

1980 ANNUAL REPORT



GOODYEAR CANADA INC.



GOODYEAR CANADA INC. 1980 ANNUAL REPORT

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COVER

Goodyear Canada's new corporate headquarters is shown on the cover. Administration was moved to the new facility on December 1, 1980.



REPORT TO THE SHAREHOLDERS

Sales for 1980 were just slightly above record 1979 levels but profits for the year were down from last year's record high.

CONSOLIDATED NET SALES were \$493,116,000 compared with \$492,327,000 for 1979.

CONSOLIDATED NET INCOME was \$14,827,000 versus the \$16,525,000 earned in 1979. Earnings per share for the year were \$5.73 in 1980, compared with \$6.38 in the previous year.

FOURTH QUARTER SALES of \$128,168,000 represented a decrease of 8.2 per cent or \$11,509,000 lower than the \$139,677,000 recorded in 1979. Earnings were \$5,321,000 compared with \$4,130,000 (restated) in the corresponding period last year, an increase of \$1,191,000 or 28.8 per cent.

DIVIDENDS paid in 1980 were equivalent to \$1.00 per common share, compared with 80 cents in 1979.

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

TAXES AND DUTIES amounted to \$36,920,000 or \$14.35 per common share, as against the \$35,054,000 or \$13.63 per common share paid in the previous year.

TOTAL COMPENSATION to employees, including pension, hospitalization, group insurance and related benefits, was \$149,851,000, up 2.4 per cent from \$146,389,000 in 1979.

CAPITAL EXPENDITURES totalled \$7,962,000 in 1980, compared with \$16,892,000 in 1979.

DEPRECIATION charged against earnings in 1980 was \$10,711,000. Depreciation was \$10,602,000 in 1979.

NEW EXECUTIVES AND DIRECTORS

At an organizational meeting of our re-elected Board on April 1, 1980, C.H. Johnson was appointed Executive Vice President and Chief Operating Officer; G.A. Church was appointed Vice President, Replacement Tire Sales, and J. Rennie was appointed Treasurer of the company, replacing B.R. Telfer who retired after 31 years of Goodyear service.

OUTLOOK

Nineteen-eighty was a difficult year for the automotive industry in general, and for the tire and rubber industry in particular. The economic downturn had an impact on almost every facet of our business. Our new management structure helped Goodyear Canada to perform well in the unstable market that prevailed in both tires and industrial rubber products.

Working on the premise that productivity is the key to a healthy future, Goodyear Canada is embarked on a program of training, management development and improved employee communications to meet rising competitive forces in product, service and price.

Our programs are showing positive results and good performance by all divisions. The company is in a strong position competitively. We face the balance of this decade with plans well underway to expand our Canadian operations, create production capability for new products, achieve higher output and create more jobs.

Concentration on product quality will assure Goodyear its leadership position among Canadian manufacturers. We are seeking, from all our employees, renewed commitment, meticulous attention to detail, more efficient industrial performance and continuing pride in being a part of Goodyear Canada.

Prospects for the future are somewhat brighter, with a turnaround in the economy expected to begin late in the second quarter of 1981. The 1980's will be challenging for our industry. Goodyear Canada is well equipped to meet the changing conditions.

Goodyear Canada ended the year with approximately 7,000 employees and purchased from Canadian sources more than \$200 million of raw materials, supplies and services.

We have a high level of support from our employees, dealers, distributors, suppliers and shareholders. Their continued enthusiasm will enable us to remain number one in rubber in Canada.

With the approval of the Board of Directors.



A.W. DUNN
PRESIDENT & CHIEF EXECUTIVE OFFICER

FEBRUARY 11, 1981

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. H. JOHNSON
EXECUTIVE VICE-PRESIDENT AND
CHIEF OPERATING OFFICER

G. A. CHURCH
VICE-PRESIDENT, REPLACEMENT TIRE SALES

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

L. F. HUHTA
VICE-PRESIDENT, TIRE PRODUCTION

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

J. RENNIE
TREASURER

G. W. BARNES
ASSISTANT SECRETARY

H. P. LOVERING
ASSISTANT TREASURER

W. C. MONROE
ASSISTANT COMPTROLLER

F. E. WALKER
ASSISTANT COMPTROLLER

OUR COMPETITIVE EDGE

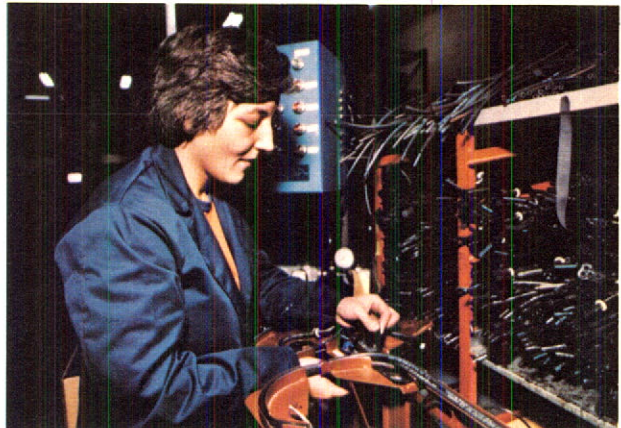
Goodyear's 'Competitive Edge' has always been its employees. With productivity a key factor in remaining competitive in an increasingly tough market place, Goodyear Canada developed a program to carry this message to its employees coast-to-coast.

The program was shown to branch, head office, and plant employees, plus Go Centre staff.

