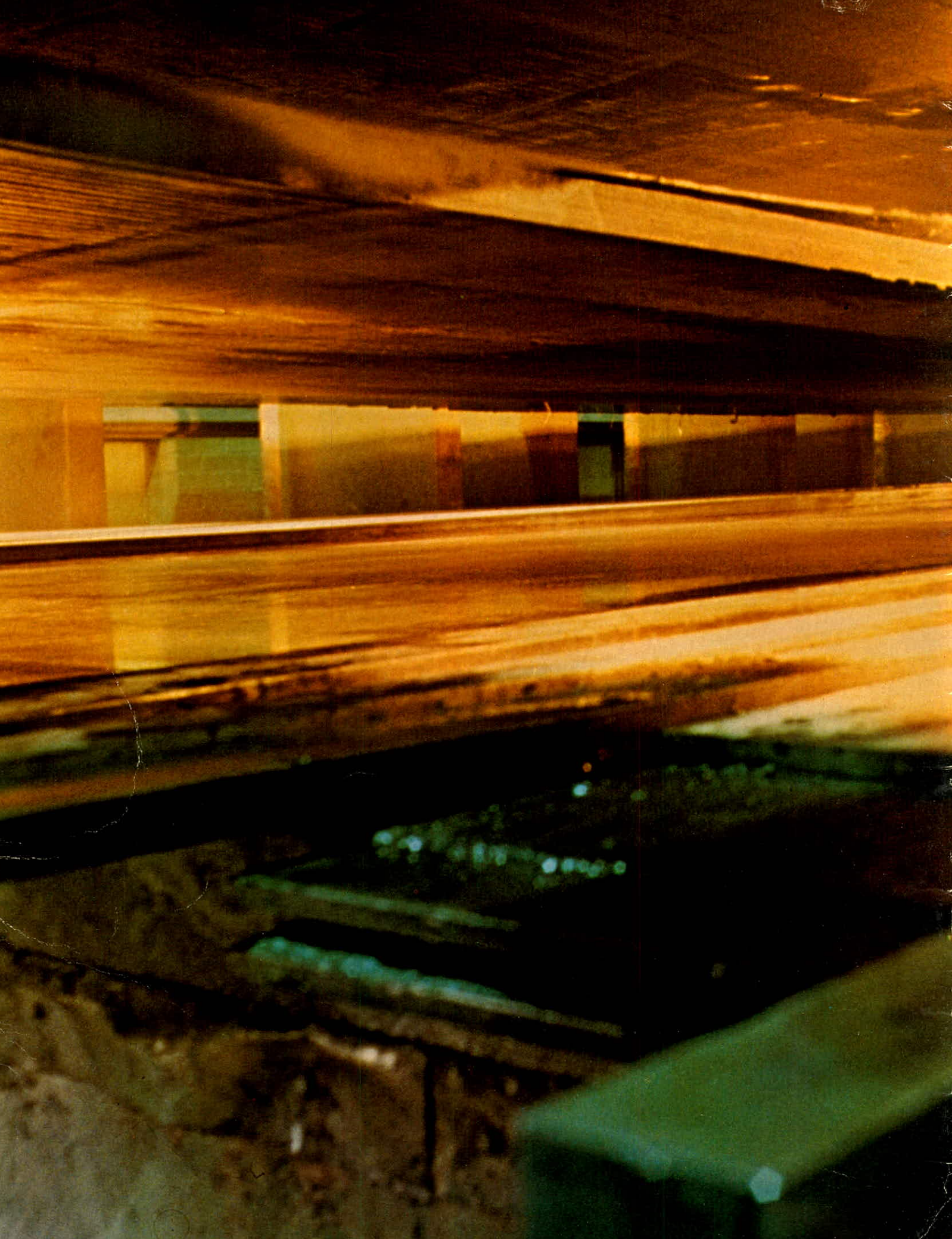


Goodyear Canada Inc.
1979 Annual Report





Goodyear Canada Inc. 1979 Annual Report

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COVER

A mold for Goodyear's Special Sure Grip TD-8 tire is shown on the cover. Lettering on the mold is actually reversed so it will appear as you see it shown on the finished tire.

INSIDE FRONT COVER

A conveyor-belt curing press at Goodyear Canada's plant in Bowmanville, Ontario.

HOWARD ROSS LIBRARY
OF MANAGEMENT

MAR 11 1980



REPORT TO THE SHAREHOLDERS

Sales and income for the year ended December 31, 1979 were the highest in the company's history.

CONSOLIDATED NET SALES of \$492,327,000 compared with \$406,337,000 for 1978. This was an increase of \$85,990,000 or 21.2 per cent.

CONSOLIDATED NET INCOME of \$16,525,000 exceeded the \$12,549,000 earned in 1978 by \$3,976,000 or 31.7 per cent. The 1979 earnings were equivalent to \$6.38 per common share, compared with \$4.83 in the prior year.

FOURTH QUARTER SALES of \$139,677,000 represented an increase of \$14,076,000 or 11.2 per cent over the \$125,601,000 recorded in 1978, and earnings of \$4,222,000 compared with \$6,258,000 in the corresponding period last year, a decrease of \$2,036,000 or 32.5 per cent.

DIVIDENDS paid in 1979 were equivalent to 80 cents per common share, compared with 69 cents and a special tax-deferred dividend of 10 cents in 1978.

Dividends of \$2.00 per share were paid on the four per cent preferred shares.

TAXES AND DUTIES amounted to \$35,054,000 or \$13.63 per common share, as against the \$28,176,000 or \$10.95 per common share paid in the previous year.

