



**GOODYEAR**

**2007 Third Quarter Conference Call**

**October 30, 2007**

# Forward-Looking Statements



**Certain information contained in this presentation may constitute forward-looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. 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 assumptions, 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, including those expected to be achieved under the company's master labor contract with the United Steelworkers (USW) and those related to the closure of certain of the company's manufacturing facilities; whether or not the various contingencies and requirements are met for the establishment of the Voluntary Employees' Beneficiary Association (VEBA) to provide healthcare benefits for current and future USW retirees; potential adverse consequences of litigation involving the company; pension plan funding obligations; 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.**

# Agenda



- **Third Quarter Highlights**
- **Strategy Update**
- **Third Quarter Financial Results**
- **Outlook**
- **Q&A**

# Third Quarter Highlights



- Record third quarter sales of \$5.1 billion, up 3%
- Revenue per tire grew 7% year-over-year
- Gross margin increased to 20%
- Segment operating income up 35% year-over-year, achieving a return on sales of 7.5%
- Double digit segment operating income growth in all business units
- Highest quarterly segment operating income in North America since 2001
- Strong performance in emerging markets businesses
- Further progress against 4 Point Cost Savings Plan
- Completed sale of Engineered Products business, raising \$1.4 billion
- Key leadership appointments

# Business Platforms



- **Strong top-line growth capability**
- **Step change improvement in cost structure**
- **Stronger balance sheet**
- **Focus on core businesses**
- **Focus on speed**

# Top-Line Growth

## New Product Success



- **North America**

- Introduced Goodyear Eagle F1 Asymmetric, an ultra-high performance tire
- Introduced Dunlop SP Sport Maxx GT
- Introduced Dunlop Direzza Sport Z1

- **Europe**

- Recognition in German winter tire tests
  - Goodyear UltraGrip+ received top ranking
  - Goodyear Eagle Vector+ also rated as one of the best winter tires
- Recognition in the UK motoring press
  - Goodyear Eagle F1 Asymmetric was the winner in a comparison of nine brands (*EVO* magazine)
  - Goodyear Eagle F1 Asymmetric declared 'Best Tyre' (*Autocar* magazine)

# Top-Line Growth

## Investment Plans



- **Align global manufacturing capacity with demand trends**
- **Focus investment plans on high-return projects**
- **Expand HVA capacity by 40% by 2012**
- **Expand low-cost capacity to 50% of total capacity by 2012**
  - **Increase existing low-cost capacity by 33%**
  - **Evaluating potential new plants in Eastern Europe and Asia**

