

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report
(Date of earliest
event reported): July 19, 2005

Bandag, Incorporated
(Exact name of registrant as specified in its charter)

Iowa
(State or other
jurisdiction of
incorporation)

1-7007
(Commission File
Number)

42-0802143
(IRS Employer
Identification No.)

2905 North Highway 61, Muscatine, Iowa 52761-5886
(Address of principal executive offices, including zip code)

(563) 262-1400
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 19, 2005, Bandag, Incorporated issued a press release announcing its quarterly financial results for the reporting period ended June 30, 2005. A copy of the press release is being furnished as Exhibit 99 to this Current Report on Form 8-K and is incorporated into this Form 8-K by reference.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

Not applicable.

(b) Pro Forma Financial Information.

Not applicable.

(c) Exhibits. The following exhibit is being furnished herewith:

99 Press Release of Bandag, Incorporated, dated July 19, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BANDAG, INCORPORATED
(Registrant)

By: /s/Warren W. Heidbreder
Warren W. Heidbreder

Vice President, Chief Financial Officer

Date: July 19, 2005

BANDAG, INCORPORATED

Exhibit Index to Current Report on Form 8-K

Exhibit
Number

99 Press Release of Bandag, Incorporated, dated July 19, 2005.



NO DETOURS.™

Exhibit 99

NEWS RELEASE

FOR IMMEDIATE RELEASE

DATE: July 19, 2005

CONTACT: Warren W. Heidbreder

PHONE: 563-262-1260

URL: www.bandag.com

BANDAG, INCORPORATED REPORTS 2ND QUARTER EPS OF \$0.65

Bandag, Inc. (NYSE: BDG and BDGA)

Flash Results

(Numbers in Millions, Except Per Share Data)

	Q2 2005	Q2 2004	6 Mos. 2005	6 Mos. 2004
Net sales	\$227.3	\$213.2	\$417.0	\$389.9
Net earnings	\$12.7	\$11.9	\$18.7	\$15.9
Diluted earnings per share	\$0.65	\$0.60	\$0.95	\$0.81
Shares outstanding – diluted	19.7	19.7	19.7	19.7

MUSCATINE, IOWA, July 19, 2005 – Bandag, Incorporated (NYSE:BDG and BDGA) today reported consolidated net earnings of \$12.7 million, or \$0.65 per diluted share, for second quarter 2005. This compares to second quarter 2004 consolidated net earnings of \$11.9 million, or \$0.60 per diluted share. Consolidated net earnings for second quarter 2004 included favorable tax adjustments of \$1.0 million, or \$0.05 per diluted share, resulting primarily from the reassessment of certain tax matters. Consolidated net sales for second quarter 2005 were \$227.3 million, an increase of seven percent, compared to consolidated net sales of \$213.2 million in second quarter 2004. Net sales were positively impacted by approximately \$4.9 million due to the effect of translating foreign currency denominated net sales into U.S. dollars.

For the first six months of 2005, Bandag reported consolidated net earnings of \$18.7 million, or \$0.95 per diluted share, compared to consolidated net earnings of \$15.9 million, or \$0.81 per diluted share, in the same period of 2004. Consolidated net sales for the first six months of 2005 were \$417.0 million, an increase of seven percent from consolidated net sales of \$389.9 million in the first six months of 2004.

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BANDAG, Incorporated

2905 N. Hwy. 61, Muscatine, IA 52761-5886

Tel 563.262.1400 – URL www.bandag.com

In announcing second quarter 2005 results, Martin G. Carver, Chairman of the Board and Chief Executive Officer of Bandag, said, "Reflecting the benefits of increased transportation activity, North American net sales and unit volume were up over the 2004 period. These favorable transportation business conditions also were evident in the quarter's strong performance at Speedco and Tire Distribution Systems, Inc. (TDS)."

