

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Operations (unaudited)

(In millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
NET SALES	\$ 5,212	\$ 3,979	\$ 10,120	\$ 7,490
Cost of Goods Sold	4,172	3,078	8,138	5,829
Selling, Administrative and General Expense	717	658	1,405	1,222
Rationalizations	26	18	37	68
Interest Expense	110	97	214	176
Other (Income) Expense	(65)	30	(60)	64
Income before Income Taxes	252	98	386	131
United States and Foreign Tax Expense	82	27	120	42
Net Income	170	71	266	89
Less: Minority Shareholders' Net Income	4	4	4	10
Goodyear Net Income	\$ 166	\$ 67	\$ 262	\$ 79
Goodyear Net Income - Per Share of Common Stock				
Basic	<u>\$ 0.58</u>	<u>\$ 0.27</u>	<u>\$ 0.92</u>	<u>\$ 0.33</u>
Weighted Average Shares Outstanding	284	244	284	239
Diluted	<u>\$ 0.58</u>	<u>\$ 0.27</u>	<u>\$ 0.91</u>	<u>\$ 0.32</u>
Weighted Average Shares Outstanding	286	247	286	242

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	June 30, 2022	December 31, 2021
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,248	\$ 1,088
Accounts Receivable, less Allowance - \$112 (\$123 in 2021)	3,306	2,387
Inventories:		
Raw Materials	1,119	958
Work in Process	208	191
Finished Products	<u>3,062</u>	<u>2,445</u>
	4,389	3,594
Prepaid Expenses and Other Current Assets	<u>280</u>	<u>262</u>
Total Current Assets	9,223	7,331
Goodwill	995	1,004
Intangible Assets	1,023	1,039
Deferred Income Taxes	1,512	1,596
Other Assets	1,099	1,106
Operating Lease Right-of-Use Assets	1,008	981
Property, Plant and Equipment, less Accumulated Depreciation - \$11,045 (\$11,130 in 2021)	<u>8,041</u>	<u>8,345</u>
Total Assets	<u>\$ 22,901</u>	<u>\$ 21,402</u>
Liabilities:		
Current Liabilities:		
Accounts Payable - Trade	\$ 4,593	\$ 4,148
Compensation and Benefits	657	689
Other Current Liabilities	830	822
Notes Payable and Overdrafts	519	406
Operating Lease Liabilities due Within One Year	206	204
Long Term Debt and Finance Leases due Within One Year	<u>316</u>	<u>343</u>
Total Current Liabilities	7,121	6,612
Operating Lease Liabilities	844	819
Long Term Debt and Finance Leases	7,569	6,648
Compensation and Benefits	1,293	1,445
Deferred Income Taxes	134	135
Other Long Term Liabilities	<u>593</u>	<u>559</u>
Total Liabilities	17,554	16,218
Commitments and Contingent Liabilities		
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares - 282 million in 2022 and 2021	282	282
Capital Surplus	3,114	3,107
Retained Earnings	5,835	5,573
Accumulated Other Comprehensive Loss	<u>(4,057)</u>	<u>(3,963)</u>
Goodyear Shareholders' Equity	5,174	4,999
Minority Shareholders' Equity - Nonredeemable	<u>173</u>	<u>185</u>
Total Shareholders' Equity	<u>5,347</u>	<u>5,184</u>
Total Liabilities and Shareholders' Equity	<u>\$ 22,901</u>	<u>\$ 21,402</u>

