2000 ANNUAL REPORT

About Goodyear

Goodyear is the world's largest tire company. Together with its U.S. and international subsidiaries and joint ventures, Goodyear manufactures and markets tires for most applications. It also manufactures and sells several lines of power transmission 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. Goodyear is the world's largest operator of commercial truck service and tire retreading centers. In addition, it operates more than 2,000 tire and auto service center outlets. Goodyear manufactures its products in 96 facilities in 28 countries. It has sales and marketing operations in almost every country around the world.

About the Cover

Whether their age is 55, 25, or even 5, drivers around the world feel secure in knowing that the "Goodyear" on the sidewall means they are riding on the most durable, best-performing tires available for their pickup, sport utility vehicle, minivan, sedan or sports car.

The children are Kimberly Buchanan and Derek Miller. Their parents' tires are Goodyear Eagle GA, Goodyear Wrangler HT and Goodyear Aquatred 3.

About the Children

The children appearing on the front cover and on pages 2, 4, 6, 9, 10 and 13 of this annual report are all family members of Goodyear associates. Like many youth, their lives are filled with varied activities, most of which require transportation. Whether the destination is a football game, soccer practice, a dance recital or home from school, they travel on Goodyear tires.

T R U S T

Each day, millions of people around the world put their trust in Goodyear. For more than a century, we have worked to earn – and keep – this trust.

Goodyear associates know the critical role tires play in vehicle safety. That is why their families drive on our tires.

We constantly seek ways to improve our products, to make evolutionary changes in existing designs, as well as create revolutionary new ones.

Consumers can trust that the set of Goodyear tires they buy today offers outstanding quality, durability and performance. The next set will be even better.

Financial Highlights

(Dollars in millions, except per share)

Year Ended December 31,	**2000**	1999
Net Sales	**$14,417.1**	$13,355.4
Net Income	**40.3**	243.2
— Per diluted share	**.25**	1.53
Assets	**$13,568.0**	$13,278.1
Debt	**3,585.8***	3,424.5*
Equity	**3,503.0**	3,792.6
Debt to Debt and Equity	**50.6%***	47.4%*
Cash Dividends per Share	**$ 1.20**	$ 1.20
Common Shares Outstanding	**157,603,962**	156,335,120
Shareholders of Record	**28,778**	28,163
Average Number of Associates	**106,724**	100,649

*Debt and Debt to Debt and Equity exclude the Sumitomo 1.2% Convertible Note Payable Due 8/01. Refer to Note 11.

To our shareholders

For Goodyear and our entire industry, 2000 was a very difficult year.

While we had record sales, our earnings were disappointing. Unanticipated economic and marketplace turmoil impacted us significantly. We took aggressive action to temper the impact and better prepare us for the future.

In the face of these difficult conditions, Goodyear associates around the world made outstanding progress in many areas that offer long-term strategic value for our company.

A year that began with strong shipments and bright prospects for improved profitability became clouded by skyrocketing raw material and energy costs, a weakening euro and a slowing U.S. economy.

Adding to the turbulence was the August recall of 6.5 million tires in North America by our competitor Bridgestone/Firestone.

Overnight, tires became front-page news. Journalists, attorneys, politicians, automakers and government officials scrutinized the entire industry and its products.

On a positive note, after years of giving little thought to their tires, consumers began to realize tires are actually highly complex products that combine hundreds of materials and compounds, are uniquely designed for a specific use and require proper care and maintenance.

Millions Turn to Goodyear

Consumers – now armed with a better understanding of the important role tires play in their safety and that of their families, friends and vehicles – began to abandon bargain brand tires and turned to name brands they know and trust. Millions turned to Goodyear.

In the second half of 2000, North American replacement market shipments of Goodyear-brand tires grew at a pace almost five times that of the overall market. Gains were made in all consumer tire categories, from Aquatreds and Regattas for minivans and sedans to Wranglers for sport utility vehicles and Eagles for sports cars. We intend to keep these new customers.

Clearly, Goodyear's long-standing reputation for quality and safety stood out from the furor and comforted concerned motorists. Everyone at Goodyear takes very seriously the trust consumers put in our products and services. We always have, and always will.

Samir G. Gibara (right), chairman & chief executive officer; and Robert J. Keegan, president & chief operating officer.

Be Tire Smart

As a member of the U.S. Rubber Manufacturers Association, Goodyear supports and applauds the RMA's "Be Tire Smart, Play Your PART" consumer education program.

We've chosen to promote this on our Web site, and on the back cover of this annual report. Please read it, follow the advice and spend five minutes inspecting your tires, as well as those of family members.

Economic Challenges

The financial benefit of our growth in North America's replacement tire market was not enough to offset the industry-wide challenges we faced during 2000.

Prices for oil hit record highs. This is significant to our results since 65 percent of the raw materials used in a tire are derived from oil.

Because of very competitive marketplace conditions, we were not able to immediately increase our selling prices to offset this higher cost. We tried during the spring. Our sales fell off, and profits quickly evaporated.

As the year 2000 ended, however, we successfully implemented price increases of up to 7 percent in all of our regional replacement tire businesses. Many of our original equipment customers agreed to pay more as well. These increases should offset our higher costs and lead to solid bottom line profits in 2001.

Currency movement – in particular the euro versus the U.S. dollar and British pound – hurt results for Goodyear as it did other U.S.-based companies with a significant European presence.

Pride in Our Accomplishments

Our disappointment in 2000's financial results cannot conceal our pride in the accomplishments achieved by Goodyear associates this past year. They were many. They were significant. And they will benefit this company for years to come.

These efforts were recognized by many outside of our company. Customers, government agencies, professional organizations and journalists were among those praising Goodyear's products and its actions.

During the year, we accelerated the integration of our Dunlop tire businesses and captured more synergies than we had expected. This acquisition has been both a key to our growth strategy and a solid contributor to our financial results. The addition of the Dunlop brand gives us significantly greater strength in the marketplace.

The restructuring of our global operations continues. Ongoing investments in productivity allowed us to further rationalize manufacturing and close some less-efficient factories. Changes in our administrative practices enabled us to reduce our office staff. In total, during 2000 and 2001, we will reduce our worldwide work force by almost 10,000.

We formed a joint venture with Treadco to combine our U.S. truck tire service and retreading outlets into a network of almost 200 service centers and 77 retreading plants. Goodyear owns approximately 80 percent of the new business called Wingfoot Commercial Tire Systems, and is now the largest provider of truck tire services in the world.

We opened a sales and distribution center in Dubai, the chief port and commercial center of the United Arab Emirates. This will allow us to access much more efficiently more than 40 markets in the Middle East, Africa and Central Asia. We intend to double our market share in the region.

With an eye on tomorrow, we made significant strides in our e-commerce efforts. Most notable is the start-up of RubberNetwork.com, a global electronic purchasing and procurement marketplace established by Goodyear and five other tiremakers. We believe it will fundamentally change the industry's purchasing practices and reduce costs throughout the supply chain.

Later this year, we plan to unveil several e-commerce initiatives focused on dealers, distributors and trucking fleets, as well as individual consumers.

Product Advancements

In North America, the Goodyear Aquatred 3 took its place atop our consumer tire lineup. It was joined by the off-road Wrangler MT/R, the entry-level Club tire and several additions to our Eagle performance tire line.

Our commercial tire groups unveiled products for tractor-trailers, road graders, heavy service vehicles, farm tractors, recreational vehicles, articulated dump trucks and mining trucks.

Dunlop Tires added several new sizes to its popular Radial Rover light truck and SP 40 A/S passenger car tire lines.

Kelly-Springfield introduced the Kelly Safari SUV tire and the Navigator Platinum TE, a touring tire that features an 80,000 mile limited treadwear warranty and free road hazard protection.

Our European businesses launched car, truck and farm tires for our Goodyear, Dunlop and Sava brands. These include the highly successful Goodyear Eagle Ventura, judged the best car tire in the UK; Eagle NCT5; and the Dunlop SP Sport 3000A.

Additionally, we stepped up marketing efforts for the Kelly brand in Europe to better take advantage of its rugged American image in the value-priced segment of that market.

In Asia and Latin America, the advanced-technology Goodyear Eagle Ventura, Eagle F1 and Eagle NCT5 passenger car tires made successful debuts.

Innovative products from our Engineered Products business included a chemical transfer hose that can operate at temperatures up to 250 degrees and the Goodyear TensionRite gauge, which helps customers eliminate the leading cause of power transmission belt failure, improper tension.

Technology Advancements

In 2000, our strengthened global products planning group worked to merge the needs of our global customers and our regional business units to make us more effective, efficient and profitable.

In June, we reached an agreement with our competitor Michelin to jointly develop run-flat tire systems that combine the best of its Pax system and our EMT breakthroughs. Our 50-50 joint venture includes agreements on research and development, licensing of each company's patents and the creation of a global aftermarket service network.

We are extremely proud of our EMT run-flat technology and the benefits it is bringing automakers and motorists. We are even more excited, however, about the prospects for future run-flat systems and technology through this historic joint venture.

By collaborating, these two very competitive companies can serve the best interests of consumers, automakers and our individual companies by dramatically speeding the availability of run-flat tire systems. Together, Goodyear and Michelin will establish an industry standard and in doing so advance automotive safety.

A new standard will encourage automakers to add run-flats as original equipment. Consumer demand is growing. More than half of those responding to a study of new car owners said they would like run-flat tires on their next vehicle.

Also during 2000, we made strategic investments in companies that have revolutionized tire pressure monitoring and maintenance. Our commercialization of these technologies from Cycloid Company and Phase IV Engineering could hasten the acceptance of run-flat tire systems and the elimination of low air pressure as a safety concern. Goodyear is deeply involved in the development of leading-edge automotive safety technology.

Our off-road tire business introduced advanced technology intelligent systems that monitor tire performance and allow mine operators to review it on a real-time basis. Engineered Products unveiled a conveyor belt monitoring program that runs on a hand-held computer.

Manufacturing Advancements

During the year we opened a second chemical manufacturing facility in Beaumont, Texas, announced plans to build a molded products plant in Mexico and signed an agreement with Phoenix Automotive to share hose manufacturing capacity in Europe and North America. All of these moves will better allow us to serve our customers.

In contract negotiations, Goodyear manufacturing associates represented by the United Steelworkers of America agreed to replace wage increases with stock options. This provision, unique in our industry, creates an incentive for associates to add shareholder value and allows Goodyear to bypass some of the higher labor costs our competitors will be forced to absorb.

IMPACT, our breakthrough tire manufacturing technology, is proving its value through installations at three plants. Our objective with IMPACT is not to simply automate production, it is to produce tires with even more precision and higher quality for our customers.

Outlook for 2001

As we enter 2001, indications are that raw material costs and currencies are slowly beginning to move in a direction that benefits Goodyear. U.S. auto and truck sales, however, are slowing from previous record high levels.

Goodyear will not wait for external factors to increase its profitability. We have been aggressively cutting costs throughout the organization and rationalizing production. We will be aggressive in increasing prices where market conditions allow.

As the replacement tire markets continue their movement toward quality-oriented brands, Goodyear is well positioned to profitably grow our market share.

Our plans include taking advantage of the strongest tire brand line-up in the industry. The Dunlop brand will play an increasingly important role in North America and Europe. We will significantly increase Goodyear's and Dunlop's marketing support to grow their market share during 2001.

In North America, Dunlop is positioned as part of our "G3" package with the Goodyear and Kelly brands. This gives our retailers the opportunity to serve all consumers whether they are brand-, outlet- or value-oriented.

In Europe, Dunlop joined Goodyear and Fulda as our prestige brand offerings. Sava, Debica and Pneumant are marketed as value-priced brands.

Our sales efforts will be supported by targeted marketing, advertising and public relations. We will continue adding distribution to make it easier for consumers to choose tires from the Goodyear family of brands in a crowded multi-brand field. Our leadership in channel management will make sure these tires are available wherever consumers want to buy them.

In the face of an auto industry slowdown, we expect our North American Tire business to capture more original equipment wheel positions as a growing number of new vehicle buyers ask for Goodyear tires.

You expect Goodyear to be profitable even when circumstances turn against us. So do we.

Management Team Changes

During 2000, our company made several management changes that strengthen our leadership for 2001 and beyond.

Most notably, Bob Keegan joined Goodyear as president and chief operating officer on October 1. He brings 28 years of experience in the consumer products arena, most recently as president of Kodak's global consumer imaging business.

Additionally, we have new leaders in four of our strategic business units. These executives are experienced and have track records of success. Each has initiated changes that hold promise for this year and the future.

Our management team is committed to a dynamic strategy for 2001 and beyond aimed at improved sales, profitability and cash flow.

Determined to Lead

Without a doubt, the difficult economic and marketplace conditions of 2000 have slowed Goodyear's progress. They have not, however, caused us to lose our focus or our determination. We welcome change in our industry. In fact, we plan to aggressively lead it.

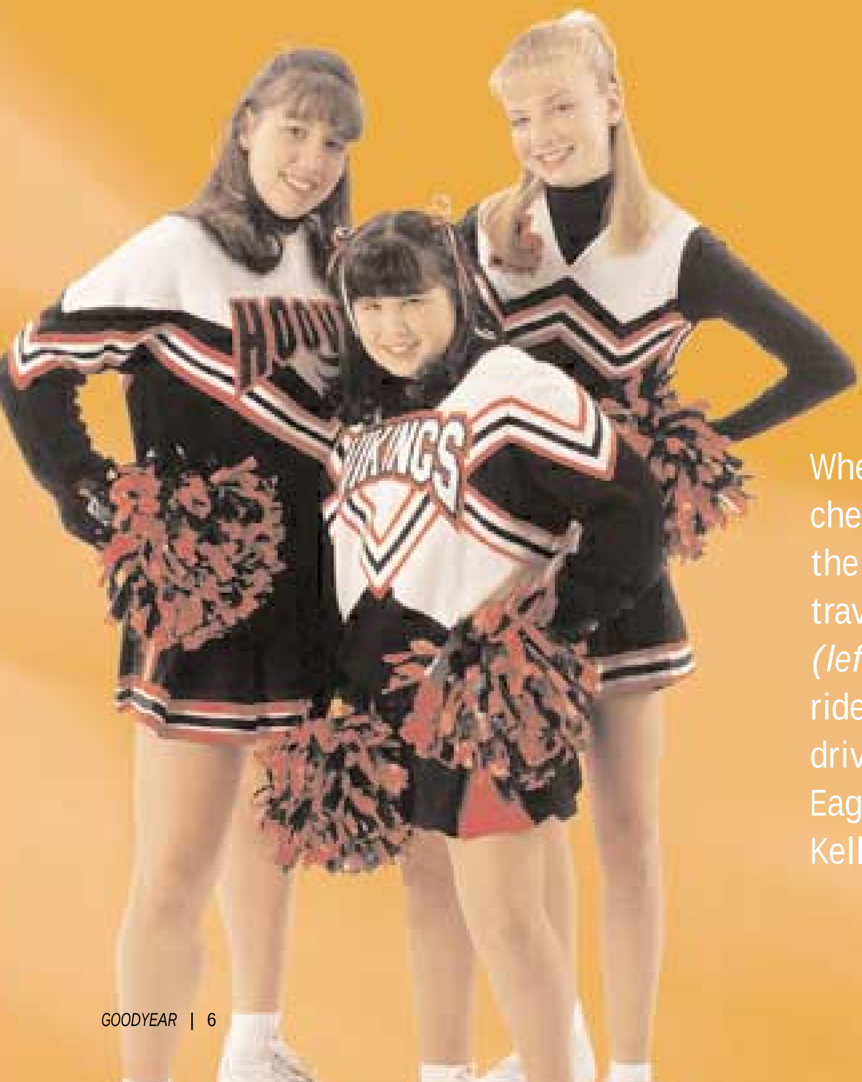
With our strategy and core values as guideposts, an energized leadership team and the unwavering dedication of Goodyear's associates around the world, we are committed to delivering superior performance to our shareholders.

Respectfully submitted,

Samir G. Gibara
Chairman & Chief Executive Officer

Robert J. Keegan
President & Chief Operating Officer

Goodyear has six test tracks where skilled drivers evaluate tire performance under varying conditions. Still more testing is done on roadways around the world.



Whether they are coming home from cheerleading practice, on their way to the football stadium for a game or traveling to a competition, Kristi Price *(left)*, Lisa Price and Ali Hershberger ride with confidence. Their parents drive on Goodyear Integrity, Goodyear Eagle HP, Dunlop SP Sport 4000 and Kelly Safari SUV tires.

Goodyear Quality Commitment

Goodyear and Quality. The two words are permanently joined – and have been for more than a century.

From our first carriage tire in 1898 to today's Aquatred 3 and tomorrow's next-generation run-flats and automatic tire inflation systems, Goodyear has sought to lead the industry in the evolution of tires to meet continually new demands presented by the environment, vehicles and drivers.

