



## Third Quarter 2018 Conference Call

October 26, 2018



# Forward-Looking Statements



Certain information contained in this presentation constitutes forward-looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. There are a variety of factors, many of which are beyond our control, that affect our operations, performance, business strategy and results and could cause our actual results and experience to differ materially from the assumptions, expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to: our ability to implement successfully our strategic initiatives; actions and initiatives taken by both current and potential competitors; increases in the prices paid for raw materials and energy; a labor strike, work stoppage or other similar event; foreign currency translation and transaction risks; deteriorating economic conditions or an inability to access capital markets; work stoppages, financial difficulties or supply disruptions at our suppliers or customers; the adequacy of our capital expenditures; our failure to comply with a material covenant in our debt obligations; potential adverse consequences of litigation involving the company; as well as the effects of more general factors such as changes in general market, economic or political conditions or in legislation, regulation or public policy. Additional factors are discussed in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. In addition, any forward-looking statements represent our estimates only as of today and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change.



- Segment Operating Income stable, price and mix largely balance
- Global tire units rise 2%, with consumer replacement up 11% in the U.S. and 4% in EMEA
- Double-digit increases in the U.S. and European  $\geq 17$ " consumer replacement segment
- Results reflect impact of China slowdown and strengthening U.S. dollar



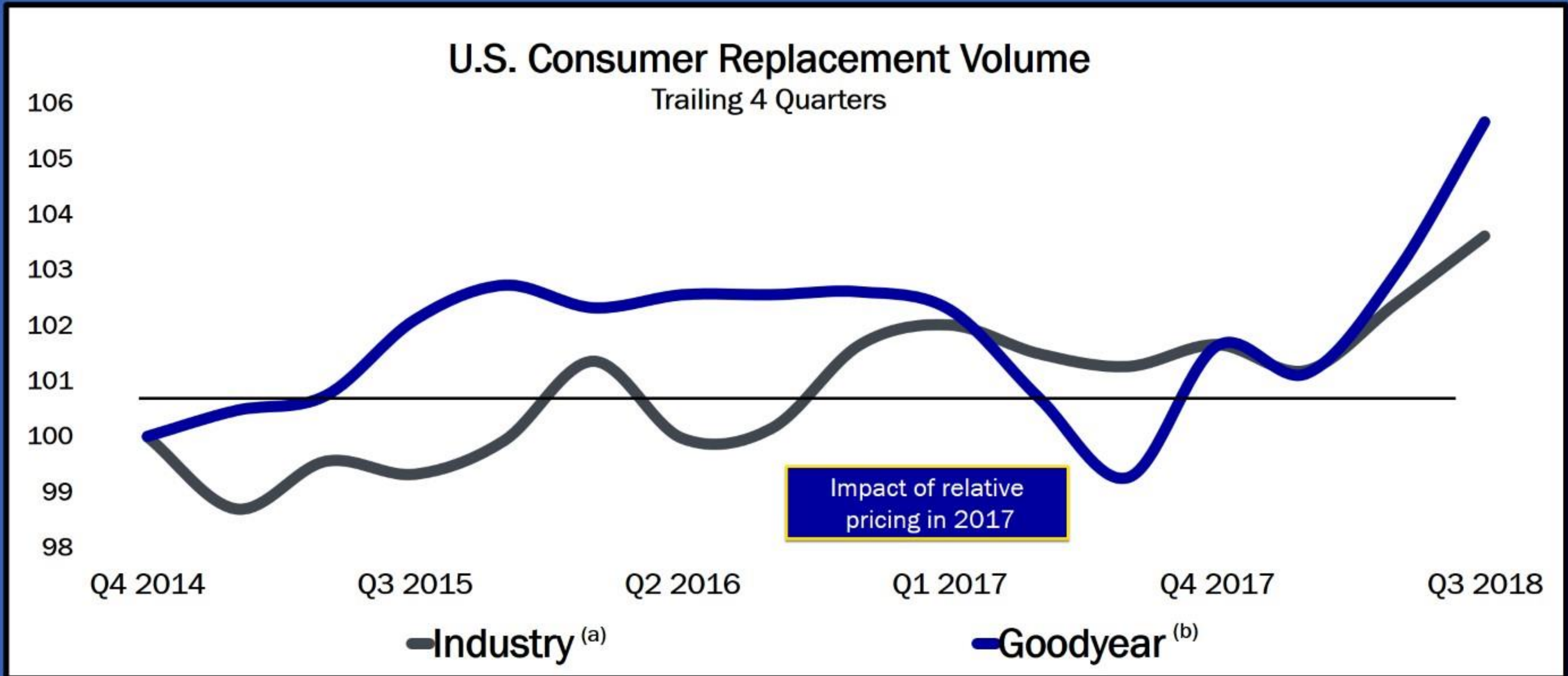
## U.S. Consumer Replacement Industry 2018 vs 2017 Growth Rate<sup>(a)</sup>

	<u>Q3</u>	<u>YTD</u>
USTMA Members ( $\geq 17$ "	9%	7%
USTMA Members ( $< 17$ "	-10%	-12%
Total	0%	-2%
Non-Members	23%	20%
Total U.S.	5%	3%
Goodyear ( $\geq 17$ "	24%	14%

- Goodyear volume up 11%, despite transition impact from TireHub
- Significant share gains in the premium  $\geq 17$ " segment
  - Over 2 ½ times the market growth for Q3
  - Double the market growth YTD
- Goodyear sell-out volume up mid-single digits
  - Channel inventory remains healthy



# U.S. Market Share Recovery



**Strong execution leading to market share recovery in the U.S.**

(a) Source: U.S. Tire Manufacturers Association.

