7.1)	(22.2)

SPT operating income (loss) did not include net rationalization charges (credits) of approximately \$4.9 million in 2003, \$(2.1) million in 2002 and \$48.0 million in 2001. SPT debt totaled \$196.9 million at December 31, 2003, of which \$72.0 million was payable to Goodyear. SPT debt totaled \$131.3 million at December 31, 2002, of which \$26.3 million was payable to Goodyear.

Portions of the items described in Note 3, Rationalizations, and Note 4, Other (Income) and Expense, were not charged (credited) to the SBUs for performance evaluation purposes but were attributable to the SBUs as follows:

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 18. Business Segments (continued)

(In millions)	<u>2003</u>	<u>Restated</u>	
		<u>2002</u>	<u>2001</u>
Rationalizations			
North American Tire	\$ 191.9	\$ (1.9)	\$ 31.6
European Union Tire	54.3	(0.4)	84.2
Eastern Europe, Africa and Middle East Tire	(0.1)	(0.4)	11.2
Latin American Tire	10.0	—	0.2
Asia Tire	<u>—</u>	<u>(1.7)</u>	<u>47.0</u>
Total Tires	256.1	(4.4)	174.2
Engineered Products	29.4	4.6	1.5
Chemical Products	<u>—</u>	<u>—</u>	<u>—</u>
Total Segments	285.5	0.2	175.7
Corporate	<u>6.0</u>	<u>5.3</u>	<u>34.6</u>
Rationalizations	<u>\$ 291.5</u>	<u>\$ 5.5</u>	<u>\$210.3</u>
Other (Income) and Expense			
North American Tire	\$ 3.8	\$ 4.1	\$ —
European Union Tire	(2.1)	(13.6)	(18.4)
Eastern Europe, Africa and Middle East Tire	—	—	—
Latin American Tire	(2.0)	(13.7)	—
Asia Tire	<u>(2.1)</u>	<u>—</u>	<u>—</u>
Total Tires	(2.4)	(23.2)	(18.4)
Engineered Products	6.3	(0.6)	—
Chemical Products	<u>—</u>	<u>—</u>	<u>(27.4)</u>
Total Segments	3.9	(23.8)	(45.8)
Corporate	<u>263.4</u>	<u>80.6</u>	<u>86.6</u>
Other (Income) and Expense	<u>\$ 267.3</u>	<u>\$ 56.8</u>	<u>\$ 40.8</u>
Capital Expenditures			
North American Tire	\$ 131.0	\$229.2	\$198.9
European Union Tire	84.5	84.8	71.1
Eastern Europe, Africa and Middle East Tire	31.7	20.2	37.7
Latin American Tire	35.3	19.3	24.8
Asia Tire	<u>48.7</u>	<u>30.2</u>	<u>16.1</u>
Total Tires	331.2	383.7	348.6
Engineered Products	16.8	21.3	29.0
Chemical Products	<u>13.0</u>	<u>21.3</u>	<u>26.9</u>
Total Segment Capital Expenditures	361.0	426.3	404.5
Corporate	<u>14.4</u>	<u>31.8</u>	<u>31.0</u>
Capital Expenditures	<u>\$ 375.4</u>	<u>\$458.1</u>	<u>\$435.5</u>

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 18. Business Segments (continued)

(In millions)	<u>2003</u>	<u>Restated</u>	
		<u>2002</u>	<u>2001</u>
Depreciation and Amortization			
North American Tire	\$ 279.9	\$275.0	\$286.2
European Union Tire	120.0	119.2	116.3
Eastern Europe, Africa and Middle East Tire	44.1	44.2	53.3
Latin American Tire	19.9	23.4	28.7
Asia Tire	<u>30.9</u>	<u>29.5</u>	<u>33.4</u>
Total Tires	494.8	491.3	517.9
Engineered Products	39.0	32.9	34.4
Chemical Products	<u>33.8</u>	<u>35.0</u>	<u>38.7</u>
Total Segment Depreciation and Amortization	567.6	559.2	591.0
Corporate	<u>125.7</u>	<u>45.5</u>	<u>47.1</u>
Depreciation and Amortization	<u>\$ 693.3</u>	<u>\$604.7</u>	<u>\$638.1</u>

Segment operating income in 2003 and 2002, compared to 2001, benefited from the non-amortization of goodwill and intangible assets with indefinite useful lives under the provisions of SFAS 142. Segment operating income in 2001 included amortization expense for goodwill and intangible assets with indefinite useful lives as follows:

(In millions)	<u>Restated</u>
	<u>2001</u>
North American Tire	\$ 3.5
European Union Tire	13.0
Eastern Europe, Africa and Middle East Tire	4.2
Latin American Tire	0.1
Asia Tire	<u>1.7</u>
Total Tires	22.5
Engineered Products	1.0
Chemical Products	<u>—</u>
Total Segments	23.5
Corporate	<u>5.6</u>
Amortization Expense of Goodwill and Intangible Assets with Indefinite Useful Lives	<u>\$ 29.1</u>

The following table presents geographic information. Net sales by country were determined based on the location of the selling subsidiary. Long-lived assets consisted primarily of properties and plants, deferred

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 18. Business Segments (continued)

charges and other miscellaneous assets. Management did not consider the net sales or long-lived assets of individual countries outside the United States to be significant to the consolidated financial statements.

(In millions)	2003	Restated	
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net Sales			
United States	\$ 7,210.4	\$ 7,144.5	\$ 7,672.9
International	<u>7,908.6</u>	<u>6,711.7</u>	<u>6,489.6</u>
	<u>\$15,119.0</u>	<u>\$13,856.2</u>	<u>\$14,162.5</u>
Long-Lived Assets			
United States	\$ 3,143.6	\$ 3,552.5	
International	<u>3,229.9</u>	<u>2,863.8</u>	
	<u>\$ 6,373.5</u>	<u>\$ 6,416.3</u>	

Note 19. Accumulated Other Comprehensive Income (Loss)

The components of Accumulated Other Comprehensive Income (Loss) follow:

(In millions)	2003	Restated 2002
	<u>2003</u>	<u>2002</u>
Foreign currency translation adjustment	\$(1,017.9)	\$(1,390.9)
Minimum pension liability adjustment	(1,545.0)	(1,673.5)
Unrealized investment gain (loss)	3.6	(9.3)
Deferred derivative gain (loss)	<u>0.3</u>	<u>(18.8)</u>
	<u>\$(2,559.0)</u>	<u>\$(3,092.5)</u>

Note 20. Commitments and Contingent Liabilities

At December 31, 2003, Goodyear had binding commitments for raw materials and investments in land, buildings and equipment of \$520.1 million, and off-balance-sheet financial guarantees written and other commitments totaling \$74.4 million.

Warranty

At December 31, 2003, Goodyear recorded, in other current liabilities, \$12.3 million (\$11.0 million (as restated) at December 31, 2002) for potential claims under warranties offered by the Company. Tire replacement under most of the warranties offered by Goodyear is on a prorated basis. Warranty reserves are based on past claims experience, sales history and other considerations. The amount of Goodyear's ultimate liability in respect of these matters may differ from these estimates.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 20. Commitments and Contingent Liabilities (continued)

The following table presents changes in the warranty reserve during 2003 and 2002:

(In millions)	<u>2003</u>	<u>Restated 2002</u>
Balance at December 31	\$11.0	\$ 6.1
Settlements made during the period	(17.0)	(11.5)
Additional accrual for warranties issued during the period	18.3	17.1
Miscellaneous adjustments	<u>—</u>	<u>(0.7)</u>
Balance at December 31	<u>\$12.3</u>	<u>\$ 11.0</u>

Environmental Matters

Goodyear had recorded liabilities totaling \$32.8 million at December 31, 2003 and \$53.5 million at December 31, 2002 for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by Goodyear. Of these amounts, \$7.7 million and \$21.4 million were included in Other current liabilities at December 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. The liability was reduced in 2003 by approximately \$17 million due to the resolution related to one site during the year.

