

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Operations (unaudited)

(In millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
NET SALES	\$ 4,934	\$ 3,465	\$ 12,424	\$ 8,665
Cost of Goods Sold	3,894	2,775	9,723	7,543
Selling, Administrative and General Expense	727	555	1,949	1,587
Goodwill and Other Asset Impairments	--	--	--	330
Rationalizations	13	25	81	133
Interest Expense	104	88	280	246
Other (Income) Expense	9	32	73	93
Income (Loss) before Income Taxes	187	(10)	318	(1,267)
United States and Foreign Tax Expense (Benefit)	53	(13)	95	50
Net Income (Loss)	134	3	223	(1,317)
Less: Minority Shareholders' Net Income (Loss)	2	5	12	--
Goodyear Net Income (Loss)	\$ 132	\$ (2)	\$ 211	\$ (1,317)
Goodyear Net Income (Loss) - Per Share of Common Stock				
Basic	\$ 0.47	\$ (0.01)	\$ 0.83	\$ (5.62)
Weighted Average Shares Outstanding	283	234	254	234
Diluted	\$ 0.46	\$ (0.01)	\$ 0.82	\$ (5.62)
Weighted Average Shares Outstanding	286	234	257	234
Cash Dividends Declared Per Common Share	\$ --	\$ --	\$ --	\$ 0.16

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	September 30, <u>2021</u>	December 31, <u>2020</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,187	\$ 1,539
Accounts Receivable, less Allowance - \$133 (\$150 in 2020)	3,193	1,691
Inventories:		
Raw Materials	901	517
Work in Process	186	143
Finished Products	<u>2,356</u>	<u>1,493</u>
	3,443	2,153
Prepaid Expenses and Other Current Assets	<u>298</u>	<u>237</u>
Total Current Assets	8,121	5,620
Goodwill	1,017	408
Intangible Assets	1,048	135
Deferred Income Taxes	1,195	1,467
Other Assets	1,023	952
Operating Lease Right-of-Use Assets	997	851
Property, Plant and Equipment, less Accumulated Depreciation - \$11,133 (\$10,991 in 2020)	<u>8,216</u>	<u>7,073</u>
Total Assets	<u>\$ 21,617</u>	<u>\$ 16,506</u>
Liabilities:		
Current Liabilities:		
Accounts Payable - Trade	\$ 3,962	\$ 2,945
Compensation and Benefits	713	540
Other Current Liabilities	863	865
Notes Payable and Overdrafts	497	406
Operating Lease Liabilities due Within One Year	207	198
Long Term Debt and Finance Leases due Within One Year	<u>651</u>	<u>152</u>
Total Current Liabilities	6,893	5,106
Operating Lease Liabilities	831	684
Long Term Debt and Finance Leases	7,153	5,432
Compensation and Benefits	1,582	1,470
Deferred Income Taxes	99	84
Other Long Term Liabilities	<u>553</u>	<u>471</u>
Total Liabilities	17,111	13,247
Commitments and Contingent Liabilities		
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares - 281 million in 2021 and 233 million in 2020	281	233
Capital Surplus	3,095	2,171
Retained Earnings	5,020	4,809
Accumulated Other Comprehensive Loss	<u>(4,082)</u>	<u>(4,135)</u>
Goodyear Shareholders' Equity	4,314	3,078
Minority Shareholders' Equity - Nonredeemable	<u>192</u>	<u>181</u>
Total Shareholders' Equity	4,506	3,259
Total Liabilities and Shareholders' Equity	<u>\$ 21,617</u>	<u>\$ 16,506</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Nine Months Ended	
	September 30,	
	2021	2020
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 223	\$ (1,317)
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	645	665
Amortization and Write-Off of Debt Issuance Costs	10	9
Amortization of Inventory Fair Value Adjustment Related to the Cooper Tire Acquisition	110	--
Transaction and Other Costs Related to the Cooper Tire Acquisition	55	--
Cash Payments for Transaction and Other Costs Related to the Cooper Tire Acquisition	(41)	--
Goodwill and Other Asset Impairments	--	330
Provision for Deferred Income Taxes	(69)	10
Net Pension Curtailments and Settlements	30	19
Net Rationalization Charges	81	133
Rationalization Payments	(162)	(144)
Net (Gains) Losses on Asset Sales	(10)	2
Operating Lease Expense	223	217
Operating Lease Payments	(207)	(193)
Pension Contributions and Direct Payments	(71)	(40)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(963)	(502)
Inventories	(797)	655
Accounts Payable – Trade	696	(425)
Compensation and Benefits	134	95
Other Current Liabilities	22	75
Other Assets and Liabilities	89	172
Total Cash Flows from Operating Activities	(2)	(239)
Cash Flows from Investing Activities:		
Acquisition of Cooper Tire, net of cash and restricted cash acquired	(1,856)	--
Capital Expenditures	(666)	(487)
Asset Dispositions	9	--
Short Term Securities Acquired	(83)	(56)
Short Term Securities Redeemed	91	71
Notes Receivable	6	(35)
Other Transactions	8	(8)
Total Cash Flows from Investing Activities	(2,491)	(515)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	849	1,555
Short Term Debt and Overdrafts Paid	(725)	(1,339)
Long Term Debt Incurred	7,526	5,942
Long Term Debt Paid	(5,393)	(5,149)
Common Stock Issued	9	--
Common Stock Dividends Paid	--	(37)
Transactions with Minority Interests in Subsidiaries	(13)	(3)
Debt Related Costs and Other Transactions	(98)	(14)
Total Cash Flows from Financing Activities	2,155	955
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(28)	(46)
Net Change in Cash, Cash Equivalents and Restricted Cash	(366)	155
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	1,624	974
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 1,258	\$ 1,129

(more)

Non-GAAP Financial Measures (unaudited)

This earnings release presents Total Segment Operating Income (Loss) and Margin, Merger-Adjusted 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 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).