(b) Goodyear U.S. consumer replacement volume excludes ATD sales volume and volume associated with ATD acquisitions. ATD delivery volume is included. Third quarter adjusted for transition to TireHub.



## Europool & Turkey Consumer Replacement Industry 2018 vs 2017 Growth Rate<sup>(a)</sup>

	<u>Q3</u>	<u>YTD</u>
ETRMA Members ( $\geq 17$ "	10%	8%
ETRMA Members ( $< 17$ "	-1%	-2%
Total	2%	1%
Non-Members	0%	2%
Total EU + Turkey	2%	1%
Goodyear ( $\geq 17$ "	12%	14%

- Goodyear volume up 4%
- Share gains in the premium  $\geq 17$ " segment, outpacing the industry both in Q3 and YTD
- Vector 4Seasons 3<sup>rd</sup> party all-season tests
  - 3 first place finishes
  - Podium finishes in 6 out of 6 tests



## Near-Term Headwinds Persist

- Credit environment continued to tighten over the past few months
- Weakening fundamentals weighing on replacement demand
  - Dealers destocking
- Reducing replacement volume, overhead absorption, and mix assumptions for Q4

## Government Responding

- Central bank continuing to ease monetary conditions
- Announced plan for boosting bond financing in the private sector
- Taking actions to reduce household income taxes
- Planned increases in infrastructure spending

**Long-term opportunities remain intact despite softening market conditions**

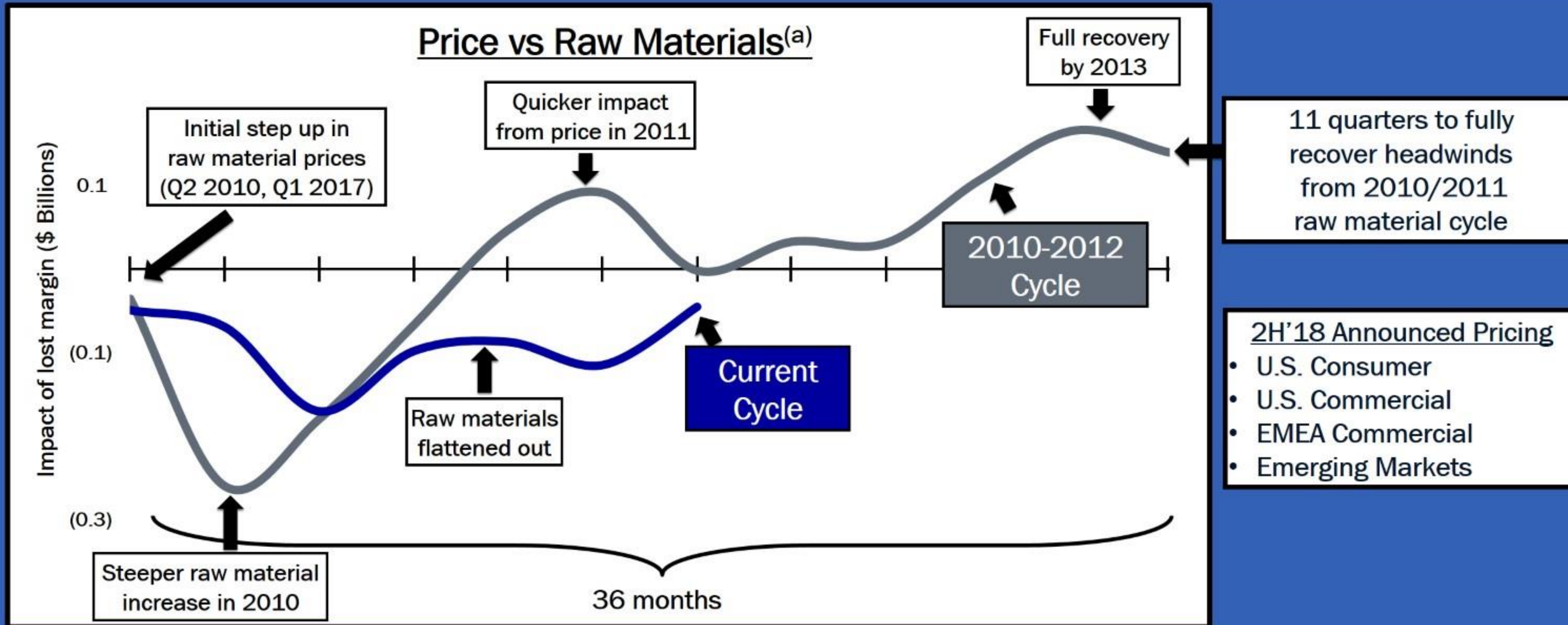




# Financial Review



# Price vs Raws Over Time: Comparing Current Cycle to Prior Cycle



**Lag in recovering raw material cost increases consistent with prior cycles; exact timing may differ (slower deterioration = slower recovery)**



# Third Quarter 2018 Income Statement



Terms: US\$ millions  
(except EPS)