TOTAL COMPENSATION to employees, including pension, hospitalization, group insurance and related benefits, was \$146,389,000, up 18.4 per cent from \$123,665,000 in 1978.

CAPITAL EXPENDITURES totalled \$16,892,000 in 1979, compared with \$4,899,000 in 1978.

DEPRECIATION charged against earnings in 1979 was \$10,602,000. Depreciation was \$10,753,000 in 1978.

NEW EXECUTIVES AND DIRECTORS

In February 1979, B. M. Robertson retired from the Board of Directors of Goodyear Canada. He was succeeded by Thomas A. Buell, chairman of the board and chief executive officer of Weldwood Canada Ltd., Vancouver.

In November 1979, J. H. Gerstenmaier resigned from the board and was succeeded by Wendell L. Minor, vice-president of North American Tire Subsidiaries, The Goodyear Tire & Rubber Company, Akron, Ohio.

Early in the year, C. H. Johnson was appointed vice-president, tire sales. Mr. Johnson was previously vice-president, general products. Replacing Mr. Johnson as vice-president, general products was D. A. Masters.

In November, J. Rennie was appointed assistant treasurer. Mr. Rennie was previously assistant comptroller.

OUTLOOK

Nineteen seventy-nine was a dynamic year for Goodyear Canada. A fine effort by all divisions of the company resulted in record sales and income over this twelve month period. Production of quality products was also a major factor and will continue to be so in the future.

These figures were achieved in spite of increasing labor costs, more expensive materials and equipment, and higher interest expenses.

Although we look forward to this new decade with confidence, we must also be concerned over the continuing escalation of raw materials costs and even higher interest rates and the effect they may have on our profit and our requirements for expansion and working capital.

To meet these challenges we must continue as we did in 1979 to strictly control costs and expenses; greater operating efficiencies in our plants; increased production; and tight scheduling of plant capacity throughout the year.

Product quality and uniformity are vital in keeping Goodyear in its position of leadership among Canadian rubber manufacturers. During 1979, the company placed even greater emphasis on personnel development, encouragement of new ideas and concepts, safety and an overall streamlining of the entire operation.

The decade of the 80's will be a decade of change. It will be a rewarding decade for those who have the foresight to take advantage of the changing business environment.

The demand for Goodyear Canada's product lines looks promising for 1980.

As a result of our efforts during 1979, our company is now better equipped to meet the challenges of the 1980's.

We have fine technology, a more efficient distribution network, greater manufacturing capacity and an enthusiastic and competent work force.

Continued support by our dealers, employees, suppliers and, of course, our shareholders will allow us to reach our target of continuing as the number one company in this industry.

With the approval of the Board of Directors.



A. W. DUNN
PRESIDENT AND CHIEF EXECUTIVE OFFICER

FEBRUARY 13, 1980

BOARD OF DIRECTORS

T. A. BUELL
VANCOUVER

C. E. CLARKE
TORONTO

P. P. DAIGLE
MONTREAL

A. W. DUNN
TORONTO

A. S. FELL
TORONTO

J. R. HICKS
AKRON

W. L. MINOR
AKRON

C. J. PILLIOD JR.
AKRON

H. G. WLOKA
TORONTO

OFFICERS

A. W. DUNN
PRESIDENT AND CHIEF EXECUTIVE OFFICER

C. E. CLARKE
VICE-PRESIDENT, GENERAL COUNSEL AND SECRETARY

L. F. HUHTA
VICE-PRESIDENT, TIRE PRODUCTION

C. H. JOHNSON
VICE-PRESIDENT, TIRE SALES

P. G. MACKIE
VICE-PRESIDENT, MATERIALS MANAGEMENT

D. A. MASTERS
VICE-PRESIDENT, GENERAL PRODUCTS

C. M. ROBERTS
VICE-PRESIDENT, MANUFACTURERS' SALES

P. E. VIVIAN
VICE-PRESIDENT, PERSONNEL

H. G. WLOKA
VICE-PRESIDENT, FINANCE

W. R. HAYWARD
COMPTROLLER

B. R. TELFER
TREASURER

G. W. BARNES
ASSISTANT SECRETARY

H. P. LOVERING
ASSISTANT TREASURER

J. RENNIE
ASSISTANT TREASURER

W. C. MONROE
ASSISTANT COMPTROLLER

F. E. WALKER
ASSISTANT COMPTROLLER

GOODYEAR IN 1979

A reorganization—designed to strengthen and improve Goodyear Canada's position in the tire and rubber industry—was introduced in 1979.

The program involves a reorganization of functions and responsibilities within the company in sales, marketing, credit, real estate, product distribution and customer service.

The reorganization pools company resources to put more emphasis on servicing the needs of customers and is particularly aimed at providing quicker responses to customer inquiries. The new set-up is designed to supply faster, more direct feedback for head office management. As well, the reorganization is presenting Goodyear Canada's corporate package more efficiently and accurately. In short, it provides better communications, both within the corporation and with its customers.

The general purpose is to assign responsibility and authority through more functional lines throughout the company. Through this program, all sales functions now report to the sales department; all credit functions report to the finance division; all distribution functions report to the general merchandise and materials control division; real estate functions report to the corporate secretary; personnel functions report to the personnel division; and adjustments and customer service reports to the quality and safety division.

The functions of district sales personnel were also reorganized to meet the new competitive conditions the company faces.

For sales purposes, Canada was divided into two sales regions under the director of replacement tire sales. Reporting to this position are two regional managers and reporting to each of them are two district managers for each region.

The results are starting to show a new motivation, a new enthusiasm, and a new determination to keep Goodyear in its leadership position in the tire and rubber industry.

