



News Release

Corporate Headquarters: 1144 East Market Street, Akron, Ohio 44316-0001

Media Website: www.GoodyearNewsRoom.com

| | |
|------------------------------|--|
| MEDIA CONTACT: | Tricia Ingraham 330-796-8517 |
| ANALYST CONTACT: | Greg Dooley 330-796-6704 |
| FOR IMMEDIATE RELEASE | |

#23331fi.806

Goodyear Sets Sales Record in Second Quarter, First Half

- **Sales reach \$5.1 billion in quarter, \$10 billion for first half**
- **Four tire business units set sales records**
- **Segment operating income of \$267 million, net income \$2 million**

AKRON, Ohio, August 4, 2006 – The Goodyear Tire & Rubber Company today reported second quarter sales of \$5.1 billion, a record for any quarter and an increase of 3 percent compared to the 2005 period. Excluding the impact of businesses divested in 2005, sales increased 5 percent compared to the prior-year quarter.

The sales growth reflects improved pricing and product mix driven by demand for the company's branded tires in the consumer replacement markets, and the favorable impact of currency translation. Revenue per tire increased 7 percent compared to the second quarter of 2005.

Four of the company's six businesses achieved higher segment operating income compared to the second quarter of 2005, with three setting records. Total segment operating income was \$267 million, compared to \$316 million in the 2005 period. Divestitures in 2005 reduced second quarter 2006 segment operating income by \$14 million.

Second quarter net income was \$2 million (1 cent per share), which included \$63 million (36 cents per share) in after-tax rationalization and accelerated depreciation costs primarily related to plant closings. Second quarter 2005 net income was \$69 million (34 cents per share). All per share amounts are diluted. See the table at the end of this release for a list of significant items that impacted the second quarters of 2006 and 2005.

The 2006 quarter was also impacted by higher raw material costs of \$210 million, an increase of 16 percent compared to the 2005 quarter, and weak tire industry demand, particularly in North America.

(more)

Tire unit volume in the second quarter of 2006 was 54 million units, compared to 56.4 million units in the 2005 period, reflecting primarily weakness in the North American consumer replacement market.

“Results remained strong in four of our businesses, and while we are making good progress in reducing our global cost structure against our previously announced plan of \$750 million to \$1 billion by 2008, we know more needs to be done,” said Robert J. Keegan, Goodyear chairman and chief executive officer. “We have raised the bar to more than \$1 billion and will continue to intensify our initiatives to reduce our costs.”

Keegan continued: “Our strategy to focus on high-value-added products and key market segments resulted in market share gains for our Goodyear and Dunlop brands during the quarter. However, we were not able to offset the impact of weakness in the lower-value segments of the North American consumer replacement tire market.”

In the second quarter, Goodyear closed a tire plant in the United Kingdom, announced the proposed closure of a tire plant in New Zealand and took cost reduction actions in Europe and North America. The company reduced selling, administrative and general expenses by 7 percent compared to the second quarter of 2005.

Keegan said the company’s plans announced during the second quarter to exit segments of the private label tire business in North America and expand its network of commercial truck service centers at Pilot Travel Center locations represent positive business model changes for Goodyear in North America.

Business Segments

Total segment operating income for the second quarter was \$267 million compared to \$316 million in the 2005 period. Sales improved in all five of the company’s tire businesses compared to the year-ago quarter, while the Asia Pacific, Latin American and Eastern Europe, Middle East and Africa tire businesses achieved records in segment operating income. Divestitures in 2005 reduced current-period segment operating income by \$14 million.

See the note at the end of this release for further explanation and a reconciliation table.

| North American Tire (in millions) | Second Quarter | | Six Months | |
|---|-----------------------|-------------|-------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Tire Units | 23.3 | 25.3 | 46.9 | 50.6 |
| Sales | \$2,340 | \$2,296 | \$4,579 | \$4,434 |
| Segment Operating Income | 6 | 55 | 49 | 66 |
| Segment Operating Margin | 0.3% | 2.4% | 1.1% | 1.5% |

(more)

North American Tire sales reached a second quarter record, up 2 percent compared to the 2005 period. The increase was driven by improved pricing and product mix, and higher sales in chemical and other tire related businesses, offset by decreased volume in the lower-value segment of the consumer replacement market.