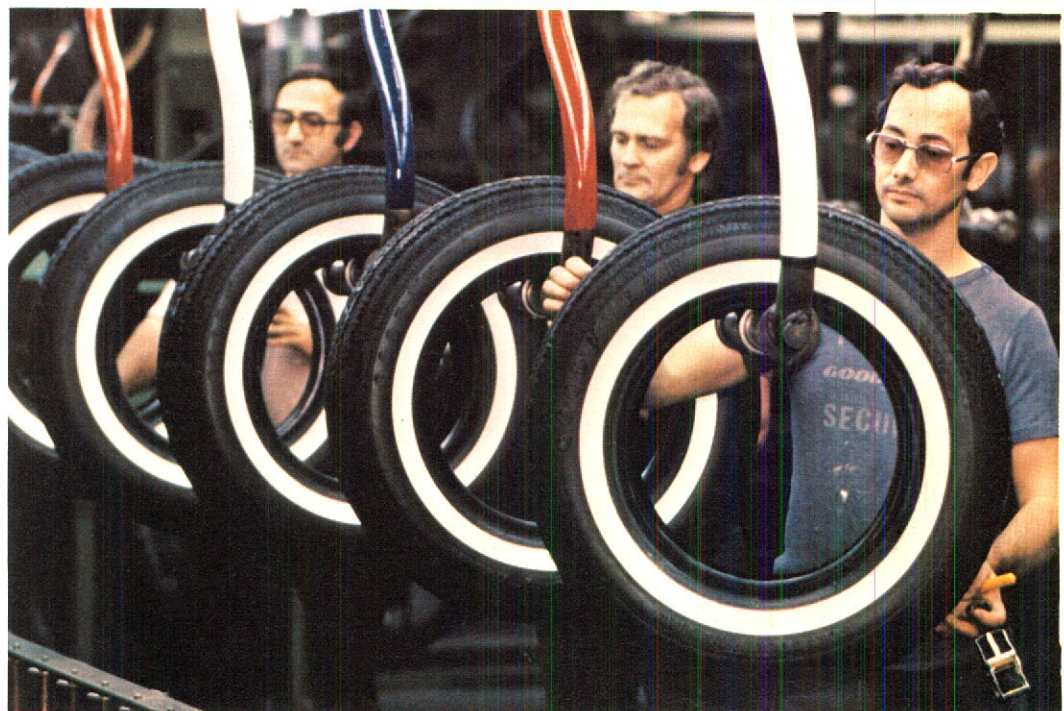
The presentation stressed that Goodyear, like many other industries, is feeling the crunch of an economic recession and is also facing an unstable market that prevails in tires and industrial rubber products.

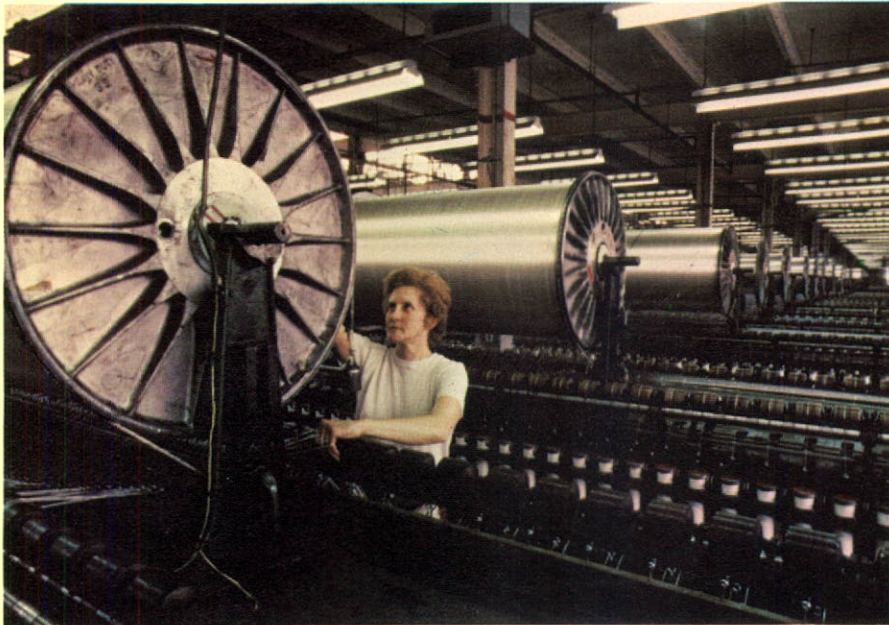
Productivity became the watchword for the 80's, and the 'Competitive Edge' presentation fitted well into the on-going program of training, management development and improved employee communications. Featured was movie footage of A.W. Dunn, plus slides which visually displayed facts and figures on the current state of Canada's economy, the automobile industry, and how these factors affect Goodyear.

Improved productivity does not mean working harder—it means working better, working smarter, with less effort and lowering costs. It means adapting to a changing world to meet rising competitive forces in product, price and service.



(clockwise from top left) Hose production at Goodyear Canada's Collingwood plant. A different 'Competitive Edge' at Goodyear's United Way fund-raising olympics. St. Hyacinthe plant fabric production. Manufacture of fabrics for use in our wide range of tires. Some of the numerous products out of our facility in Quebec City. Tires being inspected at Valleyfield plant. Automotive parts in production at Collingwood. Close attention by purchasing and materials management staff at a 'Competitive Edge' presentation.





CORPORATE HEADQUARTERS

21 FOUR SEASONS PLACE
ISLINGTON, ONTARIO,
M9B 6G2

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, FIBERGLASS
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

A new radial auto tire to meet motorists' demand for greater fuel efficiency, all-season performance and longer wear, was announced during the first quarter of 1980. The steel-belted Arriva radial tire combines all of these major auto tire improvements that, until now, were not available in just one tire.

Design of the Arriva radial is the result of a two-year development program aimed at incorporating significant benefits already achieved in other Goodyear tires. Goodyear's fuel efficient elliptic tire concept, demonstrated in 1977, was the starting point for development of the new tire. The elliptic tire's basic tread compound, plus its construction technique—in which the tire is molded to the shape it will take when it is inflated -- provide Arriva with the lower rolling resistance needed to increase fuel efficiency.

Like Tiempo, the all-season radial Goodyear introduced in 1978, the Arriva meets the tire industry's definition of mud and snow tire, eliminating the need for many motorists to contend with tire changeovers.

Nineteen-eighty saw a continuing increase in the acceptance of radial tires in both passenger and truck applications. Radials were also appearing on the farm during the past year.

The new Arriva, as well as Tiempo and Viva continued to interest the buying public, and drivers looking for the best in passenger car tires turned again to the Eagle radial. The big selling points for the Eagle continued to be its smooth ride combined with excellent traction and handling.

As in 1979, Goodyear tires were again selected for the pace car at the Grand Prix du Canada formula one race in Montreal. This year the choice was the Eagle GT radial. Race winner and new World Champion, Alan Jones rode to victory on Goodyear racing rubber.

Down on the farm, where it is still a relative newcomer in Canada, the radial tire is proving itself perhaps even more dramatically than it has on the highway.

