

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): October 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 October 19, 2005, Bandag, Incorporated issued a press release announcing its quarterly financial results for the reporting period ended September 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 October 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: October 19, 2005

BANDAG, INCORPORATED

Exhibit Index to Current Report on Form 8-K

Exhibit
Number

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



NO DETOURS.™

Exhibit 99

NEWS RELEASE

FOR IMMEDIATE RELEASE

DATE: October 19, 2005

CONTACT: Warren W. Heidbreder

PHONE: 563-262-1260

URL: www.bandag.com

BANDAG, INCORPORATED REPORTS 3rd QUARTER EPS OF \$0.95

Bandag, Inc. (NYSE: BDG and BDGA)

Flash Results

(Numbers in Millions, Except Per Share Data)

| | Q3 2005 | Q3 2004 | 9 Mos. 2005 | 9 Mos. 2004 |
|----------------------------|---------|---------|-------------|-------------|
| Net sales | \$245.3 | \$239.3 | \$662.4 | \$629.2 |
| Net earnings | \$18.7 | \$20.1 | \$37.4 | \$36.0 |
| Diluted earnings per share | \$0.95 | \$1.02 | \$1.90 | \$1.83 |

MUSCATINE, IOWA, October 19, 2005 – Bandag, Incorporated (NYSE:BDG and BDGA) today reported consolidated net earnings of \$18.7 million, or \$0.95 per diluted share, for third quarter 2005, compared to third quarter 2004 consolidated net earnings of \$20.1 million, or \$1.02 per diluted share. Consolidated net sales for third quarter 2005 were \$245.3 million, an increase of 2.5 percent, compared to consolidated net sales of \$239.3 million in third quarter 2004. Net sales in 2005 were positively impacted by approximately \$5.1 million due to the effect of translating foreign currency denominated net sales into U.S. dollars.

For the first nine months of 2005, Bandag reported consolidated net earnings of \$37.4 million, or \$1.90 per diluted share. This compares to consolidated net earnings of \$36.0 million, or \$1.83 per diluted share, in the same period of 2004. Consolidated net sales for the first nine months of 2005 were \$662.4 million, an increase of five percent from consolidated net sales of \$629.2 million in the first nine months of 2004.

In announcing third quarter results, Martin G. Carver, Bandag's Chairman and Chief Executive Officer, said, "While we experienced growth in North American tread volume during the quarter, results from Bandag's European and International businesses declined, primarily due to competitive pressures in individual markets."

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Financial Highlights

- Factors that affected consolidated net sales for third quarter 2005 were:
 - North America business unit volume increased two percent and net sales increased eleven percent as compared to third quarter 2004. Net sales were positively impacted by price increases in December 2004 and May 2005.
 - European business unit volume decreased seven percent and net sales decreased two percent. Net sales were positively impacted by a September 2004 price increase.
 - International business unit volume decreased seventeen percent while net sales increased seven percent. All international operations experienced a decrease in volume except for South Africa and Asia, with Brazil experiencing the largest decrease of approximately thirty percent. Net sales were positively impacted by price increases and by approximately \$3.9 million due to the effect of translating foreign currency denominated net sales into U.S. dollars.
 - Tire Distribution Systems, Inc. (TDS) sales declined \$13.4 million from the prior year period, reflecting the divestitures during 2004. The divested locations had net sales of approximately \$19.2 million in the third quarter of 2004.
 - Speedco sales increased \$5.0 million compared to the prior year period. Net sales were positively impacted by an increase in volume at existing locations, the addition of three facilities and the addition of twenty-seven tire lanes.

- Third quarter 2005 consolidated gross margin declined by 2.1 percentage points. Speedco's gross margin declined 7.2 percentage points, primarily due to expenses associated with the start-up of new stores and the addition of tire lanes to existing stores. TDS' gross margin increased 3.3 percentage points. Traditional business gross margin declined 4.3 percentage points, primarily due to higher raw material costs and a decline in the profitability of fleet contract business.