	Three Months Ended		
	September 30, 2018	September 30, 2017	Change
Units	40.5	39.8	1.9%
Net Sales	\$ 3,928	\$ 3,921	0.2%
Gross Margin	22.9%	22.1%	0.8 pts
SAG	\$ 553	\$ 545	1.5%
Segment Operating Income <sup>(a)</sup>	\$ 362	\$ 367	(1.4)%
Segment Operating Margin <sup>(a)</sup>	9.2%	9.4%	(0.2) pts
Goodyear Net Income	\$ 351	\$ 129	
Goodyear Net Income Per Share			
Weighted Average Shares Outstanding	236	250	
Basic	\$ 1.49	\$ 0.52	
Weighted Average Shares Outstanding - Diluted	238	254	
Diluted	\$ 1.48	\$ 0.50	
Cash Dividends Declared Per Common Share	\$ 0.14	\$ 0.10	
Adjusted Diluted Earnings Per Share <sup>(b)</sup>	\$ 0.68	\$ 0.70	

(a) See Segment Operating Income and Margin reconciliation in Appendix on page 28.

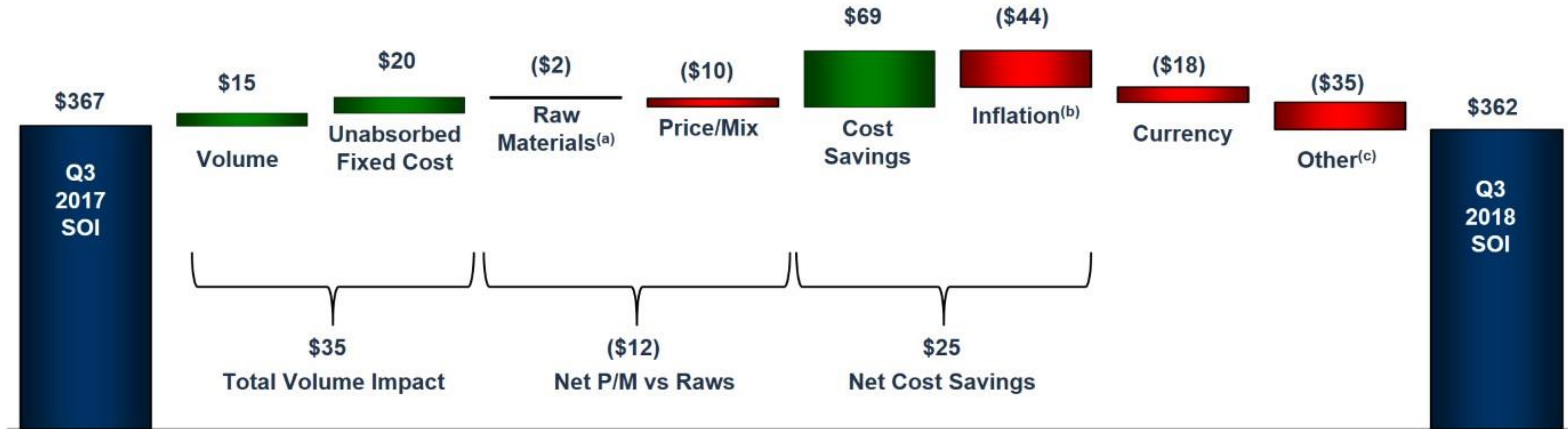
(b) See Adjusted Diluted Earnings Per Share reconciliation in Appendix on pages 26 and 27.



# Third Quarter 2018 Segment Operating Results



Terms: US\$ millions



(a) Raw material variance of (\$2) million excludes raw material cost saving measures of \$24 million, which are included in Cost Savings.

(b) Estimated impact of inflation (wages, utilities, energy, transportation and other).

(c) Includes the unfavorable impacts of advertising, R&D, other tire related businesses and depreciation.



# Third Quarter 2018 Balance Sheet



Terms: US\$ millions

	September 30, 2018	June 30, 2018	December 31, 2017	September 30, 2017
Cash and cash equivalents	\$ 896	\$ 975	\$ 1,043	\$ 822
Accounts receivable	2,670	2,388	2,025	2,672
Inventories	2,938	2,941	2,787	2,991
Accounts payable - trade	(2,819)	(2,880)	(2,807)	(2,624)
Working capital <sup>(a)</sup>	<u>\$ 2,789</u>	<u>\$ 2,449</u>	<u>\$ 2,005</u>	<u>\$ 3,039</u>
Total debt <sup>(b)</sup>	\$ 6,520	\$ 6,347	\$ 5,729	\$ 6,391
Net debt <sup>(b)</sup>	\$ 5,624	\$ 5,372	\$ 4,686	\$ 5,569

(a) Working capital represents accounts receivable and inventories, less accounts payable – trade.

(b) See Total Debt and Net Debt reconciliation in Appendix on page 29.



