

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<i>(In millions, except per share amounts)</i>				
NET SALES	\$3,847	\$4,184	\$ 11,417	\$ 12,380
Cost of Goods Sold	2,736	3,000	8,250	9,093
Selling, Administrative and General Expense	599	633	1,807	1,889
Rationalizations	135	20	194	82
Interest Expense	90	105	285	322
Other (Income) Expense	(23)	(5)	3	(124)
Income before Income Taxes	310	431	878	1,118
United States and Foreign Taxes (Benefit) Expense	(10)	126	161	369
Net Income	320	305	717	749
Less: Minority Shareholders' Net Income	3	34	14	62
Goodyear Net Income	<u>\$ 317</u>	<u>\$ 271</u>	<u>\$ 703</u>	<u>\$ 687</u>
Goodyear Net Income - Per Share of Common Stock				
Basic	<u>\$ 1.21</u>	<u>\$ 1.01</u>	<u>\$ 2.66</u>	<u>\$ 2.55</u>
Weighted Average Shares Outstanding	262	269	264	270
Diluted	<u>\$ 1.19</u>	<u>\$ 0.99</u>	<u>\$ 2.62</u>	<u>\$ 2.51</u>
Weighted Average Shares Outstanding	266	274	268	274
Cash Dividends Declared Per Common Share	<u>\$ 0.17</u>	<u>\$ 0.06</u>	<u>\$ 0.31</u>	<u>\$ 0.18</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	September 30, <u>2016</u>	December 31, <u>2015</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 975	\$ 1,476
Accounts Receivable, less Allowance - \$110 (\$105 in 2015)	2,649	2,033
Inventories:		
Raw Materials	464	419
Work in Process	143	138
Finished Products	<u>2,147</u>	<u>1,907</u>
	2,754	2,464
Prepaid Expenses and Other Current Assets	<u>193</u>	<u>153</u>
Total Current Assets	6,571	6,126
Goodwill	564	555
Intangible Assets	138	138
Deferred Income Taxes	2,129	2,141
Other Assets	702	654
Property, Plant and Equipment		
less Accumulated Depreciation - \$9,206 (\$8,637 in 2015)	<u>7,039</u>	<u>6,777</u>
Total Assets	<u>\$ 17,143</u>	<u>\$ 16,391</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,600	\$ 2,769
Compensation and Benefits	625	666
Other Current Liabilities	993	886
Notes Payable and Overdrafts	179	49
Long Term Debt and Capital Leases due Within One Year	<u>403</u>	<u>585</u>
Total Current Liabilities	4,800	4,955
Long Term Debt and Capital Leases	5,446	5,074
Compensation and Benefits	1,388	1,468
Deferred Income Taxes	89	91
Other Long Term Liabilities	<u>716</u>	<u>661</u>
Total Liabilities	12,439	12,249
Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 261 million (267 million in 2015)		
after deducting 17 million treasury shares (11 million in 2015)	261	267
Capital Surplus	2,926	3,093
Retained Earnings	5,247	4,570
Accumulated Other Comprehensive Loss	<u>(3,957)</u>	<u>(4,010)</u>
Goodyear Shareholders' Equity	4,477	3,920
Minority Shareholders' Equity – Nonredeemable	<u>227</u>	<u>222</u>
Total Shareholders' Equity	4,704	4,142
Total Liabilities and Shareholders' Equity	<u>\$ 17,143</u>	<u>\$ 16,391</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Nine Months Ended	
	September 30,	
	2016	2015
Cash Flows from Operating Activities:		
Net Income	\$ 717	\$ 749
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	536	522
Amortization and Write-Off of Debt Issuance Costs	24	6
Provision for Deferred Income Taxes	31	265
Net Pension Curtailments and Settlements	13	2
Net Rationalization Charges	194	82
Rationalization Payments	(68)	(105)
Net (Gains) Losses on Asset Sales	(28)	9
Pension Contributions and Direct Payments	(71)	(77)
Gain on Recognition of Deferred Royalty Income	--	(155)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(570)	(644)
Inventories	(236)	(97)
Accounts Payable - Trade	(144)	33
Compensation and Benefits	(68)	29
Other Current Liabilities	11	(29)
Other Assets and Liabilities	(104)	45
Total Cash Flows from Operating Activities	237	635
Cash Flows from Investing Activities:		
Capital Expenditures	(711)	(656)
Asset Dispositions	13	13
Decrease (Increase) in Restricted Cash	1	(11)
Short Term Securities Acquired	(46)	(50)
Short Term Securities Redeemed	34	25
Other Transactions	2	5
Total Cash Flows from Investing Activities	(707)	(674)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	219	72
Short Term Debt and Overdrafts Paid	(99)	(59)
Long Term Debt Incurred	4,129	1,265
Long Term Debt Paid	(4,025)	(1,469)
Common Stock Issued	9	33
Common Stock Repurchased	(200)	(82)
Common Stock Dividends Paid	(56)	(49)
Transactions with Minority Interests in Subsidiaries	(9)	(5)
Debt Related Costs and Other Transactions	(24)	(12)
Total Cash Flows from Financing Activities	(56)	(306)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	25	(102)
Net Change in Cash and Cash Equivalents	(501)	(447)
Cash and Cash Equivalents at Beginning of the Period	1,476	2,161
Less: Cash Held for Sale	--	(24)
Cash and Cash Equivalents at End of the Period	\$ 975	\$ 1,690