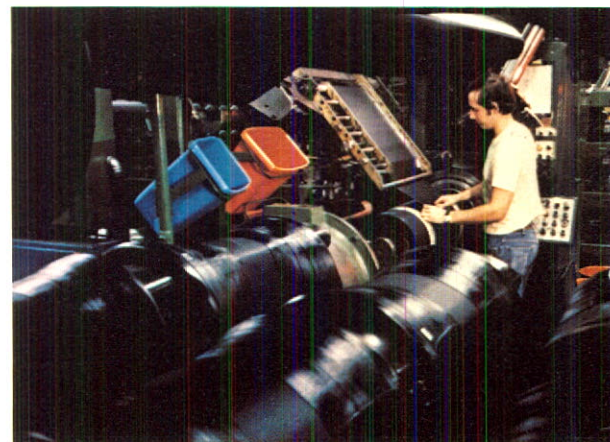
As a time and fuel saver, the new Ultra Radial farm tire is unmatched by anything Goodyear has sent to the farm since the pneumatic tire replaced steel-lugged tractor wheels a half-century ago.

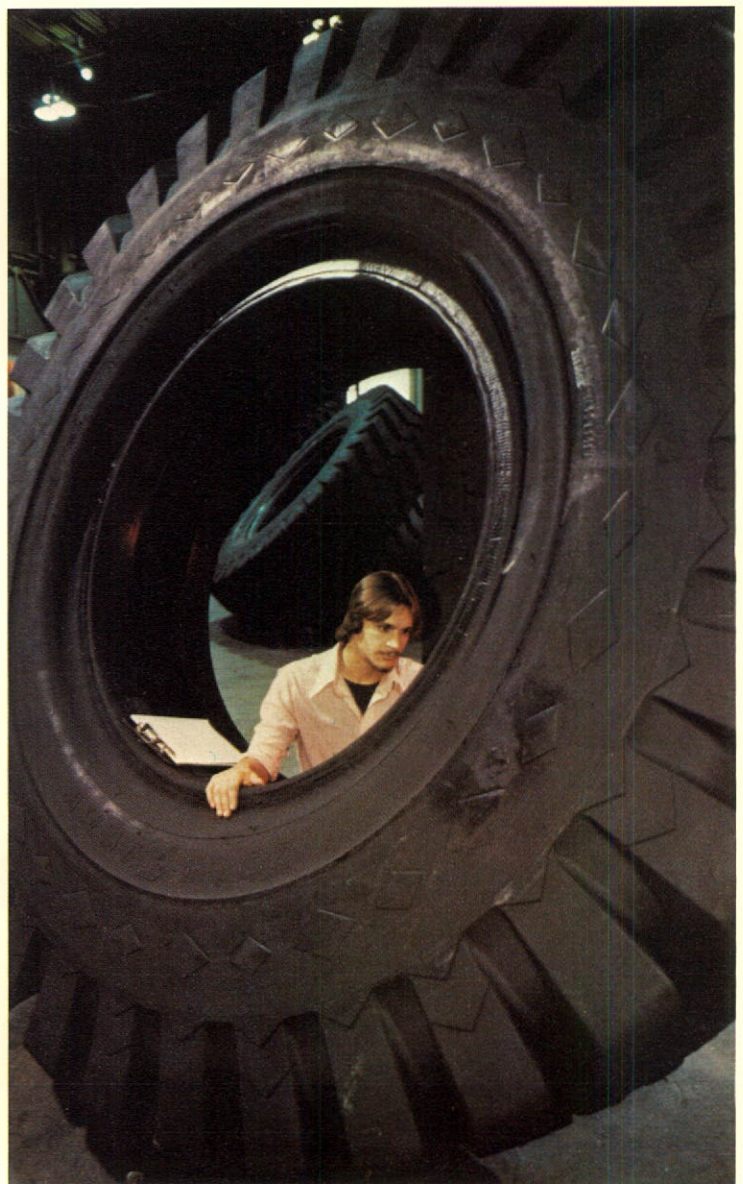
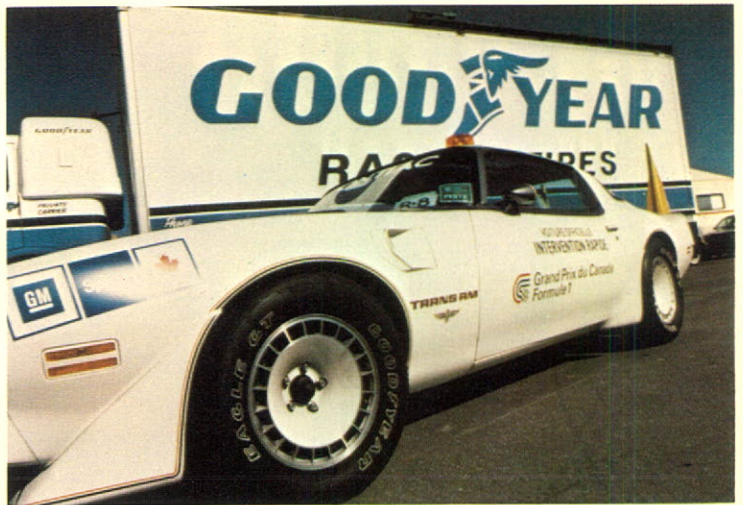
The key to the farm radial's performance is its tractive efficiency. Because it puts down a larger footprint than a bias-ply tire, Goodyear's new Ultra Grip radial takes a bigger, firmer bite into the soil, reducing tire slippage.