# Third Quarter 2018 Free Cash Flow



Terms: US\$ millions

	Three Months Ended September 30,		Trailing Twelve Months Ended
	2018	2017	September 30, 2018
<b>Net Income</b>	<b>\$ 354</b>	<b>\$ 132</b>	<b>\$ 508</b>
Depreciation and Amortization	197	199	784
Change in Working Capital	(382)	(294)	124
Pension Expense	27	21	105
Pension Contributions and Direct Payments	(14)	(22)	(79)
Provision for Deferred Income Taxes	114	(12)	411
Rationalization Payments	(20)	(42)	(209)
Other <sup>(a)</sup>	(216)	49	(356)
<b>Cash Flow from Operating Activities (GAAP)</b>	<b>\$ 60</b>	<b>\$ 31</b>	<b>\$ 1,288</b>
Capital Expenditures	(173)	(186)	(813)
<b>Free Cash Flow (non-GAAP)</b>	<b>\$ (113)</b>	<b>\$ (155)</b>	<b>\$ 475</b>
<b>Cash Flow from Investing Activities (GAAP)</b>	<b>\$ (194)</b>	<b>\$ (177)</b>	<b>\$ (868)</b>
<b>Cash Flow from Financing Activities (GAAP)</b>	<b>\$ 58</b>	<b>\$ 31</b>	<b>\$ (295)</b>

Includes impact of  
non-cash gain on  
TireHub transaction

(a) Other includes amortization and write-off of debt issuance costs, net pension curtailments and settlements, net rationalization charges, net (gains) losses on asset sales, compensation and benefits less pension expense, other current liabilities, other assets and liabilities and gain on TireHub transaction, net of transaction costs.



# Third Quarter 2018 - Segment Results Americas



Terms: US\$ millions  
Units in millions

## Third Quarter

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Units	17.8	17.1	3.7%
Net Sales	\$2,107	\$2,041	3.2%
Operating Income	\$194	\$196	(1.0%)
Margin	9.2%	9.6%	

- Continued volume recovery; U.S. consumer replacement up 11%
- Brazil consumer replacement down 6%
- TireHub transition on track
- SOI includes negative impact of weaker Brazilian real, higher raw materials and manufacturing costs
- Favorable indirect tax settlement in Brazil



# Third Quarter 2018 - Segment Results Europe, Middle East & Africa



Terms: US\$ millions  
Units in millions

## Third Quarter

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Units	15.2	14.9	2.8%
Net Sales	\$1,290	\$1,311	(1.6%)
Operating Income	\$111	\$90	23.3%
Margin	8.6%	6.9%	

- Continued solid volume growth; Consumer replacement up 4%
- Positive price/mix
- SOI includes negative impact of devaluation of Turkish Lira
- Favorable raw material costs
- Warm weather delaying winter tire sell-out



# Third Quarter 2018 - Segment Results

## Asia Pacific



Terms: US\$ millions  
Units in millions

### Third Quarter

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Units	7.5	7.8	(3.8%)
Net Sales	\$531	\$569	(6.7%)
Operating Income	\$57	\$81	(29.6%)
Margin	10.7%	14.2%	

- Continued soft market conditions in China negatively impacting volume and price/mix
- SOI impacted by bad debt expense
- Business outside China saw high single-digit volume growth



# 2018 Key Segment Operating Income Drivers <sup>(a)</sup>



Driver	July Outlook 2018 vs 2017	Current Outlook 2018 vs 2017	Comments
Global Volume	~1.0% - 1.5%	~1.0%	Driven by continued softness in the China and Brazil replacement markets
Price / Mix	~\$25 million	~\$45 million	Impact of announced pricing actions, partially offset by lower mix due to China weakening
Raw Materials	~(\$190) million	~(\$270) million	Impact of transactional fx and increases in both non-commodity and commodity cost
Overhead Absorption	~\$45 million	~\$30 million	Impact of lower production in China and Brazil
Cost Savings vs Inflation	~\$115 million	~\$105 million	Impact of lower volume and increased manufacturing costs
Foreign Exchange	~(\$30) million	~(\$30) million	Based on current spot rates
Other	~(\$90) million	~(\$115) million	~(\$20)M headwind in Q4

**Now expecting 2018 SOI to exceed \$1.3 billion**

(a) For information on our use of non-GAAP financial measures, including forward-looking non-GAAP financial measures, see Appendix on page 25.



# 2018 Outlook – Other Financial Assumptions



	Current 2018 FY Assumption
Interest Expense	\$320 - \$330 million
Other (Income) Expense	Financing fees: ~\$30 million Global pension related (excluded from SOI): ~\$90 million
Income Tax	Expense: 20% - 25% of global pre-tax operating income; Cash: ~18% of global pre-tax operating income
Depreciation & Amortization	~\$785 million
Global Pension Cash Contributions	\$25 - \$50 million
Working Capital	Use of ~\$150 million
Capital Expenditures	~\$900 million; Driving $\geq 17\%$ growth in volume & mix
Restructuring Payments	~\$185 million
Corporate Other	~\$80 million



# OUR GOAL

DELIVER SUSTAINABLE REVENUE AND PROFIT GROWTH WHILE INCREASING THE VALUE OF OUR BRAND

## HOW WE'LL WIN

### INNOVATION EXCELLENCE

Develop great products and services that anticipate and respond to the needs of consumers



### SALES & MARKETING EXCELLENCE

Build the value of our brand, help our customers win in their markets, and become consumers' preferred choice

### OPERATIONAL EXCELLENCE

Relentlessly improve our quality and efficiency to deliver the right tire, to the right place, at the right time for the right cost

*Winning at the intersection is the key to success*

## HOW WE'LL WORK

### ACT WITH INTEGRITY

Build trust and earn the confidence of others through honesty and respect – Protect Our Good Name

### ENERGIZE THE TEAM

Create an environment where associates are inspired by work, wellness and serving their communities

