

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<i>(In millions, except per share amounts)</i>				
NET SALES	\$3,741	\$4,063	\$ 15,158	\$ 16,443
Cost of Goods Sold	2,722	3,071	10,972	12,164
Selling, Administrative and General Expense	600	725	2,407	2,614
Rationalizations	16	32	210	114
Interest Expense	87	116	372	438
Loss on Deconsolidation of Venezuelan Subsidiary	--	646	--	646
Other (Income)	(13)	(17)	(10)	(141)
	<hr/>		<hr/>	
Income (Loss) before Income Taxes	329	(510)	1,207	608
United States and Foreign Tax Expense (Benefit)	(238)	(137)	(77)	232
	<hr/>		<hr/>	
Net Income (Loss)	567	(373)	1,284	376
Less: Minority Shareholders' Net Income	6	7	20	69
	<hr/>		<hr/>	
Goodyear Net Income (Loss)	<u>\$ 561</u>	<u>\$ (380)</u>	<u>\$1,264</u>	<u>\$ 307</u>
Goodyear Net Income (Loss)				
- Per Share of Common Stock				
Basic	<u>\$ 2.17</u>	<u>\$ (1.42)</u>	<u>\$ 4.81</u>	<u>\$ 1.14</u>
Weighted Average Shares Outstanding	258	269	263	269
Diluted	<u>\$ 2.14</u>	<u>\$ (1.42)</u>	<u>\$ 4.74</u>	<u>\$ 1.12</u>
Weighted Average Shares Outstanding	262	269	266	273
Cash Dividends Declared Per Common Share	<u>\$ --</u>	<u>\$ 0.07</u>	<u>\$ 0.31</u>	<u>\$ 0.25</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	December 31, <u>2016</u>	December 31, <u>2015</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,132	\$ 1,476
Accounts Receivable, less Allowance - \$101 (\$105 in 2015)	1,769	2,033
Inventories:		
Raw Materials	436	419
Work in Process	131	138
Finished Products	<u>2,060</u>	<u>1,907</u>
	2,627	2,464
Prepaid Expenses and Other Current Assets	<u>190</u>	<u>153</u>
Total Current Assets	5,718	6,126
Goodwill	535	555
Intangible Assets	136	138
Deferred Income Taxes	2,414	2,141
Other Assets	668	654
Property, Plant and Equipment		
less Accumulated Depreciation - \$9,125 (\$8,637 in 2015)	<u>7,040</u>	<u>6,777</u>
Total Assets	<u>\$ 16,511</u>	<u>\$ 16,391</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,589	\$ 2,769
Compensation and Benefits	584	666
Other Current Liabilities	963	886
Notes Payable and Overdrafts	245	49
Long Term Debt and Capital Leases due Within One Year	<u>436</u>	<u>585</u>
Total Current Liabilities	4,817	4,955
Long Term Debt and Capital Leases	4,798	5,074
Compensation and Benefits	1,460	1,468
Deferred Income Taxes	85	91
Other Long Term Liabilities	<u>626</u>	<u>661</u>
Total Liabilities	11,786	12,249
Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 252 million (267 million in 2015)		
after deducting 27 million treasury shares (11 million in 2015)	252	267
Capital Surplus	2,645	3,093
Retained Earnings	5,808	4,570
Accumulated Other Comprehensive Loss	<u>(4,198)</u>	<u>(4,010)</u>
Goodyear Shareholders' Equity	4,507	3,920
Minority Shareholders' Equity – Nonredeemable	<u>218</u>	<u>222</u>
Total Shareholders' Equity	4,725	4,142
Total Liabilities and Shareholders' Equity	<u>\$ 16,511</u>	<u>\$ 16,391</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Year Ended	
	December 31,	
	2016	2015
Cash Flows from Operating Activities:		
Net Income	\$ 1,284	\$ 376
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	727	698
Amortization and Write-Off of Debt Issuance Costs	29	23
Provision for Deferred Income Taxes	(229)	79
Loss on Deconsolidation of Venezuelan Subsidiary	--	646
Net Pension Curtailments and Settlements	17	139
Net Rationalization Charges	210	114
Rationalization Payments	(86)	(144)
Net Gains on Asset Sales	(31)	(71)
Net Pension Contributions and Direct Payments	(89)	(103)
Gain on Recognition of Deferred Royalty Revenue	--	(155)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	211	(31)
Inventories	(172)	(89)
Accounts Payable - Trade	(156)	78
Compensation and Benefits	(50)	66
Other Current Liabilities	(56)	(28)
Other Assets and Liabilities	(105)	89
Total Cash Flows from Operating Activities	1,504	1,687
Cash Flows from Investing Activities:		
Capital Expenditures	(996)	(983)
Asset Dispositions	35	62
Decrease in Cash Due to Deconsolidation of Venezuelan Subsidiary	--	(320)
Decrease (Increase) in Restricted Cash	6	(6)
Short Term Securities Acquired	(72)	(77)
Short Term Securities Redeemed	60	69
Other Transactions	(6)	(7)
Total Cash Flows from Investing Activities	(973)	(1,262)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	417	103
Short Term Debt and Overdrafts Paid	(228)	(84)
Long Term Debt Incurred	4,988	2,819
Long Term Debt Paid	(5,433)	(3,315)
Common Stock Issued	13	53
Common Stock Repurchased	(500)	(180)
Common Stock Dividends Paid	(82)	(68)
Transactions with Minority Interests in Subsidiaries	(11)	(9)
Debt Related Costs and Other Transactions	(24)	(33)
Dissolution of Global Alliance	--	(271)
Total Cash Flows from Financing Activities	(860)	(985)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(15)	(125)
Net Change in Cash and Cash Equivalents	(344)	(685)
Cash and Cash Equivalents at Beginning of the Period	1,476	2,161
Cash and Cash Equivalents at End of the Period	\$ 1,132	\$ 1,476

(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' (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.