Workers' Compensation

Goodyear had recorded liabilities, on a discounted basis, totaling \$194.0 million and \$152.4 million (as restated) for anticipated costs related to workers' compensation at December 31, 2003 and December 31, 2002, respectively. Of these amounts, \$112.7 million and \$66.4 million (as restated) were included in Current Liabilities as part of Compensation and benefits at December 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. The restatement included an aggregate adjustment of \$23.9 million before tax to address an understatement of the Company's potential workers' compensation liability. Refer to Note 2 for additional information on adjustments to the Company's workers' compensation liabilities.

General and Product Liability and Other Litigation

Goodyear had recorded liabilities totaling \$491.7 million at December 31, 2003 and \$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. Of these amounts, \$142.5 million and \$75.4 million (as restated) were included in Other current liabilities at December 31, 2003 and 2002, respectively. The amounts recorded were estimated on the basis of an assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and, where available, recent and current trends. The Company had recorded insurance receivables for potential product liability and other tort claims of \$199.3 million at December 31, 2003 and \$81.0 million at December 31, 2002. Of this amount, \$100.1 million and \$24.7 million

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 20. Commitments and Contingent Liabilities (continued)

was included in Current Assets as part of Accounts and notes receivable at December 31, 2003 and December 31, 2002, respectively.

Asbestos. Goodyear is a defendant in numerous lawsuits alleging various asbestos related personal injuries purported to result from alleged exposure to asbestos in certain rubber encapsulated products or aircraft braking systems manufactured by Goodyear in the past or to asbestos in certain Goodyear facilities. Typically, these lawsuits have been brought against multiple defendants in state and Federal courts. To date, Goodyear has disposed of approximately 25,300 cases by defending and obtaining the dismissal thereof or by entering into a settlement. The sum of the Company's accrued asbestos related liability and gross payments to date, including legal costs, totaled approximately \$208 million through December 31, 2003 and approximately \$187 million through December 31, 2002.

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

	Year Ended December 31,		
	2003	Restated	
	2002	2001	
Pending claims, beginning of period	100,600	64,500	58,500
New claims filed	24,300	39,800	17,100
Claims settled/dismissed	<u>(10,100)</u>	<u>(3,700)</u>	<u>(11,100)</u>
Pending claims, end of period	<u>114,800</u>	<u>100,600</u> (1)	<u>64,500</u> (1)
(In millions)			
Payments (2)	<u>\$ 29.6</u>	<u>\$ 18.8</u>	<u>\$ 14.4</u>

- (1) Changes in claims tracking methods resulted in a modification of previously reported pending claims. The number of pending claims was previously reported as 97,000 and 62,000 at December 31, 2002 and 2001, respectively.
- (2) Represents amount spent on asbestos litigation defense and claim resolution before recovery of insurance proceeds.

In connection with the preparation of its 2003 financial statements, the Company engaged an independent asbestos valuation expert to assist the Company in reviewing its reserves for asbestos claims, and review the Company's method of determining its receivables from probable insurance recoveries. Prior to the fourth quarter of 2003, the Company's estimate for asbestos liability was based upon a review of the various characteristics of the pending claims by an experienced asbestos counsel.

The Company, based on the advice of the valuation expert, has recorded liabilities for both asserted and unasserted claims at December 31, 2003 totaling \$131.1 million, inclusive of defense costs. The recorded liability represents the Company's estimated liability through 2008, which represents the period over which the liability can be reasonably estimated. Due to the difficulties in making these estimates, analysis based on new data and/or changed circumstances arising in the future could result in an increase in the recorded obligation in an amount that cannot currently be reasonably estimated, and that increase could be significant. The portion of the liability associated with unasserted asbestos claims at December 31, 2003 is \$31.9 million. Prior to the fourth quarter of 2003, the Company did not have an accrual for unasserted claims as sufficient information was deemed to be not available to reliably estimate such an obligation. This conclusion was further confirmed by the valuation expert during the preparation of the 2003 financial statements. At December 31, 2003, the Company's liability with respect to asserted claims and related defense costs was

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 20. Commitments and Contingent Liabilities (continued)

\$99.2 million compared to \$139.2 million at December 31, 2002, notwithstanding an increase in the number of pending claims between December 31, 2002 and December 31, 2003. The reduction in the amount recorded at December 31, 2003 compared to December 31, 2002 is due to refinements in certain assumptions used by the valuation expert.

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

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

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

Based upon the model employed by the valuation expert, as of December 31, 2003, the Company recorded a receivable related to asbestos claims of \$110.4 million. Based on the Company's current asbestos claim profile, the Company expects that approximately 85% of asbestos claim related losses will be recoverable up to its accessible policy limits. The receivable recorded consists of an amount the Company expects to collect under coverage-in-place agreements with certain primary carriers as well as an amount it believes is probable of recovery from certain of its excess coverage insurance carriers. Of this amount, \$20.4 million was included in Current Assets as part of Accounts and notes receivable at December 31, 2003. Goodyear had recorded insurance receivables of \$69.7 million at December 31, 2002. Of this amount, \$20.0 million was included in Current Assets as part of Accounts and notes receivable.

The Company believes that at December 31, 2003, it had approximately \$410 million in aggregate limits of excess level policies potentially applicable to indemnity payments for asbestos products claims in addition to limits of available primary insurance policies. Some of these excess policies provide for payment of defense costs in addition to indemnity limits. A portion of the availability of the excess level policies is included in the \$110.4 million insurance receivable recorded at December 31, 2003. The Company also had approximately \$30 million in aggregate limits for products claims as well as coverage for premise claims on a per occurrence basis and defense costs available with its primary insurance carriers through coverage-in-place agreements at December 31, 2003.

Goodyear believes that its reserve for asbestos claims, and the insurance receivables recorded in respect of these claims, reflect reasonable and probable estimates of these amounts. The estimate of the assets and liabilities related to pending and expected future asbestos claims and insurance recoveries is subject to numerous uncertainties, including, but not limited to, changes in (i) the litigation environment; (ii) federal

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 20. Commitments and Contingent Liabilities (continued)

and state law governing the compensation of asbestos claimants; (iii) the Company's approach to defending and resolving claims; and (iv) the level of payments made to claimants from other sources, including other defendants. As a result, with respect to both asserted and unasserted claims, it is reasonably possible that the Company may incur a material amount in excess of the current reserve, however such amount cannot be reasonably estimated. Coverage under insurance policies is subject to varying characteristics of asbestos claims including, but not limited to, the type of claim (premise vs. product exposure), alleged date of first exposure to the Company's products or premises and disease alleged. Depending upon the nature of these characteristics, as well as the resolution of certain legal issues, some portion of the insurance may not be accessible by the Company.

Heatway (Entran II). The Company is a defendant in 22 class actions or potential class actions and three other civil actions in various Federal, state and Canadian courts asserting non-asbestos property damage claims relating to Entran II, a rubber hose product that it supplied from 1989-1993 to Chiles Power Supply, Inc. (d/b/a Heatway Systems), a designer and seller of hydronic radiant heating systems in the United States. The plaintiffs in these actions are generally seeking recovery under various tort, contract and statutory causes of action, including breach of express warranty, breach of implied warranty of merchantability, breach of implied warranty of fitness for a particular purpose, negligence, strict liability and violation of state consumer protection statutes. In one of the above mentioned class actions, on October 9, 2003, the United States District Court in New Jersey preliminarily approved a proposed national settlement agreement (the Proposed Settlement) for pending Entran II claims in the U.S. and Canada, except for claims related to property in six New England states, two judgments in Colorado state court, two judgments in Colorado Federal court and any future judgments involving claimants that opt out of the Proposed Settlement. The Company has the right to withdraw from the Proposed Settlement if it determines in good faith and in its sole discretion that an excessive number of persons have opted out of the class and the Proposed Settlement. Potential claimants had until May 7, 2004 to exercise their right to opt out of the Proposed Settlement. As of May 17, 2004, the Company had received notice that at least 525 potential sites had been opted out of the Proposed Settlement. The Company is currently assessing its options with respect to the Proposed Settlement and expects to decide shortly whether or not it will withdraw from the Proposed Settlement.

