

The Goodyear Tire & Rubber Company and Subsidiaries
Consolidated Statements of Operations (unaudited)

(In millions, except per share amounts)

	Three Months Ended	
	March 31,	
	<u>2014</u>	<u>2013</u>
NET SALES	\$4,469	\$4,853
Cost of Goods Sold	3,518	3,940
Selling, Administrative and General Expense	667	645
Rationalizations	41	7
Interest Expense	105	85
Other Expense	<u>168</u>	<u>126</u>
Income (Loss) before Income Taxes	(30)	50
United States and Foreign Taxes	<u>8</u>	<u>19</u>
Net Income (Loss)	(38)	31
Less: Minority Shareholders' Net Income (Loss)	<u>13</u>	<u>(2)</u>
Goodyear Net Income (Loss)	(51)	33
Less: Preferred Stock Dividends	<u>7</u>	<u>7</u>
Goodyear Net Income (Loss) Available to Common Shareholders	<u><u>\$ (58)</u></u>	<u><u>\$ 26</u></u>
Goodyear Net Income (Loss) Available to Common Shareholders - Per Share of Common Stock		
Basic	<u><u>\$ (0.23)</u></u>	<u><u>\$ 0.10</u></u>
Weighted Average Shares Outstanding	248	245
Diluted	<u><u>\$ (0.23)</u></u>	<u><u>\$ 0.10</u></u>
Weighted Average Shares Outstanding	248	248
Cash Dividends Declared Per Common Share	<u><u>\$ 0.05</u></u>	--

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	March 31, <u>2014</u>	December 31, <u>2013</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,853	\$ 2,996
Accounts Receivable, less Allowance - \$98 (\$99 in 2013)	2,913	2,435
Inventories:		
Raw Materials	619	592
Work in Process	172	164
Finished Products	<u>2,230</u>	<u>2,060</u>
	3,021	2,816
Prepaid Expenses and Other Current Assets	<u>419</u>	<u>397</u>
Total Current Assets	8,206	8,644
Goodwill	668	668
Intangible Assets	137	138
Deferred Income Taxes	168	157
Other Assets	600	600
Property, Plant and Equipment	<u>7,313</u>	<u>7,320</u>
less Accumulated Depreciation - \$9,275 (\$9,158 in 2013)		
Total Assets	<u>\$ 17,092</u>	<u>\$ 17,527</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 3,112	\$ 3,097
Compensation and Benefits	727	758
Other Current Liabilities	1,119	1,083
Notes Payable and Overdrafts	26	14
Long Term Debt and Capital Leases due Within One Year	<u>47</u>	<u>73</u>
Total Current Liabilities	5,031	5,025
Long Term Debt and Capital Leases	7,047	6,162
Compensation and Benefits	1,376	2,673
Deferred and Other Noncurrent Income Taxes	257	256
Other Long Term Liabilities	<u>944</u>	<u>966</u>
Total Liabilities	14,655	15,082
Commitments and Contingent Liabilities		
Minority Shareholders' Equity	600	577
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Preferred Stock, no par value:		
Authorized, 50 million shares, Outstanding shares – 10 million (10 million in 2013), liquidation preference \$50 per share	500	500
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 248 million (248 million in 2013) after deducting 3 million treasury shares (3 million in 2013)	248	248
Capital Surplus	2,840	2,847
Retained Earnings	1,888	1,958
Accumulated Other Comprehensive Loss	<u>(3,883)</u>	<u>(3,947)</u>
Goodyear Shareholders' Equity	1,593	1,606
Minority Shareholders' Equity – Nonredeemable	<u>244</u>	<u>262</u>
Total Shareholders' Equity	<u>1,837</u>	<u>1,868</u>
Total Liabilities and Shareholders' Equity	<u>\$ 17,092</u>	<u>\$ 17,527</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Three Months Ended	
	March 31,	
	2014	2013
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (38)	\$ 31
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	183	177
Amortization and Write-off of Debt Issuance Costs	6	5
Net Pension Curtailments and Settlements	39	--
Net Rationalization Charges	41	7
Rationalization Payments	(36)	(24)
Net Losses on Asset Sales	2	2
Pension Contributions and Direct Payments	(1,223)	(908)
Net Venezuela Currency Remeasurement Loss	157	115
Customer Prepayments and Government Grants	2	29
Insurance Proceeds	4	17
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(456)	(500)
Inventories	(214)	31
Accounts Payable - Trade	80	134
Compensation and Benefits	(44)	(23)
Other Current Liabilities	6	(4)
Other Assets and Liabilities	(52)	(26)
Total Cash Flows from Operating Activities	(1,543)	(937)
Cash Flows from Investing Activities:		
Capital Expenditures	(229)	(271)
Asset Dispositions	2	5
Government Grants Received	1	4
Decrease (Increase) in Restricted Cash	4	(23)
Short Term Securities Acquired	(25)	(20)
Short Term Securities Redeemed	35	22
Other Transactions	1	--
Total Cash Flows from Investing Activities	(211)	(283)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	13	30
Short Term Debt and Overdrafts Paid	--	(24)
Long Term Debt Incurred	1,104	1,558
Long Term Debt Paid	(272)	(78)
Common Stock Issued	24	2
Common Stock Repurchased	(32)	--
Common Stock Dividends Paid	(12)	--
Preferred Stock Dividends Paid	(7)	(7)
Transactions with Minority Interests in Subsidiaries	(23)	(4)
Debt Related Costs and Other Transactions	--	(15)
Total Cash Flows from Financing Activities	795	1,462
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(184)	(137)
Net Change in Cash and Cash Equivalents	(1,143)	105
Cash and Cash Equivalents at Beginning of the Period	2,996	2,281
Cash and Cash Equivalents at End of the Period	\$ 1,853	\$ 2,386