Our goal, each and every day, is to provide the ultimate in quality, security and performance. Around the world, Goodyear associates work together to improve our manufacturing systems, our processes, our products and our services. This quality commitment ensures Goodyear tires, engineered products, chemicals and services offer our customers superior performance, value and dependability.

In our technology centers, engineers use advanced computer software, finite element analysis and proprietary modeling programs to develop and test new tire designs. Working with our automotive customers, we simulate dynamic vehicle behavior and study how tires perform when braking, steering, accelerating and skidding under an almost endless variety of operating conditions. Data analyzed with Goodyear-developed software allows our engineers to map treadwear and tread contact pressures.

Our engineers' resources also include computational tools in tire mechanics, materials and manufacturing developed through our seven-year partnership with the U.S. Department of Energy's Sandia National Laboratories.

Rigorous Testing

Once our engineers are satisfied – and only when they are satisfied – highly skilled technicians use the computer-generated design specifications to build test tires that undergo rigorous evaluation in the laboratory and at our six tire evaluation tracks. Our tire tests logged more than 100 million miles last year.

The tests continue even after a tire is approved for production. Normally hidden interior components are made visible through X-rays, holography and shock wave analysis. Laser vibration tests are used to review handling characteristics. Quality control associates review statistical process data and visually inspect individual tires. Randomly selected tires are sent back to our technology centers for even more analysis. Still more tires are evaluated on the roadway, where real-world performance is observed and adjusted for in future product designs.

Before any tire is sold, we know that with proper care it will be the safest, most reliable tire we can manufacture. We know the quality is there whether the tire is designed for use on a car, a minivan, an SUV, a truck, a bus, a tractor, an earthmover or even a jet plane.

Goodyear Chemical's new state-of-the-science plant, built next to its existing facility in Beaumont, Texas, produces synthetic rubber and specialty polymers for use in tires and other rubber products.

Goodyear's Aquatred 3 tire offers enhancements in wet and dry traction, handling, ride comfort and treadwear over its predecessor. Nearly 65 percent of Aquatred owners buy another set when it is time to replace them.

The popular Dunlop Radial Rover light truck tire offers sport utility vehicle owners an ideal balance of smooth, quiet on-road performance and off-road traction and durability.

Technology for Tomorrow

Goodyear has made quantum leaps in tire performance and durability in recent years. One example is our ultra-tensile steel technology, which was developed as the next-generation of passenger tire reinforcement. The world's strongest tire reinforcement material, ultra-tensile steel is 40 percent stronger than conventional tire wire and, as a sidewall reinforcement, can improve cut resistance, handling performance in wet and dry conditions, ride comfort, fuel efficiency and treadwear.

This technology allowed the further evolution of the run-flat tire. For motorists, run-flat tires mean they can safely drive with a damaged tire until reaching a Goodyear retailer to repair or replace it.

Goodyear has partnered with Cycloid Company to expand use of its continuous tire pressure monitoring and inflation system to automobiles, light trucks and vans.

Goodyear's next-generation of run-flat tires will use technologies developed through our joint ventures with Michelin and help set a new standard for the industry. Our partnerships with Cycloid Company and Phase IV Engineering will improve air pressure monitoring systems and lead to tires that re-inflate themselves.

Our advancements in polymer science and rubber compounding have led to tires with outstanding traction and long treadwear. Since 1991, three successive generations of Aquatred tires have exceeded previous levels of traction on rain-soaked roads. Today's Aquatred 3 has outstanding wet and dry traction, plus an 80,000-mile limited treadwear warranty. New winter tires from both Goodyear and Dunlop offer secure traction on ice, snow or slush.

In our factories, we have begun to make use of IMPACT, our advanced tire manufacturing system. Goodyear would not settle for a process that just produces less expensive tires. We insisted on achieving higher levels of precision, quality and manufacturing flexibility. This results in tires of greater uniformity for improved ride, handling, treadwear and durability. IMPACT reaffirms our high-quality, low-cost manufacturing leadership for the new millennium.

As part of our historic joint venture with Michelin, we are producing Goodyear-designed Pax run-flat tires for evaluation by automakers.

But, even with our latest technology and manufacturing improvements, tires are not indestructible. The demands placed on them, the speeds at which they're driven and the environment in which they must perform have become more challenging. Even the best tire can fail if it is run under-inflated or overloaded, or is subjected to a severe impact.

Goodyear researchers and engineers – working on their own and in collaboration with partners around the world – are pushing the limits of technology, nearing breakthroughs that hold the promise for significantly enhanced tire performance, durability and safety in the future.

Goodyear Eagle LS tires are checked before testing on a Chrysler PT Cruiser. The original equipment tire offers responsive steering and a quiet ride to drivers of *Motor Trend* magazine's 2001 Car of the Year.

Soccer is a year-round sport. These young players, Carrington Chatman *(left)*, Zachary Clarke and Keegan Dare, travel safely every day. They and their parents ride on Goodyear Regatta, Goodyear Wrangler ST, Goodyear Wrangler RT/S and Goodyear Wrangler AP tires.

Contractors who depend on their trucks every day rely on the durability and quality of Goodyear commercial light truck tires.

Riding from school to dance practice and then returning home means lots of time in the car for *(clockwise from left)* Hilary Gorbach, Bridget McLaughlin, Caitlin McCombs and Colleen McCombs. A smooth, worry-free ride is important. They and their parents all ride on Goodyear Regatta 2 tires.

Innovation for Consumers

Goodyear's customer list extends far beyond the tire dealers, mass merchandisers and manufacturers of vehicles of all kinds that most would expect. It includes individual motorists, trucking companies, mine operators, farmers, governments and race car drivers, as well as your friends and neighbors.

Goodyear's position as the world's largest tiremaker often overshadows the fact that the company also is a major retailer of tires and automotive services. We are the world's largest operator of commercial truck service and tire retreading centers. We own more than 2,000 auto, tire and service centers.

This first-hand knowledge of consumer needs is used to develop sales and marketing programs for our partners, including tire dealers who operate more than 70,000 outlets around the world.

Associates in our Engineered Products and Chemicals businesses work with distributors around the world to keep the wheels of industry turning with their lines of power transmission belts, hoses, conveyor belts, molded rubber products, air springs and rubber polymers.

Working closely with individuals who use Goodyear products and services, and learning about their needs and wants, has led to hundreds of innovative consumer-focused products.

Since Goodyear set the standard in 1905 with the Straight Side tire, which utilized higher air pressure to give early motorists better riding cars, we have constantly listened to consumers and responded by delivering products to meet their needs.

From the Lifeguard tire in the 1930s and the all-season Tiempo in the 1970s to the Aquatred and EMT run-flat of the 1990s, Goodyear has focused on consumers.

Goodyear industrial hose customers are seeing faster, more accurate deliveries thanks to the addition of a new distribution center in Columbus, Ohio.

Today's Aquatred 3 surpasses its predecessors by setting new standards for dry traction, durability, treadwear and ride comfort, as well as wet traction. Consumers said they wanted more than the world's best rain tire. Goodyear delivered.

Goodyear's success with run-flat tires in the 1990s prompted imitation. Automakers and consumers became confused by the competitive choices. To address this, Goodyear joined with its competitor Michelin to deliver an historic technology-sharing joint venture. The two companies intend to set a new run-flat tire standard, ending the confusion and making it easy for automakers and consumers to enjoy the advantages of run-flat tires.

Goodyear's Wrangler MT/R off-road tire is winning fans thanks to its durability, traction and puncture-resistant sidewalls.

The Kelly Safari SUV tire offers truck tire toughness and rugged looks with the handling and smooth ride of a passenger car tire.

Tomorrow's consumer-driven innovations – everything from tires with custom-designed treads to computerized technology that allows tires to monitor their own air pressure and add more when it's needed – are being developed in our technology centers.

To satisfy the needs of our original equipment customers, Goodyear operates several facilities in which we mount tires onto wheels and ship them on a just-in-time basis, in sequenced order, to auto and truck assembly plants. With this tire-and-wheel system as a base, we are working with automakers to deliver more-advanced systems that include additional suspension components.

With more than 1,700 locations – 700 of them owned and operated by Goodyear – Gemini's distinctive blue-and-gold elliptical logo is becoming a familiar sight all over the United States. Gemini associates bring a new level of customer service to the tire and auto care business.

Outside of our better-known tire business, Goodyear Engineered Products was built on supplying products that satisfy specific customer needs. Whether the need is a chemical transfer hose that can withstand 250-degree temperatures, noise-reducing belt and sprocket power transmission systems or conveyor belts with built-in sensors that can alert operators to possible damage, Goodyear Engineered Products delivers for its customers.

Goodyear's Chemicals business is focused on providing high-quality specialty polymers, chemical resins and rubber chemicals for a broad range of customers. In addition to the expected applications in tires, belts and hoses, Goodyear rubber and chemicals are used in such items as golf balls, shoes, paint, bandages, carpeting and asphalt.

Service That Keeps Cars Rolling

Our growing service businesses include segments focused on consumer vehicles such as passenger cars and light trucks, as well as commercial vehicles such as over-the-road trucks.

In the United States, Gemini Automotive Care is the name consumers are growing accustomed to when looking for honest, quality auto service. Gemini associates focus on putting customers and customer needs first. Goodyear operates more than 700 of the 1,700 Gemini locations in the United States, with independent dealers owning the rest.

J. D. Power and Associates rated Goodyear's automotive service centers among the best passenger and light truck tire retailers in the United States. It considered people, service, facilities, reputation and product selection.

They earned three awards from the U.S. Car Care Council for helping women and families shop more confidently for tires and automotive repair.

With its distinctive V-Tred design, Goodyear's Eagle Ventura performance tire offers outstanding handling on wet and dry roads while providing a quiet, comfortable ride. Versions of the popular tire, tailored to each market, are sold in Asia, Europe and South America.

Stranded truckers know help is just a phone call away 24 hours a day, anywhere in North America, with Truckwise, Goodyear's network of more than 500 commercial truck tire centers.

After school is out for the day, many teenagers head for a car to carry them to extra-curricular activities, part-time jobs or a friend's home for studying. Anthony Valentine *(left)*, Shelley Buchanan and Brian Gorbach know that their tires will get them wherever they are going. They and their parents ride on Goodyear Eagle GT II, Goodyear Eagle ST and Goodyear Regatta 2 tires.

Dunlop's Sport 9000 high performance tire is sold in North America, Europe and Japan.

North American truck drivers look to Truckwise, our network of more than 500 commercial tire centers that are dedicated to providing fleets and owner-operators with "cradle to grave" tire service. Goodyear's Wingfoot Commercial Tire Systems business manages about 200 of these locations, with independent dealers owning the rest. Truckwise centers offer Goodyear Unisteel tires, genuine Next-Tred retreads and maintenance. In addition, all Truckwise centers provide 24-hour emergency roadside service.

In the United Kingdom, Goodyear's Hi-Q retail stores were voted "best of the tests" by a popular magazine in a comparison of quick-fit tire chains in January 2001. Of the more than 400 outlets, Goodyear owns and operates about half.

Strength Fosters Growth

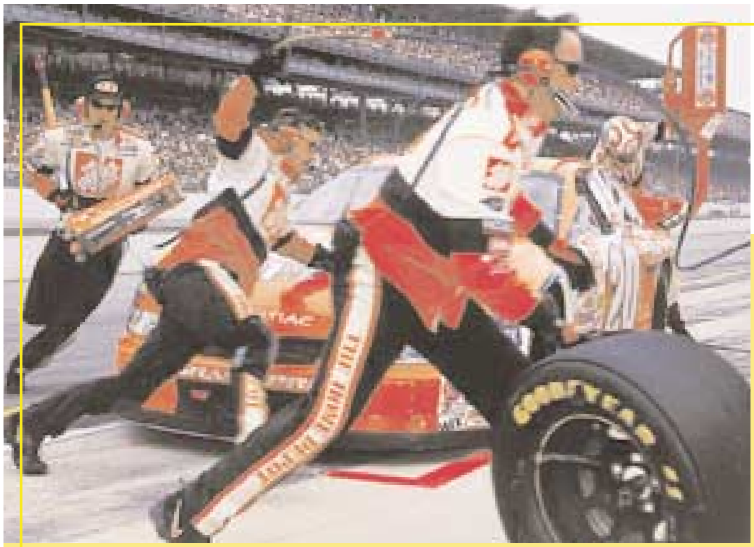
To remain successful, Goodyear is accelerating its efforts to be even more focused on consumers. Our history of innovation, growing retail presence and extensive consumer relationships serves as a solid foundation for this change.

We do not intend to neglect our existing distribution channels. To the contrary, we will foster their growth. Our objective is to take advantage of our retail and consumer-focused strengths and our strong brand names to increase our presence and profitability in all distribution channels – including e-commerce.

No competitor can match Goodyear's selection of market-driven products or generate the consumer preference through its brands. Our strong brand recognition is enhanced daily by the world's largest airship fleet. Goodyear's six blimps help television networks broadcast hundreds of events a year and are seen by millions of consumers. Our position as the exclusive tire for NASCAR's top series adds more exposure to the circuit's brand-loyal fans.

We will get even closer to the people who use our products and services so we can better learn what they want, what they need and – most importantly – what they will buy.

As Goodyear continues this transformation, we will move from being focused on our customers' needs to being obsessed with those needs. This will lead to more innovation and more opportunity for consumers to select Goodyear as the company they trust to fill their tire, engineered products, chemicals and service needs.



From the track to the pits and everywhere in between, Goodyear tires are seen by millions of brand-loyal race fans on cars driven by NASCAR's biggest stars.

2000 Financial Review

RESULTS OF OPERATIONS

(All per share amounts are diluted)

CONSOLIDATED

Net sales in 2000 were $14.42 billion, compared to $13.36 billion in 1999 and $13.08 billion in 1998.

Net income was $40.3 million or $.25 per share in 2000, compared to $243.2 million or $1.53 per share in 1999 and $637.5 million or $4.03 per share in 1998. Net income in 1998 included a loss of $34.7 million or $.22 per share on the sale of the Company's oil transportation business.

Accounting Changes

During 2000, the Company made the following accounting and reporting changes:

The Company changed its inventory costing method from last-in first-out (LIFO) to first-in first-out (FIFO) for domestic inventories. The change was made in part to achieve a better matching of revenues and expenses. The change increased net income by $44.4 million or $.28 per share in 2000 and $2.1 million or $.01 per share in 1999. Net income in 1998 was reduced by $44.8 million or $.28 per share. Prior periods have been restated to reflect this change.

The Company began reporting expenses for transportation of products to customers as a component of Cost of Goods Sold as a result of the adoption of EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs". These costs had previously been reported as a reduction of Net Sales. Transportation costs totaled $526.2 million, $474.9 million and $455.3 million in 2000, 1999 and 1998, respectively. The Company also began reporting equity in earnings of affiliates separately on the Consolidated Statement of Income. Prior periods have been reclassified to reflect these changes.

Net Sales

Worldwide tire unit sales in 2000 were 223.3 million units, an increase of 22.8 million units or 11.4% compared to 1999. The Dunlop businesses acquired from Sumitomo Rubber Industries Ltd. (SRI) on September 1, 1999 contributed 37.3 million units in 2000, compared to 14.4 million units in 1999. North American (U.S. and Canada) volume increased 6.9 million units or 6.3% in 2000 (including an increase of 8.2 million units from Dunlop operations), while international unit sales increased 15.9 million units or 17.5% (including an increase of 14.7 million units contributed by Dunlop operations). Worldwide replacement unit sales increased 11.7% in 2000, primarily in the European Union and North America. Original equipment (OE) unit sales were 10.7% higher in 2000, increasing in all regions outside of North America.

Worldwide tire unit sales in 1999 were 12.9 million units, or 6.9%, higher than in 1998. The Dunlop businesses contributed 14.4 million units during the last four months of 1999. North American Tire 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 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 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.

Sales increased in 2000 due primarily to higher tire unit sales resulting from the acquisition of the Dunlop businesses. The Dunlop businesses contributed $2.26 billion to 2000 sales, compared to $873.4 million in 1999. North American Tire shipments in 2000 were adversely impacted by production cutbacks by original equipment customers in the auto and commercial truck industries. Revenues in 2000 were adversely affected by continuing worldwide competitive pricing pressures and a shift in mix to lower priced tires. In addition, price increases implemented in early 2000 were met with resistance in the marketplace and as a result negatively impacted sales of commercial tires in Europe and North America. Price increases were implemented in early 2001 in the North American and European replacement markets.

Revenues in 2000 also were adversely impacted by the effect of currency translations on international results, primarily in Europe, where the average value of the Euro versus the U.S. dollar dropped 13.0% from the 1999 average rate. The Company estimates that versus 1999, currency movements adversely affected revenues in 2000 by approximately $450 million.

Revenues increased in 1999 due primarily to higher tire unit sales. The Dunlop businesses contributed $873.4 million to 1999 sales. Revenues in 1999 were adversely affected by continued worldwide competitive pricing pressures, weak economic conditions in emerging markets and lower unit sales of engineered products. Revenues in 1999 also were adversely impacted by the effect of currency translations on international results. The Company estimates that versus 1998, currency movements adversely affected revenues in 1999 by approximately $390 million.