Under the Proposed Settlement, Goodyear will make annual cash contributions to a settlement fund of \$40 million, \$6 million, \$6 million, \$8 million and \$16 million in 2004, 2005, 2006, 2007 and 2008, respectively. Goodyear will also make an additional contingent payment of \$10 million in each of 2005, 2006, 2007 and 2008 if Goodyear meets the following EBITDA target for such year: \$1.2 billion in 2004 and \$1.4 billion in each of 2005, 2006 and 2007. For purposes of the Proposed Settlement, EBITDA is defined by reference to the definition of "Consolidated EBITDA" in Goodyear's \$645 million U.S. term loan agreement. In the event the EBITDA target is not met in any given year, the contingent payment will remain payable in the first subsequent year in which the following cumulative EBITDA targets are met: \$2.6 billion in 2005, \$4.0 billion in 2006 and \$5.4 billion in 2007. In addition to the required contributions of Goodyear, 80% of Goodyear's insurance recoveries from Entran II claims will be paid into the settlement fund. The Company estimates that contributions to the settlement fund from insurance recoveries could total \$120 million. Because the insurance recoveries were less than \$120 million at February 27, 2004, the terms of the Proposed Settlement give the plaintiffs the right to withdraw from the settlement. Nevertheless, the parties have jointly requested that the court stay all Entran II litigation (with certain exceptions) pending final approval of the settlement.

In 2002, two state courts in Colorado entered judgments against the Company in Entran II cases of \$22.7 million and \$1.3 million, respectively. These cases are excluded from the Proposed Settlement, and the Company will continue to pursue appeals of these judgments.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 20. Commitments and Contingent Liabilities (continued)

On June 19, 2003, a jury in Colorado Federal court awarded a judgment in an Entran II case against the Company of \$4.1 million. An additional \$5.7 million in prejudgment interest was awarded on September 8, 2003. Post-trial motions have been filed by all parties seeking modifications to the judgment. On May 13, 2004, in another Entran II case, a federal jury in Colorado awarded a judgment against the Company of \$3.2 million. These cases are also excluded from the Proposed Settlement.

The ultimate cost of disposing of Entran II claims is dependent upon a number of factors, including the Company's ability to satisfy the contingencies in any settlement, the number of claimants that opt out of any settlement, final approval of the terms of any settlement, Goodyear's ability to resolve claims not subject to any settlement (including the cases in which the Company received adverse judgments), and, in the event Goodyear fails to consummate a settlement for any reason, future judgments by courts in other currently pending or yet unasserted actions. Depending on the resolution of these uncertainties, the costs associated with Entran II claims could have a material adverse effect on the Company's results of operations, financial position and liquidity in future periods.

Load Range D and E. On December 5, 2003, a conditional settlement agreement resolving a national class action with respect to certain allegedly defective Load Range E light truck and recreational vehicle tires was preliminarily approved. On April 28, 2004, the settlement received final court approval. The Company has accrued for the cost of the settlement, including legal fees. The cost of the settlement did not have a material impact on the Company's financial statements. Refer to Item 3, Legal Proceedings, for further information about Load Range E claims. During the fourth quarter of 2003, actions related to alleged breaches of warranty or product defects relating to certain of Goodyear's Load Range D light truck tires, previously reported by Goodyear, were dismissed.

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

Guarantees

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

Customer Financing

At December 31, 2003, the Company had guarantees outstanding under which the maximum potential amount of payments totaled \$4.1 million, and which expire at various times through 2012.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 20. Commitments and Contingent Liabilities (continued)

Affiliate Financing

The Company will from time to time issue guarantees to financial institutions on behalf of certain of its affiliates, which are accounted for using the equity method. The financing arrangements of the affiliates may be for either working capital or capital expenditures. The Company generally does not require collateral in connection with the issuance of these guarantees. In the event of non-payment by an affiliate, the Company is obligated to make payment to the financial institution, and will typically have recourse to the assets of that affiliate. At December 31, 2003, the Company had guarantees outstanding under which the maximum potential amount of payments totaled \$17.5 million, and which expire at various times through 2011. The Company is unable to estimate the extent to which its affiliates' assets would be adequate to recover the maximum amount of potential payments with that affiliate.

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 December 31, 2003, SPT had debt totaling \$196.9 million, of which \$72.0 million was payable to Goodyear. The Company also owns a 50% undivided interest in all of the assets of the partnership.

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

Indemnifications

At December 31, 2003, the Company was a party to various agreements under which it had assumed obligations to indemnify the counterparties from certain potential claims and losses. These agreements typically involve standard commercial activities undertaken by the Company in the normal course of business; the sale of assets by the Company; the formation of joint venture businesses to which the Company has contributed assets in exchange for ownership interests; and other financial transactions. Indemnifications provided by the Company pursuant to these agreements relate to various matters including, among other things, environmental, tax and shareholder matters; intellectual property rights; government regulations and employment-related matters; and dealer, supplier and other commercial matters.

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

The Company has determined that there are no guarantees other than liabilities for which amounts are already recorded or reserved in its financial statements under which it is probable that it has incurred a liability.

Note 21. Preferred Stock Purchase Rights Plan

In June 1996, the Company authorized 7,000,000 shares of Series B Preferred Stock ("Series B Preferred") issuable only upon the exercise of rights ("Rights") issued under the Preferred Stock Purchase Rights Plan set forth in the Rights Agreement dated June 4, 1996, and amended and restated on April 15, 2002. Each share of Series B Preferred issued would be non-redeemable, non-voting and entitled to (i) cumulative quarterly dividends equal to the greater of \$25.00 or, subject to adjustment, 100 times the per year amount of

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 21. Preferred Stock Purchase Rights Plan (continued)

dividends declared on Goodyear Common Stock (“the Common Stock”) during the preceding quarter and (ii) a liquidation preference.

Under the Rights Plan, each shareholder of record on July 29, 1996 received a dividend of one Right per share of the Common Stock. Each Right, when exercisable, will entitle the registered holder thereof to purchase from the Company one one-hundredth of a share of Series B Preferred Stock at a price of \$250 (the “Purchase Price”), subject to adjustment. The Rights will expire on July 29, 2006, unless earlier redeemed at \$.001 per Right. The Rights will be exercisable only in the event that an acquiring person or group purchases, or makes — or announces its intention to make — a tender offer for, 15% or more of the Common Stock.

In the event that any acquiring person or group acquires 15% or more of the Common Stock (20% for certain institutional investors), each Right will entitle the holder to purchase that number of shares of Common Stock (or in certain circumstances, other securities, cash or property) which at the time of such transaction would have a market value of two times the Purchase Price.

If the Company is acquired or a sale or transfer of 50% or more of the Company’s assets or earnings power is made after the Rights become exercisable, each Right (except those held by an acquiring person or group) will entitle the holder to purchase common stock of the acquiring entity having a market value then equal to two times the Purchase Price. In addition, when exercisable the Rights under certain circumstances may be exchanged by the Company at the ratio of one share of Common Stock (or the equivalent thereof in other securities, property or cash) per Right, subject to adjustment.