Second quarter segment operating income decreased compared to the 2005 period due to lower volume, including costs related to reduced production, and increases in energy and labor costs. In addition, price and product mix improvements of \$91 million were not enough to offset raw material cost increases of approximately \$98 million. The business also benefited from lower SAG costs.

Divestitures in 2005 reduced second quarter 2006 sales by approximately \$72 million, unfavorably impacted segment operating income by \$14 million, and reduced volume by 300,000 units.

| European Union Tire (in millions) | Second Quarter | | Six Months | |
|---|-----------------------|-------------|-------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Tire Units | 15.7 | 15.9 | 31.3 | 31.9 |
| Sales | \$1,250 | \$1,178 | \$2,384 | \$2,376 |
| Segment Operating Income | 58 | 85 | 130 | 192 |
| Segment Operating Margin | 4.6% | 7.2% | 5.5% | 8.1% |

European Union Tire sales were a record for any quarter and increased 6 percent over the 2005 period as a result of improved price and product mix and a favorable impact from currency translation of approximately \$28 million. Share gains in the consumer replacement market were offset by lower volume in the consumer original equipment market.

Segment operating income decreased 32 percent versus a very strong 2005 quarter due to higher raw material costs of approximately \$48 million; an approximately \$20 million increase in manufacturing costs related to higher energy costs and lower production levels; and lower unit volume; offset somewhat by price improvements and reduced SAG expense.

| Eastern Europe, Middle East and Africa Tire (in millions) | Second Quarter | | Six Months | |
|---|-----------------------|-------------|-------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Tire Units | 5.0 | 4.7 | 9.7 | 9.5 |
| Sales | \$384 | \$342 | \$723 | \$682 |
| Segment Operating Income | 59 | 49 | 102 | 96 |
| Segment Operating Margin | 15.4% | 14.3% | 14.1% | 14.1% |

(more)

Eastern Europe, Middle East and Africa Tire sales were a second quarter record and up 12 percent compared to the 2005 period. The increase resulted from improved volume, pricing to offset raw material cost increases, and product mix related to growth in high performance, winter and premium branded tires. The impact of currency translation was favorable, estimated at \$3 million.

Segment operating income improved 20 percent, reaching a second-quarter record due to improved pricing and product mix and higher volume. Higher raw material costs of approximately \$14 million had a negative impact on income, as did higher manufacturing costs.

| Latin American Tire (in millions) | Second Quarter | | Six Months | |
|---|-----------------------|-------------|-------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Tire Units | 5.0 | 5.4 | 10.4 | 10.4 |
| Sales | \$387 | \$381 | \$783 | \$729 |
| Segment Operating Income | 83 | 77 | 185 | 164 |
| Segment Operating Margin | 21.4% | 20.2% | 23.6% | 22.5% |

Latin American Tire sales increased 2 percent from the second quarter of 2005 due to the favorable impact of currency translation, estimated at \$15 million, partially offset by lower volume.

Segment operating income was a second quarter record, and an 8 percent increase from 2005 due to improved pricing and product mix, and approximately \$11 million in favorable currency translation. Higher raw material costs of approximately \$19 million and lower volume, partially offset by cost reductions, had a negative impact on segment operating income.

| Asia Pacific Tire (in millions) | Second Quarter | | Six Months | |
|---|-----------------------|-------------|-------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Tire Units | 5.0 | 5.1 | 9.7 | 9.9 |
| Sales | \$377 | \$368 | \$730 | \$709 |
| Segment Operating Income | 28 | 20 | 50 | 39 |
| Segment Operating Margin | 7.4% | 5.4% | 6.8% | 5.5% |

Asia Pacific Tire sales were a record for any quarter and 2 percent higher than the 2005 period due primarily to favorable price and product mix, and strong growth in China and India.