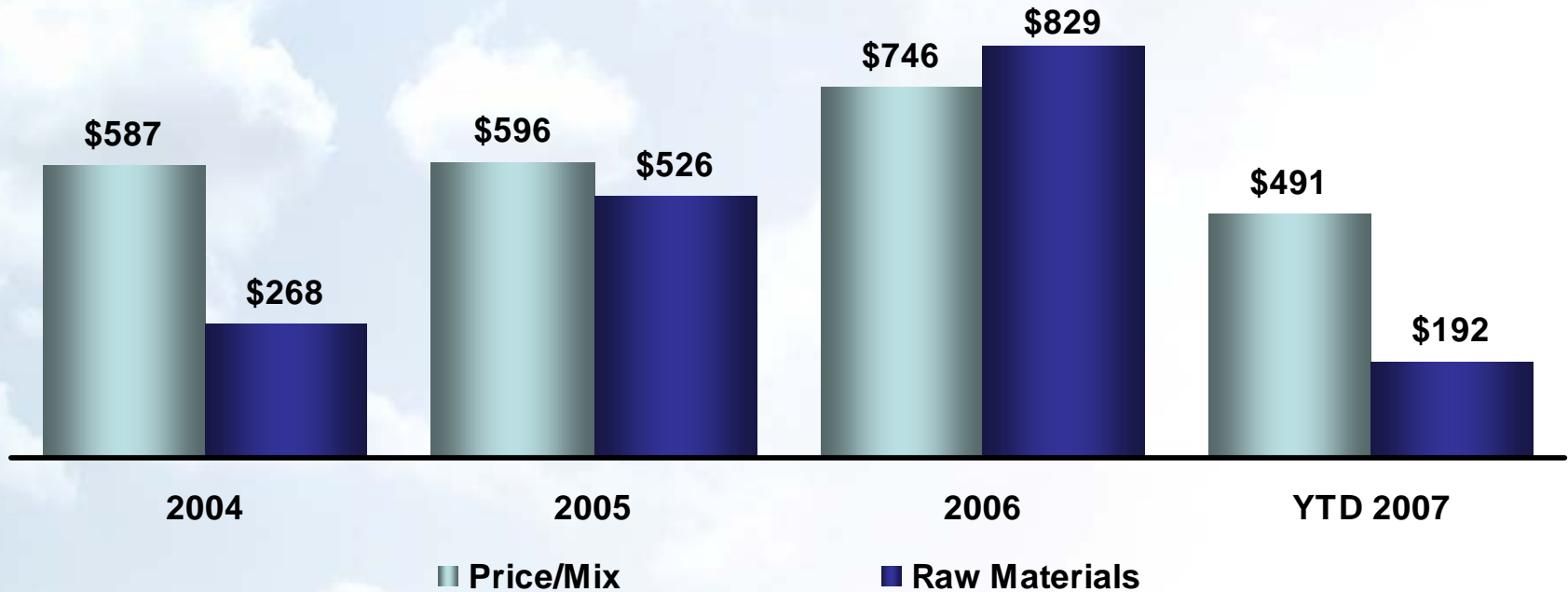
# Top-Line Growth

## Price/Mix Improvements



### Price/Mix vs. Raw Materials

(\$ in millions)



Note: Reflects tire businesses only  
Reflects impact on Segment Operating Income

# Cost Savings

## Savings on Track



### 4-Point Cost Savings Plan

#### Continuous Improvement / USW savings

- USW Contract Savings (\$250 million by 2009)
- Business Process Improvements (Productivity, Six Sigma, Lean Manufacturing)
- Product Reformulation
- Safety

Savings by 2009: \$1.25 – \$1.4 billion  
Progress to Date: More than \$575 million

#### Reduce Footprint

- Global high cost footprint strategy
  - Target more than 25 million unit footprint reduction
  - \$150 – \$250 million cash cost

Savings by 2009: More than \$150 million  
Announced to Date: \$135 million, 21M units  
Progress to Date: \$50 million

#### Asian / Low-Cost Country Sourcing

- Raw Materials
- Low Cost Tires
- Capital Equipment
- Indirect Purchases

Savings by 2009: \$200 – \$300 million  
Progress to Date: \$75 million  
Note: Excludes cash savings related to capital expenditures

#### Selling, Administrative & General

- Back-office Consolidation
- Legal Entity Reduction
- Headcount Rationalization
- Warehouse Consolidation

Savings by 2009: \$200 – \$250 million  
Progress to Date: More than \$175 million

**Targeting \$1.8 – \$2.0 billion in gross cost savings over 4 years;  
Savings nearly \$900 million after 7 quarters**

# Stronger Balance Sheet

## Debt Repayment Plan



- \$175 million of 8.625% notes
  - \$140 million of 9.00% notes
- } \$315 million  
"claw-back"
- Repay \$300 million 3<sup>rd</sup> Lien Term Loan
  - Call \$650 million secured notes
  - \$100 million 6 3/8% notes mature
- |           |
|-----------|
| Completed |
| Completed |
| Completed |
| Q1 2008   |
| Q1 2008   |

Remain focused on further de-leveraging

# Stronger Balance Sheet

## VEBA Update



- **Settlement agreement was filed in Federal Court on October 29<sup>th</sup>**
- **Anticipate having the process completed during the first half of 2008**
- **Delay impacts near-term cost savings**
- **Confident in ability to achieve full annual run-rate savings of \$110 million once process is complete**



## Non-Core Businesses Exited 2004-2007

- Engineered Products Division
- North American Farm Tire
- Certain segments of private label tire business
- Tire fabric business
- Rubber plantation
- Adhesive resins business

**Evaluating remaining non-core businesses**

# Focus on Speed

## Accelerating the Pace of Change



## 2007 Actions to Date

- Eliminated tire production at Valleyfield
- Closed unprofitable operations in Morocco
- Signed new 5-year agreement with NASCAR
- Launched impactful and innovative new products
- New “Get There” advertising campaign
- Additional new product / technology launches
- Goodyear brand share above pre-strike levels
- Repaid borrowings under revolving credit lines
- Announced restructuring of salaried benefit plans
- Announced and closed credit facilities refinancing
- Raised \$833 million in equity offering
- Redeemed \$315 million of long-term debt
- Repaid \$300 million 3<sup>rd</sup> Lien Term Loan
- Completed sale of Engineered Products business, raising \$1.4 billion
- VEBA process underway
- Strengthened the leadership team with key additions
- Moved forward with investments in HVA and low-cost capacity

