

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Operations (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<i>(In millions, except per share amounts)</i>				
NET SALES	\$ 3,465	\$ 3,802	\$ 8,665	\$ 11,032
Cost of Goods Sold	2,775	2,965	7,543	8,699
Selling, Administrative and General Expense	555	572	1,587	1,705
Goodwill and Other Asset Impairments	--	--	330	--
Rationalizations	25	21	133	128
Interest Expense	88	88	246	261
Other (Income) Expense	32	35	93	74
Income (Loss) before Income Taxes	(10)	121	(1,267)	165
United States and Foreign Tax Expense (Benefit)	(13)	31	50	63
Net Income (Loss)	3	90	(1,317)	102
Less: Minority Shareholders' Net Income	5	2	--	21
Goodyear Net Income (Loss)	\$ (2)	\$ 88	\$ (1,317)	\$ 81
Goodyear Net Income (Loss) - Per Share of Common Stock				
Basic	\$ (0.01)	\$ 0.38	\$ (5.62)	\$ 0.35
Weighted Average Shares Outstanding	234	233	234	233
Diluted	\$ (0.01)	\$ 0.38	\$ (5.62)	\$ 0.35
Weighted Average Shares Outstanding	234	234	234	234
Cash Dividends Declared Per Common Share	\$ --	\$ 0.16	\$ 0.16	\$ 0.48

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The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	September 30, <u>2020</u>	December 31, <u>2019</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,057	\$ 908
Accounts Receivable, less Allowance - \$149 (\$111 in 2019)	2,251	1,941
Inventories:		
Raw Materials	479	530
Work in Process	132	143
Finished Products	<u>1,541</u>	<u>2,178</u>
	2,152	2,851
Prepaid Expenses and Other Current Assets	<u>235</u>	<u>234</u>
Total Current Assets	5,695	5,934
Goodwill	393	565
Intangible Assets	135	137
Deferred Income Taxes	1,472	1,527
Other Assets	805	959
Operating Lease Right-of-Use Assets	852	855
Property, Plant and Equipment, less Accumulated Depreciation – \$10,576 (\$10,488 in 2019)	<u>6,840</u>	<u>7,208</u>
Total Assets	<u>\$ 16,192</u>	<u>\$ 17,185</u>
Liabilities:		
Current Liabilities:		
Accounts Payable – Trade	\$ 2,330	\$ 2,908
Compensation and Benefits	554	536
Other Current Liabilities	873	734
Notes Payable and Overdrafts	529	348
Operating Lease Liabilities due Within One Year	196	199
Long Term Debt and Finance Leases due Within One Year	<u>411</u>	<u>562</u>
Total Current Liabilities	4,893	5,287
Operating Lease Liabilities	685	668
Long Term Debt and Finance Leases	5,708	4,753
Compensation and Benefits	1,319	1,334
Deferred Income Taxes	80	90
Other Long Term Liabilities	<u>468</u>	<u>508</u>
Total Liabilities	13,153	12,640
Commitments and Contingent Liabilities		
Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 233 million in 2020 and 2019	233	233
Capital Surplus	2,163	2,141
Retained Earnings	4,746	6,113
Accumulated Other Comprehensive Loss	<u>(4,282)</u>	<u>(4,136)</u>
Goodyear Shareholders' Equity	2,860	4,351
Minority Shareholders' Equity – Nonredeemable	<u>179</u>	<u>194</u>
Total Shareholders' Equity	<u>3,039</u>	<u>4,545</u>
Total Liabilities and Shareholders' Equity	<u>\$ 16,192</u>	<u>\$ 17,185</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Nine Months Ended	
	September 30,	
	2020	2019
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (1,317)	\$ 102
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	665	584
Amortization and Write-Off of Debt Issuance Costs	9	12
Goodwill and Other Asset Impairments	330	--
Provision for Deferred Income Taxes	10	(33)
Net Pension Curtailments and Settlements	19	1
Net Rationalization Charges	133	128
Rationalization Payments	(144)	(46)
Net (Gains) Losses on Asset Sales	2	(5)
Operating Lease Expense	217	221
Operating Lease Payments	(193)	(201)
Pension Contributions and Direct Payments	(40)	(51)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(502)	(785)
Inventories	655	(166)
Accounts Payable - Trade	(425)	(110)
Compensation and Benefits	95	129
Other Current Liabilities	75	16
Other Assets and Liabilities	172	65
Total Cash Flows from Operating Activities	(239)	(139)
Cash Flows from Investing Activities:		
Capital Expenditures	(487)	(561)
Asset Dispositions	--	2
Short Term Securities Acquired	(56)	(73)
Short Term Securities Redeemed	71	67
Notes Receivable	(35)	(7)
Other Transactions	(8)	(12)
Total Cash Flows from Investing Activities	(515)	(584)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	1,555	1,451
Short Term Debt and Overdrafts Paid	(1,339)	(1,357)
Long Term Debt Incurred	5,942	4,797
Long Term Debt Paid	(5,149)	(3,941)
Common Stock Issued	--	1
Common Stock Dividends Paid	(37)	(111)
Transactions with Minority Interests in Subsidiaries	(3)	(26)
Debt Related Costs and Other Transactions	(14)	(25)
Total Cash Flows from Financing Activities	955	789
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(46)	(13)
Net Change in Cash, Cash Equivalents and Restricted Cash	155	53
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	974	873
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 1,129	\$ 926