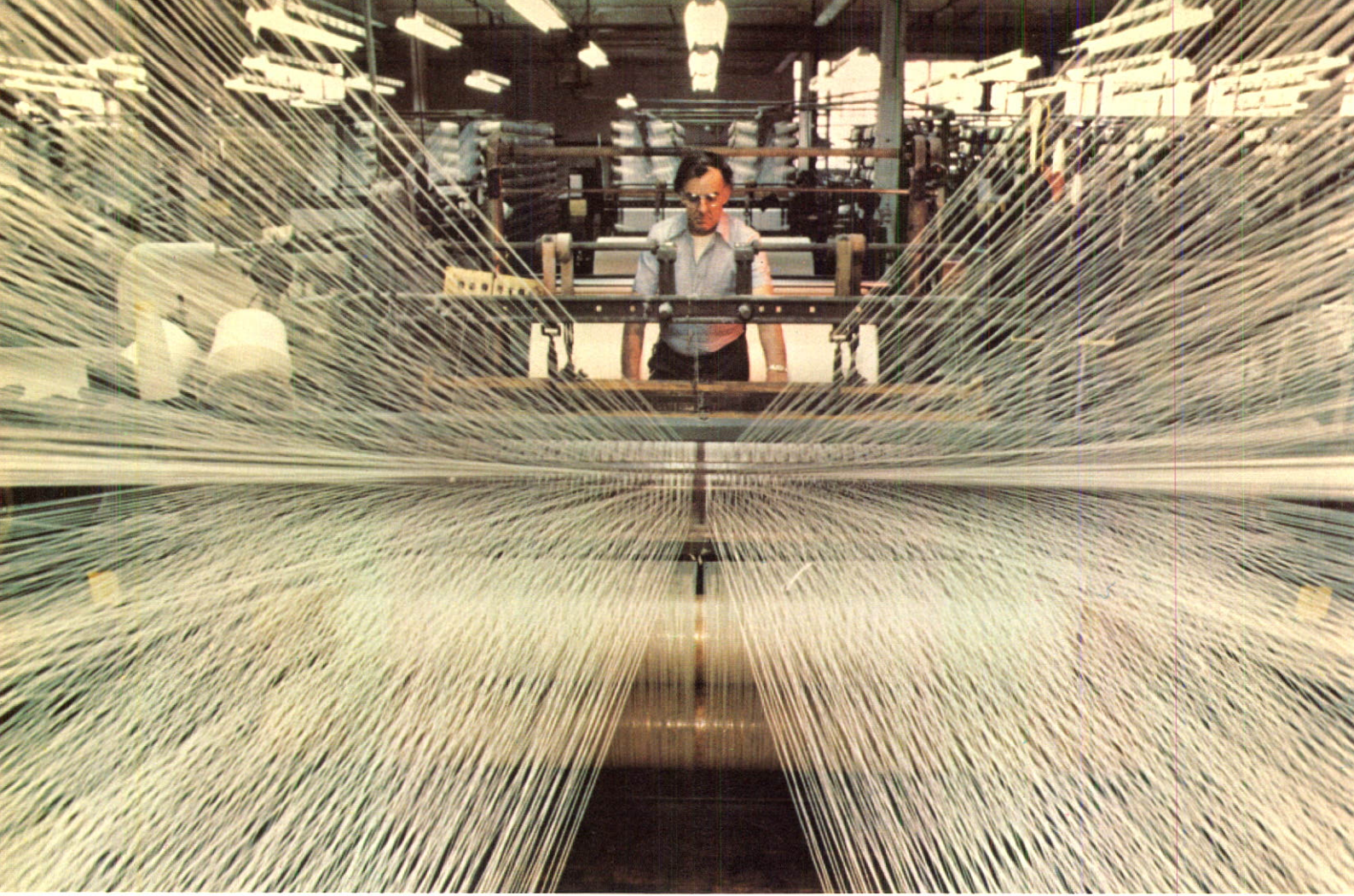
The result is more acreage worked in less time.

Early in 1980, Goodyear's Wrangler radials carried four Ford trucks on a 1,200-kilometer test run from Whitehorse in the Yukon to Inuvik, inside the Arctic Circle. The trucks were driven on this trek up the Dempster Highway by several automotive writers, who found the Wranglers ideal for the roadway which was mostly pieces of sharp, flinty rock broken by some icy patches and drifting snow. The tires performed without any problems.

(clockwise from top right) Farming and Goodyear go hand-in-hand across Canada. Once again, Goodyear Canada goes racing with Eagle GT radials on the pace car at the 1980 Grand Prix du Canada. A giant off-the-road tire being inspected at our Valleyfield plant. The new Go Centre identification being installed at store 328 in Toronto. The art of tire building shown here in the Valleyfield plant.







The Unisteel continued as the flagship tire for Goodyear's customers in independent trucking and fleet operations. The Unisteel's durability makes it a sure candidate for retreading -- of particular interest where cost effectiveness becomes an important factor.

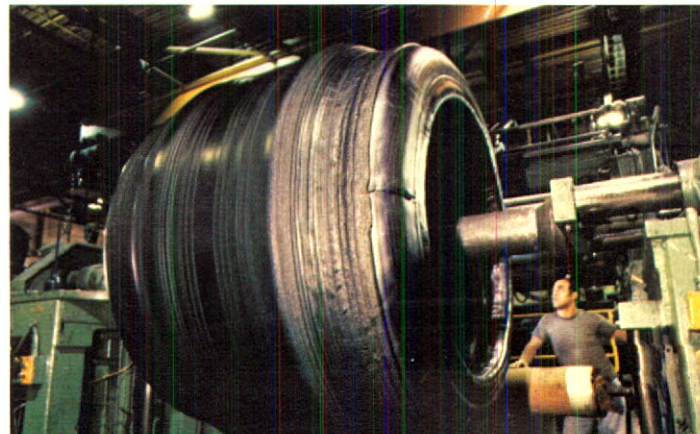
Present economic conditions, the increased use of radial truck tires and the greater demand for extraction of natural resources have moved the mining, forestry, construction and transportation industries to place a greater emphasis on retreading. To meet this challenge in 1980, Goodyear Canada introduced the Unisteel Retread Program for truck tires, developed specialized retread compounds for use in the mining and forestry industries and utilized new tire molds to duplicate tread designs for retreads.

1980 also saw strong activity in the off-road market. Sales were good for the year with much interest shown in logger-skidder tires and in tires for the earthmover market.

In late 1980, Goodyear service stores returned to the 'Go Centre' designation. The first official sign was posted at store 336 in Toronto, with all other stores to be converted by early 1981. The name change will provide a distinctive image to the customer of quality products and fast, efficient service.

Production volume at all Goodyear tire plants was down from 1979, due to the recession and downturn in the automobile industry. There was an on-going program for training and personnel development, with emphasis on improved productivity and cost savings. The latter aspects have already shown results through a better utilization of resources and a reduction in equipment downtime.