On March 1, 2004, the Rights Plan was amended to accelerate the expiration date of the Rights Plan to June 1, 2004 from July 29, 2006. As a result, the Rights Plan will be effectively terminated on June 1, 2004.

Note 22. Future Liquidity Requirements

As of December 31, 2003, the Company had \$1.56 billion in cash and cash equivalents, of which \$612.7 million was held in the United States and \$432.8 million was in accounts of GDTE. The remaining amounts were held in the Company’s other non-U.S. operations. The Company’s ability to move cash and cash equivalents among its various operating locations is subject to the operating needs of the operating locations as well as restrictions imposed by local laws and applicable credit facility agreements. As of December 31, 2003, approximately \$215 million of cash was held in locations where significant tax or legal impediments would make it difficult or costly to execute monetary transfers. Based upon the Company’s projected operating results, the Company expects that cash flow from operations together with available borrowing under its restructured credit facilities and other sources of liquidity will be adequate to meet the Company’s anticipated cash and cash equivalent requirements including working capital, debt service and capital expenditures through December 31, 2004.

At December 31, 2003, the Company also had \$335.0 million of unused availability under its various credit agreements.

The Company’s restructured and refinanced credit facilities mature in 2005 and 2006 and the Company would have to refinance these facilities in the capital markets if they were not renewed by the banks. After taking into account the pay down of certain obligations in connection with recent financing activities, the aggregate amount of long-term debt maturing in 2005 and 2006 is \$1,343 million and \$1,481 million, respectively. Because of the Company’s debt ratings, recent operating performance and other factors, access to such markets cannot be assured. The Company’s ongoing ability to access the capital markets is highly dependent on successfully implementing its North American Tire turnaround strategy. In addition to facilitating access to the capital markets, successful implementation of the turnaround strategy is also crucial to ensuring that the Company has sufficient cash flow from operations to meet its obligations. There is no

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 22. Future Liquidity Requirements (continued)

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.

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

Under the Company's master contract with the USWA, the Company committed to consummate the issuance or placement of at least \$250 million of debt securities and at least \$75 million of equity or equity-linked securities by December 31, 2003. It did not meet this commitment. As a result, the USWA may file a grievance and strike. In the event of a strike, the Company's financial position, results of operations and liquidity could be materially adversely affected. The Company has also committed to launch, by December 1, 2004, a refinancing of its U.S. term loan and revolving credit facilities due in April 2005 with loans or securities having a term of at least three years. If the Company fails to complete this refinancing commitment, the USWA would have the right to strike and the Company would be required to pay each covered union employee (approximately 13,700 as of December 31, 2003) \$1,000 and each covered union retiree (approximately 13,800 as of December 31, 2003) \$500. In addition, if the Company failed to comply with the covenants in its credit agreements, 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 is subject to various legal proceedings, including the Entran II litigation described in Note 20, Commitments and Contingent Liabilities. The ultimate cost of disposing of Entran II claims is dependent upon a number of factors, including the Company's ability to satisfy the contingencies in a proposed settlement, the number of claimants that opt out of any settlement, final approval of the terms of the settlement at a yet-to-be scheduled fairness hearing, Goodyear's ability to resolve claims not subject to the settlement (including the cases in which the Company received adverse judgments), and, in the event Goodyear fails to consummate the proposed settlement for any reason, future judgments by courts in other currently pending or yet unasserted actions. Depending on the resolution of these uncertainties, the costs associated with Entran II claims could be significant and could have a material adverse effect on the Company's results of operations, financial position and liquidity in future periods. In the event the Company wishes to appeal any future adverse judgment in any Entran II or other proceeding, it would be required to post an appeal bond with the relevant court. If the Company does not have sufficient availability under its U.S. revolving credit facility to issue a letter of credit to support an appeal bond, it may be required to pay down borrowings under the facility in order to increase the amount available for issuing letters of credit or deposit cash collateral in order to stay the enforcement of the judgment pending an appeal. A significant deposit of cash collateral may have a material adverse effect on the Company's liquidity.

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

In addition, Goodyear expects to make contributions to its pension plans of approximately \$210 million in 2004. Contributions to domestic pension plans are expected to be approximately \$160 million in 2004 and approximately \$325 million to \$350 million in 2005 in order to satisfy statutory minimum funding requirements.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 23. Subsequent Events

Recent Financing Activities

On February 23, 2004, Goodyear completed the addition of a \$650 million tranche to the Company's \$1.30 billion Senior Secured Asset-Backed Facility. Approximately \$335 million of the proceeds of the tranche were used to partially reduce amounts outstanding under the U.S. term facility. On March 12, 2004, Goodyear completed a private offering of \$650 million in senior secured notes, consisting of \$450 million of 11% senior secured notes due 2011 and \$200 million of floating rate notes at LIBOR plus 8% due 2011. The proceeds of the notes were used to repay the remaining outstanding amount under the U.S. term facility, to permanently reduce the Company's commitment under the U.S. revolving credit facility by \$70 million, and for general corporate purposes. In connection with these financing activities, each of the restructured credit facilities discussed in Note 11 was amended on February 19, 2004, principally to permit additional financings. The Company's credit agreements were further amended on April 16, 2004, to extend until May 19, 2004, the deadline for filing the Company's Annual Report on Form 10-K for the year ended December 31, 2003. Refer to Note 11 for further information on the Company's credit facilities and term loan agreements.

Late Form 10-Q Filing and Bank Amendments

On May 11, 2004, the Company announced that it would not file the first quarter 2004 Form 10-Q by May 30, 2004, as required in the Company's loan agreements, and that it would initiate discussions with its lenders to extend the deadline for filing by 30 days. While Goodyear does not expect to need to access the facilities during this 30-day period, in the absence of an extension, the Company would not be able to access them. If Goodyear does not obtain an extension, it would still have until June 30 to file the Form 10-Q and regain access, but if it does not file the Form 10-Q by then, there could be an event of default under the loan agreements and thereafter under other debt instruments.

On May 18, 2004, Goodyear obtained an amendment from the European credit facility lenders to allow until June 4, 2004 for delivery to the lenders of the 2003 audited financial statements for the Company's Goodyear Dunlop Tires Europe B.V. joint venture. These financial statements, which have historically been completed after the Form 10-K was filed, were previously required to be delivered by May 19, 2004. Goodyear must complete these financial statements by June 4, 2004 in order to avoid defaults under the principal credit facilities.

Sava Tires d.o.o.

On April 7, 2004, the Company announced that it will exercise its call option and purchase the remaining 20 percent of Sava Tires d.o.o. (Sava Tire), a joint venture tire manufacturing company in Kranj, Slovenia, for approximately \$52 million. The transaction is expected to be completed in June 2004. Goodyear's stake in Sava Tire is held by GDTE.

Dackia

On April 16, 2004, the Company announced that it will purchase the remaining 50 percent of Dackia, one of Sweden's major retail tire groups, for approximately \$10 million. The transaction is expected to be completed in June 2004.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of The Goodyear Tire & Rubber Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity, and cash flows present fairly, in all material respects, the financial position of The Goodyear Tire & Rubber Company and Subsidiaries at December 31, 2003 and December 31, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 7 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," as of January 1, 2002.