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 December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
<i>(In millions)</i>				
Core Segment Operating Income	\$479	\$458	\$1,985	\$1,901
Venezuela Subsidiary Operating Income	--	22	--	119
Total Segment Operating Income	\$479	\$480	\$1,985	\$2,020
Rationalizations	(16)	(32)	(210)	(114)
Interest Expense	(87)	(116)	(372)	(438)
Other Income	13	17	10	141
Asset Write-offs and Accelerated Depreciation	(10)	(3)	(20)	(8)
Corporate Incentive Compensation Plans	(16)	(42)	(76)	(103)
Corporate Pension Curtailments/Settlements	(2)	(137)	(16)	(137)
Intercompany Profit Elimination	5	3	(2)	(3)
Loss on Deconsolidation of Venezuelan Subsidiary	--	(646)	--	(646)
Retained Expenses of Divested Operations	(6)	(8)	(18)	(14)
Other	(31)	(26)	(74)	(90)
Income (Loss) before Income Taxes	\$329	\$(510)	\$1,207	\$608
United States and Foreign Taxes Expense (Benefit)	(238)	(137)	(77)	232
Less: Minority Shareholders Net Income	6	7	20	69
Goodyear Net Income (Loss)	\$561	\$(380)	\$1,264	\$307
Sales	\$3,741	\$4,063	\$15,158	\$16,443
Goodyear Net Income (Loss) as a Percent of Sales	15.0%	(9.4)%	8.3%	1.9%
Total Segment Operating Margin	12.8%	11.8%	13.1%	12.3%

(more)

Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Table

Fourth 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	\$ 329	\$ (238)	\$ 6	\$561	262	\$ 2.14
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	26	2	1	23		0.09
Legal Claims Unrelated to Operations	10	4		6		0.02
Pension Settlement	3			3		0.01
Discrete Tax Items		331	1	(332)		(1.26)
Insurance Recovery – Discontinued Products	(17)	(7)		(10)		(0.04)
Net Gains on Asset Sales	(3)	(1)		(2)		(0.01)
	19	329	2	(312)		\$ (1.19)
As Adjusted	\$348	\$91	\$ 8	\$ 249	262	\$ 0.95

Fourth Quarter 2015	Income (Loss) Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding-Diluted *	Diluted EPS
<i>(In millions, except EPS)</i>						
As Reported	\$(510)	\$(137)	\$ 7	\$(380)	273	\$ (1.39)
Significant Items:						
Venezuela Deconsolidation	646	69		577		2.11
Pension Settlement	137	51		86		0.31
Debt Repayments	57	22		35		0.13
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	36	6		30		0.11
Transaction Costs and Net Gains on Asset Sales	(51)	(11)	(1)	(39)		(0.15)
Net Gains on SRI Share Sale	(30)	2		(32)		(0.12)
Net Income and Other Discrete Tax Benefits	(2)	18		(20)		(0.07)
	793	157	(1)	637		\$2.32
As Adjusted	\$283	\$ 20	\$ 6	\$257	273	\$ 0.93

* Calculation of Weighted Average Shares Outstanding - Diluted includes 4 million weighted average shares outstanding for stock options and other securities that were anti-dilutive.

(more)

Full-Year 2016*(In millions, except EPS)*

	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
As Reported	\$ 1,207	\$ (77)	\$ 20	\$1,264	266	\$ 4.74
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	230	11	1	218		0.82
Debt Repayments	65	20		45		0.17
Americas Intracompany Profit Elimination Adjustment	24	9		15		0.06
Pension Settlement	17			17		0.06
Legal Claims Unrelated to Operations	10	4		6		0.02
Discrete Tax Items	2	458	2	(458)		(1.71)
Net Gains on Asset Sales	(31)	(5)		(26)		(0.10)
Insurance Recovery – Discontinued Products	(24)	(9)		(15)		(0.06)
	293	488	3	(198)		\$ (0.74)
As Adjusted	\$1,500	\$411	\$ 23	\$1,066	266	\$ 4.00

Full-Year 2015*(In millions, except EPS)*

	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
As Reported	\$ 608	\$ 232	\$ 69	\$307	273	\$ 1.12
Significant Items:						
Venezuela Deconsolidation	646	69		577		2.11
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	123	14	17	92		0.34
Pension Settlement	137	51		86		0.31
Debt Repayments	57	22		35		0.13
Charges for Labor Claims Related to a Closed Facility in Greece	4			4		0.02
Gain on Recognition of Deferred Royalty Income	(155)	(56)		(99)		(0.36)
Net Gains on SRI Share Sale	(30)	2		(32)		(0.12)
Net Income and Other Discrete Tax Benefits	(4)	19	2	(25)		(0.09)
Transaction Costs and Net Gains on Asset Sales	(35)	(11)	(1)	(23)		(0.08)
Insurance Recovery – Discontinued Products	(25)	(9)		(16)		(0.06)
	718	101	18	599		\$ 2.20
As Adjusted	\$1,326	\$333	\$ 87	\$906	273	\$ 3.32