(more)

Non-GAAP Financial Measures

This earnings release presents Total Segment Operating Income, Free Cash Flow from Operations, Adjusted Net Income (Loss) and Adjusted Diluted Earnings Per Share (EPS) on a historical basis, which are important financial measures for the company but are not financial measures defined by U.S. GAAP, and should not be construed as an alternative 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. Management believes that Total Segment Operating Income is useful because it represents the aggregate value of income created by the company's SBUs and excludes items not directly related to the SBUs for performance evaluation purposes.

Free Cash Flow from Operations is the company's Cash Flow from Operations as determined in accordance with U.S. GAAP before pension contributions and direct payments and rationalization payments, less capital expenditures. Management believes that Free Cash Flow from Operations 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.

Adjusted Net Income (Loss) is the company's Net Income (Loss) Available to Common Shareholders as determined in accordance with U.S. GAAP adjusted for certain significant items and adding back preferred stock dividends assuming the conversion of the related preferred stock. Adjusted Diluted EPS is the company's Adjusted Net Income (Loss) divided by Weighted Average Shares Outstanding-Diluted as determined in accordance with U.S. GAAP adjusted for the dilutive effect of mandatory convertible preferred stock, stock options and other securities not otherwise included in Weighted Average Shares Outstanding-Diluted under U.S. GAAP when the effect is anti-dilutive. Management believes that Adjusted Net Income (Loss) 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. In particular, management believes that Adjusted Net Income (Loss) and Adjusted Diluted EPS are useful since all of the company's shares of preferred stock were subject to mandatory conversion on April 1, 2014, which will significantly alter the number of shares of common stock outstanding in future periods. It should be noted that other companies may calculate similarly-titled measures differently and, as a result, the measures presented herein may not be comparable to such similarly-titled measures.

This earnings release also contains our targeted Total Segment Operating Income growth rate for 2014-2016 and our targeted ratio of Adjusted Debt to EBITDAP for 2016. Forward-looking Total Segment Operating Income and the ratio of Adjusted Debt to EBITDAP are important financial measures for the company but are not financial measures defined by U.S. GAAP, and should not be construed as an alternative to corresponding financial measures presented in accordance with U.S. GAAP.

Adjusted Debt is the sum of our total debt and our global pension liability, each as determined in accordance with U.S. GAAP, and EBITDAP, as adjusted, represents Net Income (the most directly comparable GAAP financial measure) before interest expense, income tax expense, depreciation and amortization expense, net periodic pension cost, rationalization charges and other (income) and expense. We refer to the ratio of Adjusted Debt to EBITDAP because we believe it is widely used by investors as a means of evaluating a company's leverage. It should be noted that other companies may calculate the components of this ratio differently; as a result, the ratio of Adjusted Debt to EBITDAP as presented herein may not be comparable to similarly-titled measures reported by other companies.

