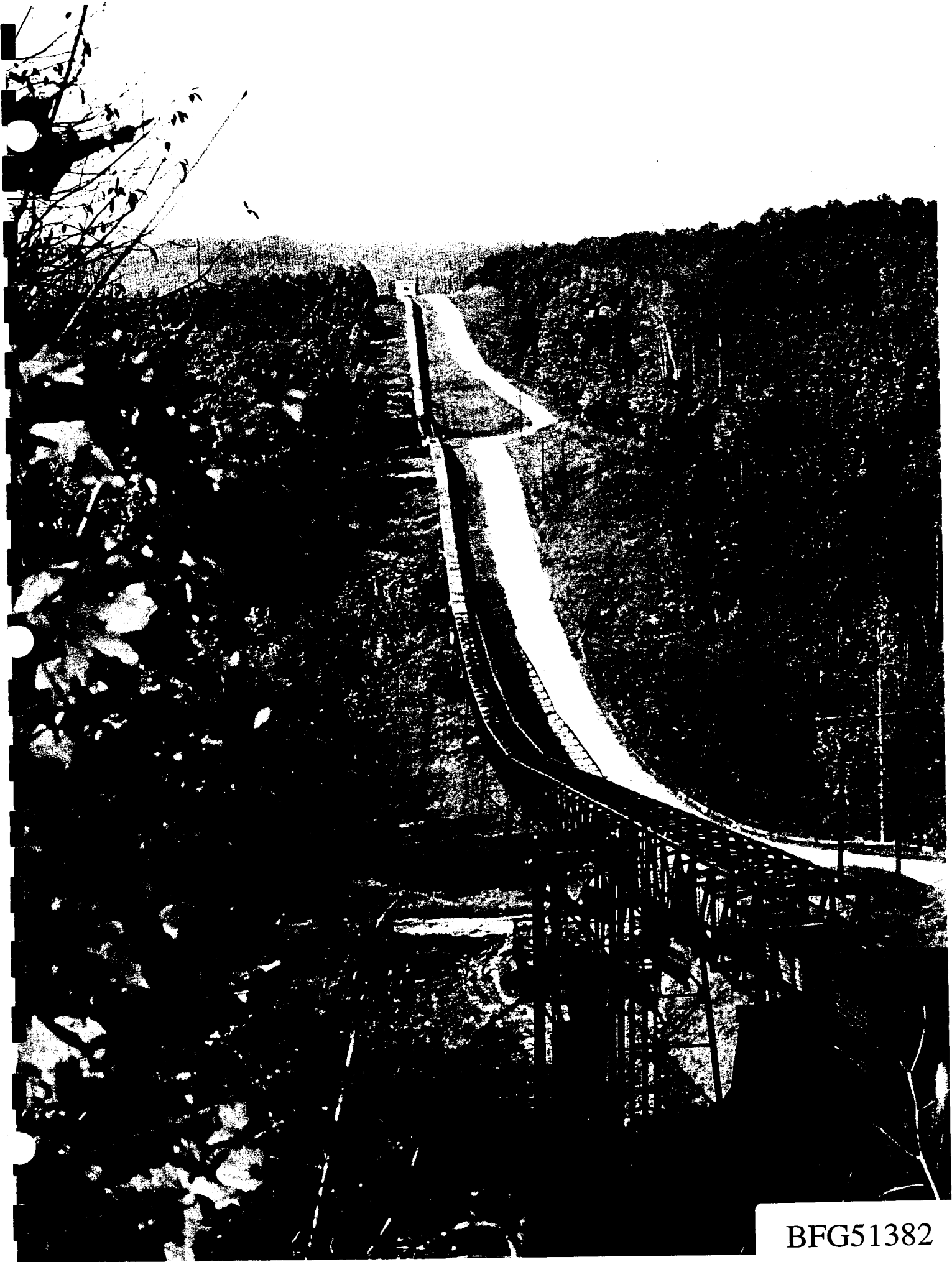


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ABOUT THE COVER

The Company's new Lifesaver Radial Steel R/S tire for passenger cars will be marketed nationwide in 1972. Its unique "Cushioned Steel" construction, featuring a durable belt of wire cushioned between two double textile belts, provides excellent performance and riding comfort. (For more information about this tire, see page 5 in this report.)

The special construction of radial tires gives them superiority over all other passenger tires. Radials have two or more sidewall plies running radially across the tire from bead to bead at a right angle to the direction of travel. These plies are placed one on top of the other instead of crisscrossing as do the body plies in bias-ply and bias-belted tires. This prevents the radial plies from rubbing against one another in use, thus reducing friction, heat buildup and cord wear. This arch-like ply construction also allows much more vertical flexibility in the sidewall than is possible with other constructions, enabling the radial to absorb road shocks better.

Unlike bias-ply tires, radials have a belt of textile or wire running circumferentially around the tire directly beneath the tread to form a rigid belt around the inner body of the tire, like a hoop. The inextensible radial belt is so constructed that it holds the tread more rigid than even the belt on a bias-belted tire. This reduces the scrubbing action of the radial's tread against the road—the cause of rapid wear in other tires—to a point where it is negligible.

By stabilizing the radial's tread, the belt also keeps more tread on the road, creating a larger "footprint" and making the tread more effective in applying traction, skid resistance and braking force. The radial rolls more easily, resulting in increased tread mileage and less fuel consumption.

The combination of the rigid belt and flexible sidewalls is responsible for the superior handling characteristics of radial tires. In cornering or rounding a curve, the sidewall of the tire yields in the direction of force while the belt holds the tread firmly, with a minimal amount of distortion, on the road.

Autumn splendor of southeastern Ohio hills is the setting for B.F. Goodrich conveyor belting as it journeys four and a half miles between a surface mine and the Ohio Power Company plant at Beverly to carry 1,100 tons of coal an hour to the 1,430,000-kilowatt plant on the Muskingum river.

Financial Highlights

	1971	1970*
NET SALES — CONTINUING OPERATIONS	\$1,236,735,000	\$1,133,843,000
INCOME FROM CONTINUING OPERATIONS	32,801,000	18,804,000
Per Share of Common Stock	\$2.26	\$1.29
LOSS FROM DISCONTINUED OPERATIONS	2,967,000	7,297,000
Per Share of Common Stock	\$.20	\$.50
INCOME BEFORE EXTRAORDINARY ITEMS	29,834,000	11,507,000
Per Share of Common Stock	\$2.06	\$.79
EXTRAORDINARY (LOSSES) GAINS	(28,094,000)	3,538,000
Per Share of Common Stock	\$(1.94)	\$.24
NET INCOME	1,740,000	15,045,000
Per Share of Common Stock	\$.12	\$1.03
DIVIDENDS TO STOCKHOLDERS ..	14,490,000	22,369,000
Per Share of Common Stock	\$1.00	\$1.54
NUMBER OF STOCKHOLDERS (as of Dec. 31)	34,685	36,383
DEPRECIATION AND AMORTIZATION	58,463,000	54,962,000
CAPITAL EXPENDITURES AND INVESTMENTS †	75,474,000	97,476,000
NET WORKING CAPITAL	279,102,000	333,520,000
LONG-TERM DEBT PAYABLE AFTER ONE YEAR	291,266,000	357,290,000
EMPLOYMENT COSTS (Salaries, Wages, and Employee Benefits)	462,750,000	426,382,000
NUMBER OF EMPLOYEES (as of Dec. 31)	55,806	50,571

(*) Restated for comparative purposes and to give effect to the adoption of the equity method of accounting for certain investments.

† Both years include amounts expended for the acquisition of N.V. Rubberfabriek Vredestein.

CONSOLIDATED SALES AND INCOME

Net sales from continuing operations amounted to \$1,236,735,000 compared to \$1,133,843,000 in 1970, an increase of 9.1%.

Income from continuing operations in 1971 was \$32,801,000, a 74.4% increase over 1970. Losses from discontinued operations amounted to \$2,967,000 compared to \$7,297,000 in 1970. Extraordinary losses in 1971, as explained in Note F to the financial statements, totaled \$28,094,000, net of taxes. In 1970, extraordinary gains were \$3,538,000, net of taxes. Net income was \$1,740,000 or \$.12 a share, down from \$15,045,000, or \$1.03 a share, in 1970.

Federal and foreign income taxes for the year 1971, excluding taxes relating to discontinued operations and extraordinary items, were \$28,604,000 compared to \$19,442,000 in 1970.

FINANCIAL POSITION

Current assets at the end of 1971 were \$683,980,000 and current liabilities were \$404,878,000, a ratio of 1.7 to 1.

To Stockholders:

B.F. Goodrich in 1971 improved substantially on its disappointing 1970 performance when sales and earnings were depressed by the effects of strikes and the nation's economic slowdown. The 1971 results nevertheless were far from satisfactory. Sales from continuing operations climbed 9.1% to a record \$1,236,735,000 and income before extraordinary items increased 159.3% to \$29,834,000, or \$2.06 per common share.

The Company took vital steps during the year that should result in significant improvements in its profitability and the value of your investment in B.F. Goodrich over the long term. The most important of these involved the discontinuances of several plants and products that were not profitable enough or were losing money. As we announced to our stockholders in late December, these moves led us to establish write-offs or reserves totaling \$28,094,000 after taxes, or \$1.94 a share. After these extraordinary charges, net income for 1971 was \$1,740,000, or 12 cents a share.

While this was an 88.4% reduction in net income compared with the 1970 result, the charges that caused this sharp drop should be viewed favorably from a long-range standpoint. They represent the elimination of operations and products that have seriously hindered your Company's progress. Cash from the sale of some of the properties will be used to strengthen operations that are contributing substantially more to profitability.

The elimination of the operations and products in 1971 resulted from an intensive study, begun in 1970, of all our operations to evaluate their current contributions and their potential. The findings of this study, which is continuing, led us to establish reserves in 1971 to cover further discontinuances scheduled to take place during 1972. We expect that this program of eliminating plants and products that are not sufficiently profitable will be completed by the end of 1972.

We expect that it will be 1973 before our earnings will be aided to any significant degree by the cumulative effects of these 1971 and 1972 moves. To indicate the significance of the operations discontinued or scheduled to be eliminated, in the financial statements of this report we have distinguished them from continuing operations in terms of their sales and their operating losses for 1971 and 1970.

1971 Operating Results

The Company's 1971 sales and income from operations, although much improved over the 1970 results, did not meet our expectations because of a number of factors. The slow rate of the country's economic recovery throughout the year restricted sales of some important products, especially hose, belting and other general products sold to the manufacturing sector. Earnings were hurt by the



Left to Right: J. Ward Keener, chairman; Harry B. Warner, president, and O. Pendleton Thomas, vice chairman and chief executive officer.

