

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<i>(In millions, except per share amounts)</i>				
NET SALES	\$3,879	\$4,172	\$ 7,570	\$ 8,196
Cost of Goods Sold	2,813	3,027	5,514	6,093
Selling, Administrative and General Expense	593	648	1,208	1,256
Rationalizations	48	46	59	62
Interest Expense	104	110	195	217
Other (Income) Expense	20	13	26	(119)
Income before Income Taxes	301	328	568	687
United States and Foreign Taxes	93	120	171	243
Net Income	208	208	397	444
Less: Minority Shareholders' Net Income	6	16	11	28
Goodyear Net Income	\$ 202	\$ 192	\$ 386	\$ 416
Goodyear Net Income - Per Share of Common Stock				
Basic	\$ 0.76	\$ 0.71	\$ 1.45	\$ 1.54
Weighted Average Shares Outstanding	264	270	266	270
Diluted	\$ 0.75	\$ 0.70	\$ 1.43	\$ 1.52
Weighted Average Shares Outstanding	268	274	269	274
Cash Dividends Declared Per Common Share	\$ 0.07	\$ 0.06	\$ 0.14	\$ 0.12

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	June 30, <u>2016</u>	December 31, <u>2015</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,138	\$ 1,476
Accounts Receivable, less Allowance - \$110 (\$105 in 2015)	2,475	2,033
Inventories:		
Raw Materials	445	419
Work in Process	141	138
Finished Products	<u>2,100</u>	<u>1,907</u>
	2,686	2,464
Prepaid Expenses and Other Current Assets	<u>169</u>	<u>153</u>
Total Current Assets	6,468	6,126
Goodwill	560	555
Intangible Assets	138	138
Deferred Income Taxes	2,028	2,141
Other Assets	706	654
Property, Plant and Equipment		
less Accumulated Depreciation - \$9,042 (\$8,637 in 2015)	<u>6,960</u>	<u>6,777</u>
Total Assets	<u>\$ 16,860</u>	<u>\$ 16,391</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,643	\$ 2,769
Compensation and Benefits	605	666
Other Current Liabilities	855	886
Notes Payable and Overdrafts	145	49
Long Term Debt and Capital Leases due Within One Year	<u>346</u>	<u>585</u>
Total Current Liabilities	4,594	4,955
Long Term Debt and Capital Leases	5,745	5,074
Compensation and Benefits	1,393	1,468
Deferred Income Taxes	90	91
Other Long Term Liabilities	<u>630</u>	<u>661</u>
Total Liabilities	12,452	12,249
Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 262 million (267 million in 2015)		
after deducting 16 million treasury shares (11 million in 2015)	262	267
Capital Surplus	2,964	3,093
Retained Earnings	4,918	4,570
Accumulated Other Comprehensive Loss	<u>(3,962)</u>	<u>(4,010)</u>
Goodyear Shareholders' Equity	4,182	3,920
Minority Shareholders' Equity – Nonredeemable	<u>226</u>	<u>222</u>
Total Shareholders' Equity	4,408	4,142
Total Liabilities and Shareholders' Equity	<u>\$ 16,860</u>	<u>\$ 16,391</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Six Months Ended	
	June 30,	
	2016	2015
Cash Flows from Operating Activities:		
Net Income	\$ 397	\$ 444
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	355	349
Amortization and Write-Off of Debt Issuance Costs	20	5
Provision for Deferred Income Taxes	87	171
Net Pension Curtailments and Settlements	14	2
Net Rationalization Charges	59	62
Rationalization Payments	(52)	(86)
Net Gains on Asset Sales	(1)	(1)
Pension Contributions and Direct Payments	(48)	(51)
Gain on Recognition of Deferred Royalty Income	--	(155)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(417)	(439)
Inventories	(176)	(13)
Accounts Payable - Trade	(93)	(25)
Compensation and Benefits	(104)	(46)
Other Current Liabilities	(68)	(18)
Other Assets and Liabilities	(93)	75
Total Cash Flows from Operating Activities	(120)	274
Cash Flows from Investing Activities:		
Capital Expenditures	(466)	(448)
Asset Dispositions	1	8
Decrease (Increase) in Restricted Cash	11	(6)
Short Term Securities Acquired	(34)	(49)
Short Term Securities Redeemed	23	21
Other Transactions	--	5
Total Cash Flows from Investing Activities	(465)	(469)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	124	49
Short Term Debt and Overdrafts Paid	(36)	(43)
Long Term Debt Incurred	3,283	1,116
Long Term Debt Paid	(2,931)	(1,312)
Common Stock Issued	3	18
Common Stock Repurchased	(150)	(52)
Common Stock Dividends Paid	(38)	(32)
Transactions with Minority Interests in Subsidiaries	(7)	(1)
Debt Related Costs and Other Transactions	(23)	(10)
Total Cash Flows from Financing Activities	225	(267)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	22	(61)
Net Change in Cash and Cash Equivalents	(338)	(523)
Cash and Cash Equivalents at Beginning of the Period	1,476	2,161
Cash and Cash Equivalents at End of the Period	\$ 1,138	\$ 1,638

