

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

	Three Months Ended March 31,	
	<u>2017</u>	<u>2016</u>
<i>(In millions, except per share amounts)</i>		
NET SALES	\$3,699	\$3,691
Cost of Goods Sold	2,765	2,701
Selling, Administrative and General Expense	579	615
Rationalizations	29	11
Interest Expense	87	91
Other (Income) Expense	<u>—</u>	<u>6</u>
Income before Income Taxes	239	267
United States and Foreign Tax Expense	<u>70</u>	<u>78</u>
Net Income	169	189
Less: Minority Shareholders' Net Income	<u>3</u>	<u>5</u>
Goodyear Net Income	<u>\$ 166</u>	<u>\$ 184</u>
Goodyear Net Income - Per Share of Common Stock		
Basic	<u>\$ 0.66</u>	<u>\$ 0.69</u>
Weighted Average Shares Outstanding	252	267
Diluted	<u>\$ 0.65</u>	<u>\$ 0.68</u>
Weighted Average Shares Outstanding	256	271
Cash Dividends Declared Per Common Share	<u>\$ 0.10</u>	<u>\$ 0.07</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets

(In millions)

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 961	\$ 1,132
Accounts Receivable, less Allowance - \$105 (\$101 in 2016)	2,270	1,769
Inventories:		
Raw Materials	479	436
Work in Process	148	131
Finished Products	<u>2,218</u>	<u>2,060</u>
	2,845	2,627
Prepaid Expenses and Other Current Assets	<u>249</u>	<u>190</u>
Total Current Assets	6,325	5,718
Goodwill	545	535
Intangible Assets	136	136
Deferred Income Taxes	2,371	2,414
Other Assets	682	668
Property, Plant and Equipment		
less Accumulated Depreciation - \$9,361 (\$9,125 in 2016)	<u>7,135</u>	<u>7,040</u>
Total Assets	<u>\$ 17,194</u>	<u>\$ 16,511</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,631	\$ 2,589
Compensation and Benefits	568	584
Other Current Liabilities	1,040	963
Notes Payable and Overdrafts	217	245
Long Term Debt and Capital Leases due Within One Year	<u>459</u>	<u>436</u>
Total Current Liabilities	4,915	4,817
Long Term Debt and Capital Leases	5,257	4,798
Compensation and Benefits	1,392	1,460
Deferred Income Taxes	86	85
Other Long Term Liabilities	<u>584</u>	<u>626</u>
Total Liabilities	12,234	11,786
Commitments and Contingent Liabilities		
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 252 million (252 million in 2016)		
after deducting 26 million treasury shares (26 million in 2016)	252	252
Capital Surplus	2,635	2,645
Retained Earnings	5,949	5,808
Accumulated Other Comprehensive Loss	<u>(4,103)</u>	<u>(4,198)</u>
Goodyear Shareholders' Equity	4,733	4,507
Minority Shareholders' Equity – Nonredeemable	<u>227</u>	<u>218</u>
Total Shareholders' Equity	4,960	4,725
Total Liabilities and Shareholders' Equity	<u>\$ 17,194</u>	<u>\$ 16,511</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Three Months Ended	
	March 31,	
	2017	2016
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 169	\$ 189
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	185	174
Amortization and Write-Off of Debt Issuance Costs	3	7
Provision for Deferred Income Taxes	40	46
Net Rationalization Charges	29	11
Rationalization Payments	(18)	(24)
Net (Gains) Losses on Asset Sales	(1)	(1)
Pension Contributions and Direct Payments	(25)	(25)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(478)	(399)
Inventories	(191)	(116)
Accounts Payable - Trade	73	(96)
Compensation and Benefits	(61)	(100)
Other Current Liabilities	18	24
Other Assets and Liabilities	(29)	(62)
Total Cash Flows from Operating Activities	(286)	(372)
Cash Flows from Investing Activities:		
Capital Expenditures	(271)	(253)
Asset Dispositions	1	1
Short Term Securities Acquired	(11)	(12)
Short Term Securities Redeemed	11	--
Total Cash Flows from Investing Activities	(270)	(264)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	51	26
Short Term Debt and Overdrafts Paid	(82)	(2)
Long Term Debt Incurred	1,838	1,085
Long Term Debt Paid	(1,369)	(822)
Common Stock Issued	9	2
Common Stock Repurchased	(25)	(50)
Common Stock Dividends Paid	(25)	(19)
Transactions with Minority Interests in Subsidiaries	--	(6)
Debt Related Costs and Other Transactions	1	(10)
Total Cash Flows from Financing Activities	398	204
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	20	28
Net Change in Cash, Cash Equivalents and Restricted Cash	(138)	(404)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	1,189	1,502
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 1,051	\$ 1,098

(more)

Non-GAAP Financial Measures (unaudited)

This earnings release presents Total Segment Operating Income and Margin, 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 measure to Total Segment Operating Income is Goodyear Net Income and to Total Segment Operating Margin is Goodyear Net Income as a percent of Sales (which is calculated by dividing Goodyear Net Income by Net Sales).

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.

The company is unable to present a quantitative reconciliation of its forward-looking non-GAAP financial measure, Total Segment Operating Income, to the most directly comparable U.S. GAAP financial measure, Goodyear Net Income, because management cannot reliably predict all of the necessary components of Goodyear Net Income without unreasonable effort. Goodyear Net Income includes several significant items that are not included in Total Segment Operating Income, 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 the company's business, acquisitions and dispositions, foreign currency exchange gains and losses, financing fees, actions taken to manage the company's 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, the company is unable to address the probable significance of the unavailable information, which could be material to the company's future financial results.

See the tables below for reconciliations of historical Total Segment Operating Income and Margin, Adjusted Net Income and Adjusted Diluted EPS to the most directly comparable U.S. GAAP financial measures.

Segment Operating Income and Margin Reconciliation Table

	Three Months Ended March 31,	
<i>(In millions)</i>	2017	2016
Total Segment Operating Income	\$385	\$419
Rationalizations	29	11
Interest Expense	87	91
Other (Income) Expense	--	6
Asset Write-offs and Accelerated Depreciation	8	2
Corporate Incentive Compensation Plans	15	26
Intercompany Profit Elimination	(3)	2
Retained Expenses of Divested Operations	3	5
Other	7	9
Income before Income Taxes	\$239	\$267
United States and Foreign Taxes	70	78
Less: Minority Shareholders Net Income	3	5
Goodyear Net Income	\$166	\$184
Sales	\$3,699	\$3,691
Return on Sales	4.5%	5.0%
Total Segment Operating Margin	10.4%	11.4%

(more)

Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Table**First Quarter 2017***(In millions, except EPS)*

	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
As Reported	\$ 239	\$70	\$ 3	\$166	256	\$ 0.65
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	37	12		25		0.10
Discrete Tax Items		2		(2)		(0.01)
	37	14	--	23		\$ 0.09
As Adjusted	\$276	\$84	\$ 3	\$ 189	256	\$ 0.74

First Quarter 2016*(In millions, except EPS)*

	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
As Reported	\$267	\$78	\$5	\$184	271	\$0.68
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	13	1		12		0.05
Debt Repayments	12			12		0.04
Discrete Tax Items		12	(1)	(11)		(0.04)
Insurance Recovery – Discontinued Products	(3)	(1)		(2)		(0.01)
	22	12	(1)	11		\$0.04
As Adjusted	\$289	\$90	\$4	\$195	271	\$ 0.72