# Addressing Challenges



## Challenges

## Responses

**Competitive industry**

- Innovative new product engine
- Focus on building brand portfolio, advantaged supply chain, marketing capabilities and cost actions

**Raw material costs**

- Driving price and product mix improvements
- Increasing ability to substitute materials

**Uncertain global economy**

- Reducing fixed cost structure
- Improving capital structure

**HVA capacity constraints**

- Accelerating investment in HVA capacity
- Driving supply chain improvements

**Higher capex plans**

- Cost reduction actions
- Working capital improvements

# Next Stage Metrics



	Next Stage Metrics
<b>North American Segment Operating Margin</b>	<b>5%</b>
<b>Total Segment Operating Margin</b>	<b>8%</b>
<b>Debt<sup>(a)</sup></b>	<b>2.5x EBITDA</b>

(a) EBITDA is calculated in accordance with the definition of Consolidated EBITDA in our principal credit facilities and differs from Covenant EBITDA, which is calculated in accordance with our credit facilities amended and restated in April 2007

# Third Quarter Performance



## Total Company

(In millions, except Margin and EPS)

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Units	51.7	55.8	-7%
Net Sales	\$5,064	\$4,913	3%
Gross Margin	20.0%	17.4%	2.6 pts
Segment Operating Income <sup>(a)</sup>	\$382	\$282	35%
Segment Operating Margin <sup>(a)</sup>	7.5%	5.7%	1.8 pts
Income (Loss) from Continuing Operations	\$159	(\$76)	
Net Income (Loss)	\$668	(\$48)	
Income (Loss) per Share from Continuing Operations - Diluted	\$0.67	(\$0.43)	
Net Income (Loss) per Share - Diluted	\$2.75	(\$0.27)	

# Third Quarter Segment Operating Income



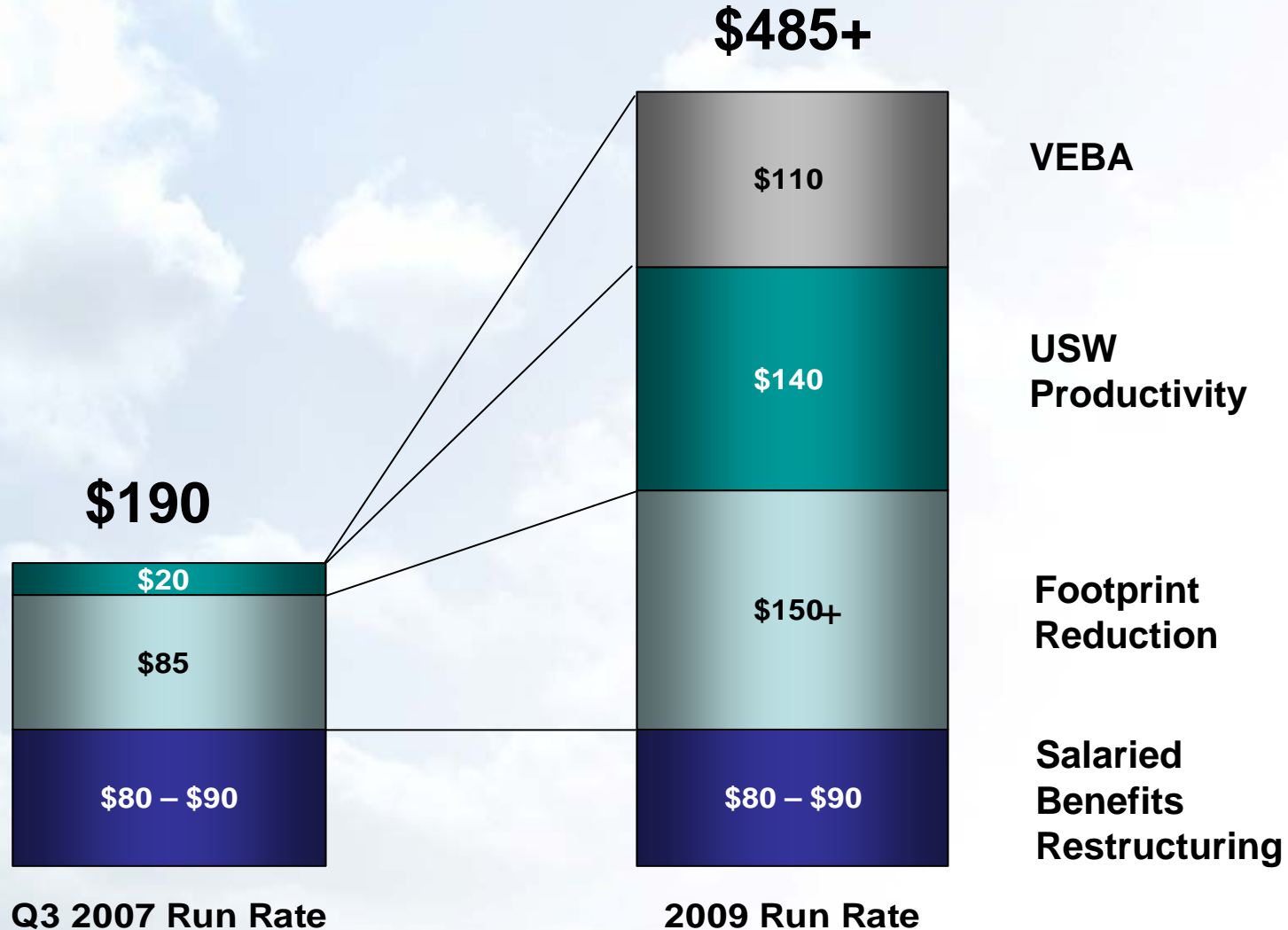
(a) Excludes raw material savings reflected in Price/Mix net of raw material costs