In addition to better and more authoritative communication inside and outside, these changes will accomplish simplicity, economy, coordination and direction.

Reinforcing this program is a new corporatewide training program for all those associated with service to customers.





HEAD OFFICE

3050 LAKE SHORE BLVD. WEST
TORONTO, ONTARIO
M8V 1K4

MANUFACTURING PLANTS

BOWMANVILLE, ONTARIO

CONVEYOR BELTING
SPECIAL PRODUCTS
MOLDED PUMP PARTS
RECLAIMED RUBBER
INDUSTRIAL TIRES

COLLINGWOOD, ONTARIO

AUTOMOTIVE, INDUSTRIAL AND
HYDRAULIC HOSE

MEDICINE HAT, ALBERTA

TIRES FOR AUTOMOBILES, LIGHT TRUCKS
AND FARM VEHICLES

OWEN SOUND, ONTARIO

POWER-TRANSMISSION PRODUCTS FOR
AUTOMOTIVE AND INDUSTRIAL APPLICATIONS

QUEBEC, QUEBEC

MOLDED AUTOMOTIVE AND
INDUSTRIAL PRODUCTS
EXTRUDED AUTOMOTIVE, INDUSTRIAL AND
APPLIANCE PRODUCTS
SHOE PRODUCTS

SAINT-HYACINTHE, QUEBEC

STEEL, POLYESTER, FIBREGLASS AND
NYLON FABRICS

TORONTO, ONTARIO

TIRES FOR AUTOMOBILES, TRUCKS, LOGGING
AND FARM VEHICLES
INDUSTRIAL TIRES
TUBES
PLASTIC FILMS

VALLEYFIELD, QUEBEC

TIRES FOR AUTOMOBILES, TRUCKS AND
OFF-THE-ROAD VEHICLES

SALES DISTRICT OFFICES

EDMONTON, ALBERTA

MONCTON, NEW BRUNSWICK

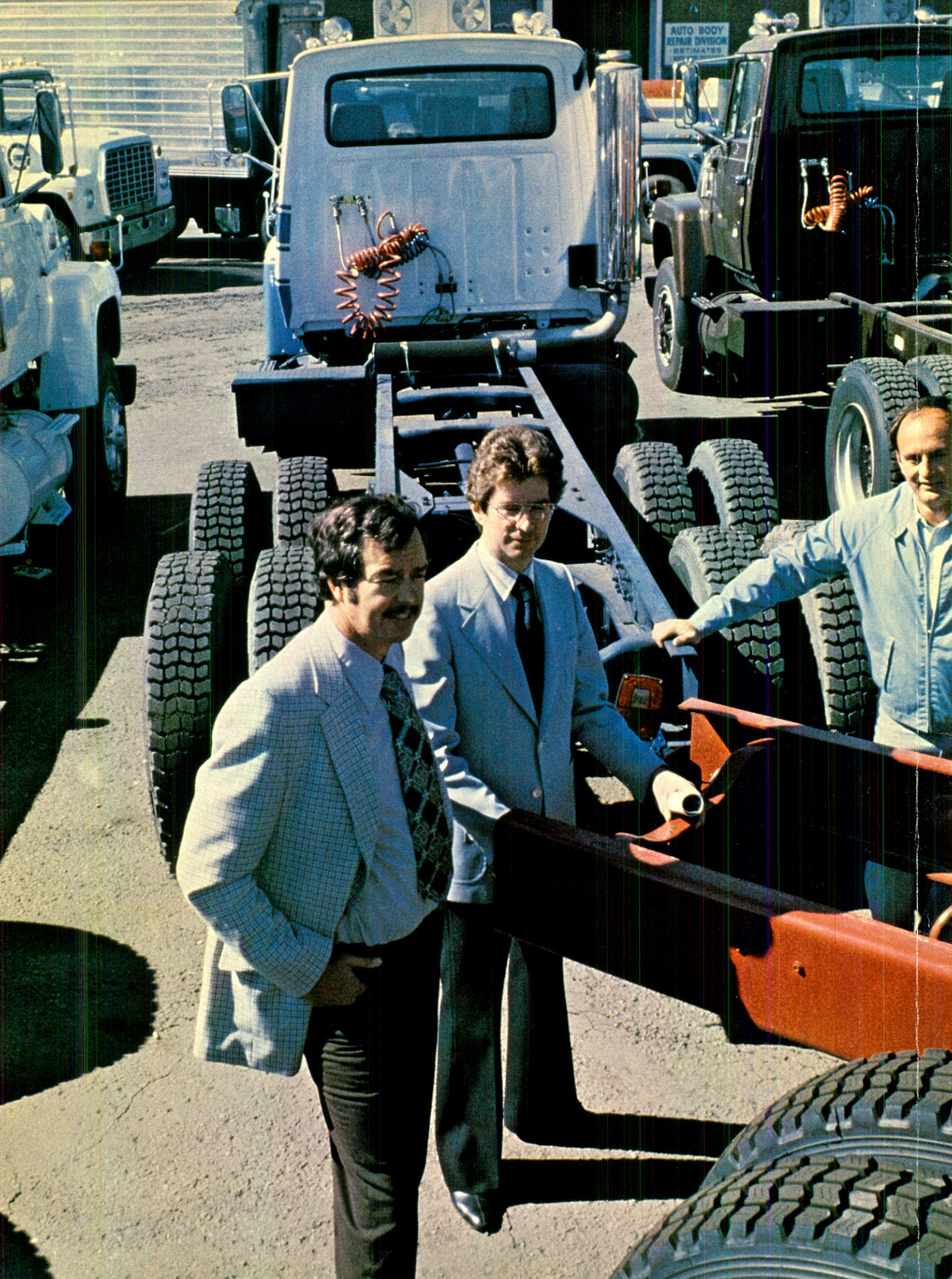
SAINT-LAURENT, QUEBEC

TORONTO, ONTARIO

VANCOUVER, BRITISH COLUMBIA

WINNIPEG, MANITOBA.