Segment operating income increased 40 percent in the 2006 quarter, reaching a record for any quarter primarily due to improved pricing and product mix of \$27 million, which more than offset raw material cost increases of approximately \$21 million. The business also benefited from lower manufacturing costs during the quarter.

(more)

| Engineered Products (in millions) | Second Quarter | | Six Months | |
|---|-----------------------|-------------|-------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Sales | \$404 | \$427 | \$799 | \$829 |
| Segment Operating Income | 33 | 30 | 62 | 51 |
| Segment Operating Margin | 8.2% | 7.0% | 7.8% | 6.2% |

Engineered Products' sales in the second quarter of 2006 decreased 5 percent compared to the 2005 period as a result of lower volume due to anticipated declines in military sales. This was partially offset by stronger sales in the industrial hose and conveyor belt businesses as well as price and product mix improvements. Currency translation had a favorable impact of approximately \$6 million in the 2006 quarter.

Segment operating income increased 10 percent due primarily to improved pricing. The business also reduced its SAG costs during the quarter. Higher raw material costs of approximately \$11 million had a negative effect on segment operating income.

Year-to-Date Results

Sales for the first six months of 2006 were a record \$10 billion, an increase of 2 percent from \$9.8 billion in the 2005 period. Excluding the \$151 million impact of businesses divested in 2005, first half sales increased 4 percent compared to the prior-year period.

Tire unit volume was 108 million, a decrease of 4 percent compared to 112.3 million units a year ago. The 2005 figure included approximately 600,000 units from divested businesses.

Net income for the first six months of 2006 was \$76 million (40 cents per share) compared to \$137 million (69 cents per share) during the year-ago period. Divestitures in 2005 reduced first-half 2006 segment operating income by \$25 million.

Total segment operating income was \$578 million in the first half of 2006, a decrease of 5 percent from \$608 million in the first six months of 2005.

First-half 2006 raw material costs increased approximately \$389 million, or 15 percent, compared to the year-ago period.

Conference Call

Goodyear will hold an investor conference call at 9 a.m. EDT today. Prior to the commencement of the call, the company will post the financial and other statistical information that will be presented on its investor relations Web site: investor.goodyear.com.

(more)

Participating in the conference call with Keegan will be Richard J. Kramer, executive vice president and chief financial officer, and Darren R. Wells, senior vice president, business development and treasurer.

Shareholders, members of the media and other interested persons may access the conference call on the Web site or via telephone by calling (706) 634-5954 before 8:55 a.m. A taped replay of the conference call will be available at 3 p.m. today by calling (706) 634-4556. The call replay will also remain available on the Web site.

Goodyear is one of the world's largest tire companies. The company manufactures tires, engineered rubber products and chemicals in more than 100 facilities in 29 countries around the world. Goodyear employs about 80,000 people worldwide.

Certain information contained in this press release may constitute forward-looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements. There are a variety of factors, many of which are beyond the company's control, which affect its operations, performance, business strategy and results and could cause its actual results and experience to differ materially from the expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to, actions and initiatives taken by both current and potential competitors, increases in the prices paid for raw materials and energy, the company's ability to realize anticipated savings and operational benefits from its cost reduction initiatives, potential adverse consequences of litigation involving the company, pension plan funding obligations, the company's collective bargaining negotiations with the United Steelworkers as well as the effects of more general factors such as changes in general market or economic conditions or in legislation, regulation or public policy. Additional factors are discussed in the company's filings with the Securities and Exchange Commission, including the company's annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. In addition, any forward-looking statements represent our estimates only as of today and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change.