Merger-Adjusted Segment Operating Income (Loss) is Total Segment Operating Income (Loss) less the impact of the amortization of inventory step-up adjustments, other transaction-related items and the incremental amortization of intangible assets related to the Cooper Tire merger. Merger-Adjusted Segment Operating Margin is Merger-Adjusted Segment Operating Income (Loss) divided by Net Sales as determined in accordance with U.S. GAAP. Management believes that Merger-Adjusted Segment Operating Income (Loss) 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 (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, Merger-Adjusted 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.

(more)

Merger-Adjusted Segment Operating Income (Loss) and Margin, Segment Operating Income (Loss) and Margin

Reconciliation Table

(In millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	2019	2021	2020	2019
Merger-Adjusted Segment Operating Income (Loss)	\$ 449	\$ 162	\$ 294	\$ 1,024	\$ (316)	\$ 703
Amortization of Cooper Tire Inventory Step-up Adjustments	(70)	--	--	(110)	--	--
Other Transaction-related Items	--	--	--	(6)	--	--
Incremental Amortization of Cooper Tire Intangible Assets	(7)	--	--	(11)	--	--
Total Segment Operating Income (Loss)	\$ 372	\$ 162	\$ 294	\$ 897	\$ (316)	\$ 703
Goodwill and Other Asset Impairments	--	--	--	--	(330)	--
Rationalizations	(13)	(25)	(21)	(81)	(133)	(128)
Interest Expense	(104)	(88)	(88)	(280)	(246)	(261)
Other Income (Expense)	(9)	(32)	(35)	(73)	(93)	(74)
Asset Write-offs and Accelerated Depreciation	(1)	(4)	(1)	(1)	(94)	(2)
Corporate Incentive Compensation Plans	(25)	(14)	(13)	(58)	(24)	(28)
Retained Expenses of Divested Operations	(3)	(2)	(1)	(10)	(5)	(7)
Other	(30)	(7)	(14)	(76)	(26)	(38)
Income (Loss) before Income Taxes	\$ 187	\$ (10)	\$ 121	\$ 318	\$ (1,267)	\$ 165
United States and Foreign Tax Expense (Benefit)	53	(13)	31	95	50	63
Less: Minority Shareholders' Net Income (Loss)	2	5	2	12	--	21
Goodyear Net Income (Loss)	\$ 132	\$ (2)	\$ 88	\$ 211	\$ (1,317)	\$ 81
Net Sales	\$4,934	\$3,465	\$3,802	\$12,424	\$8,665	\$11,032
Return on Net Sales	2.7%	(0.1)%	2.3%	1.7%	(15.2)%	0.7%
Total Segment Operating Margin	7.5%	4.7%	7.7%	7.2%	(3.6)%	6.4%
Merger-Adjusted Segment Operating Margin	9.1%	4.7%	7.7%	8.2%	(3.6)%	6.4%

(more)

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

Reconciliation Tables

Third 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	\$ 187	\$ 53	\$ 2	\$ 132	286	\$ 0.46
Significant Items:						
Amortization of Acquisition Related Inventory Fair Value Adjustment	72	19		53		0.18
Rationalizations, Asset Write-offs and Accelerated Depreciation Charges	14	3		11		0.04
Pension Settlement Charges	11	3		8		0.03
Colombia National Strike	5			5		0.02
Americas Winter Storm Impact	2			2		0.01
Asset and Other Sales	(7)	(2)		(5)		(0.02)
	97	23	--	74		0.26
As Adjusted	\$ 284	\$ 76	\$ 2	\$ 206	286	\$ 0.72

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

(more)

First Nine 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	\$ 318	\$ 95	\$ 12	\$ 211	257	\$ 0.82
Significant Items:						
Amortization of Acquisition Related Inventory Fair Value Adjustment	110	28		82		0.32
Rationalizations, Asset Write-offs and Accelerated Depreciation Charges	82	10		72		0.28
Acquisition Related Transaction and Other Costs	55	10		45		0.18
Americas Winter Storm Impact	52	10		42		0.16
Pension Settlement Charges	30	8		22		0.09
Inventory, Accrued Freight & Other Adjustments	13			13		0.05
Colombia National Strike	9			9		0.04
Debt Redemption Charges	5	1		4		0.01
Asset and Other Sales	(7)	(2)		(5)		(0.02)
Indirect Tax Settlements and Discrete Tax Items	(114)	(9)		(105)		(0.41)
	235	56	--	179		0.70
As Adjusted	\$ 553	\$ 151	\$ 12	\$ 390	257	\$ 1.52

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)