

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

(In millions, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
NET SALES	\$ 3,713	\$ 3,876	\$ 14,745	\$ 15,475
Cost of Goods Sold	2,903	3,008	11,602	11,961
Selling, Administrative and General Expense	618	580	2,323	2,312
Rationalizations	77	4	205	44
Interest Expense	79	85	340	321
Other (Income) Expense	24	(3)	98	(174)
Income before Income Taxes	12	202	177	1,011
United States and Foreign Tax Expense	411	92	474	303
Net Income (Loss)	(399)	110	(297)	708
Less: Minority Shareholders' Net Income (Loss)	(7)	--	14	15
Goodyear Net Income (Loss)	\$ (392)	\$ 110	\$ (311)	\$ 693
Goodyear Net Income (Loss) - Per Share of Common Stock				
Basic	\$ (1.68)	\$ 0.47	\$ (1.33)	\$ 2.92
Weighted Average Shares Outstanding	234	233	233	237
Diluted	\$ (1.68)	\$ 0.47	\$ (1.33)	\$ 2.89
Weighted Average Shares Outstanding	234	235	233	239
Cash Dividends Declared Per Common Share	\$ 0.16	\$ 0.16	\$ 0.64	\$ 0.58

(more)

The Goodyear Tire & Rubber Company and Subsidiaries Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	December 31, <u>2019</u>	December 31, <u>2018</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 908	\$ 801
Accounts Receivable, less Allowance - \$111 (\$113 in 2018)	1,941	2,030
Inventories:		
Raw Materials	530	569
Work in Process	143	152
Finished Products	<u>2,178</u>	<u>2,135</u>
	2,851	2,856
Prepaid Expenses and Other Current Assets	<u>234</u>	<u>238</u>
Total Current Assets	5,934	5,925
Goodwill	565	569
Intangible Assets	137	136
Deferred Income Taxes	1,527	1,847
Other Assets	959	1,136
Operating Lease Right-of-Use Assets	855	--
Property, Plant and Equipment, less Accumulated Depreciation – \$10,488 (\$10,161 in 2018)	<u>7,208</u>	<u>7,259</u>
Total Assets	<u>\$ 17,185</u>	<u>\$ 16,872</u>
Liabilities:		
Current Liabilities:		
Accounts Payable - Trade	\$ 2,908	\$ 2,920
Compensation and Benefits	536	471
Other Current Liabilities	734	737
Notes Payable and Overdrafts	348	410
Operating Lease Liabilities due Within One Year	199	--
Long Term Debt and Finance Leases due Within One Year	<u>562</u>	<u>243</u>
Total Current Liabilities	5,287	4,781
Operating Lease Liabilities	668	--
Long Term Debt and Finance Leases	4,753	5,110
Compensation and Benefits	1,334	1,345
Deferred Income Taxes	90	95
Other Long Term Liabilities	<u>508</u>	<u>471</u>
Total Liabilities	12,640	11,802
Commitments and Contingent Liabilities		
Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 233 million (232 million in 2018)	233	232
Capital Surplus	2,141	2,111
Retained Earnings	6,113	6,597
Accumulated Other Comprehensive Loss	<u>(4,136)</u>	<u>(4,076)</u>
Goodyear Shareholders' Equity	4,351	4,864
Minority Shareholders' Equity – Nonredeemable	<u>194</u>	<u>206</u>
Total Shareholders' Equity	4,545	5,070
Total Liabilities and Shareholders' Equity	<u>\$ 17,185</u>	<u>\$ 16,872</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Twelve Months Ended	
	December 31,	
	2019	2018
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (297)	\$ 708
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	795	778
Amortization and Write-Off of Debt Issuance Costs	15	15
Provision for Deferred Income Taxes	323	131
Net Pension Curtailments and Settlements	6	22
Net Rationalization Charges	205	44
Rationalization Payments	(59)	(174)
Net Gains on Asset Sales	(16)	(1)
Gain on TireHub Transaction, Net of Transaction Costs	--	(272)
Operating Lease Expense	292	--
Operating Lease Payments	(267)	--
Pension Contributions and Direct Payments	(79)	(74)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	71	(172)
Inventories	6	(171)
Accounts Payable - Trade	5	223
Compensation and Benefits	184	(26)
Other Current Liabilities	(50)	(181)
Other Assets and Liabilities	73	66
Total Cash Flows from Operating Activities	1,207	916
Cash Flows from Investing Activities:		
Capital Expenditures	(770)	(811)
Asset Dispositions	12	2
Short Term Securities Acquired	(113)	(68)
Short Term Securities Redeemed	106	68
Notes Receivable	(7)	(55)
Other Transactions	(28)	(3)
Total Cash Flows from Investing Activities	(800)	(867)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	1,880	1,944
Short Term Debt and Overdrafts Paid	(1,933)	(1,795)
Long Term Debt Incurred	5,942	6,455
Long Term Debt Paid	(6,008)	(6,469)
Common Stock Issued	1	4
Common Stock Repurchased	--	(220)
Common Stock Dividends Paid	(148)	(138)
Transactions with Minority Interests in Subsidiaries	(26)	(31)
Debt Related Costs and Other Transactions	(15)	7
Total Cash Flows from Financing Activities	(307)	(243)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	1	(43)
Net Change in Cash, Cash Equivalents and Restricted Cash	101	(237)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year	873	1,110
Cash, Cash Equivalents and Restricted Cash at End of the Year	\$ 974	\$ 873

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Non-GAAP Financial Measures (unaudited)

This earnings release presents Total 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 (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 is Goodyear Net Income (Loss) 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.