(clockwise from top) Fabric for use in tire production is manufactured at our plant in St. Hyacinthe. Computers play an ever increasing role in the tire and rubber industry -this unit is at Valleyfield. Goodyear's new Arriva tire on the inspection line. Retreading in full operation at the Toronto facility. Tires look considerably different before curing than they do afterwards. Whitewalls appear after the tire has been cured.



GENERAL PRODUCTS

For Goodyear Canada's general products division, 1980 was a year of consolidation, involving substantial improvements in customer service, increased operating efficiency and much greater emphasis upon training.

Improvements in service and efficiency were due largely to the successful implementation of the division's 'centralization' program during the last half of 1979. The program which entailed the moving of customer service, marketing and merchandise distribution personnel from the various plants to head office, enabled customers to have their inquiries handled by a team of product specialists; in effect, speedy, 'one-stop' shopping.

Having all service and marketing personnel at one location has also meant greater effectiveness in implementing policies and coordinating activities.

Product knowledge and career-path training were a top priority in 1980, particularly for sales and marketing personnel. A manager of general products training was appointed and, throughout the year, nation-wide programs were implemented, involving virtually all sales, marketing and customer service personnel. The division also offered product knowledge training to employees of its distributors and major accounts.

Nineteen-eighty also saw the division competing successfully in the world market for steel-cable conveyor belting. During the year, two major international orders for the belting were awarded to Goodyear Canada.

Because of the economic recession in Canada and downturns in the auto and farm implement industries, all general products plants operated below their production capacities during 1980.

Hardest hit were the Collingwood and Quebec plants, which are particularly dependent on the auto manufacturers. Collingwood plant produces a variety of automotive hose as



(top) Finished hose being prepared for shipment at the Collingwood plant. (below left) Hose is produced for a variety of applications not to mention a variety of size and color. (below right) V-belts being readied for the customer at our Owen Sound plant.

well as emission control assemblies, while Quebec manufactures a wide range of molded and extruded products.

The general recession and, in particular, the troubles faced by farm implement manufacturers also brought on a serious downturn in production at the Owen Sound V-belt plant.

While overall demand for V-belts was down, there was a substantial increase in sales of small, positive-drive power transmission belts used in appliances and business machines such as vacuum cleaners, wood-sanders and photocopiers.

Production at the Bowmanville plant remained relatively strong despite the difficult economic situation.

Also relatively strong was demand for industrial hose products, which remained at around the same level experienced in 1979. Of major importance in this product line was the introduction of 'Flextra II', a new petroleum products hose that has been well received by customers.

Highlighting the year at Bowmanville was the successful development of a new cover compound for steel-cable conveyor belts. The rubber compound, which was developed for Alberta's 'oil sands' industry, resists cracking and retains its flexibility at cold temperatures.

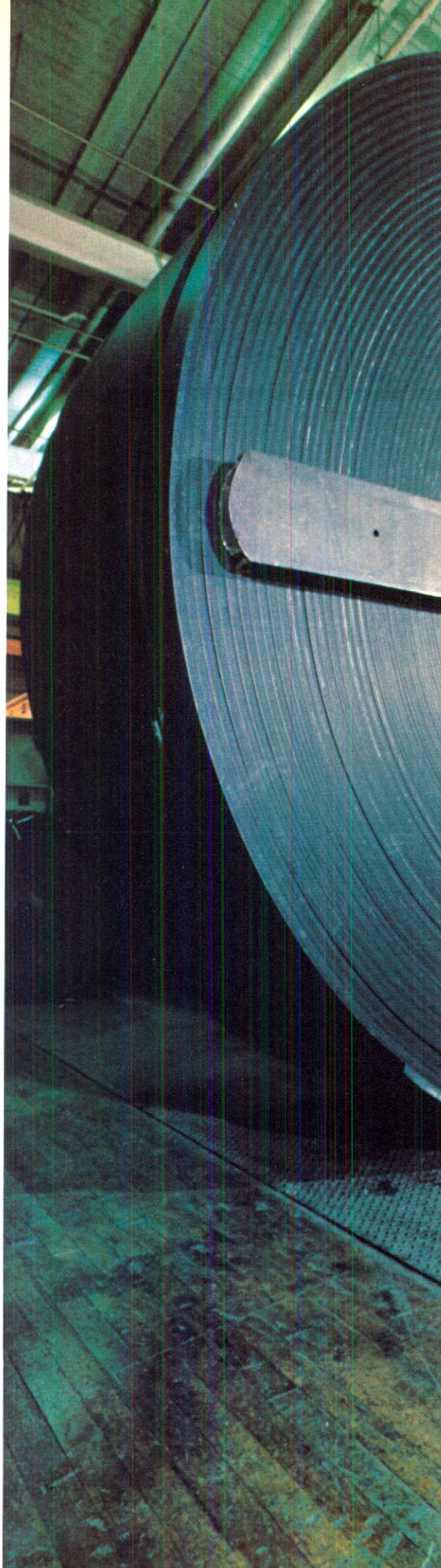
Another important innovation was the introduction of a new type of belting designed specifically for grain handling applications. Called 'Pathfinder', the belting is the first of its type to be introduced in Canada.