Cost of Goods Sold

Cost of goods sold (CGS) was 80.7% of sales in 2000, compared to 81.1% in 1999 and 78.1% in 1998. Costs in 2000 were favorably impacted by the effects of rationalization actions, ongoing cost containment measures and synergies realized in part from the strategic alliance with Sumitomo. Margins were adversely affected by the worldwide competitive pricing environment and a change in product and market mix to lower margin tires. In addition, costs in 2000 reflected significantly higher energy prices, higher raw material and labor costs and production cutbacks to align inventory with demand.

The previously mentioned change in inventory costing methods from LIFO to FIFO for domestic inventories reduced CGS by $58.4 million in 2000 and $3.4 million in 1999. CGS in 1998 was increased by $72.3 million.

Cost of goods sold in future periods is likely to be unfavorably impacted by anticipated increases in energy and raw material prices. In addition, the Company negotiated a new labor agreement in the United States that is anticipated to result in higher costs in future periods. These costs may not be recoverable in the market due to pricing pressures present in today's highly competitive market.

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 writeoffs and adjustments. These charges relate primarily to inventory writeoffs 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. Cost of goods sold in 1999 also reflected a change in product and market mix to lower priced and lower margin tires and lower margin channels of distribution.

Research and development expenditures in 2000 were $423.1 million, compared to $438.0 million in 1999 and $420.7 million in 1998. Research and development expenditures in 2001 are expected to be approximately $400 million.

SAG

Selling, administrative and general expense (SAG) in 2000 was 15.5% of sales, compared to 15.1% in 1999 and 14.4% in 1998. SAG increased in dollars and as a percent to sales in both 2000 and 1999 due to the acquisition of, and higher SAG levels at, the Dunlop businesses acquired on September 1, 1999. SAG benefited in 2000 and 1999 from the favorable impact of ongoing worldwide cost containment measures.

Interest Expense

Interest expense in 2000 was $282.6 million, compared to $179.4 million in 1999 and $147.8 million in 1998. Interest expense increased due to higher debt levels incurred primarily to fund the acquisition of the Dunlop businesses, increased market interest rates and an increase in the Company's cost of borrowing.

Other (Income) and Expense

Other (income) and expense was $27.8 million in 2000, compared to $(147.1) million in 1999 and $(76.5) million in 1998. A gain of $5.0 million ($3.2 million after tax or $.02 per share) was recorded in 2000 on the sale of land at a manufacturing facility in Mexico.

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.

Foreign Currency Exchange

Foreign currency exchange gains were $6.7 million in 2000, $27.6 million in 1999 and $2.6 million in 1998. Foreign currency exchange in 1999 benefited from the impact of currency movements on U.S. dollar denominated monetary items, primarily in Brazil.

Equity in Earnings of Affiliates

Equity in earnings of affiliates was a loss of $22.4 million in 2000, compared to income of $10.3 million in 1999 and $10.6 million in 1998. The loss in 2000 was due primarily to operating losses and rationalization charges incurred by South Pacific Tyres, Ltd. (SPT), an Australian tire manufacturer in which the Company owns a 50% equity interest. The Company's share of rationalization charges recorded by SPT in 2000 totaled $16.1 million ($10.5 million after tax or $.07 per share).

Income Taxes

The Company's effective tax rate was 20.0%, 16.7% and 26.8% in 2000, 1999 and 1998, respectively. The effective rate in 2000 increased from 1999 due to the nontaxable character of the $149.7 million gain in 1999 resulting from the change in control of 25% of the Company's businesses contributed to the European joint venture with Sumitomo.

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

Outlook

Sales and earnings in future periods are likely to be unfavorably impacted if the dollar strengthens versus various foreign currencies. In addition, anticipated continued lower OE demand, along with increases in energy and raw material prices and labor costs, which may not be recoverable in the market due to pricing pressures present in today's highly competitive market, are also expected to adversely affect earnings. The Company is unable to predict the impact of currency fluctuations and economic conditions on its sales and earnings in future periods. Similarly, continued volatile economic conditions in emerging markets could adversely affect sales and earnings in future periods.

Discontinued Operations

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

2000 Rationalization Actions - The Company recorded rationalization charges totaling $118.2 million in the fourth quarter of 2000 ($93.7 million after tax or $.59 per share) related to global workforce reductions and manufacturing facility consolidations in Europe, Latin America and Asia. The Company also recorded rationalization charges totaling $1.2 million in the third quarter of 2000 ($1.2 million after tax or $.01 per share) related to the closing of its tire manufacturing facility in Italy initiated in 1999 (which is for negotiated benefits accepted in the third quarter of 2000). The Company also recorded net rationalization charges totaling $4.7 million ($5.2 million after tax or $.03 per share) in the second quarter of 2000 related to the closure of the Italian manufacturing facility (which is for negotiated benefits accepted in the second quarter of 2000) and associate reductions due to sales office consolidation in Europe following the Company's Dunlop acquisition. In the fourth quarter of 1999, the Company took a charge for the closure of the Italian facility, however that charge did not include certain associate benefit amounts that had not been negotiated at that time.

The Company anticipates recording additional rationalization charges in income in the first quarter of 2001 of approximately $60 million to $65 million. These charges will be for consolidations at manufacturing facilities and additional global workforce reductions of approximately 1,300 associates. The Company anticipates that, through these actions, it will reduce costs by approximately $150 million in 2001 and approximately $250 million annually thereafter.

1999 Rationalization Actions - Rationalization 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 was $6.4 million at December 31, 1999, and these actions were completed during 2000.

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 the Argentina manufacturing facility, 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 remaining balance was $13.0 million at December 31, 1999, and these actions were completed during 2000.

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 2001. The Company recorded charges of $26.2 million, all of which related to future cash outflows. The balance remaining was $4.3 million and $21.8 million at December 31, 2000 and 1999, respectively.

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 noncancellable 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 Actions - 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.

2000 Program

The Company committed to rationalization actions in the second and fourth quarters to reduce costs and increase productivity and efficiency. These actions consisted of global workforce reductions and manufacturing facility consolidations in Europe, Latin America and Asia. The Company recorded charges totaling $119.4 million ($95.0 million after tax or $.59 per share), of which $86.4 million related to future cash outflows, primarily for associate severance costs and $33.0 million related to non-cash writeoffs.

Under the 2000 program, 500 associates were released in 2000 at a cost of $19.4 million. The Company plans to release approximately 5,100 more associates under the above programs during 2001. The remaining reserve for costs related to the completion of the 2000 program was $82.0 million at December 31, 2000.

1999 Program

The Company committed to a number of rationalization actions in the first, third and fourth quarters of 1999 totaling $240.1 million. An additional charge totaling $6.0 million ($6.0 million after tax or $.04 per share) related to the 1999 program was recorded in 2000, resulting from contract settlements negotiated in the second, third and fourth quarters as part of the closure of the Company's tire manufacturing facility in Italy. These charges are for associates who accepted negotiated benefits in those respective periods. The balance of the provisions recorded under the 1999 program totaled $4.3 million and $41.2 million at December 31, 2000 and 1999, respectively. The Company reversed $1.3 million of rationalization reserves during the second quarter of 2000 identified as no longer needed for their originally intended purposes.

Under the 1999 program, approximately 450 associates were released in 2000 at a cost of $30.6 million. These associates were primarily hourly and staff associates in Italy and production and support associates at a Latin American facility. The Company plans to release approximately 350 more associates under the 1999 program during 2001. The remaining reserve for associate-related costs related to the completion of the 1999 program was $4.3 million and $29.4 million at December 31, 2000 and 1999, respectively.

Rationalization costs, other than for associate-related costs, totaling $11.0 million were incurred during 2000. These costs were primarily for contract settlement costs as a result of the Company's exit from the Championship Auto Racing Teams and Indy Racing League (CART/IRL) racing series. These actions were completed during 1999. The remaining reserve for other than associate-related costs related to the completion of the 1999 program was $11.8 million at December 31, 1999.

Previous Programs

The Company has completed the actions under its rationalization programs from previous periods, with the exception of deferred benefit payments to associates who have been released and payments under noncancellable leases.

Dunlop Program

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.

The Company committed to certain rationalization actions related to the Dunlop businesses acquired from Sumitomo on September 1, 1999, for the purpose of optimizing market growth opportunities and maximizing cost efficiencies. The Company recorded costs in 1999 and 2000 totaling $67.1 million, substantially all of which were for future cash outflows. Under these rationalization programs, associate-related costs for the release or relocation of approximately 2,000 production, support, technical, retail and administrative associates totaling $52.8 million were recorded, and rationalization costs, other than associate-related costs, totaling $14.3 million were recorded primarily for lease cancellations and future rental payments under noncancellable leases. Through December 31, 2000, costs totaling $38.9 million had been incurred. The remaining balance of these provisions at December 31, 2000 totaled $28.2 million.

The Company expects that these actions will be completed during 2001, except for future rental payments under noncancellable leases. Annual pretax savings of approximately $300 million are expected when the planned actions have been fully implemented.

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

Strategic Alliance

On September 1, 1999, the Company commenced operations under a global alliance with Sumitomo Rubber Industries Ltd. ("Sumitomo") which included, among other things, the formation of tire manufacturing and sales joint ventures. In addition to its businesses contributed to the joint ventures, the Company paid $931.6 million to Sumitomo and its affiliates, which was financed by the issuance of additional debt.

Under the global alliance agreements, the Company acquired 75%, and Sumitomo owned 25%, of Goodyear Dunlop Tires Europe B.V., a Netherlands holding company. Concurrently, the holding 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 European 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, a technical center and related facilities located in Luxembourg.

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 global alliance Agreements also provided 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 Goodyear businesses contributed to the European joint venture, or $307 million. In addition, the Dunlop businesses contributed to the joint venture companies by Sumitomo included $130 million of debt. The Company will amortize substantially all of the approximately $367 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.

In connection with the acquisition of the Dunlop businesses, the Company undertook an extensive analysis and assessment of the various activities of the combined businesses in order to optimize market growth opportunities as well as maximize cost efficiencies. The actions under the plan included the downsizing or consolidation of various manufacturing, sales, support and distribution operations. The Company has finalized and implemented the integration plan and recorded $67.1 million as adjustments to the acquisition cost since September 1, 1999. Although the integration plan has been implemented, certain actions have not yet been fully executed and will be completed in 2001.

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

Year 2000

In preparation for the rollover to the year 2000, during 1997, 1998 and 1999 the Company 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 tested and, when necessary, remediated or replaced non-compliant I/T Systems prior to December 31, 1999.

The Company's year 2000 compliance efforts were successful. Its ability to manufacture and distribute its products was not impaired by year 2000 issues and it did 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

On January 1, 2002, the Euro will become the sole lawful currency of each member state of the European Monetary Union. 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. This conversion will not have a material impact on results of operations, financial position or liquidity of its European operations.

Recently Issued Accounting Standards

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended and interpreted (SFAS 133). SFAS 133 requires all derivatives to be recognized as assets or liabilities and measured at fair value. Changes in such fair value will impact earnings to the extent of any ineffectiveness in hedging relationships. The adoption of SFAS 133 did not result in any significant adverse impact on the Company's interest rate or foreign exchange risk management activities, and did not have a material impact on the Company's results of operations, financial position or liquidity. Results of operations and financial position in this Annual Report do not reflect 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. 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, selling, administrative and general expense (including allocated central administrative expenses) and equity in earnings of affiliated companies.

Segment EBIT was $599.0 million in 2000, $544.6 million in 1999 and $1.05 billion in 1998. Segment operating margin in 2000 was 4.0%, compared to 3.9% in 1999 and 7.8% in 1998.

During 2000, the Company made the previously mentioned change in its inventory costing method for domestic inventories. Prior periods have been restated. The change increased segment operating income by $58.4 million in 2000 and $3.4 million in 1999, but decreased segment operating income by $72.3 million in 1998.

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.

North American Tire

North American Tire segment sales in 2000 were $7.11 billion, increasing 7.0% from $6.65 billion in 1999 and 9.3% from $6.51 billion in 1998.

Unit sales in 2000 were 115.9 million, increasing 6.3% from 1999 and 10.4% from 1998. Dunlop operations contributed 12.3 million units in 2000, compared to 4.1 million in 1999. Replacement unit sales in 2000 increased 10.7% from 1999 and 13.3% from 1998. Original equipment volume in 2000 decreased 2.1% from 1999 but increased 4.5% from 1998.

Sales in 2000 increased from 1999 due to the acquisition of the Dunlop businesses in the United States and Canada. The Dunlop businesses contributed $755.0 million to sales in 2000, compared to $252.3 million in 1999. Sales in the last four months of 2000 benefited from increased volume resulting from the recall of 6.5 million Firestone tires. Sales reflected improved customer fill rates from 1999, but revenues were adversely impacted by reduced tire shipments resulting from production cutbacks by original equipment customers in the auto and commercial truck industries. In addition, price increases implemented earlier in 2000 met with resistance in the marketplace and as a result negatively impacted sales of commercial tires in North America. Price increases were implemented in early 2001 in the replacement market.

Sales in 1999 increased from 1998 due to higher tire unit sales resulting from the acquisition of the Dunlop businesses. 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.

North American Tire segment EBIT was $260.7 million in 2000, compared to $26.3 million in 1999 and $314.2 million in 1998. Operating margin in 2000 was 3.7%, compared to .4% in 1999 and 4.8% in 1998. The change in inventory costing methods increased operating income by $46.5 million in 2000 and $6.5 million in 1999, but decreased operating income by $65.3 million in 1998.

EBIT in 2000 increased from 1999 due to the acquisition of the Dunlop businesses, lower SAG resulting from cost reduction programs and the inclusion of nonrecurring costs in EBIT in 1999. EBIT in 2000 also benefited from increased consumer replacement shipments due to the Firestone recall. EBIT was adversely affected by significantly higher energy costs, increased raw material and labor costs and production cutbacks to better align inventory with OE demand.

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 2000 did not include net rationalization credits totaling $.7 million. 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.

Revenues and EBIT in the North American Tire segment may be adversely affected in future periods by the effects of continued competitive pricing conditions, lower demand by OE customers, changes in mix, rising raw material and energy prices and currency translations. General economic conditions may affect demand from OE customers.

European Union Tire

European Union Tire segment sales in 2000 were $3.20 billion, increasing 21.0% from $2.64 billion in 1999 and 49.5% from $2.14 billion in 1998.

Unit sales in 2000 were 60.3 million, increasing 31.8% from 1999 and 70.1% from 1998. Dunlop operations contributed 25.0 million units in 2000, compared to 10.3 million in 1999. Replacement unit sales in 2000 increased 28.6% from 1999 and 67.7% from 1998. Original equipment volume in 2000 increased 39.8% from 1999 and 76.0% from 1998.

Sales in 2000 increased from 1999 due to the acquisition of the Dunlop businesses. The Dunlop businesses contributed $1.50 billion to sales in 2000, compared to $621.1 million in 1999. Revenues were adversely impacted by the decrease in the value of the Euro versus the U.S. dollar, competitive pricing, especially in England and Germany, lower volume in some market segments and a change in mix to lower priced tires. The Company estimates that the effects of currency translation adversely affected European Union Tire segment sales by approximately $300 million in 2000.

Revenues in 1999 increased from 1998 due to higher tire unit sales resulting from the acquisition of the Dunlop businesses, which contributed $621.1 million to 1999 sales. Revenues in 1999 were adversely impacted by the effects of currency translation and competitive pricing pressures.

European Union Tire segment EBIT was $88.7 million in 2000, decreasing 52.8% from $188.0 million in 1999 and 55.6% from $199.7 million in 1998. Operating margin in 2000 was 2.8%, compared to 7.1% in 1999 and 9.3% in 1998.

EBIT in 2000 decreased from 1999 due to competitive market conditions, manufacturing inefficiencies resulting from the relocation of tire production from England to the European continent and the closure of a tire plant in Italy, and higher raw material and energy prices. In addition, the Company estimates that the effects of currency translations reduced operating income by approximately $20 million in 2000. EBIT was favorably affected in 2000 by higher tire unit sales resulting from the acquisition of the Dunlop businesses.

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 2000 did not include net rationalization charges totaling $23.3 million. 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.

The Company anticipates that it may incur additional rationalization charges totaling approximately $10 million to $12 million in 2001, related to the closure of its tire manufacturing facility in Italy. These charges will be recorded as associates accept negotiated benefits.

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 adversely affected in future periods by the effects of currency translations, continued competitive pricing conditions, changes in mix and rising raw material and energy prices.

Eastern Europe, Africa and Middle East Tire

Eastern Europe, Africa and Middle East Tire ("Eastern Europe Tire") segment sales in 2000 were $793.0 million, decreasing 2.4% from $812.9 million in 1999 and 8.6% from $867.4 million in 1998.

