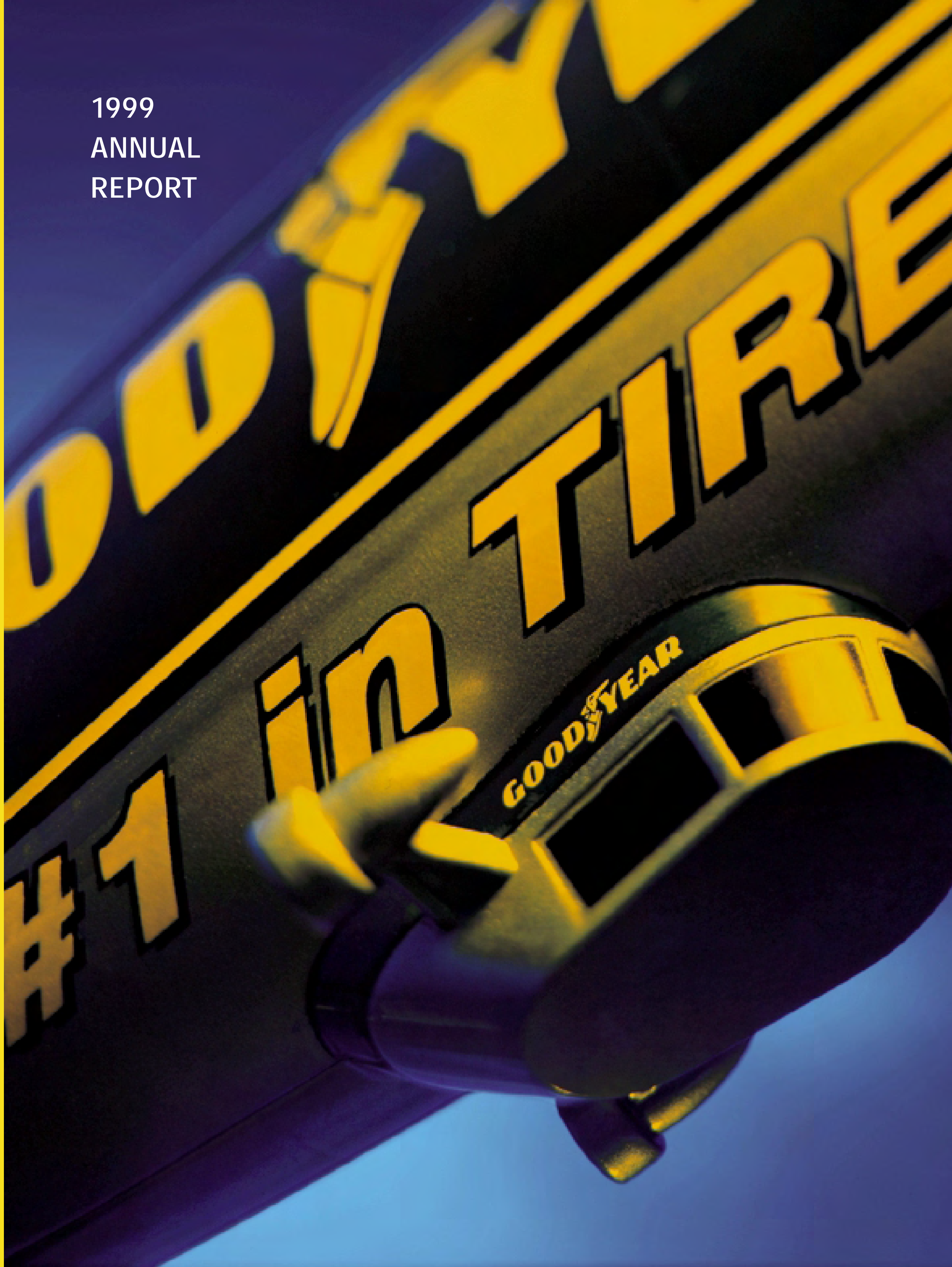
1999 ANNUAL REPORT



ABOUT GOODYEAR

GOODYEAR IS THE WORLD'S LARGEST TIRE COMPANY. TOGETHER WITH ITS U.S. AND INTERNATIONAL SUBSIDIARIES, GOODYEAR MANUFACTURES AND MARKETS TIRES FOR MOST APPLICATIONS. IT ALSO MANUFACTURES AND SELLS SEVERAL LINES OF BELTS, HOSE AND OTHER RUBBER PRODUCTS FOR THE TRANSPORTATION INDUSTRY AND VARIOUS INDUSTRIAL AND CONSUMER MARKETS, AS WELL AS RUBBER-RELATED CHEMICALS FOR VARIOUS APPLICATIONS. IT PROVIDES AUTO REPAIR AND OTHER SERVICES AT RETAIL AND COMMERCIAL OUTLETS. GOODYEAR OPERATES MORE THAN 90 MANUFACTURING FACILITIES IN 27 COUNTRIES. IT HAS MARKETING OPERATIONS IN ALMOST EVERY COUNTRY AROUND THE WORLD.

ON THE COVER

During 2000, Goodyear celebrates the 75th anniversary of its world-famous blimps. The company's blimp tradition began in 1925 with the christening of its first helium-filled public relations airship, the *Pilgrim.* Today, Goodyear has seven blimps that fly over four continents. The company's newest blimp, the *Spirit of Goodyear,* named to honor our associates around the world, took to the skies early this year.

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FOCUS

GOODYEAR AT THE DAWN OF THE 21ST CENTURY IS A COMPANY OF FOCUS. We have sharpened our focus on our core tire and rubber products businesses, expanded globally and regained our position as NO. 1 IN TIRES–WORLDWIDE. Our engineers, scientists and researchers are focused on LEADERSHIP IN TECHNOLOGY that results in innovative products and processes. Our sales and marketing groups are FOCUSING ON THE CUSTOMER like never before, seeking to learn their needs so we can satisfy them. Our entire organization, focused on a singular goal, is committed to PROFITABLE GROWTH.

TO OUR SHAREHOLDERS

FOCUS IS ON PROFITABLE GROWTH

With a focus on fast, profitable growth, Goodyear intends to hold a No. 1 or No. 2 position in each industry and market in which we compete. Our plans to accomplish this include six key objectives:

- Provide complete customer satisfaction through top quality, innovative products as well as superior service.
- Expand distribution so that our products are available where and when customers want to buy them.
- Enhance our business-to-business e-commerce systems. Develop new business-to-consumer e-commerce operations.
- Plan and develop new products globally to better utilize investments in research and development. A global approach to manufacturing allows these products to be made at the most cost-effective facility.
- Effectively manage working capital to ensure strong cash flow and improve return on investment.
- Develop compensation plans that more-effectively reward associates for improving profitability and cash flow.

FOR GOODYEAR, 1999 WAS A UNIQUE YEAR OF CONSIDERABLE CONTRASTS, with no parallel in our history. Strategically, it was a great year. But, operationally, it was a disappointment.

The year opened on a positive note as we announced in February a global alliance with Sumitomo Rubber Industries Ltd. When completed on September 1, this added the popular Dunlop tire brand to the Goodyear family, returned us to our long-held industry leadership position and gave us the opportunity for significant future growth.

The optimism we all shared was tempered, however, by financial results that failed to meet the expectations you and I have for this company. There were two primary reasons for this — economic factors and poor execution. Both were temporary setbacks for which we took decisive action, and from which we are recovering.

I am confident that 2000 will be a significantly better year for our company. Our plans focus on:

- Integrating the Dunlop tire operations — as well as our other recent acquisitions — into our business and capturing all of the synergies available to us. To help drive this, we have split our European tire business into two units — one in Western Europe that is concentrating on the Dunlop integration, the other in Eastern Europe that is focusing on our recent acquisitions in Poland, Slovenia and South Africa.
- Growing our more-profitable replacement tire business at a faster rate than original equipment. This is especially important in North America.
- Expanding rapidly in existing and new distribution channels, including e-commerce.
- Investing in research and development to create innovative new products and improve quality.
- Strengthening our global product planning capabilities so we can better serve our global customers and become more effective, reduce cycle times and improve the return on our research and development investments.

Samir G. Gibara
Chairman, Chief Executive Officer and President

1999 FINANCIAL HIGHLIGHTS

Dollars in millions, except per share

YEAR ENDED DECEMBER 31,	1999	1998
Net Sales	$12,880.6	$12,626.3
Income From Continuing Operations	241.1	717.0
– Per diluted share	1.52	4.53
Net income	241.1	682.3
– Per diluted share	1.52	4.31
Assets	$13,102.6	$10,589.3
Debt	3,424.5 *	1,975.8
Equity	3,617.1	3,745.8
Debt to Debt and Equity	48.6%*	34.5%
Cash Dividends Per Share	$ 1.20	$ 1.20
Common Shares Outstanding	156,335,120	155,943,535
Shareholders of Record	28,163	28,348
Average Number of Associates	100,649	96,950

* Debt and Debt to Debt and Equity do not reflect the Sumitomo 1.2% Convertible Note Payable Due 8/00

- Continuing our global manufacturing rationalization program to increase productivity and take better advantage of low-cost supply sources in Eastern Europe and Latin America.
- Modernizing our production facilities with the progressive introduction of IMPACT, our breakthrough process technology.
- Helping our people succeed by offering more opportunities for training, mentoring and continuing education.

Our 2000 results also should be strengthened by a full year of contributions from our Dunlop joint ventures, expected operational improvements in our North American Tire business and improving economies in Asia and Latin America.

After several years of capital expenditures well above depreciation, we will slow the pace in 2000 and spend at levels much nearer depreciation.

We will concentrate on growing our sales and capitalizing on the strongest brand line-up in the industry. With our Goodyear, Dunlop, Kelly and Fulda brands leading the charge and no fewer than nine other popular brands, we have the market covered better than any competitor.

1999 GLOBAL MARKET SHARE

Original Equipment and Replacement Tires

Goodyear	20%*
Michelin	19%
Bridgestone	17%
Continental	9%
Pirelli	5%
Others	30%

* Includes Dunlop sales since September 1, 1999. If a full year of Dunlop sales were included, Goodyear's market share would increase to 23%.

During 1999, weak economies in developing markets around the world — especially Asia and Latin America — continued to hurt our businesses. These regions historically provided about one-quarter of our earnings. They fell far short of that in 1999. This year looks more promising.

It was an unexpectedly robust economy in North America that had the greatest impact on our results, however. We did not anticipate the very rapid growth in the original equipment and replacement tire markets, and took steps to constrain tire production and reduce inventories.

Record sales of cars and trucks, and our dominant market position, led to far too much of our production going to original equipment customers. The result — we didn't have enough tires to meet replacement market demand. This hurt fill rates with our dealers and mass merchant customers, weakened our product mix and depressed margins.

Our problem was not a lack of demand. Rather, it was an inability to satisfy the strong demand for Goodyear tires. We have plans in place to meet this demand in 2000 and satisfy all of our customers, which now include buyers of Dunlop tires.

The integration of the Dunlop businesses in North America and Europe has begun in earnest and is progressing according to plan. In Japan, our alliance has already opened doors that previously had been closed to Goodyear tires. We look to grow our Japanese market share considerably in the coming years.

This alliance is, without a doubt, the most-important strategic move in Goodyear's history. It has already changed the face of the global tire industry and forced our competitors to re-evaluate their plans in response.

We have enhanced our No. 1 position in North America and moved into a solid No. 2 ranking in Europe. Our company is now No. 1 in Germany and the UK, and No. 2 in France. We remain No. 1 in Latin America.

The Dunlop joint ventures bring Goodyear a step closer to achieving our 21st century objectives — namely to be the No. 1 or No. 2 competitor in every market in which we compete, to grow profitably and to be the global low-cost producer.

It is from this position of strength that we intend to grow. A larger, stronger Goodyear will be better able to serve its customers and help them prosper in the new millennium.

While Goodyear associates are proud to have regained the leadership status we held for seven decades, it is only half of the equation. Now we must focus on being the world's best tire and rubber company.

I am convinced we have the right strategy — and the right leaders — to accomplish this. During 1999, we changed both the structure and make-up of our senior management team to improve Goodyear's ability to seize opportunities and serve customers in the 21st century.

The Goodyear of 2000 is a substantially different company than it was just five years ago — or even one year ago. Acquisitions and divestitures have reshaped our business. Investments in research and development have redesigned our product offerings. Breakthroughs in technology have led to automated tire production. A commitment to quality and productivity has improved our manufacturing operations.

At this point, it is important that I address a topic that is of concern to all of us — our stock price. During 1999, the price of Goodyear stock fell more than 40 percent, with most of this drop occurring in the fourth quarter.

Obviously, our poor financial performance took its toll as the stock price fell from $66.75 in May to $50.75 in early October. Later that month, an event beyond our control helped push the price even lower. The editors of the *Wall Street Journal* removed Goodyear, and three other fine companies, from the "Dow Jones Industrials" list. We were replaced with high-tech and telecommunications companies.

Mutual funds that owned millions of Goodyear shares were forced to sell our stock simply because we were no longer on the Dow 30 and related lists. This, I believe, created a supply/demand imbalance, putting downward pressure on our share price. Additionally, the entire automotive sector has fallen out of favor on Wall Street.

As the sell-off slows, automotive-related companies once again attract the attention of investors and our financial performance steadily improves, Goodyear stock should again be recognized as an excellent value, which could lead to increased demand for our shares.

Despite the disappointments of 1999, Goodyear faces the dawn of a new century as the global leader of our industry. We have a sound strategy, a solid foundation of core values and a team of the best people working toward a common goal. With this, and the support of our shareholders, I am extremely confident in our future.

Respectfully submitted,

SAMIR G. GIBARA
Chairman, Chief Executive Officer and President

FOCUS IS ON IMPROVING RESULTS

Goodyear's 2000 strategy is clearly focused on improving financial results. It includes five major areas.

- As 1999 was a year of aggressive acquisition, 2000 will be a year of consolidation. We must successfully integrate — and enhance — the companies that have recently joined the Goodyear family. This includes the North American and European Dunlop tire operations, Debica in Poland, Sava in Slovenia and Goodyear South Africa.
- We will continue our global manufacturing strategy. We must make further gains in rationalizing production, cost effectively modernizing our factories and implementing global sourcing programs.
- Our research and development efforts will concentrate on quality. Today's top quality will not be good enough tomorrow.
- We will re-balance our tire sales between the original equipment and replacement markets in North America and Europe. The replacement market is larger, less cyclical and more profitable.
- We will get closer to our customers to better learn what they want and what they need. Then, we must satisfy them with quality products and services.

DUNLOP
MAX. PRESS. 350 kPa (51 PSI)

NO. 1 IN TIRES–WORLDWIDE

A decade after it yielded the position, Goodyear is once again the world's largest tiremaker. The gains that come with its Dunlop joint ventures, which were completed on September 1, 1999, returned Goodyear to the ranking it held for 70 years.

But size alone, without performance, can be a hollow boast. That's why Goodyear's objective is to be the biggest and the best.

Goodyear's return to the top brings with it growth in sales, market share and earnings. It should add more than $2 billion in annual sales in Europe alone and another $700 million in North America. It also lessens Goodyear's overall earnings exposure to emerging markets and developing economies.

Sales of both Goodyear and Dunlop tires are expected to grow as they are available to more consumers through both companies' extensive distribution networks.

And, over the first three years, synergies are expected to provide savings approaching $360 million. Additionally, joint purchasing and technical organizations are finding new ways to cut costs and speed product development.

Meanwhile, combining forces with Dunlop's parent, Sumitomo Rubber Industries Ltd., in Japan — the world's second-largest tire market — opens a door for Goodyear that has been virtually closed for 50 years. And, this door is opening without any direct investment on our part. We expect to increase our Japanese market share in the coming years.

If the value of Goodyear's global leadership stopped there, the alliance would be hailed a success. But, the opportunity for strong, profitable growth beyond the year 2000 far outweighs the immediate and short-term benefits.

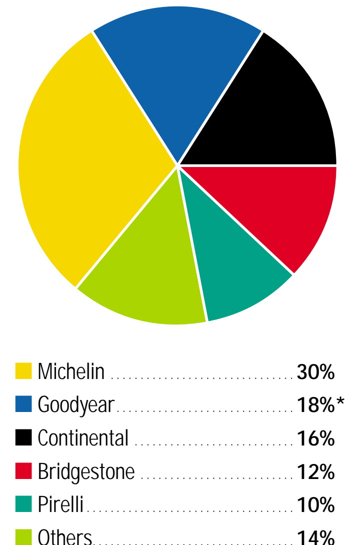
While Dunlop put Goodyear over the top, the climb was built on a series of strategic steps that — over the past five years — have positioned the company for growth in the 21st century.

This strategy included acquiring or increasing ownership of tire businesses in Poland, Slovenia, China, Thailand, Japan, Turkey, India, South Africa, the Philippines and the United States.

(opposite page) The Dunlop SP Sport 9000 high performance tire is a global product, produced and sold in North America, Europe and Japan. The tire is popular among owners of high-performance cars and top European automakers, who specify it as original equipment on some of their finest models.

1999 WESTERN EUROPEAN MARKET SHARE

Original Equipment and Replacement Tires



* Includes Dunlop sales since September 1, 1999. If a full year of Dunlop sales were included, Goodyear's market share would increase to 25%.

(above) Goodyear's Sava joint venture in Kranj, Slovenia, produces quality tires for local markets and serves as a low-cost supply source for Europe, South America and Australia.

(opposite page) Logistics rationalization efforts in North America and Europe are designed to improve customer service, reduce costs, consolidate inventory and support new, multi-brand distribution formats.

Additionally, the past five years saw Goodyear expand its core Engineered Products business through investments in China, Slovenia, Mexico, Australia, Brazil, Venezuela, South Africa and the United States.

Our Chemical business, a key supplier of raw materials and technology to our Tire and Engineered Products groups, is expanding its capabilities as well. A new polymer plant in Beaumont, Texas, will better enable it to serve internal as well as external customers.

Likewise, the strategy called for exiting several non-core businesses, including oil transportation, automotive composites and interior trim, specialty latex and bale nitrile rubber. It required new or improved factories and logistics centers around the world and the closing of some smaller, less-efficient facilities.

Supporting the plan were unprecedented investments in technology, in research and development. Hundreds of researchers and scientists were hired. Labs and testing facilities were expanded. Computer programs were developed. Outside experts were engaged.

In North America, the world's largest tire market, Goodyear now has a powerful 1-2-3 brand punch unmatched by any of its competitors. Goodyear, Dunlop and Kelly — each with a distinct brand personality — cover the spectrum for replacement market customers.

But, Goodyear has much more to offer. Our value brand lineup includes names not commonly associated with the company — Lee, Hallmark, Star, Monarch, Remington and Centennial. And, through our Kelly-Springfield business, Goodyear is the largest producer of private brand tires.

Dunlop brings us new positions in the passenger, light truck, commercial truck, and bus tire markets. And, Dunlop is the worldwide leader in motorcycle tires.

Long a favorite of German and Japanese automakers, Dunlop tires are original equipment on many Nissan, Honda, Toyota, Lexus, BMW and Mercedes-Benz models made or sold all over the world, including the United States.

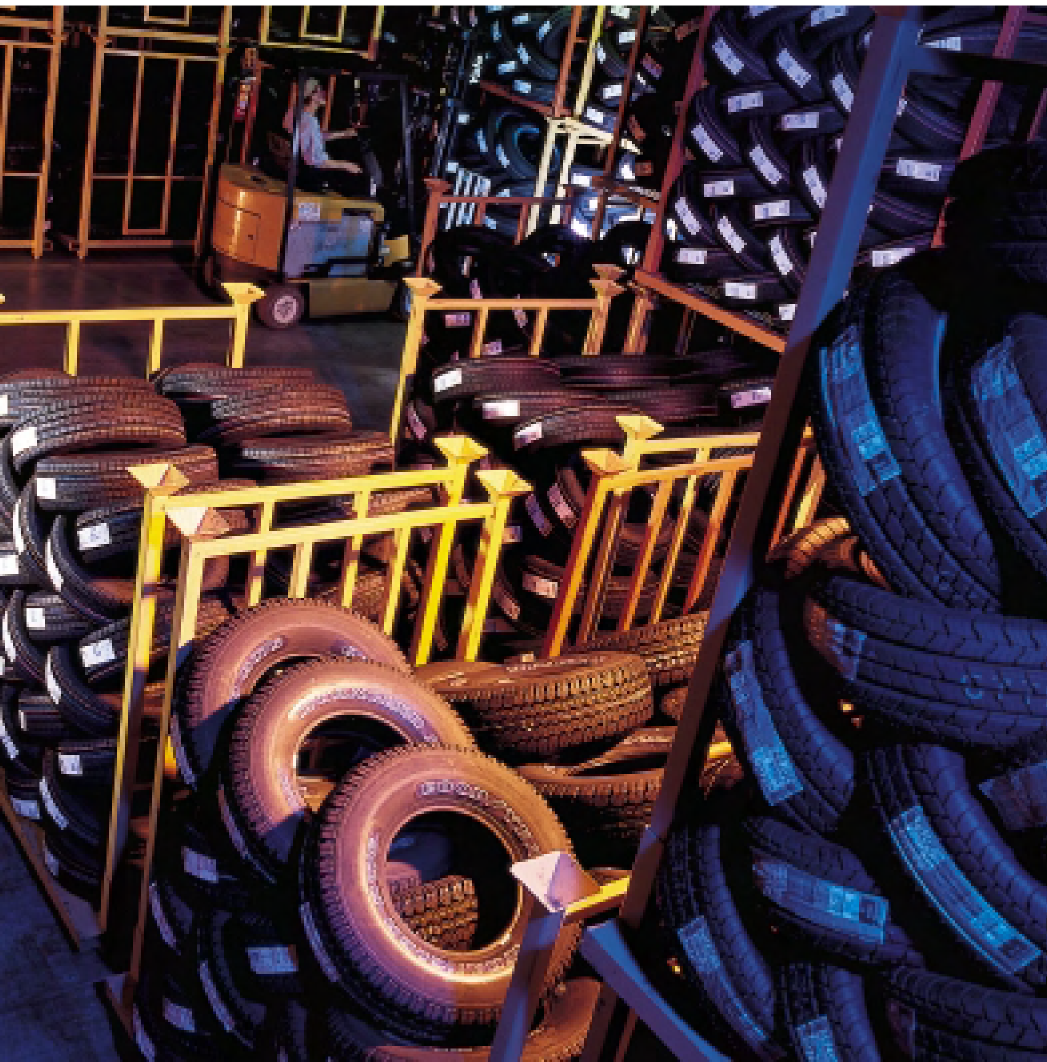
Further, the joining of Goodyear and Dunlop has resulted in the creation of Europe's second largest tire company, greatly changing the dynamics of the market.

It is in Europe that the alliance will have its biggest impact. Adding Dunlop's European assets to ours provides a significant opportunity to rationalize, reduce

costs, improve efficiencies and respond to customer needs. Already, work has begun to integrate Goodyear and Dunlop technical, manufacturing, logistics and administrative operations in Western Europe. We have consolidated Dunlop's three European technology groups into a single unit in Germany and moved some work to Goodyear's international technical center in Luxembourg.

Long regarded as a leading high-performance tire manufacturer in Europe, Dunlop brings us a second prestige brand to market with Goodyear. Our Fulda, Kelly and Lee brands, as well as Pneumant, Dunlop's value-priced brand, are growing in popularity. Joining them in the market are our Sava and Debica brands, which are produced by our recent acquisitions in Slovenia and Poland.

Taken together, these strategic changes have produced a new Goodyear. A focused Goodyear. A stronger Goodyear. A Goodyear positioned to be not only the biggest tire company — but the best.



GROWTH IN ENGINEERED PRODUCTS AND CHEMICALS

With growing operations in Europe, Latin America and Asia, our Engineered Products and Chemical businesses are focused on technological innovation, cost reductions and customer satisfaction.

The Chemical group is starting to see results of its modernization investments, and is bringing on-stream a new synthetic rubber plant in Beaumont, Texas. This facility will use state-of-the-science technology to produce polymers for the tire industry.

Meanwhile, Engineered Products is looking to grow through the introduction of new products. Our innovative Eagle Pd belt and sprocket system is finding success in industrial markets with more than 12,000 applications in place. Interest is growing among automotive customers as well. Advanced synthetic rubber compounds give a newly introduced chemical transfer hose enough strength that we've named it Viper.

The business, which has been refining its focus on core product segments, is well positioned to continue to take advantage of lower cost global manufacturing. During 1999, it began operations at new facilities in Slovenia and Mexico.

LEADERSHIP IN TECHNOLOGY

GOODYEAR TOOK SIGNIFICANT STEPS TOWARD CLAIMING OUR INDUSTRY'S GLOBAL leadership position in product and process technology in 1999. The company continues its commitment to research — not just for the sake of science — but to bring real, profitable change to our businesses.

With the formation of a new Global Products Planning group, we gave our businesses the means to accelerate and optimize product development worldwide. The group systematically links technology and marketing to ensure maximum resource utilization and rapid response to local market needs around the world.

By linking our technology and marketing groups, we can focus on product development from a world perspective to better serve global customers, improve product performance and reduce costs.

Other new synergies are resulting from a linkup of research, development and manufacturing engineering, as well as the integration of our newly acquired Sumitomo and Dunlop technology and engineering resources. Dunlop's three European technical centers have been combined into a single facility in Germany.

We have added hundreds of engineers and scientists to our product technology teams and expanded technical centers around the globe. Our international technical center and testing facilities in Luxembourg were expanded and new labs were added there and in Akron. A global conveyor belt technical center was opened in Marysville, Ohio. Additions and expansions such as these help us speed the development of advanced products for our customers and enhance the return from our investments in research and development.

Goodyear's engineers and scientists continue to design and produce innovative products, while improving upon recent breakthroughs. Collaboration between Tire, Engineered Products and Chemical researchers provides synergies and offers creative solutions for our customers.