(more)

Non-GAAP Financial Measures (unaudited)

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

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.

The most directly comparable U.S. GAAP financial measure to Total and Core 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, Core Segment Operating Income, Adjusted Net Income and Adjusted Diluted EPS to the most directly comparable U.S. GAAP financial measures.

(more)

Segment Operating Income and Margin Reconciliation Table

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<i>(In millions)</i>				
Core Segment Operating Income	\$556	\$563	\$1,506	\$1,443
Venezuela Subsidiary Operating Income	--	39	--	97
Total Segment Operating Income	\$556	\$602	\$1,506	\$1,540
Rationalizations	135	20	194	82
Interest Expense	90	105	285	322
Other (Income) Expense	(23)	(5)	3	(124)
Asset Write-offs and Accelerated Depreciation	3	3	10	5
Corporate Incentive Compensation Plans	20	26	60	61
Corporate Pension Curtailments/Settlements	--	--	14	--
Intercompany Profit Elimination	2	(8)	7	6
Retained Expenses of Divested Operations	2	2	12	6
Other	17	28	43	64
Income before Income Taxes	\$310	\$431	\$878	\$1,118
United States and Foreign Taxes (Benefit) Expense	(10)	126	161	369
Less: Minority Shareholders Net Income	3	34	14	62
Goodyear Net Income	\$317	\$271	\$703	\$687
Sales	\$3,847	\$4,184	\$11,417	\$12,380
Goodyear Net Income as a Percent of Sales	8.2%	6.5%	6.2%	5.5%
Total Segment Operating Margin	14.5%	14.4%	13.2%	12.4%

(more)

Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Table

Third 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	\$ 310	\$ (10)	\$ 3	\$317	266	\$ 1.19
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	138	3		135		
Transaction Costs and Net Gains on Asset Sales	(27)	(3)		(24)		
Discrete Tax Items	2	118	2	(118)		
	113	118	2	(7)		\$ (0.02)
As Adjusted	\$423	\$108	\$ 5	\$ 310	266	\$ 1.17

Third 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	\$ 431	\$ 126	\$ 34	\$271	274	\$ 0.99
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	23	3	4	16		
Discrete Tax Benefits		9	(1)	(8)		
Insurance Recovery - Discontinued Products	(25)	(9)		(16)		
Indirect Tax Claims	(5)			(5)		
Transaction Costs and Net Gains on Asset Sales	14	1		13		
	7	4	3	--		--
As Adjusted	\$438	\$130	\$ 37	\$271	274	\$ 0.99

(more)

First Nine Months 2016*(In millions, except EPS)*

	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
As Reported	\$ 878	\$ 161	\$ 14	\$703	268	\$ 2.62
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	204	9		195		
Transaction Costs and Net Gains on Asset Sales	(28)	(4)		(24)		
Insurance Recovery – Discontinued Products	(7)	(2)		(5)		
Debt Repayments	65	19		46		
Americas Intracompany Profit Elimination Adjustment	24	9		15		
Pension Settlement	14			14		
Discrete Tax Items	2	127	1	(126)		
	274	158	1	115		\$ 0.43
As Adjusted	\$1,152	\$319	\$ 15	\$ 818	268	\$ 3.05

First Nine Months 2015*(In millions, except EPS)*

	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
As Reported	\$ 1,118	\$ 369	\$ 62	\$687	274	\$ 2.51
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	87	8	17	62		
Discrete Tax Benefits	3	1	2	--		
Charges for Labor Claims Related to a Closed Facility in Greece	4			4		
Gain on Recognition of Deferred Royalty Income	(155)	(56)		(99)		
Insurance Recovery - Discontinued Products	(25)	(9)		(16)		
Indirect Tax Claims	(5)			(5)		
Transaction Costs and Net Gains on Asset Sales	16			16		
	(75)	(56)	19	(38)		\$ (0.12)
As Adjusted	\$1,043	\$313	\$ 81	\$649	274	\$ 2.39