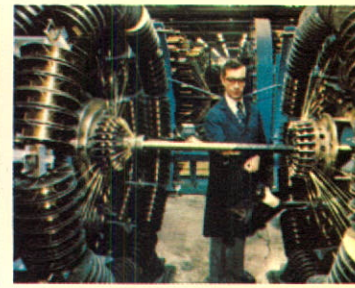
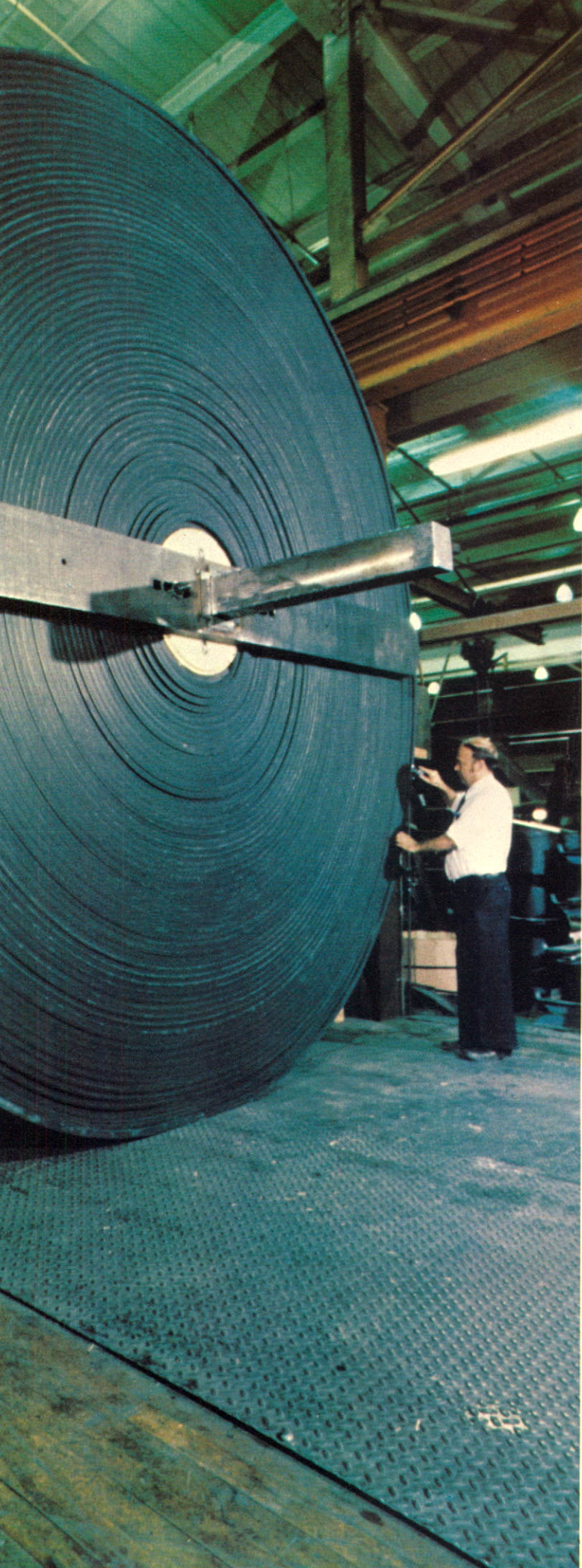
In 1980, Bowmanville plant also experienced significant increases in production of special products such as tank linings and pump parts.

Demand for plastic films remained strong throughout 1980 and new equipment for the production of semi-rigid packaging films was installed at the company's film manufacturing facility at Toronto plant. The new equipment doubled production capacity for this type of film.

Highlighting this product line was a dramatic increase in sales of pallet wrap film, which is used to enclose loads of all types and sizes for shipment.

The largest diameter conveyor belt ever shipped from the Bowmanville plant is checked before it leaves for use in Quebec's iron ore industry. Over 1,500 feet long, the roll is nearly 15 feet high and weighs more than 25 tons (right). Goodyear Canada's plastic films business remained strong during 1980 (far right, top and bottom). Quebec City plant's extruder line and inspection of Collingwood plant's braiders (far right, middle).





MOVE & EXPANSION NEWS



Goodyear Canada's New Toronto plant during construction in March, 1917. Plans are well underway for conversion of this plant to radial tire production.

In August of 1980, the program to convert part of Goodyear's New Toronto factory from bias tires to the more modern radial tires was made possible by the productivity agreement approved by the union.

The sixteen million dollar expansion program required a high level of co-operation at Government, management and employee levels. Aside from the company's investment in the future, Goodyear Canada also obtained a grant of \$500,000 from the Ontario Provincial Government.

The four-storey plant on Lake Shore Boulevard in Etobicoke was built in its original form in 1917. It has been expanded and modernized over the years, but its future had been clouded. Several plants of similar vintage in North America were closed in 1980 with a resulting loss of jobs in tire manufacturing.

Goodyear Canada needs more production to serve our expanding radial tire markets. Engineering studies showed that with a little imagination and the full co-operation of the work force this objective could be realized at the New Toronto facility.

Conversion of this existing plant is more capital efficient for the company and will provide continuity of employment for our people. By making the manufacturing process more cost efficient, Canadian jobs in the tire industry can be protected.

A modern, innovative tire building room will occupy the fourth floor of the plant. The space was previously occupied by Goodyear Canada's administrative offices since 1927.



The move to new administrative offices was smoothly implemented on the last weekend in November (above and right). President, A.W. Dunn presides over the first day cake-cutting ceremony at the new facility.





Administration was moved December 1 to a new corporate headquarters at the corner of Burnhamthorpe Road and Highway 427 to make way for plant conversion and modernization. Other floors at the New Toronto plant will also be modernized in the conversion program.

The head office move also showed what efficient pre-planning can do. Operations shut down at 3:30 p.m. on Friday, November 28. By 10:00 a.m., Monday December 1, Goodyear Canada's head office was back in business at the new location. Close to 500 people, and six floors of office equipment, supplies and furniture had been moved over the weekend. Communications and computer connections had all been switched and were operating near capacity.

The full co-operation of all head office employees made the move much simpler than it might otherwise have been.