Goodyear Engineered Products associates are working closely with their colleagues in our Tire business to develop suspension system components that will optimize vehicle noise, handling and vibration performance.

(above) Goodyear researchers have patented a process for devulcanizing rubber that leaves it suitable for recompounding and recuring into new products. It offers a potential answer to the recycling of scrap tires.

(opposite page) Our new conveyor belt technology center in Marysville, Ohio, features state-of-the-science equipment. Goodyear is the world's largest manufacturer of conveyor belts.

Likewise, our Chemical researchers have joined with Tire engineering associates to create new elastomers that will provide a competitive advantage for our tires.

Our Akron Technical Center offers courses in subjects such as tire structural analysis and rubber compounding. This gives our senior researchers and engineers the opportunity to share their years of experience and knowledge with those who have been with the company for a short time.

The synergies created by teamwork such as this will enhance Goodyear's total engineering capabilities — creating vehicle system improvements that had once been considered impossible.

During 1999 alone, our technology centers provided nearly 500 new products for our Tire, Engineered Products and Chemical businesses to take to the marketplace. By the end of 2000, 80 percent of our tire lines will be less than three years old.

The number of concept vehicles at this year's auto shows on Goodyear tires is up one-third from just three years ago. Working with automakers in this way gives us an insight into future design and technology needs and can make Goodyear the tire of choice if the vehicle goes into production. Plus, the media attention given concept vehicles helps solidify our reputation as an innovator among consumers.

MAKING AN IMPACT

Introduced in 1998, Goodyear's IMPACT manufacturing technology (Integrated Manufacturing Precision Assembled Cellular Technology) is being installed in a number of tire plants in North America and Europe.

We believe IMPACT produces higher quality tires faster than any other process. IMPACT is 135 percent more productive, 70 percent faster and 43 percent more precise than the process technology we use today, resulting in tires with improved ride, handling, treadwear and rolling resistance.

This new, cellular manufacturing process is designed to be compatible with existing technology, so it can be installed quickly and cost-effectively, without the need to build new factories. It is highly flexible, allowing for changes in tire size and construction to be made in mere minutes.

Additionally, the highly automated process allows Goodyear to reduce by 50 percent in-process inventory and related equipment currently used in traditional tire manufacturing.

Our process engineers, in conjunction with associates in our tire plants, are driving the deployment of the new IMPACT manufacturing technology. IMPACT, which is an acronym for Integrated Manufacturing Precision Assembled Cellular Technology, is being installed in a number of plants.

We believe IMPACT produces higher quality tires faster than any competitors' process anywhere in the world. Because of its cellular structure, IMPACT can be deployed quickly and in stages, as part of the company's normal capital expenditure program.

As we realize the synergies of the newly formed global technology and product supply groups, we will continue to produce the innovative products our customers demand. We will develop new manufacturing processes to make these products faster and at less cost. And, we intend to introduce these developments at a faster rate than our competition.

(above) Collaboration between Goodyear's Chemical researchers with their counterparts in our Tire and Engineered Products businesses provides synergies that speed the development of innovative products.

(left) Research into advanced synthetic rubber compounds has resulted in formulations that make Goodyear's new Viper chemical transfer hose more abrasion-resistant and able to withstand temperatures of up to 250 degrees.

(opposite page) The Goodyear Eagle F1 high-performance tire was designed with a striking directional tread pattern and high tensile steel belts that optimize handling, wet traction, durability and cornering.

(above) Winston Cup Champion Dale Jarrett, as well as all drivers in NASCAR's top three series race on Goodyear Eagle tires.

(opposite page) The Goodyear Wrangler RF-A tire frees sport utility vehicle owners from the need to rotate their tires.

FOCUSING ON THE CUSTOMER

In North America, 2000 is shaping up as "The Year of the Customer." It is a time of refocusing energies more than ever before toward the needs of those whose success drives our own.

For our North American Tire business, this means focusing on key areas that are inextricably tied to customer satisfaction and success. It means directing attention to product innovation and cycle times; managing the cost of doing business; and enhancing the overall level of customer service.

It means devoting greater attention to all activities that touch the customer, including providing innovative, high-quality products; improving fill rates and the timeliness of deliveries; and reducing the cost of doing business.

With the consummation of our Dunlop joint ventures on September 1, 1999, three proud tire brands came together — Goodyear, Dunlop and Kelly — and 2000 will see North American Tire have greater marketing strength than ever before. A previously diverse product range now becomes even broader in its reach to cover every segment of the tire buying public, and is expected to contribute more than $700 million in new sales.

The smooth and successful integration of Dunlop's business into North American Tire is a key focus for 2000. Customer reaction to our plans to leverage this famous brand for the benefit of Goodyear, its dealers and the consumer has been very positive.

At the plant level, our North American Tire operations have been striving for greater process efficiency and productivity improvements. Many of the steps taken to realize these goals should begin to come to fruition in 2000.

Also adding to this greater efficiency and productivity will be the completion of the supply and logistics initiatives that have been underway since 1996.

1,157 WINS AND COUNTING

Going into the 2000 racing season, Goodyear has gained 1,157 NASCAR Winston Cup wins since entering the series 44 years ago.

Competition has come and gone several times. But through the years, Goodyear's tire development and marketing efforts have benefited greatly from our involvement with NASCAR.

Since 1997, Goodyear has been NASCAR's exclusive tire supplier for its Winston Cup, Busch and Craftsman Truck series.

GEMINI IS HERE

More than 1,750 automotive service centers in 1,200 U.S. cities are being "Geminized."

It's all part of Goodyear's new Gemini retail marketing system that replaces the Certified Auto Service emblem that has adorned many of our company-owned and independent dealer locations for 15 years.

Gemini Automotive Care outlets can be recognized by the their blue and yellow elliptical logo, decorative interior lifestyle images and a consumer-friendly approach that positions them as "the place that cares about people who care about their cars."

Signage changeovers are ongoing as retailers complete the identity transformation. A national advertising campaign began in October 1999.

Gemini grew out of the efforts of our North American Tire business' U.S. dealer advisory board, which focused on building awareness of dealers' automotive service capabilities.

With no definite leader in the U.S. automotive service arena, we see the opportunity to position Gemini as the "brand of choice."

(right) Our new Gemini retail marketing system is designed to become the automotive service "brand of choice" and help differentiate Goodyear dealers from their competition.

This rationalization closes small facilities and opens larger centers. North American Tire plans to have just 20 logistics centers by the end of 2000, compared with 40 in 1996. The changes are designed to cut costs and reduce total inventory levels while speeding deliveries and improving fill rates.

Capital investments in plant capacity have increased output and the revitalization of the company's Gadsden, Alabama, tire plant brings further excitement about improving customer deliveries and meeting product demand.

During 2000, a large part of our capital investments will be concentrated on installing our new automated tire manufacturing process that improves both productivity and product quality.

Additionally, North American Tire has plans in place to restore its financial performance. Strengthening Goodyear's position in its home market is a key to global success.

These plans include restoring the balance between sales to original equipment customers and the larger, more-profitable replacement market; importing more low-cost product from Eastern Europe and Latin America to augment domestic capacity; introducing new, higher-margin products; getting closer to customers to learn what they want and need; and advancing our e-commerce initiatives.

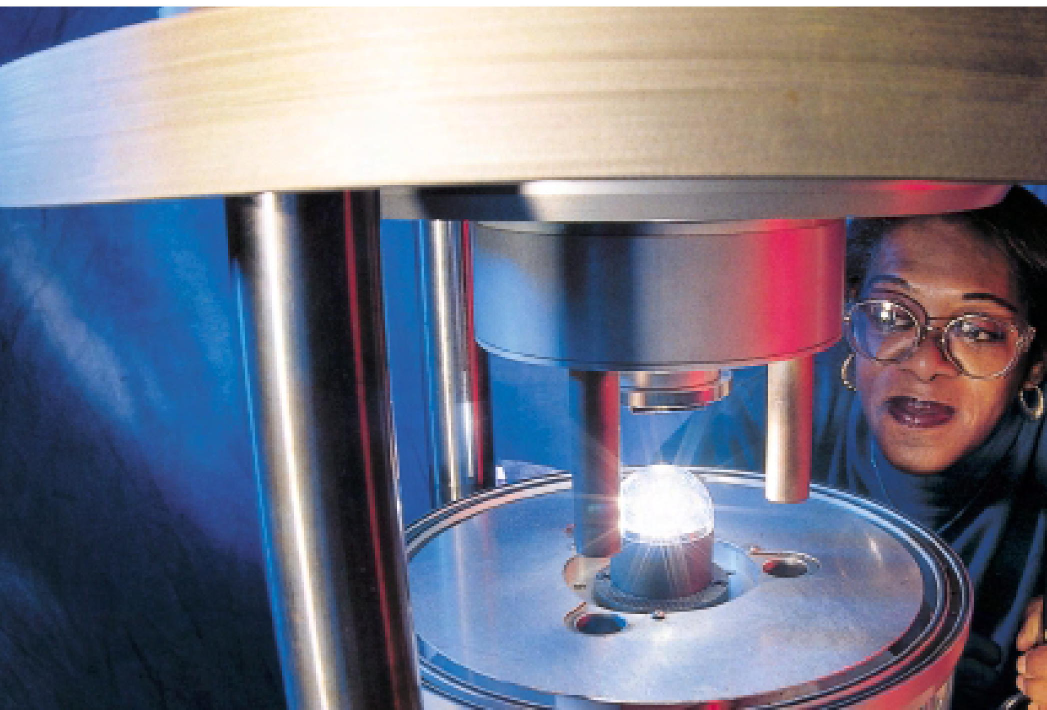
Helping support these plans will be our long-standing partnership with NASCAR. Goodyear has been the exclusive tire supplier to NASCAR's top three racing series since 1997. This includes its popular Winston Cup circuit, which has more television viewers than any sport except football. Our new NASCAR-licensed Goodyear Eagle #1 tire and Gatorback automotive belts take this partnership to the consumer at the point of purchase.

Regardless of how large and diverse North American Tire's distribution channels have grown, Goodyear will not lose sight of the fact that its dealers are individual businessmen and women who deserve to be treated as individuals — one at a time, all the time.

Modern telecommunications and electronic commerce continue to speed and simplify our daily business transactions. But, the Internet, voice mail and fax machines will not replace the human touch that lets our customers know Goodyear values and appreciates their business.

North American Tire's 43,000 associates are committed to satisfying all of their customers with the best products, the best service and the best tire franchise in the business. Doing this will improve financial results and cement Goodyear's position as No. 1 in tires.

(below) Specialized testing equipment is used to ensure that tire components meet Goodyear's high quality standards and will perform as designed for our customers.

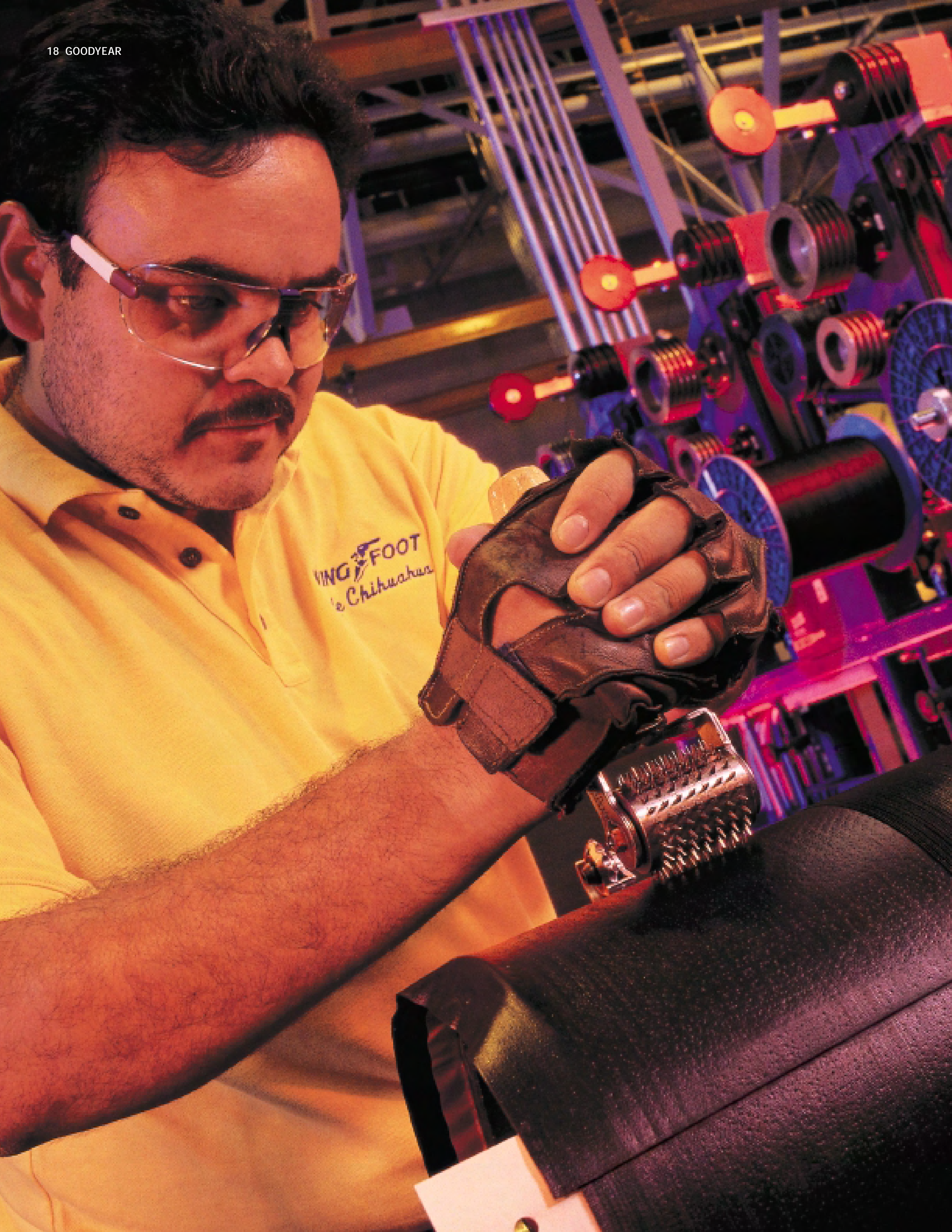


1999 NORTH AMERICAN MARKET SHARE

Original Equipment and Replacement Tires

Goodyear	**30%***
Michelin	**22%**
Bridgestone	**17%**
Cooper	**9%**
Continental	**8%**
Others	**14%**

* Includes Dunlop sales since September 1, 1999. If a full year of Dunlop sales were included, Goodyear's market share would increase to 33%.


FOOT

PROFITABLE GROWTH

Fighting off three years of economic decline, Goodyear's Asian and Latin American businesses have solidly positioned themselves for improvement in 2000 and beyond.

Goodyear continues to be very enthusiastic about the business opportunities that exist in the emerging markets that are home to more than half the world's population. We are ready for their coming economic re-emergence and plan to not only expand our market share as these regions grow, but also to develop our low-cost facilities in these regions as export bases for our Tire and Engineered Products businesses.

We are Latin America's leading tiremaker and, in Asia, we are growing faster than the industry growth rate.

Asia's economic recovery continued to strengthen in 1999 and Goodyear tire operations there achieved record unit sales during the year. Our share grew in several key markets and we are poised for further growth in 2000.

We are focusing on continuing to increase our Asian market share by expanding distribution, introducing new and exciting product lines and launching aggressive advertising and promotional campaigns. We are also expanding manufacturing capacity in several key Asian plants, including our aircraft tire facility in Bangkok, Thailand. Aircraft tires is a business in which Goodyear continues to hold almost a 50 percent share of the global market.

Further enhancing our position in Asia are aggressive efforts to reduce costs through significant productivity gains. Full-scale marketing and manufacturing rationalization efforts are underway to capitalize on the region's ASEAN trade bloc. Also, capital expenditures for the region are being directed at investments that reduce costs, save energy and improve product quality. The development and effective utilization of a diverse work force across the region is a major focus for 2000. These initiatives are being rewarded by continually improving operating margins.

Meanwhile, as Latin America experiences many of the same economic woes as Asia, Goodyear is equally confident in the future of that region to contribute

(above) In Peru, a new mobile classroom has allowed Goodyear dealers to increase by 500 percent the number of technicians who get advanced training.

(opposite page) Our new Engineered Products plant in Chihuahua, Mexico, produces automotive belts for customers on three continents. Goodyear operates three manufacturing facilities in Mexico.

GROWTH IN RETAIL

During the last three years, Goodyear's network of tire dealers in Asia has grown by more than 50 percent to 6,000-plus retail outlets. Part of that growth has been the result of continued expansion in emerging countries as they begin to pull out of recession.

Malaysia is a prime example of this growth and a nation where we have been operating a dealer network for more than 60 years. Goodyear Malaysia recently opened its 243rd retail outlet.

(above) Goodyear polymer researchers develop new, advanced tread compounds to improve tire performance.

(right) From the smallest private plane to the largest jet airliner, pilots around the world rely on Goodyear aircraft tires. Goodyear continues to hold almost half of the global market. We manufacture aircraft tires in Danville, Virginia, and Bangkok, Thailand.

significantly to the company's success and growth. Aggressive rationalization and cost reduction moves made in 1999 — as well as expansion of our retail distribution network — are expected to yield improved results by the second half of 2000.

The company anticipates economic growth in the region during 2000, with modest recovery in all markets. We are strongly focused on improving profit margins, product mix and pricing in all markets. The potential within the region for increased exports to North America and Europe also remains promising and is expected to grow in the coming year.

Our Brazilian tire mounting operations and planned tire test track are helping improve our position with original equipment customers. Growth in Venezuela, Brazil and Mexico has helped make our tire retreading business a leader in the region.

Mexico continues to be a bright spot for Goodyear. Both the company's Tire and Engineered Products businesses have seen solid improvement and there is growing confidence that Mexico's economic promise is starting to be realized.

Also a key in Latin America is the continued development of a broad-based sales and marketing strategy. A more competitive and aggressive dealer network is being developed throughout the region and the company is poised to launch new products to attract and satisfy quality brand and value oriented consumers.

1999 FINANCIAL REVIEW

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

(All per share amounts are diluted)

CONSOLIDATED

Sales in 1999 were $12.88 billion, compared to $12.63 billion in 1998 and $13.07 billion in 1997.

Income from continuing operations in 1999 was $241.1 million or $1.52 per share, decreasing 66.4% from $717.0 million or $4.53 per share in 1998 and 53.8% from $522.4 million or $3.30 per share in 1997.

Net income was $241.1 million or $1.52 per share in 1999, compared to $682.3 million or $4.31 per share in 1998 and $558.7 million or $3.53 per share in 1997.

Net Sales

Worldwide tire unit sales in 1999 were 12.9 million units, or 6.9%, higher than in 1998. The increase reflects the Company's strategic alliance with Sumitomo Rubber Industries Ltd. (Sumitomo), which commenced operations on September 1, 1999 in North America and Europe and contributed 14.4 million units during the last four months of 1999. North American Tire (United States and Canada) volume increased more than 4 million units, which included 4.1 million units contributed by the Dunlop businesses. North American Tire performance was limited by capacity constraints in certain passenger and truck tire lines resulting from higher than anticipated demand from the Company's original equipment (OE) customers and national chain merchandisers in the North American replacement market coupled with closing the Gadsden, Alabama manufacturing facility and the inability to replace lost capacity to meet increased demand. Total North American volume increased 3.8% from 1998 while international unit sales increased 10.7%. Worldwide OE unit sales rose 8.2% from 1998, while worldwide replacement unit sales increased 6.3%. Both the OE and replacement markets benefited in 1999 from increased volume in North America, Europe and Asia. Significant decreases in OE and replacement unit sales were experienced in Latin American markets in 1999.

Worldwide tire unit sales in 1998 increased 1.7% from 1997. Replacement unit sales increased 4.4%, but OE volume decreased 4.3% due primarily to adverse economic conditions in Latin America and Asia. North American volume rose 2.3% and European Union unit sales were 8.9% higher.

Revenues increased in 1999 due primarily to higher tire unit sales. The Dunlop businesses acquired from Sumitomo contributed $855.0 million to 1999 sales. Revenues in 1999 were adversely impacted by the effect of currency translations on international results. The Company estimates that versus 1998, currency movements adversely affected revenues by approximately $390 million. In addition, revenues in 1999 were adversely affected by continued worldwide competitive pricing pressures, weak economic conditions in Latin America and lower unit sales of engineered products. Revenues in future periods may continue to be adversely affected by currency translations and competitive pricing pressures.

Revenues in 1998 decreased due primarily to the adverse effect of currency translation on international results. The Company estimates that versus 1997, currency movements adversely affected revenues by approximately $468 million. Worldwide competitive pricing pressures, lower tire unit sales in Latin America and Asia, lower unit sales of engineered and chemical products and strikes in the U.S. against General Motors also contributed to the decrease in 1998 revenues. Increased tire unit sales, resulting from the acquisition of a majority ownership interest in SAVA, d.d., a tire manufacturer in Slovenia, and various other joint venture interests favorably impacted 1998 revenues.

Cost of Goods Sold

Cost of goods sold was 80.4% of sales in 1999, compared to 76.6% in 1998 and 76.7% in 1997. Cost of goods sold increased in dollars and as a percent to sales in 1999 due primarily to higher unit costs associated with lower production levels resulting from the Company's program to realign capacity and reduce inventories. Also reflected are higher research and development costs. In addition, the Company incurred operating charges for inventory write-offs and adjustments. These charges relate primarily to inventory write-offs resulting from the realignment of North American tire brand positioning and replacement market distribution strategies and the exit from the Championship Auto Racing Teams and Indy Racing League (CART/IRL) racing series.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

Raw material costs decreased during 1999 and 1998, but are expected to increase in 2000. Labor costs increased in both 1999 and 1998, due in part to United States wage agreements, which provided for significant wage and benefit improvements. The impact of increased labor costs was somewhat mitigated by the reduction of manufacturing personnel throughout the world resulting from the Company's rationalization programs. Manufacturing costs were adversely affected in 1998 by the transition to seven-day operations at certain U.S. and European production facilities. Costs in both 1999 and 1998 benefited from efficiencies achieved as a result of ongoing cost containment measures.

Research and development expenditures in 1999 were $446.2 million, compared to $420.7 million in 1998 and $384.1 million in 1997. Expenditures in 2000 are expected to be approximately $465 million.

SAG

Selling, administrative and general expense (SAG) in 1999 was 15.7% of sales, compared to 14.9% in 1998 and 14.4% in 1997. SAG increased in 1999 in dollars and as a percent to sales due to higher SAG levels at the Dunlop businesses acquired on September 1, 1999 and due to lower revenues in the first half of 1999. SAG in 1998 was adversely affected by software reengineering costs and acquisitions. SAG benefited in 1999 and 1998 from the favorable impact of ongoing worldwide cost containment measures.

EBIT

EBIT (sales less cost of goods sold and selling, administrative and general expense) decreased in 1999 due to the worldwide competitive pricing environment, increased cost of goods sold and a change in product and market mix to lower priced and lower margin tires and lower margin channels of distribution. The Company estimates that versus 1998, currency movements adversely affected EBIT in 1999 by $65 million. EBIT in 1999 was favorably affected by the acquisition of the Dunlop businesses from Sumitomo, which contributed $60.7 million in EBIT. The adverse impact of currency movements on 1998 EBIT was estimated to also be approximately $65 million versus 1997.

The Company is unable to predict the impact of currency fluctuations and economic conditions on its sales and EBIT in future periods. Reported EBIT in future periods is likely to be unfavorably impacted if the dollar strengthens versus various foreign currencies and by anticipated increases in energy and raw material prices and labor costs, which may not be recoverable in the market due to competitive pricing pressures. Similarly, the continuing weak economic conditions in Latin America are expected to adversely affect EBIT in future periods.

Interest Expense

Interest expense in 1999 was $179.4 million, compared to $147.8 million in 1998 and $119.5 million in 1997. Debt levels increased in 1999 and 1998 primarily in order to fund acquisitions. Interest expense in future periods is expected to be higher than in 1999, due to higher average debt levels resulting from the strategic alliance with Sumitomo and higher interest rates.

Other (Income) and Expense

Other (income) and expense was $(147.9) million in 1999, compared to $(77.4) million in 1998 and $24.5 million in 1997. During 1999, other (income) and expense included a gain totaling $149.7 million ($143.7 million after tax or $.90 per share) on the change in control of 25% of the European businesses contributed to Goodyear Dunlop Tires Europe B.V. by the Company. In addition, proceeds of $17.0 million ($11.1 million after tax or $.07 per share) were realized in 1999 from the Company's sale of customer lists and formulations in connection with its exit from the production of certain rubber chemicals. Interest income increased in 1999 due primarily to higher interest rates received on time deposits.

The Company recorded gains in 1998 totaling $123.8 million ($76.4 million after tax or $.48 per share) on the disposition of a latex processing facility in Georgia and the sale of six distribution facilities in North America and certain other real estate. A charge of $15.9 million ($10.4 million after tax or $.07 per share) was recorded in 1998 for the settlement of several related lawsuits involving employment matters in Latin America. Interest income decreased in 1998 due primarily to lower levels of time deposits worldwide.

For further information, refer to the note to the financial statements No. 4, Other (Income) and Expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

Foreign Currency Exchange

Pretax income included foreign currency exchange gains of $27.6 million in 1999, $2.6 million in 1998 and $34.1 million in 1997. Foreign currency exchange in 1999 benefited from the impact of currency movements on U.S. dollar denominated monetary items, primarily in Brazil. The gains in 1997 resulted primarily from the Company's currency exposure management strategies, primarily related to the impact of the strengthening of the U.S. dollar versus various European and Asian currencies.