Unit sales in 2000 were 15.6 million, decreasing 1.5% from 1999 but increasing .7% from 1998. Replacement unit sales in 2000 decreased 3.7% from 1999 and 1.3% from 1998. Original equipment volume in 2000 increased 7.4% from 1999 and 8.3% from 1998.

Revenues in 2000 decreased from 1999 due to a downturn in the replacement market and the effects of currency translation, but benefited from generally improved pricing in the region and a general improvement in the economic conditions in Eastern Europe and South Africa. The Company estimates that the effects of currency translation adversely affected Eastern Europe Tire segment sales by approximately $75 million in 2000.

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.

Eastern Europe Tire EBIT was $54.6 million in 2000, increasing 9.6% from $49.8 million in 1999 but decreasing 46.7% from $102.4 million in 1998. Operating margin in 2000 was 6.9%, compared to 6.1% in 1999 and 11.8% in 1998.

EBIT in 2000 increased from 1999 due primarily to increased factory utilization levels and improved market conditions. EBIT in 2000 was adversely impacted by an industry-wide strike in Turkey.

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 2000 did not include net rationalization charges totaling $9.6 million. 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 the Eastern Europe Tire segment may be adversely affected in future periods by the effects of continued competitive pricing conditions, changes in mix, rising raw material and energy prices and currency translations.

Latin American Tire

Latin American Tire segment sales in 2000 were $1.05 billion, increasing 10.5% from $948.1 million in 1999 but decreasing 17.5% from $1.27 billion in 1998.

Unit sales in 2000 were 19.7 million, increasing 11.0% from 1999 but decreasing 5.3% from 1998. Replacement unit sales in 2000 increased 5.2% from 1999 but decreased 4.7% from 1998. Original equipment volume in 2000 increased 34.2% from 1999 but decreased 7.2% from 1998.

Revenues in 2000 increased from 1999 due primarily to higher tire unit sales, but were adversely affected by competitive pricing pressures.

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.

Latin American Tire segment EBIT was $69.8 million in 2000, increasing 3.1% from $67.7 million in 1999 but decreasing 62.5% from $186.1 million in 1998. Operating margin in 2000 was 6.7%, compared to 7.1% in 1999 and 14.7% in 1998.

EBIT in 2000 increased from 1999 due to higher tire unit sales, but was adversely affected by continued pricing pressures and higher raw material and labor costs.

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 2000 did not include rationalization charges totaling $65.7 million and a $5.0 million gain on the sale of land at a manufacturing facility in Mexico. 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.

The Company anticipates continued fluctuations in the value of the U.S. dollar relative to Latin American currencies. Revenues and EBIT in future periods may be adversely affected by the effects of continued competitive pricing conditions, changes in mix, rising raw material and energy prices, continued volatile economic conditions and currency translations.

Asia Tire

Asia Tire segment sales in 2000 were $524.6 million, decreasing 11.6% from $593.2 million in 1999 but increasing 1.0% from $519.3 million in 1998.

Unit sales in 2000 were 11.8 million, decreasing 2.1% from 1999 but increasing 8.9% from 1998. Replacement unit sales in 2000 decreased 8.7% from 1999 and 6.8% from 1998. Original equipment volume in 2000 increased 24.5% from 1999 and 117.8% from 1998.

Revenues in 2000 decreased from 1999 due primarily to the absence of the replacement tire business transferred to the Company's non-consolidated joint venture with Sumitomo in Japan, which contributed revenues of approximately $49.7 million in 1999. In addition, revenues were adversely affected by competitive pricing, a less favorable product mix and currency translations.

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 transfer of businesses to the non-consolidated Asia joint venture with Sumitomo.

Asia Tire segment EBIT was $17.9 million in 2000, decreasing 31.2% from $26.0 million in 1999 but increasing 138.7% from $7.5 million in 1998. Operating margin in 2000 was 3.4%, compared to 4.4% in 1999 and 1.4% in 1998.

EBIT in 2000 decreased from 1999 due primarily to lower tire unit sales, competitive pricing conditions driven in part by increased low cost imports into the region and a shift in mix to lower margin tires, higher raw material and energy costs and price competition.

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 2000 did not include rationalization charges totaling $3.3 million. 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 future periods may be adversely affected by the effects of currency translations, continued competitive pricing conditions, changes in mix and rising raw material prices.

Sales and EBIT of the Asia Tire segment do not include South Pacific Tyres Ltd. (SPT), a tire manufacturer 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)	2000	1999	1998
Net Sales:			
Asia Tire Segment	$ 524.6	$ 593.2	$ 519.3
SPT	563.6	674.5	654.0
	$1,088.2	$1,267.7	$1,173.3
EBIT:			
Asia Tire Segment	$ 17.9	$ 26.0	$ 7.5
SPT	(11.1)	31.2	47.2
	$ 6.8	$ 57.2	$ 54.7

SPT sales in 2000 were $563.6 million, decreasing 16.4% from $674.5 million in 1999 and 13.8% from $654.0 million in 1998. Revenues in 2000 decreased from 1999 due to competitive pressures from low cost imported tires and the effects of currency translation. Revenues in 1999 increased from 1998 due primarily to the effects of currency translations and increased export sales.

SPT EBIT was a loss of $11.1 million in 2000, compared to income of $31.2 million in 1999 and $47.2 million in 1998. EBIT in 2000 decreased from 1999 due to production inefficiencies and higher raw material costs. EBIT in 1999 decreased from 1998 due primarily to increased competition in the Australian replacement market, particularly passenger, and lower OE and export margins.

SPT EBIT in 2000 did not include rationalization charges totaling $32.2 million.

Engineered Products

Engineered Products segment sales in 2000 were $1.17 billion, decreasing 4.9% from $1.23 billion in 1999 and 9.8% from $1.30 billion in 1998.

Revenues in 2000 decreased from 1999 due primarily to the Company's exit from the interior trim business in 1999, which contributed revenues of approximately $71.0 million in that year. In addition, revenues were adversely affected by reduced demand for conveyor belting for the mining and agriculture industries and reduced demand for hose and power transmission products in the North American replacement market.

Revenues 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.

Engineered Products segment EBIT in 2000 was $43.1 million, decreasing 38.8% from $70.4 million in 1999 and 61.4% from $111.7 million in 1998. Operating margin in 2000 was 3.7%, compared to 5.7% in 1999 and 8.6% in 1998.

EBIT in 2000 decreased from 1999 due primarily to reduced demand, reduced capacity utilization, higher raw material costs and competitive pricing. EBIT in 1999 decreased from 1998 due primarily to lower revenues, increased costs resulting from product adjustments and idle plant costs required to align production with demand and reduce inventories.

EBIT in 2000 did not include net rationalization charges of $3.8 million. 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.

The Company anticipates continued fluctuations in the value of the U.S. dollar relative to currencies in the markets served by the Engineered Products segment. Revenues and EBIT in the Engineered Products segment may be adversely affected in future periods by competitive pricing pressures, currency translations, expected continuing unfavorable economic conditions in certain markets, adverse economic conditions globally in the mining, construction and agriculture industries and increasing raw material and energy prices.

Chemical Products

Chemical Products segment sales in 2000 were $1.13 billion, increasing 18.9% from $949.8 million in 1999 and 13.8% from $993.0 million in 1998. Approximately 50% of Chemical Products sales are to the Company's other segments.

Revenues in 2000 increased from 1999 due primarily to price increases and higher sales volume. Revenues in 1999 decreased from 1998 due primarily to competitive pricing pressures.

Chemical Products segment EBIT in 2000 was $64.2 million, decreasing 44.8% from $116.4 million in 1999 and 51.6% from $132.7 million in 1998. Operating margin in 2000 was 5.7%, compared to 12.3% in 1999 and 13.4% in 1998.

EBIT in 2000 decreased from 1999 due primarily to increased raw material and energy prices and the inability to recover cost increases due to the competitive pricing environment. EBIT in 1999 decreased from 1998 due primarily to competitive pricing pressures.

EBIT in 1999 did not include a net rationalization charge 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.

Revenues and EBIT in the Chemical Products segment may be adversely affected in future periods by competitive pricing pressures and increasing raw material and energy prices.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

Net cash provided by operating activities was $509.8 million during 2000, as reported on the Consolidated Statement of Cash Flows. Inventories increased, although working capital requirements decreased for receivables and payables.

INVESTING ACTIVITIES

Net cash used in investing activities was $468.4 million during 2000. Capital expenditures in 2000 were $614.5 million, of which $330.4 million was used on projects to increase capacity and improve productivity and $284.1 million was used for tire molds and various other projects. Capital expenditures are expected to approximate $550 million to $600 million in 2001. At December 31, 2000, the Company had binding commitments for land, buildings and equipment of $177.1 million. Depreciation and amortization are expected to be in the range of $600 million to $700 million in 2001.

(In millions)	2000	1999	1998
Capital expenditures	$614.5	$805.0	$838.4
Depreciation	593.6	557.6	487.8
Amortization	36.7	24.1	18.1

Investing activities in 2000 included the sale of leasehold interests in, and the sale and leaseback of, various distribution facilities in the United States. The Company also acquired a majority ownership interest in a retreading production and distribution operation in the United States.

Investing activities in 1999 included a cash payment of $931.6 million for the acquisition of majority interests in the Dunlop Tire businesses in Europe and North America. The asset acquisition 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.

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 used in financing activities was $3.6 million during 2000.

(Dollars in millions)	2000	1999	1998
Consolidated Debt	$3,585.8	$3,424.5	$1,975.8
Debt to Debt and Equity	50.6%	47.4%	33.5%

During 2000, the Company issued $300 million of its 8.125% Notes due 2003 and $300 million of its 8.50% Notes due 2007. The Company also issued €400 million ($384.4 million at June 6, 2000) of its 6.375% Notes due 2005. The proceeds from the issuance of these Notes were used to repay outstanding commercial paper and short term bank borrowings.

In connection with the Company's planned strategic alliance with Sumitomo Rubber Industries, Ltd., 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 ¥13,073,070,934 (equivalent to $108.0 million at February 25, 1999). The Company's Note was convertible 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 ¥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 ¥13,073,070,934 (also equivalent to $108.0 million at February 25, 1999). The Sumitomo Note was convertible during the period beginning July 16, 2000 through August 15, 2000 into 24,254,306 shares of the Common Stock, ¥50 par value per share, of Sumitomo at a conversion price of ¥539 per share, subject to certain adjustments. On July 27, 2000 the Company converted the Sumitomo Note into 24,254,306 shares of Sumitomo Common Stock. As a result, the Company owns 10% of Sumitomo's outstanding shares. The fair value of the Sumitomo Common Stock at December 31, 2000 was $100.9 million. For further information, refer to the note to the financial statements No. 8, Investments.

On June 14, 1999, the Company and Sumitomo agreed that they would not redeem their respective Notes and would convert the Notes, subject to the condition that the global alliance between the Company and Sumitomo was operating at July 1, 2000. On July 7, 2000, the Company and Sumitomo amended the Purchase Agreement and on August 15, 2000: (1) Sumitomo converted ¥6,536,535,167 principal amount of the Company's Note into approximately 1,138,030 shares of the Common Stock of the Company; (2) the Company paid ¥223,933,167 of interest on the Note; and (3) Sumitomo surrendered the Note and the Company issued a replacement note in the principal amount of ¥6,536,535,767 due on August 16, 2001 and payable at the Company's option in cash or in shares of Common Stock at a conversion price of ¥5,731, subject to adjustment. The replacement note bears interest at the rate of 1.2% per annum from August 15, 2000 until the fifteenth day prior to maturity (or, if earlier, conversion) and is convertible into Common Stock of the Company at a conversion price of ¥5,731 per share, subject to adjustment, at any time prior to maturity. On January 15, 2001, Sumitomo gave notice to the Company that it will convert the replacement note into approximately 1,140,866 shares of the Common Stock of the Company on February 6, 2001.

Credit Sources

Substantial short term and long term credit sources are available to the Company globally under normal commercial practices. At December 31, 2000, the Company had an aggregate of $297.7 million of commercial paper outstanding. In addition, at December 31, 2000, the Company had short term committed and uncommitted bank credit arrangements totaling $2.2 billion, of which $.93 billion were unused. The Company also had available long term credit arrangements at December 31, 2000 totaling $3.5 billion, of which $1.5 billion were unused.

The Company is a party to two revolving credit facility agreements, consisting of a $750 million five-year revolving credit facility and a $750 million 364-day revolving credit facility.

The $750 million five-year facility agreement is with 27 domestic and international banks and provides that the Company may borrow at any time until August 15, 2005, when the commitment terminates and any outstanding loans mature. The Company pays a commitment fee ranging from 12.5 to 25 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 37.5 to 100 basis points. These fees may fluctuate quarterly within these ranges based upon the Company's leverage. During 2000, commitment fees ranged from 7.5 to 15 basis points and usage fees ranged from 22.5 to 45 basis points. Commitment and usage fees paid during 2000 averaged 12.5 basis points.

The $750 million 364-day credit facility agreement is with 27 domestic and international banks and provides that the Company may borrow until August 15, 2001, 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 ranging from 10 to 20 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 40 to 105 basis points. These fees may fluctuate quarterly within these ranges based upon the Company's leverage. Under both agreements, a utilization fee of 25 basis points per annum is charged each day on which the sum of the outstanding loans exceeds 50% of the total facility.

Under both the five-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, 2000. 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 2000, the Company sold certain domestic accounts receivable under a continuous sale program. Under the program, undivided interests in designated receivable pools were sold to purchasers with recourse limited to the receivables purchased. At December 31, 2000 and 1999, the level of net proceeds from sales under the program was $550 million. The volume of receivables sold under this program totaled $3.7 billion during 2000.

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 2000 or 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. 11, 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.

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, 2000, the interest rate on 48% of the Company's debt was fixed by either the nature of the obligation or through the interest rate contracts, compared to 28% at December 31, 1999. Interest rate lock contracts are used to hedge the risk-free rate component of anticipated long term debt issuances. No interest rate lock contracts were outstanding at December 31, 2000.

The following tables present information at December 31:

(In millions)	2000	1999
Interest Rate Exchange Contracts		
Fair value - asset	$ —	$ .5
Carrying amount - (liability)	(.2)	—
Pro forma fair value - (liability)	(.2)	(.1)
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)	2000	1999
Fixed Rate Debt		
Fair value - liability	$1,731.0	$812.7
Carrying amount - liability	1,776.5	836.0
Pro forma fair value - liability	1,801.3	855.4

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, 2000 and 1999. 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 foreign currency-denominated borrowings in the U.S. 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.

