

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

	Three Months Ended March 31,	
	<u>2016</u>	<u>2015</u>
<i>(In millions, except per share amounts)</i>		
NET SALES	\$3,691	\$4,024
Cost of Goods Sold	2,701	3,066
Selling, Administrative and General Expense	615	608
Rationalizations	11	16
Interest Expense	91	107
Other (Income) Expense	<u>6</u>	<u>(132)</u>
Income before Income Taxes	267	359
United States and Foreign Taxes	<u>78</u>	<u>123</u>
Net Income	189	236
Less: Minority Shareholders' Net Income	<u>5</u>	<u>12</u>
Goodyear Net Income	<u>\$ 184</u>	<u>\$ 224</u>
Goodyear Net Income - Per Share of Common Stock		
Basic	<u>\$ 0.69</u>	<u>\$ 0.83</u>
Weighted Average Shares Outstanding	267	270
Diluted	<u>\$ 0.68</u>	<u>\$ 0.82</u>
Weighted Average Shares Outstanding	271	274
Cash Dividends Declared Per Common Share	<u>\$ 0.07</u>	<u>\$ 0.06</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets

(In millions, except share data)

	March 31, <u>2016</u>	December 31, <u>2015</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,079	\$ 1,476
Accounts Receivable, less Allowance - \$114 (\$105 in 2015)	2,482	2,033
Inventories:		
Raw Materials	418	419
Work in Process	145	138
Finished Products	<u>2,073</u>	<u>1,907</u>
	2,636	2,464
Prepaid Expenses and Other Current Assets	<u>178</u>	<u>153</u>
Total Current Assets	6,375	6,126
Goodwill	574	555
Intangible Assets	138	138
Deferred Income Taxes	2,074	2,141
Other Assets	676	654
Property, Plant and Equipment		
less Accumulated Depreciation - \$8,934 (\$8,637 in 2015)	<u>6,940</u>	<u>6,777</u>
Total Assets	<u>\$ 16,777</u>	<u>\$ 16,391</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,653	\$ 2,769
Compensation and Benefits	615	666
Other Current Liabilities	943	886
Notes Payable and Overdrafts	76	49
Long Term Debt and Capital Leases due Within One Year	<u>314</u>	<u>585</u>
Total Current Liabilities	4,601	4,955
Long Term Debt and Capital Leases	5,685	5,074
Compensation and Benefits	1,437	1,468
Deferred Income Taxes	87	91
Other Long Term Liabilities	<u>635</u>	<u>661</u>
Total Liabilities	12,445	12,249
Commitments and Contingent Liabilities		
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 266 million (267 million in 2015)		
after deducting 12 million treasury shares (11 million in 2015)	266	267
Capital Surplus	3,053	3,093
Retained Earnings	4,735	4,570
Accumulated Other Comprehensive Loss	<u>(3,950)</u>	<u>(4,010)</u>
Goodyear Shareholders' Equity	4,104	3,920
Minority Shareholders' Equity – Nonredeemable	<u>228</u>	<u>222</u>
Total Shareholders' Equity	4,332	4,142
Total Liabilities and Shareholders' Equity	<u>\$ 16,777</u>	<u>\$ 16,391</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Three Months Ended	
	March 31,	
	2016	2015
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 189	\$ 236
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	174	172
Amortization and Write-Off of Debt Issuance Costs	7	2
Provision for Deferred Income Taxes	46	91
Net Rationalization Charges	11	16
Rationalization Payments	(24)	(26)
Net (Gains) Losses on Asset Sales	(1)	1
Pension Contributions and Direct Payments	(25)	(26)
Gain on Recognition of Deferred Royalty Income	--	(155)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(399)	(495)
Inventories	(116)	8
Accounts Payable - Trade	(96)	(82)
Compensation and Benefits	(100)	(82)
Other Current Liabilities	24	(9)
Other Assets and Liabilities	(71)	87
Total Cash Flows from Operating Activities	(381)	(262)
Cash Flows from Investing Activities:		
Capital Expenditures	(253)	(204)
Asset Dispositions	1	1
Decrease in Restricted Cash	7	2
Short Term Securities Acquired	(12)	--
Short Term Securities Redeemed	--	21
Total Cash Flows from Investing Activities	(257)	(180)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	26	16
Short Term Debt and Overdrafts Paid	(2)	(22)
Long Term Debt Incurred	1,085	616
Long Term Debt Paid	(822)	(628)
Common Stock Issued	2	2
Common Stock Repurchased	(50)	(1)
Common Stock Dividends Paid	(19)	(16)
Transactions with Minority Interests in Subsidiaries	(6)	(1)
Debt Related Costs and Other Transactions	(1)	--
Total Cash Flows from Financing Activities	213	(34)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	28	(72)
Net Change in Cash and Cash Equivalents	(397)	(548)
Cash and Cash Equivalents at Beginning of the Period	1,476	2,161
Cash and Cash Equivalents at End of the Period	\$ 1,079	\$ 1,613