Income Taxes

The Company's effective tax rate was 16.5%, 27.6% and 28.0% in 1999, 1998 and 1997, respectively. The effective rate in 1999 reflected the nontaxable character of the $149.7 million gain resulting from the change in control of 25% of the Company's businesses contributed to the European joint venture with Sumitomo. Net income in 1998 benefited from a lower effective tax rate due to strategies that allowed the Company to manage global cash flows and minimize tax expense. The Company estimates that its effective tax rate will increase to approximately 31.5% in 2000.

For further information, refer to the note to the financial statements No. 16, Income Taxes.

Discontinued Operations

On March 21, 1998 the Company reached an agreement to sell, and on July 30, 1998 the Company completed the sale of, substantially all of the assets and liabilities of its oil transportation business. The loss on the sale, net of income from operations during 1998, totaled $34.7 million after tax or $.22 per share.

The transaction was accounted for as a sale of discontinued operations and prior period financial information has been restated as required. For further information, refer to the note to the financial statements No. 22, Discontinued Operations.

RATIONALIZATION ACTIVITY

1999 Rationalization Programs

Rationalizations actions approved in the first quarter of 1999 to reduce costs and increase productivity and efficiency consisted of the termination of tire production at the Gadsden, Alabama manufacturing facility and the downsizing and consolidation of tire manufacturing facilities at Freeport, Illinois and 12 other locations in Europe and Latin America, as well as certain asset sales and other exit costs. The plan provided for the release of approximately 4,000 associates worldwide, other exit costs related to the plant downsizing and consolidation actions, additional costs related to the exit from Formula 1 racing and the anticipated loss on the sale of a rubber plantation in Asia. The Company decided to resume tire production in a portion of the Gadsden plant, resulting in a reduction of the number of associates to be released by approximately 500 and the reversal of $44.7 million. The balance of the $167.4 million charge at December 31, 1999 was $6.4 million. The Company expects these actions to be completed in 2000. Annual pretax savings of approximately $140 million are expected when the planned actions have been fully implemented.

During the third quarter of 1999, continued competitive conditions in the markets served by the Company resulted in the approval of a number of rationalization actions. The plans consisted of the decision to terminate tire production at a facility in Latin America, the reduction of staffing levels in North American Tire operations and the exit from the CART/IRL racing series. The planned actions relate to the reduction of approximately 340 associates, early termination of contracts with various racing teams and the writeoff of equipment taken out of service. Of the $46.5 million of charges recorded, $19.2 million related to non-cash writeoffs and $27.3 million related to future cash outflows. The balance at December 31, 1999 was $13.0 million. The Company expects these actions to be completed during 2000. Annual pretax savings of approximately $35 million are expected when the planned actions have been fully implemented.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

The Company committed to rationalization actions in the fourth quarter of 1999 to reduce costs and increase productivity. The plans related to the reduction of approximately 800 associates in North America and a facility in Europe, as well as the Company's exit from the CART/IRL racing series. The Company expects these actions to be completed during 2000. The Company recorded charges of $26.2 million, all of which related to future cash outflows. The balance remaining at December 31, 1999 was $21.8 million. Annual pretax savings of approximately $44 million are expected when the planned actions have been fully implemented, including $29 million related to the two-phase European associate reduction program, the second of which is expected to be recorded in the first half of 2000, pending the completion of labor negotiations.

During 1999, the Company recorded net rationalization charges of $171.6 million ($132.5 million after tax or $.84 per share). The charges for rationalization plans adopted in 1999 were as follows:

(In millions)	Pretax	After Tax	Per Share
First quarter 1999 program	$167.4	$116.0	$ .74
Third quarter 1999 program	46.5	42.4	.27
Fourth quarter 1999 program	26.2	19.3	.12
Total 1999 rationalization charges	$240.1	$177.7	$1.13

The rationalization charges reversed and credited to Rationalizations on the Consolidated Statement of Income during 1999 were as follows:

(In millions)	Pretax	After Tax	Per Share
Second quarter 1999	$ (9.6)	$ (6.0)	$ (.04)
Third quarter 1999	(40.4)	(26.7)	(.17)
Fourth quarter 1999	(18.5)	(12.5)	(.08)
Total 1999 rationalization credits	$ (68.5)	$ (45.2)	$ (.29)

The $68.5 million of reversals consisted of $44.7 million related to the decision to resume production of certain passenger tire lines in a portion of the Gadsden, Alabama facility due to higher-than-expected demand in North America and the high cost of time delays associated with installing additional capacity at other plants. Of the $44.7 million reversed, $38.9 million related to pension curtailment costs and associate severance costs not required and $5.8 million related primarily to non-cancellable contracts again utilized. Additionally, the reversals consisted of $6.8 million related to the abandonment of the plan to relocate certain agricultural tire production to Turkey due to rationalization opportunities presented by the Dunlop joint venture in Europe and production difficulties following a major earthquake in Turkey. The remaining $17.0 million of the reversals resulted from the evaluation of the reserves at each balance sheet date and the identification of amounts no longer needed for their intended purposes, primarily related to the 1997 and the 1996 rationalization programs.

1998 Rationalization Activity

During 1998, the Company did not adopt any rationalization plans. The Company continued to implement previously adopted rationalization programs and also reversed and credited to Rationalizations $29.7 million ($19.6 million after tax or $.12 per share) of charges originally made in respect of the 1997 rationalization program, which consisted of $22.0 million resulting from favorable settlement of obligations related to the Company's exit from the Formula 1 racing series and $7.7 million related to plant downsizing and closure activities in North America.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

1997 Rationalization Program

The Company adopted certain rationalization plans, resulting in a fourth quarter 1997 charge of $265.2 million ($176.3 million after tax or $1.12 per share) for the optimization, downsizing or consolidation of certain production facilities, consolidation of distribution operations and withdrawal of support from the worldwide Formula 1 racing series. The plan provided for the release of approximately 3,000 associates worldwide, as well as various other exit costs, including non-cancellable lease costs, the writeoff of equipment and costs associated with the fulfillment of contacts with various Formula 1 racing teams. The balance of the $265.2 million charge was $32.9 million at December 31, 1999, all of which relates to future cash outflows. The Company expects the 1997 program to be completed during 2000. Annual pretax savings of approximately $200 million are expected when the planned actions have been fully implemented.

1996 Rationalization Program

In the fourth quarter of 1996, the Company recorded charges for rationalization actions totaling $148.5 million related to worldwide workforce reductions, consolidation of operations and the closing of manufacturing facilities and retail stores. With the exception of the $2.7 million of payments due under noncancellable leases through 2007 related to Canadian retail store closures, the Company has completed the 1996 program. The Company estimates that its annual pretax savings are approximately $110 million.

Dunlop Rationalization Program

Certain rationalization actions were recorded in 1999 as adjustments to the purchase price allocation of the acquired Dunlop businesses, and therefore did not affect the Consolidated Statement of Income.

In the fourth quarter of 1999, to optimize market growth opportunities and maximize cost efficiencies, the Company committed to certain rationalization actions related to the Dunlop businesses acquired from Sumitomo. The plans consisted of the reorganization of research and development operations, the closure of certain retail outlets and the reduction or relocation of sales, purchasing, engineering, logistics and manufacturing associates in Europe. The company recorded a $6.9 million adjustment to the purchase price allocation of the acquired Dunlop businesses, of which $.4 million related to non-cash writeoffs and $6.5 million related to future cash outflows. The balance of these provisions totaled $5.4 million at December 31, 1999.

The Company expects the major portion of these actions to be completed during 2000. Annual pretax savings of approximately $11 million are expected when the planned actions have been fully implemented.

2000 Dunlop Program

On January 6, 2000, the Company committed to a plan to terminate certain tire production at the Dunlop tire manufacturing facility in Birmingham, England. In connection with this action, approximately 650 associates will be released. Costs incurred under the program are expected to approximate $20 million and will be recorded in the first quarter of 2000 as an adjustment to the purchase price allocation.

For further information, refer to the note to the financial statements No. 3, Rationalizations.

Strategic Alliance

On June 14, 1999, the Company entered into a definitive general agreement and various other agreements with Sumitomo Rubber Industries Ltd. ("Sumitomo") relating to the formation and operation of the strategic global alliance (the "Alliance Agreements"). The Alliance Agreements provide, among other things, for tire manufacturing and sales joint ventures. On September 1, 1999, the global alliance was completed and the joint ventures commenced operations. In addition to the businesses contributed, the Company paid $931.6 million to Sumitomo and its affiliates, which was financed by the issuance of additional debt.

In accordance with the terms of the Alliance Agreements, the Company acquired 75%, and Sumitomo owned 25%, of Goodyear Dunlop Tires Europe B.V., a Netherlands holding company. On September 1, 1999, this company acquired substantially all of Sumitomo's tire businesses in Europe, including eight tire manufacturing plants located in England, France and Germany and sales and distribution operations in 18 European countries, and most of the Company's tire businesses in Europe. Excluded from the joint venture are the Company's tire businesses in Poland (other than a sales company), Slovenia and Turkey (as well as Morocco and South Africa), the Company's aircraft tire businesses, and the Company's textile, steel tire cord and tire mold manufacturing plants and technical center and related facilities located in Luxembourg.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

On September 1, 1999, the Company also acquired 75%, and Sumitomo acquired 25%, of Goodyear Dunlop Tires North America Ltd., a holding company that purchased Sumitomo's tire manufacturing operations in North America and certain of its related tire sales and distribution operations. In addition, the Company acquired 100% of Sumitomo's Dunlop Tire replacement distribution and sales operations in the United States and Canada. The Company also acquired a 25% (and Sumitomo acquired a 75%) equity interest in each of two tire companies in Japan, one for the distribution and sale of Goodyear-brand passenger and truck tires in the replacement market in Japan and the other for the distribution and sale of Goodyear-brand and Dunlop-brand tires to original equipment vehicle manufacturers in Japan. The Company transferred certain assets of its subsidiary located in Japan in exchange for such equity interests and approximately $27 million in cash.

The Company also acquired a 51% (and Sumitomo acquired a 49%) equity interest in a company that will coordinate and disseminate commercialized tire technology among the Company, Sumitomo, the joint ventures and their respective affiliates, and an 80% (and Sumitomo acquired a 20%) equity interest in a global purchasing company. The agreements also provide for the investment by the Company and Sumitomo in the common stock of the other.

The Company accounted for the strategic alliance using the purchase method. The cost of the acquired businesses totaled approximately $1.24 billion, including the cash payment of $931.6 million and the fair value of 25% of the Company's businesses contributed to the European joint venture, or $307 million. In addition, the Dunlop businesses contributed to the joint venture companies included $130 million of debt. The Company will amortize substantially all of the approximately $300 million of goodwill recorded on the transaction on a straight-line basis over 40 years.

The Company recognized a gain of $149.7 million ($143.7 million after tax or $.90 per share) on the change of control of 25% of its businesses contributed to the European tire company. The Consolidated Statement of Income also includes the results of operations of the former Sumitomo operations from September 1, 1999. The Consolidated Balance Sheet at December 31, 1999 includes all of the assets and liabilities of the European and North American businesses acquired by the Company, including approximately $600 million of working capital.

The Company has been undergoing an extensive analysis and assessment of the various activities of the combined businesses and is formulating, but has not completed, plans to integrate the businesses in order to optimize market growth opportunities as well as maximize cost efficiencies. The actions contemplated under the plans will include the downsizing or consolidation of various manufacturing, distribution, sales, support and administrative operations. The execution of the plan is contingent upon the completion of the analysis of the optimal integration of manufacturing, distribution and sales operations and facilities, information systems, research and development activities and the appropriate staffing levels for various other functions. Due to the magnitude of the assessment required, the establishment and implementation of these plans will extend over several periods. The Company anticipates that some of these actions will result in charges to future operations while others will result in an adjustment to the acquisition cost. In the fourth quarter of 1999, the Company recorded the previously mentioned rationalization costs totaling $6.9 million, which adjusted the acquisition cost and did not affect income.

Further actions contemplated by the Company related to the businesses acquired are expected to result in costs totaling approximately $70 million to $110 million. These costs include associate severance costs and noncancellable lease obligations. The costs will be recorded as an adjustment to the acquisition cost and will result in increased values assigned to goodwill. Because of these actions and other initiatives, the Company anticipates that it will be able to realize synergies that will, by the end of the third year of combined operations, yield annual cost savings aggregating $300 million to $360 million. The synergies are expected to be derived from the rationalization of manufacturing, the integration of distribution facilities and staffing and the benefits of combined purchasing activities.

For further information, refer to the notes to the financial statements No. 2, Strategic Alliance, No. 3, Rationalizations and No. 8, Investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

Year 2000

In preparation for the rollover to the year 2000, during 1997, 1998 and 1999 the Company has inventoried and assessed all date sensitive technical infrastructure and information and transaction processing computer systems ("I/T Systems") and its potentially date sensitive manufacturing and other operating systems ("Process Systems"), including those that use embedded technology such as micro-controllers and micro-processors, to determine the actions required to render the I/T Systems and Process Systems Year 2000 compliant. The Company remediated and tested all of its I/T Systems and Process Systems and determined that they were year 2000 compliant prior to December 31, 1999.

The cost of modifying the Company's existing I/T Systems in order to achieve year 2000 compliance was approximately $82 million, of which approximately $42 million was expended in 1998 and approximately $24 million was expended in 1999, including approximately $3 million in the 1999 fourth quarter. All of the costs of modifying such existing I/T Systems were expensed in the period incurred, except the cost of new hardware which was capitalized.

In addition, for several years the Company has been designing, acquiring, and installing various business transactions processing I/T Systems which provide significant new functionality and, in some instances, replaced non-compliant I/T Systems with year 2000 compliant I/T Systems. Due to the integrated nature of these I/T Systems enhancement projects, it was not practicable to segregate the costs associated with the elements of these new I/T Systems that may have been accelerated to facilitate year 2000 compliance. The Company spent approximately $233 million for consulting, software and hardware costs incurred in connection with the I/T Systems enhancement projects during 1997, 1998 and 1999, with approximately $122 million expended during 1998 and approximately $88 million expended during 1999, including approximately $14 million during the 1999 fourth quarter. During 1999, approximately $61 million of these costs were capitalized.

The Company modified or replaced and tested Process Systems requiring remediation at a total cost of approximately $37 million, most of which was for the acquisition of replacement systems. Expenditures totaled approximately $20 million in 1998 and $17 million in 1999, including approximately $4 million in the 1999 fourth quarter. All costs related to the remediation of the Process Systems were capitalized.

Accordingly, the Company's Year 2000 compliance costs (including the cost of all I/T Systems enhancement projects) totaled approximately $352 million, of which amount, approximately $223 million was incurred through December 31, 1998, and approximately $129 million was incurred during 1999, including approximately $21 million in the 1999 fourth quarter. Year 2000 costs were funded from operations.

Costs for repairing existing I/T Systems for Year 2000 compliance represented approximately 12% of the Company's expenditures for information technology during both 1998 and 1999. The total cost of repairing existing I/T Systems enhancement projects represented approximately 32% of the Company's information technology expenditures during 1999, compared to 47% during 1998. The cost of remediating Process Systems was not significant relative to the Company's capital expenditures for equipment.

During 1999, the Company surveyed its significant suppliers to determine the extent to which the Company could have been vulnerable to their failure to correct their own year 2000 issues. Based on responses to its survey and other communications, the Company determined that the year 2000 readiness status of most of its significant suppliers would permit its suppliers to deliver the goods and services required by the Company on a timely basis without any interruption due to year 2000 issues. During January 2000, the Company did not experience any failure of any supplier to supply goods and services as scheduled that was related to year 2000 issues.

From December 28, 1999 through January 7, 2000, the Company's Year 2000 Emergency Response Team was available for responding to any year 2000 issues. During the December 30th to January 3rd rollover period the Company's

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

Response Team was in contact with the Company's facilities around the world to determine whether any year 2000 related difficulties were experienced by the Company. During the rollover period, the Company's Response Team received approximately 25 calls regarding year 2000 related issues. While in one case it was necessary to perform additional remediation of software for one production support system, which was completed at a nominal cost without any delay in scheduled deliveries, all other matters were resolved without any additional remediation activity.

The Company believes that its year 2000 compliance efforts were successful, that its ability to manufacture and distribute its products was not impaired by year 2000 issues and that it will not incur liability for breach of contract or other harm arising out of any failure of its I/T Systems and Process Systems to be year 2000 compliant.

The Euro

Effective January 1, 1999, member states of the European Monetary Union (EMU) established a common currency known as the Euro. Modifications to certain of the Company's information systems software were required in connection with this conversion to dual currencies, and such modifications were completed at a nominal cost. On January 1, 2002, the Euro will become the sole lawful currency of each EMU member state. The Company is actively preparing for the conversion of all information systems software to the Euro, which will become the functional currency of most of its European businesses, and does not expect that this conversion will have a material impact on results of operations, financial position or liquidity of its European operations.

Recently Issued Accounting Standards

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 requires all derivatives to be recognized as either assets or liabilities on the balance sheet and be measured at fair value. Changes in such fair value are required to be recognized in earnings to the extent that the derivatives are not effective as hedges. The provisions of SFAS 133, as amended, are effective for fiscal years beginning after June 15, 2000, and are effective for interim periods in the initial year of adoption. The Company is currently assessing the financial statement impact of the adoption of SFAS 133.

SEGMENT INFORMATION

Segment information reflects the strategic business units of the Company, which are organized to meet customer requirements and global competition. The tire business is managed on a regional basis. Effective July 1, 1999 the Company reorganized its Europe Tire segment into two segments, the European Union Tire business and the Eastern Europe, Africa and Middle East Tire business. This was done to reflect the way the business would be managed given the anticipated addition of the Dunlop Tire businesses, which was completed on September 1, 1999. Accordingly, the Company's tire segments consist of North American Tire, European Union Tire, Eastern Europe, Africa and Middle East Tire, Latin American Tire and Asia Tire. Segment information for prior periods has been restated to reflect this change. Engineered Products and Chemical Products are managed on a global basis.

Results of operations in the tire and engineered products business segments were measured based on net sales to unaffiliated customers and EBIT. Results of operations of the chemical business included transfers to other segments. EBIT is computed as follows: net sales less cost of goods sold and selling, administrative and general expense, including allocated central administrative expenses.

Segment EBIT was $540.4 million in 1999, $1.13 billion in 1998 and $1.20 billion in 1997. Segment operating margin in 1999 was 4%, compared to 8.6% in 1998 and 8.8% in 1997.

Segment EBIT does not include the previously discussed rationalizations and certain items reported in Other (Income) and Expense. For further information, refer to the note to the financial statements No. 20, Business Segments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

North American Tire

North American Tire segment sales in 1999 were $6.36 billion, increasing 1.9% from $6.24 billion in 1998 and 2.4% from $6.21 billion in 1997.

Unit sales in 1999 increased 3.8% from 1998, with replacement unit sales 2.4% higher and OE volume up 6.8%. The Dunlop businesses in North America contributed 3.7% to 1999 unit sales. Unit sales in 1998 increased 2.3% from 1997. Replacement unit sales increased 3.6%, but OE volume decreased slightly due primarily to strikes against General Motors.

Revenues in 1999 increased from 1998 due to higher tire unit sales resulting from the acquisition of the Dunlop Tire businesses in the United States and Canada. The Dunlop businesses contributed $243.7 million to 1999 sales. Revenues in 1999 were adversely impacted by competitive pricing pressures and a shift in mix to lower margin tires. The Company also experienced unanticipated product shortages of certain passenger and truck tire lines and sizes, which continued into 2000. The Company, however, is giving priority to plans for improving product availability. Revenues in future periods are likely to be adversely affected by competitive pricing pressures.

Revenues in 1998 increased from 1997 on higher unit sales, but were adversely affected by competitive pricing pressures, a change in mix and the impact of currency translation on Canadian results. In addition, revenues were adversely affected by reduced demand resulting from strikes against General Motors in 1998 and by strikes against the Company in 1997.

North American Tire segment EBIT was $19.0 million in 1999, decreasing 95% from $378.6 million in 1998 and 95% from $382.5 million in 1997. The Dunlop businesses contributed $18.8 million to 1999 EBIT. Operating margin in 1999 was .3%, compared to 6.1% in 1998 and 6.2% in 1997.

EBIT in 1999 decreased from 1998 due primarily to increased production costs associated with higher unit volumes, shifts in mix to lower margin tires, competitive pricing conditions, reduced capacity utilization rates during the first half of 1999 due to realignment of capacity and inventory reduction measures, increased distribution costs, higher labor costs and higher research and development costs. EBIT in 1999 also included charges for inventory writeoffs and adjustments resulting primarily from the realignment of brand positioning and replacement market distribution strategies occasioned by the addition of the Dunlop brand on September 1, 1999 and from the Company's exit from CART/IRL racing. EBIT was favorably affected in 1999 by the acquisition of the Dunlop Tire businesses in the United States and Canada.

EBIT in 1998 was adversely affected by competitive pricing and costs associated with the transition to seven-day operations at certain production facilities, the consolidation of warehouse operations and software reengineering costs. EBIT in 1998 benefited from higher unit sales, lower raw material costs, lower SAG, improved productivity and the effects of ongoing cost containment measures.

EBIT in 1999 did not include net rationalization charges totaling $71.5 million. EBIT in 1998 did not include $7.7 million of credits resulting from rationalization reversals and gains on asset sales totaling $44.1 million. EBIT in 1997 did not include rationalization charges totaling $107.6 million.

European Union Tire

European Union Tire segment sales in 1999 were $2.56 billion, increasing 24.1% from $2.06 billion in 1998 and 26.5% from $2.02 billion in 1997.

Unit sales in 1999 increased 25.8% from 1998, with replacement unit sales also increasing 25.8% and OE volume up 25.9%. The Dunlop businesses in the European Union contributed 22.5% to 1999 unit sales. Unit sales in 1998 increased 8.9% from 1997. Replacement unit sales rose 11.5% and OE volume increased 2.7%.

Revenues in 1999 increased from 1998 due to higher tire unit sales resulting from the acquisition of the Dunlop Tire businesses in Europe, which contributed $611.3 million to 1999 sales. Revenues in both 1999 and 1998 were adversely impacted by the effects of currency translation and competitive pricing pressures. Revenues in 1998 increased from 1997 due primarily to higher tire unit sales. Revenues in future periods may be adversely affected by competitive pricing pressures.

European Union Tire segment EBIT was $188.0 million in 1999, decreasing 5.9% from $199.7 million in 1998 and increasing 12.8% from $166.7 million in 1997. The Dunlop businesses contributed $41.9 million to 1999 EBIT. Operating margin in 1999 was 7.3%, compared to 9.7% in 1998 and 8.2% in 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

EBIT in 1999 decreased from 1998 due primarily to lower margins as a result of pricing pressures. EBIT in 1999 was also adversely impacted by increased costs resulting from ongoing programs to align production with inventory, the effects of currency translations and higher SAG. EBIT in 1998 increased from 1997 due primarily to higher tire unit volume, lower raw material costs, productivity improvements and the effects of cost containment measures.

EBIT in 1999 did not include net rationalization charges totaling $2.8 million. A gain totaling $149.7 million resulting from the change in control of 25% of the Company's businesses contributed to the European joint venture was also not included in 1999 EBIT. EBIT in 1998 did not include gains totaling $3.2 million from asset sales. EBIT also excluded rationalization charges of $50.9 million in 1997.

The Company anticipates continued fluctuations in the value of the U.S. dollar relative to the Euro and other Western European currencies. Revenues and EBIT in the European Union Tire segment may be affected in future periods by the effects of currency translations and continued competitive pricing in various markets.

Eastern Europe, Africa and Middle East Tire

Eastern Europe, Africa and Middle East Tire ("Eastern Europe Tire ") segment sales in 1999 were $796.2 million, decreasing 6.3% from $850.0 million in 1998 and 12.0% from $904.7 million in 1997.

Unit sales in 1999 increased 8.6% from 1998, with replacement unit sales 10.8% higher and OE volume up .9%. Unit sales in 1998 decreased 1.7% from 1997. Replacement unit sales increased 2.1%, but OE volume was 13.2% lower than in 1997.

Revenues in 1999 decreased from 1998 despite higher tire unit sales, due primarily to the effects of currency translation, competitive pricing conditions and adverse economic conditions in Eastern Europe, South Africa and Turkey. Revenues were favorably impacted in 1999 by the acquisition of a majority interest in tire manufacturing operations in Slovenia in the third quarter of 1998. Revenues in future periods may be adversely affected by competitive pricing pressures and economic conditions in the markets served by the Eastern Europe segment. Revenues in 1998 decreased from 1997 due primarily to currency translation and adverse economic conditions in Turkey and South Africa.

Eastern Europe Tire EBIT was $49.8 million in 1999, decreasing 51.4% from $102.4 million in 1998 and 51.4% from $102.4 million in 1997. Operating margin in 1999 was 6.3%, compared to 12.0% in 1998 and 11.3% in 1997.

EBIT in 1999 decreased from 1998 due primarily to lower revenues, increased production unit costs associated with programs to realign capacity and reduce inventories, the impact of a major earthquake on the Turkish economy and adverse economic conditions in Eastern Europe and South Africa. EBIT in 1998 was level with 1997.

EBIT in 1999 did not include net rationalization charges totaling $.3 million. EBIT in 1998 did not include gains on asset sales totaling $.9 million.

The Company anticipates continued fluctuations in the value of the U.S. dollar relative to the various currencies in the markets served by Eastern Europe Tire. Revenues and EBIT in Eastern Europe Tire are likely to be adversely affected in future periods by the effects of currency translations if the dollar, as expected, strengthens against the currencies in the region.

Latin American Tire

Latin American Tire segment sales in 1999 were $930.8 million, decreasing 25.3% from $1.25 billion in 1998 and 34.1% from $1.41 billion in 1997.

Unit sales in 1999 decreased 14.7% from 1998, with replacement unit sales 9.4% lower and OE volume down 30.9%. Unit sales in 1998 decreased 4.8% from 1997. Replacement unit sales increased slightly while OE volume was 17.3% lower.