TIRES

Nineteen seventy-nine saw an increasing acceptance of radial tires in both passenger car and truck applications.

Goodyear's new performance tire, the Wingfoot, was introduced to the Canadian market in the Fall.

This special radial tire, designed with a new contour for high performance and handling, was used on the Camaro pace car at the 1979 Grand Prix du Canada in Montreal.

The advanced concept tire has belts of high-strength Flexten cord, plus a new tread pattern and tread compound derived from Goodyear's successful experience in racing.

Goodyear's Tempo all-season radial gained greater acceptance throughout the year, including its use as an optional original-equipment tire on the new AMC Eagle four-wheel-drive automobile. Goodyear's Viva radial is the standard tire available on the car.

Drivers looking for the best in passenger car tires turned in increasing numbers to the Eagle radial. Its smooth ride combined with excellent traction and handling are the big selling points for this premium Goodyear tire.

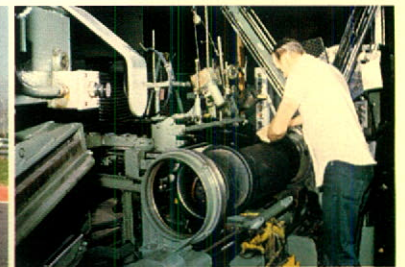
During 1979, Goodyear Canada sold all the Unisteel truck tires it could produce. The Unisteel has been well received by independent truckers as well as fleet operators. An additional feature of the Unisteel

Thanks to Alberta commercial tire representative John McFee, these rigs came to the Edmonton truck dealership equipped with Unisteels as original equipment. Shown with McFee, on right, are Morris Gimball and Stan Liddicoat of Westown Ford.

Goodyear's new Wingfoot tire was introduced to the Canadian market in 1979. The advanced concept tire was used on the Camaro pace car at the Grand Prix of Canada (top left).

The race was won by Alan Jones in his Saudia-Williams formula one car—also on Goodyear tires (below).

All the elements of a tire are put together by the tire builder (top right). Tires go from here to the mold for vulcanizing.



is its potential in retreading. The tire has a casing particularly suited to recapping.

Goodyear Canada also made significant inroads into the off-road tire market during 1979. Sales were higher than forecast for the year with a strong increase in sales in farm tires, logger-skidder tires and tires for earthmover vehicles.

Valleyfield production levels continued at a high level with the plant continuing as Goodyear Canada's first all-radial passenger car tire manufacturing facility.

Toronto plant production was also strong during 1979 with maximum use being made of the equipment installed the previous year to increase mold-machining and assembling capacity.

Medicine Hat coupled high production with the rewards of two years without a lost-time accident. The record itself has become the main safety incentive at the plant and employees are already looking at reaching a three-year goal.

The retail stores division had a successful year with both sales and profits showing an improvement.

There was a continued emphasis on training and personnel development, as well as the already established planned maintenance program for all tire plants. The latter program has already shown results through a better utilization of available engineering resources and a reduction in equipment downtime.

There has been an enthusiastic acceptance of Goodyear's products in the replacement tire market and this is reflected in the year-end figures. This acceptance served to mitigate the downturn in deliveries to the original equipment market caused by the reduction of new automobile and truck production in Canada during the second half of the year.

From large to small, Goodyear tires get plenty of use in Canada. In mining, farming, on-the-road and off-the-road, Goodyear is a familiar name to those who want the best in tires.



GENERAL PRODUCTS

Late in the first half of 1979, Goodyear Canada's general products division completed a "centralization" program designed to improve customer service and internal operating efficiency.

The program involved the moving of customer service, marketing, merchandise distribution and some sales and management personnel to head office, where they are better able to pool their knowledge and co-ordinate activities.

Before the re-organization, the majority of those involved were based at the four general products plants. Others were located at the division's Toronto sales office.

Under this new structure, those making product inquiries can now have their orders confirmed and processed quickly. A faster service for Goodyear's distributors and customers.

This was made possible by a reorganization of the customer service function and the use of centralized computer facilities, which provide current information on inventory levels.

To encourage speedy, person-to-person contact, five Wide Area Telephone Service (WATS) lines were installed with the result that customers and distributors from all provinces can call their customer service representative free-of-charge.

New braiders were installed at the Collingwood plant. This additional equipment became necessary when demand for hydraulic hose exceeded production capacity at the plant.

Goodyear manufactures 3,500 types of hoses used for a wide range of applications. Steam hose, petroleum hose, water and air hose, hydraulic hose and material handling hose.

A great variety of products is available from the general products division of Goodyear Canada. Clockwise from lower left are pillow-tanks; shock absorbers for electric power transmission towers; wringer rollers; railway crossing pads; and conveyer belting. The photograph at lower right shows laboratory testing of rubber compounds.



At Quebec City, the new injection-molding equipment is being well used as part of a general modernization of that facility. Over 500 different molded and extruded products are manufactured at Goodyear's Quebec City plant.