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limited increase in our sales and by depressed prices for chemicals, plastics and synthetic rubbers, by reduced defense spending and commercial aircraft business, which severely affected our aerospace and defense products division, and by substantial increases in inflation-related costs for employment, transportation, energy, materials and services.

Operating income was particularly hard hit in the first quarter by the sluggish economy and inflation and in the fourth quarter by the effects of the dock and coal strikes and our inability to effect price increases to sufficiently offset labor cost increases granted before the Federal Government's wage-price restrictions were instituted.

Tire Division Performs Well

The domestic tire division — the largest of the Company's operating units — has made major changes in its operations during the past two years and this program to substantially upgrade its performance has begun to show results. In 1971, the division achieved record sales and the second best operating income in its history. The division's cost controls, manufacturing efficiency and marketing effectiveness have been improved significantly.

One of the most important factors in the division's better results is the success of its line of Life-saver Radial tires for passenger cars. In 1971, these tires outsold all other domestically made radial passenger tires combined and they made a major contribution to the division's greater profitability. Last year B.F. Goodrich manufactured more than 50% of all the radials produced in America. Life-saver Radials, unsurpassed in quality by any other passenger tires, radial or otherwise, are helping the sales of the Company's complete line of tires and are dramatic proof to thousands of Americans that B.F. Goodrich continues to be committed to product excellence.

Other strong performers in 1971 were the international division and Canadian operations, both of which had record sales and profits. The acquisition in November of N.V. Rubberfabriek Vredestein, a large Dutch tire and industrial rubber products manufacturing firm, will add substantially to the international division's sales and improve the profit potential of its European operations.

In this report we present the review of 1971 operations in terms of our three major lines of business — tires and related products; chemicals, plastic materials and synthetic rubbers and other products. On page 19 we show the sales contributions of these product groups over the past five years.

Capital Spending Program

Capital expenditures for new plants and equipment and for investments were \$75,474,000 in 1971, compared with \$97,476,000 the previous year.

Both years include amounts expended for the acquisition of N.V. Rubberfabriek Vredestein. Capital spending in 1972 is expected to rise, with much of it earmarked for additional radial tire capacity to help meet growing demands. We plan to generate most of these funds from internal cash flow.

Loss of Respected Associate

The untimely death of John N. Hart, group vice president-finance, shocked and saddened his many friends and associates both within and outside the Company. He had taken early retirement for health reasons on Dec. 1, only one week before his passing. During his 26 years of service he earned wide respect for his loyalty and perseverance which enabled him to make many important contributions to the Company's growth and success.

Looking to the Future

B.F. Goodrich has the talented people, quality products, efficient plants and advanced programs needed to take advantage of the nation's improving economic conditions. Your management is determined to utilize these assets more effectively. We firmly believe that the Company's long-term prospects have been improved by the actions taken in 1971 and will be aided further by those to be effected in 1972, which will be a year of transition.

We are most appreciative of the understanding and support that the Company received from its stockholders, customers, suppliers and employees in 1971.



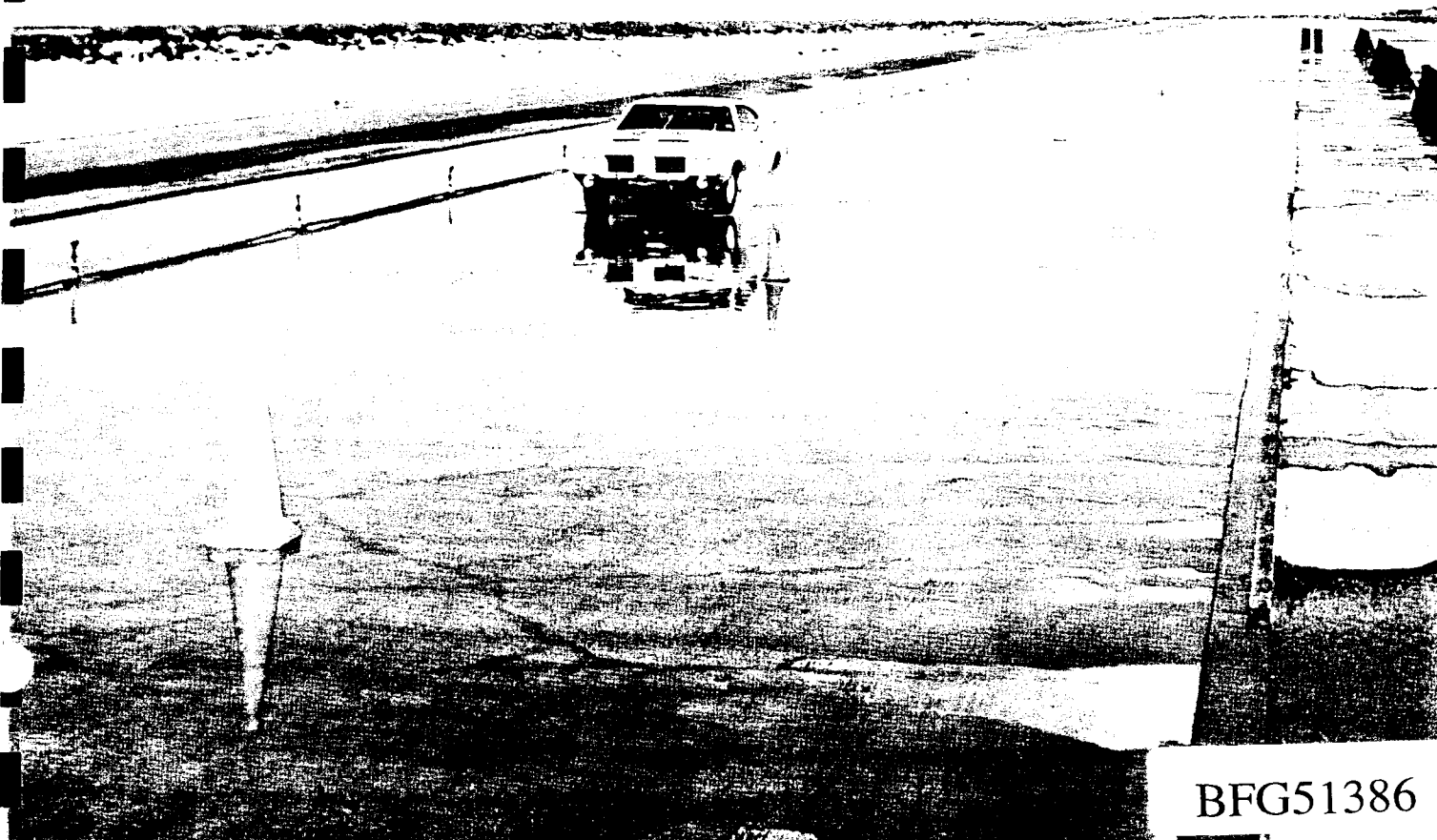
Chairman of the Board



Vice Chairman of the Board
and Chief Executive Officer



President



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Tires and Related Products



*Gerard Alexander, Group Vice President
(Tire Division and International Division)*

1971 was a year of progress for the Company's worldwide tire operations. Sales of this product group reached record highs and income from tires and related operations recovered to nearly equal the 1968 record. Major increases were achieved in production capacity for radial passenger tires and truck and off-the-road vehicle tires. A pilot plant for wire radial truck tires also was placed in operation. Significant improvements in all manufacturing plants led to improved efficiency, product uniformity and quality. The reorganization of marketing and sales groups resulted in more efficient, lower cost distribution.

Radial Tire Leadership

Radial passenger tires reached new heights of consumer acceptance in America in 1971. B.F. Goodrich has established itself as the foremost domestic developer, producer and marketer of radial tires so it is in excellent position to take advantage of the increasing public awareness of the safety and performance advantages of these tires. In 1971, the Company produced more than half of the radials made in the United States and sold more of them in this country than all other domestic radial tire producers combined. Radials, which are priced higher than other passenger tires, accounted for a sizable share of the improved

sales and earnings of the domestic tire division last year.

The interest of major American automobile producers in radial tires also is growing rapidly. In 1971, the Company began supplying its Lifesaver Radial in major quantities both as original equipment and as an option on some of the finest 1972 model cars.

The domestic tire division took important steps in 1971 to further strengthen its leadership in radial tires. It completed a major expansion of its passenger tire plant in Tuscaloosa, Ala., a large portion of which is now devoted to radials, and boosted radial output in the Los Angeles, Fort Wayne and Akron tire plants.

Broadest Line of Radials

New products introduced during the year, including new sizes of the Lifesaver Radial, gave B.F. Goodrich the broadest line of radial passenger tires in the nation and made it the first domestic manufacturer to produce radials in sizes to fit most makes of American and imported cars. The Company completed nationwide marketing of its Radial T/A, the wide 60-series version of the Lifesaver Radial which was greeted enthusiastically in the marketplace by performance car owners.

The excellent performance characteristics of the Radial T/A were proven in important racing events in which it was the only passenger tire matched against single-purpose racing tires. A B.F. Goodrich-sponsored high-performance car, equipped with Radial T/A tires, won sufficient points to qualify for the American Road Race of Champions, the premier racing event of the Sports Car Club of America (SCCA). The Radial T/A in 1971 was the only passenger tire to be approved by the SCCA for track use.

Unique Steel Radial Construction

The Company achieved another in its long list of tire "firsts" in 1971 with the development of a steel radial tire construction, called "Cushioned Steel," that could have great significance in the tire industry. B.F. Goodrich began production of the Lifesaver Radial Steel R/S, a passenger tire using the new concept involving a durable belt of wire cushioned between two double textile belts that combines the best qualities of both materials to give excellent performance and riding comfort. Extensive testing has proven the Lifesaver Radial Steel R/S to provide better tread wear, high-speed

A test of tire braking traction on a wet surface is conducted at the Automotive Proving Grounds near Pecos, Texas where B.F. Goodrich tires are evaluated continually in endurance and other performance tests.

performance, bruise resistance and riding comfort than conventionally constructed radials.

The Lifesaver Radial Steel R/S can be constructed on virtually the same equipment required for all-textile radials. Although major capital expenditures remain, the Company thus is able to save much of the capital otherwise required to convert to high-volume production of steel-belted radial tires. The Cushioned Steel construction also has application in commercial, truck and aircraft tires and certain bias-belted passenger tires.