As described in Note 2, "Restatement" the Company has restated its previously issued consolidated financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Cleveland, Ohio
May 18, 2004

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Supplementary Data
(Unaudited)

Quarterly Data and Market Price Information

(In millions, except per share)	Quarter				
	Restated				Year
	First	Second	Third	Fourth	
2003					
Net Sales	\$3,545.8	\$3,753.3	\$3,906.1	\$3,913.8	\$15,119.0
Gross Profit	583.0	714.5	711.7	614.5	2,623.7
Net Loss	<u>\$ (196.5)</u>	<u>\$ (53.0)</u>	<u>\$ (118.2)</u>	<u>\$ (434.4)</u>	<u>\$ (802.1)</u>
Net Loss Per Share — Basic	<u>\$ (1.12)</u>	<u>\$ (0.30)</u>	<u>\$ (0.67)</u>	<u>\$ (2.49)</u>	<u>\$ (4.58)</u>
— Diluted	<u>(1.12)</u>	<u>(0.30)</u>	<u>(0.67)</u>	<u>(2.49)</u>	<u>(4.58)</u>
Average Shares Outstanding — Basic	175.3	175.3	175.3	175.3	175.3
— Diluted	175.3	175.3	175.3	175.3	175.3
Price Range of Common Stock:*					
High	\$ 7.33	\$ 7.35	\$ 8.19	\$ 7.94	\$ 8.19
Low	3.35	4.55	4.49	5.55	3.35

(In millions, except per share)	As Originally Reported		
	Quarter		
	First	Second	Third
2003			
Net Sales	\$3,545.5	\$3,758.2	\$3,906.0
Gross Profit	621.1	707.2	719.4
Net Loss	<u>\$ (163.3)</u>	<u>\$ (73.6)</u>	<u>\$ (105.9)</u>
Net Loss Per Share — Basic	<u>\$ (0.93)</u>	<u>\$ (0.42)</u>	<u>\$ (0.60)</u>
— Diluted	<u>(0.93)</u>	<u>(0.42)</u>	<u>(0.60)</u>
Average Shares Outstanding — Basic	175.3	175.3	175.3
— Diluted	175.3	175.3	175.3
Price Range of Common Stock:*			
High	\$ 7.33	\$ 7.35	\$ 8.19
Low	3.35	4.55	4.49

Effect of restatement adjustments on Goodyear's previously issued 2003 quarterly financial statements

Increase (decrease) in Income (loss)

(In millions, except per share)	Unaudited			Total
	Quarter Ended			
	March 31	June 30	September 30	
Net loss as originally reported	\$(163.3)	\$(73.6)	\$(105.9)	
Adjustments (pretax):				
Accounting Irregularities	(1.6)	(2.9)	4.9	\$ 0.4
Account Reconciliations	(27.7)	20.9	(10.5)	(17.3)
Out-of-Period	0.7	(0.2)	0.4	0.9
Discount Rate Adjustments	(4.3)	(4.4)	(4.3)	(13.0)
Chemical Products Segment	2.4	(0.7)	(1.1)	0.6
Total adjustments (pretax)	(30.5)	12.7	(10.6)	(28.4)
Tax effect of restatement adjustments	(2.7)	3.7	(1.7)	(0.7)
Tax adjustments	—	4.2	—	4.2
Total taxes	(2.7)	7.9	(1.7)	3.5
Total net adjustments	(33.2)	20.6	(12.3)	\$(24.9)
Net loss as restated	\$(196.5)	\$(53.0)	\$(118.2)	
Per Share of Common Stock:				
Net loss — Basic as originally reported	\$ (0.93)	\$(0.42)	\$ (0.60)	
Effect of net adjustments	(0.19)	0.12	(0.07)	
Net loss — Basic as restated	\$ (1.12)	\$(0.30)	\$ (0.67)	
Net loss — Diluted as originally reported	\$ (0.93)	\$(0.42)	\$ (0.60)	
Effect of net adjustments	(0.19)	0.12	(0.07)	
Net loss — Diluted as restated	\$ (1.12)	\$(0.30)	\$ (0.67)	

The second quarter of 2003 (as originally reported) included net charges for adjustments totaling \$25.6 million before tax (\$31.3 million after tax). These adjustments related primarily to Interplant, Engineered Products and Tax adjustments, and have been restated to prior periods. Several factors relating to Goodyear's enterprise resource planning systems implementation resulted in Engineered Products' inability to locate or recreate account reconciliations for prior periods in the amount of \$19.0 million before tax (\$18.6 million after tax). As a result, Engineered Products was unable to allocate the amount to applicable periods and accordingly, recorded this adjustment in the first quarter of 2003.

The first quarter included a net after-tax charge of \$19.1 million resulting from general and product liability — discontinued products and a net after-tax charge of \$57.7 million for rationalizations. The second quarter included a net after-tax gain of \$9.1 million resulting from general and product liability — discontinued products, a net after-tax charge of \$11.5 million for rationalizations and an \$8.8 million after-tax loss on the sale of 20,833,000 shares of SRI. The third quarter included a net after-tax charge of \$62.5 million resulting from general and product liability — discontinued products and a net after-tax charge of \$44.8 million for rationalizations. The fourth quarter included a net after-tax charge of \$72.9 million from general and product liability — discontinued products and a net after-tax charge of \$153.1 million for rationalizations. The fourth quarter also included accelerated depreciation charges, asset writeoffs and impairment charges of \$131.4 million after tax. Additionally, the fourth quarter included \$9.5 million after tax related to a labor litigation judgment against Goodyear in European Union Tire.

(In millions, except per share)	Restated				
	Quarter				
	First	Second	Third	Fourth	Year
2002					
Net Sales	\$3,319.2	\$3,490.8	\$3,538.5	\$ 3,507.7	\$13,856.2
Gross Profit.....	563.8	694.8	666.4	627.3	2,552.3
Net Income (Loss)	<u>\$ (59.0)</u>	<u>\$ 24.7</u>	<u>\$ 28.2</u>	<u>\$(1,220.9)</u>	<u>\$(1,227.0)</u>
Net Income (Loss) Per Share — Basic	<u>\$ (0.36)</u>	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ (6.96)</u>	<u>\$ (7.35)</u>
— Diluted.....	<u>(0.36)</u>	<u>0.15</u>	<u>0.17</u>	<u>(6.96)</u>	<u>(7.35)</u>
Average Shares Outstanding — Basic	163.2	163.3	166.5	175.3	167.0
— Diluted	163.2	164.3	166.5	175.3	167.0
Price Range of Common Stock:*					
High	\$ 28.31	\$ 23.70	\$ 18.52	\$ 9.36	\$ 28.31
Low	21.29	18.50	8.49	6.60	6.60
Dividends Per Share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48
	As Originally Reported				
	Quarter				
	First	Second	Third	Fourth	Year
2002					
Net Sales	\$3,311.2	\$3,478.8	\$3,529.6	\$ 3,530.4	\$13,850.0
Gross Profit.....	550.1	691.4	674.7	619.9	2,536.1
Net Income (Loss)	<u>\$ (63.2)</u>	<u>\$ 28.9</u>	<u>\$ 33.7</u>	<u>\$(1,105.2)</u>	<u>\$(1,105.8)</u>
Net Income (Loss) Per Share — Basic	<u>\$ (0.39)</u>	<u>\$ 0.18</u>	<u>\$ 0.20</u>	<u>\$ (6.30)</u>	<u>\$ (6.62)</u>
— Diluted.....	<u>(0.39)</u>	<u>0.18</u>	<u>0.20</u>	<u>(6.30)</u>	<u>(6.62)</u>
Average Shares Outstanding — Basic	163.2	163.3	166.5	175.3	167.0
— Diluted	163.2	164.3	166.5	175.3	167.0
Price Range of Common Stock:*					
High	\$ 28.31	\$ 23.70	\$ 18.52	\$ 9.36	\$ 28.31
Low	21.29	18.50	8.49	6.60	6.60
Dividends Per Share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48

* New York Stock Exchange — Composite Transactions

Effect of restatement adjustments on Goodyear's previously issued 2002 quarterly financial statements

Increase (decrease) in income (loss)