Financial Highlights

- Factors that affected consolidated net sales for second quarter 2005 were:
 - Speedco sales increased by \$6.2 million compared to the prior year period, primarily due to the June 2004 acquisition of six licensed locations which were owned and operated by PM Express, Inc. Net sales were also positively impacted by an increase in volume at existing locations, the addition of three new facilities and the expansion of tire lanes at nine existing locations.
 - TDS sales declined \$8.0 million from the prior year period, reflecting the divestitures during 2004. The divested locations had net sales of approximately \$17.0 million in the second quarter of 2004. TDS net sales were positively impacted by an increase in service revenue and new tire sales.
 - North America business unit volume increased five percent and net sales increased eight percent as compared to second quarter 2004. Net sales were positively impacted by price increases in December 2004 and May 2005.
 - European business unit volume decreased ten percent while net sales increased nine percent. Net sales were positively impacted by a September 2004 price increase and by approximately \$1.0 million due to the effect of translating foreign currency denominated net sales into U.S. dollars.
 - International business unit volume decreased two percent while net sales increased twenty-five percent. Net sales were positively impacted by price increases and by approximately \$2.8 million due to the effect of translating foreign currency denominated net sales into U.S. dollars.
- Second quarter 2005 consolidated gross margin declined by one percentage point. Speedco's gross margin declined 4.2 percentage points, primarily due to the start-up of new stores and the addition of tire lanes to existing stores. TDS' gross margin increased 0.5 percentage points. Traditional business gross margin declined 2.1 percentage points, primarily due to lower than anticipated gross margin on fleet contract business.
- Consolidated operating and other expenses for second quarter 2005 were \$0.8 million higher than the prior year period.
- Interest income increased \$1.2 million, primarily due to an increase in cash and interest rates.
- The effective tax rate increased to 35.1% from 30.7% in the prior year period. The lower effective tax rate in 2004 was largely attributable to a \$1.0 million favorable tax adjustment in second quarter 2004.
- Capital expenditures were \$26.2 million through June 30, 2005, compared to \$12.9 million for the same period last year. The increase in capital expenditures is primarily due to expenditures made by Speedco for new facilities and expansions of tire lanes at existing facilities.

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Outlook

Commenting on the sales outlook for second half of 2005, Mr. Carver said, "Continued high equipment utilization in the trucking sector, improving fundamentals at TDS and the ongoing expansion of Speedco should bode well for Bandag. Nevertheless, we continue to carefully monitor the impact of higher oil prices on both transportation industry fuel costs and our own raw material costs for the remainder of the year."

Bandag, Incorporated manufactures retreading materials and equipment for its worldwide network of approximately 1,000 franchised dealers that produce and market retread tires and provide tire management services. Bandag's traditional business serves end-users through a wide variety of products offered by dealers, ranging from tire retreading and repairing to tire management systems outsourcing for commercial truck fleets. TDS sells and services new and retread tires. In addition, Bandag has an 87.5% interest in Speedco, Inc., a provider of on-highway truck lubrication and routine tire services to commercial truck owner-operators and fleets.

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Bandag, Incorporated
Unaudited Financial Highlights
(In thousands, except per share data)

<u>Consolidated Statements of Earnings</u>	<u>Second Quarter</u> <u>Ended June 30,</u>		<u>Six Months</u> <u>Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Income				
Net sales	\$ 227,261	\$ 213,180	\$ 417,017	\$ 389,861
Other	1,087	1,419	3,148	2,646
	<u>228,348</u>	<u>214,599</u>	<u>420,165</u>	<u>392,507</u>
Costs and expenses				
Cost of products sold	147,558	136,128	273,304	251,284
Operating & other expenses	62,284	61,534	119,680	118,354
	<u>209,842</u>	<u>197,662</u>	<u>392,984</u>	<u>369,638</u>
Income from operations	18,506	16,937	27,181	22,869
Interest income	2,159	992	3,972	2,042
Interest expense	(629)	(557)	(1,085)	(1,119)
Earnings before income taxes and minority interest	<u>20,036</u>	<u>17,372</u>	<u>30,068</u>	<u>23,792</u>
Income taxes	7,029	5,341	11,222	7,684
Minority interest	268	137	145	195
Net earnings	<u>\$ 12,739</u>	<u>\$ 11,894</u>	<u>\$ 18,701</u>	<u>\$ 15,913</u>
Earnings per share				
Basic	\$ 0.66	\$ 0.62	\$ 0.96	\$ 0.83
Diluted	\$ 0.65	\$ 0.60	\$ 0.95	\$ 0.81
Weighted average shares outstanding				
Basic	19,426	19,299	19,409	19,275
Diluted	19,714	19,688	19,710	19,672