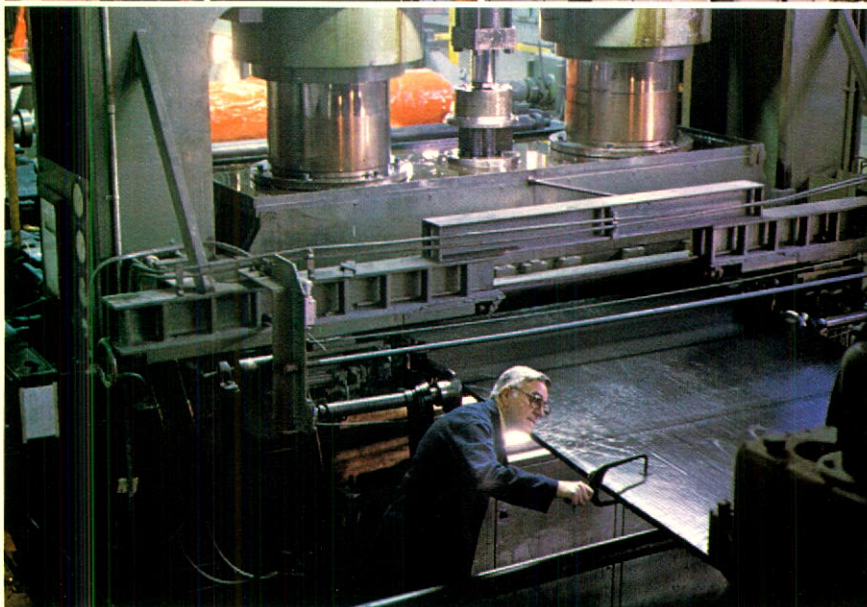
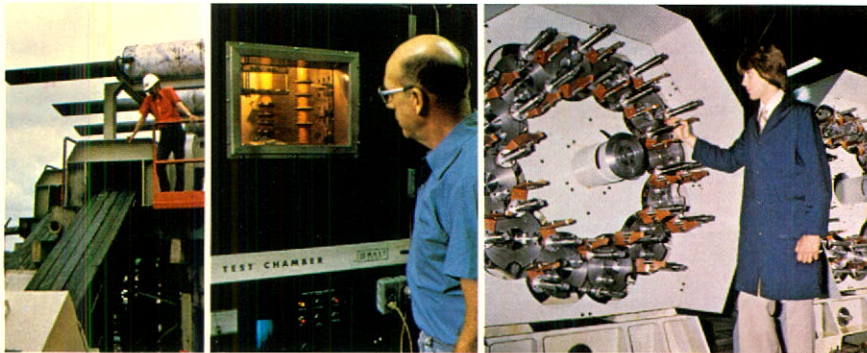
The Owen Sound plant continued with strong production in 1979 as the demand for V-belts stayed at a high level. There was a significant increase in sales to the appliance market including areas that had not previously been penetrated.

Demand for plastic film to stretch-wrap pallet-loads of material also remained strong through 1979 and Goodyear's Vitafilm continued to sell into a wider market.

A heavy demand from across the country for conveyor belting kept the Bowmanville plant busy during the year. Bowmanville's production of special products such as tank linings, packing materials and pump parts, also saw considerable growth over the past twelve-months.

Late in the year, the general products division and the tire division combined for an on-site, joint technical presentation to both Syncrude and Suncor, Canada's "oil mining" companies.

Torque-team belts (top left) are produced at Goodyear's Owen Sound plant. Laboratory tests are conducted on various rubber compounds at the Bowmanville facility (top centre). New braiding machines were installed at Goodyear's Collingwood hose plant during 1979 (top right). Quality control is an important part of conveyor belt manufacture. Belt thickness is checked at Bowmanville (lower). Hose production continued at a high level during 1979 at the Collingwood plant (right).







THE OIL SANDS

In Northern Alberta, two massive projects have been underway for several years. These two projects, soon to be joined by a third, are involved in extracting oil from the ground by mining rather than drilling.

Syncrude and Suncor, operating facilities only a few miles from each other, are making a valuable contribution to Canada's energy supply.

Goodyear Canada has been a part of this industry since 1963, when it supplied fabric conveyor belting to the pilot plant built by Great Canadian Oil Sands. G.C.O.S. later became Suncor.

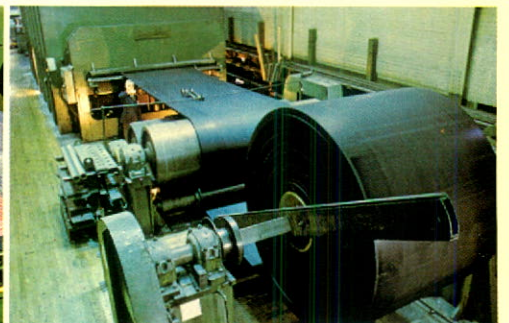
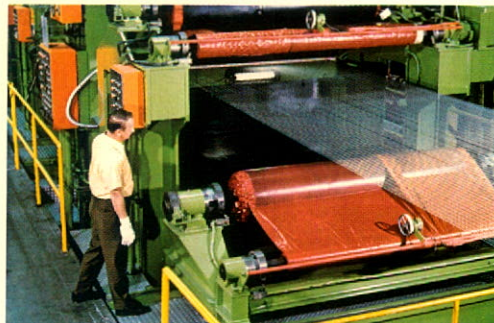
In 1969, the first steel-cable conveyor belting was supplied to the oil sands industry and Goodyear has continued as a supplier from that date on.

The conveyor belts move the oil sands from the areas being mined to a central extraction plant where the oil is removed. The belting has to withstand high impact and operate in extremes of temperature.

The steel-reinforced belting is produced at Goodyear's Bowmanville, Ontario plant along with other types of belting used in industrial applications.

Goodyear also supplies earthmover and truck tires to the oil sands industry. Tires are produced in Goodyear's facilities in Valleyfield, Quebec; New Toronto, Ontario; and Medicine Hat, Alberta.

