

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<i>(In millions, except per share amounts)</i>				
NET SALES	\$3,686	\$3,879	\$ 7,385	\$ 7,570
Cost of Goods Sold	2,792	2,813	5,557	5,514
Selling, Administrative and General Expense	583	593	1,162	1,208
Rationalizations	27	48	56	59
Interest Expense	89	104	176	195
Other (Income) Expense	5	20	5	26
Income before Income Taxes	190	301	429	568
United States and Foreign Taxes	36	93	106	171
Net Income	154	208	323	397
Less: Minority Shareholders' Net Income	7	6	10	11
Goodyear Net Income	\$ 147	\$ 202	\$ 313	\$ 386
Goodyear Net Income - Per Share of Common Stock				
Basic	\$ 0.58	\$ 0.76	\$ 1.24	\$ 1.45
Weighted Average Shares Outstanding	252	264	252	266
Diluted	\$ 0.58	\$ 0.75	\$ 1.23	\$ 1.43
Weighted Average Shares Outstanding	256	268	256	269
Cash Dividends Declared Per Common Share	\$ 0.10	\$ 0.07	\$ 0.20	\$ 0.14

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	June 30, <u>2017</u>	December 31, <u>2016</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 903	\$ 1,132
Accounts Receivable, less Allowance - \$113 (\$101 in 2016)	2,309	1,769
Inventories:		
Raw Materials	560	436
Work in Process	145	131
Finished Products	<u>2,479</u>	<u>2,060</u>
	3,184	2,627
Prepaid Expenses and Other Current Assets	<u>236</u>	<u>190</u>
Total Current Assets	6,632	5,718
Goodwill	571	535
Intangible Assets	137	136
Deferred Income Taxes	2,361	2,414
Other Assets	700	668
Property, Plant and Equipment		
less Accumulated Depreciation - \$9,662 (\$9,125 in 2016)	<u>7,245</u>	<u>7,040</u>
Total Assets	<u>\$ 17,646</u>	<u>\$ 16,511</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,774	\$ 2,589
Compensation and Benefits	567	584
Other Current Liabilities	1,055	963
Notes Payable and Overdrafts	238	245
Long Term Debt and Capital Leases due Within One Year	<u>435</u>	<u>436</u>
Total Current Liabilities	5,069	4,817
Long Term Debt and Capital Leases	5,403	4,798
Compensation and Benefits	1,408	1,460
Deferred Income Taxes	86	85
Other Long Term Liabilities	<u>535</u>	<u>626</u>
Total Liabilities	12,501	11,786
Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 252 million in 2017 and 2016		
after deducting 26 million treasury shares in 2017 and 2016	252	252
Capital Surplus	2,638	2,645
Retained Earnings	6,071	5,808
Accumulated Other Comprehensive Loss	<u>(4,052)</u>	<u>(4,198)</u>
Goodyear Shareholders' Equity	4,909	4,507
Minority Shareholders' Equity – Nonredeemable	<u>236</u>	<u>218</u>
Total Shareholders' Equity	5,145	4,725
Total Liabilities and Shareholders' Equity	<u>\$ 17,646</u>	<u>\$ 16,511</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Six Months Ended	
	June 30,	
	2017	2016
Cash Flows from Operating Activities:		
Net Income	\$ 323	\$ 397
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	387	355
Amortization and Write-Off of Debt Issuance Costs	14	20
Provision for Deferred Income Taxes	45	87
Net Pension Curtailments and Settlements	1	14
Net Rationalization Charges	56	59
Rationalization Payments	(54)	(52)
Net Gains on Asset Sales	(13)	(1)
Pension Contributions and Direct Payments	(45)	(48)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(470)	(417)
Inventories	(482)	(176)
Accounts Payable - Trade	190	(93)
Compensation and Benefits	(67)	(104)
Other Current Liabilities	27	(68)
Other Assets and Liabilities	(97)	(40)
Total Cash Flows from Operating Activities	(185)	(67)
Cash Flows from Investing Activities:		
Capital Expenditures	(497)	(466)
Asset Dispositions	2	1
Short Term Securities Acquired	(43)	(34)
Short Term Securities Redeemed	43	23
Other Transactions	(3)	--
Total Cash Flows from Investing Activities	(498)	(476)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	290	124
Short Term Debt and Overdrafts Paid	(303)	(36)
Long Term Debt Incurred	3,456	3,283
Long Term Debt Paid	(2,905)	(2,931)
Common Stock Issued	11	3
Common Stock Repurchased	(30)	(150)
Common Stock Dividends Paid	(50)	(38)
Transactions with Minority Interests in Subsidiaries	(5)	(7)
Debt Related Costs and Other Transactions	(38)	(76)
Total Cash Flows from Financing Activities	426	172
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	37	22
Net Change in Cash, Cash Equivalents and Restricted Cash	(220)	(349)
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	\$ 969	\$ 1,153

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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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<i>(In millions)</i>				
Total Segment Operating Income	\$361	\$531	\$746	\$950
Rationalizations	27	48	56	59
Interest Expense	89	104	176	195
Other (Income) Expense	5	20	5	26
Asset Write-offs and Accelerated Depreciation	21	5	29	7
Corporate Incentive Compensation Plans	12	14	27	40
Corporate Pension Curtailments/Settlements	--	14	--	14
Intercompany Profit Elimination	(2)	3	(5)	5
Retained Expenses of Divested Operations	3	5	6	10
Other	16	17	23	26
Income before Income Taxes	\$190	\$301	\$429	\$568
United States and Foreign Taxes	36	93	106	171
Less: Minority Shareholders Net Income	7	6	10	11
Goodyear Net Income	\$147	\$202	\$313	\$386
Sales	\$3,686	\$3,879	\$7,385	\$7,570
Return on Sales	4.0%	5.2%	4.2%	5.1%
Total Segment Operating Margin	9.8%	13.7%	10.1%	12.5%

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Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Table**Second Quarter 2017**

	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	\$ 190	\$ 36	\$ 7	\$147	256	\$ 0.58
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	48	12		36		0.14
Debt Redemption Charges	31	12		19		0.07
Net Gains on Asset Sales	(12)			(12)		(0.04)
Discrete Tax Items	(5)	8		(13)		(0.05)
	62	32		30		\$ 0.12
As Adjusted	\$252	\$68	\$ 7	\$177	256	\$ 0.70

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		0.18
Debt Repayments	53	19		34		0.12
Americas Intracompany Profit Elimination Adjustment	24	9		15		0.06
Pension Settlement	14			14		0.05
Discrete Tax Items		(3)		3		0.01
Insurance Recovery – Discontinued Products	(4)	(1)		(3)		(0.01)
	140	28		112		\$ 0.41
As Adjusted	\$441	\$121	\$ 6	\$ 314	268	\$ 1.16