<u>Segment Information</u>	<u>Second Quarter</u> <u>Ended June 30,</u>		<u>Six Months</u> <u>Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net Sales				
North America	\$ 110,432	\$ 102,634	\$ 201,702	\$ 188,003
Europe	21,379	19,574	40,768	40,770
International	31,952	25,648	60,821	48,091
TDS	42,921	50,937	75,598	91,876
Speedco	20,577	14,387	38,128	21,121
Total net sales	<u>\$ 227,261</u>	<u>\$ 213,180</u>	<u>\$ 417,017</u>	<u>\$ 389,861</u>
Segment Operating Profit (Loss)				
North America	\$ 14,974	\$ 16,176	\$ 23,579	\$ 21,630
Europe	273	(1,664)	1,194	26
International	3,445	2,874	6,884	5,913
TDS	2,670	(34)	1,573	(2,875)
Speedco	838	1,754	1,637	2,657
Corporate expenses & other	(3,694)	(2,169)	(7,686)	(4,482)
Net interest income	1,530	435	2,887	923
Earnings before income taxes and minority interest	<u>\$ 20,036</u>	<u>\$ 17,372</u>	<u>\$ 30,068</u>	<u>\$ 23,792</u>

Note: Certain prior year amounts have been reclassified to conform with the current year presentation.

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Bandag, Incorporated
Unaudited Financial Highlights
(In thousands)

<u>Condensed Consolidated Balance Sheets</u>	June 30, <u>2005</u>	Dec. 31, <u>2004</u>
Assets:		
Cash and cash equivalents	\$ 65,875	\$ 66,646
Investments	123,165	136,115
Accounts receivable - net	156,373	157,809
Inventories	79,708	69,892
Other current assets	<u>55,102</u>	<u>55,793</u>
Total current assets	480,223	486,255
Property, plant, and equipment - net	184,935	170,018
Other assets	<u>74,359</u>	<u>74,454</u>
Total assets	<u>\$ 739,517</u>	<u>\$ 730,727</u>
Liabilities & shareholders' equity:		
Accounts payable	\$ 43,528	\$ 33,138
Income taxes payable	3,883	2,995
Accrued liabilities	89,613	104,580
Short-term notes payable and current portion of other obligations	<u>17,856</u>	<u>17,845</u>
Total current liabilities	154,880	158,558
Long-term debt and other obligations	31,943	29,963
Deferred income tax liabilities	8,174	7,502
Minority interest	2,429	2,417
Shareholders' equity		
Common stock	19,555	19,452
Additional paid-in capital	34,095	28,839
Retained earnings	516,846	513,152
Accumulated other comprehensive loss	<u>(28,405)</u>	<u>(29,156)</u>
Total shareholders' equity	542,091	532,287
Total liabilities & shareholders' equity	<u>\$ 739,517</u>	<u>\$ 730,727</u>

<u>Condensed Consolidated Statements of Cash Flows</u>	Six Months Ended June 30,	
	<u>2005</u>	<u>2004</u>
Operating Activities		
Net earnings	\$ 18,701	\$ 15,913
Provision for depreciation	12,737	11,238
(Increase) decrease in operating assets and liabilities - net	<u>(6,577)</u>	<u>9,506</u>
Net cash provided by operating activities	24,861	36,657
Investing Activities		
Additions to property, plant and equipment	(26,243)	(12,857)
Sales of investments - net	12,950	31,670
Payments for acquisitions of businesses	-	(71,868)
Proceeds from divestiture of businesses	<u>2,251</u>	<u>882</u>
Net cash used in investing activities	(11,042)	(52,173)
Financing Activities		
Principal payments on short-term notes payable and other long-term liabilities	(1,886)	(760)
Cash dividends	(12,873)	(12,567)
Purchases of common stock	(2,281)	(2,348)
Stock options exercised	<u>1,387</u>	<u>1,891</u>
Net cash used in financing activities	(15,653)	(13,784)
Effect of exchange rate changes on cash and cash equivalents	<u>1,063</u>	<u>(1,234)</u>
Decrease in cash and cash equivalents	(771)	(30,534)
Cash and cash equivalents at beginning of year	66,646	100,326
Cash and cash equivalents at end of period	<u>\$ 65,875</u>	<u>\$ 69,792</u>

Note: Certain prior year amounts have been reclassified to conform with the current year presentation.

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