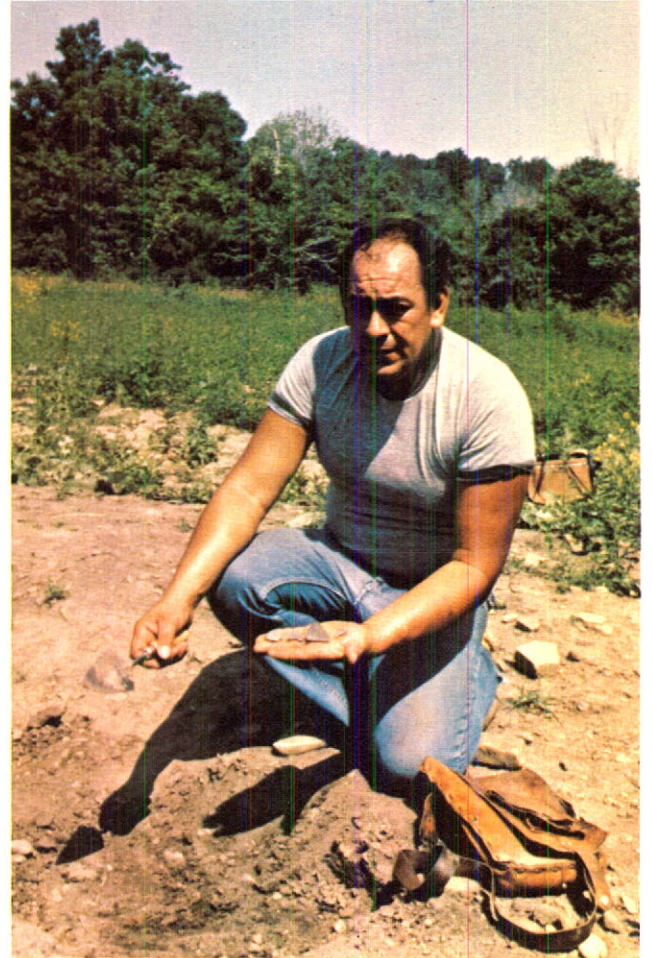
GOODYEAR PEOPLE

The hobbies of Goodyear Canada employees are as diverse as the range of products the company manufactures.

Cory Maracle, a Mohawk Indian who works in the tire division at the Toronto plant, had been an active amateur archaeologist for 26 years when he made an important discovery. On the fringe of a golf course in the Toronto area municipality of Mississauga, he unearthed the skull of a 6-year-old girl and part of an adult skeleton which proved that the tribe after which the community was named roamed the district some 200 years ago and led to a more important discovery about the Iroquois. Artifacts and pottery fragments found by Maracle at the dig site later indicated that the pre-agricultural ancestors of the Iroquois settled the area 800 to 1,000 years ago. According to archaeologists with the Ontario Department of Culture and Recreation, Maracle's discovery is the only proof to date that Indians inhabited this part of the province so long ago.

For three employees of the Valleyfield, Quebec plant, the thrill of competition comes with guiding their model speedboats at 120 kilometres an hour over tricky 500-metre courses by remote control.

Jean-Claude Gobeil, Gilles Duguay and Romuald Bougie find their sport an alternative to a full-fledged hydroplane which would cost some \$15,000. As it is, the models cost about \$400, the motors \$350 and the controls another \$400. The fuel mixture for the motors costs \$20 a gallon. All three compete in races in Quebec and Ontario and have registered several important victories.





Ron Perron, of corporate engineering at head office, is on the right track in off-road racing. He is part owner of the car that has won the overall Ontario championship for the last two racing seasons and says he gets as much satisfaction from the vehicle's success as the driver does.

His role is making certain the car is prepared for the races. This includes selecting the right tires for the terrain and weather conditions. For relatively firm, dry ground, the vehicle is equipped with Goodyear's Wrangler Radials.



Competing in Class 1, which puts no limit on engine size, Car 130 uses a 1,600 c.c. Volkswagen motor modified to 1,835 c.c.'s. It's nitrogen-filled shocks cost several times the price of those used on regular cars and it's gear housing is reinforced to prevent it blowing apart from sudden acceleration or the instant slowdown when landing after being airborne.

Perron sees this sport as becoming more competitive and stresses the necessity of improving technology and techniques to keep on winning.

Now firmly entrenched in business as manager of one of Goodyear's seven Calgary Go Centres, Don Palmer looks back on a rewarding musical career that has left him with just as rewarding a hobby.

One of a musical family whose mother played and taught the violin, Palmer was at a concert one night when he spotted the instrument he wanted to play: a cello. An unlikely choice for a 6-year-old.

However, he stuck faithfully to his cello through 'baby' and 'junior' symphony orchestras to play Camille Saint-Saens' 'Cello Concerto in A Minor' as a guest soloist with the Calgary Philharmonic Orchestra at the tender age of 20. Later, he became lead cellist with the orchestra, retiring from this calling to enter the business world.

During his time with the philharmonic, his twin brother, Dan, who played trombone, and his sister, Gail, who performed on the viola, were also part of the orchestra.

Now, Palmer devotes his spare time to playing chamber music with various groups, some string ensembles, some which include woodwinds. There is nothing, he says, like music for therapy after a hectic day in business.


Goodyear Canada Inc.

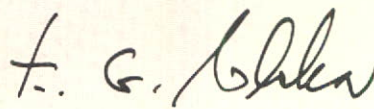
Consolidated Balance Sheet

Dollars in thousands

Assets	December 31	
	1980	1979
Current Assets:		
Cash	\$ 869	\$ 454
Accounts receivable	70,474	71,339
Due from affiliated companies	6,272	6,618
Inventories:		
Raw materials	14,391	17,434
Work in process	7,006	7,135
Finished product	<u>86,023</u>	<u>80,974</u>
	107,420	105,543
Prepaid expenses	<u>10,790</u>	<u>7,713</u>
Total Current Assets	195,825	191,667
Miscellaneous Investments		
at cost less allowances	2,863	2,548
Properties and Plants:		
Land and improvements	5,645	5,926
Buildings	54,528	54,991
Machinery and equipment	162,215	149,520
Assets held under capital leases	10,798	11,541
Construction in progress	<u>3,763</u>	<u>10,573</u>
	236,949	232,551
Less: Depreciation	<u>134,060</u>	<u>125,583</u>
	<u>102,889</u>	<u>106,968</u>
	<u>\$301,577</u>	<u>\$301,183</u>

Approved by the Board:


Director


Director

December 31

Liabilities

	<u>1980</u>	<u>1979</u>
Current Liabilities:		
Bank indebtedness	\$ 13,034	\$ 27,894
Accounts payable and accrued liabilities	35,274	28,972
Due to affiliated companies	16,099	19,339
Income and other taxes payable	2,727	2,634
Deferred income taxes	2,507	2,278
Dividend payable on preferred shares	<u>21</u>	<u>29</u>
Total Current Liabilities	69,662	81,146
Long Term Debt	66,500	66,480
Long Term Capital Lease Obligations	4,798	5,413
Deferred Income Taxes	26,379	25,235
Deferred Income	441	488

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,

1980—42,596 shares; 1979—58,400 shares
 2,130 | 2,920 |

Common shares, no par value:

Authorized, 2,906,600 shares; issued and outstanding, 2,572,600 shares
 129 | 129 |

Capital Surplus**Retained Earnings**

	692	692
	<u>130,846</u>	<u>118,680</u>
	<u>133,797</u>	<u>122,421</u>
	<u>\$301,577</u>	<u>\$301,183</u>

Goodyear Canada Inc.