### PROMOTE COLLABORATION

Connect associates globally and encourage open discussion to meet objectives

### BE AGILE

Embrace change and act with speed and purpose

### DELIVER RESULTS

Anticipate challenges, seize opportunities and make courageous decisions

*Engage and enable associates to realize their full potential*

## WHERE WE'LL FOCUS

### CONSUMER EXPERIENCE

Make Goodyear easy to buy, own, and recommend

### CUSTOMER SERVICE

Collaborate with customers to be a great supplier

### QUALITY

Deliver industry best products, processes, and programs

### HIGH-VALUE SEGMENTS

Compete where we capture the full value of our brand

### MASTERING COMPLEXITY

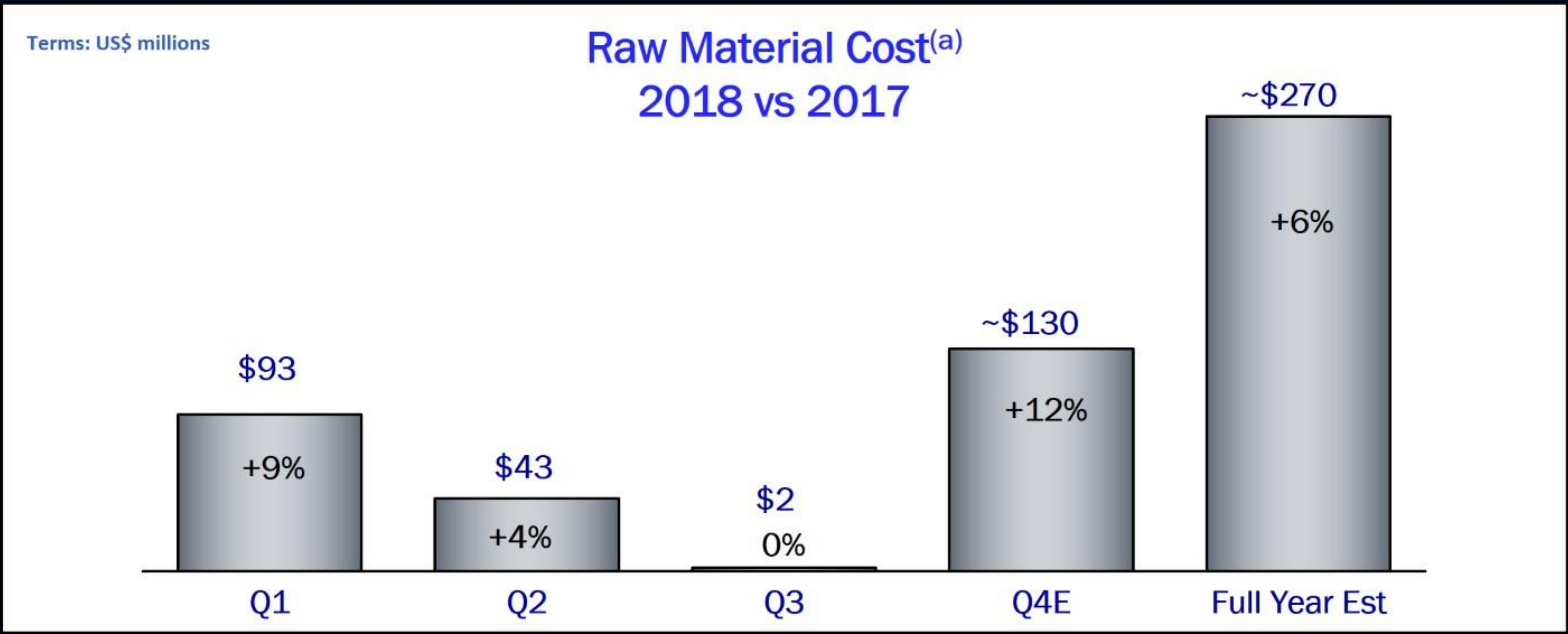
Manage the necessary; eliminate the unneeded





# Appendix





Now expecting raw materials to be up ~\$270 million for the year

(a) Impact to cost of goods sold before raw material cost saving measures. Based on raw material input costs holding at October 19, 2018 spot rates for the balance of 2018.



# 2018 Full-Year Industry Outlook



	Full-Year 2018 Guidance	
	United States	Western Europe <sup>(a)</sup>
Consumer Replacement	~1 – 3%	~Flat – 2%
Consumer OE	~Flat	~(1) – 1%
Commercial Replacement	~3 – 5%	~3 – 5%
Commercial OE	~14 – 17%	~2 – 4%