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Non-GAAP Financial Measures (unaudited)

This earnings release presents Total Segment Operating Income, Core Segment Operating Income, Adjusted Net Income 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' (SBU's) 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.

Core Segment Operating Income is Total Segment Operating Income excluding the operating income from our Venezuelan subsidiary, which we deconsolidated on December 31, 2015. Management believes that Core Segment Operating Income is useful because it represents Total Segment Operating Income from the company's ongoing reported operations.

Adjusted Net Income is Goodyear's 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.

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

Segment Operating Income and Margin Reconciliation Table

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<i>(In millions)</i>				
Core Segment Operating Income	\$531	\$514	\$950	\$880
Venezuela Subsidiary Operating Income	--	\$36	--	\$58
Total Segment Operating Income	\$531	\$550	\$950	\$938
Rationalizations	48	46	59	62
Interest Expense	104	110	195	217
Other (Income) Expense	20	13	26	(119)
Asset Write-offs and Accelerated Depreciation	5	--	7	2
Corporate Incentive Compensation Plans	14	22	40	35
Corporate Pension Curtailments/Settlements	14	--	14	--
Intercompany Profit Elimination	3	10	5	14
Retained Expenses of Divested Operations	5	2	10	4
Other	17	19	26	36
Income before Income Taxes	\$301	\$328	\$568	\$687
United States and Foreign Taxes	93	120	171	243
Less: Minority Shareholders Net Income	6	16	11	28
Goodyear Net Income	\$202	\$192	\$386	\$416
Sales	\$3,879	\$4,172	\$7,570	\$8,196
Return on Sales	5.2%	4.6%	5.1%	5.1%
Total Segment Operating Margin	13.7%	13.2%	12.5%	11.4%

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Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Table

Second Quarter 2016	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
<i>(In millions, except EPS)</i>						
As Reported	\$ 301	\$ 93	\$ 6	\$202	268	\$ 0.75
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	53	4		49		
Debt Repayments	53	19		34		
Americas Intracompany Profit Elimination Adjustment	24	9		15		
Pension Settlement	14			14		
Discrete Tax Items		(3)		3		
Insurance Recovery – Discontinued Products	(4)	(1)		(3)		
	140	28		112		\$ 0.41
As Adjusted	\$441	\$121	\$ 6	\$ 314	268	\$ 1.16

Second Quarter 2015	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
<i>(In millions, except EPS)</i>						
As Reported	\$ 328	\$ 120	\$ 16	\$192	274	\$ 0.70
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	46	4	10	32		
Discrete Tax Items		(3)	1	2		
Transaction Costs and Net Gains on Asset Sales	2	(1)		3		
	48	--	11	37		\$ 0.14
As Adjusted	\$376	\$120	\$ 27	\$229	274	\$ 0.84