Revenues in 1999 decreased from 1998 due primarily to significantly lower tire unit sales due primarily to the continuing economic downturn in the region, competitive pricing pressures and the effects of currency translations. Revenues in 1998 decreased from 1997 due primarily to lower tire unit sales resulting from unfavorable economic conditions in the region, the effects of currency translations and competitive pricing pressures.

Latin American Tire segment EBIT was $67.7 million in 1999, decreasing 63.6% from $186.1 million in 1998 and 71.0% from $233.5 million in 1997. Operating margin in 1999 was 7.3%, compared to 14.9% in 1998 and 16.5% in 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

EBIT in 1999 decreased from 1998 due to lower revenues, competitive pricing and increased unit costs resulting from lower levels of capacity utilization necessary to align production with demand and reduce inventory. EBIT in 1998 decreased from 1997 due primarily to lower revenues and the effects of currency translations.

EBIT in 1999 did not include rationalization charges totaling $77.3 million. EBIT in 1998 did not include a charge for a lawsuit settlement totaling $14.1 million and gains on asset sales totaling $3.4 million. EBIT also excluded rationalization charges of $36.5 million in 1997.

The Company anticipates continued fluctuations in the value of the U.S. dollar relative to Latin American currencies. Revenues and EBIT in the Latin American Tire segment in future periods may be adversely affected by the effects of currency translations. In addition, continuing unfavorable economic conditions and competitive pricing pressures in the region are expected to adversely affect future revenues and EBIT.

Asia Tire

Asia Tire segment sales in 1999 were $575.9 million, increasing 14.8% from $501.8 million in 1998, decreasing 13.6% from $666.9 million in 1997.

Unit sales in 1999 increased 11.3% from 1998, with replacement unit sales 2.1% higher and OE volume up 75.0%. Unit sales in 1998 decreased 7.7% from 1997. Replacement unit sales increased 2.2% but OE volume was 44.8% lower.

Revenues in 1999 increased from 1998 due primarily to higher tire unit sales, the favorable impact of currency translations and improving economic conditions in the region. Revenues in 1999 were adversely affected by competitive pricing pressures and the deconsolidation of the businesses transferred to the Asia joint venture with Sumitomo. Revenues in 1998 decreased from 1997 due primarily to the effects of currency translation, lower tire unit sales resulting from the severe economic downturn in the region and competitive pricing pressures.

Asia Tire segment EBIT was $26.0 million in 1999, increasing from $7.5 million in 1998 but 55.6% lower than the $58.6 million recorded in 1997. Operating margin in 1999 was 4.5%, compared to 1.5% in 1998 and 8.8% in 1997.

EBIT in 1999 increased from 1998 due primarily to higher revenues and lower raw material costs, but was adversely impacted by a charge of $5.2 million to write off obsolete equipment in India. EBIT in 1998 decreased due to lower revenues and increased costs due to reduced levels of capacity utilization.

EBIT in 1999 did not include rationalization charges totaling $1.5 million. EBIT in 1998 did not include gains on asset sales totaling $10.1 million.

The Company anticipates continued fluctuations in the value of the U.S. dollar relative to Asian currencies. Revenues and EBIT in the Asia Tire segment in future periods may be affected by the effects of currency translations. In addition, changing economic conditions in the region may adversely affect future revenues and EBIT. Revenues and EBIT in future periods may be adversely affected by competitive pricing pressures.

Sales and EBIT of the Asia Tire segment do not include South Pacific Tyres Ltd. (SPT), the largest tire manufacturer, marketer and exporter in Australia and New Zealand, which is 50% owned by the Company. Results of operations of SPT are not reported in segment results and are reflected in the Company's Consolidated Statement of Income using the equity method.

The following table presents the sales and operating income of the Company's Asia Tire segment together with 100% of the sales and EBIT of SPT:

(In millions)	1999	1998	1997
Net Sales:			
Asia Tire Segment	$ 575.9	$ 501.8	$ 666.9
SPT	657.8	636.3	743.7
	$1,233.7	$1,138.1	$1,410.6
EBIT:			
Asia Tire Segment	$ 26.0	$ 7.5	$ 58.6
SPT	31.2	47.2	62.3
	$ 57.2	$ 54.7	$ 120.9

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

SPT sales in 1999 were $657.8 million, increasing slightly from $636.3 million in 1998, but decreasing 11.6% from $743.7 million in 1997. Revenues increased in 1999 due primarily to the effects of currency translations and increased export sales. Revenues decreased in 1998 due primarily to the effects of currency translations, strong import competition and a reduction of OE market share.

SPT EBIT was $31.2 million in 1999, decreasing 33.9% from $47.2 million in 1998 and decreasing 50.0% from $62.3 million in 1997. EBIT in 1999 decreased primarily due to increased competition in the Australian replacement market, particularly passenger, and lower OE and export margins. EBIT in 1998 reflected the adverse effect of currency translations and reduced margins as a result of stronger import competition.

Engineered Products

Engineered Products segment sales in 1999 were $1.21 billion, decreasing 5.4% from $1.28 billion in 1998 and 8.6% from $1.32 billion in 1997.

Engineered Products segment EBIT in 1999 was $71.0 million, decreasing 36.5% from $111.8 million in 1998 and 45.4% from $130.1 million in 1997. Operating margin in 1999 was 5.9%, compared to 8.7% in 1998 and 9.8% in 1997.

Revenues and EBIT in 1999 decreased from 1998 due primarily to lower unit sales resulting from the exit from the interior trim business and reduced demand for conveyor belting from the mining and agriculture industries, unfavorable currency translation and adverse economic conditions in Latin America and South Africa. EBIT was adversely affected by lower revenue in 1999 as well as increased costs resulting from product adjustments and idle plant costs required to align production with demand and reduce inventories. Revenues and EBIT in 1998 decreased from 1997 due primarily to lower unit sales volume resulting from adverse economic conditions in Latin America and the sale of the Jackson, Ohio automotive trim plant in 1997.

EBIT in 1999 did not include net rationalization charges totaling $8.8 million. EBIT in 1998 did not include a charge for a lawsuit settlement totaling $1.8 million and a gain on an asset sale totaling $.6 million. EBIT in 1997 excluded rationalization charges of $6.0 million.

Revenues and EBIT in the Engineered Products segment in future periods may be adversely affected by continued unfavorable economic conditions and currency translations in Latin America and South Africa.

Chemical Products

Chemical Products segment sales in 1999 were $928.4 million, decreasing 4.4% from $970.8 million in 1998 and 14.8% from $1.09 billion in 1997. Approximately 50% of Chemical Products sales are to the Company's other segments.

Chemical Products segment EBIT in 1999 was $118.9 million, decreasing 14.8% from $139.6 million in 1998 and 7.3% from $128.3 million in 1997. Operating margin in 1999 was 12.8%, compared to 14.4% in 1998 and 11.8% in 1997.

Revenues and EBIT in 1999 decreased from 1998 due primarily to competitive pricing pressures. Revenues in 1998 decreased from 1997 due to reduced unit volume and competitive pricing pressures. Revenues in 1998 were also adversely affected by the sale of the Calhoun, Georgia latex processing facility. EBIT in 1998 increased from 1997 due primarily to improved results in natural rubber operations.

EBIT in 1999 did not include net rationalization charges of $2.5 million and third quarter proceeds of $17 million from the sale of customer lists and formulations in connection with the Company's exit from the production of certain rubber chemicals. EBIT in 1998 did not include gains on asset sales totaling $61.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

Net cash provided by operating activities was $634.7 million during 1999, as reported on the Consolidated Statement of Cash Flows. Excluding the impact of the strategic alliance with Sumitomo, as discussed below, inventories decreased, although working capital requirements increased for accounts payable. The strategic alliance with Sumitomo resulted in substantial increases on the Consolidated Balance Sheet in accounts receivable, inventories, goodwill, other deferred charges, property, plant and equipment, accounts payable, compensation and benefits, debt and minority equity in subsidiaries. Cash flows from operating activities in the Consolidated Statement of Cash Flows are presented net of the effects of the strategic alliance, which is reflected in investing activities, as discussed below.

INVESTING ACTIVITIES

Net cash used in investing activities was $1.80 billion during 1999. Cash used for investing activities in 1999 included a cash payment of $931.6 million for the acquisition of the majority interests in the Dunlop Tire businesses in Europe and North America. The asset acquisitions amount of $892.0 million reflected on the Company's Consolidated Statement of Cash Flows is net of cash received. Other investing activities in 1999 included the net proceeds of $27 million from the sale of assets to the Japanese joint ventures formed under the strategic alliance, which are 25% owned by the Company, and the $17 million of proceeds from the sale of customer lists and formulations in connection with the Company's exit from the production of certain rubber chemicals.

Capital expenditures in 1999 were $805.0 million, of which amount $410.7 million was used on projects to increase capacity and improve productivity and the balance was used for tire molds and various other projects. Capital expenditures are expected to approximate $600 million to $700 million in 2000. At December 31, 1999, the Company had binding commitments for land, buildings and equipment of $244.3 million. Depreciation and amortization are expected to be in the range of $600 million to $700 million in 2000.

(In millions)	1999	1998	1997
Capital expenditures	$805.0	$838.4	$699.0
Depreciation	557.6	487.8	453.9
Amortization	24.1	18.1	13.3

Investing activities in 1998 included acquisitions of majority ownership interests in tire manufacturers in Slovenia, India and Japan. In addition, the Company raised its ownership to 100% of the Company's tire and engineered products subsidiary in South Africa and the Brad Ragan subsidiary in the United States. Investing activities in 1998 also included the divestitures of the Company's oil transportation business, a latex processing facility in Georgia, six distribution facilities in North America and other miscellaneous real estate.

For further information on investing activities, refer to the notes to the financial statements No. 2, Strategic Alliance and No. 8, Investments.

FINANCING ACTIVITIES

Net cash provided by financing activities was $1.18 billion during 1999, which was used primarily to support the previously mentioned investing activities.

(Dollars in millions)	1999	1998	1997
Consolidated Debt	$3,424.5	$1,975.8	$1,351.2
Debt to Debt and Equity	48.6%	34.5%	28.5%

In connection with the Company's strategic alliance with Sumitomo, on February 25, 1999 the Company issued to Sumitomo at par a 1.2% Convertible Note Due August 16, 2000 in the principal amount of Yen13,073,070,934 (equivalent to $127.8 million at December 31, 1999). The Company's Note is convertible, if not earlier redeemed, during the period beginning July 16, 2000 through August 15, 2000 into 2,281,115 shares of the Common Stock, without par value, of the Company at a conversion price of Yen 5,731 per share, subject to certain adjustments. Consolidated Debt and Debt to Debt and Equity as stated above do not reflect the issuance of the Company's 1.2% Convertible Note.

In addition, on February 25, 1999 the Company purchased at par from Sumitomo a 1.2% Convertible Note Due August 16, 2000 in the principal amount of Yen 13,073,070,934 (also equivalent to $127.8 million at December 31, 1999). The Sumitomo Note is convertible, if not earlier redeemed, during the period beginning July 16, 2000 through August 15, 2000 into 24,254,306 shares of the Common Stock, Yen50 par value per share, of Sumitomo at a conversion price of Yen539 per share, subject to certain adjustments. Upon conversion of the Sumitomo Note into Sumitomo Common Stock, the Company would own 10% of Sumitomo's outstanding shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

The Company accounts for the Sumitomo note as an available-for-sale equity instrument. The fair value of the note at December 31, 1999 was $107.2 million. For further information, refer to the note to the financial statements No. 8, Investments.

The Company and Sumitomo have each agreed to convert and not redeem its convertible note if the Goodyear/Dunlop joint ventures are operating on July 1, 2000.

Credit Sources

Substantial short term and long term credit sources are available to the Company globally under normal commercial practices. At December 31, 1999, the Company had an aggregate of $1.15 billion of commercial paper outstanding. In addition, at December 31, 1999, the Company had short term committed and uncommitted bank credit arrangements totaling $2.07 billion, of which $.91 billion were unused. The Company also had available long term credit arrangements at December 31, 1999 totaling $3.11 billion, of which $2.00 billion were unused.

The Company is a party to two revolving credit facility agreements, consisting of a $700 million four year revolving credit facility and a $1.3 billion 364-day revolving credit facility. The $700 million facility is with 23 domestic and international banks and provides that the Company may borrow at any time until July 13, 2003, when the commitment terminates and any outstanding loans mature. The Company pays a commitment fee ranging from 7.5 to 15 basis points on the entire amount of the commitment (whether or not borrowed) and a usage fee on amounts borrowed (other than on a competitive bid or prime rate basis) ranging from 15 to 30 basis points. These fees may fluctuate within these ranges quarterly based upon the Company's performance as measured by defined ranges of leverage. During 1999 commitment and usage fees averaged 10.625 and 21.25 basis points, respectively. The $1.3 billion 364-day credit facility agreement is with 25 domestic and international banks and provides that the Company may borrow until August 18, 2000, on which date the facility commitment terminates, except as it may be extended on a bank by bank basis. If a bank does not extend its commitment if requested to do so, the Company may obtain from such bank a two year term loan up to the amount of such bank's commitment. The Company pays a commitment fee of 8 basis points on the entire amount of the commitment (whether or not borrowed) and a usage fee ranging from 32 to 57 basis points on amounts borrowed (other than on a competitive bid or prime rate basis). Under both the four year and the 364-day facilities, the Company may obtain loans bearing interest at reserve adjusted LIBOR or a defined certificate of deposit rate, plus in each case the applicable usage fee. In addition, the Company may obtain loans based on the prime rate or at a rate determined on a competitive bid basis. The facility agreements each contain certain covenants which, among other things, require the Company to maintain at the end of each fiscal quarter a minimum consolidated net worth and a defined minimum interest coverage ratio. In addition, the facility agreements establish a limit on the aggregate amount of consolidated debt the Company and its subsidiaries may incur. There were no borrowings outstanding under these agreements at December 31, 1999. These revolving credit facilities support, among other things, the Company's commercial paper program and certain uncommitted short term bank facilities.

Other Financing Activities

Throughout 1999, the Company sold certain domestic accounts receivable under continuous sale programs whereby, as these receivables were collected, new receivables were sold. Under these agreements, undivided interests in designated receivable pools are sold to purchasers with recourse limited to the receivables purchased. At December 31, 1999 and 1998, the outstanding balance of receivables sold under these agreements amounted to $550 million.

The Board of Directors of the Company approved a three year share repurchase program in 1999, whereunder the Company may acquire up to $600 million of outstanding Common Stock of the Company. The program is designed to give the Company better flexibility in funding future acquisitions and to optimize shareholder value. No shares were repurchased during 1999. During 1998, 1,500,000 shares were repurchased under a similar program at an average cost of $56.82.

For further information on financing activities, refer to the note to the financial statements No. 10, Financing Arrangements and Derivative Financial Instruments.

Funds generated by operations, together with funds available under existing credit arrangements, are expected to be sufficient to meet the Company's currently anticipated operating cash requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The Company actively manages its fixed and floating rate debt mix, within defined limitations, using refinancings and unleveraged interest rate swaps. The Company will enter into fixed and floating interest rate swaps to alter its exposure to the impact of changing interest rates on consolidated results of operations and future cash outflows for interest. Fixed rate swaps are used to reduce the Company's risk of increased interest costs during periods of rising interest rates. Floating rate swaps are used to convert the fixed rates of long term borrowings into short term variable rates. Interest rate swap contracts are thus used by the Company to separate interest rate risk management from the debt funding decision. At December 31, 1999, the interest rate on 28% of the Company's debt was fixed by either the nature of the obligation or through the interest rate contracts, compared to 55% at December 31, 1998. Interest rate lock contracts are used to hedge the risk-free rate component of anticipated long term debt issuances.

The following tables present information at December 31:

(In millions)	1999	1998
Interest Rate Exchange Contracts		
Fair value — asset (liability)	$ .5	$(2.2)
Carrying amount — (liability)	—	(.1)
Pro forma fair value — (liability)	(.1)	(3.2)

(In millions)	1999
Interest Rate Lock Contracts	
U.S. dollar contracts:	
Fair value — asset	$ 5.5
Carrying amount	—
Pro forma fair value — (liability)	(3.0)
Euro contracts:	
Fair value — asset	$ 1.4
Carrying amount	—
Pro forma fair value — (liability)	(.8)

The pro forma information assumes a 10% decrease in variable market interest rates at December 31 of each year, and reflects the estimated fair value of contracts outstanding at that date under that assumption.

(In millions)	1999	1998
Fixed Rate Debt		
Fair value — liability	$812.7	$938.6
Carrying amount — liability	836.0	879.2
Pro forma fair value — liability	855.4	997.7

The pro forma information assumes a 100 basis point decrease in market interest rates at December 31 of each year, and reflects the estimated fair value of fixed rate debt outstanding at that date under that assumption.

The sensitivity to changes in interest rates of the Company's interest rate contracts and fixed rate debt was determined with a valuation model based upon net modified duration analysis. The model assumes a parallel shift in the yield curve, and the precision of the model decreases as the assumed change in interest rates increases.

Foreign Currency Exchange Risk

In order to reduce the impact of changes in foreign exchange rates on consolidated results of operations and future foreign currency denominated cash flows, the Company was a party to various foreign currency forward exchange contracts at December 31, 1999 and 1998. These contracts reduce exposure to currency movements affecting existing foreign currency denominated assets, liabilities and firm commitments resulting primarily from trade receivables and payables, equipment acquisitions, intercompany loans and the Company's Swiss franc debt. The contract maturities match the maturities of the currency positions. Changes in the fair value of forward exchange contracts are substantially offset by changes in the fair value of the hedged positions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

The following table presents information at December 31:

(In millions)	1999	1998
Fair value — favorable	$58.7	$82.3
Carrying amount — asset	58.0	87.7
Pro forma change in fair value	13.1	8.6

The pro forma information assumes a 10% change in foreign exchange rates at December 31 of each year, and reflects the estimated change in the fair value of contracts outstanding at that date under that assumption.

The sensitivity to changes in exchange rates of the Company's foreign currency positions was determined using current market pricing models.

For further information on interest rate contracts and foreign currency exchange contracts, refer to the note to the financial statements No. 10, Financing Arrangements and Derivative Financial Instruments.

FORWARD-LOOKING INFORMATION — SAFE HARBOR STATEMENT

Certain information set forth herein (other than historical data and information) may constitute forward-looking statements regarding events and trends that may affect the Company's future operating results and financial position. The words "estimate," "expect," "intend" and "project," as well as other words or expressions of similar meaning, are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this annual report. Such statements are based on current expectations, are inherently uncertain, are subject to risks and should be viewed with caution. Actual results and experience may differ materially from the forward-looking statements as a result of many factors, including: changes in economic conditions in the various markets served by the Company's operations; increased competitive activity; fluctuations in the prices paid for raw materials and energy; changes in the monetary policies of various countries where the Company has significant operations; and other unanticipated events and conditions. It is not possible to foresee or identify all such factors. The Company makes no commitment to update any forward-looking statement, or to disclose any facts, events or circumstances after the date hereof that may affect the accuracy of any forward-looking statement.

CONSOLIDATED STATEMENT OF INCOME

(Dollars in millions, except per share)

YEAR ENDED DECEMBER 31,	1999	1998	1997
Net Sales	$12,880.6	$12,626.3	$13,065.3
Cost of Goods Sold	10,351.4	9,672.9	10,015.6
Selling, Administrative and General Expense	2,016.7	1,881.1	1,886.7
Rationalizations (Note 3)	171.6	(29.7)	265.2
Interest Expense (Note 17)	179.4	147.8	119.5
Other (Income) and Expense (Note 4)	(147.9)	(77.4)	24.5
Foreign Currency Exchange	(27.6)	(2.6)	(34.1)
Minority Interest in Net Income of Subsidiaries	40.3	31.5	44.6
Income from Continuing Operations before Income Taxes	296.7	1,002.7	743.3
United States and Foreign Taxes on Income (Note 16)	55.6	285.7	220.9
Income from Continuing Operations	241.1	717.0	522.4
Discontinued Operations (Note 22)	—	(34.7)	36.3
Net Income	$ 241.1	$ 682.3	$ 558.7
Income (Loss) Per Share — Basic:			
Income from Continuing Operations	$ 1.54	$ 4.58	$ 3.34
Discontinued Operations	—	(.22)	.24
Net Income	$ 1.54	$ 4.36	$ 3.58
Average Shares Outstanding (Note 12)	156,182,004	156,570,476	156,225,112
Income (Loss) Per Share — Diluted:			
Income from Continuing Operations	$ 1.52	$ 4.53	$ 3.30
Discontinued Operations	—	(.22)	.23
Net Income	$ 1.52	$ 4.31	$ 3.53
Average Shares Outstanding (Note 12)	158,939,599	158,307,212	158,169,534

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED BALANCE SHEET

(Dollars in millions)

DECEMBER 31,	1999	1998
Assets		
Current Assets:		
Cash and cash equivalents	$ 241.3	$ 239.0
Accounts and notes receivable (Note 5)	2,296.3	1,770.7
Inventories (Note 6)	2,287.2	2,164.5
Sumitomo 1.2% Convertible Note Receivable Due 8/00 (Note 8)	107.2	—
Prepaid expenses and other current assets	329.2	354.9
Total Current Assets	5,261.2	4,529.1
Long Term Accounts and Notes Receivable	97.7	173.5
Investments in Affiliates, at equity	115.4	111.4
Other Assets	79.0	99.5
Goodwill (Note 7)	516.9	257.4
Deferred Charges	1,271.4	1,059.9
Properties and Plants (Note 9)	5,761.0	4,358.5
Total Assets	$13,102.6	$10,589.3
Liabilities		
Current Liabilities:		
Accounts payable — trade	$ 1,417.5	$ 1,131.7
Compensation and benefits	794.5	751.0
Other current liabilities	294.5	351.9
United States and foreign taxes	249.0	252.6
Notes payable to banks (Note 10)	862.3	763.3
Sumitomo 1.2% Convertible Note Payable Due 8/00 (Note 8)	127.8	—
Long term debt due within one year	214.3	26.0
Total Current Liabilities	3,959.9	3,276.5
Long Term Debt (Note 10)	2,347.9	1,186.5
Compensation and Benefits (Notes 13, 14)	2,137.4	1,945.9
Other Long Term Liabilities	149.1	175.6
Minority Equity in Subsidiaries	891.2	259.0
Total Liabilities	9,485.5	6,843.5
Shareholders' Equity		
Preferred Stock, no par value:		
Authorized, 50,000,000 shares, unissued	—	—
Common Stock, no par value:		
Authorized, 300,000,000 shares		
Outstanding shares, 156,335,120 (155,943,535 in 1998)	156.3	155.9
Capital Surplus	1,029.6	1,015.9
Retained Earnings	3,531.4	3,477.8
Accumulated Other Comprehensive Income (Note 21)	(1,100.2)	(903.8)
Total Shareholders' Equity	3,617.1	3,745.8
Total Liabilities and Shareholders' Equity	$13,102.6	$10,589.3

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Dollars in millions, except per share)	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 1996 (after deducting 39,628,694 treasury shares)	156,049,974	$156.1	$1,059.4	$2,603.0	$ (539.4)	$3,279.1
Comprehensive income:						
Net income				558.7		
Foreign currency translation					(269.6)	
Minimum pension liability (net of tax of $1.6)					2.9	
Total comprehensive income						292.0
Cash dividends — $1.14 per share				(178.3)		(178.3)
Common stock acquired	(1,478,200)	(1.5)	(76.9)			(78.4)
Common stock issued from treasury:						
Dividend Reinvestment and Stock Purchase Plan	56,399	.1	3.1			3.2
Stock compensation plans	1,960,610	1.9	76.0			77.9
Balance at December 31, 1997 (after deducting 39,089,885 treasury shares)	156,588,783	156.6	1,061.6	2,983.4	(806.1)	3,395.5
Comprehensive income:						
Net income				682.3		
Foreign currency translation					(99.6)	
Minimum pension liability (net of tax of $.2)					1.9	
Total comprehensive income						584.6
Cash dividends — $1.20 per share				(187.9)		(187.9)
Common stock acquired	(1,500,000)	(1.5)	(83.7)			(85.2)
Common stock issued from treasury:						
Stock compensation plans	854,752	.8	38.0			38.8
Balance at December 31, 1998 (after deducting 39,735,133 treasury shares)	155,943,535	155.9	1,015.9	3,477.8	(903.8)	3,745.8
Comprehensive income:						
Net income				241.1		
Foreign currency translation					(212.2)	
Less reclassification adjustment for recognition of FCTA in net income due to the sale of subsidiaries					17.6	
Minimum pension liability (net of tax of $6.3)					11.0	
Unrealized investment loss (net of tax of $7.8)					(12.8)	
Total comprehensive income						44.7
Cash dividends — $1.20 per share				(187.5)		(187.5)
Common stock issued from treasury:						
Stock compensation plans	391,585	.4	13.7			14.1
Balance at December 31, 1999 (after deducting 39,343,548 treasury shares)	156,335,120	$156.3	$1,029.6	$3,531.4	$(1,100.2)	$3,617.1

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in millions)

YEAR ENDED DECEMBER 31,	1999	1998	1997
Cash Flows from Operating Activities:			
Net Income	$ 241.1	$ 682.3	$ 558.7
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	581.7	505.9	467.2
Deferred tax provision	(142.3)	144.9	(15.2)
Discontinued operations	—	49.5	—
Rationalizations	132.5	(19.6)	176.3
Asset sales	(154.8)	(75.8)	—
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Accounts and notes receivable	13.4	35.6	(101.7)
Inventories	276.9	(313.6)	(107.1)
Accounts payable — trade	(83.4)	(74.6)	115.4
Domestic pension funding	(47.3)	(83.5)	(43.0)
Other assets and liabilities	(183.1)	(412.0)	1.8
Total adjustments	393.6	(243.2)	493.7
Total cash flows from operating activities	634.7	439.1	1,052.4
Cash Flows from Investing Activities:			
Capital expenditures	(805.0)	(838.4)	(699.0)
Short term securities acquired	(54.2)	(18.3)	(38.6)
Short term securities redeemed	59.5	18.6	40.8
Asset dispositions	49.5	493.3	37.6
Asset acquisitions (Notes 2, 8)	(892.0)	(217.9)	(127.1)
Other transactions	(159.8)	(138.8)	(2.3)
Total cash flows from investing activities	(1,802.0)	(701.5)	(788.6)
Cash Flows from Financing Activities:			
Short term debt incurred	2,111.8	447.4	298.8
Short term debt paid	(727.1)	(98.8)	(150.5)
Long term debt incurred	20.5	325.4	39.2
Long term debt paid	(48.7)	(193.4)	(217.7)
Common stock issued	14.1	38.8	81.1
Common stock acquired	—	(85.2)	(78.4)
Dividends paid	(187.5)	(187.9)	(178.3)
Total cash flows from financing activities	1,183.1	246.3	(205.8)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(13.5)	(3.5)	(37.9)
Net Change in Cash and Cash Equivalents	2.3	(19.6)	20.1
Cash and Cash Equivalents at Beginning of the Period	239.0	258.6	238.5
Cash and Cash Equivalents at End of the Period	$ 241.3	$ 239.0	$ 258.6

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1

ACCOUNTING POLICIES

A summary of the significant accounting policies used in the preparation of the accompanying financial statements follows:

Principles of Consolidation

The consolidated financial statements include the accounts of all majority-owned subsidiaries in which no substantive participating rights are held by minority shareholders. All significant intercompany transactions have been eliminated.