(financial statements follow)

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statement of Income (Loss)

(unaudited)

(In millions, except per share)

| | Second Quarter Ended June 30 | | Six Months Ended June 30 | |
|---|---------------------------------|----------------------|-----------------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Net Sales | \$5,142 | \$4,992 | \$9,998 | \$9,759 |
| Cost of Goods Sold | 4,250 | 3,945 | 8,149 | 7,764 |
| Selling, Administrative and General Expense | 693 | 746 | 1,371 | 1,432 |
| Rationalizations | 34 | (5) | 75 | (13) |
| Interest Expense | 104 | 101 | 207 | 203 |
| Other (Income) and Expense | (4) | 18 | (32) | 30 |
| Minority Interest in Net Income of Subsidiaries | <u>11</u> | <u>33</u> | <u>23</u> | <u>54</u> |
| Income before Income Taxes | 54 | 154 | 205 | 289 |
| United States and Foreign Taxes on Income | <u>52</u> | <u>85</u> | <u>129</u> | <u>152</u> |
| Net Income | <u>\$ 2</u> | <u>\$ 69</u> | <u>\$ 76</u> | <u>\$ 137</u> |
| Net Income Per Share of Common Stock – Basic | <u>\$0.01</u> | <u>\$0.39</u> | <u>\$0.43</u> | <u>\$0.78</u> |
| Average Shares Outstanding | 177 | 176 | 177 | 176 |
| Net Income Per Share of Common Stock – Diluted | <u>\$0.01</u> | <u>\$0.34</u> | <u>\$0.40</u> | <u>\$0.69</u> |
| Average Shares Outstanding | 177 | 208 | 206 | 208 |

(more)

The Goodyear Tire & Rubber Company and Subsidiaries Consolidated Balance Sheets

(unaudited)

(In millions)

| | June 30 2006 | Dec. 31 2005 |
|--|------------------------|------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 1,564 | \$2,162 |
| Restricted Cash | 224 | 241 |
| Accounts and Notes Receivable, less allowance - \$115 (\$130 in 2005) | 3,466 | 3,158 |
| Inventories | 3,355 | 2,862 |
| Prepaid Expenses and Other Current Assets | 272 | 245 |
| Total Current Assets | 8,881 | 8,668 |
| Goodwill | 680 | 637 |
| Intangible Assets | 166 | 159 |
| Deferred Income Taxes | 104 | 102 |
| Deferred Pension Costs and Other Assets | 858 | 860 |
| Properties and Plants, less Accumulated Depreciation - \$8,089 (\$7,729 in 2005) | 5,232 | 5,179 |
| Total Assets | <u>\$15,921</u> | <u>\$15,605</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts Payable - Trade | \$ 2,065 | \$1,939 |
| Compensation and Benefits | 1,756 | 1,773 |
| Other Current Liabilities | 694 | 671 |
| United States and Foreign Taxes | 403 | 393 |
| Notes Payable and Overdrafts | 225 | 217 |
| Long Term Debt and Capital Leases due within One Year | 560 | 448 |
| Total Current Liabilities | 5,703 | 5,441 |
| Long Term Debt and Capital Leases | 4,522 | 4,742 |
| Compensation and Benefits | 3,936 | 3,828 |
| Deferred and Other Noncurrent Income Taxes | 312 | 304 |
| Other Long Term Liabilities | 395 | 426 |
| Minority Equity in Subsidiaries | 831 | 791 |
| Total Liabilities | 15,669 | 15,532 |
| Commitments and Contingent Liabilities | | |
| Shareholders' Equity | | |
| Preferred Stock, no par value: | | |
| Authorized 50 shares, unissued | -- | -- |
| Common Stock, no par value: | | |
| Authorized 450 shares (300 in 2005), Outstanding Shares – 177 (177 in 2005) after Deducting 19 Treasury Shares (19 in 2005) | 177 | 177 |
| Capital Surplus | 1,412 | 1,398 |
| Retained Earnings | 1,374 | 1,298 |
| Accumulated Other Comprehensive Loss | (2,741) | (2,800) |
| Total Shareholders' Equity | 222 | 73 |
| Total Liabilities and Shareholders' Equity | <u>\$15,921</u> | <u>\$15,605</u> |

(more)

Non-GAAP Financial Measures

This earnings release presents total segment operating income and net debt, each of which are important financial measures for the company but are not financial measures defined by GAAP.