# Structural Cost Savings

## Q3 2007 Run Rate vs. 2009 Run Rate



(\$ in millions)



# Balance Sheet



(\$ in millions)

	<b>September 30, 2007</b>	<b>December 31, 2006</b>	<b>September 30, 2006</b>
Cash and cash equivalents	\$2,933	\$3,862	\$1,286
Accounts and notes receivable	3,804	2,800	3,634
Inventories	3,096	2,601	3,028
Accounts payable - trade	<u>(2,252)</u>	<u>(1,945)</u>	<u>(1,999)</u>
Working capital <sup>(a)</sup>	\$4,648	\$3,456	\$4,663
Total debt	\$5,057	\$7,210	\$5,401
Net Debt <sup>(b)</sup>	\$2,124	\$3,348	\$4,115

Note: Reflects continuing operations only; Engineered Products Division is classified as discontinued operations for all periods presented

a) Working capital represents accounts and notes receivable and inventories, less accounts payable - trade

b) Net Debt reconciliation in Appendix on page 7

# Nine Months 2007 Cash Flow



(\$ in millions)

	<u>2007</u>	<u>2006</u>
Income (Loss) from Continuing Operations	\$78	(\$63)
Depreciation and amortization <sup>(a)</sup>	492	485
Working capital <sup>(b)</sup>	(952)	(844)
Pension contributions	(509)	(435)
Compensation and benefits	290	310
Insurance recoveries <sup>(c)</sup>	7	43
Other	(99)	14
Cash Flows from Continuing Operations <sup>(d)</sup>	<u>(\$693)</u>	<u>(\$490)</u>
Discontinued Operations	13	77
Cash Flows from Operations	<u>(\$680)</u>	<u>(\$413)</u>
Memo:		
Capital Expenditures	\$450	\$415

a) Includes amortization of debt issuance costs

b) Working capital represents accounts and notes receivable and inventories, less accounts payable - trade

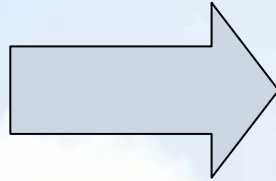
c) In 2007, received total of \$10 million from third party insurance providers, of which \$3 million is shown in cash flows from investing

d) Cash flows from operations reconciliation in Appendix on page 8

# Near-Term Cash Deployment

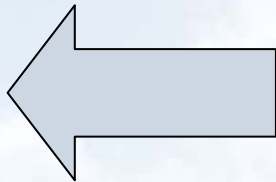


**Available  
Cash**

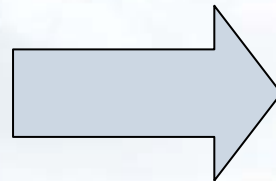


- \$1.0 billion VEBA funding
- \$650 million senior secured notes
- \$100 million maturity

**Operating  
Cash Flow**



- Improving operating income
- Lower pension/OPEB funding
- Lower interest expense
- Intense focus on working capital



- High return capex
- Potential future de-leveraging

# Cost Savings

## Savings on Track



### 4-Point Cost Savings Plan

#### Continuous Improvement / USW savings

- USW Contract Savings (\$250 million by 2009)
- Business Process Improvements (Productivity, Six Sigma, Lean Manufacturing)
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Savings by 2009: \$1.25 – \$1.4 billion  
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**Targeting \$1.8 – \$2.0 billion in gross cost savings over 4 years;  
Savings nearly \$900 million after 7 quarters**