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Six Months Ended	
	June 30,	
	2022	2021
Cash Flows from Operating Activities:		
Net Income	\$ 266	\$ 89
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	481	405
Amortization and Write-Off of Debt Issuance Costs	8	9
Amortization of Inventory Fair Value Adjustment Related to the Cooper Tire Acquisition	--	38
Transaction and Other Costs Related to the Cooper Tire Acquisition	--	55
Cash Payments for Transaction and Other Costs Related to the Cooper Tire Acquisition	(2)	(33)
Provision for Deferred Income Taxes	42	(66)
Net Pension Curtailments and Settlements	18	19
Net Rationalization Charges	37	68
Rationalization Payments	(59)	(123)
Net (Gains) Losses on Asset Sales	(98)	--
Operating Lease Expense	150	143
Operating Lease Payments	(139)	(133)
Pension Contributions and Direct Payments	(33)	(22)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(1,024)	(545)
Inventories	(890)	(542)
Accounts Payable – Trade	672	547
Compensation and Benefits	(44)	90
Other Current Liabilities	21	(42)
Other Assets and Liabilities	61	(28)
Total Cash Flows from Operating Activities	(533)	(71)
Cash Flows from Investing Activities:		
Acquisition of Cooper Tire, net of cash and restricted cash acquired	--	(1,856)
Capital Expenditures	(511)	(385)
Cash Proceeds from Sale and Leaseback Transaction	108	--
Asset Dispositions	24	--
Short Term Securities Acquired	(41)	(57)
Short Term Securities Redeemed	44	58
Notes Receivable	(24)	(7)
Other Transactions	(3)	14
Total Cash Flows from Investing Activities	(403)	(2,233)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	723	522
Short Term Debt and Overdrafts Paid	(579)	(446)
Long Term Debt Incurred	5,312	4,855
Long Term Debt Paid	(4,327)	(3,042)
Common Stock Issued	(5)	9
Transactions with Minority Interests in Subsidiaries	(1)	(5)
Debt Related Costs and Other Transactions	9	(73)
Total Cash Flows from Financing Activities	1,132	1,820
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(33)	(6)
Net Change in Cash, Cash Equivalents and Restricted Cash	163	(490)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	1,164	1,624
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 1,327	\$ 1,134

Non-GAAP Financial Measures (unaudited)

This earnings release presents Total Segment Operating Income and Margin, Merger-Adjusted 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 Return on Sales (which is calculated by dividing Goodyear Net Income by Net Sales).

Merger-Adjusted Segment Operating Income is Total Segment Operating Income less the impact of the amortization of inventory step-up adjustments, the incremental amortization of intangible assets and other transaction-related items related to the Cooper Tire merger. Merger-Adjusted Segment Operating Margin is Merger-Adjusted Segment Operating Income divided by Net Sales as determined in accordance with U.S. GAAP. Management believes that Merger-Adjusted Segment Operating Income and Margin are useful because they allow investors to understand and evaluate the aggregate value of income created by the company's SBUs in a manner that is more comparable to the performance of The Goodyear Tire & Rubber Company and Cooper Tire & Rubber Company in the periods before the merger by adjusting for certain expenses related to the Cooper Tire merger, including amortization of the Cooper Tire inventory step-up adjustments, incremental amortization of Cooper Tire intangible assets and other transaction-related items.

Adjusted Net Income is Goodyear Net Income as determined in accordance with U.S. GAAP adjusted for certain significant items. Adjusted Diluted Earnings Per Share 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 Earnings Per Share are useful because they represent how management reviews the operating results of the company excluding the impacts of non-cash impairment charges, 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 and Margin, Merger-Adjusted Segment Operating Income and Margin, Adjusted Net Income and Adjusted Diluted Earnings Per Share to the most directly comparable U.S. GAAP financial measures.

Merger-Adjusted Segment Operating Income and Margin, Segment Operating Income and Margin