(more)

Non-GAAP Financial Measures (unaudited)

This earnings release presents Total Segment Operating Income, Core Segment Operating Income, Adjusted Net Income and Adjusted Diluted Earnings Per Share (EPS) on a historical basis and our targeted Core Segment Operating Income growth rate for 2016 and our targeted ratio of Adjusted Debt to EBITDAP for 2016, which are important financial measures for the company but are not financial measures defined by U.S. GAAP, and should not be construed as an alternative 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. Management believes that Total Segment Operating Income is useful because it represents the aggregate value of income created by the company's SBUs and excludes 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.

Adjusted Net Income is Goodyear's 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.

Adjusted Debt is the sum of our total debt and our global pension liability, each as determined in accordance with U.S. GAAP, and EBITDAP, as adjusted, represents Net Income (the most directly comparable U.S. GAAP financial measure) before interest expense, income tax expense, depreciation and amortization expense, net periodic pension cost, rationalization charges and other (income) expense. We refer to the ratio of Adjusted Debt to EBITDAP because we believe it is widely used by investors as a means of evaluating a company's leverage.

We are unable to present a quantitative reconciliation of our forward-looking non-GAAP financial measures to the most directly comparable U.S. GAAP financial measures, because management cannot reliably predict all of the necessary components of those U.S. GAAP financial measures without unreasonable effort. These components could be significant to the calculation of those U.S. GAAP financial measures in the future.

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

Segment Operating Income and Margin Reconciliation Table

	Three Months Ended March 31,	
	2016	2015
<i>(In millions)</i>		
Core Segment Operating Income	\$419	\$366
Venezuela Subsidiary Operating Income	--	22
Total Segment Operating Income	\$419	\$388
Rationalizations	11	16
Interest Expense	91	107
Other (Income) Expense	6	(132)
Asset Write-offs and Accelerated Depreciation	2	3
Corporate Incentive Compensation Plans	26	13
Intercompany Profit Elimination	2	4
Retained Expenses of Divested Operations	5	2
Other	9	16
Income before Income Taxes	\$267	\$359
United States and Foreign Taxes	78	123
Less: Minority Shareholders Net Income	5	12
Goodyear Net Income	\$184	\$224
Sales	\$3,691	\$4,024
Return on Sales	5.0%	5.6%
Total Segment Operating Margin	11.4%	9.6%

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Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Table

First Quarter 2016 <i>(In millions, except EPS)</i>	Net Income After-tax and Minority Interest	Weighted Average Shares Outstanding- Diluted	Diluted EPS
Goodyear Net Income	\$ 184	271	\$ 0.68
Significant Items:			
Rationalizations, Asset Write-offs, and Accelerated Depreciation	12		
Debt Repayments	12		
Discrete Tax Items	(11)		
Insurance Recovery – Discontinued Products	(2)		
	11		
As Adjusted	\$195	271	\$ 0.72
First Quarter 2015 <i>(In millions, except EPS)</i>	Net Income After-tax and Minority Interest	Weighted Average Shares Outstanding- Diluted	Diluted EPS
Goodyear Net Income	\$ 224	274	\$ 0.82
Significant Items:			
Rationalizations, Asset Write-offs, and Accelerated Depreciation	14		
Discrete Tax Items	5		
Charges for Labor Claims Related to a Closed Facility in Greece	4		
Gain on Recognition of Deferred Royalty Income	(99)		
	(76)		
As Adjusted	\$148	274	\$ 0.54