# Third Quarter Performance



## North American Tire

(In millions)

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Units	20.7	23.5	-12%
Net Sales	\$2,285	\$2,432	-6%
Segment Operating Income	\$66	\$19	247%

- **Highest quarterly segment operating income since 2001**
- **Solid results despite continuing weak industry**
- **Lower units due to private label exit / weak industry**
- **Goodyear brand continues to gain share**
- **Price/mix improvements more than offset raw material cost increases**
- **Conversion cost favorable but progress slowed by transitional manufacturing inefficiencies**

# Third Quarter Performance



## European Union Tire

*(In millions)*

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Units	15.5	16.5	-6%
Net Sales	\$1,380	\$1,263	9%
Segment Operating Income	\$90	\$81	11%

- **Record sales and Q3 segment operating income**
- **Commercial markets remain strong; leveraging NA capacity**
- **Consumer replacement market remains soft**
- **Price/mix improvements more than offset raw material cost increases**
- **Favorable currency translation**
- **Robust demand for HVA products; supply constraints**

# Third Quarter Performance



## Eastern Europe, Middle East and Africa Tire

*(In millions)*

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Units	5.2	5.6	-7%
Net Sales	\$484	\$430	13%
Segment Operating Income	\$86	\$77	12%

- **Record sales and segment operating income**
- **Price/mix improvements more than offset raw material cost increases**
- **Strong growth in Russia and Turkey**
- **Robust demand for HVA products; supply constraints**
- **South Africa strike impact**

# Third Quarter Performance



## Latin American Tire

*(In millions)*

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Units	5.5	5.3	4%
Net Sales	\$491	\$408	20%
Segment Operating Income	\$99	\$77	29%

- **Record sales and Q3 segment operating income**
- **Strength in OE markets continues**
- **Replacement markets improved due to stronger economies**
- **Favorable currency translation**
- **Price/mix improvements more than offset raw material cost increases**
- **Robust demand for HVA products; supply constraints**

# Third Quarter Performance



## Asia Pacific Tire

*(In millions)*

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Units	4.8	4.9	-2%
Net Sales	\$424	\$380	12%
Segment Operating Income	\$41	\$28	46%

- **Record sales and segment operating income**
- **China and India remain strong**
- **Focused on HVA products in Australia market**
- **Supply constraints due to fire in Thailand plant during Q1; resumed production during Q3**

# Outlook



2007 Industry Outlook		Original Equipment		Replacement	
		Consumer	Commercial	Consumer	Commercial
North America:	Full Year	(4)%	(30)%	2%	(5)%
European Union:	Full Year	1% - 2%	20%	(2)% - (1)%	2% - 3%

- **Full Year 2007**

- Raw material costs expected to increase 4 – 6%
- Interest expense of \$460 – \$480 million
- Capital expenditures of \$750 – \$800 million
- Tax expense about 30% of international segment operating income

# Summary



- **Outstanding performance in Q3**
- **Strengthened Leadership Team**
- **Focus on Business Platforms to drive profitable growth**
- **VEBA court approval process continues; confident in ability to achieve full run-rate USW contract savings**
- **Continue to execute against 4 Point Cost Savings Plan**
- **Robust demand for HVA products; supply constraints**
- **Supply constraints underscore need for investments**