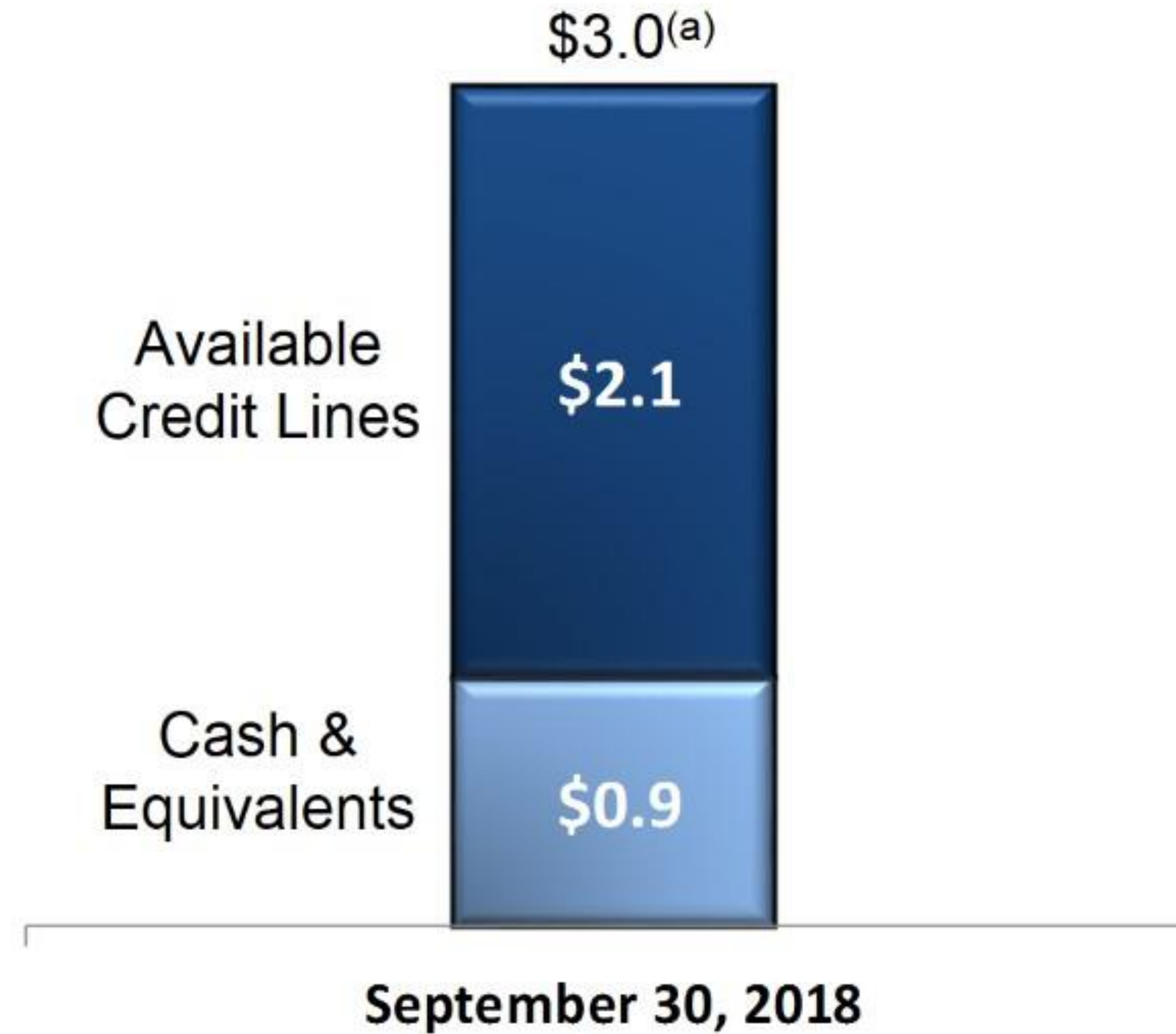
(a) For replacement, Western Europe is Europool and Turkey. For OE, Western Europe is total EMEA.



# Third Quarter 2018 – Liquidity Profile



Terms: US\$ billions



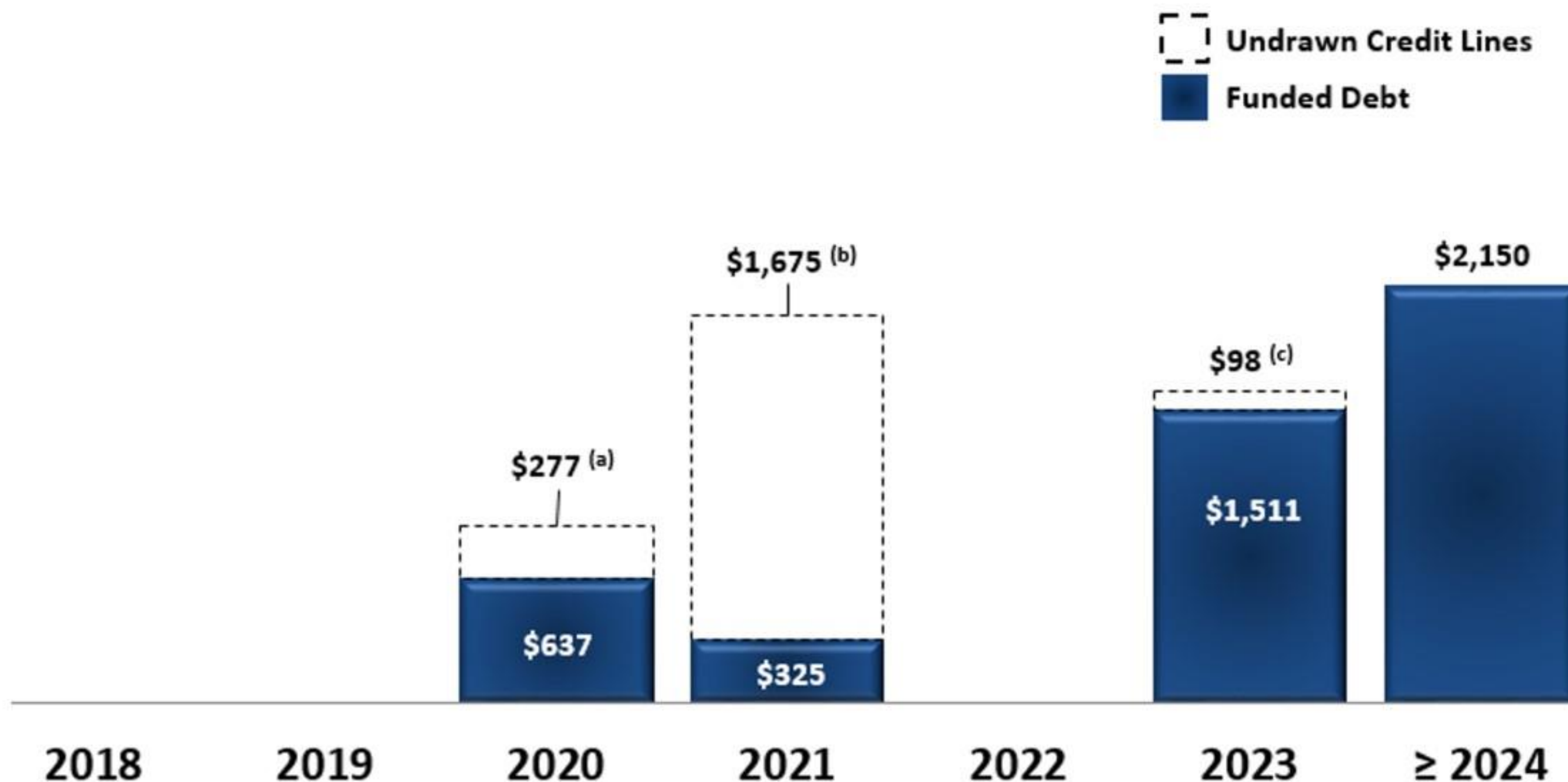
(a) Total liquidity comprised of \$896 million of cash and cash equivalents, as well as \$2,132 million of unused availability under various credit agreements.