Total segment operating income is the sum of the individual strategic business unit's segment operating income as determined in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." 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. See the table below for the reconciliation of total segment operating income.

Net debt is total debt (the sum of long term debt and capital leases, notes payable and overdrafts, and long-term debt and capital leases due within one year) minus cash and cash equivalents. Management believes net debt is an important measure of liquidity, which it uses as a tool to assess the company's capital structure and measure its ability to meet its future debt obligations. Cash and cash equivalents are subtracted from the GAAP measure because they could be used to reduce our debt obligations. See the table below for the reconciliation of net debt.

Total Segment Operating Income Reconciliation Table

| (In millions) | (unaudited) | | | |
|---|---------------------------------|---------------------|-----------------------------|----------------------|
| | Second Quarter Ended June 30 | | Six Months Ended June 30 | |
| | 2006 | 2005 | 2006 | 2005 |
| Total Segment Operating Income | \$267 | \$316 | \$578 | \$608 |
| Rationalizations and Asset Sales | (34) | 5 | (73) | 26 |
| Accelerated depreciation charges | (45) | - | (47) | (1) |
| Interest Expense | (104) | (101) | (207) | (203) |
| Foreign Currency Exchange | 3 | (5) | 2 | (11) |
| Minority Interest in Net Income of Subsidiaries | (11) | (33) | (23) | (54) |
| Financing Fees and Financial Instruments | (10) | (63) | (20) | (89) |
| General and Product Liability - Discontinued Products | (4) | 8 | (9) | (4) |
| Recovery for Insurance Fire Loss Deductibles | - | 12 | - | 14 |
| Latin American legal matter | - | - | 15 | - |
| Environmental Insurance Settlement | - | 19 | - | 20 |
| Interest Income | 16 | 13 | 36 | 27 |
| Intercompany Profit Elimination | (9) | 4 | (22) | (5) |
| Other | (15) | (21) | (25) | (39) |
| Income before Income Taxes | 54 | 154 | 205 | 289 |
| United States and Foreign Taxes on Income | (52) | (85) | (129) | (152) |
| Net Income | <u>\$ 2</u> | <u>\$ 69</u> | <u>\$ 76</u> | <u>\$ 137</u> |

Net Debt Reconciliation Table

| (In millions) | (unaudited) | | |
|---|------------------------|------------------------|------------------------|
| | June 30 2006 | March 31 2006 | Dec. 31 2005 |
| Long Term Debt and Capital Leases | 4,522 | 4,466 | 4,742 |
| Notes Payable and Overdrafts | 225 | 224 | 217 |
| Long Term Debt and Capital Leases Due Within One Year | 560 | 568 | 448 |
| Total debt | 5,307 | 5,258 | 5,407 |
| Less: Cash and Cash Equivalents | <u>\$ 1,564</u> | <u>\$ 1,589</u> | <u>\$ 2,162</u> |
| Net Debt | <u>\$ 3,743</u> | <u>\$ 3,669</u> | <u>\$ 3,245</u> |
| Change in Net Debt compared to Dec 31, 2005 | <u>\$498</u> | | |
| Change in Net Debt compared to March 31, 2006 | <u>\$ 74</u> | | |

(more)

Second Quarter Significant Items (after tax)

2006

- Accelerated depreciation charges, \$33 million (19 cents per share)
- Rationalization charges, \$30 million (17 cents per share)

2005

- Financing fees expense of \$47 million (23 cents per share)
- Expense related to prior periods, \$8 million (4 cents per share)
- Payment related to settlement of prior-years tax liabilities, \$7 million (3 cents per share)
- Favorable environmental insurance settlement, \$19 million (9 cents per share)
- Gain for general and product liability – discontinued products, \$8 million (4 cents per share)
- Fire loss recoveries, gain of \$6 million (2 cents per share)
- Net rationalization reversals, gain of \$5 million (2 cents per share)