# Appendix

# 7 Strategic Drivers



**Leadership**

**Lower Cost Structure**

**Cash is King**

**Leveraged Distribution**

**Build Brand Strength**

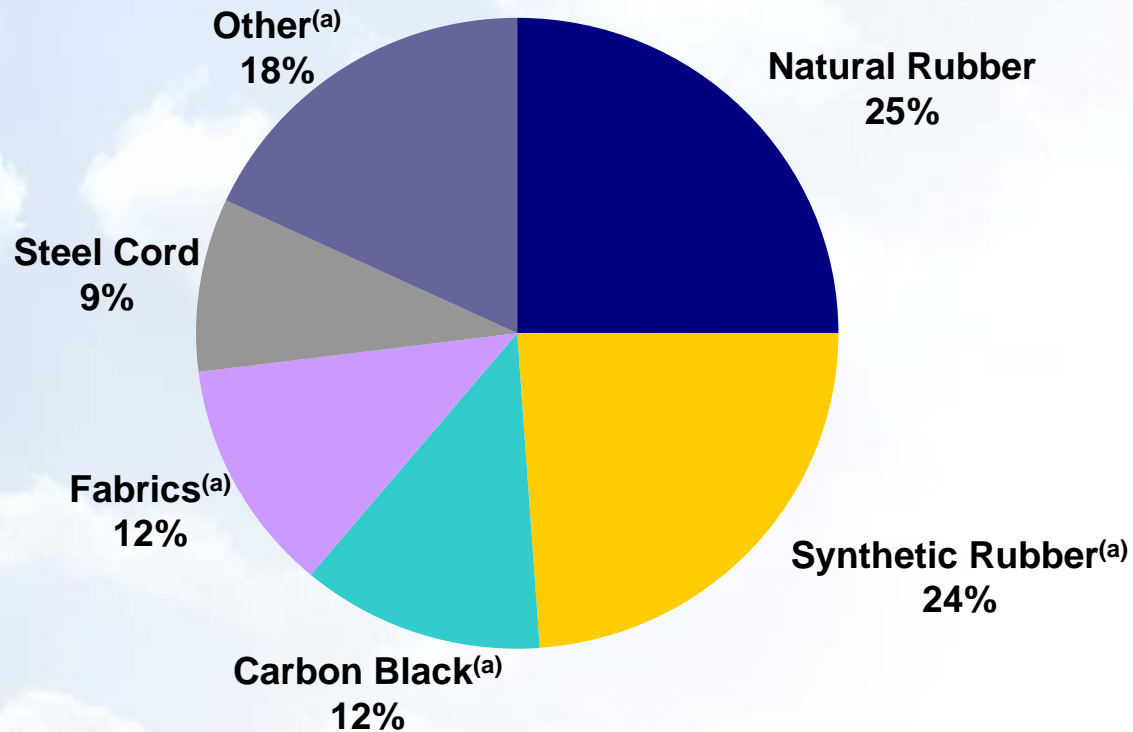
**Product Leadership**

**Advantaged Supply Chain**

# Raw Material Cost



Raw material cost breakdown



Note: As of FY 2006  
(a) Dependent upon oil

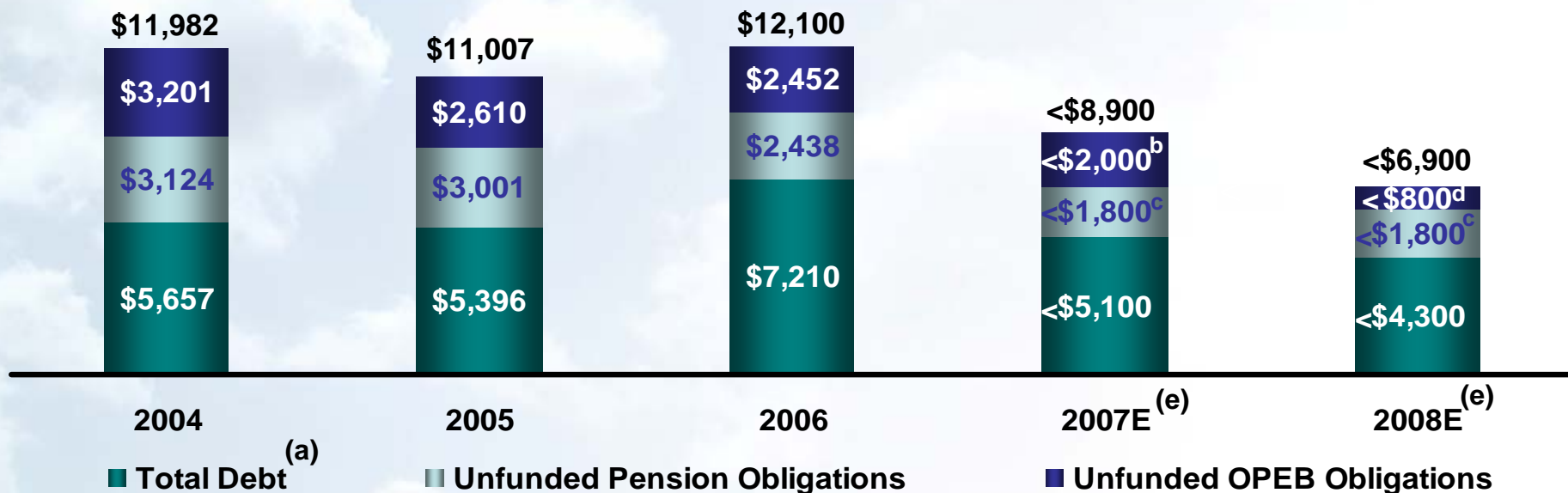
Raw materials make up about 35% of COGS

# Stronger Balance Sheet

## Debt and Legacy Obligations Addressed



(\$ in millions)