The Company's investments in majority-owned subsidiaries in which substantive participating rights are held by minority shareholders and in 20% to 50% owned companies in which it has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Accordingly, the Company's share of the earnings of these companies is included in consolidated net income. Investments in other companies are carried at cost.

Revenue Recognition

Substantially all revenues are recognized when finished products are shipped to unaffiliated customers or services have been rendered, with appropriate provision for uncollectible accounts.

Consolidated Statement of Cash Flows

Cash and cash equivalents include cash on hand and in the bank as well as all short term securities held for the primary purpose of general liquidity. Such securities normally mature within three months from the date of acquisition. Cash flows associated with items intended as hedges of identifiable transactions or events are classified in the same category as the cash flows from the items being hedged.

Inventory Pricing

Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for domestic inventories and the first-in, first-out (FIFO) method or average cost method for other inventories. Refer to Note 6.

Investments

Investments in marketable equity securities are stated at fair value. Fair value is determined using quoted market prices at the end of the reporting period and, when appropriate, exchange rates at that date. Unrealized gains and losses on marketable equity securities classified as available-for-sale are recorded in Accumulated Other Comprehensive Income, net of tax. Refer to Notes 8, 21.

Goodwill

Goodwill is recorded when the cost of acquired businesses exceeds the fair value of the identifiable net assets acquired. Goodwill is amortized over its estimated useful life, based on an evaluation of all relevant factors. Substantially all goodwill resulting from the strategic alliance with Sumitomo and other acquisitions in North America and the European Union is amortized on a straight-line basis over 40 years. Goodwill resulting from acquisitions in emerging markets is amortized on a straight-line basis over periods ranging from 20-40 years. The carrying amount and estimated useful life of goodwill are reviewed whenever events or changes in circumstances indicate that revisions may be warranted. Refer to Note 7.

Properties and Plants

Properties and plants are stated at cost. Depreciation is computed using the straight-line method. Accelerated depreciation is used for income tax purposes, where permitted. Refer to Note 9.

Stock-Based Compensation

Compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's common stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation cost for stock appreciation rights and performance units is recorded based on the quoted market price of the Company's stock at the end of the reporting period. Refer to Note 12.

Advertising Costs

Costs incurred for producing and communicating advertising are generally expensed when incurred. Costs incurred under the Company's domestic cooperative advertising program with dealers and franchisees are recorded subsequent to the first time the advertising takes place, as related revenues are recognized. Refer to Note 19.

Foreign Currency Translation

Financial statements of international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted-average exchange rate for each period for revenues, expenses, gains and losses. Where the local currency is the functional currency, translation adjustments are recorded as Accumulated Other Comprehensive Income. Where the U.S. dollar is the functional currency, translation adjustments are recorded in income.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

Derivative Financial Instruments

Derivative financial instrument contracts are utilized by the Company to manage interest rate and foreign exchange risks. The Company has established a control environment that includes policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. Company policy prohibits holding or issuing derivative financial instruments for trading purposes.

To qualify for hedge accounting, the contracts must meet defined correlation and effectiveness criteria, be designated as hedges and result in cash flows and financial statement effects which substantially offset those of the position being hedged. Amounts receivable or payable under derivative financial instrument contracts, when recognized are reported on the Consolidated Balance Sheet as both current and long term receivables or liabilities.

INTEREST RATE CONTRACTS — The differentials to be received or paid under interest rate exchange contracts are recognized in income over the life of the contracts as adjustments to Interest Expense. The settlement amounts received or paid under interest rate lock contracts are recognized in income over the life of the associated debt as adjustments to interest expense.

FOREIGN EXCHANGE CONTRACTS — As exchange rates change, gains and losses on contracts designated as hedges of existing assets and liabilities are recognized in income as Foreign Currency Exchange, while gains and losses on contracts designated as hedges of net investments in foreign subsidiaries are recognized in Shareholders' Equity as Accumulated Other Comprehensive Income. Gains and losses on contracts designated as hedges of identifiable foreign currency firm commitments are not recognized until included in the measurement of the related foreign currency transaction.

Gains and losses on terminations of hedge contracts are recognized as Other (Income) and Expense when terminated in conjunction with the termination of the hedged position, or to the extent that such position remains outstanding, deferred as Prepaid Expenses or Deferred Charges and amortized to Interest Expense or Foreign Currency Exchange over the remaining life of that position. Derivative financial instruments that the Company temporarily continues to hold after the early termination of a hedged position, or that otherwise no longer qualify for hedge accounting, are marked-to-market, with gains and losses recognized in income as Other (Income) and Expense. Refer to Note 10.

Environmental Cleanup Matters

The Company expenses environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. The Company determines its liability on a site by site basis and records a liability at the time when it is probable and can be reasonably estimated. The Company's estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. The estimated liability of the Company is not discounted or reduced for possible recoveries from insurance carriers. Refer to Note 23.

Income Taxes

Income taxes are recognized during the year in which transactions enter into the determination of financial statement income, with deferred taxes being provided for temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Refer to Note 16.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to financial statements. Changes in such estimates may affect amounts reported in future periods.

Per Share of Common Stock

Basic earnings per share have been computed based on the average number of common shares outstanding. Diluted earnings per share reflects the dilutive impact of outstanding stock options, computed using the treasury stock method, the Company's 1.2% Convertible Note Payable Due 8/00 and performance units. All earnings per share amounts in these notes to financial statements are diluted, unless otherwise noted. Refer to Note 12.

Reclassification

Certain items previously reported in specific financial statement captions have been reclassified to conform to the 1999 presentation.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2

STRATEGIC ALLIANCE

On June 14, 1999, the Company entered into a definitive general agreement and various other agreements with Sumitomo Rubber Industries Ltd. ("Sumitomo") relating to the formation and operation of the strategic global alliance (the "Alliance Agreements"). The Alliance Agreements provide, among other things, for tire manufacturing and sales joint ventures. On September 1, 1999, the global alliance was completed and the joint ventures commenced operations. In addition to the businesses contributed, the Company paid $931.6 million to Sumitomo and its affiliates, which was financed by the issuance of additional debt.

In accordance with the terms of the Alliance Agreements, on September 1, 1999 the Company acquired 75%, and Sumitomo owned 25%, of Goodyear Dunlop Tires Europe B.V., a Netherlands holding company. On September 1, 1999, this company acquired substantially all of Sumitomo's tire businesses in Europe, including eight tire manufacturing plants located in England, France and Germany and sales and distribution operations in 18 European countries, and most of the Company's tire businesses in Europe. Excluded from the joint venture are the Company's tire businesses in Poland (other than a sales company), Slovenia and Turkey (as well as Morocco and South Africa), the Company's aircraft tire businesses, and the Company's textile, steel tire cord and tire mold manufacturing plants and technical center and related facilities located in Luxembourg. On September 1, 1999, the Company also acquired 75%, and Sumitomo acquired 25%, of Goodyear Dunlop Tires North America Ltd., a holding company that purchased Sumitomo's tire manufacturing operations in North America and certain of its related tire sales and distribution operations. In addition, the Company acquired 100% of the balance of Sumitomo's Dunlop Tire distribution and sales operations in the United States and Canada. The Company also acquired a 25% (and Sumitomo acquired a 75%) equity interest in each of two tire companies in Japan, one for the distribution and sale of Goodyear-brand passenger and truck tires in the replacement market in Japan and the other for the distribution and sale of Goodyear-brand and Dunlop-brand tires to original equipment manufacturers in Japan. The Company transferred certain assets of its subsidiary located in Japan in exchange for such equity interests and approximately $27 million in cash. The Company also acquired a 51% (and Sumitomo acquired a 49%) equity interest in a company that will coordinate and disseminate commercialized tire technology among the Company, Sumitomo, the joint ventures and their respective affiliates, and an 80% (and Sumitomo acquired a 20%) equity interest in a global purchasing company. The Alliance Agreements also provide for the investment by the Company and Sumitomo in the common stock of the other. Refer to Note 8.

The Company accounted for the strategic alliance using the purchase method. The cost of the acquired businesses totaled approximately $1.24 billion, including the cash payment of $931.6 million and the fair value of 25% of the Goodyear businesses contributed to the European joint venture, or $307 million. In addition, the Dunlop businesses contributed to the joint venture companies included $130 million of debt. The Company will amortize substantially all of the approximately $300 million of goodwill recorded on the transaction on a straight-line basis over 40 years. The Company recognized a gain of $149.7 million ($143.7 million after tax or $.90 per share) on the change of control of 25% of the businesses it contributed to the European joint venture.

The Company has been undergoing an extensive analysis and assessment of the various activities of the combined businesses and is formulating, but has not completed, plans to integrate the businesses in order to optimize market growth opportunities as well as maximize cost efficiencies. The actions contemplated under the plans will include the downsizing or consolidation of various manufacturing, distribution, sales, support and administrative operations. The execution of the plan is contingent upon the completion of the analysis of the optimal integration of manufacturing, distribution and sales operations and facilities, information systems, research and development activities and the appropriate staffing levels for various other functions. Due to the magnitude of the assessment required, the establishment and implementation of these plans will extend over several periods. The Company anticipates that some of these actions, when approved will result in charges to operations while others will result in an adjustment to the acquisition cost. In the fourth quarter of 1999, the Company approved actions related to the businesses acquired. The cost of these actions is expected to total $6.9 million. The costs were recorded as an adjustment to the acquisition cost and resulted in increased values assigned to property, plant and equipment. Refer to Note 3.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

Further actions contemplated by the Company related to the businesses acquired are expected to result in costs totaling approximately $70 million to $110 million. These costs include associate severance costs and noncancellable lease obligations. The costs will also be recorded as an adjustment to the acquisition cost and will result in increased values assigned to goodwill.

The Consolidated Balance Sheet at December 31, 1999 includes all of the assets and liabilities of the European and North American businesses acquired by the Company, including approximately $600 million of working capital. The Consolidated Statement of Income also includes the results of operations of the former Sumitomo operations from September 1, 1999, which are referred to in the table below as "Dunlop".

The following table presents supplemental pro forma estimated results of operations as if the joint ventures had commenced operations on January 1, 1998. Historical results of the acquired businesses have been adjusted to exclude non-recurring items and to reflect changes in the carrying amounts and depreciable lives of certain fixed assets. The pro forma information also reflects amortization of goodwill recorded by the Company and interest expense at 6% associated with the debt incurred to finance the Company's cash payment of $931.6 million to Sumitomo and its affiliates.

	Year Ended December 31,	
(In millions, except per share)	1999	1998
	(Unaudited)	(Unaudited)
Net Sales		
Goodyear	$11,979.3	$12,561.8
Dunlop	2,479.1	2,529.7
	$14,458.4	$15,091.5
Net Income		
Goodyear	$ 154.1	$ 619.0
Dunlop	87.5	57.4
	$ 241.6	$ 676.4
Net Income Per Share — Basic		
Goodyear	$ .99	$ 3.95
Dunlop	.56	.37
	$ 1.55	$ 4.32
Net Income Per Share — Diluted		
Goodyear	$ .97	$ 3.91
Dunlop	.55	.36
	$ 1.52	$ 4.27

NOTE 3

RATIONALIZATIONS

The net amounts of rationalization charges (credits) to income by quarter for the periods indicated were as follows:

	Year Ended December 31,		
(In millions, except per share)	1999	1998	1997
First Quarter	$167.4	$ —	$ —
Second Quarter	(9.6)	(29.7)	—
Third Quarter	6.1	—	—
Fourth Quarter	7.7	—	265.2
Total Rationalizations	$171.6	$(29.7)	$265.2
After Tax	$132.5	$(19.6)	$176.3
Per Share	$ .84	$ (.12)	$ 1.12

1999 RATIONALIZATION ACTIONS, CHARGES AND CREDITS— The table below sets forth by quarter for the periods indicated the rationalization plans adopted in the quarter and any reversals of, or other adjustments to, prior rationalization plans credited or charged in such quarter:

	Year Ended December 31, 1999		
(In millions)	Rationalization Action Recorded	Reversals and Adjustments	Net Rationalization Charge (Credit) Recorded
First Quarter			
Rationalization Actions	$167.4	$ —	$167.4
	$167.4	$ —	$167.4
Second Quarter			
Reversal to 1997 Program Charge	$ —	$ (6.5)	$ (6.5)
Reversal to 1996 Program Charge	—	(3.1)	(3.1)
	$ —	$ (9.6)	$ (9.6)
Third Quarter			
Rationalization Actions	$ 46.5	$ —	$ 46.5
Reversal to First Quarter Charge	—	(40.2)	(40.2)
Reversal to 1997 Program Charge	—	(.2)	(.2)
	$ 46.5	$(40.4)	$ 6.1
Fourth Quarter			
Rationalization Actions	$ 26.2	$ —	$ 26.2
Reversal to First Quarter Charge	—	(13.7)	(13.7)
Reversal to 1997 Program Charge	—	(4.8)	(4.8)
	$ 26.2	$(18.5)	$ 7.7
Total Year 1999	$240.1	$(68.5)	$171.6

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

The 1999 rationalization programs are described below. The reversals recorded during 1999 totaled $68.5 million ($45.2 million after tax or $.29 per share). The reversals included $44.7 million related to the decision to resume production of certain passenger tire lines in a portion of the Gadsden facility due to higher-than-expected demand in North America and the high cost and time delays associated with installing additional capacity at other plants. Of the $44.7 million, $38.9 million related to pension curtailment costs and associate severance costs not required and $5.8 million related primarily to noncancellable contracts again utilized due to the partial resumption of passenger tire manufacturing at Gadsden. The reversals also included $6.8 million related to the decision to abandon the planned relocation of certain agricultural tire production to Turkey due to the rationalization opportunities presented by the joint venture with Sumitomo and production difficulties in Turkey following a major earthquake. The remaining $17.0 million of the reversals resulted from the evaluation of the reserves at each balance sheet date and the identification of amounts no longer needed for their originally intended purposes, primarily related to the 1997 and 1996 rationalization programs.

1998 RATIONALIZATION CREDITS — The Company did not adopt any rationalization plans during 1998. In the 1998 second quarter the Company recorded a reversal of $29.7 million of charges originally made in respect of the 1997 rationalization program, which consisted of $22.0 million resulting from favorable settlement of obligations related to the Company's exit from the Formula 1 racing series and $7.7 million related to plant downsizing and closure activities in North America.

1997 RATIONALIZATION ACTIONS AND CHARGES — The rationalization actions approved in the fourth quarter of 1997 are described below and resulted in a charge of $265.2 million.

FOURTH QUARTER 1999 PROGRAM — The Company committed to a number of rationalization actions in the fourth quarter of 1999 to reduce costs and increase productivity. The actions consisted of associate reductions in North America and a facility in Europe, as well as contract settlement costs related to the exit from the Championship Auto Racing Teams and Indy Racing League (CART/IRL) racing series. The Company recorded charges of $26.2 million ($19.3 million after tax or $.12 per share), all of which related to future cash outflows. The balance of these provisions totaled $21.8 million at December 31, 1999.

Associate-related rationalization costs were recorded in the 1999 fourth quarter, and were incurred through December 31, 1999, as follows:

(In millions)	Recorded	Incurred	Balance at 12/31/99
North American Tire associate reductions	$13.7	$(3.7)	$10.0
European associate reductions	6.9	(.7)	6.2
	$20.6	$(4.4)	$16.2

The fourth quarter associate-related charges provide for the release of approximately 800 associates, including approximately 200 administrative and support associates in the North American Tire operations and approximately 600 production and support associates at a European facility. During 1999, approximately 100 associates, primarily in North American Tire operations, were released. The Company plans to release approximately 700 more associates under this program during 2000.

Rationalization costs, other than associate-related costs, were recorded in the 1999 fourth quarter and were incurred through December 31, 1999, as follows:

(In millions)	Recorded	Balance at 12/31/99
Withdrawal of support for CART/IRL	$5.6	$5.6
	$5.6	$5.6

Costs associated with withdrawal of support for CART/IRL were for contract settlements which will be paid during 2000. In the third quarter of 1999, the Company took a charge for the exit from the CART/IRL racing series, however that charge did not include certain contract settlement amounts that had not been negotiated as of September 30, 1999. Contract settlements with various racing teams were completed in the fourth quarter of 1999 and these costs were provided for in the fourth quarter 1999 program.

THIRD QUARTER 1999 PROGRAM — Continued competitive conditions in the markets served by the Company resulted in the approval of rationalization plans in the third quarter of 1999. The plans consisted of the decision to terminate tire production at a facility in Latin America, the reduction of staffing levels in North American Tire and the exit from the CART/IRL racing series at the end of the 1999 series. Of the $46.5 million of charges recorded ($42.4 million after tax or $.27 per share), $19.2 million related to non-cash writeoffs and $27.3 million related to future cash outflows, primarily for associate severance costs and payments under noncancellable contracts. The balance of these provisions totaled $13.0 million at December 31, 1999.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

Associate-related rationalization costs were recorded in the 1999 third quarter, and were incurred through December 31, 1999, as follows:

(In millions)	Recorded	Incurred	Balance at 12/31/99
Termination of tire production	$15.2	$ (9.6)	$5.6
North American Tire staffing	4.8	(3.7)	1.1
Withdrawal of support for CART/IRL	.4	(.1)	.3
	$20.4	$(13.4)	$7.0

The third quarter associate-related charges provide for the release of approximately 340 associates, including approximately 160 production and supervisory associates at a Latin American facility, 120 managerial, administrative and support associates in North American Tire operations and 60 production and support associates in CART/IRL activities. During 1999, substantially all associates were released under this program.

Rationalization costs, other than associate-related costs, were recorded in the 1999 third quarter, and were incurred through December 31, 1999, as follows:

(In millions)	Recorded	Incurred	Balance at 12/31/99
Termination of tire production	$19.6	$(17.5)	$2.1
Withdrawal of support for CART/IRL	6.5	(2.6)	3.9
	$26.1	$(20.1)	$6.0

Costs associated with termination of tire production were primarily for equipment taken out of service at the tire plant in Latin America. Costs associated with the withdrawal of support for CART/IRL were for the early termination of contracts with various racing teams and for the writeoff of equipment taken out of service. The Company expects to complete these actions during 2000.

FIRST QUARTER 1999 PROGRAM — A number of rationalization actions were approved in the first quarter of 1999 to reduce costs and increase productivity and efficiency. These actions consisted primarily of the termination of tire production at the Company's Gadsden, Alabama facility and the downsizing and consolidation of tire manufacturing facilities at Freeport, Illinois and 12 other locations in Europe and Latin America. A charge of $167.4 million ($116.0 million after tax or $.74 per share) was recorded, of which $28.4 million related to non-cash writeoffs and $139.0 million related to future cash outflows, primarily for associate severance costs. The balance of these provisions totaled $6.4 million at December 31, 1999.

Associate-related rationalization costs were recorded in the 1999 first quarter and were incurred or reversed during 1999, as follows:

(In millions)	Recorded	Incurred	Reversed	Balance at 12/31/99
Plant downsizing and consolidation	$ 62.2	$ (53.2)	$ (8.6)	$ .4
Termination of tire production at Gadsden	59.4	(20.5)	(38.9)	—
Asset sales and other exit costs	9.0	(3.2)	—	5.8
	$130.6	$ (76.9)	$(47.5)	$6.2

Under the first quarter 1999 program, the Company provided for the release of approximately 4,000 associates around the world. The majority of the associates to be released under the plan are or were production and support associates at manufacturing locations, primarily in the United States and Latin America. Through December 31, 1999, approximately 3,300 associates, including approximately 1,600 associates at manufacturing locations in the United States and over 1,500 associates at Latin American manufacturing locations were released. The Company plans to release approximately 100 more associates under this program during 2000. However, approximately 600 production and support associates at Gadsden and other locations that the Company planned to release will be retained.

Rationalization costs, other than associate-related costs, were recorded in the first quarter program, and were incurred, reversed or adjusted through December 31, 1999, as follows:

(In millions)	Recorded	Incurred	Reversed or Adjusted	Balance at 12/31/99
Termination of tire production at Gadsden	$26.1	$(20.3)	$(5.8)	$—
Plant downsizing and consolidation	.6	(.5)	—	.1
Withdrawal of support for Formula 1 racing	6.9	(5.1)	(1.8)	—
Asset sales and other exit costs	3.2	(2.5)	(.6)	.1
	$36.8	$(28.4)	$(8.2)	$ .2

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

Costs associated with the termination of tire production at Gadsden were primarily for the writeoff of equipment taken out of service and obligations under noncancellable contracts, primarily utility contracts, at the Gadsden facility. The decision to resume passenger tire production at Gadsden resulted in the reversal of $5.8 million primarily related to noncancellable contracts again utilized. Asset sales and other exit costs included a loss on the anticipated sale of a rubber plantation in Asia. The charge for withdrawal from Formula 1 racing included additional exit costs not provided for under the 1997 plan and a $1.8 million provision for the carryover of costs from the 1997 program. The Company expects the remaining actions to be completed during 2000.

1997 PROGRAM — As a result of continued competitive conditions in the markets served by the Company, a number of rationalization actions were approved in 1997 to reduce costs and focus on core businesses. These actions, the timing of which resulted in part from the finalization of labor contract negotiations in the United States, included the optimization, downsizing or consolidation of certain production facilities, consolidation of distribution operations and withdrawal of support from the worldwide Formula 1 racing series. A charge of $265.2 million was recorded, of which $52.5 million related to non-cash writeoffs and $212.7 million related to future cash outflows, primarily for associate severance costs. The balance of these provisions totaled $32.9 million and $88.2 million at December 31, 1999 and 1998, respectively.

Associate-related rationalization costs totaling $146.1 million were recorded in 1997 and were incurred or reversed through December 31, 1999, as follows:

(In millions)	Balance at 12/31/98	Incurred	Reversed	Balance at 12/31/99
Plant downsizing and closure activities	$19.9	$ (8.8)	$ (6.3)	$ 4.8
Kelly-Springfield consolidation	17.1	(6.8)	—	10.3
Consolidation of North American distribution facilities	8.8	(3.5)	—	5.3
Production realignments	13.5	(9.6)	(3.9)	—
	$59.3	$(28.7)	$(10.2)	$20.4

The 1997 associate-related charge provided for the release of approximately 3,000 associates around the world. At December 31, 1998, approximately 1,650 associates had been released. During 1999, approximately 800 associates, primarily hourly associates in North American operations, were released.

Under the 1997 program the Company plans to release approximately 400 more associates during 2000, primarily hourly associates at manufacturing and distribution locations in the United States and certain supervisory and staff associates in the United States. Approximately 150 of the associates planned to be released, primarily hourly manufacturing associates, will be retained.

Rationalization costs, other than associate-related costs, totaling $119.1 million were recorded in 1997 and were incurred, reversed or adjusted during 1999, as follows:

(In millions)	Balance at 12/31/98	Incurred	Reversed or Adjusted	Balance at 12/31/99
Withdrawal of support for Formula 1 racing	$ (1.8)	$ —	$ 1.8	$ —
Plant downsizing and closure activities	11.8	(10.5)	(1.3)	—
Kelly-Springfield consolidation	12.6	(.5)	—	12.1
Consolidation of North American distribution facilities	4.7	(4.3)	—	.4
Commercial tire outlet consolidation	1.6	(1.6)	—	—
	$28.9	$(16.9)	$ .5	$12.5

Withdrawal costs associated with Formula 1 racing resulted from the fulfillment of contracts with various racing teams, the writeoff of equipment and other assets no longer needed and estimated operating costs for the 1998 racing season. Plant downsizing and closure activities related to costs for the writeoff of buildings and equipment and for lease cancellation costs at four production facilities in the United States. The Kelly-Springfield consolidation involves the integration of the Kelly-Springfield tire division located in Cumberland, Maryland, into the Company's Akron, Ohio, world headquarters, the cost of which relates to noncancellable leases and the writeoff of equipment. The consolidation of distribution facilities in North America from 40 to 18 resulted in noncancellable lease costs associated with the closure of these facilities. The commercial tire outlet consolidation involved the writeoff of equipment and lease cancellation costs related to the planned closing of approximately 30 locations. The $1.8 million Formula 1 adjustment was provided for under the 1999 first quarter program. The Company also reversed $1.3 million that was not required to complete the plant downsizing and closure activities. The Company expects the 1997 program to be completed during 2000.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

1996 PROGRAM — As part of a rationalization plan the Company recorded charges totaling $148.5 million ($95.3 million after tax or $.61 per share) related to worldwide workforce reductions, consolidation of operations and the closing of manufacturing facilities. The Company has completed the release of associates under the 1996 program. During 1999, $3.3 million was charged to the reserve and reserves totaling $3.1 million were adjusted. The remaining balance under the 1996 provision totaled $2.7 million and $9.1 million at December 31, 1999 and 1998, respectively. The remaining balance at December 31, 1999 is for payments due under noncancellable leases through 2007 related to Canadian retail store closures. Except for the remaining Canadian lease payments, the Company has completed the 1996 program.