# Third Quarter 2018 – Maturity Schedule



Terms: US\$ millions



Note: Based on September 30, 2018 balance sheet values and excludes notes payable, capital leases and other domestic and foreign debt.

(a) At September 30, 2018 there were \$360 million (€311 million) of borrowings outstanding under the €550 million European revolving credit facility.

(b) At September 30, 2018 our borrowing base, and therefore our availability, under the U.S. revolving credit facility was \$302 million below the facility's stated amount of \$2.0 billion.

At September 30, 2018 there were \$325 million of borrowings and \$37 million of letters of credit issued.

(c) At September 30, 2018 the amounts available and utilized under the Pan-European securitization program totaled \$221 million (€191 million).



# Use of Historical and Forward-Looking Non-GAAP Financial Measures



This presentation contains historical and forward-looking non-GAAP financial measures, including Total Segment Operating Income and Margin, Free Cash Flow, Adjusted Net Income and Adjusted Diluted Earnings Per Share (EPS), which are important financial measures for the company but are not financial measures defined by U.S. GAAP, and should not be construed as alternatives to corresponding financial measures presented in accordance with U.S. GAAP.

Total Segment Operating Income is the sum of the individual strategic business units' (SBUs') Segment Operating Income as determined in accordance with U.S. GAAP. Total Segment Operating Margin is Total Segment Operating Income divided by Net Sales as determined in accordance with U.S. GAAP. Management believes that Total Segment Operating Income and Margin are useful because they represent the aggregate value of income created by the company's SBUs and exclude items not directly related to the SBUs for performance evaluation purposes. The most directly comparable U.S. GAAP financial measures to Total Segment Operating Income and Margin are Goodyear Net Income and Return on Net Sales (which is calculated by dividing Goodyear Net Income by Net Sales).

Free Cash Flow is the company's Cash Flows from Operating Activities as determined in accordance with U.S. GAAP, less capital expenditures. Management believes that Free Cash Flow is useful because it represents the cash generating capability of the company's ongoing operations, after taking into consideration capital expenditures necessary to maintain its business and pursue growth opportunities. The most directly comparable U.S. GAAP financial measure is Cash Flows from Operating Activities.

Adjusted Net Income is Goodyear Net Income as determined in accordance with U.S. GAAP adjusted for certain significant items. Adjusted Diluted EPS is the company's Adjusted Net Income divided by Weighted Average Shares Outstanding-Diluted as determined in accordance with U.S. GAAP. Management believes that Adjusted Net Income and Adjusted Diluted EPS are useful because they represent how management reviews the operating results of the company excluding the impacts of rationalizations, asset write-offs, accelerated depreciation, asset sales and certain other significant items.

It should be noted that other companies may calculate similarly-titled non-GAAP financial measures differently and, as a result, the measures presented herein may not be comparable to such similarly-titled measures reported by other companies.