B.F. Goodrich in 1971 increased its national advertising for radial tires on television and radio and in leading consumer magazines. This campaign helped radial tire sales dramatically and it measurably strengthened the Company's distribution through independent tire dealers.

Marketing Reorganization

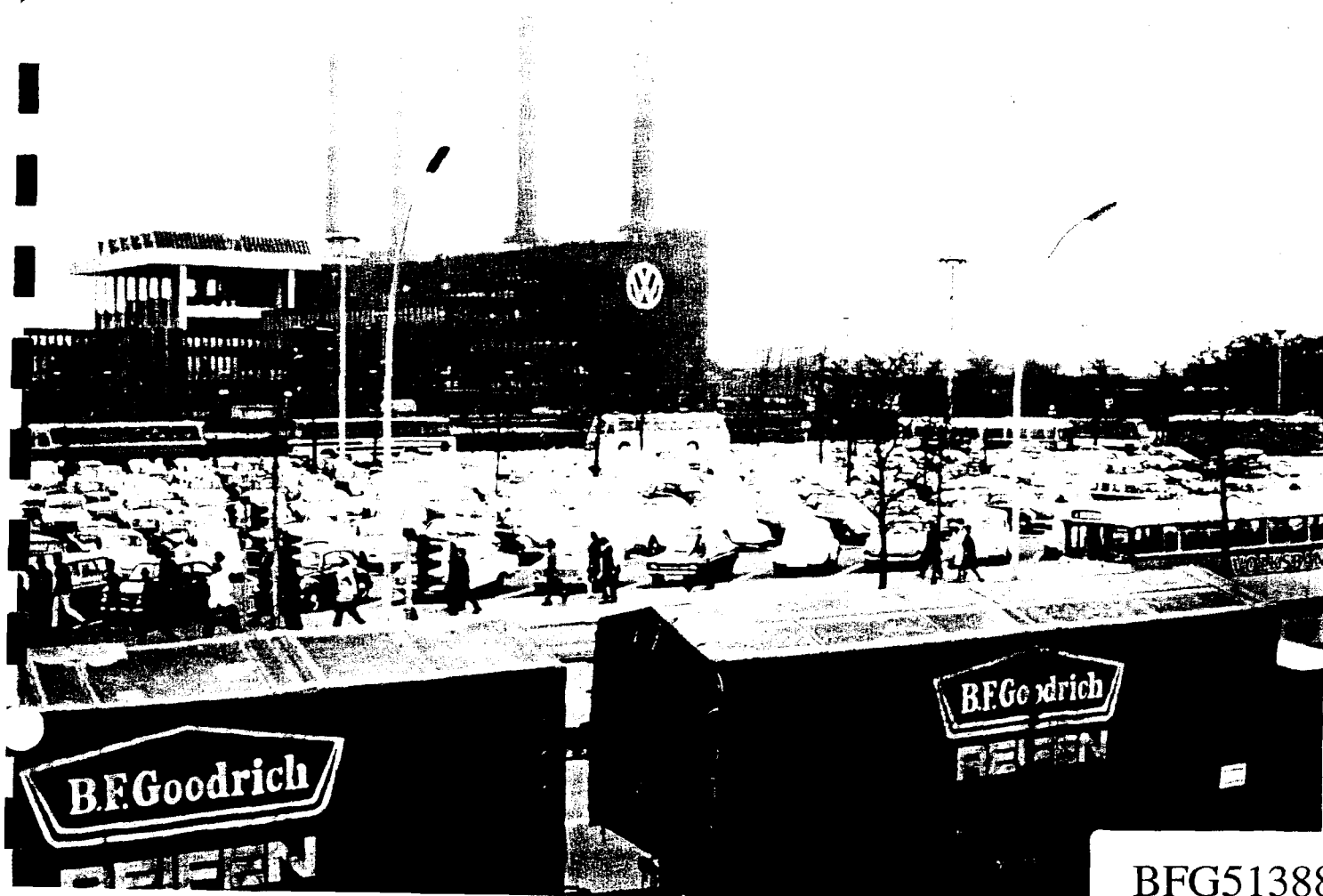
A major reorganization of the domestic tire sales groups was completed during the year with excellent results. Consolidation of retail and dealer sales operations resulted in significant economies and provided better customer service through

strengthened distribution control and improved communications and personnel utilization. Selling expenses were reduced further through the relocation or elimination of unprofitable retail stores and the emphasis on product planning, particularly in those products related to the automobile and automotive services.

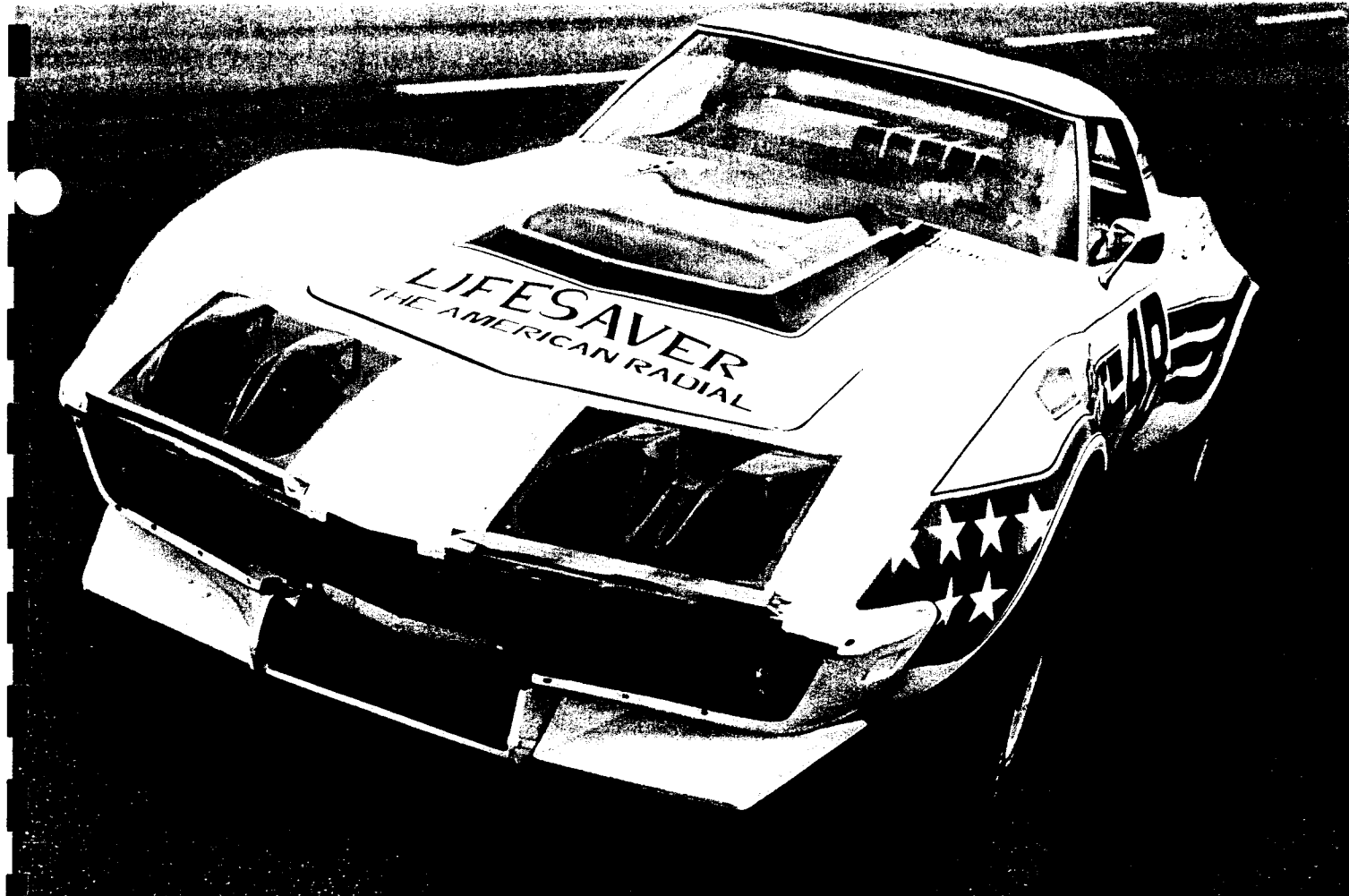
In addition to B.F. Goodrich-brand replacement tires, the Company's other passenger tire brands — Brunswick, Diamond, Hood and Miller — also achieved record sales. Private Brand tire sales and the marketing of tires through oil companies and department stores showed marked increases. During the year, the May Company, Los Angeles, and Wieboldt, Chicago, turned over some 20 Car Care Centers to B.F. Goodrich management.

While the Company has always had an outstanding reputation for tire quality, in 1971 it further emphasized the attainment of maximum customer satisfaction and adherence to the Department of Transportation tire safety requirements. The appointment of a senior vice president in charge of customer service has helped focus adequate management attention on this area. Continual surveil-

European-made B.F. Goodrich tires arrive at the Volkswagen plant in Wolfsburg, West Germany for mounting on new "Beetles" and other VW vehicles.



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The Company successfully pitted its radial passenger tires against single-purpose racing tires in 1971, leading to an expansion of the unique performance program in 1972 when two star-spangled Corvettes like this one will be raced by a team of noted drivers in major international endurance races.

lance testing of B.F. Goodrich passenger and truck tires is conducted at production and laboratory facilities, and indoor and outdoor testing results in more than 60 million test miles annually.

International Division

The international division, which makes and markets all the Company's non-chemical products outside the U.S. and Canada, expanded its tire operations substantially in 1971. The majority of its business is tires, for which the worldwide growth potential is even greater than for the U.S.

The Company's acquisition of N.V. Rubberfabriek Vredestein in Holland added substantial tire and industrial products operations in the Benelux countries to complement the international division's solid standing as a tire producer and marketer in Europe. Vredestein, with nine factories in The Netherlands and one in Belgium, holds significant market shares in automotive and bicycle tires and industrial and consumer products.

Cia. Hulera Euzkadi, S.A., the B.F. Goodrich associate company in Mexico, opened a new plant that increased its tire capacity by more than 50 per cent. The company is Mexico's leading radial passenger tire producer.