The following table presents information at December 31:

(In millions)	2000	1999
Fair value - favorable	$24.0	$58.7
Carrying amount - asset	23.0	58.0
Pro forma change in fair value	33.3	13.1

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. 11, 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 general economic and monetary conditions in the various markets served by the Company's operations; price and product competition; increased competitive activity; demand for Goodyear's products; fluctuations in the prices paid for raw materials and energy; the ability to control costs and expenses; changes in the monetary policies of various countries where the Company has significant operations; changes in interest rates; and other unanticipated events and conditions. It is not possible to foresee or identify all such factors. Goodyear disclaims any intention, commitment or obligation to revise or update any forward-looking statement, or to disclose any facts, events or circumstances that occur 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,	2000	1999	1998
Net Sales (Note 1)	$14,417.1	$13,355.4	$13,081.6
Cost of Goods Sold (Note 1)	11,637.3	10,832.3	10,210.2
Selling, Administrative and General Expense	2,237.3	2,016.7	1,881.1
Rationalizations (Note 3)	124.1	171.6	(29.7)
Interest Expense (Note 17)	282.6	179.4	147.8
Other (Income) and Expense (Note 4)	27.8	(147.1)	(76.5)
Foreign Currency Exchange	(6.7)	(27.6)	(2.6)
Equity in Earnings of Affiliates	22.4	(10.3)	(10.6)
Minority Interest in Net Income of Subsidiaries	33.5	40.3	31.5
Income from Continuing Operations before Income Taxes	58.8	300.1	930.4
United States and Foreign Taxes on Income (Note 16)	18.5	56.9	258.2
Income from Continuing Operations	40.3	243.2	672.2
Discontinued Operations (Note 22)	—	—	(34.7)
Net Income	$ 40.3	$ 243.2	$ 637.5
Income (Loss) Per Share—Basic:			
Income from Continuing Operations	$ .26	$ 1.55	$ 4.29
Discontinued Operations	—	—	(.22)
Net Income	$ .26	$ 1.55	$ 4.07
Average Shares Outstanding (Note 12)	156,840,646	156,182,004	156,570,476
Income (Loss) Per Share—Diluted:			
Income from Continuing Operations	$ .25	$ 1.53	$ 4.25
Discontinued Operations	—	—	(.22)
Net Income	$ .25	$ 1.53	$ 4.03
Average Shares Outstanding (Note 12)	158,764,926	158,939,599	158,307,212

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

Consolidated Balance Sheet

(Dollars in millions)

December 31,	2000	1999
Assets		
Current Assets:		
Cash and cash equivalents	$ 252.9	$ 241.3
Accounts and notes receivable (Note 5)	2,074.7	2,296.3
Inventories (Note 7)	2,879.7	2,570.0
Sumitomo 1.2% Convertible Note Receivable Due 8/00 (Note 8)	—	107.2
Prepaid expenses and other current assets	259.9	165.1
Total Current Assets	5,467.2	5,379.9
Long Term Accounts and Notes Receivable	92.8	97.7
Investments in Affiliates, at equity	102.0	115.4
Other Assets (Note 8)	183.8	79.0
Goodwill (Note 6)	588.4	516.9
Deferred Charges	1,612.8	1,328.2
Properties and Plants (Note 9)	5,521.0	5,761.0
Total Assets	$13,568.0	$13,278.1
Liabilities		
Current Liabilities:		
Accounts payable-trade	$ 1,505.2	$ 1,417.5
Compensation and benefits (Notes 14, 15)	823.6	794.5
Other current liabilities	395.6	294.5
United States and foreign taxes	208.4	249.0
Notes payable to banks (Note 11)	1,077.0	862.3
Sumitomo 1.2% Convertible Note Payable Due 8/01 (Note 8)	56.9	127.8
Long term debt due within one year	159.2	214.3
Total Current Liabilities	4,225.9	3,959.9
Long Term Debt (Note 11)	2,349.6	2,347.9
Compensation and Benefits (Notes 14, 15)	2,310.5	2,137.4
Other Long Term Liabilities	334.1	149.1
Minority Equity in Subsidiaries	844.9	891.2
Total Liabilities	10,065.0	9,485.5
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, 157,603,962 (156,335,120 in 1999)	157.6	156.3
Capital Surplus	1,092.4	1,029.6
Retained Earnings	3,558.8	3,706.9
Accumulated Other Comprehensive Income (Note 21)	(1,305.8)	(1,100.2)
Total Shareholders' Equity	3,503.0	3,792.6
Total Liabilities and Shareholders' Equity	$13,568.0	$13,278.1

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, 1997 as reported (after deducting 39,089,885 treasury shares)	156,588,783	$156.6	$1,061.6	$2,983.4	$ (806.1)	$3,395.5
Cumulative effect on prior years of change in inventory costing method (Note 7)				218.2		218.2
Comprehensive income:						
Net income				637.5		
Foreign currency translation					(99.6)	
Minimum pension liability (net of tax of $.2)					1.9	
Total comprehensive income						539.8
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	3,651.2	(903.8)	3,919.2
Comprehensive income:						
Net income				243.2		
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						46.8
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	3,706.9	(1,100.2)	3,792.6
Comprehensive income:						
Net income				40.3		
Foreign currency translation					(201.7)	
Minimum pension liability (net of tax of $4.1)					(6.7)	
Unrealized investment gain (net of tax of $1.7)					2.8	
Total comprehensive income						(165.3)
Cash dividends—$1.20 per share				(188.4)		(188.4)
Common stock issued from treasury:						
Conversion of 1.2% Convertible Note Payable	1,138,030	1.1	58.8			59.9
Stock compensation plans	130,812	.2	4.0			4.2
Balance at December 31, 2000 (after deducting 38,074,706 treasury shares)	157,603,962	$157.6	$1,092.4	$3,558.8	$(1,305.8)	$3,503.0

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

Consolidated Statement of Cash Flows

(Dollars in millions)

Year Ended December 31,	2000	1999	1998
Cash Flows from Operating Activities:			
Net Income	$ 40.3	$ 243.2	$ 637.5
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	630.3	581.7	505.9
Deferred tax provision	(138.9)	(141.0)	117.4
Discontinued operations (Note 22)	—	—	49.5
Rationalizations (Note 3)	100.1	132.5	(19.6)
Asset sales (Note 4)	(3.2)	(154.8)	(75.8)
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Accounts and notes receivable	136.0	13.4	35.6
Inventories	(382.6)	273.4	(243.1)
Accounts payable—trade	139.9	(83.4)	(74.6)
Domestic pension funding	(5.3)	(47.3)	(83.5)
Other assets and liabilities	(6.8)	(183.0)	(410.2)
Total adjustments	469.5	391.5	(198.4)
Total cash flows from operating activities	509.8	634.7	439.1
Cash Flows from Investing Activities:			
Capital expenditures	(614.5)	(805.0)	(838.4)
Short term securities acquired	(24.4)	(54.2)	(18.3)
Short term securities redeemed	26.1	59.5	18.6
Asset dispositions	172.6	49.5	493.3
Asset acquisitions (Notes 2, 8)	—	(892.0)	(217.9)
Other transactions	(28.2)	(159.8)	(138.8)
Total cash flows from investing activities	(468.4)	(1,802.0)	(701.5)
Cash Flows from Financing Activities:			
Short term debt incurred	1,199.2	2,111.8	447.4
Short term debt paid	(1,908.2)	(727.1)	(98.8)
Long term debt incurred	1,145.9	20.5	325.4
Long term debt paid	(229.2)	(48.7)	(193.4)
Common stock issued (Notes 8, 12)	4.2	14.1	38.8
Common stock acquired	—	—	(85.2)
Joint venture dividends paid to Sumitomo	(27.1)	—	—
Dividends paid to Goodyear shareholders	(188.4)	(187.5)	(187.9)
Total cash flows from financing activities	(3.6)	1,183.1	246.3
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(26.2)	(13.5)	(3.5)
Net Change in Cash and Cash Equivalents	11.6	2.3	(19.6)
Cash and Cash Equivalents at Beginning of the Period	241.3	239.0	258.6
Cash and Cash Equivalents at End of the Period	$ 252.9	$ 241.3	$ 239.0

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 inter-company 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

Revenues are recognized when finished products are shipped to unaffiliated customers and both title and the risks and rewards of ownership are transferred, or services have been rendered and accepted. Appropriate provision is made 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

During the fourth quarter of 2000, the Company changed its method of inventory costing from last-in first-out (LIFO) to first-in first-out (FIFO) for domestic inventories. Prior periods have been restated to reflect this change. Worldwide inventories are stated at the lower of cost or market. Cost is determined using FIFO or the average cost method. Refer to Note 7.

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.

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 6.

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.

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.

The Company adopted Statement of Financial Accounting Standards No. 133, as amended and interpreted, on January 1, 2001. Results of operations and financial position in this Annual Report do not reflect the adoption of this standard.

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 11.

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.

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 8/01 and performance units. All earnings per share amounts in these notes to financial statements are diluted, unless otherwise noted. Refer to Note 12.

Reclassification

During 2000, the Company began reporting expenses for transportation of products to customers as a component of Cost of Goods Sold as a result of the adoption of EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs". These costs had previously been reported as a reduction of Net Sales. Transportation costs totaled $526.2 million, $474.9 million and $455.3 million in 2000, 1999 and 1998, respectively. Additionally, the Company began reporting equity in earnings of affiliates separately on the Consolidated Statement of Income. Prior periods have been reclassified to reflect these changes.

Certain other items previously reported in specific financial statement captions have been reclassified to conform to the 2000 presentation.

NOTE 2

STRATEGIC ALLIANCE

On September 1, 1999, the Company commenced operations under a global alliance with Sumitomo Rubber Industries Ltd. ("Sumitomo") which included, among other things, the formation of tire manufacturing and sales joint ventures. In addition to its businesses contributed to the joint ventures, the Company paid $931.6 million to Sumitomo and its affiliates, which was financed by the issuance of additional debt.

Under the global alliance agreements, the Company acquired 75%, and Sumitomo owned 25%, of Goodyear Dunlop Tires Europe B.V., a Netherlands holding company. Concurrently, the holding 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 European 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, a technical center and related facilities located in Luxembourg.

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 global alliance Agreements also provided 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 by Sumitomo included $130 million of debt. The Company will amortize substantially all of the approximately $367 million of goodwill recorded 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 following table presents supplemental pro forma estimated results of operations for 1999 and 1998 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	$14,970.1	$15,600.0
Net Income	$ 243.7	$ 631.6
Net Income Per Share—Basic	$ 1.56	$ 4.03
Net Income Per Share—Diluted	$ 1.53	$ 3.99

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)	2000	1999	1998
First Quarter	$ —	$167.4	$ —
Second Quarter	4.7	(9.6)	(29.7)
Third Quarter	1.2	6.1	—
Fourth Quarter	118.2	7.7	—
	$124.1	$171.6	$(29.7)

2000 Rationalization Actions—The Company recorded rationalization charges totaling $118.2 million in the fourth quarter of 2000 ($93.7 million after tax or $.59 per share) related to global workforce reductions and manufacturing facility consolidations in Europe, Latin America and Asia. The Company also recorded rationalization charges totaling $1.2 million in the third quarter of 2000 ($1.2 million after tax or $.01 per share) related to the closing of its tire manufacturing facility in Italy initiated in 1999 (which is for negotiated benefits accepted in the third quarter of 2000). The Company recorded net rationalization charges totaling $4.7 million ($5.2 million after tax or $.03 per share) in the second quarter of 2000 related to the closing of the Italian manufacturing facility (which is for negotiated benefits accepted in the second quarter of 2000) and associate reductions due to sales office consolidation in Europe following the Company's Dunlop acquisition. In the fourth quarter of 1999, the Company took a charge for the closure of the Italian facility, however that charge did not include certain associate benefit amounts that had not been negotiated at that time.

1999 Rationalization Actions—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 Charge (Credit) Recorded
First Quarter	$167.4	$ —	$167.4
Second Quarter	—	(9.6)	(9.6)
Third Quarter	46.5	(40.4)	6.1
Fourth Quarter	26.2	(18.5)	7.7
	$240.1	$(68.5)	$171.6

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 Actions—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.

2000 Program—The Company committed to rationalization actions in the second and fourth quarters to reduce costs and increase productivity and efficiency. These actions consisted of global workforce reductions and manufacturing facility consolidations in Europe, Latin America and Asia. The Company recorded charges totaling $119.4 million ($95.0 million after tax or $.59 per share), of which $86.4 million related to future cash outflows, primarily for associate severance costs and $33.0 million related to non-cash writeoffs. The balance of the provisions recorded under the 2000 program totaled $82.0 million at December 31, 2000.

Associate-related rationalization costs totaling $92.6 million were recorded and incurred during 2000 as follows:

(In millions)	Recorded	Incurred	Balance at 12/31/00
Plant downsizing and consolidation	$51.5	$ (3.5)	$48.0
Worldwide associate reductions	41.1	(15.9)	25.2
	$92.6	$(19.4)	$73.2

Under the 2000 program, the Company provided for the release of approximately 5,600 associates around the world, primarily production and support associates in Europe, Latin America and Asia. During 2000, approximately 500 associates in Latin American and European operations were released at a cost of $19.4 million. The Company plans to release approximately 5,100 more associates under the above programs during 2001.

Rationalization costs, other than associate-related costs, totaling $26.8 million were recorded and incurred in 2000 as follows:

(In millions)	Recorded	Incurred	Balance at 12/31/00
Plant downsizing and consolidation	$26.8	$(18.0)	$8.8

Plant downsizing and consolidation costs were primarily for the writeoff of scrapped equipment taken out of service in Latin America and Europe and for noncancellable lease costs. The Company plans to complete these actions during 2001.

1999 Program—The Company committed to a number of rationalization actions in the first, third and fourth quarters of 1999 totaling $240.1 million ($177.7 million after tax or $1.13 per share). The balance of the provisions recorded under the 1999 program totaled $4.3 million and $41.2 million at December 31, 2000 and December 31, 1999, respectively.

The Company also recorded charges under this program of $6.0 million in the second, third and fourth quarters of 2000, related to the closure of the Company's manufacturing facility in Italy for associates that accepted negotiated benefits in those respective periods.

Associate-related rationalization costs totaling $171.6 million were recorded in 1999. Activity during 2000 is presented below:

(In millions)	Balance at 12/31/99	2000 Charges	Incurred	Balance at 12/31/00
North American Tire staffing	$11.1	$ —	$ (9.9)	$1.2
European associate reductions	6.2	6.0	(9.1)	3.1
Asset sales and other exit costs	5.8	(.5)	(5.3)	—
Termination of tire production	5.6	—	(5.6)	—
Plant downsizing and consolidation	.4	—	(.4)	—
Withdrawal of support for CART/IRL	.3	—	(.3)	—
	$29.4	$5.5	$(30.6)	$4.3

Under the above programs, approximately 450 associates were released in 2000 at a cost of $30.6 million. These associates were primarily hourly and staff associates in Italy and production and support associates at a Latin American facility. Associate reductions under the above programs have been completed, with the exception of approximately 350 more Italian manufacturing associates to be released during 2001.

Rationalization costs, other than associate-related costs, totaling $68.5 million were recorded in 1999. Activity during 2000 follows:

(In millions)	Balance at 12/31/99	2000 Charges	Incurred	Balance at 12/31/00
Withdrawal of support for CART/IRL	$ 9.5	$(.7)	$ (8.8)	$—
Termination of tire production	2.1	—	(2.1)	—
Plant downsizing and consolidation	.1	—	(.1)	—
Asset sales and other exit costs	.1	(.1)	—	—
	$11.8	$(.8)	$(11.0)	$—

The Company has completed the actions under the above programs.

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.

The Company committed to certain rationalization actions related to the Dunlop businesses acquired from Sumitomo on September 1, 1999, for the purpose of optimizing market growth opportunities and maximizing cost efficiencies. The Company recorded costs in 1999 and 2000 totaling $67.1 million, substantially all of which were for future cash outflows. Under these rationalization programs, associate-related costs for the release or relocation of approximately 2,000 production, support, technical, retail and administrative associates totaling $52.8 million were recorded, and rationalization costs, other than associate-related costs, totaling $14.3 million were recorded primarily for lease cancellations and noncancellable leases. Through December 31, 2000, costs totaling $38.9 million had been incurred. The remaining balance of these provisions at December 31, 2000 totaled $28.2 million.

During 2000, associate-related costs totaling $48.4 million were recorded for the release of approximately 1,900 associates. Approximately 1,200 associates were released during 2000 at a cost of $34.0 million. The Company plans to release approximately 700 more associates under this program during 2001. The following table presents activity during 2000:

(In millions)	Balance at 12/31/99	2000 Charges	Incurred	Balance at 12/31/00
	$3.3	$48.4	$(34.0)	$17.7

During 2000, rationalization costs, other than associate-related costs, totaling $11.8 million were recorded. The following table presents activity during 2000:

(In millions)	Balance at 12/31/99	2000 Charges	Incurred	Balance at 12/31/00
	$2.1	$11.8	$ (3.4)	$10.5

The Company has finalized and implemented the Dunlop integration plan. Although the integration plan has been implemented, certain actions have not yet been fully executed and will be completed in 2001.

NOTE 4

OTHER (INCOME) AND EXPENSE

(In millions)	2000	1999	1998
Asset sales	$ (5.0)	$(166.7)	$(123.8)
Interest income	(13.9)	(16.3)	(12.8)
Financing fees and financial instruments	44.8	41.1	43.1
Lawsuit settlement	—	—	15.9
Miscellaneous	1.9	(5.2)	1.1
	$ 27.8	$(147.1)	$ (76.5)

During 2000, the Company recorded a gain of $5.0 million ($3.2 million after tax or $.02 per share) on the sale of land at a manufacturing facility in Mexico. During 1999, the Company recorded a gain of $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. 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 Asia, pending remittance or reinvestment in the regions. At December 31, 2000, $93.2 million or 36.9% of the Company's cash, cash equivalents and short term securities were concentrated in Latin America, primarily Brazil ($90.3 million or 37.1% at December 31, 1999) and $65.8 million or 26.0% were concentrated in Asia ($58.8 million or 24.2% at December 31, 1999). Dividends received by the Company and domestic subsidiaries from its consolidated international operations for 2000, 1999 and 1998 were $102.2 million, $352.4 million and $215.9 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)	2000	1999
Accounts and notes receivable	$2,168.0	$2,378.2
Allowance for doubtful accounts	(93.3)	(81.9)
	$2,074.7	$2,296.3

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, 2000 and 1999, the level of net proceeds from sales under the program was $550 million. The volume of receivables sold under this program totaled $3.7 billion during 2000. The balance of the uncollected portion of receivables sold under that and other agreements was $604.2 million at December 31, 2000 and $565.6 million at December 31, 1999. 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

GOODWILL

(In millions)	2000	1999
Goodwill	$669.6	$572.4
Accumulated amortization	(81.2)	(55.5)
	$588.4	$516.9

Amortization of goodwill totaled $25.7 million, $24.1 million and $18.1 million in 2000, 1999 and 1998, respectively.