Dunlop Rationalizations

The following rationalization actions have been recorded as adjustments to the purchase price allocation in respect of the acquired Dunlop businesses, and did not affect the Consolidated Statement of Income.

FOURTH QUARTER 1999 DUNLOP PROGRAM — In order to optimize market growth opportunities and maximize cost efficiencies, the Company committed to certain rationalization actions related to the Dunlop businesses acquired from Sumitomo in the fourth quarter of 1999. The Company recorded a $6.9 million adjustment to the purchase price allocation of the acquired Dunlop businesses, of which $.4 million related to non-cash writeoffs and $6.5 million related to future cash outflows, primarily for associate severance and relocation costs. The balance of these provisions totaled $5.4 million at December 31, 1999.

Associate-related rationalization costs were recorded in the 1999 fourth quarter, and were incurred through December 31, 1999, as follows:

(In millions)	Recorded	Incurred	Balance at 12/31/99
Research and development reorganization	$3.0	$(1.1)	$1.9
Associate downsizing and relocation	1.4	—	1.4
	$4.4	$(1.1)	$3.3

The fourth quarter charges provide for the release of approximately 90 associates and the relocation of approximately 40 associates in the United Kingdom, France and Germany, including approximately 100 associates in research and development operations and 30 associates in sales, purchasing, engineering, logistics and manufacturing activities. During the 1999 fourth quarter, approximately 50 associates in research and development operations were released or relocated. The Company plans to release or relocate approximately 80 more associates during 2000 under this program.

Rationalization costs, other than associated-related costs, were recorded in the 1999 fourth quarter, and were incurred through December 31, 1999, as follows:

(In millions)	Recorded	Incurred	Balance at 12/31/99
Research and development reorganization	$ .4	$(.4)	$—
Closure of United Kingdom retail outlets	2.1	—	2.1
	$2.5	$(.4)	$2.1

Research and development reorganization costs related to equipment taken out of service. Costs associated with the closure of the United Kingdom retail outlets were for noncancellable lease contracts. The Company expects that these actions will be completed during 2000, except for future rental payments under noncancellable leases.

SUBSEQUENT EVENT — On January 6, 2000, the Company committed to a plan to terminate certain tire production at the Dunlop tire manufacturing facility in Birmingham, England. In connection with this action, approximately 650 associates will be released. Costs incurred under the program are expected to approximate $20 million and will be recorded in the first quarter of 2000 as an adjustment to the purchase price allocation in respect of the acquired Dunlop businesses.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 4
OTHER (INCOME) AND EXPENSE

(In millions)	1999	1998	1997
Asset sales	$(166.7)	$(123.8)	$ —
Interest income	(16.3)	(12.8)	(23.0)
Financing fees and financial instruments	41.1	43.1	41.4
Lawsuit settlement	—	15.9	—
Miscellaneous	(6.0)	.2	6.1
	$(147.9)	$ (77.4)	$ 24.5

During 1999, the Company recorded a third quarter gain totaling $149.7 million ($143.7 million after tax or $.90 per share) on the change in control of 25% of the European businesses contributed by the Company to Goodyear Dunlop Tires Europe B.V., a 75% owned subsidiary of the Company. In addition, proceeds of $17.0 million ($11.1 million after tax or $.07 per share) were realized in the 1999 third quarter from the Company's sale of customer lists and formulations in connection with its exit from the production of certain rubber chemicals.

The Company recorded gains in 1998 totaling $123.8 million ($76.4 million after tax or $.48 per share) on the disposition of a latex processing facility in Georgia, six distribution facilities in North America and certain other real estate.

Interest income consists of amounts earned on deposits, primarily from funds invested in time deposits in Latin America and Europe, pending remittance or reinvestment in the regions. At December 31, 1999, $90.3 million or 37.1% of the Company's cash, cash equivalents and short term securities were concentrated in Latin America, primarily Brazil ($112.5 million or 45.1% at December 31, 1998) and $58.8 million or 24.2% were concentrated in Asia ($35.1 million or 14.1% at December 31, 1998). Dividends received by the Company and domestic subsidiaries from its consolidated international operations for 1999, 1998 and 1997 were $352.4 million, $215.9 million and $323.3 million, respectively.

Financing fees and financial instruments consists primarily of fees paid under the Company's domestic accounts receivable continuous sale programs. Refer to Note 5.

In 1998, the Company recorded a charge of $15.9 million ($10.4 million after tax or $.07 per share) for the settlement of several related lawsuits involving employment matters in Latin America.

NOTE 5
ACCOUNTS AND NOTES RECEIVABLE

(In millions)	1999	1998
Accounts and notes receivable	$2,378.2	$1,825.6
Allowance for doubtful accounts	(81.9)	(54.9)
	$2,296.3	$1,770.7

Throughout the year, the Company sold certain domestic accounts receivable under a continuous sale program. Under the program, undivided interests in designated receivable pools were sold to the purchaser with recourse limited to the receivables purchased. At December 31, 1999 and 1998, the level of net proceeds from sales under the program was $550 million. The balance of the uncollected portion of receivables sold under that and other agreements was $565.6 million at December 31, 1999 and $581.6 million at December 31, 1998. Fees paid by the Company under these agreements are based on certain variable market rate indices and are recorded as Other (Income) and Expense. Refer to Note 4.

NOTE 6
INVENTORIES

(In millions)	1999	1998
Raw materials	$ 389.7	$ 369.9
Work in process	99.2	87.5
Finished product	1,798.3	1,707.1
	$2,287.2	$2,164.5

The cost of inventories using the last-in, first-out (LIFO) method (approximately 37.4% of consolidated inventories in 1999 and 39.7% in 1998) was less than the approximate current cost of inventories by $306.2 million at December 31, 1999 and $322.4 million at December 31, 1998.

NOTE 7
GOODWILL

(In millions)	1999	1998
Goodwill	$572.4	$288.8
Accumulated amortization	(55.5)	(31.4)
	$516.9	$257.4

Amortization of goodwill totaled $24.1 million, $18.1 million and $13.3 million in 1999, 1998 and 1997, respectively.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 8

INVESTMENTS

Noncash Investing Activities

The Consolidated Statement of Cash Flows is presented net of the following transactions:

In connection with the Company's strategic alliance with Sumitomo on February 25, 1999 the Company issued to Sumitomo at par its 1.2% Convertible Note Due August 16, 2000, in the principal amount of Yen 13,073,070,934. The Company's Note is convertible, if not earlier redeemed, during the period beginning July 16, 2000 through August 15, 2000 into 2,281,115 shares of the Common Stock, without par value, of the Company at a conversion price of Yen 5,731 per share, subject to certain adjustments. In addition, on February 25, 1999, the Company purchased at par from Sumitomo a 1.2% Convertible Note Due August 16, 2000, in the principal amount of Yen 13,073,070,934. The Sumitomo Note is convertible, if not earlier redeemed, during the period beginning July 16, 2000 through August 15, 2000 into 24,254,306 shares of the Common Stock, Yen 50 par value per share, of Sumitomo at a conversion price of Yen 539 per share, subject to certain adjustments. The principal amount of each Note was equivalent to $127.8 million at December 31, 1999. The Company and Sumitomo have agreed not to redeem their respective Notes, and to convert the Notes, if the joint ventures are operating on July 1, 2000.

The acquisition cost of the strategic alliance with Sumitomo in 1999 included the approximately $307 million fair value of 25% of the Company's businesses contributed to the European joint venture. The Company also acquired debt totaling $130 million in Dunlop's European and North American businesses.

In 1999, the Company's Slovenian tire manufacturing subsidiary recorded fixed assets totaling $43.4 million acquired under a capital lease. In 1998, the Company acquired a majority ownership interest in an Indian tire manufacturer and assumed $103 million of debt. In 1997, the Company acquired a 60% interest in a South African tire and industrial rubber products business and assumed $29 million of debt.

Investments

The Company has classified its investment in the Sumitomo Note (the Sumitomo Note) as available-for-sale, as provided in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The classification reflected the completion of the strategic alliance with Sumitomo and the planned conversion of the Sumitomo Note into equity. The fair value of the Sumitomo Note as an equity instrument was $107.2 million at December 31, 1999. Changes in the fair value of the Sumitomo Note are reported in the Consolidated Balance Sheet as Accumulated Other Comprehensive Income. The Company's 1.2% Convertible Note Payable has been designated as a hedge of the exchange exposure of the Sumitomo Note. To the extent the hedge is effective, the effect of exchange rate changes on the Company's Note are reported on the Consolidated Balance Sheet as Accumulated Other Comprehensive Income. At December 31, 1999 the gross unrealized holding loss on the Note, net of the hedge, totaled $20.6 million ($12.8 million after tax).

NOTE 9

PROPERTIES AND PLANTS

	1999			1998		
(In millions)	Owned	Capital Leases	Total	Owned	Capital Leases	Total
Properties and plants, at cost:						
Land and improvements	$ 445.4	$ 11.7	$ 457.1	$ 301.2	$ 3.7	$ 304.9
Buildings and improvements	1,652.9	96.6	1,749.5	1,436.0	31.3	1,467.3
Machinery and equipment	8,234.8	148.3	8,383.1	7,211.0	49.0	7,260.0
Construction in progress	722.7	—	722.7	720.9	—	720.9
	11,055.8	256.6	11,312.4	9,669.1	84.0	9,753.1
Accumulated depreciation	(5,470.9)	(80.5)	(5,551.4)	(5,325.5)	(69.1)	(5,394.6)
	$ 5,584.9	$176.1	$ 5,761.0	$ 4,343.6	$ 14.9	$ 4,358.5

The weighted average useful lives of property used in arriving at the annual amount of depreciation provided are as follows: buildings and improvements, approximately 18 years; machinery and equipment, approximately 11 years.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 10

FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

Short Term Debt and Financing Arrangements

At December 31, 1999, the Company had short term uncommitted credit arrangements totaling $2.00 billion, of which $.83 billion were unused. These arrangements are available to the Company or certain of its international subsidiaries through various domestic and international banks at quoted market interest rates. There are no commitment fees or compensating balances associated with these arrangements. In addition, the Company maintains a commercial paper program, whereunder the Company may have up to $1.5 billion outstanding at any one time. Commercial paper totaling $1.15 billion was outstanding at December 31, 1999.

Two credit facility agreements are available whereunder the Company may from time to time borrow and have outstanding until December 31, 2000 up to U.S. $75 million at any one time with international banks. Under the terms of the agreements, the Company may, upon payment of a fee at or prior to borrowing, repay U.S. dollar borrowings in either U.S. dollars or a predetermined equivalent amount of certain available European or Asian currencies. Borrowings are discounted at rates equivalent to an average of 20.3 basis points over a three-month reserve adjusted LIBOR. A commitment fee of an average 4.4 basis points is paid on the $75 million commitment (whether or not borrowed). There were no borrowings outstanding under these agreements at December 31, 1999. The average amount outstanding under these agreements during 1999 was $37.8 million.

The Company had outstanding debt obligations which by their terms are due within one year amounting to $2.32 billion at December 31, 1999. Commercial paper and domestic short term bank debt represented $1.46 billion of this total with a weighted average interest rate of 6.29% at December 31, 1999, which obligations were classified as long term debt. The remaining $.86 billion was short term debt of international subsidiaries with a weighted average interest rate of 4.79% at December 31, 1999.

Long Term Debt and Financing Arrangements

At December 31, 1999, the Company had long term credit arrangements totaling $3.11 billion, of which $2.00 billion were unused.

The following table presents long term debt at December 31:

(In millions)	1999	1998
Swiss franc bonds:		
5.375% due 2000	$ 105.0	$ 122.3
5.375% due 2006	99.0	115.3
Notes:		
6 5/8% due 2006	249.3	249.2
6 3/8% due 2008	99.6	99.6
7% due 2028	148.9	148.9
Bank term loans due 2000 - 2005	130.4	130.5
Domestic short term borrowings	1,457.0	201.0
Other domestic and international debt	175.6	134.4
	2,464.8	1,201.2
Capital lease obligations	97.4	11.3
	2,562.2	1,212.5
Less portion due within one year	214.3	26.0
	$2,347.9	$1,186.5

In addition to the amounts in the table above, on February 25, 1999 the Company issued to Sumitomo at par its 1.2% Convertible Note Due August 16, 2000, in the principal amount of Yen 13,073,070,934 (equivalent to $127.8 million at December 31, 1999). The Company's Note is convertible, if not earlier redeemed, during the period beginning July 16, 2000 through August 15, 2000 into 2,281,115 shares of the Common Stock, without par value, of the Company at a conversion price of Yen 5,731 per share, subject to certain adjustments. Subject to certain conditions relating to the continuance of the Alliance, Sumitomo has agreed to convert the Company's Note into shares of common stock in accordance with its terms prior to maturity.

At December 31, 1999, the fair value of the Company's long term fixed rate debt amounted to $812.7 million, compared to its carrying amount of $836.0 million ($938.6 million and $879.2 million, respectively, at December 31, 1998). The difference was attributable primarily to the long term public bonds issued in 1999 and 1998. The fair value was estimated using quoted market prices or discounted future cash flows. The fair value of the Company's variable rate debt approximated its carrying amount at December 31, 1999 and 1998.

The Swiss franc bonds were hedged by foreign exchange contracts at December 31, 1999 and 1998, as discussed below.

The Notes have an aggregate face amount of $500.0 million and are reported net of unamortized discount aggregating $2.2 million ($500.0 million and $2.3 million, respectively, at December 31, 1998).

The bank term loans due 2000 through 2005 are comprised of $80.4 million of fixed rate agreements bearing interest at a weighted average rate of 6.51% and a $50 million agreement

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

bearing interest at a floating rate based upon LIBOR minus a fixed spread. One of the fixed rate agreements totaling $50 million allows the bank to convert the loan to a variable rate prior to maturity. The $50 million floating rate agreement allows the bank to terminate the loan in 2002 or convert the loan to a fixed interest rate of 7.19% until maturity in 2005.

All commercial paper outstanding at December 31, 1999 ($1.15 billion), which was issued for terms of less than 270 days, and all domestic short term bank borrowings outstanding at December 31, 1999 and 1998 ($305 million and $201 million, respectively), which by their terms are or were due within one year, are classified as long term. These obligations are supported by lending commitments under the two revolving credit facilities described below. It is the Company's intent to maintain these debt obligations as long term.

Other domestic and international debt consisted of fixed and floating rate bank loans denominated in U.S. dollars and other currencies and maturing in 2000-2008. The weighted average interest rate in effect under these loans was 4.07% at December 31, 1999.

The Company is a party to two revolving credit facility agreements, consisting of a $700 million four year revolving credit facility and a $1.3 billion 364-day revolving credit facility. The $700 million facility is with 23 domestic and international banks and provides that the Company may borrow at any time until July 13, 2003, when the commitment terminates and any outstanding loans mature. The Company pays a commitment fee ranging from 7.5 to 15 basis points on the entire amount of the commitment (whether or not borrowed) and a usage fee on amounts borrowed (other than on a competitive bid or prime rate basis) ranging from 15 to 30 basis points. These fees may fluctuate quarterly within these ranges based upon the Company's leverage. During 1999 commitment and usage fees averaged 10.625 and 21.25 basis points, respectively. The $1.3 billion 364-day credit facility agreement is with 25 domestic and international banks and provides that the Company may borrow until August 18, 2000, on which date the facility commitment terminates, except as it may be extended on a bank by bank basis. If a bank does not extend its commitment if requested to do so, the Company may obtain from such bank a two year term loan up to the amount of such bank's commitment. The Company pays a commitment fee of 8 basis points on the entire amount of the commitment (whether or not borrowed) and a usage fee ranging from 32 to 57 basis points on amounts borrowed (other than on a competitive bid or prime rate basis). Under both the four year and the 364-day facilities, the Company may obtain loans bearing interest at reserve adjusted LIBOR or a defined certificate of deposit rate, plus in each case the applicable usage fee. In addition, the Company may obtain loans based on the prime rate or at a rate determined on a competitive bid basis. The facility agreements each contain certain covenants which, among other things, require the Company to maintain at the end of each fiscal quarter a minimum consolidated net worth and a defined minimum interest coverage ratio. In addition, the facility agreements establish a limit on the aggregate amount of consolidated debt the Company and its subsidiaries may incur. There were no borrowings outstanding under these agreements at December 31, 1999.

The annual aggregate maturities of long term debt and capital leases for the five years subsequent to 1999 are presented below. Maturities of debt supported by the availability of the revolving credit agreements have been reported on the basis that the commitments to lend under these agreements will be terminated effective at the end of their current terms.

(In millions)	2000	2001	2002	2003	2004
Debt incurred under or supported by revolving credit agreements	$ —	$ —	$757.0	$700.0	$ —
Other	214.3	125.7	94.0	17.3	21.4
	$214.3	$125.7	$851.0	$717.3	$21.4

Refer to Note 5 for additional information on financing arrangements. Refer to Note 11 for additional information on capital lease obligations.

Derivative Financial Instruments

Interest Rate Exchange Contracts

The Company actively manages its fixed and floating rate debt mix, within defined limitations, using refinancings and unleveraged interest rate swaps. The Company will enter into fixed and floating interest rate swaps to alter its exposure to the impact of changing interest rates on consolidated results of operations and future cash outflows for interest. Fixed rate swaps are used to reduce the Company's risk of increased interest costs during periods of rising interest rates. Floating rate swaps are used to convert the fixed rates of long term borrowings into short term variable rates. Interest rate swap contracts are thus used by the Company to separate interest rate risk management from the debt funding decision. At December 31, 1999, the interest rate on 28% of the Company's debt was fixed by either the nature of the obligation or through the interest rate contracts, compared to 55% at December 31, 1998.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

Contract information and weighted average interest rates follow. Current market pricing models were used to estimate the fair values of interest rate exchange contracts.

(Dollars in millions)	12/31/98	Matured	12/31/99
Fixed rate contracts:			
Notional principal amount	$100.0	$25.0	$75.0
Pay fixed rate	6.17%	5.98%	6.24%
Receive variable LIBOR	5.24	5.37	6.10
Average years to maturity	2.12		1.54
Fair value: favorable (unfavorable)	$ (2.2)		$ .5
Carrying amount: (liability)	(.1)		—

Weighted average information during the years 1999, 1998 and 1997 follows:

(Dollars in millions)	1999	1998	1997
Fixed rate contracts:			
Notional principal	$ 96	$111	$ 191
Receive variable LIBOR	5.26%	5.70%	5.74%
Pay fixed rate	6.18	6.40	7.46
Floating rate contracts:			
Notional principal	—	—	$ 66
Receive fixed rate	—	—	6.24%
Pay variable LIBOR	—	—	5.63

Interest Rate Lock Contracts

The Company uses interest rate lock contracts to hedge the risk-free rate component of anticipated long term debt issuances. Contract information follows. Current market pricing models were used to estimate the fair values of interest rate lock contracts.

(Dollars in millions)	1999
U.S. dollar contracts:	
Notional	$180
Average contract rate	6.07%
Fair value	$ 5.5
Carrying amount	—
Euro contracts:	
Notional	$101
Average contract rate	4.61%
Fair value	$ 1.4
Carrying amount	—

Foreign Currency Exchange Contracts

In order to reduce the impact of changes in foreign exchange rates on consolidated results of operations and future foreign currency denominated cash flows, the Company was a party to various forward exchange contracts at December 31, 1999 and 1998. These contracts reduce exposure to currency movements affecting existing foreign currency denominated assets, liabilities and firm commitments resulting primarily from trade receivables and payables, equipment acquisitions, intercompany loans and the Company's Swiss franc debt (including the annual coupon payments). The carrying amount of these contracts (excluding the Swiss franc contracts) in an asset position totaled $2.4 million at December 31, 1999 and was recorded in Accounts and Notes Receivable. The carrying amount of these contracts (excluding the Swiss franc contracts) in a liability position totaled $.5 million and $2.1 million at December 31, 1999 and 1998, respectively, and was recorded in Other Current Liabilities. The carrying amount of the Swiss franc contracts totaled $56.1 million at December 31, 1999 and was recorded in both current and Long Term Accounts and Notes Receivable. The carrying amount of the Swiss franc contracts totaled $89.8 million at December 31, 1998 and was recorded in Long Term Accounts and Notes Receivable.

A summary of forward exchange contracts in place at December 31 follows. Current market pricing models were used to estimate the fair values of foreign currency forward contracts. The contract maturities match the maturities of the currency positions. The fair value of these contracts and the related currency positions are subject to offsetting market risk resulting from foreign currency exchange rate volatility.

	1999		1998	
(In millions)	Fair Value	Contract Amount	Fair Value	Contract Amount
Buy currency:				
Swiss franc	$212.5	$160.6	$236.0	$151.0
U.S. dollar	64.4	58.6	82.2	82.9
Euro	29.7	30.0	—	—
British pound	—	—	38.6	38.8
All other	23.1	23.1	24.1	22.8
	$329.7	$272.3	$380.9	$295.5
Contract maturity:				
Swiss franc	10/00 - 3/06		10/00 - 3/06	
All other	1/00 - 3/04		1/99 - 3/00	
Sell currency:				
Euro	$ 48.3	$ 49.6	$ —	$ —
Swedish krona	22.2	22.3	—	—
Belgian franc	—	—	189.8	186.3
French franc	—	—	65.7	65.9
German mark	—	—	11.4	11.4
All other	10.7	10.6	37.6	37.8
	$ 81.2	$ 82.5	$304.5	$301.4
Contract maturity	1/00 -3/00		1/99 -6/99	

The counterparties to the Company's interest rate swap and foreign exchange contracts were substantial and creditworthy multinational commercial banks or other financial institutions which are recognized market makers. Neither the risks of counterparty nonperformance nor the economic consequences of counterparty nonperformance associated with these contracts were considered by the Company to be material.

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(CONTINUED)

NOTE 11

LEASED ASSETS

Net rental expense charged to income follows:

(In millions)	1999	1998	1997
Gross rental expenses	$247.2	$226.3	$244.3
Sublease rental income	(59.0)	(51.6)	(53.5)
	$188.2	$174.7	$190.8

The Company enters into capital and operating leases primarily for its vehicles, data processing equipment and its wholesale and retail distribution facilities under varying terms and conditions, including the Company's sublease of some of its domestic retail distribution network to independent dealers. Many of the leases provide that the Company will pay taxes assessed against leased property and the cost of insurance and maintenance.

While substantially all subleases and some operating leases are cancellable for periods beyond 2000, management expects that in the normal course of its business nearly all of its independent dealer distribution network will be actively operated. As leases and subleases for existing locations expire, the Company would normally expect to renew the leases or substitute another more favorable retail location.

The following table presents minimum future lease payments:

(In millions)	2000	2001	2002	2003	2004	2005 and beyond	Total
Capital Leases							
Minimum lease payments	$ 57.3	$ 12.3	$ 9.3	$ 7.6	$ 6.4	$ 31.0	$ 123.9
Minimum sublease rentals	(.4)	(.2)	(.1)	—	—	—	(.7)
	$ 56.9	$ 12.1	$ 9.2	$ 7.6	$ 6.4	$ 31.0	$ 123.2
Imputed interest							(25.2)
Executory costs							(1.3)
Present value							$ 96.7
Operating Leases							
Minimum lease payments	$230.8	$193.0	$153.1	$101.7	$75.3	$195.1	$ 949.0
Minimum sublease rentals	(37.9)	(30.0)	(23.8)	(17.8)	(10.9)	(19.3)	(139.7)
	$192.9	$163.0	$129.3	$ 83.9	$64.4	$175.8	$ 809.3
Imputed interest							(183.9)
Present value							$ 625.4

NOTES TO FINANCIAL STATEMENTS

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NOTE 12

STOCK COMPENSATION PLANS AND DILUTIVE SECURITIES

The Company's 1989 Goodyear Performance and Equity Incentive Plan and the 1997 Performance Incentive Plan of The Goodyear Tire & Rubber Company provide for the granting of stock options and stock appreciation rights (SARs). For options granted in tandem with SARs, the exercise of a SAR cancels the stock option; conversely, the exercise of the stock option cancels the SAR. The 1989 Plan terminated on April 14, 1997, except with respect to grants and awards then outstanding.

The 1997 Plan authorizes, and the 1989 Plan authorized, the Company to grant from time to time to officers and other key employees of the Company and subsidiaries restricted stock, performance grants and other stock-based awards authorized by the Compensation Committee of the Board of Directors, which administers the Plans. The 1997 Plan will expire by its terms on December 31, 2001, except with respect to grants and awards then outstanding.

Stock options and related SARs granted during 1999 generally have a maximum term of ten years and vest pro rata over four years. Performance units are earned based on cumulative net income per share of the Company's Common Stock over a three year performance period. To the extent earned, a portion of the performance units will generally be paid in cash (subject to deferral under certain circumstances) and a portion may be automatically deferred for at least five years in the form of units, each equivalent to a share of the Company's Common Stock and payable in cash, shares of the Company's Common Stock or a combination thereof at the election of the participant. A maximum of 15,000,000 shares of the Company's Common Stock are available for issuance pursuant to grants and awards made under the 1997 Plan through December 31, 2001.