See the tables below for reconciliations of historical Total Segment Operating Income and Margin, Adjusted Net Income and Adjusted Diluted EPS to the most directly comparable U.S. GAAP financial measures.

Segment Operating Income and Margin Reconciliation Table

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
<i>(In millions)</i>				
Total Segment Operating Income	\$242	\$307	\$945	\$1,274
Rationalizations	(77)	(4)	(205)	(44)
Interest Expense	(79)	(85)	(340)	(321)
Other Income (Expense)	(24)	3	(98)	174
Asset Write-offs and Accelerated Depreciation	(13)	(2)	(15)	(4)
Corporate Incentive Compensation Plans	(22)	(7)	(50)	(13)
Retained Expenses of Divested Operations	(3)	(2)	(10)	(9)
Other	(12)	(8)	(50)	(46)
Income before Income Taxes	\$12	\$202	\$177	\$1,011
United States and Foreign Taxes	411	92	474	303
Less: Minority Shareholders Net Income (Loss)	(7)	--	14	15
Goodyear Net Income (Loss)	\$(392)	\$110	\$(311)	\$693
Sales	\$3,713	\$3,876	\$14,745	\$15,475
Return on Sales	(10.6)%	2.8%	(2.1)%	4.5%
Total Segment Operating Margin	6.5%	7.9%	6.4%	8.2%

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Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Tables

Fourth Quarter 2019	Income 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	\$ 12	\$ 411	\$ (7)	\$ (392)	234	\$ (1.68)
Significant Items:						
Indirect Tax Settlements and Discrete Tax Items	(21)	(387)	10	356		1.52
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	90	20		70		0.30
Beaumont, Texas Flooding	20			20		0.08
Pension Settlements	5	1		4		0.02
Gain on Acquisition, Net of Transaction Costs	(2)			(2)		(0.01)
Net Gains on Asset Sales	(12)	(1)		(11)		(0.04)
	80	(367)	10	437		1.87
As Adjusted	\$ 92	\$ 44	\$ 3	\$ 45	235	\$ 0.19

*Weighted Average Shares Outstanding-Diluted for the calculation of as-reported diluted EPS excludes 1 million weighted average equivalent shares outstanding for stock options and other securities that were anti-dilutive.

Fourth Quarter 2018	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	\$ 202	\$ 92	-	\$ 110	235	\$ 0.47
Significant Items:						
Pension Settlements	9	2		7		0.03
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	6	2		4		0.02
Discrete Tax Items	(73)	(72)		(1)		(0.01)
	(58)	(68)		10		0.04
As Adjusted	\$ 144	\$ 24	-	\$ 120	235	\$ 0.51

(more)

Full Year 2019	Income 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	\$ 177	\$ 474	\$ 14	\$ (311)	233	\$ (1.33)
Significant Items:						
Indirect Tax Settlements and Discrete Tax Items	(27)	(394)	(7)	374		1.59
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	220	42	1	177		0.76
Beaumont, Texas Flooding	25			25		0.11
Pension Settlements	5	1		4		0.02
Legal Claims Related to Discontinued Operations	5	1		4		0.02
Net Insurance Recovery from Hurricanes	(4)	(1)		(3)		(0.01)
Gain on Acquisition, Net of Transaction Costs	(2)			(2)		(0.01)
Net Gains on Asset Sales	(16)	(1)		(15)		(0.07)
	206	(352)	(6)	564		2.41
As Adjusted	\$ 383	\$ 122	\$ 8	\$ 253	234	\$ 1.08

*Weighted Average Shares Outstanding-Diluted for the calculation of as-reported diluted EPS excludes 1 million weighted average equivalent shares outstanding for stock options and other securities that were anti-dilutive.

Full Year 2018	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	\$ 1,011	\$ 303	\$ 15	\$ 693	239	\$ 2.89
Significant Items:						
Rationalizations, Asset Write-Offs, and Accelerated Depreciation Charges	48	12	1	35		0.15
Pension Settlements	22	5		17		0.07
Hurricane Effect	12			12		0.05
Pension Standard Change	9	2		7		0.03
Brazil Transportation Strike	7	2		5		0.02
Legal Claims Related to Discontinued Operations	4	1		3		0.01
Insurance Recovery - Discontinued Products	(3)	(1)		(2)		(0.01)
Net Gains on Asset Sales	(1)			(1)		(0.01)
Discrete Tax Items	(95)	(88)		(7)		(0.02)
Gain on TireHub Transaction, Net of Transaction Costs	(272)	(65)		(207)		(0.86)
	(269)	(132)	1	(138)		(0.57)
As Adjusted	\$ 742	\$ 171	\$ 16	\$ 555	239	\$ 2.32