NOTE 7

INVENTORIES

(In millions)	2000	1999
Raw materials	$ 480.4	$ 490.6
Work in process	123.5	124.0
Finished product	2,275.8	1,955.4
	$2,879.7	$2,570.0

During the fourth quarter of 2000, the Company changed its method of inventory costing from last-in first-out (LIFO) to first-in first-out (FIFO) for domestic inventories. Prior periods have been restated to reflect this change. The method was changed in part to achieve a better matching of revenues and expenses. The change increased net income in 2000 by $44.4 million ($.28 per basic and diluted share), and increased retained earnings for years prior to 1998 by $218.2 million.

The following table presents the effect of the change on earnings for 1999 and 1998:

(In millions, except per share)	1999	1998
Income from Continuing Operations as reported	$241.1	$717.0
Change in inventory costing method	2.1	(44.8)
Income from Continuing Operations as restated	243.2	672.2
Discontinued Operations	–	(34.7)
Net Income as restated	$243.2	$637.5
Income (Loss) Per Share – Basic:		
Income from Continuing Operations as reported	$ 1.54	$ 4.58
Change in inventory costing method	.01	(.29)
Income from Continuing Operations as restated	1.55	4.29
Discontinued Operations	–	(.22)
Net Income as restated	$ 1.55	$ 4.07
Income (Loss) Per Share – Diluted:		
Income from Continuing Operations as reported	$ 1.52	$ 4.53
Change in inventory costing method	.01	(.28)
Income from Continuing Operations as restated	1.53	4.25
Discontinued Operations	–	(.22)
Net Income as restated	$ 1.53	$ 4.03

NOTE 8

INVESTMENTS

Investments

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 ¥13,073,070,934 (the "Sumitomo Note"). The Sumitomo Note was 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, ¥50 par value per share, of Sumitomo at a conversion price of ¥539 per share, subject to certain adjustments. On August 15, 2000, the Company converted the entire principal amount of the Sumitomo Note into shares of the Common Stock of Sumitomo (the "Sumitomo Investment"). The Company has classified the Sumitomo Investment as available-for-sale, as provided in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

The fair value of the Sumitomo Investment was $100.9 million at December 31, 2000, and is included in Other Assets on the Consolidated Balance Sheet. Changes in the fair value of the Sumitomo Investment are reported in the Consolidated Balance Sheet as Accumulated Other Comprehensive Income. The Company's 1.2% Convertible Note Payable Due August 16, 2001 in the principal amount of ¥6,536,535,767 has been designated as a hedge of the exchange exposure of the Sumitomo Investment. 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, 2000 the gross unrealized holding loss on the Sumitomo Investment, net of the hedge, totaled $16.1 million ($10.0 million after tax).

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended and interpreted (SFAS 133). Pursuant to the adoption of SFAS 133, effective January 1, 2001 the Company redesignated its 1.2% Convertible Note Payable as a hedge of its investment in subsidiaries in Japan.

Noncash Investing and Financing 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 ¥13,073,070,934 pursuant to a Note Purchase Agreement dated February 25, 1999 (the "Note Agreement"). The Company's Note was convertible 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 ¥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 ¥13,073,070,934 (the "Sumitomo Note"). The Sumitomo Note was 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, ¥50 par value per share, of Sumitomo at a conversion price of ¥539 per share, subject to certain adjustments. The Company converted the Sumitomo Note in its entirety on July 27, 2000 into 24,254,306 shares of the Common Stock of Sumitomo, which represents 10% of Sumitomo's outstanding shares. The principal amount of each Note was equivalent to $108.0 million at February 25, 1999.

On June 14, 1999, the Company and Sumitomo agreed that they would not redeem the respective Notes and would convert the Notes, subject to the condition that the global alliance between the Company and Sumitomo was operating at July 1, 2000. On July 7, 2000, the Company and Sumitomo amended the Note Agreement and on August 15, 2000: (1) Sumitomo converted ¥6,536,535,167 principal amount of the Note into approximately 1,138,030 shares of the Common Stock of the Company; (2) the Company paid ¥223,933,167 of interest on the Note; and (3) Sumitomo surrendered the Note and the Company issued a replacement note in the principal amount of ¥6,536,535,767 due on August 16, 2001 and payable at the Company's option in cash or in shares of Common Stock at a conversion price of ¥5,731, subject to adjustment. The replacement note bears interest at the rate of 1.2% per annum from August 15, 2000 until the fifteenth day prior to maturity (or, if earlier, conversion) and is convertible into Common Stock of the Company at a conversion price of ¥5,731 per share, subject to adjustment, at any time prior to maturity.

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 2000, the Company acquired a majority ownership interest in a retreading production and distribution operation in the United States, and recorded a liability for the expected future payment of $72.5 million. 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.

NOTE 9

PROPERTIES AND PLANTS

	2000			1999		
(In millions)	Owned	Capital Leases	Total	Owned	Capital Leases	Total
Properties and plants, at cost:						
Land and improvements	$ 390.3	$ 20.7	$ 411.0	$ 445.4	$ 11.7	$ 457.1
Buildings and improvements	1,683.4	108.5	1,791.9	1,652.9	96.6	1,749.5
Machinery and equipment	8,537.5	92.3	8,629.8	8,234.8	148.3	8,383.1
Construction in progress	550.9	—	550.9	722.7	—	722.7
	11,162.1	221.5	11,383.6	11,055.8	256.6	11,312.4
Accumulated depreciation	(5,785.5)	(77.1)	(5,862.6)	(5,470.9)	(80.5)	(5,551.4)
	$ 5,376.6	$144.4	$ 5,521.0	$ 5,584.9	$176.1	$ 5,761.0

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 10 years.

NOTE 10

LEASED ASSETS

Net rental expense charged to income follows:

(In millions)	2000	1999	1998
Gross rental expense	$291.4	$260.4	$240.6
Sublease rental income	(70.6)	(72.5)	(65.9)
	$220.8	$187.9	$174.7

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 cancelable for periods beyond 2001, 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)	2001	2002	2003	2004	2005	2006 and beyond	Total
Capital Leases							
Minimum lease payments	$ 28.7	$ 9.0	$ 7.4	$ 6.1	$ 4.7	$ 25.7	$ 81.6
Minimum sublease rentals	(.2)	(.1)	–	–	–	–	(.3)
	$ 28.5	$ 8.9	$ 7.4	$ 6.1	$ 4.7	$ 25.7	$ 81.3
Imputed interest							(17.7)
Executory costs							(1.4)
Present value							$ 62.2
Operating Leases							
Minimum lease payments	$358.9	$182.4	$142.9	$105.1	$103.2	$209.7	$1,102.2
Minimum sublease rentals	(43.8)	(35.8)	(27.6)	(19.2)	(11.4)	(18.2)	(156.0)
	$315.1	$146.6	$115.3	$ 85.9	$ 91.8	$191.5	$ 946.2
Imputed interest							(207.8)
Present value							$ 738.4

NOTE 11

Financing Arrangements and Derivative Financial Instruments

Short Term Debt and Financing Arrangements

At December 31, 2000, the Company had short term committed and uncommitted credit arrangements totaling $2.2 billion, of which $.93 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 $297.7 million was outstanding at December 31, 2000.

Two credit facility agreements are available whereunder the Company may from time to time borrow and have outstanding until March 31, 2001 up to U.S. $60 million at any one time with domestic and 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 30 basis points over a three-month reserve adjusted LIBOR. There were no borrowings outstanding under this agreement at December 31, 2000. The average amount outstanding under similar agreements during 2000 was $28.6 million.

The Company had outstanding debt obligations, which by their terms are due within one year, amounting to $1.74 billion at December 31, 2000. Commercial paper, domestic short term bank debt and current maturities of long term debt represented $947.3 million of this total, with a weighted average interest rate of 7.04% at December 31, 2000. The remaining $788.8 million was short term debt of international subsidiaries, with a weighted average interest rate of 6.52% at December 31, 2000. Short term borrowings totaling $500 million were classified as long term on the Consolidated Balance Sheet at December 31, 2000.

Long Term Debt and Financing Arrangements

At December 31, 2000, the Company had long term credit arrangements totaling $3.5 billion, of which $1.5 billion were unused.

The following table presents long term debt at December 31:

(In millions)	2000	1999
Swiss franc bonds:		
5.375% due 2006	$ 96.7	$ 99.0
5.375% due 2000	—	105.0
6.375% Eurobonds due 2005	371.1	—
Notes:		
8 1/8% due 2003	299.7	—
6 5/8% due 2006	249.4	249.3
8 1/2% due 2007	300.0	—
6 3/8% due 2008	99.7	99.6
7% due 2028	148.9	148.9
Bank term loans due 2001–2005	151.4	147.8
Domestic short term borrowings	500.0	1,457.0
Other domestic and international debt	229.4	158.2
	2,446.3	2,464.8
Capital lease obligations	62.5	97.4
	2,508.8	2,562.2
Less portion due within one year	159.2	214.3
	$2,349.6	$2,347.9

In addition to the amounts in the table above, on February 25, 1999 the Company issued to Sumitomo Rubber Industries at par its 1.2% Convertible Note Due August 16, 2000, in the principal amount of ¥13,073,070,934 (equivalent to $127.8 million at December 31, 1999). The Company's Note was 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 ¥5,731 per share, subject to certain adjustments.

On July 7, 2000, the Company and Sumitomo amended the Purchase Agreement and on August 15, 2000: (1) Sumitomo converted ¥6,536,535,167 principal amount of the Note into approximately 1,138,030 shares of the Common Stock of the Company; (2) the Company paid ¥223,933,167 of interest on the Note; and (3) Sumitomo surrendered the Note and the Company issued a replacement note in the principal amount of ¥6,536,535,767 due on August 16, 2001 (equivalent to $56.9 million at December 31, 2000) and payable at the Company's option in cash or in shares of Common Stock at a conversion price of ¥5,731, subject to adjustment. The replacement note bears interest at the rate of 1.2% per annum from August 15, 2000 until the fifteenth day prior to maturity (or, if earlier, conversion) and is convertible into Common Stock of the Company at a conversion price of ¥5,731 per share, subject to adjustment, at any time prior to maturity. On January 1, 2001, the Company designated its Note as a hedge of its investment in subsidiaries in Japan. On January 15, 2001, Sumitomo gave notice to the Company that it will convert the replacement note into approximately 1,140,866 shares of Common Stock of the Company on February 6, 2001.

At December 31, 2000, the fair value of the Company's long term fixed rate debt amounted to $1.73 billion, compared to its carrying amount of $1.78 billion ($812.7 million and $836.0 million, respectively, at December 31, 1999). The difference was attributable primarily to the long term public bonds issued in 2000 and 1999. 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, 2000 and 1999.

The Swiss franc bonds were hedged by foreign exchange contracts at December 31, 2000 and 1999, as discussed below.

The Company has designated €200 million principal amount of the Eurobonds as hedging the exposure to the impact of Euro/U.S. dollar exchange rate movements on the equity of certain of its subsidiaries in Europe. The remaining €200 million principal amount is hedged by foreign exchange contracts, as discussed below.

The Notes have an aggregate face amount of $1.1 billion and are reported net of unamortized discount aggregating $2.3 million ($500.0 million and $2.2 million, respectively, at December 31, 1999).

The bank term loans due 2001 through 2005 are comprised of $11.4 million of fixed rate agreements bearing interest at a weighted average rate of 5.18% and a $140 million agreement bearing interest at a floating rate based upon LIBOR plus a fixed spread, including a $50 million floating rate agreement that 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, which was issued for terms of less than 154 days, and certain domestic short term bank borrowings outstanding, which by their terms are or were due within one year, are classified as long term debt on the Consolidated Balance Sheet at December 31, 2000 and 1999. 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 2001–2008. The weighted average interest rate in effect under these loans was 7.73% at December 31, 2000.

The Company is a party to two revolving credit facility agreements, consisting of a $750 million five-year revolving credit facility and a $750 million 364-day revolving credit facility.

The $750 million five-year facility agreement is with 27 domestic and international banks and provides that the Company may borrow at any time until August 15, 2005, when the commitment terminates and any outstanding loans mature. The Company pays a commitment fee ranging from 12.5 to 25 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 37.5 to 100 basis points. These fees may fluctuate quarterly within these ranges based upon the Company's leverage. During 2000, commitment fees ranged from 7.5 to 15 basis points and usage fees ranged from 22.5 to 45 basis points. Commitment and usage fees paid during 2000 averaged 12.5 basis points.

The $750 million 364-day credit facility agreement is with 27 domestic and international banks and provides that the Company may borrow until August 15, 2001, 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 ranging from 10 to 20 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 40 to 105 basis points. These fees may fluctuate quarterly within these ranges based upon the Company's leverage. Under both agreements, a utilization fee of 25 basis points per annum is charged each day on which the sum of the outstanding loans exceeds 50% of the total facility.

Under both the five-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, 2000.

The annual aggregate maturities of long term debt and capital leases for the five years subsequent to 2000 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)	2001	2002	2003	2004	2005
Debt incurred under or supported by revolving credit agreements	$ –	$ –	$ –	$ –	$500.0
Other	216.1	132.1	311.6	13.0	385.6
	$216.1	$132.1	$311.6	$13.0	$885.6

Refer to Note 5 for additional information on financing arrangements. Refer to Note 10 for additional information on capital lease obligations.

Derivative Financial Instruments

The Company adopted Statement of Financial Accounting Standards No. 133, as amended and interpreted, on January 1, 2001. Results of operations and financial position in this Annual Report do not reflect the adoption of this standard.

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 hedge against the effects of adverse changes in 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, 2000, the interest rate on 48% of the Company's debt was fixed by either the nature of the obligation or through the interest rate contracts, compared to 28% at December 31, 1999.

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)	12/31/99	Matured	12/31/00
Fixed rate contracts:			
Notional principal amount	$ 75.0	$ 25.0	$ 50.0
Pay fixed rate	6.24%	6.21%	6.25%
Receive variable LIBOR	6.10	6.71	6.67
Average years to maturity	1.54		.9
Fair value: favorable	$ .5		$ —
Carrying amount: (liability)	—		(.2)

Weighted average information during the years 2000, 1999 and 1998 follows:

(Dollars in millions)	2000	1999	1998
Fixed rate contracts:			
Notional principal	$ 71	$ 96	$ 111
Receive variable LIBOR	6.56%	5.26%	5.70%
Pay fixed rate	6.24	6.18	6.40

Interest Rate Lock Contracts

The Company will use, when appropriate, interest rate lock contracts to hedge the risk-free rate component of anticipated long term debt issuances. No contracts were outstanding at December 31, 2000.

(Dollars in millions)	12/31/99	Matured	12/31/00
U.S. dollar contracts:			
Notional	$ 180	$ 180	$ —
Average contract rate	6.07%	6.07%	—
Fair value	$ 5.5		—
Carrying amount	—		—
Euro contracts:			
Notional	$ 101	$ 101	$ —
Average contract rate	4.61%	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, 2000 and 1999. 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 foreign currency-denominated borrowings in the U.S. (including the annual coupon payments).

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.

	2000		1999	
(In millions)	Fair Value	Contract Amount	Fair Value	Contract Amount
Buy currency:				
Swiss franc	$106.1	$ 95.6	$212.5	$160.6
U.S. dollar	81.0	80.2	64.4	58.6
Euro	310.1	296.7	29.7	30.0
All other	7.0	7.5	23.1	23.1
	$504.2	$480.0	$329.7	$272.3
Contract maturity:				
Swiss franc swap	3/06		10/00–3/06	
Euro swap	6/05		–	
All other	1/01–3/04		1/00–3/04	
Sell currency:				
Euro	$ 15.8	$ 15.6	$ 48.3	$ 49.6
Swedish krona	23.0	22.9	22.2	22.3
U.S. dollar	35.4	35.5	6.0	5.9
All other	6.3	6.3	4.7	4.7
	$ 80.5	$ 80.3	$ 81.2	$ 82.5
Contract maturity	1/01–3/01		1/00–3/00	
Carrying amount— asset (liability):				
Swiss franc swap — current	$ —		$34.7	
Swiss franc swap — long term	19.0		21.4	
Euro swap — long term	3.2		—	
Other – current	.8		1.9	

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.

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), restricted stock, performance grants and other stock-based awards. 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. Stock options and related SARs granted during 2000 generally have a maximum term of ten years and vest pro rata over four years.

Performance units granted during 2000 are earned based on Return on Invested Capital and Total Shareholder Return relative to the S&P Auto Parts & Equipment Companies (each weighted at 50%) over a one, two or three year performance period each beginning January 1, 2001. 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 unit is 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.

On December 4, 2000, the Company adopted The Goodyear Tire & Rubber Company Stock Option Plan for Hourly Bargaining Unit Employees, under which options in respect of up to 3,500,000 shares of the Common Stock of the Company may be granted, and the Hourly and Salaried Employee Stock Option Plan, under which options in respect of up to 600,000 shares of the Company's Common Stock may be granted. Stock options granted during 2000 generally have a maximum term of ten years and vest over one to three years.