We are unable to present a quantitative reconciliation of our forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures, because management cannot reliably predict all of the necessary components of those GAAP financial measures without unreasonable effort. These components could be significant to the calculation of those GAAP financial measures in the future.

See the tables below for reconciliations of historical Total Segment Operating Income, Free Cash Flow from Operations, Adjusted Net Income (Loss) and Adjusted Diluted EPS to the most directly comparable GAAP measures.

(more)

Total Segment Operating Income Reconciliation Table

<i>(In millions)</i>	Three Months Ended March 31,	
	2014	2013
Segment Operating Income	\$373	\$302
Rationalizations	(41)	(7)
Interest Expense	(105)	(85)
Other Expense	(168)	(126)
Asset Write-offs and Accelerated Depreciation	(1)	(5)
Corporate Incentive Compensation Plans	(27)	(10)
Pension Curtailments/Settlements	(33)	--
Intercompany Profit Elimination	(13)	(3)
Retained Expenses of Divested Operations	(4)	(4)
Other	(11)	(12)
Net Income (Loss) before Income Taxes	(\$30)	\$50

Free Cash Flow from Operations Reconciliation Table

<i>(In millions)</i>	Three Months Ended March 31,	
	2014	2013
Net Income (Loss)	(\$38)	\$31
Depreciation and Amortization	183	177
Working Capital (1)	(590)	(335)
Pension Expense (2)	50	76
Other (3)	111	46
Capital Expenditures	(229)	(271)
Free Cash Flow from Operations (non-GAAP)	\$(513)	\$(276)
Capital Expenditures	229	271
Pension Contributions and Direct Payments	(1,223)	(908)
Rationalization Payments	(36)	(24)
Cash Flow from Operating Activities (GAAP)	\$(1,543)	\$(937)

Amounts are calculated from the consolidated Statements of Cash Flows except for pension expense, which is as reported in the Notes to Consolidated Financial Statements.

(1) Working Capital represents total changes in accounts receivable, inventories and accounts payable – trade.

(2) Pension expense is the net periodic pension cost (before curtailments, settlements and termination benefits) as reported in the pension-related note in the Notes to Consolidated Financial Statements.

(3) Other includes amortization and write-off of debt issuance costs, net pension curtailments and settlements, net rationalization charges, net losses (gains) on asset sales, net Venezuela currency remeasurement loss, customer prepayments and government grants, insurance proceeds, compensation and benefits less pension expense, other current liabilities, and other assets and liabilities.

(more)

Adjusted Net Income (Loss) and Adjusted Diluted Earnings per Share Reconciliation Table

First Quarter 2014	Net Income (Loss) After-tax and Minority Interest	Weighted Average Shares Outstanding- Diluted	Diluted EPS
<i>(In millions, except EPS)</i>			
Goodyear Net Income (Loss) Available to Common Shareholders	\$ (58)	248	(0.23)
Significant Items:			
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	30		
Net Loss on Asset Sales	2		
Net Venezuela Currency Remeasurement Loss	132		
Pension Curtailments and Settlements	36		
Charges for Labor Claims Related to a Closed Facility in Europe	7		
	\$207		
Preferred Stock Dividends	7		
As Adjusted	\$156	281	0.56
First Quarter 2013	Net Income (Loss) After-tax and Minority Interest	Weighted Average Shares Outstanding- Diluted	Diluted EPS
<i>(in millions, except EPS)</i>			
Goodyear Net Income (Loss) Available to Common Shareholders	\$ 26	248	0.10
Significant Items:			
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	9		
Net Loss on Asset Sales	2		
Net Venezuela Currency Remeasurement Loss	92		
Net Gain from Tax Law Changes	(12)		
Net Insurance Recoveries from 2011 Thailand Flood	(6)		
	\$ 85		
Preferred Stock Dividends	7		
As Adjusted	\$118	281	0.42

Adjusted Net Income (Loss) represents Goodyear Net Income (Loss) Available to Common Shareholders adjusted for certain significant items and adding back preferred stock dividends assuming the conversion of the related preferred stock as discussed above. Diluted weighted average shares outstanding used to compute EPS in accordance with U.S. GAAP have been adjusted to include the impact of the conversion of preferred stock on April 1, 2014 (28 million equivalent shares at March 31, 2014 and 33 million equivalent shares at March 31, 2013) and the effect of dilutive stock options and other securities (5 million shares at March 31, 2014).