The subsidiary company in The Philippines com-

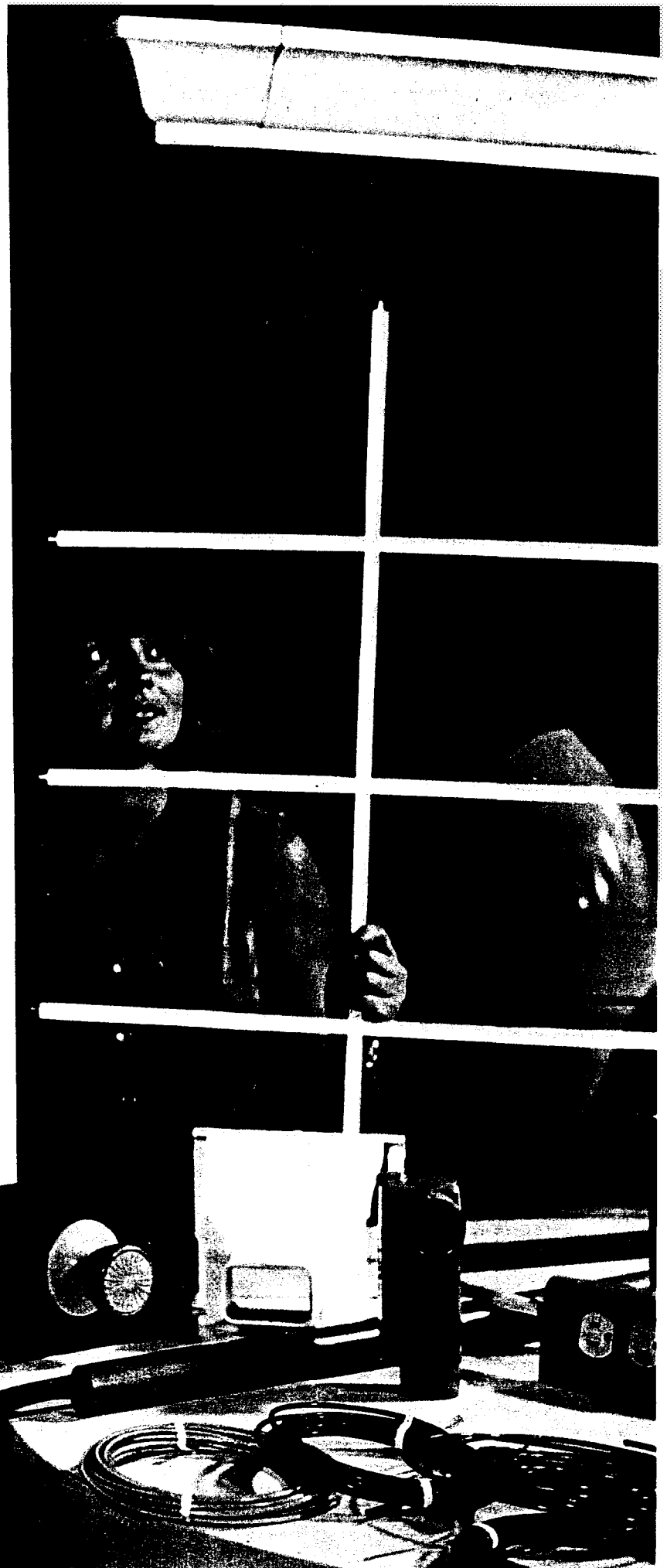
pleted an expansion of its tire and industrial products manufacturing facilities. Production capacity for passenger, truck and bus tires was boosted 35 per cent and radial tire equipment was added. A project to double capacity for passenger and truck tires and to start radial tire production was begun at the subsidiary in Iran.

The international division signed an agreement to provide engineering and technical assistance to a newly formed associate company in Brazil for establishment of a tire plant. B.F. Goodrich has operated a subsidiary producing and marketing tires, tubes and retread materials in Brazil since 1960.

The international division, since 1963, also has expanded tire operations in West Germany, Holland, Sweden, Colombia, Peru, Australia and New Zealand.

In 1971, consumer demand for the division's GT-100 radial passenger tires in Europe reached new highs. The success of this product line has led to the production and introduction of the GT-100 in Australia, Brazil, Iran, The Philippines and Mexico for their respective domestic as well as export markets. In addition, the division introduced a new bias-ply passenger tire line, the BT-250, in The Philippines, Brazil, Iran and Colombia.

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Chemicals, Plastic Materials and Synthetic Rubbers



*Thomas B. Nantz, Corporate Vice President
and President of Chemical Division*

The chemical division, which manufactures and markets the Company's chemical and related products domestically and outside the U. S. and Canada, achieved record high sales in 1971. However, operating income was adversely affected by increased costs and reduced product selling prices. Average sales prices were lower than in 1970 for all product lines except three — rigid polyvinyl chloride (PVC) plastic compounds, polymer chemicals, and caustic soda. This followed a general trend in the chemical industry reflecting overcapacity in many chemical lines here and abroad.

Costs were higher in 1971, especially for transportation, fuel and energy, employment and new or improved environmental control systems. These increased costs were partially offset by economies in expenses for sales, administration, and research and development. Operating income also was reduced by nonrecurring start-up costs of several units at the vinyl plant in Pedricktown, N.J., and the new Epcar EPDM synthetic rubber plant, which went on stream in September in Orange, Texas.

In February, the division closed its vinyl resin production plant in Niagara Falls, N.Y., for economic reasons. Near year-end a large warehousing and distribution center was opened at the Pedricktown plant site to improve customer ser-

vice on the division's full line of plastic materials, elastomers, latexes, and other products.

In November, the division moved from four crowded buildings in downtown Cleveland into a new office building 10 miles south of the city. The four-level structure, which houses 600 persons, improves operating efficiency and communications and has adequate space for expansion.

Several Important Strengths

The chemical division in 1971 continued to capitalize on several basic strengths that have enabled it to maintain growth over the past several years. It is a substantial factor in the markets for all its product lines and these markets are growing faster than the nation's Gross National Product. The technical expertise of the division's marketing people, supported by that of its research, development and manufacturing personnel, not only results in higher sales, but also equips them to help customers make optimum use of the properties of B.F. Goodrich Chemical raw materials in manufacturing end products. Its production facilities are up-to-date in design and equipment and its plants have excellent geographical distribution in relation to markets. Also, the division has advanced data processing programs, and it obtains substantial income annually from technical fees and a highly successful program of licensing technology to other companies.

Plastic Materials

The chemical division's major business is in plastic materials, represented mainly by Geon vinyl plastics and by thermoplastic polyurethanes. B.F. Goodrich is the world's largest producer of vinyl raw materials and, therefore, benefits greatly from the fact that, because of their superior physical qualities, vinyl materials are used in more applications than any other plastic.

Late in 1971, the division's vinyl business was aided by improvements in the nation's economy, especially by increased demand for materials with high flame resistance, and the upturn in home building, coupled with much greater acceptance of vinyl building products. The division is by far the largest supplier of the vinyl materials used in these products.

Piping is one of the fastest growing markets for vinyl because of the quality and economy of the material and broadening acceptance of the use of chlorinated PVC (CPVC) pipe in residential and

The chemical division, largest supplier of vinyl raw materials for a wide range of building products, is benefitting significantly from the increasing acceptance of vinyl piping, siding and others of these products.

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urban living units and mobile homes. Because of its improved flame retardancy and heat resistance, the chemical division's hi-temp Geon CPVC also is being considered for use in aircraft interiors and other applications where safety is a prime consideration.

Vinyl compounds are finding wider use in film, blister and bottle packaging where the chemical division has gained a substantial position. However, in 1971 the market was retarded somewhat by unwarranted criticism of vinyl by environmentalists and others. The chemical division played a major role in an industrywide effort demonstrating that the supposed hazards alleged to result from the incineration of PVC are non-existent.

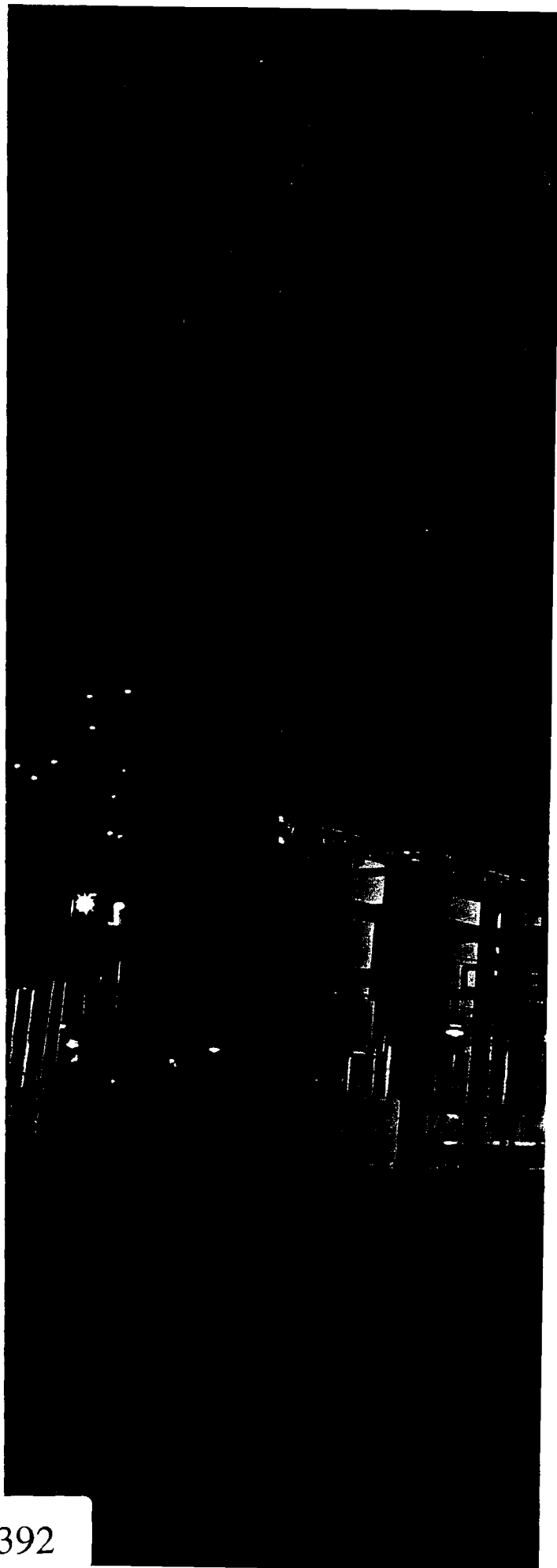
The division's Estane polyurethane, already used in several product applications requiring abrasion-resistance and moldability, shows considerable promise as a fabric coating for apparel, shoes, accessories, outerwear, luggage and upholstery. A unique, suede-like material, developed in England and based on B.F. Goodrich polyurethanes, is being made and marketed in the U.S. by Inmont Corporation. The chemical division's polyurethane film also is being used for heavy-duty industrial applications, and a thinner film is being tested in new one-quart motor oil pouches, a very large potential market.