Other Goodyear industrial products used in the oil sands industry range from various types of hose, through V-belts, to liners and impellers for pumps.



Oil sands are moved on Goodyear conveyor belting at Syncrude's operation in Northern Alberta (above).

Belting being manufactured at Goodyear's Bowmanville plant (top left). After curing, the belting is wound into rolls (top right) and shipped to the customer (middle left).

Samples of the conveyor belting are tested for flexibility and crack resistance at cold temperatures (middle left).

Giant bucket-wheels scoop-up the oil sands (lower left). As the bucket-wheel moves, the conveyor must move with it. This is accomplished with the help of Goodyear tires (lower right).



THE GOODYEAR SPIRIT

The success of Goodyear is due to its people, their attitude, their productivity, their imagination, their creativity and their production of quality products.

Their courtesy, their willingness to provide service, keeps selling those products.

This Goodyear "spirit" is reflected each year in the Spirit Award. This program was established in 1966 by retired Goodyear (worldwide) Board Chairman Edwin J. Thomas and his wife, Mildred, to recognize employees who best illustrate what the company calls the "Goodyear Spirit".

Candidates are judged primarily on the basis of their work record and noteworthy community service.

Divisional and regional winners become eligible for the worldwide award.

The winner of the Goodyear Canada Spirit Award for 1979 was Julius Bernard, shown in the photograph at the top left.

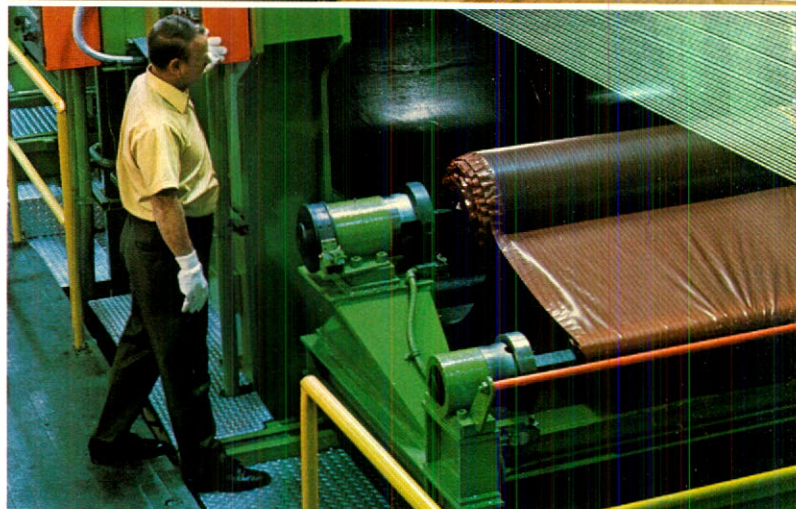
Mr. Bernard, of the audit department at head office, is looked upon as a mentor of junior auditors as well as a confident and dedicated employee who promotes the company, its products and its people.

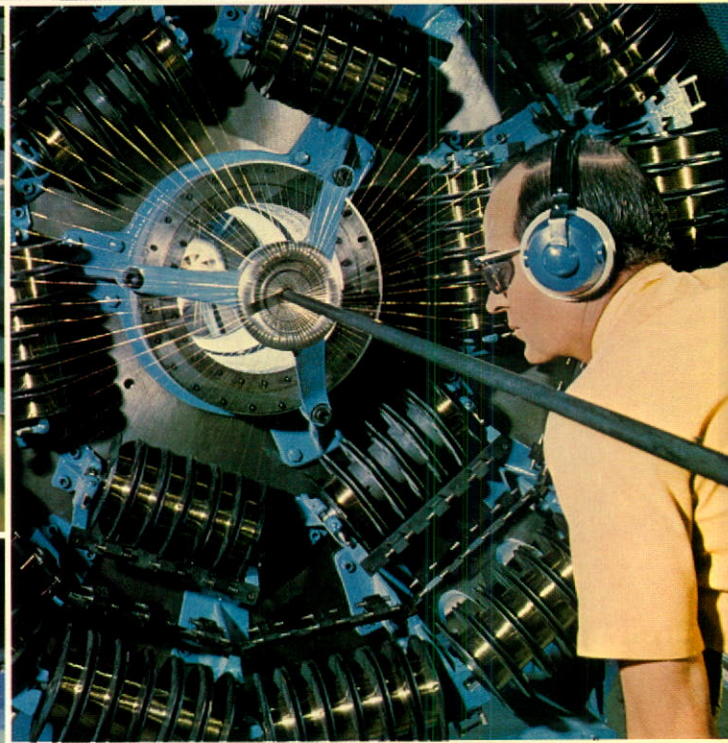
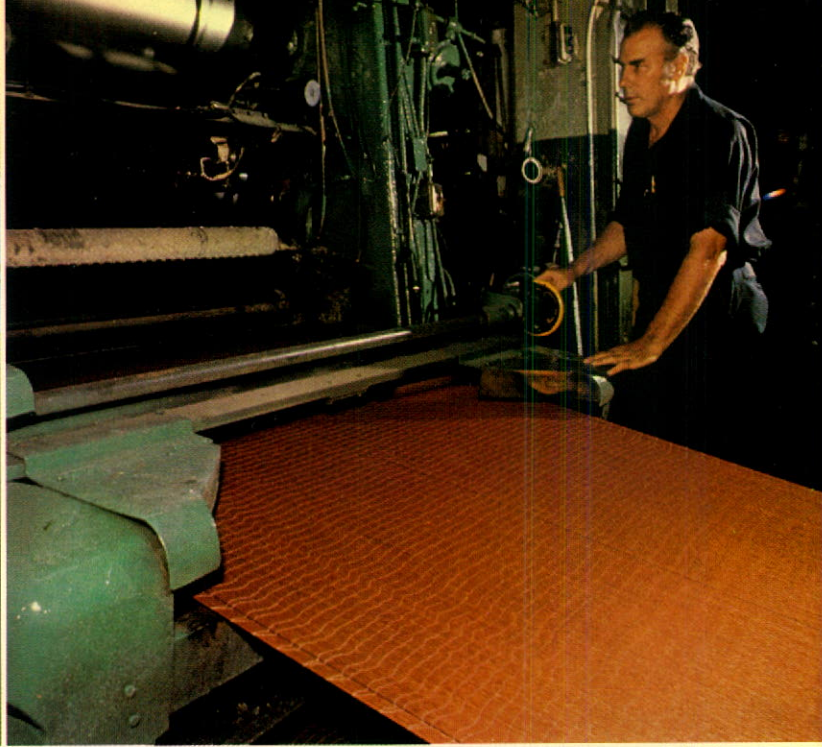
His community work has been outstanding as a member of the Big Brother movement in the Toronto area.

