

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

	Three Months Ended March 31,	
	<u>2018</u>	<u>2017</u>
<i>(In millions, except per share amounts)</i>		
NET SALES	\$ 3,830	\$ 3,699
Cost of Goods Sold	2,976	2,760
Selling, Administrative and General Expense	591	576
Rationalizations	37	29
Interest Expense	76	87
Other (Income) Expense	<u>37</u>	<u>8</u>
Income before Income Taxes	113	239
United States and Foreign Tax Expense	<u>33</u>	<u>70</u>
Net Income	80	169
Less: Minority Shareholders' Net Income	<u>5</u>	<u>3</u>
Goodyear Net Income	<u>\$ 75</u>	<u>\$ 166</u>
Goodyear Net Income - Per Share of Common Stock		
Basic	<u>\$ 0.31</u>	<u>\$ 0.66</u>
Weighted Average Shares Outstanding	240	252
Diluted	<u>\$ 0.31</u>	<u>\$ 0.65</u>
Weighted Average Shares Outstanding	244	256
Cash Dividends Declared Per Common Share	<u>\$ 0.14</u>	<u>\$ 0.10</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions)

	March 31, <u>2018</u>	December 31, <u>2017</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 837	\$ 1,043
Accounts Receivable, less Allowance - \$119 (\$116 in 2017)	2,509	2,025
Inventories:		
Raw Materials	501	466
Work in Process	158	142
Finished Products	<u>2,236</u>	<u>2,179</u>
	2,895	2,787
Prepaid Expenses and Other Current Assets	<u>247</u>	<u>224</u>
Total Current Assets	6,488	6,079
Goodwill	606	595
Intangible Assets	140	139
Deferred Income Taxes	2,039	2,008
Other Assets	805	792
Property, Plant and Equipment		
less Accumulated Depreciation - \$10,350 (\$10,078 in 2017)	<u>7,502</u>	<u>7,451</u>
Total Assets	<u>\$ 17,580</u>	<u>\$ 17,064</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,850	\$ 2,807
Compensation and Benefits	534	539
Other Current Liabilities	898	1,026
Notes Payable and Overdrafts	332	262
Long Term Debt and Capital Leases due Within One Year	<u>327</u>	<u>391</u>
Total Current Liabilities	4,941	5,025
Long Term Debt and Capital Leases	5,600	5,076
Compensation and Benefits	1,478	1,515
Deferred Income Taxes	101	100
Other Long Term Liabilities	<u>498</u>	<u>498</u>
Total Liabilities	12,618	12,214
Commitments and Contingent Liabilities		
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 240 million (240 million in 2017)		
after deducting 38 million treasury shares (38 million in 2017)	240	240
Capital Surplus	2,280	2,295
Retained Earnings	6,084	6,044
Accumulated Other Comprehensive Loss	<u>(3,867)</u>	<u>(3,976)</u>
Goodyear Shareholders' Equity	4,737	4,603
Minority Shareholders' Equity – Nonredeemable	<u>225</u>	<u>247</u>
Total Shareholders' Equity	4,962	4,850
Total Liabilities and Shareholders' Equity	<u>\$ 17,580</u>	<u>\$ 17,064</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Three Months Ended	
	March 31,	
	2018	2017
Cash Flows from Operating Activities:		
Net Income	\$ 80	\$ 169
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	199	185
Amortization and Write-Off of Debt Issuance Costs	3	3
Provision for Deferred Income Taxes	(17)	40
Net Rationalization Charges	37	29
Rationalization Payments	(106)	(18)
Net (Gains) Losses on Asset Sales	2	(1)
Pension Contributions and Direct Payments	(21)	(25)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(467)	(478)
Inventories	(81)	(191)
Accounts Payable - Trade	99	73
Compensation and Benefits	(16)	(61)
Other Current Liabilities	(64)	18
Other Assets and Liabilities	(37)	(29)
Total Cash Flows from Operating Activities	(389)	(286)
Cash Flows from Investing Activities:		
Capital Expenditures	(248)	(271)
Asset Dispositions	--	1
Short Term Securities Acquired	(8)	(11)
Short Term Securities Redeemed	8	11
Total Cash Flows from Investing Activities	(248)	(270)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	584	51
Short Term Debt and Overdrafts Paid	(518)	(82)
Long Term Debt Incurred	1,652	1,838
Long Term Debt Paid	(1,226)	(1,369)
Common Stock Issued	1	9
Common Stock Repurchased	(25)	(25)
Common Stock Dividends Paid	(34)	(25)
Transactions with Minority Interests in Subsidiaries	(22)	--
Debt Related Costs and Other Transactions	(13)	1
Total Cash Flows from Financing Activities	399	398
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	16	20
Net Change in Cash, Cash Equivalents and Restricted Cash	(222)	(138)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	1,110	1,189
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 888	\$ 1,051

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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 and to Total Segment Operating Margin is Return on Net 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, 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 March 31,	
<i>(In millions)</i>	2018	2017
Total Segment Operating Income	\$ 281	\$ 390
Rationalizations	37	29
Interest Expense	76	87
Other (Income) Expense	37	8
Asset Write-offs and Accelerated Depreciation	1	8
Corporate Incentive Compensation Plans	4	15
Intercompany Profit Elimination	(3)	(3)
Retained Expenses of Divested Operations	3	3
Other	13	4
Income before Income Taxes	\$ 113	\$ 239
United States and Foreign Tax Expense	33	70
Less: Minority Shareholders Net Income	5	3
Goodyear Net Income	\$ 75	\$ 166
Net Sales	\$3,830	\$3,699
Return on Net Sales	2.0%	4.5%
Total Segment Operating Margin	7.3%	10.5%

(more)

Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Table

First 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	\$ 113	\$33	\$ 5	\$ 75	244	\$ 0.31
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	38	11		27		0.11
Discrete Tax Items		(7)		7		0.03
Pension Standard Change	9	2		7		0.03
Transaction Costs Related to TireHub	4	1		3		0.01
Hurricane Effect	3			3		0.01
	54	7	--	47		\$ 0.19
As Adjusted	\$ 167	\$40	\$ 5	\$ 122	244	\$ 0.50

First Quarter 2017	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	\$239	\$70	\$ 3	\$166	256	\$0.65
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	37	12		25		0.10
Discrete Tax Items		2		(2)		(0.01)
	37	14	--	23		\$ 0.09
As Adjusted	\$276	\$84	\$ 3	\$189	256	\$ 0.74