Division, Ameripol Combined

The combining of the chemical division with Ameripol, Inc., begun in 1970 with their marketing efforts, was completed on the final day of 1971. This enables the chemical division to offer the world's broadest line of synthetic rubbers. The Ameripol name has been retained as a B.F. Goodrich trademark. The chemical division supplies elastomers to all divisions of the corporation and also is a major marketer of them here and abroad.

The new Epcar EPDM production plant at Orange, Texas, is one of the most sophisticated elastomer plants in the world. It utilizes a unique process that makes possible the production of nine different types of the rubber, enough to cover all present and currently foreseen uses. At present prices, Epcar rubbers can compete with other general purpose types in many compounds and add the benefits of ozone resistance and longer life. The rubbers already have found wide acceptance in automotive and appliance parts, and show promise in building products and many other applications.

Several other new elastomer areas showed good development in 1971. The division began marketing new nitrile rubbers in its Hycar line with improved physical properties and easier processing features. A flame-retardant styrene-butadiene was introduced and powdered rubbers were used increasingly to reinforce plastics. Hydrin — said to be the most versatile rubber yet developed — found





acceptance in several important areas, including automotive "under the hood" applications, oil well and hose uses in low temperatures, and tire innerliners.

Polymer, General Chemicals

Polymer chemicals, including antioxidants, accelerators and other plastic and elastomer compounding ingredients, make up one of the faster growing segments of the chemical division. Sales increased substantially in 1971, largely due to the introduction of new and improved antioxidants for polyolefin plastics and lubricating oils.

In the general chemicals field, the division's hydrophilic polymers — Carbopol and Carboset — had good sales growth. Markets for Carbopol resins, well established in cosmetics, increased rapidly in textile print pastes, adhesives and other markets. The major growth in Carboset sales was in coatings for metal.

Latex Sales Improve

The division is a major producer and marketer of latexes, one of the more rapidly growing classes of polymeric materials. The line includes vinyl chloride, nitrile, acrylic, SBR and vinyl pyridine latexes. Sales were improved in 1971. Several latexes were introduced to meet the rising demand for flame-retardant textiles, non-wovens and papers.

The division made progress in developing its monomer and petrochemical business in 1971. The sale of butadiene, isoprene, vinyl chloride and acrylonitrile over the quantities used internally, plus the by-products generated in the manufacturing process, constitutes this business. Sales of caustic soda rose, aided by a worldwide shortage.

International Growth

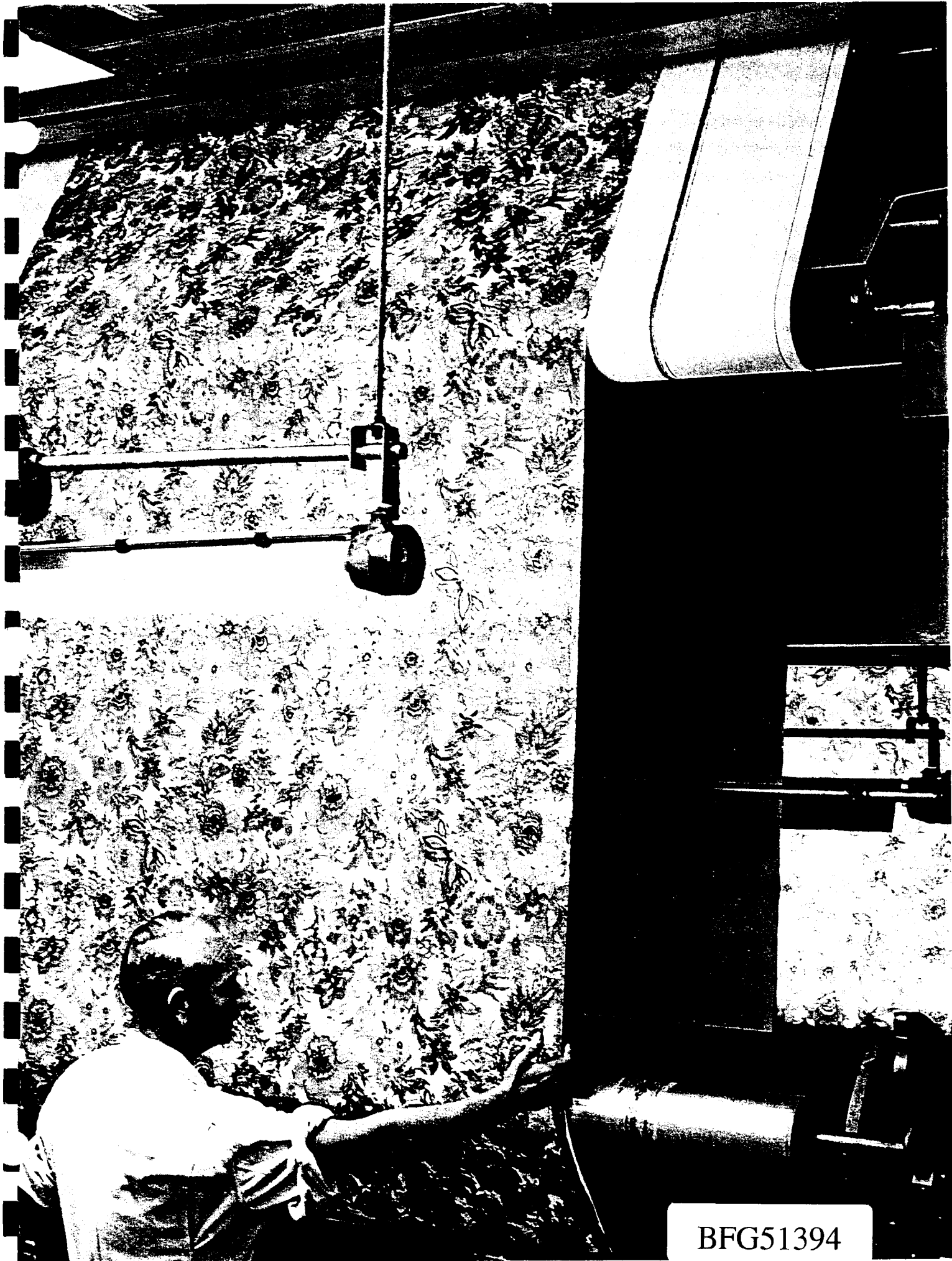
In the international area, the chemical division, through its subsidiary in The Netherlands, began building a new polymer plant near Antwerp, Belgium, scheduled for completion in mid-1972. It initially will produce Estane polyurethane resins.

An investment agreement was reached with Venezuelan interests to establish PVC plastics production operations by late 1973 in that country's El Tablazo petrochemicals complex. The chemical division will own a 25 per cent share in the company formed to implement the project.

During 1971, the division's new Geon vinyl compounding plant in San Jose, Costa Rica, began full operation, producing flexible and rigid compounds for the Central American Common Market.

A setting sun backlights the "Epcar" EPDM rubber production plant, opened in Orange, Texas in 1971, which is designed to help meet the growing demand for this synthetic rubber, particularly by the automotive industry.

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Other Products



P. William Perdriau, Group Vice President
(General Products Division, Textile Products Division, Aerospace and Defense Products Division and Footwear Division)

This group of B.F. Goodrich products includes general products (formerly called industrial products), aerospace and defense products, footwear and textiles. An operating loss was reported in 1970 for this segment of the Company's business. In 1971, the group reduced its operating losses significantly. Sales increased slightly compared with 1970 results.

In 1971, the Company began to implement decisions based on a comprehensive, continuing study of the current and long-range sales and profit potential of the products made and sold by these divisions. A number of products and manufacturing facilities were discontinued during the year because the outlook for a good return on the investment in them was not promising. By taking these steps, the Company has been able to concentrate its financial and human resources more aggressively on strengthening those product lines that will supply the sales and income growth necessary to compete effectively in the 1970's.

In December the Company closed two plants — one in Du Bois, Pa., making golf ball centers and the other in Riverside, N.J., manufacturing latex catheters and syringes. The manufacturing in Akron of drug sundry rubber goods, including hot water bottles, was also discontinued as was the pro-

duction in Marietta, Ohio, of Aztran leather-like material used in shoe uppers. The Aztran plant will be used to increase production of plastic products, which are growing in volume faster than can be accommodated. Earlier in 1971, the Company discontinued production of most molded rubber goods and the manufacturing of reclaimed rubber in Akron. All these products and facilities had been part of general products division responsibilities.

New Marketing Approach

Another result of the group's reassessment is the emphasis being given to exploiting assets with good potential and penetrating new markets for existing products. A prime example is the general products division, which in 1971 took a new marketing approach to increase its sales in commercial markets that are growing faster than industrial products markets. Marketing responsibilities were divided into three groups — industrial products; home and commercial furnishings; and specialty products.

This marketing realignment has better equipped the division to increase sales of furnishings products (latex foam mattresses, pillows and furniture cushioning; rug underlay; and vinyl upholstery and wall covering) and certain specialty products.

In support of this intensified consumer marketing effort, the division in 1971 nearly doubled production capacity for latex foam mattresses and pillows and doubled its production of expanded vinyl at Marietta, Ohio, for upholstery use. For the commercial market, it introduced the first vinyl upholstery to meet Federal flame resistance requirements without sacrificing strength. A lighter-weight vinyl wall covering designed especially for residential use was developed for introduction in 1972.