Mr. Bernard was also the divisional winner for head office. Other divisional winners were: Florence Burton, a lead hand in the tube department at New Toronto (tire production); Hector Howe, maintenance foreman at the Owen Sound plant (general products); and Bill McNicol, recently retired manager of operations for retail stores (tire sales).

Goodyear has always held the view that people are its most important asset.

Nowhere is this more apparent than in Canada, where many employees work long and hard in community service as well as in their efforts on behalf of the company.





Goodyear Canada Inc.

Consolidated Balance Sheet

Dollars in thousands

Assets

	December 31	
	<u>1979</u>	<u>1978</u>
		(Restated)
Current Assets:		
Cash	\$ 454	\$ 462
Accounts receivable	71,339	64,116
Due from affiliated companies	6,618	12,103
Inventories:		
Raw materials	17,434	15,957
Work in process	7,135	6,135
Finished product	<u>80,974</u>	<u>64,043</u>
	105,543	86,135
Prepaid expenses	<u>7,713</u>	<u>6,045</u>
Total Current Assets	<u>191,667</u>	<u>168,861</u>
Miscellaneous Investments		
at cost less allowances	2,548	1,831
Properties and Plants:		
Land and improvements	5,926	5,820
Buildings	54,991	54,549
Machinery and equipment	149,520	152,617
Assets held under capital leases	11,541	11,966
Construction in progress	<u>10,573</u>	<u>1,850</u>
	232,551	226,802
Less: Depreciation	<u>125,583</u>	<u>125,911</u>
	<u>106,968</u>	<u>100,891</u>
	<u>\$301,183</u>	<u>\$271,583</u>

Approved by the Board:



Director



Director

Liabilities

	December 31	
	<u>1979</u>	<u>1978</u>
		(Restated)
Current Liabilities:		
Bank indebtedness	\$ 27,894	\$ 21,560
Accounts payable and accrued liabilities	28,972	28,161
Due to affiliated companies	19,339	13,954
Income and other taxes payable	2,634	8,058
Deferred income taxes	2,278	2,262
Dividend payable on preferred shares	29	31
Total Current Liabilities	<u>81,146</u>	<u>74,026</u>
Long Term Debt	66,480	59,035
Long Term Capital Lease Obligations	5,413	5,892
Deferred Income Taxes	25,235	23,832
Deferred Income	488	534

Shareholders' Equity

Capital Stock:		
4% cumulative redeemable sinking fund preferred shares (par value \$50 per share; redeemable on call at \$53 per share):		
Authorized, issued and outstanding,		
1979—58,400 shares; 1978—62,252 shares	2,920	3,112
Common shares, no par value:		
Authorized, 2,906,600 shares; issued and		
outstanding, 2,572,600 shares	129	129
Capital Surplus	692	692
Retained Earnings	<u>118,680</u>	<u>104,331</u>
	<u>122,421</u>	<u>108,264</u>
	<u>\$301,183</u>	<u>\$271,583</u>

Goodyear Canada Inc.

Consolidated Statement of Income

Dollars in thousands, except per share

	Year ended December 31	
	1979	1978
Net sales	\$492,327	\$406,337
Income from investments	442	334
	<u>492,769</u>	<u>406,671</u>
Deduct:		
Costs and expenses	445,547	369,158
Interest expense on long term debt	8,451	7,009
Other interest expense	2,180	1,183
Depreciation	10,602	10,753
	<u>466,780</u>	<u>388,103</u>
Income before taxes	25,989	18,568
Income taxes:		
Current	8,045	7,617
Deferred—Current	16	(234)
—Long Term	1,403	(1,364)
	<u>9,464</u>	<u>6,019</u>
Net income for the year	<u>\$ 16,525</u>	<u>\$ 12,549</u>
Net income per common share	<u>\$ 6.38</u>	<u>\$ 4.83</u>

Consolidated Statement of Retained Earnings

Dollars in thousands

	Year ended December 31	
	1979	1978
Balance at beginning of year:		
As previously reported	\$103,418	\$ 93,163
Adjustment for assets held under capital leases	913	776
As restated	<u>104,331</u>	<u>93,939</u>
Net income for the year	16,525	12,549
	<u>120,856</u>	<u>106,488</u>
Deduct:		
Dividends:		
On common shares	2,058	2,032
On 4% preferred shares	118	125
	<u>2,176</u>	<u>2,157</u>
Balance at end of year	<u>\$118,680</u>	<u>\$104,331</u>