- (a) Historical Total Debt reconciliation in Appendix on page 7
- (b) Assumes US discount rate of 6%
- (c) Assumes US discount rate of 6% and asset return of 8.5%
- (d) Assumes VEBA approval process is completed and all appeals are exhausted
- (e) Total Debt pro-forma for announced debt repayments

# Legacy Costs and Interest Expense



(\$ in millions)

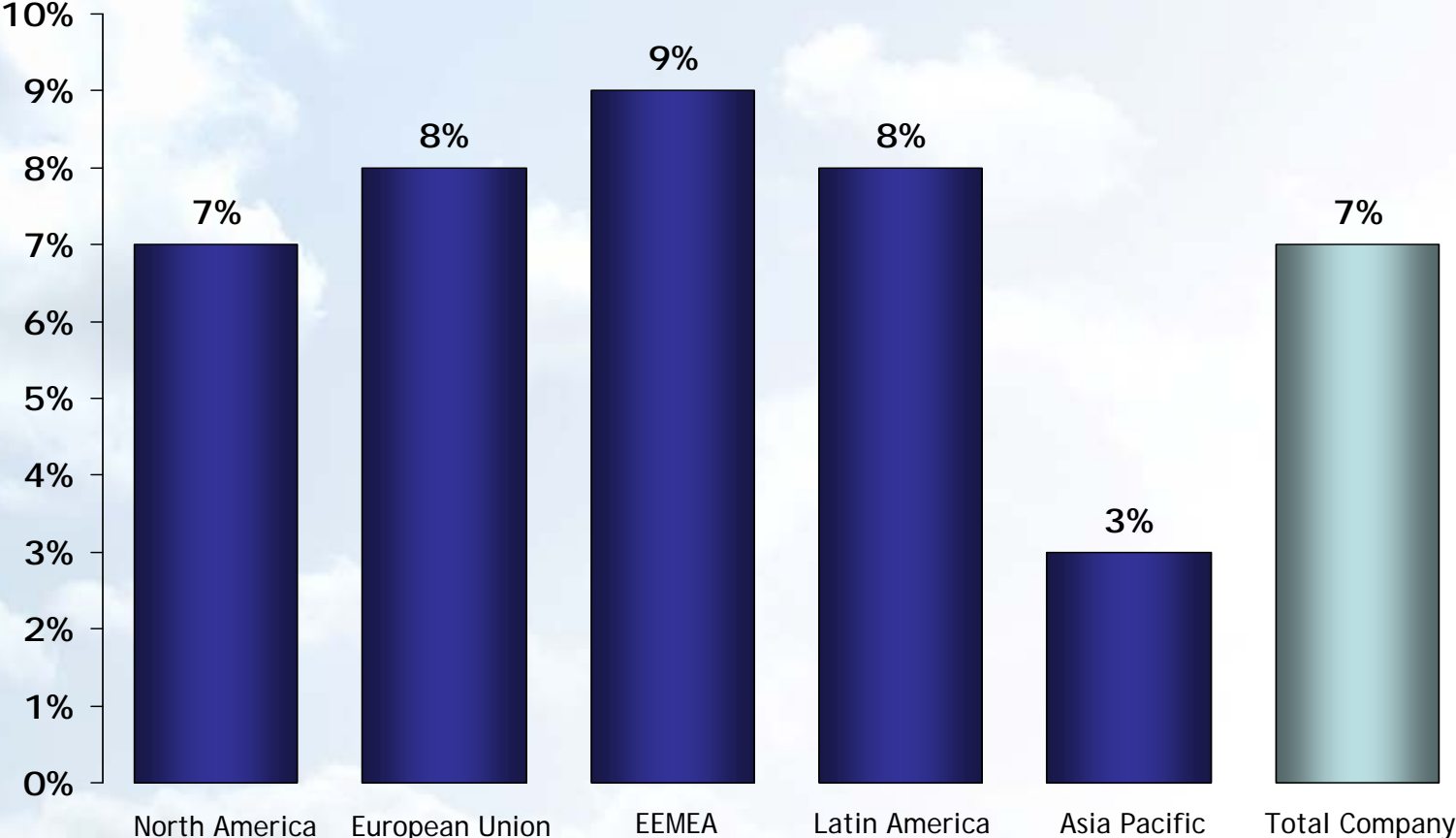
	2004	2005	2006	2007E	2008E (Excludes VEBA Savings)
U.S. pension contributions	\$157	\$407	\$556	\$500 – \$525	\$200 – \$225
.....					
Pension expense (global)	\$344	\$358	\$388	< \$300	< \$250
.....					
Post-retirement benefit payments	\$257	\$259	\$254	About \$265	< \$250 <sup>(a)</sup>
.....					
Post-retirement benefit expense	\$288	\$220	\$205	Around \$130	< \$125 <sup>(a)</sup>
.....					
Interest Expense	\$368	\$408	\$447	\$460 – \$480	Approx. \$60mm savings from debt repayment