(more)

Non-GAAP Financial Measures (unaudited)

This earnings release presents Total Segment Operating Income (Loss) and Margin, Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) 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 (Loss) is the sum of the individual strategic business units' (SBU's) Segment Operating Income (Loss) as determined in accordance with U.S. GAAP. Total Segment Operating Margin is Total Segment Operating Income (Loss) divided by Net Sales as determined in accordance with U.S. GAAP. Management believes that Total Segment Operating Income (Loss) and Margin are useful because they represent the aggregate value of income (loss) 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 (Loss) is Goodyear Net Income (Loss) and to Total Segment Operating Margin is Return on Sales (which is calculated by dividing Goodyear Net Income (Loss) by Net Sales).

Adjusted Net Income (Loss) is Goodyear Net Income (Loss) as determined in accordance with U.S. GAAP adjusted for certain significant items. Adjusted Diluted Earnings (Loss) Per Share is the company's Adjusted Net Income (Loss) divided by Weighted Average Shares Outstanding-Diluted as determined in accordance with U.S. GAAP. Management believes that Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) 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 (Loss) and Margin, Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) Per Share to the most directly comparable U.S. GAAP financial measures.

Segment Operating Income (Loss) and Margin Reconciliation Table

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(In millions)	2020	2019	2020	2019
Total Segment Operating Income (Loss)	\$ 162	\$ 294	\$ (316)	\$ 703
Goodwill and Other Asset Impairments	--	--	(330)	--
Rationalizations	(25)	(21)	(133)	(128)
Interest Expense	(88)	(88)	(246)	(261)
Other Income (Expense)	(32)	(35)	(93)	(74)
Asset Write-offs and Accelerated Depreciation	(4)	(1)	(94)	(2)
Corporate Incentive Compensations Plans	(14)	(13)	(24)	(28)
Retained Expenses of Divested Operations	(2)	(1)	(5)	(7)
Other	(7)	(14)	(26)	(38)
Income (Loss) before Income Taxes	\$ (10)	\$ 121	\$ (1,267)	\$ 165
United States and Foreign Taxes (Benefit)	(13)	31	50	63
Less: Minority Shareholders' Net Income	5	2	--	21
Goodyear Net Income (Loss)	\$ (2)	\$ 88	\$ (1,317)	\$ 81
Sales	\$3,465	\$3,802	\$8,665	\$11,032
Return on Sales	(0.1)%	2.3%	(15.2)%	0.7%
Total Segment Operating Margin	4.7%	7.7%	(3.6)%	6.4%

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Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) per Share Reconciliation Tables

Third Quarter 2020	Income (Loss) Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income (Loss)	Weighted Average Shares Outstanding- Diluted	Diluted EPS
<i>(In millions, except EPS)</i>						
As Reported	\$ (10)	\$ (13)	\$ 5	\$ (2)	234	\$ (0.01)
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	29	6		23		0.10
Pension Settlement Charges	16	4		12		0.05
Indirect Tax Settlements and Discrete Tax Items	6	15		(9)		(0.04)
	51	25	--	26		0.11
As Adjusted	\$ 41	\$ 12	\$ 5	\$ 24	234	\$ 0.10

Third Quarter 2019	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	\$ 121	\$ 31	\$ 2	\$ 88	234	\$ 0.38
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	21	3		18		0.07
Beaumont, Texas Flood Effect	6	1		5		0.02
Indirect Tax Settlements and Discrete Tax Items	(1)	5		(6)		(0.02)
	26	9	--	17		0.07
As Adjusted	\$ 147	\$ 40	\$ 2	\$ 105	234	\$ 0.45

(more)

First Nine Months 2020	Income (Loss) Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income (Loss)	Weighted Average Shares Outstanding- Diluted	Diluted EPS
<i>(In millions, except EPS)</i>						
As Reported	\$ (1,267)	\$ 50	\$ --	\$ (1,317)	234	\$ (5.62)
Significant Items:						
Goodwill and Other Asset Impairments	330	39		291		1.24
Indirect Tax Settlements and Discrete Tax Items	6	(277)	(1)	284		1.21
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	227	51		176		0.75
Pension Settlement Charges	19	5		14		0.06
Asset Sales	2			2		0.01
	584	(182)	(1)	767		3.27
As Adjusted	\$ (683)	\$ (132)	\$ (1)	\$ (550)	234	\$ (2.35)

First Nine Months 2019	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	\$ 165	\$ 63	\$ 21	\$ 81	234	\$ 0.35
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	130	21	1	108		0.45
Indirect Tax Settlements and Discrete Tax Items	(6)	(8)	(16)	18		0.08
Beaumont, Texas Flood Effect	6	1		5		0.02
Legal Claims Related to Discontinued Operations	5	1		4		0.02
Net Insurance Recovery from Hurricanes	(4)	(1)		(3)		(0.01)
Asset Sales	(5)			(5)		(0.02)
	126	14	(15)	127		0.54
As Adjusted	\$ 291	\$ 77	\$ 6	\$ 208	234	\$ 0.89

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