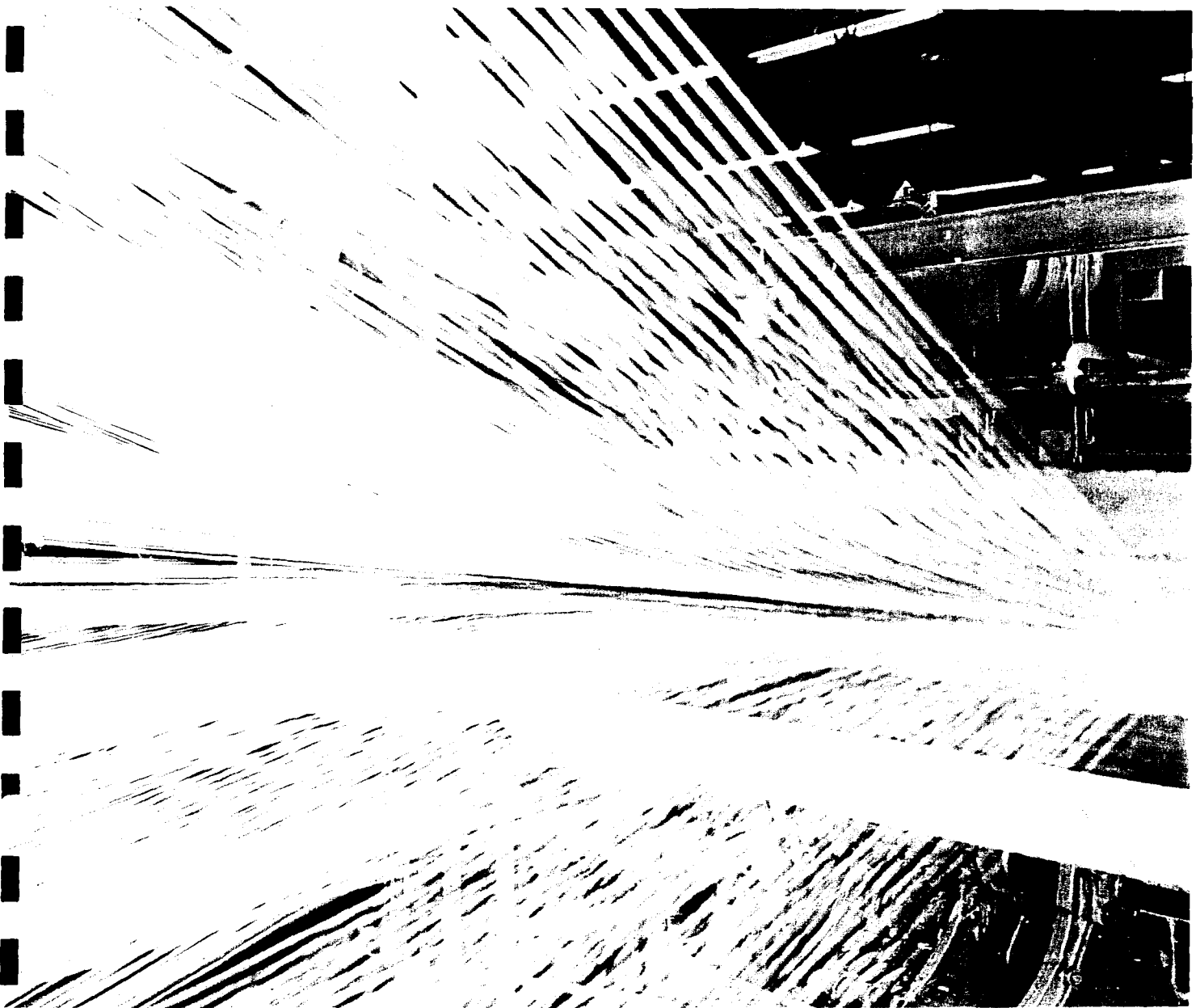
New emphasis is being given to selling several of the division's products to the burgeoning modular housing and mobile home construction industries, and in the ecology market to sales of vinyl liners for ponds and pits and vinyl trickling core filters for industrial facilities.

Industrial Rubber Products

Industrial rubber products (conveyor belting, hose and others) are still the largest segment of the general products division and a more concentrated effort is being made to increase the Company's share in the markets which use these products. Increased conveyor belt capacities in Akron and new

Production of a vinyl upholstery pattern, called Amherst, on a five-color printer at the Marietta, Ohio plant demonstrates a new capability of the Company to produce multi-colored, decorative vinyl-coated fabrics for wall covering, luggage and many other products, as well as upholstery.

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Cords of rayon stream into a loom at the Thomaston, Georgia textile products plant where they are woven into sheets and coated with adhesive before being shipped to Company plants for use in construction of tires.

long-length hydraulic hose facilities at Marion, Ohio, added to sales volume in 1971. A new type of "flanged" steel-cable belting was introduced that can sharply reduce installation and maintenance costs of long, overland conveyor systems. A joint program was launched with a mechanical power transmission equipment producer to expand distribution of B.F. Goodrich V-belts to the industrial market.

Aerospace and Defense

The business of the Company's aerospace and defense division was hurt severely in 1971 by the continuing slump in the nation's aerospace industry, manifested in reduced purchasing by airlines and the Federal Government. To alleviate this problem, the division moved to greatly expand its commercial sales. It formed a department to combine production and marketing of its brakes with

that of rubber Torsilastic springs for construction, industrial and marine applications. To its marine products department it added rubber Cutless bearings used on propeller shafts of boats and ships and on shafts of industrial pumps.

In the aerospace field, the division was awarded a research and development contract by the National Aeronautics and Space Administration to develop and test tires, wheels and brakes for possible use on America's space shuttle. It developed an inflatable escape slide that also serves as a life raft for use initially on narrow-bodied commercial jet aircraft and a complete ice protection system for Cessna Aircraft's business jet, the Citation.

Footwear Division

The footwear division broadened its line of canvas shoes in 1971, which, along with its popular

Boatins for fall and winter use, were well received in the marketplace. Greater emphasis was placed on the introduction of products styled for today's fashion-conscious market, and the division's product design capabilities were strengthened considerably. The supply of canvas shoes from manufacturing plants has improved greatly and the new footwear distribution center at Charlotte, N.C., has bettered inventory control and customer service beyond expectations.

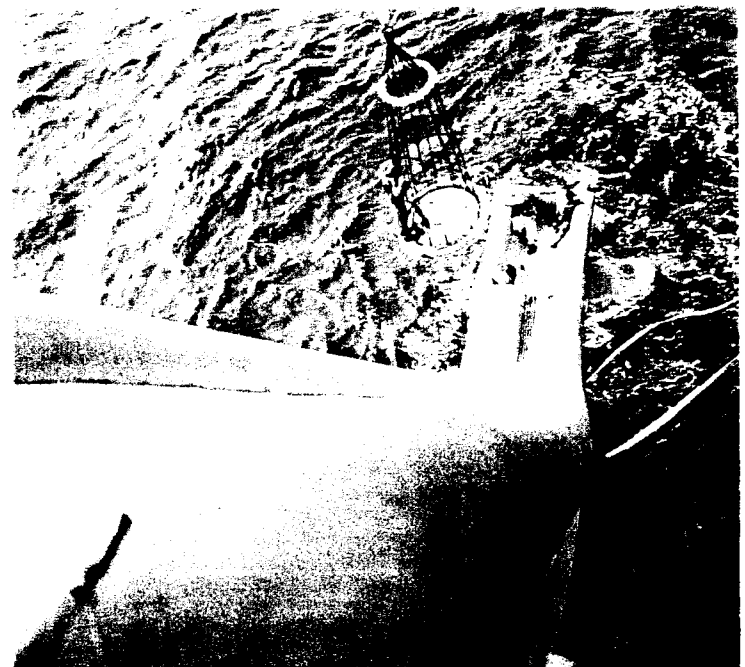
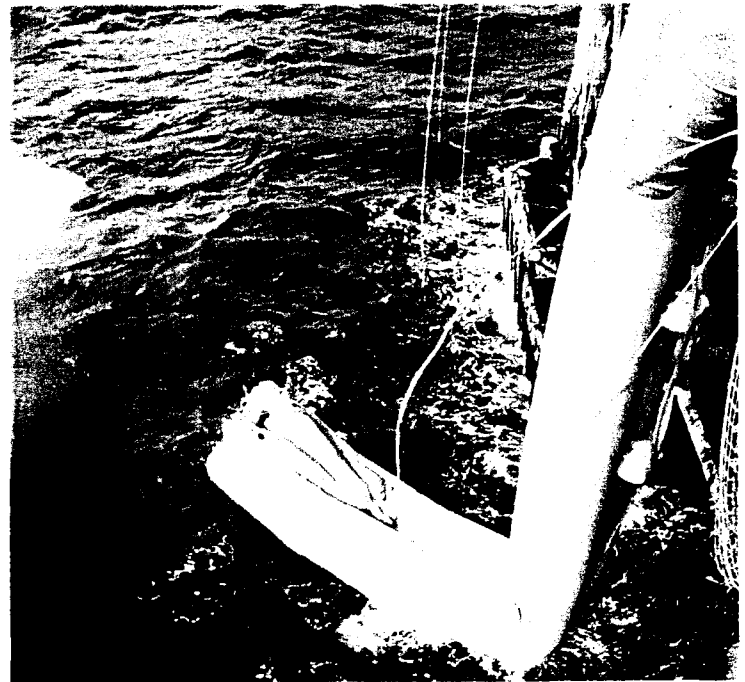
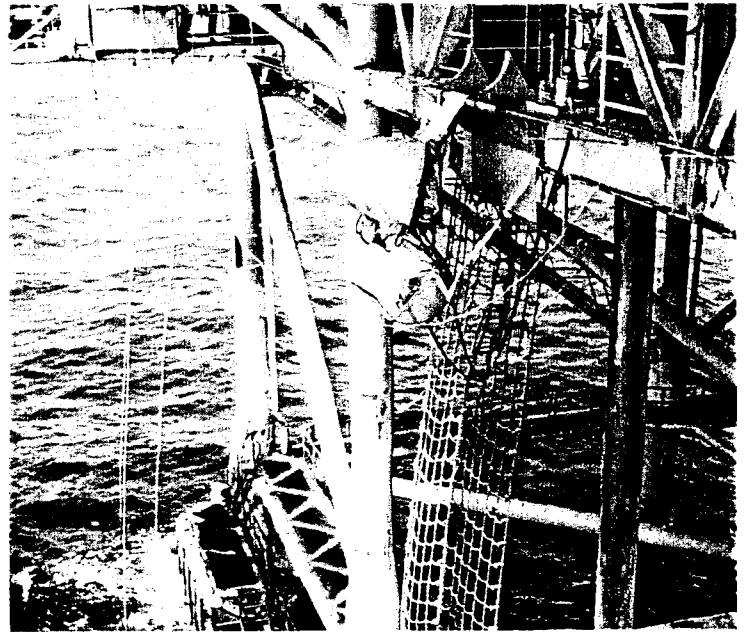
Textile Products

The textile division completed the third phase of a long-range program to improve product quality and upgrade working conditions at its plant in Thomaston, Ga. The division's products consist primarily of rayon, polyester and nylon tire cords for the Company's tire division and square woven fabrics for the general products division. Cotton and polyester-cotton blended yarns are made and sold to the textile industry.

Improvements made at the Thomaston plant have been so substantial that the Company's near-term requirements for tire cord can be met without spending capital for major additional capacity. Also, in 1971 the application of tire cord adhesive was initiated at the Thomaston plant. When this new equipment is fully in operation, the need for treatment of tire cord in the Company's tire plants will be virtually eliminated.