Reconciliation Table

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Merger-Adjusted Segment Operating Income	\$ 372	\$ 349	\$ 683	\$ 575
Amortization of Cooper Tire Inventory Step-up	--	(40)	--	(40)
Other Transaction-related Items	--	(6)	--	(6)
Incremental Amortization of Cooper Tire Intangible Assets	(8)	(4)	(16)	(4)
Total Segment Operating Income	\$ 364	\$ 299	\$ 667	\$ 525
Rationalizations	(26)	(18)	(37)	(68)
Interest Expense	(110)	(97)	(214)	(176)
Other Income (Expense)	65	(30)	60	(64)
Corporate Incentive Compensation Plans	(21)	(24)	(40)	(33)
Retained Expenses of Divested Operations	(4)	(4)	(7)	(7)
Other	(16)	(28)	(43)	(46)
Income before Income Taxes	\$ 252	\$ 98	\$ 386	\$ 131
United States and Foreign Tax Expense	82	27	120	42
Less: Minority Shareholders' Net Income	4	4	4	10
Goodyear Net Income	\$ 166	\$ 67	\$ 262	\$ 79
Net Sales	\$5,212	\$3,979	\$10,120	\$7,490
Return on Net Sales	3.2%	1.7%	2.6%	1.1%
Total Segment Operating Margin	7.0%	7.5%	6.6%	7.0%
Merger-Adjusted Segment Operating Margin	7.1%	8.8%	6.7%	7.7%

Adjusted Net Income and Adjusted Diluted Earnings per Share

Reconciliation Tables

Second Quarter 2022	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	\$ 252	\$ 82	\$ 4	\$ 166	286	\$ 0.58
Significant Items:						
Rationalizations, Asset Write-offs and Accelerated Depreciation Charges	26	6		20		0.07
Pension Settlement Charges	18	5		13		0.05
Indirect Tax Settlements and Discrete Tax Items	(14)	(17)		3		0.01
Asset Sales	(95)	(24)		(71)		(0.25)
	(65)	(30)	--	(35)		(0.12)
As Adjusted	\$ 187	\$ 52	\$ 4	\$ 131	286	\$ 0.46

Second Quarter 2021	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	\$ 98	\$ 27	\$ 4	\$ 67	247	\$ 0.27
Significant Items:						
Acquisition Related Transaction and Other Costs	48	9		39		0.16
Amortization of Acquisition Related Inventory Fair Value Adjustment	38	9		29		0.12
Americas Winter Storm Impact	27	5		22		0.09
Pension Settlement Charges	19	5		14		0.06
Rationalizations, Asset Write-offs and Accelerated Depreciation Charges	18	2		16		0.06
Colombia National Strike	4			4		0.02
Debt Redemption Charges	5	1		4		0.01
Americas Accrued Freight Adjustment	(8)	(2)		(6)		(0.02)
Indirect Tax Settlements and Discrete Tax Items	(117)	(7)		(110)		(0.45)
	34	22	--	12		0.05
As Adjusted	\$ 132	\$ 49	\$ 4	\$ 79	247	\$ 0.32

First Six Months 2022

	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	\$ 386	\$ 120	\$ 4	\$ 262	286	\$ 0.91
Significant Items:						
Rationalizations, Asset Write-offs and Accelerated Depreciation Charges	37	8		29		0.10
Pension Settlement Charges	18	5		13		0.05
Indirect Tax Settlements and Discrete Tax Items	(14)	(21)		7		0.03
Asset Sales	(98)	(23)		(75)		(0.26)
	(57)	(31)	--	(26)		(0.08)
As Adjusted	\$ 329	\$ 89	\$ 4	\$ 236	286	\$ 0.83

First Six Months 2021

	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	\$ 131	\$ 42	\$ 10	\$ 79	242	\$ 0.32
Significant Items:						
Rationalizations, Asset Write-offs and Accelerated Depreciation Charges	68	7		61		0.25
Acquisition Related Transaction and Other Costs	55	10		45		0.19
Americas Winter Storm Impact	50	10		40		0.16
Amortization of Acquisition Related Inventory Fair Value Adjustment	38	9		29		0.12
Inventory, Accrued Freight & Other Adjustments	13			13		0.06
Pension Settlement Charges	19	5		14		0.06
Colombia National Strike	4			4		0.02
Debt Redemption Charges	5	1		4		0.01
Indirect Tax Settlements and Discrete Tax Items	(114)	(9)		(105)		(0.43)
	138	33	--	105		0.44
As Adjusted	\$ 269	\$ 75	\$ 10	\$ 184	242	\$ 0.76