Consolidated Statement of Income

Dollars in thousands, except per share

	Year ended December 31	
	1980	1979
Net sales	\$493,116	\$492,327
Income from investments	508	442
	<u>493,624</u>	<u>492,769</u>
Deduct:		
Costs and expenses	446,380	445,547
Interest expense on long term debt	10,078	8,451
Other interest expense	2,370	2,180
Depreciation	10,711	10,602
	<u>469,539</u>	<u>466,780</u>
Income before taxes	24,085	25,989
Income taxes:		
Current	7,885	8,045
Deferred — Current	229	16
— Long term	1,144	1,403
	<u>9,258</u>	<u>9,464</u>
Net income for the year	<u>\$ 14,827</u>	<u>\$ 16,525</u>
Net income per common share	<u>\$ 5.73</u>	<u>\$ 6.38</u>

Consolidated Statement of Retained Earnings

Dollars in thousands

	Year ended December 31	
	1980	1979
Balance at beginning of year	\$118,680	\$104,331
Net income for the year	14,827	16,525
	<u>133,507</u>	<u>120,856</u>
Deduct:		
Dividends:		
On common shares	2,573	2,058
On 4% preferred shares	88	118
	<u>2,661</u>	<u>2,176</u>
Balance at end of year	<u>\$130,846</u>	<u>\$118,680</u>

Consolidated Statement of Changes in Financial Position

Dollars in thousands

Year ended December 31

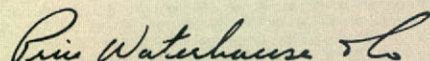
	<u>1980</u>	<u>1979</u>
Source of Working Capital:		
Net income for the year	\$ 14,827	\$ 16,525
Items not affecting working capital — principally depreciation and deferred taxes	<u>11,544</u>	<u>11,896</u>
Total from operations	26,371	28,421
Long term debt	20	7,445
Property disposals	<u>1,330</u>	<u>213</u>
	<u>27,721</u>	<u>36,079</u>
Application of Working Capital:		
Expenditures for properties and plants	7,962	16,892
Long term capital lease obligations	615	479
Dividends	2,661	2,176
Preferred shares redeemed	526	129
Investments	<u>315</u>	<u>717</u>
	<u>12,079</u>	<u>20,393</u>
Increase in working capital	<u>\$ 15,642</u>	<u>\$ 15,686</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, 1980 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, 1980 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 on a basis consistent with that of the preceding year.



Chartered Accountants
Toronto, January 26, 1981

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. Assets Held Under Capital Leases

Certain facilities and equipment are held under leases which generally expire within ten 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
1981	\$ 949
1982	902
1983	744
1984	713
1985	705
1986 and thereafter	4,073
Total minimum lease payments	8,086
Less amounts estimated to represent interest	2,770
Present value of minimum lease obligations	5,316
Less current accounts payable	518
Long term capital lease obligations	<u>\$4,798</u>

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

3. 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 1983. 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.

4. Income Taxes

The Company, as a result of its manufacturing activities, is taxed at an effective rate of approximately 45%. 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.

5. Remuneration of Directors and Senior Officers

Remuneration of directors and senior officers amounted to \$895,000.

6. Commitments

The Company's unfunded obligation for pension benefits arising from service prior to December 31, 1980 is estimated to be \$34,765,000 (\$24,403,000 in 1979). This obligation, which has not been recorded in the accounts, is to be amortized by annual payments charged against operations through 1995.

7. Related Party Transactions

Goodyear Canada Inc., in the course of its regular business, has transactions at commercial rates with The Goodyear Tire & Rubber Company and its affiliates and utilizes technology developed by The Goodyear Tire & Rubber Company which is made available under various arrangements. During the year ended December 31, 1980, sales to related companies amounted to \$29,387,000. Purchases of goods and services from related companies amounted to \$86,329,000.

8. Segmented Information

Goodyear's principal industry segment is the production and sale of Tires and Related Transportation Products. These products include new tires and tubes, retreads, automotive belts and hose, automotive molded parts, auto repair services and merchandise purchased for resale. The other industry segment, Industrial Rubber, Plastic Products and Other Products and Services includes various kinds of hose and belting products, engineered and molded rubber products and plastic films.

Industry Segments

Dollars in thousands

	<u>Tires and related transportation products</u>	<u>Industrial rubber, plastic products and other products and services.</u>	<u>Consolidated</u>
Sales	\$ 434,422	\$ 58,694	<u>\$493,116</u>
Operating profit	36,923	8,667	45,590
Interest expense			(12,448)
Corporate revenues and expenses			(9,057)
Income before taxes			<u>\$ 24,085</u>
Identifiable assets	264,017	25,652	\$289,669
Corporate assets			11,908
Total Assets			<u>\$301,577</u>
Capital expenditures	7,282	680	<u>\$ 7,962</u>
Depreciation expense	9,913	798	<u>\$ 10,711</u>

Comparison with Prior Years

Dollars in thousands, except per share	1980	1979	1978	1977	1976
Net sales	\$ 493,116	\$ 492,327	\$ 406,337	\$ 373,101	\$ 366,335
Net income	14,827	16,525	12,549	9,323	6,155
Net income per dollar of sales	3.0¢	3.4¢	3.1¢	2.5¢	1.7¢
Taxes and duties	\$ 36,920	\$ 35,054	\$ 28,176	\$ 28,469	\$ 24,874
Depreciation	\$ 10,711	\$ 10,602	\$ 10,753	\$ 10,492	\$ 9,610
Capital expenditures	7,962	16,892	4,899	5,410	11,636
Properties and plants - Net	102,889	106,968	100,891	98,664	104,119
Per common share:					
Net income	\$ 5.73	\$ 6.38	\$ 4.83	\$ 3.57	\$ 2.33
Book value	51.18	46.45	40.87	36.53	33.65
Taxes and duties	14.35	13.63	10.95	11.07	9.67
Employee compensation	\$ 149,851	\$ 146,389	\$ 123,665	\$ 118,124	\$ 114,189
Common shares outstanding	2,572,600	2,572,600	2,572,600	2,572,600	2,572,600