Stock-based compensation activity for the years 2000, 1999 and 1998 follows:

	2000		1999		1998	
	Shares	SARs	Shares	SARs	Shares	SARs
Outstanding at January 1	12,418,808	2,141,954	9,563,252	1,496,670	8,226,144	1,190,248
Options granted	6,793,071	689,170	3,371,948	716,643	2,204,021	434,487
Options without SARs exercised	(36,900)	—	(347,312)	—	(754,246)	—
Options with SARs exercised	—	—	(44,126)	(44,126)	(115,202)	(115,202)
SARs exercised	(3,900)	(3,900)	(9,870)	(9,870)	(7,395)	(7,395)
Options without SARs expired	(227,913)	—	(68,342)	—	(53,283)	—
Options with SARs expired	(43,241)	(43,241)	(17,363)	(17,363)	(5,468)	(5,468)
Performance units granted	478,200	—	13,353	—	100,474	—
Performance unit shares issued	(127,871)	—	(8,876)	—	(8,629)	—
Performance units cancelled	(15,786)	—	(33,856)	—	(23,164)	—
Outstanding at December 31	19,234,468	2,783,983	12,418,808	2,141,954	9,563,252	1,496,670
Exercisable at December 31	8,105,308	1,312,398	5,741,778	847,358	3,801,049	494,230
Available for grant at December 31	3,419,218		7,433,575		10,755,666	

Significant option groups outstanding at December 31, 2000 and related weighted average price and life information follows:

Grant Date	Options Outstanding	Options Exercisable	Exercisable Price	Remaining Life (Years)
12/04/00	6,357,405	—	$17.68	10
12/06/99	3,189,216	879,960	32.00	9
11/30/98	2,075,289	1,165,385	57.25	8
12/02/97	1,817,689	1,448,156	63.50	7
12/03/96	1,530,966	1,530,996	50.00	6
1/09/96	1,194,014	1,194,014	44.00	5
1/04/95	669,811	669,811	34.75	4
All other	1,720,685	1,217,660	37.50	2

The 1,720,685 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 $33.91. 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.

Weighted average option exercise price information follows:

	2000	1999	1998
Outstanding at January 1	$45.63	$50.27	$46.86
Granted during the year	17.68	32.00	57.25
Exercised during the year	16.59	23.71	37.77
Outstanding at December 31	35.54	45.63	50.27
Exercisable at December 31	47.48	47.55	43.56

Forfeitures and cancellations were insignificant.

Weighted average fair values at date of grant for grants in 2000, 1999 and 1998 follow:

	2000	1999	1998
Options	$ 6.58	$12.85	$18.76
Performance units	19.00	51.62	57.25

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

	2000	1999	1998
Expected life (years)	5	5	5
Interest rate	5.44%	5.97%	4.51%
Volatility	30.5	33.4	26.9
Dividend yield	2.81	2.12	1.92

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)	2000	1999	1998
Pretax income	$ .2	$(12.4)	$ 5.0
Net income	.1	(7.7)	3.1
Net income per share	—	(.05)	.02

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.

(In millions, except per share)	2000	1999	1998
Pretax income	$33.9	$30.3	$26.7
Net income	25.3	23.2	22.5
Net income per share	.16	.15	.14

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:

	2000	1999	1998
Average shares outstanding—basic	156,840,646	156,182,004	156,570,476
Stock options	213,443	758,437	1,484,463
Performance units	—	98,230	252,273
1.2% Convertible Note Payable	1,710,837	1,900,928	—
Average shares outstanding—diluted	158,764,926	158,939,599	158,307,212

NOTE 13

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 2000, 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, $10,500) at the rate of 50%. Company contributions were $41.4 million, $43.0 million and $42.8 million for 2000, 1999 and 1998, respectively. A defined contributed pension plan for certain foreign associates was established July 1, 1999. Company contributions were $.1 million in 2000 and $2.4 million in 1999.

NOTE 14

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)	2000	1999	1998
Service cost—benefits earned during the period	$ 19.5	$ 21.5	$ 20.5
Interest cost	164.2	145.6	152.2
Amortization of unrecognized:			
—net losses	14.7	9.0	8.9
—prior service cost	(2.2)	(2.3)	(3.9)
	$196.2	$173.8	$177.7

The Company recognized a curtailment loss of $3.7 million and a special termination loss of $1.4 million in 2000. During 1998, the Company recognized a curtailment gain of $.3 million. Refer to Note 3.

The following table sets forth changes in the accumulated benefit obligation and amounts recognized on the Company's Consolidated Balance Sheet at December 31, 2000 and 1999:

(In millions)	2000	1999
Accumulated benefit obligation:		
Beginning balance	$(2,124.3)	$(2,173.3)
Service cost—benefits earned	(19.5)	(21.5)
Interest cost	(164.2)	(145.6)
Plan amendments	(3.0)	(.5)
Actuarial gain (loss)	(75.4)	158.7
Acquisitions	—	(154.8)
Foreign currency translation	7.5	4.9
Curtailments	(3.1)	—
Associate contributions	(2.2)	(1.8)
Benefit payments	230.5	209.6
Ending balance	(2,153.7)	(2,124.3)
Unrecognized net loss	313.5	255.3
Unrecognized prior service cost	(23.1)	(27.4)
Accrued benefit liability recognized on the Consolidated Balance Sheet	$(1,863.3)	$(1,896.4)

Of the accrued benefit liability recognized, $222.0 million and $168.0 million was included in current liabilities at December 31, 2000 and 1999, respectively.

The following table presents significant assumptions used:

	U.S.	International
2000		
Discount rate	8.0%	7.7%
Rate of increase in compensation levels	4.0	4.6
1999		
Discount rate	7.5%	8.3%
Rate of increase in compensation levels	4.0	5.4
1998		
Discount rate	7.0%	7.6%
Rate of increase in compensation levels	4.0	5.8

A 7.25% annual rate of increase in the cost of health care benefits for retirees under age 65 and a 5.0% annual rate of increase for retirees 65 years and older is assumed in 2001. 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, 2000 and the aggregate service and interest cost for the year then ended as follows:

(In millions)	1% Increase	1% Decrease
Accumulated benefit obligation	$19.9	$(19.1)
Aggregate service and interest cost	2.3	(2.1)

NOTE 15

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.

Net periodic pension cost follows:

(In millions)	2000	1999	1998
Service cost-benefits earned during the period	$119.6	$ 118.0	$ 104.4
Interest cost on projected benefit obligation	353.0	314.6	280.4
Expected return on plan assets	(470.7)	(389.2)	(334.2)
Amortization of unrecognized:			
—prior service cost	69.1	65.9	66.9
—net (gains) losses	(7.1)	14.2	6.9
—transition amount	.4	.3	1.2
	$ 64.3	$ 123.8	$ 125.6

The Company recognized a settlement loss of $1.4 million, a curtailment loss of $1.5 million and a special termination loss of $6.4 million during 2000. During 1999, the Company recognized a settlement gain of $12.5 million and a curtailment loss of $6.2 million. During 1998, the Company recognized a settlement loss of $6.6 million. 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, 2000 and 1999. At the end of 2000 and 1999, 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)	2000	1999
Projected benefit obligation:		
Beginning balance	$(4,878.1)	$(4,154.8)
Service cost—benefits earned	(119.6)	(118.0)
Interest cost	(353.0)	(314.6)
Plan amendments	(248.6)	(.6)
Actuarial loss	153.8	(5.8)
Associate contributions	(23.6)	(23.4)
Acquisitions	—	(626.1)
Curtailments / settlements	6.7	6.3
Foreign currency translation	78.7	76.9
Benefit payments	332.3	282.0
Ending balance	(5,051.4)	(4,878.1)
Plan assets	4,749.6	5,178.9
Projected benefit obligation in excess of plan assets	(301.8)	300.8
Unrecognized prior service cost	645.7	475.1
Unrecognized net gain	(10.2)	(440.6)
Unrecognized net obligation at transition	6.7	8.0
Net benefit cost recognized on the Consolidated Balance Sheet	$ 340.4	$ 343.3

The following table presents significant assumptions used:

	U.S.	International
2000		
Discount rate	8.0%	6.7%
Rate of increase in compensation levels	4.0	3.6
Expected long term rate of return on plan assets	9.5	8.6
1999		
Discount rate	7.5%	6.8%
Rate of increase in compensation levels	4.3	3.9
Expected long term rate of return on plan assets	9.5	8.8
1998		
Discount rate	7.0%	6.6%
Rate of increase in compensation levels	4.0	3.8
Expected long term rate of return on plan assets	9.5	8.7

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

(In millions)	2000	1999
Prepaid benefit cost		
—current	$ 92.0	$ 18.0
—long term	549.5	598.6
Accrued benefit cost		
—current	(72.7)	(63.1)
—long term	(521.5)	(242.6)
Intangible asset	259.4	8.9
Deferred income taxes	11.8	8.3
Accumulated other comprehensive income	21.9	15.2
Net benefit cost recognized on the Consolidated Balance Sheet	$340.4	$ 343.3

The following table presents changes in plan assets:

(In millions)	2000	1999
Beginning balance	$5,178.9	$3,931.2
Actual return on plan assets	(117.2)	831.4
Company contributions	81.0	120.0
Associate contributions	23.6	23.4
Acquisitions	—	601.1
Settlements	(7.8)	(12.5)
Foreign currency translation	(76.6)	(33.7)
Benefit payments	(332.3)	(282.0)
Ending balance	$4,749.6	$5,178.9

For plans that are not fully funded:

(In millions)	2000	1999
Accumulated benefit obligation	$2,487.1	$364.3
Plan assets	2,239.9	65.3

Certain international subsidiaries maintain unfunded plans consistent with local practices and requirements. At December 31, 2000, these plans accounted for $167.7 million of the Company's accumulated benefit obligation, $177.4 million of its projected benefit obligation and $16.7 million of its minimum pension liability adjustment ($170.6 million, $173.3 million and $13.4 million, respectively, at December 31, 1999).

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)	2000	1999	1998
U.S.	$(142.3)	$ (69.5)	$ 335.4
Foreign	201.1	369.6	595.0
	58.8	300.1	930.4
Minority Interest in Net Income of Subsidiaries	33.5	40.3	31.5
	$ 92.3	$ 340.4	$ 961.9

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

(Dollars in millions)	2000	1999	1998
U.S. Federal income tax at the statutory rate of 35%	$32.3	$119.2	$336.6
Adjustment for foreign income taxed at different rates	(26.0)	(17.7)	(54.3)
Gain on formation of Goodyear Dunlop Tires Europe B.V.	—	(56.9)	—
State income taxes, net of Federal benefit	(7.4)	(12.7)	9.0
Foreign operating loss with no tax benefit provided	24.8	24.0	—
Other	(5.2)	1.0	(33.1)
United States and Foreign Taxes on Income	$18.5	$ 56.9	$258.2
Effective tax rate	20.0%	16.7%	26.8%

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

(In millions)	2000	1999	1998
Current:			
Federal	$ 2.3	$ 40.7	$(27.2)
Foreign income and withholding taxes	151.4	157.4	161.0
State	3.7	(0.2)	7.0
	$157.4	$197.9	$140.8
Deferred:			
Federal	(101.4)	(128.5)	64.0
Foreign	(22.6)	6.6	46.6
State	(14.9)	(19.1)	6.8
	(138.9)	(141.0)	117.4
United States and Foreign Taxes on Income	$ 18.5	$ 56.9	$258.2

Temporary differences and carryforwards giving rise to deferred tax assets and liabilities at December 31, 2000 and 1999 follow:

(In millions)	2000	1999
Postretirement benefits other than pensions	$ 674.6	$ 695.7
Vacation and sick pay	71.0	74.0
Accrued expenses deductible as paid	102.7	106.3
Tax credit and operating loss carryforwards	208.4	185.5
Capitalized expenditures for tax reporting	199.9	123.0
Rationalizations and other provisions	37.2	48.9
Alternative minimum tax credit carryforwards	46.7	27.0
Other	59.7	34.6
	1,400.2	1,295.0
Valuation allowance	(224.3)	(163.9)
Total deferred tax assets	1,175.9	1,131.1
Total deferred tax liabilities		
—property basis differences	(499.3)	(558.7)
—inventory	(92.3)	(107.5)
—pensions	(157.8)	(210.3)
Total deferred taxes	$ 426.5	$ 254.6

At December 31, 2000, the Company had tax credit carryforwards of $69.1 million and $139.3 million of tax assets on foreign net operating loss carryforwards, some of which are subject to expiration beginning in 2001. At December 31, 2000, the Company had recorded valuation allowances totaling $224.3 million against these and other deferred tax assets where recovery of the asset or carryforward is uncertain.

The Company made net cash payments for income taxes in 2000, 1999 and 1998 of $152.7 million, $204.0 million and $230.7 million, respectively.

No provision for Federal income tax or foreign withholding tax on retained earnings of international subsidiaries of $1.64 billion 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.

NOTE 17

INTEREST EXPENSE

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

(In millions)	2000	1999	1998
Interest expense before capitalization	$294.6	$191.2	$154.4
Capitalized interest	(12.0)	(11.8)	(6.6)
	$282.6	$179.4	$147.8

The Company made cash payments for interest in 2000, 1999 and 1998 of $261.0 million, $192.8 million and $143.8 million, respectively.

NOTE 18

RESEARCH AND DEVELOPMENT

Research and development costs for 2000, 1999 and 1998 were $423.1 million, $438.0 million and $420.7 million, respectively.

NOTE 19

ADVERTISING COSTS

Advertising costs for 2000, 1999 and 1998 were $239.9 million, $238.2 million and $233.4 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.

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 and Chief Executive Officer.

Each of the five regional tire business segments is involved in 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, South Africa, Turkey, Morocco and the Czech Republic.

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, and other products for internal and external customers worldwide. Chemical Products also engages in plantation and natural rubber purchasing operations.

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

(In millions)	2000	1999	1998
Sales			
North American Tire	$ 7,111.3	$ 6,648.6	$ 6,507.9
European Union Tire	3,198.1	2,642.7	2,139.8
Eastern Europe, Africa and Middle East Tire	793.0	812.9	867.4
Latin American Tire	1,047.9	948.1	1,269.8
Asia Tire	524.6	593.2	519.3
Total Tires	12,674.9	11,645.5	11,304.2
Engineered Products	1,174.2	1,234.8	1,301.8
Chemical Products	1,129.7	949.8	993.0
Total Segment Sales	14,978.8	13,830.1	13,599.0
Inter-SBU sales	(567.1)	(482.8)	(524.3)
Other	5.4	8.1	6.9
Net Sales	$14,417.1	$13,355.4	$13,081.6
Income			
North American Tire	$ 260.7	$ 26.3	$ 314.2
European Union Tire	88.7	188.0	199.7
Eastern Europe, Africa and Middle East Tire	54.6	49.8	102.4
Latin American Tire	69.8	67.7	186.1
Asia Tire	17.9	26.0	7.5
Total Tires	491.7	357.8	809.9
Engineered Products	43.1	70.4	111.7
Chemical Products	64.2	116.4	132.7
Total Segment Income (EBIT)	599.0	544.6	1,054.3
Rationalizations, asset sales and other provisions	(119.1)	(4.9)	137.6
Interest expense	(282.6)	(179.4)	(147.8)
Foreign currency exchange	6.7	27.6	2.6
Minority interest in net income of subsidiaries	(33.5)	(40.3)	(31.5)
Inter-SBU income	(28.8)	(49.6)	(61.1)
Other	(82.9)	2.1	(23.7)
Income from Continuing Operations before Income Taxes	$ 58.8	$ 300.1	$ 930.4
Assets			
North American Tire	$ 5,268.5	$ 5,046.6	$ 4,136.7
European Union Tire	3,088.1	3,336.1	1,690.0
Eastern Europe, Africa and Middle East Tire	903.6	897.1	898.1
Latin American Tire	796.5	820.7	993.8
Asia Tire	668.5	725.5	744.0
Total Tires	10,725.2	10,826.0	8,462.6
Engineered Products	736.8	712.4	717.5
Chemical Products	742.9	689.6	625.1
Total Segment Assets	12,204.9	12,228.0	9,805.2
Corporate	1,363.1	1,050.1	957.5
Assets	$13,568.0	$13,278.1	$10,762.7

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, selling, administrative and general expense (including allocated central administrative expenses) and equity in earnings of affiliated companies. 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.