We are unable to present a quantitative reconciliation of our forward-looking non-GAAP financial measures, other than Free Cash Flow, to the most directly comparable U.S. GAAP financial measures because management cannot reliably predict all of the necessary components of those U.S. GAAP financial measures without unreasonable effort. Those forward-looking non-GAAP financial measures, or components thereof, would be reconciled to Goodyear Net Income, which includes several significant items that are not included in the comparable non-GAAP financial measures, such as rationalization charges, other (income) expense, pension curtailments and settlements, and income taxes. The decisions and events that typically lead to the recognition of these and other similar non-GAAP adjustments, such as a decision to exit part of our business, acquisitions and dispositions, foreign currency exchange gains and losses, financing fees, actions taken to manage our pension liabilities, and the recording or release of tax valuation allowances, are inherently unpredictable as to if or when they may occur. The inability to provide a reconciliation is due to that unpredictability and the related difficulty in assessing the potential financial impact of the non-GAAP adjustments. For the same reasons, we are unable to address the probable significance of the unavailable information, which could be material to our future financial results.



# Third Quarter 2018 Significant Items



(After Tax and Minority Interest)

Terms: US\$ millions,  
(except EPS)

	As Reported	Gain on TireHub Transaction, Net of Transaction Costs	Discrete Tax Items	Pension Settlement	Legal Claims Related to Discontinued Operations	Hurricane Effect	Rationalizations, Asset Write-offs, and Accelerated Depreciation	As Adjusted
Net Sales	\$ 3,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,928
Cost of Goods Sold	3,028	-	19	-	-	-	-	3,047
Gross Margin	900	-	(19)	-	-	-	-	881
SAG	553	-	-	-	-	-	-	553
Rationalizations	5	-	-	-	-	-	(5)	-
Interest Expense	82	-	-	-	-	-	-	82
Other (Income) Expense	(253)	287	3	(10)	(4)	(2)	-	21
Pre-tax Income	513	(287)	(22)	10	4	2	5	225
Taxes	159	(68)	(36)	2	1	-	1	59
Minority Interest	3	-	-	-	-	-	-	3
Goodyear Net Income	\$ 351	\$ (219)	\$ 14	\$ 8	\$ 3	\$ 2	\$ 4	\$ 163
EPS	\$ 1.48	\$ (0.91)	\$ 0.05	\$ 0.03	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.68



# Third Quarter 2017 Significant Items<sup>(a)</sup>



(After Tax and Minority Interest)

Terms: US\$ millions,  
(except EPS)

	As Reported	Rationalizations, Asset Write-offs, and Accelerated Depreciation	Hurricane Effect	Pension Settlement	Discrete Tax Items	Insurance Recovery	As Adjusted
Net Sales	\$ 3,921	\$ -	\$ 23	\$ -	\$ -	\$ -	\$ 3,944
Cost of Goods Sold	3,054	(10)	18	-	(2)	-	3,060
Gross Margin	867	10	5	-	2	-	884
SAG	545	-	-	-	-	-	545
Rationalizations	46	(46)	-	-	-	-	-
Interest Expense	84	-	-	-	-	-	84
Other (Income) Expense	30	-	(12)	(13)	-	5	10
Pre-tax Income	162	56	17	13	2	(5)	245
Taxes	30	18	2	5	12	(2)	65
Minority Interest	3	-	-	-	-	-	3
Goodyear Net Income	\$ 129	\$ 38	\$ 15	\$ 8	\$ (10)	\$ (3)	\$ 177
EPS	\$ 0.50	\$ 0.15	\$ 0.06	\$ 0.03	\$ (0.03)	\$ (0.01)	\$ 0.70

(a) Restated in alignment with the new pension accounting standard adopted in 2018.



# Reconciliation for Segment Operating Income/Margin



Terms: US\$ millions

	Three Months Ended	
	September 30,	
	2018	2017 <sup>(a)</sup>
<b>Total Segment Operating Income</b>	<b>\$ 362</b>	<b>\$ 367</b>
Rationalizations	(5)	(46)
Interest expense	(82)	(84)
Other income (expense)	253	(30)
Asset write-offs and accelerated depreciation	-	(10)
Corporate incentive compensation plans	1	-
Intercompany profit elimination	(2)	(21)
Retained expenses of divested operations	(2)	(3)
Other	(12)	(11)
<b>Income before Income Taxes</b>	<b>\$ 513</b>	<b>\$ 162</b>
United States and Foreign Tax Expense	159	30
Less: Minority Shareholders Net Income	3	3
<b>Goodyear Net Income</b>	<b>\$ 351</b>	<b>\$ 129</b>
Net Sales (as reported)	\$3,928	\$3,921
Return on Net Sales (as reported)	8.9%	3.3%
Total Segment Operating Margin	9.2%	9.4%

(a) Restated in alignment with the new pension accounting standard adopted in 2018.



# Reconciliation for Total Debt and Net Debt



Terms: US\$ millions

	September 30, 2018	June 30, 2018	December 31, 2017	September 30, 2017
Long-Term Debt and Capital Leases	\$ 5,604	\$ 5,726	\$ 5,076	\$ 5,737
Notes Payable and Overdrafts	445	335	262	276
Long-Term Debt and Capital Leases Due Within One Year	471	286	391	378
Total Debt	\$ 6,520	\$ 6,347	\$ 5,729	\$ 6,391
Less: Cash and Cash Equivalents	896	975	1,043	822
Net Debt	\$ 5,624	\$ 5,372	\$ 4,686	\$ 5,569



**GOODYEAR®**

The logo features the word "GOODYEAR" in a bold, italicized, sans-serif font. A stylized winged foot, representing the Goodyear brand, is positioned over the letter "Y". The foot is depicted in a dynamic, forward-leaning pose, with wings spread and a pointed toe. The entire logo is rendered in a bright yellow color against a solid blue background.