(a) Post-retirement benefit and expense payments will be further reduced once VEBA is funded

# Third Quarter 2007 Revenue Per Tire Increase



(Y-o-Y, excluding impact of exchange)



**Driven by price/mix improvement**

# Reconciliation for Segment Operating Income / Margin



(\$ in millions)

	<b>Third Quarter</b>	
	<b>2007</b>	<b>2006</b>
Total Segment Operating Income	\$382	\$282
Rationalizations	(2)	(137)
Accelerated depreciation, asset impairment and asset write-offs	(6)	(7)
Interest expense	(106)	(105)
Minority interest in net income of subsidiaries	(14)	(19)
Corporate incentive and stock based compensation plans	(22)	(12)
Intercompany profit elimination	-	(1)
Retained net expenses of discontinued operations	(1)	(13)
Other (Income) Expense less equity in earnings of affiliates	32	3
Other	(9)	(8)
Income (Loss) from continuing operations before income taxes	\$254	(\$17)
United States and foreign taxes	(95)	(59)
Discontinued operations	509	28
Net Income (Loss)	\$668	(\$48)
Net Income (Loss)	\$668	(\$48)
Sales	\$5,064	\$4,913
Return on Sales	13.2%	-1.0%
Total Segment Operating Margin	7.5%	5.7%

# Reconciliation for Net Debt



(\$ in millions)

	<u>September 30, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2006</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Long term debt and capital leases	\$4,675	\$6,562	\$4,629	\$4,741	\$4,442
Notes payable	219	243	243	207	205
Long term debt and capital leases due within one year	<u>163</u>	<u>405</u>	<u>529</u>	<u>448</u>	<u>1,010</u>
Total debt	\$5,057	\$7,210	\$5,401	\$5,396	\$5,657
Less: Cash and cash equivalents	<u>2,933</u>	<u>3,862</u>	<u>1,286</u>	<u>2,138</u>	<u>1,935</u>
Net Debt	<u>\$2,124</u>	<u>\$3,348</u>	<u>\$4,115</u>	<u>\$3,258</u>	<u>\$3,722</u>
Change in Net Debt vs December 31, 2006	(\$1,224)				
Change in Net Debt vs September 30, 2006	(\$1,991)				

Note: Reflects continuing operations only; Engineered Products Division is classified as discontinued operations for all periods presented

# Reconciliation for Cash Flow



(\$ in millions)	Nine Months Ended	
	September 30, 2007	2006
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$550	\$28
Less: Discontinued operations	472	91
<b>Income (Loss) from Continuing Operations</b>	<b>\$78</b>	<b>(\$63)</b>
Adjustments to reconcile (loss) income from continuing operations to cash flows from operating activities:		
Depreciation and amortization	453	471
Amortization and write-off of debt issuance costs	39	14
Deferred tax provision	26	(22)
Net rationalization charges	24	210
Net gains on asset sales	(29)	(2)
Fire loss expense	11	-
Minority interest and equity earnings	51	41
Pension contributions	(509)	(435)
Rationalization payments	(62)	(68)
Insurance recoveries	7	43
Changes in operating assets and liabilities net of asset acquisitions and dispositions:		
Accounts and notes receivable	(827)	(623)
Inventories	(360)	(376)
Accounts payable - trade	235	155
Compensation and benefits	290	310
Other current liabilities	(60)	(78)
Other long-term liabilities	(25)	(3)
Other assets and liabilities	(35)	(64)
<b>Total Operating Cash Flows From Continuing Operations</b>	<b>(693)</b>	<b>(490)</b>
Discontinued operations	13	77
<b>Total Cash Flows From Operating Activities</b>	<b>(\$680)</b>	<b>(\$413)</b>

# Third Quarter Significant Items Impacting Continuing Operations (after tax)



- **2007**
  - Rationalization and accelerated depreciation costs, \$6 million (2 cents per share)
  - Reduced value of deferred tax assets, primarily due to tax rate reduction in Germany, \$12 million (5 cents per share)
  - Gain on asset sales, \$10 million (4 cents per share)
- **2006**
  - Rationalization and accelerated depreciation costs, \$132 million (75 cents per share)



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