(In millions, except per share)	Unaudited				
	Quarter Ended				
	March 31	June 30	September 30	December 31	Total 2002
Net income (loss) as originally reported	\$(63.2)	\$28.9	\$33.7	\$(1,105.2)	\$(1,105.8)
Adjustments (pretax):					
Accounting Irregularities	(2.2)	(4.3)	(2.4)	5.4	(3.5)
Account Reconciliations	9.4	2.9	0.5	(19.6)	(6.8)
Out-of-Period	2.8	5.8	5.7	0.9	15.2
Discount Rate Adjustments	(3.7)	(4.1)	(3.9)	(3.2)	(14.9)
Chemical Products Segment	2.3	(1.0)	(8.2)	21.1	14.2
Total adjustments (pretax)	8.6	(0.7)	(8.3)	4.6	4.2
Tax effect of restatement adjustments	1.9	(0.1)	1.9	(6.6)	(2.9)
Tax adjustments	(6.3)	(3.4)	0.9	(113.7)	(122.5)
Total taxes	(4.4)	(3.5)	2.8	(120.3)	(125.4)
Total net adjustments	4.2	(4.2)	(5.5)	(115.7)	(121.2)
Net income (loss) as restated	<u>\$(59.0)</u>	<u>\$24.7</u>	<u>\$28.2</u>	<u>\$(1,220.9)</u>	<u>\$(1,227.0)</u>
Per Share of Common Stock:					
Net income (loss) — Basic as originally reported	\$(0.39)	\$0.18	\$0.20	\$ (6.30)	\$ (6.62)
Effect of net adjustments	0.03	(0.03)	(0.03)	(0.66)	(0.73)
Net income (loss) — Basic as restated	<u>\$(0.36)</u>	<u>\$0.15</u>	<u>\$0.17</u>	<u>\$ (6.96)</u>	<u>\$ (7.35)</u>
Net income (loss) — Diluted as originally reported	\$(0.39)	\$0.18	\$0.20	\$ (6.30)	\$ (6.62)
Effect of net adjustments	0.03	(0.03)	(0.03)	(0.66)	(0.73)
Net income (loss) — Diluted as restated	<u>\$(0.36)</u>	<u>\$0.15</u>	<u>\$0.17</u>	<u>\$ (6.96)</u>	<u>\$ (7.35)</u>

The restated 2002 net income (loss) for all quarters differs from that which was originally reported due primarily to amounts related to the Chemical Products business segment. Certain items were identified as a result of a stand-alone audit conducted in 2003 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 2002. The most significant adjustments related to the timing of the recognition of manufacturing variances to reflect the actual cost of inventories and the fair value adjustment of a hedge for natural gas.

The second quarter included a net after-tax gain of \$0.8 million (as restated) resulting from asset sales. The third quarter included a net after-tax gain of \$10.7 million resulting from asset sales and a net after-tax charge of \$8.9 million for rationalizations. The third quarter also included the writeoff of a miscellaneous investment of \$2.5 million after tax. The fourth quarter included a net after-tax gain of \$12.0 million (as restated) resulting from asset sales and a net after-tax benefit of \$3.8 million (as restated) from rationalization actions and reversals. The fourth quarter also included a non-cash charge of \$1.20 billion (as restated) to establish a valuation allowance against net Federal and state deferred tax assets.

Quarterly per share amounts do not add to the year 2002 per share amount due to issuance of 11.3 million shares of common stock in the third quarter.

COMPARISON WITH PRIOR YEARS

(In millions, except per share)	Year Ended December 31,				
	2003	Restated			
	2002	2001	2000	1999	
Net Sales	\$15,119.0	\$13,856.2	\$14,162.5	\$14,445.9	\$13,324.3
Net Income (Loss)	\$ (802.1)	\$ (1,227.0)	\$ (254.1)	\$ 51.3	\$ 225.0
Per Share of Common Stock:					
Net Income (Loss) — Basic	\$ (4.58)	\$ (7.35)	\$ (1.59)	\$ 0.33	\$ 1.43
Net Income (Loss) — Diluted	\$ (4.58)	\$ (7.35)	\$ (1.59)	\$ 0.32	\$ 1.42
Dividends Per Share	\$ —	\$ 0.48	\$ 1.02	\$ 1.20	\$ 1.20
Total Assets	15,005.5	13,038.7	13,768.6	13,576.7	13,248.8
Long Term Debt and Capital Leases	4,826.2	2,989.8	3,203.6	2,349.6	2,347.9
Shareholders' Equity	(13.1)	255.4	2,627.8	3,454.3	3,729.2

Notes:

The information contained in the following notes has been restated. Refer to Note 2 to the financial statements for further information.

(1) Information on the impact of the restatement follows:

(In millions, except per share)	Year Ended December 31,					
	2001	2001	2000	2000	1999	1999
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
Net Sales	\$14,147.2	\$14,162.5	\$14,417.1	\$14,445.9	\$13,355.4	\$13,324.3
Net Income (Loss)	\$ (203.6)	\$ (254.1)	\$ 40.3	\$ 51.3	\$ 243.2	\$ 225.0
Per Share of Common Stock:						
Net Income (Loss) — Basic	\$ (1.27)	\$ (1.59)	\$ 0.26	\$ 0.33	\$ 1.55	\$ 1.43
Net Income (Loss) — Diluted	\$ (1.27)	\$ (1.59)	\$ 0.25	\$ 0.32	\$ 1.53	\$ 1.42
Dividends Per Share	\$ 1.02	\$ 1.02	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
Total Assets	13,783.4	13,768.6	13,568.0	13,576.7	13,278.1	13,248.8
Long Term Debt and Capital Leases	3,203.6	3,203.6	2,349.6	2,349.6	2,347.9	2,347.9
Shareholders' Equity	2,864.0	2,627.8	3,503.0	3,454.3	3,792.6	3,729.2

As discussed in Note 2, restatement adjustments were classified as “Accounting Irregularities,” “Account Reconciliations,” “Out-of-Period,” “Discount Rate,” “Chemical Products Segment” and “Tax Adjustments.”

The decrease in net income of \$50.5 million in 2001 was principally the result of the timing of the recognition of manufacturing variances to reflect the actual cost of inventories of the Chemical Products Segment, the erroneous recording of cost of goods sold for the sale of inventory at Wingfoot Commercial Tire Systems, LLC, Accounting Irregularities adjustments and other Account Reconciliation adjustments. On November 1, 2000, Goodyear made a contribution, which included inventory, to Wingfoot Commercial Tire Systems, LLC, a consolidated subsidiary. On a consolidated basis, the inventory was valued at Goodyear's historical cost. Upon the sale of the inventory, consolidated cost of goods sold was understated by \$11 million. Additionally, inventory and fixed asset losses totaling \$4.2 million were not expensed as incurred and were written off. The Chemical Products Segment adjustments were the result of a stand-alone audit conducted in 2003 of a portion of the Chemical Products business segment.

For the restatement of 2001, pretax income was reduced by \$12.8 million due to the impact of Account Reconciliations, \$13.2 million due to Accounting Irregularities, \$18.9 million due to Chemical Products Segment, \$14.5 million due to Out-of-Period and \$5.5 million due to Discount Rate. The tax effect of restatement adjustments was a benefit of \$14.4 million.

The increase in net income of \$11.0 million in 2000 was principally the result of the Chemical Products Segment adjustments and the Account Reconciliation adjustments, primarily Interplant and Wingfoot Commercial Tire Systems, LLC.

For the restatement of 2000, pretax income was reduced by \$21.7 million due to the impact of Account Reconciliations. Pretax income increased by \$19.1 million due to the impact of Chemical Products Segment, \$14.5 million due to Discount Rate, \$5.8 million due to Out-of-Period and \$0.6 million due to Accounting Irregularities. The tax effect of restatement adjustments was an expense of \$7.3 million.