Consolidated Statement of Changes in Financial Position

Dollars in thousands

	Year ended December 31	
	1979	1978 (Restated)
Source of Working Capital:		
Net income for the year	\$ 16,525	\$ 12,549
Items not affecting working capital— principally depreciation and deferred taxes	11,896	9,209
Total from operations	28,421	21,758
Long term debt	7,445	—
Property disposals	213	296
	<u>36,079</u>	<u>22,054</u>
Application of Working Capital:		
Expenditures for properties and plants	16,892	4,899
Long term debt	—	13,433
Long term capital lease obligations	479	556
Dividends	2,176	2,157
Preferred shares redeemed	129	267
Investments	717	11
	<u>20,393</u>	<u>21,323</u>
Increase in working capital	<u>\$ 15,686</u>	<u>\$ 731</u>

Auditors' Report

To the Shareholders of Goodyear Canada Inc.

We have examined the consolidated balance sheet of Goodyear Canada Inc. as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change, with which we concur, in accounting for assets held under capital leases referred to in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Price Waterhouse & Co

Chartered Accountants
Toronto, January 28, 1980

Goodyear Canada Inc.

Notes to Consolidated Financial Statements

1. Accounting Policies:

The consolidated financial statements include the accounts of the Company and all its subsidiary companies. All significant inter-company transactions are eliminated on consolidation.

Inventories of raw materials are valued at the lower of cost and replacement cost, and inventories of work in process and finished product at the lower of standard cost (which approximates actual cost) and net realizable value.

Properties and plants are stated at cost. Depreciation is computed using the declining balance method for depreciable assets acquired up to December 31, 1967, and the straight line method for assets acquired after that date. Depreciation rates are based on the estimated useful lives of the assets, ranging up to 15 years for machinery and equipment and up to 40 years for buildings. Gains or losses on the disposal of fixed assets are included in income and the cost and accumulated depreciation related to these assets are removed from the accounts.

Assets, liabilities, income and expenses in foreign currencies are translated into Canadian dollars on the following bases:

Current assets and current liabilities, at year-end rates of exchange; all other assets and liabilities, at historical rates of exchange; income and expenses, at approximate rates prevailing at the time of transaction.

All realized and unrealized exchange gains or losses are included in income.

The consolidated financial statements do not purport to comply with all disclosure requirements unique to The Companies Act of British Columbia.

2. Change in Accounting Policy:

In 1979 the Company retroactively changed its method of accounting for certain leases and under this method, leased property which meets specific criteria and the related lease obligations are capitalized. This change was not significant in relation to net income in 1979 and 1978. The 1978 financial statements have been restated for comparative purposes.

3. Assets Held Under Capital Leases:

Certain facilities and equipment are held under leases which generally expire within eleven years, but may be renewed by the Company. The leases provide that the Company will pay taxes assessed against leased property and the cost of insurance and maintenance.

Minimum capital lease commitments are as follows:

	Dollars in thousands
1980	\$ 950
1981	960
1982	912
1983	759
1984	728
1985 and thereafter	4,896
Total minimum lease payments	9,205
Less amounts estimated to represent interest	3,313
Present value of minimum lease obligations	5,892
Less current accounts payable	479
Long term capital lease obligations	<u>\$ 5,413</u>

The lease obligations have a weighted average interest rate of approximately 8%.

4. Long Term Debt:

Long term debt is comprised of bank loans and bankers' acceptances with interest at prime and slightly less than prime rates respectively. These loans and acceptances are covered by revolving credit agreements due in 1982. The bankers' acceptances, which by their terms are due within one year, have been classified as long term since it is the Company's intent to maintain these amounts as long term debt.

5. Income Taxes:

The Company, as a result of its manufacturing activities, is taxed at an effective rate of approximately 43%. The provision for income taxes in the Consolidated Statement of Income reflects a lower effective tax rate principally as a result of the 3% allowance on opening inventories and the 7% investment tax credit allowed on certain fixed asset additions.

6. Remuneration of Directors and Senior Officers:

Remuneration of directors and senior officers amounted to \$598,000.

7. Commitments:

The Company's unfunded obligation for pension benefits arising from service prior to December 31, 1979 is estimated to be \$24,403,000 (\$28,414,000 in 1978). This obligation, which has not been recorded in the accounts, is to be amortized by annual payments charged against operations through 1994.

Comparison with Prior Years

Dollars in thousands, except per share

	1979	1978	1977	1976	1975
		(Restated)			
Net sales	\$ 492,327	\$ 406,337	\$ 373,101	\$ 366,335	\$ 329,229
Net income	16,525	12,549	9,323	6,155	5,187
Net income per dollar of sales	3.4¢	3.1¢	2.5¢	1.7¢	1.6¢
Taxes and duties	\$ 35,054	\$ 28,176	\$ 28,469	\$ 24,874	\$ 26,892
Depreciation	\$ 10,602	\$ 10,753	\$ 10,492	\$ 9,610	\$ 6,933
Capital expenditures	16,892	4,899	5,410	11,636	24,458
Properties and plants—Net	106,968	100,891	98,664	104,119	102,538
Per common share:					
Net income	\$ 6.38	\$ 4.83	\$ 3.57	\$ 2.33	\$ 1.95
Book value	46.45	40.87	36.53	33.65	31.94
Taxes and duties	13.63	10.95	11.07	9.67	10.45
Employee compensation	\$ 146,389	\$ 123,665	\$ 118,124	\$ 114,189	\$ 96,273
Common shares outstanding	2,572,600	2,572,600	2,572,600	2,572,600	2,572,600

GOODYEAR