In 1972 there is much more to be done within this group of products to obtain the return on investment it is capable of generating. Toward that objective, management will have all its goals well defined and will have major projects completed or under way by year-end.

In only eight seconds an experimental escape slide is deployed from the deck of an offshore drilling rig in the Gulf of Mexico to the water 50 feet below, demonstrating an extension of B.F. Goodrich inflatable slide technology for aircraft. In this test sequence, the slide begins to fall (top) as straps holding the container are released, triggering at the same time a nitrogen inflation system that fills the slide by the time it hits the water (center). A separate inflation system, meanwhile, fills the raft at the end of the slide (bottom) which can be detached and rowed away after workers have safely slid down the chute.



Corporate Activities

Social Responsibility

B.F. Goodrich made further progress in 1971 in meeting its obligations in the vital areas of equal employment opportunity and aid to education and public service organizations. The Company has expanded various supporting activities in keeping with the increasing scope and complexity of the country's social and economic problems.

In recent years the Company not only has increased the number of blacks and other minority group representatives on its employment rolls but also has been successful in advancing larger numbers into supervisory and professional positions. The Company has continued its equal employment opportunity efforts, working closely with government and civil rights representatives and minority group employment sources. Affirmative Action programs are in effect at locations throughout the country.

During 1971 B.F. Goodrich devoted considerable time and effort to helping Opportunities Industrialization Centers of America (OIC) launch a nationwide fund drive to raise \$10 million to support its activities. OIC, headed by the Rev. Leon H. Sullivan, is the nation's leading job counseling, training and placement organization for blacks and other minority group representatives. Harry B. Warner, president of B.F. Goodrich, is serving as chairman of the drive in six Great Lakes states and is a member of the National OIC Industrial Advisory Council. The Company has worked with OIC in various cooperative employment programs since 1969.

The Company has been a rubber industry leader for many years in the area of aid to education. In 1971, it awarded 17 B.F. Goodrich Merit Scholarships to children of its employees who qualified in nationwide competition. In its 15 years of participation in this program, 163 students have been assisted in gaining their college educations through Company grants. The Company also matches employee gifts to colleges and universities.

B.F. Goodrich has contributed more than \$12 million since 1952 to assist educational institutions, hospitals, farm organizations, youth groups and welfare agencies.

Pollution Control

The Company is well past the half-way point of a corporatewide program to fight pollution in keeping with its policy of meeting or exceeding all Federal, state and local pollution control requirements. This program, started in 1966 to meet anticipated standards, will cost an estimated \$24 million through 1974. Significant improvements have been made in air and water pollution control and solid waste disposal in virtually all domestic plants where such improvements are needed. Also, greater emphasis has been placed on the environmental aspects of product development.

In 1971, new or improved pollution control facilities either were completed or placed under construction at several of the Company's domestic plants. At its main plant in Akron a \$1 million project was completed to eliminate the possibility of any oil seepage or accidental spillage in service water effluent that flows into the Ohio Canal.

A four-year program to clarify and recycle water effluent was completed at the Company's sponge products plant on the Housatonic river in Shelton, Conn. At the plastics products plant in Marietta, Ohio, sulphur dioxide and particulate emissions were eliminated from power-generation facilities.

New facilities for waste water treatment were placed in operation at the chemical plant in Louisville, Ky., in keeping with the state's plan to upgrade the Ohio river's quality. Installation of a gas-oil-fired boiler replacing five coal-fired units also was begun at the plant to reduce the possibility of air pollution.

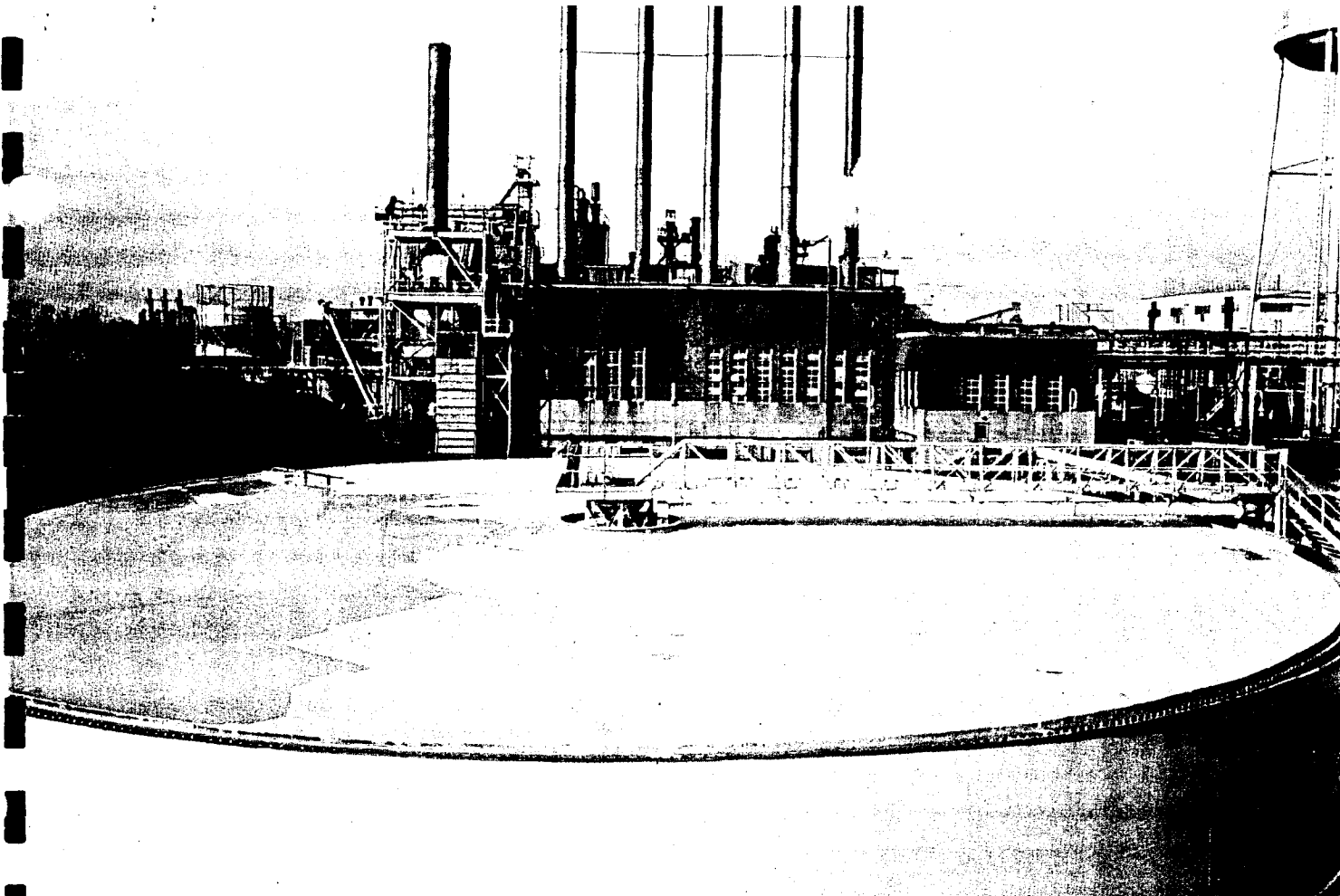
The elimination of air and water pollutants in the disposal of waste chlorinated hydrocarbons was achieved at the Calvert City, Ky., chemical plant. The Company started recycling treated waste water at its PVC plant in Pedricktown, N.J., for reuse within the plant — an innovation in waste water disposal for a PVC production facility.

In an effort to find a solution to the problem of scrap tire disposal, the Company furnished a tire compression machine to assist in studies conducted by the National Oceanic and Atmospheric Agency. The machine forms worn-out automobile tires into bundles that are positioned on bottom areas of the Atlantic continental shelf to form artificial reef homes for marine life. This method could become one of the most practical for disposing of millions of old tires.

Employee Relations

Worldwide employment at 1971 year-end totaled 55,806. Employment costs, including wages, salaries, paid vacations and holidays, employee benefit programs and other forms of employment cost were estimated at \$462,750,000. This compared with actual costs of \$426,382,000 in 1970, when hourly wages were not paid for more than five weeks at certain domestic plants because of strikes.

In 1971, industrial history was made in the field of occupational health when B.F. Goodrich and the United Rubber Workers undertook a joint occupational health program in cooperation with Harvard University's School of Public Health. Harvard has launched an epidemiological study of B.F. Goodrich wage employees in some major plants and also will study job-related environmental conditions. Based on results of the studies, the university will formulate long-range programs to assist the Company in minimizing potential health hazards.



This 1,240,000-gallon clarifier tank, installed in 1971 at the chemical plant in Louisville, Kentucky to improve the quality of the plant's effluent, is representative of the Company's continuing efforts to upgrade environmental controls at its facilities.

The Company launched a comprehensive employee communications program in 1971 designed to assist in making its Akron operations competitive with other domestic locations. Because of high labor costs and unsatisfactory levels of productivity, thousands of jobs and dozens of products have had to be discontinued in the Akron facilities over the years. The communications program is intended to give employees information on the economic situation of the Akron plants and enlist their support in making necessary improvements in operations.

Organization Changes

Dr. Robert V. Yohe, vice president-marketing and materials services, retired on July 30 after 40 years of service.

Lawrence H. Pomeroy joined the Company on Aug. 30 as vice president-marketing and business development. He had been a vice president of Massey-Ferguson and president of Badger Northland, Inc., wholly owned subsidiary of Massey-Ferguson, Inc.

O. Pendleton Thomas joined the Company on Oct. 1 as vice chairman of the board, chief executive officer and a director. He had been a director

and the chairman of the executive committee of Atlantic Richfield Company since 1969. Ward Keener, who had been chief executive officer of B.F. Goodrich since 1958, continued as chairman of the board.

C. Raymond Coutts was elected secretary of the Company on Oct. 1. He had been assistant secretary since 1960. As secretary, he succeeded R. G. Jeter, who continued as vice president and general counsel.

John N. Hart, group vice president-finance, on Dec. 1 took early retirement for reasons of health after 26 years of service. He died on Dec. 8.