- Consolidated operating and other expenses for third quarter 2005 were \$0.5 million lower than the prior year period. North American business unit operating and other expenses were negatively impacted by a \$1.6 million impairment charge on fixed assets.

- Interest income increased \$0.8 million, primarily due to an increase in interest rates.

- Capital expenditures were \$39.9 million through September 30, 2005, compared to \$25.4 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.

- Subsequent to the end of the third quarter, the European business unit announced a reduction in workforce and expects to record related charges of approximately \$5.0 million in the fourth quarter of 2005.

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Outlook

Commenting on the outlook for the remainder of the year, Mr. Carver said, "It was an eventful quarter, particularly in North America where two hurricanes raised havoc with critical oil well and oil refining operations that supply materials for production of our tread products. I am quite proud of the Bandag team that quickly took precautions against the potential impact of these storms to assure our tread manufacturing operations an uninterrupted flow of raw materials in the fourth quarter. Nevertheless, the impact of the hurricanes reduces the likelihood that the raw material and energy price volatility will subside anytime soon. While we are cautious about the continuing strength of the global economy, we carefully monitor energy and raw material prices and manage our business to minimize their impact on Bandag's operations around the world."

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> | Third Quarter Ended September 30, | | Nine Months Ended September 30, | |
|--|--------------------------------------|------------|------------------------------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Income | | | | |
| Net sales | \$ 245,345 | \$ 239,311 | \$ 662,362 | \$ 629,172 |
| Other | 1,512 | 2,076 | 4,660 | 4,722 |
| | 246,857 | 241,387 | 667,022 | 633,894 |
| Costs and expenses | | | | |
| Cost of products sold | 155,742 | 146,803 | 429,046 | 398,087 |
| Operating & other expenses | 64,128 | 64,676 | 183,808 | 183,030 |
| | 219,870 | 211,479 | 612,854 | 581,117 |
| Income from operations | 26,987 | 29,908 | 54,168 | 52,777 |
| Interest income | 2,155 | 1,339 | 6,127 | 3,381 |
| Interest expense | (431) | (275) | (1,516) | (1,394) |
| Earnings before income taxes and minority interest | 28,711 | 30,972 | 58,779 | 54,764 |
| Income taxes | 9,738 | 10,757 | 20,960 | 18,441 |
| Minority interest | 249 | 91 | 394 | 286 |
| Net earnings | \$ 18,724 | \$ 20,124 | \$ 37,425 | \$ 36,037 |
| Earnings per share | | | | |
| Basic | \$ 0.96 | \$ 1.04 | \$ 1.93 | \$ 1.87 |
| Diluted | \$ 0.95 | \$ 1.02 | \$ 1.90 | \$ 1.83 |
| Weighted average shares outstanding | | | | |
| Basic | 19,404 | 19,285 | 19,408 | 19,278 |
| Diluted | 19,673 | 19,690 | 19,697 | 19,677 |

| <u>Segment Information</u> | Third Quarter Ended September 30, | | Nine Months Ended September 30, | |
|--|--------------------------------------|------------|------------------------------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net Sales | | | | |
| Traditional Business | | | | |
| North America | \$ 123,534 | \$ 110,835 | \$ 325,236 | \$ 298,838 |
| Europe | 21,409 | 21,751 | 62,177 | 62,521 |
| International | 31,091 | 29,061 | 91,912 | 77,152 |
| TDS | 47,265 | 60,651 | 122,863 | 152,527 |
| Speedco | 22,046 | 17,013 | 60,174 | 38,134 |
| Total net sales | \$ 245,345 | \$ 239,311 | \$ 662,362 | \$ 629,172 |
| Segment Operating Profit (Loss) | | | | |
| Traditional Business | | | | |
| North America | \$ 24,310 | \$ 24,797 | \$ 47,889 | \$ 46,427 |
| Europe | (418) | 307 | 776 | 333 |
| International | 4,103 | 4,796 | 10,987 | 10,709 |
| TDS | 3,341 | 3,563 | 4,914 | 688 |
| Speedco | 96 | 1,979 | 1,733 | 4,636 |
| Corporate expenses & other | (4,445) | (5,534) | (12,131) | (10,016) |
| Net interest income | 1,724 | 1,064 | 4,611 | 1,987 |
| Earnings before income taxes and minority interest | \$ 28,711 | \$ 30,972 | \$ 58,779 | \$ 54,764 |