The decrease in net income of \$18.2 million in 1999 was principally the result of the erroneous recording of accounts receivable, the improper deferral of manufacturing variances at one of the Company's United States tire manufacturing plants in 1998 which was recorded in 1999 when it was discovered, and which was adjusted in the 1998 results in this restatement, and other Account Reconciliation adjustments. The adjustment to accounts receivable was attributable to amounts erroneously recorded in the Company's general ledger. Goodyear had implemented certain modules of an ERP accounting system, which were not properly integrated with existing systems and resulted in an overstatement of sales and accounts receivable in the general ledger. However, billings to customers and cash collections were appropriate.

For the restatement of 1999, pretax income was reduced by \$38.0 million due to the impact of Account Reconciliations and \$4.9 million due to Chemical Products Segment. Pretax income was increased by \$13.1 million due to the impact of Accounting Irregularities and \$6.4 million due to Out-of-Period. The tax effect of restatement adjustments was a benefit of \$5.2 million.

- (2) See "Principles of Consolidation" at Note 1 ("Accounting Policies") to the Financial Statements.
- (3) Net Loss in 2003 included net after-tax charges of \$524.5 million, or \$2.73 per share-diluted, for rationalizations, asset sales, general and product liability-discontinued products, accelerated depreciation, asset impairments, asset writeoffs, favorable settlement of prior year tax liability and rationalization costs at Goodyear's SPT equity investment.
- (4) Net Loss in 2002 included net after-tax benefit of \$14.3 million (as restated), or \$0.09 per share-diluted (as restated) for rationalizations, asset sales, writeoff of a miscellaneous investment and a net rationalization reversal at Goodyear's SPT equity investment. Net loss in 2002 also included a non-cash charge of \$1.20 billion (as restated), or \$6.86 per share-diluted (as restated), to establish a valuation allowance against its net federal and state deferred tax assets.
- (5) Net Loss in 2001 included net after-tax charges of \$172.4 million (as restated), or \$1.08 per share-diluted (as restated), for rationalizations, the sale of the Specialty Chemical Business and other asset sales, costs related to a tire replacement program and rationalization costs at Goodyear's SPT equity investment.
- (6) Net Income in 2000 included a net after-tax charge of \$62.0 million (as restated), or \$0.39 per share-diluted (as restated), for rationalizations and asset sales, change in Goodyear's domestic inventory costing method from LIFO to FIFO and rationalization costs at Goodyear's SPT equity investment.
- (7) Net Income in 1999 included net after-tax benefit of \$14.9 million (as restated), or \$0.08 per share-diluted (as restated), resulting from the net after-tax gains of \$154.8 million, or \$0.97 per share-diluted, from the change in control of the businesses contributed by the Company to the Goodyear Dunlop joint venture in Europe and the sale of certain rubber chemical assets and net rationalization charges of \$139.9 million after tax (as restated), or \$0.89 per share-diluted (as restated).

Board of Directors

Susan E. Arnold

President, Global Personal Beauty Care & Global Feminine Care,
The Procter & Gamble Company
Elected 2003 3, 4, 5

James C. Boland

Vice Chairman, CAVS/Gund Arena Co.
Elected 2002 1, 2, 4

John G. Breen

Retired Chairman of the Board
The Sherwin-Williams Co.
Elected 1992 1, 2, 4

Gary D. Forsee

Chairman of the Board &
Chief Executive Officer,
Sprint Corporation
Elected 2002 1, 2, 3

William J. Hudson Jr.

Retired Vice Chairman,
AMP Incorporated
Elected 1995 1, 2, 4

Robert J. Keegan

Chairman of the Board,
Chief Executive Officer & President
The Goodyear Tire & Rubber Company
Elected 2000

Steven A. Minter

Retired Executive Director & President,
The Cleveland Foundation
Elected 1985 3, 5

Rodney O'Neal

President - Dynamics, Propulsion,
Thermal & Interior Sector,
Delphi Corporation
Elected 2004 4, 5

Shirley D. Peterson

Retired Partner in law firm of
Steptoe & Johnson LLP
Elected 2004 1, 3, 5

Agnar Pytte

Retired President,
Case Western Reserve University
Elected 1988 3, 5

James M. Zimmerman

Retired Chairman of the Board
Federated Department Stores
Elected 2001 2, 5

CORPORATE OFFICERS

Robert J. Keegan, 56*

Chairman of the Board,
Chief Executive Officer & President
Three years of service, officer since 2000

Joseph M. Gingo, 59

Executive Vice President, Quality Systems &
Chief Technology Officer
37 years of service, officer since 1996

Robert W. Tieken, 65†

Executive Vice President
& Chief Financial Officer
10 years of service, officer since 1994

SENIOR VICE PRESIDENTS

Christopher W. Clark, 52

Senior Vice President,
Global Sourcing
31 years of service, officer since 2000

Kathleen T. Geier, 47

Senior Vice President, Human Resources
25 years of service, officer since 2002

C. Thomas Harvie, 61

Senior Vice President,
General Counsel & Secretary
Eight years of service, officer since 1995

Richard J. Kramer, 60†

Senior Vice President,
Strategic Planning & Restructuring
Four years of service, officer since 2000

Ricardo A. Navarro, 53

Senior Vice President,
Business Development & Integration
Eight months of service, officer since 2003

Charles L. Sinclair, 52

Senior Vice President,
Global Communications
19 years of service, officer since 2003

VICE PRESIDENTS

Thomas A. Connell, 55

Vice President & Controller
Nine months of service, officer since 2003

Donald D. Harper, 57

Vice President, Human Resources
North America Shared Services
35 years of service, officer since 1998

William M. Hopkins, 59

Vice President, Global Product
Marketing & Technology Planning
36 years of service, officer since 1998

Isabel H. Jasinowski, 55

Vice President, Government Relations
22 years of service, officer since 2001

Gary A. Miller, 57

Vice President and Chief
Procurement Officer
36 years of service, officer since 1992

Darren R. Wells, 38

Vice President & Treasurer
Two years of service, officer since 2002

Bertram Bell, 52

Assistant Secretary &
Associate General Counsel
21 years of service, officer since 2000

Anthony E. Miller, 53

Assistant Secretary &
Associate General Counsel
18 years of service, officer since 2000

BUSINESS UNIT OFFICERS

M. Joseph Copeland, 42

President, Chemical Division
Three years of service, officer since 2002

Eduardo A. Fortunato, 50

President, Latin America Region,
29 years of service, officer since 2003

Jarro F. Kaplan, 57

President, Eastern Europe,
Africa & Middle East Business
34 years of service, officer since 2001

Lawrence D. Mason, 43

President, Consumer Tires,
North American Tire
Eight months of service, officer since 2003

Hugh D. Pace, 52

President, Asia Region
29 years of service, officer since 1998

Jonathan D. Rich, 48

President, North American Tire
Three years of service, officer since 2001

Michael J. Roney, 49

President, European Union Business
22 years of service, officer since 1999

Timothy R. Toppen, 49

President, Engineered Products
25 years of service, officer since 2000

- 1 Audit Committee
- 2 Compensation Committee
- 3 Committee on Corporate Responsibility
- 4 Finance Committee
- 5 Nominating and Board Governance Committee
- * Also a director

† Richard J. Kramer was named executive vice president and chief financial officer effective June 1, 2004, replacing Robert W. Tieken, who retired on May 31, 2004.