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Sales by Major Lines of Business

The B.F. Goodrich Company
and Consolidated Subsidiaries

(In Thousands of Dollars)

	1971	1970	1969	1968	1967
TIRES AND RELATED PRODUCTS	\$ 698,197	\$ 632,322	\$ 641,058	\$ 613,849	\$ 516,806
CHEMICALS, PLASTIC MATERIALS AND SYNTHETIC RUBBERS	285,520	268,824	262,204	243,654	216,424
OTHER PRODUCTS	316,594	303,608	325,877	314,550	300,243
	<u>1,300,311</u>	<u>1,204,754</u>	<u>1,229,139</u>	<u>1,172,053</u>	<u>1,033,473</u>
Less sales relating to operations which have been or are scheduled to be discontinued	<u>63,576</u>	<u>70,911</u>	<u>73,573</u>	<u>76,361</u>	<u>77,493</u>
Sales from Continuing Operations	<u>\$1,236,735</u>	<u>\$1,133,843</u>	<u>\$1,155,566</u>	<u>\$1,095,692</u>	<u>\$ 955,980</u>

Accountants' Report

To the Board of Directors and Shareholders of The B.F. Goodrich Company

We have examined the balance sheets of The B.F. Goodrich Company and consolidated subsidiaries as of December 31, 1971 and 1970, and the related statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Company recorded several reserves for anticipated future costs, expenses and losses (net of related income tax benefits) as explained in Note F. The determination of the costs, expenses and losses to be charged to the several reserves is dependent upon final disposition of discontinued product lines and facilities.

In our opinion, subject to the effect on the consolidated financial statements of any adjustments which may result from the ultimate determination of the matter referred to in the preceding paragraph, the accompanying consolidated financial statements identified above present fairly the consolidated financial position of The B.F. Goodrich Company and consolidated subsidiaries at December 31, 1971 and 1970, and the consolidated results of their operations, and changes in shareholders' equity and financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change, which we approve, to the equity method of accounting for investments in an unconsolidated foreign subsidiary and certain associate companies, as explained in Note A to the financial statements.

Cleveland, Ohio
February 21, 1972

Ernst & Ernst

Synthetic rubber samples are tested for strength in a chemical division laboratory at Avon Lake, Ohio, as part of the Company's broad research and development program involving more than 1,000 persons with scientific or engineering degrees.

BFG51401

The B.F. Goodrich Company and Consolidated Subsidiaries

Balance Sheet

December 31, 1971 and 1970

Assets

	1971	1970
CURRENT ASSETS		
Cash	\$ 38,307,000	\$ 45,819,000
Short-term securities, at cost (approximate market)	4,755,000	5,138,000
Accounts and notes receivable, less allowance for doubtful accounts (1971 — \$8,892,000; 1970 — \$6,613,000)	285,220,000	270,485,000
Inventories — Note A		
Finished products	242,312,000	217,717,000
In process	29,974,000	29,012,000
Raw materials and supplies	75,963,000	73,446,000
	348,249,000	320,175,000
Prepaid expenses	7,449,000	2,654,000
TOTAL CURRENT ASSETS	683,980,000	644,271,000
INVESTMENTS		
Unconsolidated subsidiaries and associate companies — Note A	41,312,000	54,656,000
Other investments	11,309,000	8,286,000
TOTAL INVESTMENTS	52,621,000	62,942,000
PROPERTY — Note A		
Land	22,221,000	21,907,000
Buildings	223,386,000	210,932,000
Machinery and equipment	854,799,000	883,268,000
	1,100,406,000	1,116,107,000
Allowances for depreciation and amortization	509,471,000	512,012,000
	590,935,000	604,095,000
Property held for sale — Note F	3,422,000	—
TOTAL PROPERTY	594,357,000	604,095,000
DEFERRED CHARGES	11,305,000	8,440,000
	\$1,342,263,000	\$1,319,748,000

Liabilities and Shareholders' Equity

	1971	1970
CURRENT LIABILITIES		
Notes payable and bank loans	\$ 209,415,000	\$ 159,141,000
Accounts payable and accrued expenses	156,763,000	124,153,000
Federal and foreign income taxes	13,996,000	18,344,000
Long-term debt payable within one year	11,398,000	9,113,000
Current portion of reserve for anticipated future costs, expenses and losses — Note F	13,306,000	—
TOTAL CURRENT LIABILITIES	404,878,000	310,751,000
 LONG-TERM DEBT PAYABLE AFTER ONE YEAR — Note C	 291,266,000	 357,290,000
 RESERVES		
Reserves for purchase contracts, foreign losses, sales adjustments and other purposes	28,513,000	27,063,000
Reserve for anticipated future costs, expenses and losses — Note F	5,203,000	—
Deferred income taxes	13,987,000	12,521,000
TOTAL RESERVES	47,703,000	39,584,000
 MINORITY INTERESTS IN SUBSIDIARIES	 17,380,000	 17,419,000
 SHAREHOLDERS' EQUITY — Note D:		
Series Preferred Stock — \$1 par value: Authorized 10,000,000 shares; none issued		
Common Stock — \$5 par value: Authorized 50,000,000 shares Issued 14,558,266 shares	72,791,000	72,791,000
Capital in excess of par value of shares	73,746,000	73,373,000
Income retained in the business	436,911,000	449,661,000
	583,448,000	595,825,000
Less shares held in treasury (86,413 shares in 1971; 49,707 shares in 1970), at cost	2,412,000	1,121,000
TOTAL SHAREHOLDERS' EQUITY	581,036,000	594,704,000
	\$1,342,263,000	\$1,319,748,000

See notes to financial statements.

BFG51403

Statement of Income

The B.F. Goodrich Company
and Consolidated Subsidiaries

YEAR ENDED DECEMBER 31

	1971	1970
Continuing operations:		
Net sales	\$1,236,735,000	\$1,133,843,000
Other income—net	4,694,000	2,689,000
	<u>1,241,429,000</u>	<u>1,136,532,000</u>
Deduct:		
Cost of products sold	924,768,000	853,366,000
Selling and general administrative expenses	216,972,000	204,033,000
Interest expense	35,878,000	38,562,000
Minority interests	2,406,000	2,325,000
Federal and foreign income taxes — Note E	28,604,000	19,442,000
	<u>1,208,628,000</u>	<u>1,117,728,000</u>
INCOME FROM CONTINUING OPERATIONS	<u>32,801,000</u>	<u>18,804,000</u>
Loss from discontinued (or scheduled to be discontinued) operations, net of applicable federal income tax benefits — Notes E and F	2,967,000	7,297,000
INCOME BEFORE EXTRAORDINARY ITEMS	<u>29,834,000</u>	<u>11,507,000</u>
Extraordinary (losses) gains, net of applicable federal income tax benefits — Notes E and F	(28,094,000)	3,538,000
NET INCOME	<u>\$ 1,740,000</u>	<u>\$ 15,045,000</u>
Per share of Common Stock:		
Income from continuing operations	\$2.26	\$1.29
Loss from discontinued operations	.20	.50
Income before extraordinary items	2.06	.79
Extraordinary (losses) gains	(1.94)	.24
NET INCOME	<u>\$.12</u>	<u>\$1.03</u>

See notes to financial statements:

Statement of Shareholders' Equity

The B.F. Goodrich Company
and Consolidated Subsidiaries

	Common Stock	Capital in Excess of Par Value of Shares	Income Retained in the Business	Shares Held in Treasury
Balance at January 1, 1970:				
As previously reported				
Shares	14,558,266	—	—	308
Dollars	\$72,791,000	\$73,249,000	\$447,619,000	\$ 15,000
Credit arising from adoption of equity method — Note A	—	—	9,366,000	—
As restated				
Shares	14,558,266	—	—	308
Dollars	72,791,000	73,249,000	456,985,000	15,000
Stock purchased for treasury				
Shares	—	—	—	78,862
Dollars	—	—	—	1,799,000
Treasury stock reissued (Including 25,400 shares issued to Employee Stock Purchase and Savings Plan)				
Shares	—	—	—	(29,463)
Dollars	—	124,000	—	(693,000)
Net Income	—	—	15,045,000	—
Cash dividends paid — \$1.54 a share	—	—	(22,369,000)	—
Balance at December 31, 1970				
Shares	14,558,266	—	—	49,707
Dollars	72,791,000	73,373,000	449,661,000	1,121,000
Stock purchased for treasury				
Shares	—	—	—	99,506
Dollars	—	—	—	2,811,000
Treasury stock reissued to Employee Stock Purchase and Savings Plan				
Shares	—	—	—	(62,800)
Dollars	—	373,000	—	(1,520,000)
Net Income	—	—	1,740,000	—
Cash dividends paid — \$1.00 a share	—	—	(14,490,000)	—
Balance at December 31, 1971				
Shares	14,558,266	—	—	86,413
Dollars	\$72,791,000	\$73,746,000	\$436,911,000	\$2,412,000

See notes to financial statements.

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Statement of Changes in Financial Position

The B.F. Goodrich Company
and Consolidated Subsidiaries

	YEAR ENDED DECEMBER 31	
	1971	1970
SOURCE OF WORKING CAPITAL		
From operations:		
Income before extraordinary items	\$ 29,834,000	\$ 11,507,000
Items not affecting working capital during the current year:		
Depreciation and amortization	58,463,000	54,962,000
Deferred income taxes and other	9,398,000	9,820,000
WORKING CAPITAL PROVIDED FROM OPERATIONS EXCLUSIVE OF EXTRAORDINARY ITEMS	97,695,000	76,289,000
Extraordinary (losses) gains	(28,094,000)	3,538,000
Items not affecting working capital during the current year:		
Deferred income taxes	(7,470,000)	(1,234,000)
Reserves for future costs, expenses and losses, and to write-down assets held for sale to estimated net realizable value	34,720,000	3,500,000
WORKING CAPITAL PROVIDED FROM OPERATIONS	96,851,000	82,093,000
Additional long-term borrowings	2,140,000	112,350,000
Property sold	3,004,000	12,168,000
Investments sold	1,563,000	3,561,000
Treasury shares reissued	1,893,000	817,000
TOTAL SOURCE OF WORKING CAPITAL	105,451,000	210,989,000
USE OF WORKING CAPITAL		
Acquisition of foreign subsidiary consummated in 1971, less net current assets acquired of \$9,799,000 — Note B:		
Long-term assets at fair value	22,189,000	—
Long-term liabilities assumed	(4,753,000)	—
Investments made in prior years	(14,283,000)	—
	3,153,000	—
Additions to property	61,368,000	79,169,000
Reduction of long-term debt	72,047,000	10,761,000
Cash dividends paid	14,490,000	22,369,000
Additional investments	1,167,000	18,307,000
Treasury shares purchased	2,811,000	1,799,000
Other items — net	4,833,000	925,000
TOTAL USE OF WORKING CAPITAL	159,869,000	133,330,000
(DECREASE) INCREASE IN WORKING CAPITAL	\$(54,418,000)	\$ 77,659,000