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> | Sept. 30, <u>2005</u> | Dec. 31, <u>2004</u> |
|---|--------------------------|-------------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 78,660 | \$ 66,646 |
| Investments | 106,100 | 136,115 |
| Accounts receivable - net | 176,937 | 157,809 |
| Inventories | 83,951 | 69,892 |
| Other current assets | <u>53,696</u> | <u>55,793</u> |
| Total current assets | 499,344 | 486,255 |
| Property, plant, and equipment - net | 191,982 | 170,018 |
| Other assets | <u>73,866</u> | <u>74,454</u> |
| Total assets | <u>\$ 765,192</u> | <u>\$ 730,727</u> |
| Liabilities & shareholders' equity: | | |
| Accounts payable | \$ 40,106 | \$ 33,138 |
| Income taxes payable | 12,774 | 2,995 |
| Accrued liabilities | 97,934 | 104,580 |
| Short-term notes payable and current portion of other obligations | <u>17,860</u> | <u>17,845</u> |
| Total current liabilities | 168,674 | 158,558 |
| Long-term debt and other obligations | 32,296 | 29,963 |
| Deferred income tax liabilities | 4,714 | 7,502 |
| Minority interest | 2,597 | 2,417 |
| Shareholders' equity | | |
| Common stock | 19,517 | 19,452 |
| Additional paid-in capital | 36,164 | 28,839 |
| Retained earnings | 526,271 | 513,152 |
| Accumulated other comprehensive loss | <u>(25,041)</u> | <u>(29,156)</u> |
| Total shareholders' equity | <u>556,911</u> | <u>532,287</u> |
| Total liabilities & shareholders' equity | <u>\$ 765,192</u> | <u>\$ 730,727</u> |

| <u>Condensed Consolidated Statements of Cash Flows</u> | Nine Months <u>Ended September 30,</u> | |
|--|---|------------------|
| | <u>2005</u> | <u>2004</u> |
| Operating Activities | | |
| Net earnings | \$ 37,425 | \$ 36,037 |
| Provision for depreciation | 19,160 | 18,198 |
| (Increase) decrease in operating assets and liabilities - net | <u>(15,731)</u> | <u>14,367</u> |
| Net cash provided by operating activities | 40,854 | 68,602 |
| Investing Activities | | |
| Additions to property, plant and equipment | (39,909) | (25,393) |
| Sales (purchases) of investments - net | 30,015 | (28,557) |
| Payments for acquisitions of businesses | - | (72,682) |
| Proceeds from divestiture of businesses | 2,251 | 1,946 |
| Proceeds from sale of tire and wheel assets | <u>-</u> | <u>34,023</u> |
| Net cash used in investing activities | (7,643) | (90,663) |
| Financing Activities | | |
| Principal payments on short-term notes payable and other long-term liabilities | (2,378) | (763) |
| Cash dividends | (19,329) | (18,862) |
| Purchases of common stock | (4,852) | (2,477) |
| Stock options exercised | <u>2,057</u> | <u>2,500</u> |
| Net cash used in financing activities | (24,502) | (19,602) |
| Effect of exchange rate changes on cash and cash equivalents | <u>3,305</u> | <u>46</u> |
| Increase (decrease) in cash and cash equivalents | 12,014 | (41,617) |
| Cash and cash equivalents at beginning of year | <u>66,646</u> | <u>100,326</u> |
| Cash and cash equivalents at end of period | <u>\$ 78,660</u> | <u>\$ 58,709</u> |

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

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