Stock-based compensation activity for the years 1999, 1998 and 1997 follows:

	1999		1998		1997	
	Shares	SARs	Shares	SARs	Shares	SARs
Outstanding at January 1	9,563,252	1,496,670	8,226,144	1,190,248	8,277,689	1,052,799
Options granted	3,371,948	716,643	2,204,021	434,487	1,919,325	375,967
Options without SARs exercised	(347,312)	—	(754,246)	—-	(1,759,202)	—
Options with SARs exercised	(44,126)	(44,126)	(115,202)	(115,202)	(189,805)	(189,805)
SARs exercised	(9,870)	(9,870)	(7,395)	(7,395)	(38,968)	(38,968)
Options without SARs expired	(68,342)	—	(53,283)	—	(35,080)	—
Options with SARs expired	(17,363)	(17,363)	(5,468)	(5,468)	(9,745)	(9,745)
Performance units granted	13,353	—	100,474	—	111,788	—
Performance unit shares issued	(8,876)	—	(8,629)	—	(26,619)	—
Performance units cancelled	(33,856)	—	(23,164)	—	(23,239)	—
Outstanding at December 31	12,418,808	2,141,954	9,563,252	1,496,670	8,226,144	1,190,248
Exercisable at December 31	5,741,778	847,358	3,801,049	494,230	3,019,753	331,713
Available for grant at December 31	7,433,575		10,755,666		13,008,945	

Significant option groups outstanding at December 31, 1999 and related weighted average price and life information follows:

Grant Date	Options Outstanding	Options Exercisable	Exercisable Price	Remaining Life (Years)
12/06/99	3,296,386	—	$32.00	10
11/30/98	2,120,879	643,736	57.25	9
12/02/97	1,853,069	1,045,569	63.50	8
12/03/96	1,558,731	1,212,142	50.00	7
1/09/96	1,207,549	913,200	44.00	6
1/04/95	682,312	682,312	34.75	5
All other	1,348,567	1,244,819	36.35	3

The 1,348,567 options in the 'All other' category were outstanding at exercise prices ranging from $11.25 to $74.25, with a weighted average exercise price of $38.03. All options and SARs were granted at an exercise price equal to the fair market value of the Company's common stock at the date of grant.

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Weighted average option exercise price information follows:

	1999	1998	1997
Outstanding at January 1	$50.27	$46.86	$40.22
Granted during the year	32.00	57.25	63.50
Exercised during the year	23.71	37.77	36.04
Outstanding at December 31	45.63	50.27	46.86
Exercisable at December 31	47.55	43.56	38.51

Forfeitures and cancellations were insignificant.

Weighted average fair values at date of grant for grants in 1999, 1998 and 1997 follow:

	1999	1998	1997
Options	$12.85	$18.76	$22.03
Performance units	51.62	57.25	63.50

The above fair value of options at date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	1999	1998	1997
Expected life (years)	5	5	5
Interest rate	5.97%	4.51%	5.82%
Volatility	33.4	26.9	25.6
Dividend yield	2.12	1.92	1.68

The fair value of performance units at date of grant was equal to the market value of the Company's common stock at that date.

Stock-based compensation costs reduced (increased) income as follows:

(In millions, except per share)	1999	1998	1997
Pretax income	$(12.4)	$5.0	$10.2
Net income	(7.7)	3.1	6.1
Net income per share	(.05)	.02	.04

The following table presents the pro forma reduction in income that would have been recorded had the fair values of options granted in each year been recognized as compensation expense on a straight-line basis over the four-year vesting period of each grant. The pro forma effect on income is not representative because it does not take into consideration grants made prior to 1995.

(In millions, except per share)	1999	1998	1997
Pretax income	$30.3	$26.7	$18.6
Net income	23.2	22.5	15.9
Net income per share	.15	.14	.10

Basic earnings per share have been computed based on the average number of common shares outstanding. The following table presents the number of incremental weighted average shares used in computing diluted per share amounts:

	1999	1998	1997
Average shares outstanding — basic	156,182,004	156,570,476	156,225,112
Stock options	758,437	1,484,463	1,740,714
Performance units	98,230	252,273	203,708
1.2% Convertible Note Payable	1,900,928	—	—
Average shares outstanding — diluted	158,939,599	158,307,212	158,169,534

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NOTE 13

POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Company and its subsidiaries provide substantially all domestic associates and associates at certain international subsidiaries with health care and life insurance benefits upon retirement. Insurance companies provide life insurance and certain health care benefits through premiums based on expected benefits to be paid during the year. Substantial portions of the health care benefits for domestic retirees are not insured and are paid by the Company. Benefit payments are funded from operations.

Net periodic benefit cost follows:

(In millions)	1999	1998	1997
Service cost — benefits earned during the period	$ 21.5	$ 20.5	$ 22.0
Interest cost	145.6	152.2	154.3
Amortization of unrecognized: — net losses	9.0	8.9	4.3
— prior service costs	(2.3)	(3.9)	(2.4)
	$173.8	$177.7	$178.2

The following table sets forth changes in the accumulated benefit obligation and amounts recognized on the Company's Consolidated Balance Sheet at December 31, 1999 and 1998:

(In millions)	1999	1998
Accumulated benefit obligation:		
Beginning balance	$(2,173.3)	$(2,081.9)
Service cost — benefits earned	(21.5)	(20.5)
Interest cost	(145.6)	(152.2)
Plan amendments	(.5)	8.3
Actuarial gain (loss)	158.7	(115.1)
Acquisitions	(154.8)	—
Foreign currency translation	4.9	9.2
Curtailments	—	.5
Associate contributions	(1.8)	(1.7)
Benefit payments	209.6	180.1
Ending balance	(2,124.3)	(2,173.3)
Unrecognized net loss	255.3	417.6
Unrecognized prior service cost	(27.4)	(39.6)
Accrued benefit liability recognized on the Consolidated Balance Sheet	$(1,896.4)	$(1,795.3)

The following table presents significant assumptions used:

	1999		1998		1997	
	U.S.	International	U.S.	International	U.S.	International
Discount rate	7.5%	8.3%	7.0%	7.6%	7.5%	8.8%
Rate of increase in compensation levels	4.0	5.4	4.0	5.8	4.0	6.4

A 7.75% annual rate of increase in the cost of health care benefits for retirees under age 65 and a 5.5% annual rate of increase for retirees 65 years and older is assumed in 2000. These rates gradually decrease to 5.0% in 2011 and remain at that level thereafter. A 1% change in the assumed health care cost trend would have increased (decreased) the accumulated benefit obligation at December 31, 1999 and the aggregate service and interest cost for the year then ended as follows:

(In millions)	1% Increase	1% Decrease
Accumulated benefit obligation	$22.0	$(23.1)
Aggregate service and interest cost	2.3	(1.8)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 14

PENSIONS

The Company and its subsidiaries provide substantially all associates with pension benefits. The principal domestic hourly plan provides benefits based on length of service. The principal domestic plans covering salaried associates provide benefits based on final five-year average earnings formulas. Associates making voluntary contributions to these plans receive higher benefits. Other plans provide benefits similar to the principal domestic plans as well as termination indemnity plans at certain international subsidiaries.

The Company's domestic funding practice since 1993 has been to fund amounts in excess of the requirements of Federal laws and regulations. During the seven years ended December 31, 1999, the Company funded $820.1 million to its domestic pension plans, which were fully funded at that date.

Net periodic pension cost follows:

(In millions)	1999	1998	1997
Service cost — benefits earned during the period	$ 118.0	$ 104.4	$ 96.9
Interest cost on projected benefit obligation	314.6	280.4	252.5
Expected return on plan assets	(389.2)	(334.2)	(275.5)
Amortization of unrecognized: — prior service cost	65.9	66.9	48.2
— net losses	14.2	6.9	12.2
— transition amount	.3	1.2	.8
	$ 123.8	$ 125.6	$ 135.1

The Company recognized a settlement gain of $12.5 million and a curtailment loss of $6.2 million during 1999. During 1998, the Company recognized a settlement loss of $6.6 million. During 1997, the Company recognized curtailment losses of $19.5 million as part of a charge for rationalizations. Refer to Note 3.

The following table sets forth the funded status and amounts recognized on the Company's Consolidated Balance Sheet at December 31, 1999 and 1998. At the end of 1999 and 1998, assets exceeded accumulated benefits in certain plans and accumulated benefits exceeded assets in others. Plan assets are invested primarily in common stocks and fixed income securities.

(In millions)	1999	1998
Projected benefit obligation:		
Beginning balance	$(4,154.8)	$(3,596.4)
Service cost — benefits earned	(118.0)	(104.4)
Interest cost	(314.6)	(280.4)
Plan amendments	(.6)	(210.5)
Actuarial loss	(5.8)	(224.6)
Associate contributions	(23.4)	(21.8)
Acquisitions	(626.1)	(.3)
Curtailment/settlements	6.3	8.7
Foreign currency translation	76.9	16.2
Benefit payments	282.0	258.7
Ending balance	(4,878.1)	(4,154.8)
Plan assets	5,178.9	3,931.2
Projected benefit obligation in excess of plan assets	300.8	(223.6)
Unrecognized prior service cost	475.1	536.4
Unrecognized net (gain) loss	(440.6)	12.8
Unrecognized net obligation at transition	8.0	10.2
Net benefit cost recognized on the Consolidated Balance Sheet	$ 343.3	$ 335.8

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

The following table presents significant assumptions used:

	1999		1998		1997	
	U.S.	International	U.S.	International	U.S.	International
Discount rate	7.5%	6.8%	7.0%	6.6%	7.5%	7.1%
Rate of increase in compensation levels	4.3	3.9	4.0	3.8	4.0	4.5
Expected long term rate of return on plan assets	9.5	8.8	9.5	8.7	9.5	9.2

The following table presents amounts recognized on the Consolidated Balance Sheet:

(In millions)	1999	1998
Prepaid benefit cost — current	$ 83.3	$ 85.2
— long term	533.3	462.7
Accrued benefit cost — current	(63.1)	(128.9)
— long term	(242.6)	(136.1)
Intangible asset	8.9	11.2
Deferred income taxes	8.3	15.5
Accumulated other comprehensive income	15.2	26.2
Net benefit cost recognized on the Consolidated Balance Sheet	$ 343.3	$ 335.8

The following table presents changes in plan assets:

(In millions)	1999	1998
Beginning balance	$3,931.2	$3,567.3
Actual return on plan assets	831.4	485.3
Company contributions	120.0	142.9
Associate contributions	23.4	21.8
Acquisitions	601.1	—
Settlements	(12.5)	(7.5)
Foreign currency translation	(33.7)	(19.9)
Benefit payments	(282.0)	(258.7)
Ending balance	$5,178.9	$3,931.2

For plans that are not fully funded:

(In millions)	1999	1998
Accumulated benefit obligation	$ 364.3	$ (290.2)
Plan assets	65.3	67.9

Certain international subsidiaries maintain unfunded plans consistent with local practices and requirements. At December 31, 1999, these plans accounted for $170.6 million of the Company's accumulated benefit obligation, $173.3 million of its projected benefit obligation and $13.4 million of its minimum pension liability adjustment ($73.2 million, $81.4 million and $17.1 million, respectively, at December 31, 1998).

NOTE 15

SAVINGS PLANS

Substantially all domestic associates are eligible to participate in one of the Company's six savings plans. Under these plans associates elect to contribute a percentage of their pay. In 1999, most plans provided for the Company's matching of these contributions (up to a maximum of 6% of the associate's annual pay or, if less, $10,000) at the rate of 50%. Company contributions were $43.0 million, $42.8 million and $40.6 million for 1999, 1998 and 1997, respectively. A defined contribution pension plan for certain foreign associates was established July 1, 1999. Company contributions were $2.4 million for 1999.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 16

INCOME TAXES

The components of Income from Continuing Operations before Income Taxes, adjusted for Minority Interest in Net Income of Subsidiaries, follow:

(In millions)	1999	1998	1997
U.S.	$ (72.9)	$ 407.7	$142.2
Foreign	369.6	595.0	601.1
	296.7	1,002.7	743.3
Minority Interest in Net Income of Subsidiaries	40.3	31.5	44.6
	$337.0	$1,034.2	$787.9

A reconciliation of Federal income taxes at the U.S. statutory rate to income taxes provided follows:

(Dollars in millions)	1999	1998	1997
U.S. Federal income tax at the statutory rate of 35%	$ 117.9	$ 362.0	$275.8
Adjustment for foreign income taxed at different rates	(17.7)	(54.3)	(32.3)
Gain on formation of Goodyear Dunlop Tires Europe B.V.	(56.9)	—	—
State income taxes, net of Federal	(12.7)	11.1	(1.0)
Foreign operating loss with no tax benefit provided	24.0	—	1.0
Other	1.0	(33.1)	(22.6)
United States and Foreign Taxes on Income	$ 55.6	$ 285.7	$220.9
Effective tax rate	16.5%	27.6%	28.0%

The components of the provision for income taxes by taxing jurisdiction follow:

(In millions)	1999	1998	1997
Current:			
Federal	$ 40.7	$ (27.2)	$ 23.0
Foreign income and withholding taxes	157.4	161.0	212.6
State	(.2)	7.0	.5
	197.9	140.8	236.1
Deferred:			
Federal	(129.6)	88.2	(20.6)
Foreign	6.6	46.6	7.4
State	(19.3)	10.1	(2.0)
	(142.3)	144.9	(15.2)
United States and Foreign Taxes on Income	$ 55.6	$ 285.7	$220.9

Temporary differences and carryforwards giving rise to deferred tax assets and liabilities at December 31, 1999 and 1998 follow:

(In millions)	1999	1998
Postretirement benefits other than pensions	$ 695.7	$ 712.8
Vacation and sick pay	74.0	69.6
Foreign tax credit and operating loss carryforwards	185.5	49.2
Workers' compensation	43.9	48.1
Rationalizations and other provisions	48.9	54.0
Accrued environmental liabilities	31.4	30.3
General and product liability	31.0	37.7
Alternative minimum tax credit carryforwards	27.0	23.6
Other	34.6	69.1
	1,172.0	1,094.4
Valuation allowance	(163.9)	(41.7)
Total deferred tax assets	1,008.1	1,052.7
Total deferred tax liabilities — property basis differences	(435.7)	(453.7)
— pensions	(210.3)	(222.7)
Total deferred taxes	$ 362.1	$ 376.3

A valuation allowance has been established due to the uncertainty of realizing certain foreign tax credit and foreign net operating loss carryforwards. The valuation allowance has increased from 1998 due to the creation of additional foreign tax credits, net operating losses of certain foreign subsidiaries during 1999, and pre-acquisition net operating losses of the European businesses acquired from Sumitomo in 1999.

For federal income tax return purposes, the Company has available foreign tax credits of $62.4 million that are subject to expiration in 2003 and 2004. The Company also has $123.1 million of foreign net operating loss carryforwards available, some of which are subject to expiration over various periods beginning in 2000.

The Company made net cash payments for income taxes in 1999, 1998 and 1997 of $204.0 million, $230.7 million and $262.6 million, respectively.

No provision for Federal income tax or foreign withholding tax on retained earnings of international subsidiaries of $1,753.0 million is required because this amount has been or will be reinvested in properties and plants and working capital. It is not practicable to calculate the deferred taxes associated with the remittance of these investments.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 17

INTEREST EXPENSE

Interest expense includes interest and amortization of debt discount and expense, less amounts capitalized as follows:

(In millions)	1999	1998	1997
Interest expense before capitalization	$191.2	$154.4	$125.7
Capitalized interest	(11.8)	(6.6)	(6.2)
	$179.4	$147.8	$119.5

The Company made cash payments for interest in 1999, 1998 and 1997 of $192.8 million, $143.8 million and $131.7 million, respectively.

NOTE 18

RESEARCH AND DEVELOPMENT

Research and development costs for 1999, 1998 and 1997 were $446.2 million, $420.7 million and $384.1 million, respectively.

NOTE 19

ADVERTISING COSTS

Advertising costs for 1999, 1998 and 1997 were $238.2 million, $233.4 million and $244.1 million, respectively.

NOTE 20

BUSINESS SEGMENTS

Segment information reflects the strategic business units of the Company (SBUs), which are organized to meet customer requirements and global competition. Effective July 1, 1999 the Company reorganized its Europe Tire SBU into the European Union Tire SBU and the Eastern Europe, Africa and Middle East Tire SBU. Segment information for 1998 and 1997 has been restated to reflect this change.

The Tire business is comprised of five regional SBUs. The Engineered and Chemical businesses are each managed on a global basis. Segment information is reported on the basis used for reporting to the Company's Chairman of the Board, Chief Executive Officer and President.

Each of the five regional tire business segments involve the development, manufacture, distribution and sale of tires. Certain of the tire business segments also provide related products and services, which include tubes, retreads, automotive repair services and merchandise purchased for resale.

North American Tire provides original equipment and replacement tires for autos, trucks, farm, aircraft, and construction applications in the United States, Canada and export markets. North American Tire also provides related products and services including tread rubber, tubes, retreaded tires, automotive repair services and merchandise purchased for resale.

European Union Tire provides original equipment and replacement tires for autos, trucks, farm and construction applications in the European Union, Norway, Switzerland, and export markets. European Union Tire also retreads truck and aircraft tires.

Eastern Europe, Africa and Middle East Tire provides replacement tires for autos, trucks and farm applications in Eastern Europe, Africa, the Middle East and export markets. The segment also provides original equipment tires to manufacturers in Poland and South Africa.

Latin American Tire provides original equipment and replacement tires for autos, trucks, tractors, aircraft and construction applications in Central and South America, Mexico and export markets. Latin American Tire also manufactures materials for tire retreading.

Asia Tire provides original equipment and replacement tires for autos, trucks, farm, aircraft and construction applications in Asia and the Western Pacific. Asia Tire also retreads truck, construction equipment and aircraft tires and provides automotive repair services.

Engineered Products develops, manufactures and sells belts, hoses, molded products, airsprings, tank tracks and other products for original equipment and replacement transportation applications and industrial markets worldwide.

Chemical Products develops, manufactures and sells organic chemicals used in rubber and plastic processing, synthetic rubber and rubber latices, plantation and natural rubber purchasing operations, and other products for internal and external customers worldwide.

The Company's oil transportation business was sold during 1998 and accounted for as a discontinued operation. Refer to Note 22.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

(In millions)	1999	1998	1997
Sales			
North American Tire	$ 6,355.3	$ 6,235.2	$ 6,207.5
European Union Tire	2,558.6	2,061.0	2,022.5
Eastern Europe, Africa and Middle East Tire	796.2	850.0	904.7
Latin American Tire	930.8	1,245.6	1,413.4
Asia Tire	575.9	501.8	666.9
Total Tires	11,216.8	10,893.6	11,215.0
Engineered Products	1,210.1	1,279.3	1,324.0
Chemical Products	928.4	970.8	1,089.1
Total Segment Sales	13,355.3	13,143.7	13,628.1
Inter-SBU sales	(482.8)	(524.3)	(569.5)
Other	8.1	6.9	6.7
Net Sales	$12,880.6	$12,626.3	$13,065.3
Income			
North American Tire	$ 19.0	$ 378.6	$ 382.5
European Union Tire	188.0	199.7	166.7
Eastern Europe, Africa and Middle East Tire	49.8	102.4	102.4
Latin American Tire	67.7	186.1	233.5
Asia Tire	26.0	7.5	58.6
Total Tires	350.5	874.3	943.7
Engineered Products	71.0	111.8	130.1
Chemical Products	118.9	139.6	128.3
Total Segment Income (EBIT)	540.4	1,125.7	1,202.1
Rationalizations, asset sales and other provisions	(4.9)	137.6	(265.2)
Interest expense	(179.4)	(147.8)	(119.5)
Foreign currency exchange	27.6	2.6	34.1
Minority interest in net income of subsidiaries	(40.3)	(31.5)	(44.6)
Inter-SBU income	(49.6)	(61.1)	(54.7)
Other	2.9	(22.8)	(8.9)
Income from Continuing Operations before Income Taxes	$ 296.7	$ 1,002.7	$ 743.3
Assets			
North American Tire	$ 4,847.7	$ 3,944.6	$ 3,596.6
European Union Tire	3,336.1	1,690.0	1,460.4
Eastern Europe, Africa and Middle East Tire	897.1	898.1	663.0
Latin American Tire	820.7	993.8	979.5
Asia Tire	725.5	744.0	522.3
Total Tires	10,627.1	8,270.5	7,221.8
Engineered Products	673.6	678.9	630.3
Chemical Products	644.5	576.5	541.0
Total Segment Assets	11,945.2	9,525.9	8,393.1
Corporate	1,157.4	1,063.4	1,061.8
Discontinued Operations	—	—	462.5
Assets	$13,102.6	$10,589.3	$ 9,917.4

Results of operations in the Tire and Engineered Products segments were measured based on net sales to unaffiliated customers and EBIT. Results of operations of the Chemical Products segment included transfers to other SBUs. EBIT is computed as follows: net sales less cost of goods sold and selling, administrative and general expense, including allocated central administrative expenses. Inter-SBU sales by Chemical Products were at the lower of a formulated price or market. Purchases from Chemical Products were included in the purchasing SBU's EBIT at Chemical Products cost. Segment assets include those assets under the management of the SBU.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

(In millions)	1999	1998	1997
Capital Expenditures			
North American Tire	$ 372.8	$ 325.7	$229.5
European Union Tire	106.2	73.9	78.9
Eastern Europe, Africa and Middle East Tire	46.9	95.7	85.9
Latin American Tire	50.6	67.7	73.5
Asia Tire	38.0	55.2	57.0
Total Tires	614.5	618.2	524.8
Engineered Products	54.6	49.6	46.4
Chemical Products	90.4	95.2	60.9
Total Segment Capital Expenditures	759.5	763.0	632.1
Corporate	45.5	75.4	64.7
Discontinued Operations	—	—	2.2
Capital Expenditures	$ 805.0	$ 838.4	$699.0
Depreciation and Amortization			
North American Tire	$ 219.7	$ 216.7	$206.3
European Union Tire	91.8	50.5	48.1
Eastern Europe, Africa and Middle East Tire	48.6	46.5	30.6
Latin American Tire	34.2	38.9	36.7
Asia Tire	40.5	29.1	29.1
Total Tires	434.8	381.7	350.8
Engineered Products	44.2	33.1	31.0
Chemical Products	35.8	34.4	32.5
Total Segment Depreciation and Amortization	514.8	449.2	414.3
Corporate	66.9	56.7	52.9
Depreciation and Amortization	$ 581.7	$ 505.9	$467.2

Portions of the items described in Note 3, Rationalizations and Note 4, Other (Income) and Expense were not charged (credited) to the SBUs for performance evaluation purposes but were attributable to the SBUs as follows:

(In millions)	1999	1998	1997
Rationalizations			
North American Tire	$ 71.5	$ (7.7)	$107.6
European Union Tire	2.8	—	50.9
Eastern Europe, Africa and Middle East Tire	.3	—	—
Latin American Tire	77.3	—	36.5
Asia Tire	1.5	—	—
Total Tires	153.4	(7.7)	195.0
Engineered Products	8.8	—	6.0
Chemical Products	2.5	—	—
Total Segment	164.7	(7.7)	201.0
Corporate	6.9	(22.0)	64.2
Rationalizations	$ 171.6	$ (29.7)	$265.2
Other (Income) and Expense			
North American Tire	$ —	$ (44.1)	$ —
European Union Tire	(149.7)	(3.2)	—
Eastern Europe, Africa and Middle East Tire	—	(.9)	—
Latin American Tire	—	10.7	—
Asia Tire	—	(10.1)	—
Total Tires	(149.7)	(47.6)	—
Engineered Products	—	1.2	—
Chemical Products	(17.0)	(61.5)	—
Total Segments	(166.7)	$(107.9)	—
Corporate	18.8	30.5	24.5
Other (Income) and Expense	$(147.9)	$ (77.4)	$ 24.5

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

Sales and operating income of the Asia Tire segment reflect the results of the Company's majority-owned tire business in the region. In addition, the Company owns a 50% interest in South Pacific Tyres Ltd. (SPT), the largest tire manufacturer, marketer and exporter in Australia and New Zealand. Results of operations of SPT are not reported in segment results, and are reflected in the Company's Consolidated Statement of Income using the equity method.

The following table presents the sales and operating income of the Company's Asia Tire segment together with 100% of the sales and operating income of SPT:

(In millions)	1999	1998	1997
Net Sales			
Asia Tire Segment	$ 575.9	$ 501.8	$ 666.9
SPT	657.8	636.3	743.7
	$1,233.7	$1,138.1	$1,410.6
Operating Income			
Asia Tire Segment	$ 26.0	$ 7.5	$ 58.6
SPT	31.2	47.2	62.3
	$ 57.2	$ 54.7	$ 120.9

The following table presents geographic information. Net sales by country were determined based on the location of the selling subsidiary. Long-lived assets consisted primarily of properties and plants, deferred charges and other miscellaneous assets. Management did not consider the net sales or long-lived assets of individual countries outside the United States to be significant to the consolidated financial statements.

(In millions)	1999	1998	1997
Net Sales			
United States	$ 6,825.0	$ 6,806.4	$ 6,831.0
International	6,055.6	5,819.9	6,234.3
	$12,880.6	$12,626.3	$13,065.3
Long-Lived Assets			
United States	$ 4,080.1	$ 2,750.6	$ 2,966.6
International	3,224.9	2,649.5	2,074.1
	$ 7,305.0	$ 5,400.1	$ 5,040.7

NOTE 21

ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of Accumulated Other Comprehensive Income follow:

(In millions)	1999	1998
Foreign currency translation adjustment	$(1,072.2)	$(877.6)
Minimum pension liability adjustment	(15.2)	(26.2)
Unrealized securities loss	(12.8)	—
	$(1,100.2)	$(903.8)

NOTE 22

DISCONTINUED OPERATIONS

On July 30, 1998, the Company sold substantially all of the assets and liabilities of its oil transportation business to Plains All American Inc., a subsidiary of Plains Resources Inc. Proceeds from the sale were $422.3 million, which included distributions to the Company prior to closing of $25.1 million. The principal asset of the oil transportation business was the All American Pipeline System, consisting of a 1,225 mile heated crude oil pipeline system extending from Las Flores and Gaviota, California, to McCamey, Texas, a crude oil gathering system located in California's San Joaquin Valley and related terminal and storage facilities.