(In millions)	2000	1999	1998
Capital Expenditures			
North American Tire	$235.4	$372.8	$325.7
European Union Tire	94.0	106.2	73.9
Eastern Europe, Africa and Middle East Tire	43.4	46.9	95.7
Latin American Tire	36.6	50.6	67.7
Asia Tire	35.3	38.0	55.2
Total Tires	444.7	614.5	618.2
Engineered Products	36.7	54.6	49.6
Chemical Products	76.7	90.4	95.2
Total Segment Capital Expenditures	558.1	759.5	763.0
Corporate	56.4	45.5	75.4
Capital Expenditures	$614.5	$805.0	$838.4
Depreciation and Amortization			
North American Tire	$270.0	$219.7	$216.7
European Union Tire	111.7	91.8	50.5
Eastern Europe, Africa and Middle East Tire	49.3	48.6	46.5
Latin American Tire	35.9	34.2	38.9
Asia Tire	38.2	40.5	29.1
Total Tires	505.1	434.8	381.7
Engineered Products	34.4	44.2	33.1
Chemical Products	39.4	35.8	34.4
Total Segment Depreciation and Amortization	578.9	514.8	449.2
Corporate	51.4	66.9	56.7
Depreciation and Amortization	$630.3	$581.7	$505.9

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)	2000	1999	1998
Rationalizations			
North American Tire	$ (.7)	$ 71.5	$ (7.7)
European Union Tire	23.3	2.8	—
Eastern Europe, Africa and Middle East Tire	9.6	.3	—
Latin American Tire	65.7	77.3	—
Asia Tire	3.3	1.5	—
Total Tires	101.2	153.4	(7.7)
Engineered Products	3.8	8.8	—
Chemical Products	—	2.5	—
Total Segments	105.0	164.7	(7.7)
Corporate	19.1	6.9	(22.0)
Rationalizations	$124.1	$ 171.6	$ (29.7)
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	(5.0)	—	10.7
Asia Tire	—	—	(10.1)
Total Tires	(5.0)	(149.7)	(47.6)
Engineered Products	—	—	1.2
Chemical Products	—	(17.0)	(61.5)
Total Segments	(5.0)	(166.7)	(107.9)
Corporate	32.8	19.6	31.4
Other (Income) and Expense	$ 27.8	$(147.1)	$ (76.5)

SPT operating loss in 2000 did not include rationalization charges totaling $32.2 million.

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), a tire manufacturer 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)	2000	1999	1998
Net Sales			
Asia Tire Segment	$ 524.6	$ 593.2	$ 519.3
SPT	563.6	674.5	654.0
	$1,088.2	$1,267.7	$1,173.3
Operating Income (Loss)			
Asia Tire Segment	$ 17.9	$ 26.0	$ 7.5
SPT	(11.1)	31.2	47.2
	$ 6.8	$ 57.2	$ 54.7

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)	2000	1999	1998
Net Sales			
United States	$ 7,611.1	$ 7,136.6	$ 7,093.5
International	6,806.0	6,218.8	5,988.1
	$14,417.1	$13,355.4	$13,081.6
Long-Lived Assets			
United States	$ 4,188.5	$ 4,080.1	$ 2,750.6
International	3,166.3	3,290.2	2,649.5
	$ 7,354.8	$ 7,370.3	$ 5,400.1

NOTE 21

ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of Accumulated Other Comprehensive Income follow:

(In millions)	2000	1999
Foreign currency translation adjustment	$(1,273.9)	$(1,072.2)
Minimum pension liability adjustment	(21.9)	(15.2)
Unrealized investment loss	(10.0)	(12.8)
	$(1,305.8)	$(1,100.2)

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:

(In millions, except per share)	Year Ended December 31, 1998
Net Sales	$ 22.4
Income before Income Taxes	$ 12.9
United States Taxes on Income	4.7
Income from Discontinued Operations	8.2
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)
Income (Loss) Per Share—Basic:	
Income from Discontinued Operations	$ .05
Loss on Sale of Discontinued Operations	(.27)
Discontinued Operations	$ (.22)
Income (Loss) Per Share—Diluted:	
Income from Discontinued Operations	$ .05
Loss on Sale of Discontinued Operations	(.27)
Discontinued Operations	$ (.22)

NOTE 23

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2000, the Company had binding commitments for investments in land, buildings and equipment of $177.1 million and off-balance-sheet financial guarantees written and other commitments totaling $138.8 million.

At December 31, 2000, the Company had recorded liabilities aggregating $78.3 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, 2000, the Company had recorded liabilities aggregating $96.1 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, 2000 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) 2000		Quarter First	Second	Third	Fourth	Year
Net Sales		$3,664.1	$3,607.3	$3,619.3	$ 3,526.4	$14,417.1
Gross Profit		730.1	756.7	650.5	642.5	2,779.8
Net Income (Loss)		$ 48.2	$ 77.1	$ 17.0	$ (102.0)	$ 40.3
Net Income (Loss) Per Share	—Basic	$ .31	$ .49	$ .11	$ (.65)	$ .26
	—Diluted	.30	.49	.11	(.65)	.25
Average Shares Outstanding	—Basic	156.3	156.4	157.0	157.6	156.8
	—Diluted	158.7	158.7	158.2	157.6	158.8
Price Range of Common Stock:*						
High		$ 29 1/8	$ 31 5/8	$ 26 3/4	$ 24.09	$ 31 5/8
Low		20 3/8	19 3/4	17 1/4	15.60	15.60
Dividends Per Share		$ .30	$ .30	$ .30	$ .30	$ 1.20

The second quarter included a net after-tax charge of $5.2 million or $.03 per share for rationalizations. The third quarter included an after-tax gain of $3.2 million or $.02 per share from asset sales and an after-tax charge of $1.2 million or $.01 per share for rationalizations. The fourth quarter included an after-tax charge of $93.7 million or $.59 per share for rationalizations.

(In millions, except per share) 1999		Quarter First	Second	Third	Fourth	Year
Net Sales		$3,099.1	$3,162.8	$3,416.4	$ 3,677.1	$13,355.4
Gross Profit		655.4	639.1	505.7	722.9	2,523.1
Net Income		$ 23.9	$ 83.1	$ 99.2	$ 37.0	$ 243.2
Net Income Per Share	—Basic	$ .15	$ .54	$ .63	$ .23	$ 1.55
	—Diluted	.15	.52	.63	.23	1.53
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.

Per share amounts of unusual items are diluted.

During the fourth quarter of 2000, the Company 1) changed its inventory costing method from LIFO to FIFO and 2) began reporting expenses for transportation of products to customers as Cost of Goods Sold. Prior periods have been restated. Refer to Notes 1 and 7.

*New York Stock Exchange—Composite Transactions

Comparison With Prior Years

(Dollars in millions, except per share)	2000	1999	1998	1997	1996
Financial Results					
Net Sales	$14,417.1	$13,355.4	$13,081.6	$13,502.0	$13,400.7
Income from Continuing Operations – reported	40.3	241.1	717.0	522.4	558.5
Change in inventory costing method	—	2.1	(44.8)	(25.0)	(5.3)
Income from Continuing Operations – restated	40.3	243.2	672.2	497.4	553.2
Discontinued Operations	—	—	(34.7)	36.3	(456.8)
Net Income – restated	40.3	243.2	637.5	533.7	96.4
Per Share of Common Stock – Basic:					
Income from Continuing Operations – reported	.26	1.54	4.58	3.34	3.60
Change in inventory costing method	—	.01	(.29)	(.16)	(.04)
Income from Continuing Operations – restated	.26	1.55	4.29	3.18	3.56
Discontinued Operations	—	—	(.22)	.24	(2.94)
Net Income – restated	.26	1.55	4.07	3.42	.62
Average Shares Outstanding– Basic	156,840,646	156,182,004	156,570,476	156,225,112	155,051,802
Per Share of Common Stock – Diluted:					
Income from Continuing Operations – reported	$ .25	$ 1.52	$ 4.53	$ 3.30	$ 3.56
Change in inventory costing method	—	.01	(.28)	(.16)	(.03)
Income from Continuing Operations – restated	.25	1.53	4.25	3.14	3.53
Discontinued Operations	—	—	(.22)	.23	(2.91)
Net Income – restated	.25	1.53	4.03	3.37	.62
Average Shares Outstanding–Diluted	158,764,926	158,939,599	158,307,212	158,169,534	156,778,058
Cash Dividends	$ 1.20	$ 1.20	$ 1.20	$ 1.14	$ 1.03
Financial Position					
Assets	$13,568.0	$13,278.1	$10,762.7	$10,135.6	$ 9,915.0
Properties and Plants–Net	5,521.0	5,761.0	4,358.5	4,149.7	4,067.9
Depreciation	593.6	557.6	487.8	453.9	419.9
Capital Expenditures	614.5	805.0	838.4	699.0	617.5
Long Term Debt	2,349.6	2,347.9	1,186.5	844.5	1,132.2
Shareholders' Equity	3,503.0	3,792.6	3,919.2	3,613.7	3,522.3
Other Information					
Shareholders of Record	28,778	28,163	28,348	29,198	30,432
Price Range of Common Stock:*					
High	$ 31 5/8	$ 66 3/4	$ 76 3/4	$ 71 1/4	$ 53
Low	15.60	25 1/2	45 7/8	49 1/4	41 1/2
Average Number of Associates	106,724	100,649	96,950	95,472	91,310

During 2000, the Company changed its inventory costing method from LIFO to FIFO. Prior periods have been restated. Refer to Note 7.

During 2000, the Company began reporting expenses for transportation of products to customers as Cost of Goods Sold. Prior periods have been restated. Refer to Note 1.

2000 included a net after-tax charge of $96.9 million or $.61 per share for rationalizations and asset sales.

1999 included a net after-tax benefit of $22.3 million or $.13 per share for rationalizations 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 of America. 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 and Chief Executive Officer

Robert W. Tieken
Executive Vice President and Chief Financial Officer

Report of Independent Accountants

PricewaterhouseCoopers

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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

As discussed in Note 7 to the consolidated financial statements, the Company changed its method of accounting for domestic inventories in 2000.

PricewaterhouseCoopers LLP

Cleveland, Ohio
February 5, 2001

Board of Directors and Officers

Board of Directors

John G. Breen, 66
Retired Chairman of the Board,
The Sherwin-Williams Company
Elected 1992 [1, 2]

William E. Butler, 69
Retired Chairman of the Board & Chief Executive Officer, Eaton Corporation
Elected 1995 [1, 3]

Thomas H. Cruikshank, 69
Retired Chairman of the Board & Chief Executive Officer, Halliburton Company
Elected 1986 [1, 3]

Katherine G. Farley, 51
Senior Managing Director,
Tishman Speyer Properties Inc.
Elected 1998 [1, 2]

Edward T. Fogarty, 64
Retired Chairman of the Board, President & Chief Executive Officer, Tambrands Inc.
Elected 2000 [3, 4]

Samir G. Gibara, 61
Chairman of the Board & Chief Executive Officer, The Goodyear Tire & Rubber Company
Elected 1995 [4]

William J. Hudson Jr., 66
Retired Vice Chairman of the Board,
AMP Incorporated
Elected 1995 [1, 2, 4]

Robert J. Keegan, 53
President & Chief Operating Officer,
The Goodyear Tire & Rubber Company
Elected 2000

Steven A. Minter, 62
Executive Director & President,
The Cleveland Foundation
Elected 1985 [2, 3, 4]

Agnar Pytte, 68
Retired President,
Case Western Reserve University
Elected 1988 [2, 3, 4]

George H. Schofield, 71
Retired Chairman of the Board,
Zurn Industries Inc.
Elected 1991 [1, 4]

William C. Turner, 71
Chairman of the Board and Director,
Argyle Atlantic Corporation
Elected 1978 [3, 4]

Martin D. Walker, 68
Retired Chairman of the Board &
Chief Executive Officer,
M.A. Hanna Company
Elected 1997 [2, 3, 4]

Corporate Officers

Samir G. Gibara, 61*
Chairman of the Board &
Chief Executive Officer
34 years of service, officer since 1992

Robert J. Keegan, 53*
President & Chief Operating Officer
Six months of service, officer since 2000

Robert W. Tieken, 61
Executive Vice President &
Chief Financial Officer
Seven years of service, officer since 1994

Senior Vice Presidents

Vernon L. Dunckel, 62
Global Product Supply
39 years of service, officer since 1999

W. James Fish, 57
Global Human Resources
One year of service, officer since 2000

Joseph M. Gingo, 56
Technology & Global Products Planning
34 years of service, officer since 1996

C. Thomas Harvie, 57
General Counsel & Secretary
Six years of service, officer since 1995

John P. Perduyn, 61
Global Communications
35 years of service, officer since 1989

Clark E. Sprang, 58
Business Development & Integration
34 years of service, officer since 1996

Vice Presidents

Eric A. Berg, 38
Information Technology &
Chief Information Officer
One year of service, officer since 2000

Stephanie W. Bergeron, 47
Treasurer
Two years of service, officer since 1999

Donald D. Harper, 54
Human Resources Planning,
Development & Change
32 years of service, officer since 1998

William M. Hopkins, 56
Global Products Marketing &
Technology Planning
33 years of service, officer since 1998

Richard J. Kramer, 37
Corporate Finance
One year of service, officer since 2000

Gary A. Miller, 54
Purchasing
33 years of service, officer since 1992

Bertram B. Bell, 49
Assistant Secretary & Associate General Counsel
18 years of service, officer since 2000

Patricia A. Kemph, 60
Assistant Secretary
36 years of service, officer since 1984

Anthony E. Miller, 49
Assistant Secretary & Associate General Counsel
14 years of service, officer since 2000

Business Officers

Chris W. Clark, 49
President, Latin America Region
27 years of service, officer since 2000

Ottavio J. Mallamaci, 58
President, Engineered Products
31 years of service, officer since 2000

Hugh D. Pace, 48
President, Asia Region
25 years of service, officer since 1998

John C. Polhemus, 56
President, North American Tire
31 years of service, officer since 1996

Michael J. Roney, 46
President, Eastern Europe,
Africa & Middle East Region
19 years of service, officer since 1999

Tim R. Toppen, 45
President, Chemical Division
22 years of service, officer since 2000

Sylvain G. Valensi, 58
President, European Union Region
35 years of service, officer since 1996

John W. Richardson, 55
Vice President, Finance,
North American Tire
33 years of service, officer since 1996

[1] Audit Committee
[2] Compensation Committee
[3] Committee on Corporate Responsibility
[4] Nominating and Board Governance Committee

* Also a director

Goodyear Worldwide

NORTH AMERICA

United States

Akron, Ohio: *World Headquarters, technical center, racing 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, technical center*
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, technical center*
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*

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*

United Kingdom

Birmingham: *Racing tires*
Washington: *Tires*
Wolverhampton: *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*
Osasco: *Hose products*
Santa Barbara: *Tread rubber*
Sao Paulo: *Tires, 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*

Malaysia

Kuala Lumpur: *Tires*

New Zealand

Upper Hutt: *Tires**

Philippines

Las Pinas: *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**

*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 15, 2001, there were 28,604 shareholders of record of Goodyear common stock. The closing price of Goodyear common stock on the NYSE composite transactions tape on February 15, 2001, was $25.24.

Annual Meeting

10 a.m., Monday, April 2, 2001, at the Corporate Offices.

Shareholder Inquiries

Transfer Agent and Registrar:
First Chicago Trust Company, a division of EquiServe
P.O. Box 2500
Jersey City, NJ 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
(330) 796-8576
E-mail: goodyear.investor.relations@goodyear.com

Publications

The Company's Form 10-K Annual Report to the Securities and Exchange Commission for 2000 will be available in March. The Form 10-Q Quarterly Reports to the Securities and Exchange Commission during 2001 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 2000 Annual Report is available for visually impaired shareholders by contacting Goodyear Investor Relations at (330) 796-7142.

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 division of EquiServe
P. O. Box 2598
Jersey City, NJ 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.

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

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be tire smart

play your PART

PRESSURE • ALIGNMENT • ROTATION • TREAD

Pressure — It is important to have the proper air pressure in your tires, as underinflation is the leading cause of tire failure. It results in tire stress and irregular wear.

The correct amount of air for your tires is specified by the vehicle manufacturer and shown on the vehicle door edge, door post, glove box door or fuel door. It is also listed in the owner's manual.

Check your tires' air pressure at least once a month. This should be done when your tires have not been driven a distance and are still cold.

Alignment — Misalignment of wheels on the front or rear of your vehicle can be caused by hitting a curb or pothole. It can result in uneven and rapid treadwear.

Have your vehicle's alignment checked periodically as specified in the owner's manual or whenever you have an indication of trouble such as pulling or vibration.

Also, have your tire balance checked periodically. An unbalanced tire and wheel assembly may result in irregular wear.

Rotation — Sometimes irregular tire wear can be corrected by rotating your tires. Consult your vehicle's owner's manual, the tire manufacturer or your tire retailer for the appropriate rotation pattern for your vehicle.

If your tires show uneven wear, ask your tire retailer to check for and correct any misalignment, imbalance or other mechanical problem involved before rotation.

Tires should be rotated at least every 6,000 miles.

Tread — Tires must be replaced when the tread is worn down to one-sixteenth of an inch in order to prevent skidding and hydroplaning. When built-in treadwear indicators – which look like narrow strips of smooth rubber across the tread – appear, the tread is worn out and should be replaced.

More Information — For more information about tire safety, visit the Rubber Manufacturers Association's Web site at www.rma.org/tiresafety or Goodyear's at www.goodyear.com/us/tire_school.

GOODYEAR

AKRON, OHIO

WWW.GOODYEAR.COM

700-862-928-67300