Facilities

NORTH AMERICA

United States

Akron, Ohio

World headquarters, North American Tire headquarters, Asia Tire headquarters, Latin America Tire headquarters, Chemical Products headquarters, Engineered Products headquarters, technical center, racing tires, chemicals, tire proving grounds, global purchasing, airship operations, research and development facilities

Asheboro, North Carolina *Steel tire cord*

Atlanta, Georgia *Aero retread facility*

Bayport, Texas *Chemicals*

Beaumont, Texas *Synthetic rubber, hydrocarbon resins*

Carson, California *Airship operations*

Danville, Virginia *Tires*

Decatur, Alabama *Textiles*

Fayetteville, North Carolina *Tires*

Freeport, Illinois *Tires*

Gadsden, Alabama *Tires*

Green, Ohio *Technical center*

Hannibal, Missouri *Hose products*

Houston, Texas *Synthetic rubber*

Kingman, Arizona *Aero retread facility*

Lawton, Oklahoma *Tires*

Lincoln, Nebraska *Power transmission belts, hose products, technical center*

Marysville, Ohio *Conveyor belts, technical center, sheet rubber*

Mount Pleasant, Iowa *Hose products*

Niagara Falls, New York *Chemicals*

Norfolk, Nebraska *Hose products*

Pompano Beach, Florida *Airship operations*

Radford, Virginia *Tread rubber*

St. Marys, Ohio *Molded rubber products, military track, rubber track, technical center*

San Angelo, Texas *Tire proving grounds*

Social Circle, Georgia *Tread rubber*

Spartanburg, South Carolina *Tread rubber*

Spring Hope, North Carolina *Conveyor belts*

Statesville, North Carolina *Tire molds*

Sun Prairie, Wisconsin *Hose products*

Tonawanda, New York *Tires*

Topeka, Kansas *Tires*

Tyler, Texas *Tires*

Union City, Tennessee *Tires*

Utica, New York *Textiles*

West Amherst, New York *Goodyear Dunlop Tires North America headquarters*

Canada

Bowmanville, Ontario *Conveyor belts*

Collingwood, Ontario *Hose products*

Granby, Quebec *Hose products*

Medicine Hat, Alberta *Tires*

Napanee, Ontario *Tires*

Owen Sound, Ontario *Power transmission belts*

Quebec City, Quebec *Molded rubber products*

Valleyfield, Quebec *Tires*

Mexico

Chihuahua *Molded rubber products, power transmission belts*

San Luis Potosi *Air springs, hose products*

Delicias *Hose products*

EUROPE

Belgium

Brussels *Goodyear Dunlop Tires Europe headquarters; European Union Tire headquarters; Eastern Europe, Africa & Middle East Tire headquarters*

France

Amiens *Tires*

Mireval *Tire proving grounds*

Montlucon *Tires, air springs*

Germany

Fulda *Tires*

Fuerstenwalde *Tires*

Hanau *Tires*

Philippsburg *Tires*

Riesa *Tires*

Wittlich *Tires, tire proving grounds*

Luxembourg

Colmar-Berg *Tires, textiles, steel tire cord, tire molds, technical center, tire proving grounds*

Netherlands

Tilburg *Aero retread facility*

Poland

Debica *Tires, tubes*

Slovenia

Kranj *Tires, power transmission belts, air springs, hose products*

Turkey

Adapazari *Tires*

Izmit *Tires*

United Kingdom

Birmingham *Racing tires*

Washington *Tires*

Wolverhampton *Tires*



LATIN AMERICA

Brazil

Americana *Tires, textile preparation, films, tire proving grounds*

Osasco *Hose products*

Santa Barbara *Tread rubber*

Sao Paulo *Tires, tire molds, conveyor belts, power transmission belts, hose products, aero retread facility*

Sertaozinho *Air springs*

Chile

Santiago *Tires, batteries, conveyor belts, hose products, power transmission belts*

Colombia

Cali *Tires*

Peru

Lima *Tires*

Venezuela

Tinaquillo *Hose products, power transmission belts*

Valencia *Tires*

AFRICA

Morocco

Casablanca *Tires*

South Africa

Uitenhage *Tires, conveyor belts, power transmission belts*

United Arab Emirates

Dubai *Regional tire sales and distribution*

ASIA

China

Dalian *Tires*

Qingdao *Hose products*

India

Aurangabad *Tires*

Ballabgarh *Tires*

Indonesia

Aek Tarum Estate *Rubber plantation operations*

Bogor *Tires*

Dolok Merangir Estate *Rubber plantation operations*

Japan

Tatsuno *Tires*

Malaysia

Kuala Lumpur *Tires*

New Zealand

Upper Hutt *Tires**

Philippines

Las Pinas *Tires*

Singapore

Singapore *Natural rubber purchasing, testing and research laboratory*

Taiwan

Taipei *Tires*

Thailand

Bangkok *Tires, Aero retread facility*

AUSTRALIA

Bayswater *Conveyor belts*

Somerton *Tires**

* 50-50 Joint Ventures



Shareholder Information

CORPORATE OFFICES

The Goodyear Tire & Rubber Company
1144 East Market Street
Akron, Ohio 44316-0001
(330) 796-2121
www.goodyear.com

GOODYEAR COMMON STOCK

The principal market for Goodyear common stock is the New York Stock Exchange (symbol GT).

On May 10, 2004, there were 28,443 shareholders of record of Goodyear common stock. The closing price of Goodyear common stock on the NYSE composite transactions tape on May 10, 2004, was \$8.00. Certain of its loan agreements prohibit Goodyear from paying dividends on its common stock.

ANNUAL MEETING

9 a.m., Wednesday, June 30, 2004, at the Corporate Offices.

SHAREHOLDER INQUIRIES

Transfer Agent and Registrar:
EquiServe Trust Company, N.A.
P.O. Box 43069
Providence, RI 02940-2500
(800) 317-4445
www.equiserve.com

Inquiries concerning the issuance or transfer of stock certificates or share account information should be directed to EquiServe Trust Company, N.A. Provide Social Security number, account number and Goodyear's ID number, 5721.

Hearing-impaired shareholders can communicate directly with EquiServe via a TDD by calling (201) 222-4955. Other shareholder inquiries should be directed to:
Investor Relations,
Dept. 635
The Goodyear Tire & Rubber Company
1144 East Market Street
Akron, Ohio 44316-0001
(330) 796-3751
E-mail: goodyear.investor.relations@goodyear.com

PUBLICATIONS

The Company's Form 10-K Annual Report to the Securities and Exchange Commission for 2003 is available in May. The Form 10-Q Quarterly Reports to the Securities and Exchange Commission during 2004 will be available in June, August and November.

Copies of any of the above or the Company's Proxy Statement may be obtained without charge by writing:
Investor Relations, Dept. 635
The Goodyear Tire & Rubber Company
1144 East Market Street
Akron, Ohio 44316-0001
or by calling our Financial Report Distribution Center at (515) 263-6408

CASSETTE RECORDING

An audiocassette recording of the 2003 Annual Report is available for visually impaired shareholders by contacting Goodyear Investor Relations at (330) 796-3751.

DIRECTSERVICE™ INVESTMENT PROGRAM

EquiServe Trust Company, N.A. sponsors and administers a DirectSERVICE Investment Program for current shareholders and new investors in Goodyear common stock. A brochure explaining the program may be obtained by contacting:
The DirectSERVICE Investment Program — (800) 317-4445
For Goodyear Shareholders
EquiServe Trust Company, N.A.
P. O. Box 43081
Providence, RI 02940-3081
(800) 317-4445

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
BP Tower
200 Public Square, 27th Floor
Cleveland, Ohio 44114-2301

ENVIRONMENTAL REPORT

A report pertaining to Goodyear's environmental policies and activities may be obtained by contacting Goodyear Corporate Environmental Engineering at (330) 796-7377.





WWW.GOODYEAR.COM