The transaction has been accounted for as a sale of discontinued operations. Operating results and the loss on sale of discontinued operations follow:

	Year Ended December 31,	
(In millions, except per share)	1998	1997
Net Sales	$ 22.4	$89.8
Income before Income Taxes	$ 12.9	$56.7
United States Taxes on Income	4.7	20.4
Income from Discontinued Operations	8.2	36.3
Loss on Sale of Discontinued Operations, including income from operations during the disposal period (3/21/98-7/30/98) of $10.0 (net of tax of $24.1)	(42.9)	—
Discontinued Operations	$(34.7)	$36.3
Income (Loss) Per Share — Basic:		
Income from Discontinued Operations	$ .05	$ .24
Loss on Sale of Discontinued Operations	(.27)	—
Discontinued Operations	$ (.22)	$ .24
Income (Loss) Per Share — Diluted:		
Income from Discontinued Operations	$ .05	$ .23
Loss on Sale of Discontinued Operations	(.27)	—
Discontinued Operations	$ (.22)	$ .23

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 23

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1999, the Company had binding commitments for investments in land, buildings and equipment of $244.3 million and off-balance-sheet financial guarantees written of $28.6 million.

At December 31, 1999, the Company had recorded liabilities aggregating $72.6 million for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by the Company. These costs include legal and consulting fees, site studies, the design and implementation of remediation plans, post-remediation monitoring and related activities and will be paid over several years. The amount of the Company's ultimate liability in respect of these matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute. Refer to Environmental Cleanup Matters at Note 1.

At December 31, 1999, the Company had recorded liabilities aggregating $80.6 million for potential product liability and other tort claims, including related legal fees expected to be incurred, presently asserted against the Company. The amount recorded was determined on the basis of an assessment of potential liability using an analysis of pending claims, historical experience and current trends. The Company has concluded that in respect of any of the above described liabilities, it is not reasonably possible that it would incur a loss exceeding the amount already recognized with respect thereto which would be material relative to the consolidated financial position, results of operations or liquidity of the Company.

Various other legal actions, claims and governmental investigations and proceedings covering a wide range of matters are pending against the Company and its subsidiaries. Management, after reviewing available information relating to such matters and consulting with the Company's General Counsel, has determined with respect to each such matter either that it is not reasonably possible that the Company has incurred liability in respect thereof or that any liability ultimately incurred will not exceed the amount, if any, recorded at December 31, 1999 in respect thereof which would be material relative to the consolidated financial position, results of operations or liquidity of the Company. However, in the event of an unanticipated adverse final determination in respect of certain matters, the Company's consolidated net income for the period in which such determination occurs could be materially affected.

NOTE 24

PREFERRED STOCK PURCHASE RIGHTS PLAN

In June 1996, the Company authorized 7,000,000 shares of Series B Preferred Stock ("Series B Preferred") issuable only upon the exercise of rights ("Rights") issued under the Preferred Stock Purchase Rights Plan adopted on, and set forth in the Rights Agreement dated, June 4, 1996. Each share of Series B Preferred issued would be non-redeemable, non-voting and entitled to (i) cumulative quarterly dividends equal to the greater of $25.00 or, subject to adjustment, 100 times the per year amount of dividends declared on Goodyear Common Stock ("the Common Stock") during the preceding quarter and (ii) a liquidation preference.

Under the Rights Plan, each shareholder of record on July 29, 1996 received a dividend of one Right per share of the Common Stock. Each Right, when exercisable, will entitle the registered holder thereof to purchase from the Company one one-hundredth of a share of Series B Preferred Stock at a price of $250 (the "Purchase Price"), subject to adjustment. The Rights will expire on July 29, 2006, unless earlier redeemed at $.001 per Right. The Rights will be exercisable only in the event that an acquiring person or group purchases, or makes — or announces its intention to make — a tender offer for, 15% or more of the Common Stock. In the event that any acquiring person or group acquires 15% or more of the Common Stock, each Right will entitle the holder to purchase that number of shares of Common Stock (or in certain circumstances, other securities, cash or property) which at the time of such transaction would have a market value of two times the Purchase Price.

If the Company is acquired or a sale or transfer of 50% or more of the Company's assets or earnings power is made after the Rights become exercisable, each Right (except those held by an acquiring person or group) will entitle the holder to purchase common stock of the acquiring entity having a market value then equal to two times the Purchase Price. In addition, when exercisable the Rights under certain circumstances may be exchanged by the Company at the ratio of one share of Common Stock (or the equivalent thereof in other securities, property or cash) per Right, subject to adjustment.

SUPPLEMENTARY DATA

(UNAUDITED)

QUARTERLY DATA AND MARKET PRICE INFORMATION

(In millions, except per share)	Quarter				
1999	First	Second	Third	Fourth	Year
Net Sales	$2,991.2	$3,048.7	$3,288.8	$3,551.9	$12,880.6
Gross Profit	659.8	613.5	524.2	731.7	2,529.2
Net Income	$ 25.5	$ 65.7	$ 109.1	$ 40.8	$ 241.1
Net Income Per Share — Basic	$ .16	$ .42	$ .70	$ .26	$ 1.54
— Diluted	.16	.41	.69	.26	1.52
Average Shares Outstanding:					
— Basic	156.0	156.1	156.3	156.3	156.2
— Diluted	157.8	159.6	159.5	158.8	158.9
Price Range of Common Stock:*					
High	$ 54 7/8	$ 66 3/4	$ 59 13/16	$ 51 5/8	$ 66 3/4
Low	45 7/16	50	44	25 1/2	25 1/2
Dividends Per Share	$ .30	$ .30	$ .30	$ .30	$ 1.20

The first quarter included an after-tax charge of $116.0 million or $.74 per share for rationalizations. The second quarter included an after-tax credit of $6.0 million or $.04 per share from the reversal of rationalization reserves that were no longer needed. The third quarter included an after-tax charge of $42.4 million or $.27 per share for rationalizations and after-tax credits totaling $181.5 million or $1.14 per share from asset sales and the reversal of rationalization reserves that were no longer needed. The fourth quarter included an after-tax charge of $19.3 million or $.12 per share and an after-tax credit of $12.5 million or $.08 per share from the reversal of rationalization reserves.

(In millions, except per share)	Quarter				
1998	First	Second	Third	Fourth	Year
Net Sales	$3,094.0	$3,137.5	$3,191.7	$3,203.1	$12,626.3
Gross Profit	762.8	744.8	721.9	723.9	2,953.4
Net Income	$ 176.8	$ 199.0	$ 185.0	$ 121.5	$ 682.3
Net Income Per Share — Basic	$ 1.13	$ 1.26	$ 1.19	$ .78	$ 4.36
— Diluted	1.11	1.25	1.17	.78	4.31
Average Shares Outstanding:					
— Basic	156.8	157.2	156.4	155.9	156.6
— Diluted	159.0	159.3	157.8	157.1	158.3
Price Range of Common Stock:*					
High	$ 76 3/4	$ 76 1/8	$ 67	$ 58 5/16	$ 76 3/4
Low	57 3/4	62 7/8	45 7/8	46 9/16	45 7/8
Dividends Per Share	$ .30	$ .30	$ .30	$ .30	$ 1.20

The first quarter included an after-tax charge of $34.7 million or $.22 per share for the sale of the Oil Transportation business segment. After-tax gains on other asset sales were recorded totaling $37.9 million or $.24 per share in the first quarter, $32.0 million or $.20 per share in the third quarter and $6.5 million or $.04 per share in the fourth quarter. An after-tax credit totaling $19.6 million or $.12 per share was recorded in the second quarter resulting from the favorable experience in implementation of the Company's program to exit the Formula 1 racing series and the reversal of reserves related to production rationalization in North America.

Per share amounts of unusual items are diluted.

* New York Stock Exchange - Composite Transactions

COMPARISON WITH PRIOR YEARS

(Dollars in millions, except per share)	1999	1998	1997	1996	1995
Financial Results					
Net Sales	$12,880.6	$12,626.3	$13,065.3	$12,985.7	$13,039.2
Income From Continuing Operations	241.1	717.0	522.4	558.5	575.2
Discontinued Operations	—	(34.7)	36.3	(456.8)	35.8
Net Income	241.1	682.3	558.7	101.7	611.0
Per Share of Common Stock:					
Income From Continuing Operations	1.52	4.53	3.30	3.56	3.74
Discontinued Operations	—	(.22)	.23	(2.91)	.23
Net Income	1.52	4.31	3.53	.65	3.97
Average Shares Outstanding — Diluted	158,939,599	158,307,212	158,169,534	156,778,058	153,949,022
Cash Dividends	$ 1.20	$ 1.20	$ 1.14	$ 1.03	$ .95
Financial Position					
Assets	$13,102.6	$10,589.3	$ 9,917.4	$ 9,671.8	$ 9,789.6
Properties and Plants — Net	5,761.0	4,358.5	4,149.7	4,067.9	4,561.2
Depreciation	557.6	487.8	453.9	419.9	394.2
Capital Expenditures	805.0	838.4	699.0	617.5	615.6
Long Term Debt	2,347.9	1,186.5	844.5	1,132.2	1,320.0
Shareholders' Equity	3,617.1	3,745.8	3,395.5	3,279.1	3,281.7
Other Information					
Shareholders of Record	28,163	28,348	29,198	30,432	34,199
Price Range of Common Stock:*					
High	$ 66 ¾	$ 76 ¾	$ 71 ¼	$ 53	$ 47 ½
Low	25 ½	45 ⅞	49 ¼	41 ½	33
Average Number of Associates	100,649	96,950	95,472	91,310	88,790

1999 included a net after-tax benefit of $22.3 million or $.13 per share for rationalization and asset sales.

1998 included a net after-tax gain totaling $61.3 million or $.38 per share from rationalizations, the sale of the Oil Transportation business segment and other asset sales.

1997 included an after-tax charge of $176.3 million or $1.12 per share for rationalizations.

1996 included a net after-tax charge of $573.0 million or $3.65 per share for the writedown of the All American Pipeline System and related assets and other rationalizations.

All per share amounts are diluted.

* New York Stock Exchange - Composite Transactions

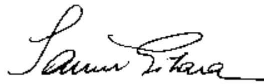
REPORT OF MANAGEMENT

The financial statements of The Goodyear Tire & Rubber Company and Subsidiaries were prepared in conformity with accounting principles generally accepted in the United States. Management is responsible for selection of appropriate accounting principles and the objectivity and integrity of the data, estimates and judgments that are the basis for the financial statements.

Goodyear has established and maintains a system of internal controls designed to provide reasonable assurance that the books and records reflect the transactions of the Company and that its established policies and procedures are carefully followed. This system is based upon the worldwide communication and implementation of written procedures, policies and guidelines, organizational structures that provide an appropriate division of responsibility, a program of internal audit and the careful selection, training and development of operating and financial management.

PricewaterhouseCoopers LLP, independent accountants, examined the financial statements and their report is presented on this page. Their opinion is based on an examination that provides an independent, objective review of the way Goodyear fulfills its responsibility to publish statements that present fairly the financial position and operating results. They obtain and maintain an understanding of the Company's internal accounting and reporting controls, test transactions and perform related auditing procedures as they consider necessary to arrive at an opinion on the fairness of the financial statements. While the independent accountants make extensive reviews of procedures, it is neither practicable nor necessary for them to test a large portion of the daily transactions.

The Board of Directors pursues its oversight responsibility for the financial statements through its Audit Committee, composed of Directors who are not associates of the Company. The Committee meets periodically with the independent accountants, representatives of management and internal auditors to assure that all are carrying out their responsibilities. To assure independence, PricewaterhouseCoopers LLP and the internal auditors have full and free access to the Audit Committee, without Company representatives present, to discuss the results of their examinations and their opinions on the adequacy of internal controls and the quality of financial reporting.



SAMIR G. GIBARA
Chairman, Chief Executive Officer and President

ROBERT W. TIEKEN
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of The Goodyear Tire & Rubber Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of The Goodyear Tire & Rubber Company and Subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Cleveland, Ohio
February 8, 2000

BOARD OF DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

JOHN G. BREEN, 65
Chairman of the Board, The Sherwin Williams Company, a manufacturer, distributor and marketer of paints, coatings and related products
ELECTED 1992 (1, 2)

WILLIAM E. BUTLER, 68
Retired Chairman of the Board & Chief Executive Officer, Eaton Corporation, a manufacturer of engineered products for the automotive industry and other markets
ELECTED 1995 (1, 3)

THOMAS H. CRUIKSHANK, 68
Retired Chairman of the Board, Halliburton Company, a service and sales organization providing engineering, construction, property and casualty insurance services and oil field service and products
ELECTED 1986 (1, 3)

KATHERINE G. FARLEY, 50
Senior Managing Director, Tishman Speyer Properties, one of the oldest and largest real estate development organizations in the United States and a leading force in property development internationally
ELECTED 1998 (1, 2)

SAMIR G. GIBARA, 60
Chairman of the Board, Chief Executive Officer & President
ELECTED 1995 (4)

WILLIAM J. HUDSON JR., 65
Retired Vice Chairman, AMP Incorporated, a leading supplier of electronic connectors and inter-connection systems
ELECTED 1995 (1, 2, 4)

STEVEN A. MINTER, 61
Executive Director & President, The Cleveland Foundation, a community trust devoted to health, education, social service, civic and social affairs
ELECTED 1985 (2, 3, 4)

AGNAR PYTTE, 67
Retired President, Case Western Reserve University
ELECTED 1988 (2, 3, 4)

GEORGE H. SCHOFIELD, 70
Retired Chairman of the Board, Zurn Industries, a company that designs, manufactures and markets power systems and water control and mechanical drive technology
ELECTED 1991 (1, 4)

WILLIAM C. TURNER, 70
Chairman of the Board and Director, Argyle Atlantic Corporation, a consulting firm on international affairs, serving multinational companies
ELECTED 1978 (3, 4)

MARTIN D. WALKER, 67
Retired Chairman of the Board & Chief Executive Officer, M. A. Hanna Company, an international processor and distributor of polymers to the plastics and rubber industries
ELECTED 1997 (2, 3, 4)

1 AUDIT COMMITTEE
2 COMPENSATION COMMITTEE
3 COMMITTEE ON CORPORATE RESPONSIBILITY
4 NOMINATING AND BOARD GOVERNANCE COMMITTEE

CORPORATE OFFICERS

SAMIR G. GIBARA, 60*
Chairman of the Board, Chief Executive Officer & President
33 YEARS OF SERVICE, OFFICER SINCE 1992

ROBERT W. TIEKEN, 60
Executive Vice President & Chief Financial Officer
SIX YEARS OF SERVICE, OFFICER SINCE 1994

Senior Vice Presidents

VERNON L. DUNCKEL, 61
Global Product Supply
38 YEARS OF SERVICE, OFFICER SINCE 1999

W. JAMES FISH, 56
Global Human Resources
ONE MONTH OF SERVICE, OFFICER SINCE 2000

JOSEPH M. GINGO, 55
Technology & Global Products Planning
33 YEARS OF SERVICE, OFFICER SINCE 1996

C. THOMAS HARVIE, 56
General Counsel
FIVE YEARS OF SERVICE, OFFICER SINCE 1995

JOHN P. PERDUYN, 60
Global Communications
34 YEARS OF SERVICE, OFFICER SINCE 1989

CLARK E. SPRANG, 57
Business Development & Business Integration
33 YEARS OF SERVICE, OFFICER SINCE 1996

Vice Presidents

ERIC A BERG, 37
Chief Information Officer
ONE MONTH OF SERVICE, OFFICER SINCE 2000

STEPHANIE W. BERGERON, 46
Treasurer
ONE YEAR OF SERVICE, OFFICER SINCE 1999

JAMES BOYAZIS, 63
Secretary & Associate General Counsel
36 YEARS OF SERVICE, OFFICER SINCE 1987

DONALD D. HARPER, 53
Human Resources Planning, Development & Change
31 YEARS OF SERVICE, OFFICER SINCE 1998

WILLIAM M. HOPKINS, 55
Global Product Marketing & Technology Planning
32 YEARS OF SERVICE, OFFICER SINCE 1998

KENNETH B. KLECKNER, 51
Global Engineering & Manufacturing Technology
28 YEARS OF SERVICE, OFFICER SINCE 1998

GARY A. MILLER, 53
Purchasing
32 YEARS OF SERVICE, OFFICER SINCE 1992

RICHARD J. STEICHEN, 55
Corporate Research
26 YEARS OF SERVICE, OFFICER SINCE 1995

PATRICIA A. KEMPH, 59
Assistant Secretary
35 YEARS OF SERVICE, OFFICER SINCE 1984

BUSINESS UNIT OFFICERS

DENNIS E. DICK, 60
President, Engineered & Chemical Products
35 YEARS OF SERVICE, OFFICER SINCE 1996

HUGH D. PACE, 47
President, Asia Region
24 YEARS OF SERVICE, OFFICER SINCE 1998

JOHN C. POLHEMUS, 55
President, Latin America Region
30 YEARS OF SERVICE, OFFICER SINCE 1996

MICHAEL J. RONEY, 45
President, Eastern Europe, Africa & Middle East Region
18 YEARS OF SERVICE, OFFICER SINCE 1999

WILLIAM J. SHARP, 58
President, North American Tire
35 YEARS OF SERVICE, OFFICER SINCE 1987

SYLVAIN G. VALENSI, 57
President, European Union Region
34 YEARS OF SERVICE, OFFICER SINCE 1996

RICHARD P. ADANTE, 53
Vice President, Materials Management, North American Tire
33 YEARS OF SERVICE, OFFICER SINCE 1991

JOHN W. RICHARDSON, 54
Vice President, Finance, North American Tire
32 YEARS OF SERVICE, OFFICER SINCE 1996

* ALSO A DIRECTOR

GOODYEAR WORLDWIDE

NORTH AMERICA

UNITED STATES

Akron, Ohio World Headquarters, technical center, tires, chemicals, tire proving grounds, global purchasing, airship operations, research and development facilities
Asheboro, North Carolina Steel tire cord
Bayport, Texas Chemicals
Beaumont, Texas Synthetic rubber, hydrocarbon resins
Cartersville, Georgia Textiles
Danville, Virginia Tires
Decatur, Alabama Textiles
Fayetteville, North Carolina Tires
Freeport, Illinois Tires
Gadsden, Alabama Tires
Green, Ohio Air springs, technical center
Hannibal, Missouri Hose products
Houston, Texas Synthetic rubber
Huntsville, Alabama Tires, tire proving grounds
Lawton, Oklahoma Tires
Lincoln, Nebraska Power transmission belts, hose products
Marysville, Ohio Conveyor belts, technical center
Mount Pleasant, Iowa Hose products
Niagara Falls, New York Chemicals
Norfolk, Nebraska Hose products
Radford, Virginia Tread rubber
St. Marys, Ohio Molded rubber products, military track, rubber track
San Angelo, Texas Tire proving grounds
Social Circle, Georgia Tread rubber
Spartanburg, South Carolina Tread rubber
Spring Hope, North Carolina Conveyor belts
Statesville, North Carolina Tire molds
Stow, Ohio Tire molds
Sun Prairie, Wisconsin Hose products
Tonawanda, New York Tires
Topeka, Kansas Tires
Tyler, Texas Tires
Union City, Tennessee Tires
Utica, New York Textiles
West Amherst, New York Goodyear Dunlop Tires North America headquarters

CANADA

Bowmanville, Ontario Conveyor belts
Collingwood, Ontario Hose products
Granby, Quebec Hose products
Medicine Hat, Alberta Tires
Napanee, Ontario Tires
Owen Sound, Ontario Power transmission belts
Quebec City, Quebec Molded rubber products
Valleyfield, Quebec Tires

MEXICO

Chihuahua Power transmission belts
Mexico City Tires
San Luis Potosi Air springs, hose products

EUROPE

BELGIUM

Brussels Goodyear Dunlop Tires Europe headquarters

ENGLAND

Birmingham Tires
Washington Tires
Wolverhampton Tires

FRANCE

Amiens Tires (2 plants)
Le Havre Chemicals
Mireval Tire proving grounds
Montlucon Tires, air springs
Orsay Chemical applications development, customer service lab

GERMANY

Fulda Tires
Fuerstenwalde Tires
Hanau Tires
Philippsburg Tires
Riesa Tires
Wittlich Tires, tire proving grounds

LUXEMBOURG

Colmar-Berg Tires, textiles, steel tire cord, tire molds, technical center, tire proving grounds

POLAND

Debica Tires, tubes

SLOVENIA

Kranj Tires, power transmission belts, air springs

TURKEY

Adapazari Tires
Izmit Tires

AFRICA

MOROCCO

Casablanca Tires

SOUTH AFRICA

Uitenhage Tires, conveyor belts, power transmission belts

SOUTH AMERICA

BRAZIL

Americana Tires, textile preparation, films
Maua Air springs
Santa Barbara Tread rubber
Sao Paulo Tires, textiles, tire molds, conveyor belts, power transmission belts, hose products

CHILE

Santiago Tires, batteries, conveyor belts, hose products

COLOMBIA

Cali Tires

GUATEMALA

Guatemala City Tires

PERU

Lima Tires

VENEZUELA

Tinaquillo Hose products, power transmission belts
Valencia Tires

ASIA

CHINA

Dalian Tires
Qingdao Hose products

INDIA

Aurangabad Tires
Ballabgarh Tires

INDONESIA

Aek Tarum Estate Rubber plantation operations
Bogor Tires
Dolok Merangir Estate Rubber plantation operations

JAPAN

Tatsuno Tires
Tsukuba Tire test center

MALAYSIA

Kuala Lumpur Tires

PHILIPPINES

Las Piñas Tires
Marikina Tires

SINGAPORE

Singapore Natural rubber purchasing, testing and research laboratory

TAIWAN

Taipei Tires

THAILAND

Bangkok Tires

AUSTRALIA

Footscray Tires*
Bayswater Conveyor belts
Somerton Tires*
Thomastown Tires*

NEW ZEALAND

Upper Hutt Tires*

* 50-50 JOINT VENTURES

SHAREHOLDER INFORMATION

Corporate Offices

The Goodyear Tire & Rubber Company
1144 East Market Street
Akron, Ohio 44316-0001
(330) 796-2121
www.goodyear.com

Goodyear Common Stock

The principal market for Goodyear common stock is the New York Stock Exchange (symbol GT). The stock is also listed on the Chicago Stock Exchange and The Pacific Exchange.

On February 16, 2000, there were 28,212 shareholders of record of Goodyear common stock. The closing price of Goodyear common stock on the NYSE composite transactions tape on February 16, 2000 was $23 15/16.

Annual Meeting

10 a.m., Monday, April 10, 2000, at the Corporate Offices.

Shareholder Inquiries

Transfer Agent and Registrar:
First Chicago Trust Company,
a subsidiary of EquiServe
P.O. Box 2500
Jersey City, New Jersey 07303-2500
(800) 317-4445
www.equiserve.com

Inquiries concerning the issuance or transfer of stock certificates, the status of dividend checks or share account information should be directed to First Chicago Trust Company. Provide Social Security number, account number and Goodyear's ID number, 5721.

Hearing impaired shareholders can communicate directly with First Chicago via a TDD by calling (201) 222-4955. Other shareholder inquiries should be directed to:
Investor Relations
The Goodyear Tire & Rubber Company
1144 East Market Street
Akron, Ohio 44316-0001
E-mail: goodyear.investor.relations@goodyear.com

Publications

The Company's Form 10-K Annual Report to the Securities and Exchange Commission for 1999 will be available in March. The Company's Form 10-Q Quarterly Reports to the Securities and Exchange Commission during 2000 will be available in May, August and November.

Copies of any of the above or the Company's Proxy Statement may be obtained without charge by writing:
Investor Relations
The Goodyear Tire & Rubber Company
1144 East Market Street
Akron, Ohio 44316-0001
or by calling our Financial Report Distribution Center at:
(515) 263-6408

Cassette Recording

An audio cassette recording of the 1999 Annual Report is available for visually impaired shareholders by contacting Goodyear Investor Relations at (330) 796-8576.

DirectSERVICE™ Investment Program

First Chicago Trust Company sponsors and administers a DirectSERVICE Investment Program for current shareholders and new investors in Goodyear common stock. The program offers automatic dividend reinvestment and a variety of other services. A brochure explaining the program may be obtained by contacting:
The DirectSERVICE Investment Program —
For Goodyear Shareholders
First Chicago Trust Company,
a subsidiary of EquiServe
P. O. Box 2598
Jersey City, New Jersey 07303-2598
(800) 317-4445

Independent Auditors

PricewaterhouseCoopers LLP
BP Tower
200 Public Square, 27th Floor
Cleveland, Ohio 44114-2301

Environmental Report

A report pertaining to Goodyear's environmental policies and activities may be obtained by contacting Goodyear Corporate Environmental Engineering at (330) 796-7377.

Dear Shareholder:

We are pleased that you have chosen Goodyear as part of your investment portfolio. I hope you also will avail yourself of this opportunity to use our fine products. This coupon entitles you to a ten percent discount on a selection of our finest passenger car and light truck tires. If you don't need tires at this time, feel free to pass the coupon along to a friend or neighbor.

Sincerely,

Samir G. Gibara

10% Shareholder Discount

Purchase up to four (4) Goodyear passenger or light truck tires at a participating Goodyear retailer or JustTires location and receive a 10% discount.

Valid on purchases through 12/31/2000. This coupon may not be reproduced or combined with any other offer.

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Store Manager: Key in Direct Mail Code AR99

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