

# The Goodyear Tire & Rubber Company and Subsidiaries

## Consolidated Statements of Operations (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<i>(In millions, except per share amounts)</i>				
<b>NET SALES</b>	<b>\$ 2,144</b>	<b>\$ 3,632</b>	<b>\$ 5,200</b>	<b>\$ 7,230</b>
Cost of Goods Sold	2,216	2,855	4,768	5,734
Selling, Administrative and General Expense	451	586	1,032	1,133
Goodwill and Other Asset Impairments	148	--	330	--
Rationalizations	99	4	108	107
Interest Expense	85	88	158	173
Other (Income) Expense	34	17	61	39
Income (Loss) before Income Taxes	(889)	82	(1,257)	44
United States and Foreign Tax Expense (Benefit)	(186)	26	63	32
Net Income (Loss)	(703)	56	(1,320)	12
Less: Minority Shareholders' Net Income (Loss)	(7)	2	(5)	19
<b>Goodyear Net Income (Loss)</b>	<b>\$ (696)</b>	<b>\$ 54</b>	<b>\$ (1,315)</b>	<b>\$ (7)</b>
<b>Goodyear Net Income (Loss) - Per Share of Common Stock</b>				
Basic	<b>\$ (2.97)</b>	<b>\$ 0.23</b>	<b>\$ (5.62)</b>	<b>\$ (0.03)</b>
Weighted Average Shares Outstanding	234	233	234	232
Diluted	<b>\$ (2.97)</b>	<b>\$ 0.23</b>	<b>\$ (5.62)</b>	<b>\$ (0.03)</b>
Weighted Average Shares Outstanding	234	234	234	232
Cash Dividends Declared Per Common Share	<b>\$ --</b>	<b>\$ 0.16</b>	<b>\$ 0.16</b>	<b>\$ 0.32</b>

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# The Goodyear Tire & Rubber Company and Subsidiaries

## Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	June 30, <u>2020</u>	December 31, <u>2019</u>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,006	\$ 908
Accounts Receivable, less Allowance - \$143 (\$111 in 2019)	1,727	1,941
Inventories:		
Raw Materials	594	530
Work in Process	128	143
Finished Products	<u>1,752</u>	<u>2,178</u>
	2,474	2,851
Prepaid Expenses and Other Current Assets	<u>206</u>	<u>234</u>
<b>Total Current Assets</b>	<b>5,413</b>	<b>5,934</b>
Goodwill	383	565
Intangible Assets	135	137
Deferred Income Taxes	1,434	1,527
Other Assets	794	959
Operating Lease Right-of-Use Assets	869	855
Property, Plant and Equipment, less Accumulated Depreciation – \$10,293 (\$10,488 in 2019)	<u>6,799</u>	<u>7,208</u>
<b>Total Assets</b>	<b><u>\$ 15,827</u></b>	<b><u>\$ 17,185</u></b>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts Payable – Trade	\$ 1,858	\$ 2,908
Compensation and Benefits	485	536
Other Current Liabilities	798	734
Notes Payable and Overdrafts	712	348
Operating Lease Liabilities due Within One Year	192	199
Long Term Debt and Finance Leases due Within One Year	<u>581</u>	<u>562</u>
<b>Total Current Liabilities</b>	<b>4,626</b>	<b>5,287</b>
Operating Lease Liabilities	698	668
Long Term Debt and Finance Leases	5,688	4,753
Compensation and Benefits	1,273	1,334
Deferred Income Taxes	80	90
Other Long Term Liabilities	<u>449</u>	<u>508</u>
<b>Total Liabilities</b>	<b>12,814</b>	<b>12,640</b>
Commitments and Contingent Liabilities		
<b>Shareholders' Equity:</b>		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 233 million in 2020 and 2019	233	233
Capital Surplus	2,154	2,141
Retained Earnings	4,748	6,113
Accumulated Other Comprehensive Loss	<u>(4,302)</u>	<u>(4,136)</u>
<b>Goodyear Shareholders' Equity</b>	<b>2,833</b>	<b>4,351</b>
Minority Shareholders' Equity – Nonredeemable	<u>180</u>	<u>194</u>
<b>Total Shareholders' Equity</b>	<b><u>3,013</u></b>	<b><u>4,545</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 15,827</u></b>	<b><u>\$ 17,185</u></b>

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# The Goodyear Tire & Rubber Company and Subsidiaries

## Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Six Months Ended	
	June 30,	
	2020	2019
<b>Cash Flows from Operating Activities:</b>		
<b>Net Income (Loss)</b>	<b>\$ (1,320)</b>	<b>\$ 12</b>
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	472	389
Amortization and Write-Off of Debt Issuance Costs	6	9
Goodwill and Other Asset Impairments	330	--
Provision for Deferred Income Taxes	58	(31)
Net Pension Curtailments and Settlements	3	--
Net Rationalization Charges	108	107
Rationalization Payments	(101)	(33)
Net (Gains) Losses on Asset Sales	2	(6)
Operating Lease Expense	142	148
Operating Lease Payments	(130)	(134)
Pension Contributions and Direct Payments	(33)	(32)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	36	(445)
Inventories	304	(233)
Accounts Payable - Trade	(860)	(55)
Compensation and Benefits	(11)	61
Other Current Liabilities	29	(37)
Other Assets and Liabilities	145	(11)
<b>Total Cash Flows from Operating Activities</b>	<b>(820)</b>	<b>(291)</b>
<b>Cash Flows from Investing Activities:</b>		
Capital Expenditures	(363)	(401)
Asset Dispositions	--	2
Short Term Securities Acquired	(30)	(67)
Short Term Securities Redeemed	46	67
Notes Receivable	(35)	(7)
Other Transactions	(8)	(13)
<b>Total Cash Flows from Investing Activities</b>	<b>(390)</b>	<b>(419)</b>
<b>Cash Flows from Financing Activities:</b>		
Short Term Debt and Overdrafts Incurred	928	983
Short Term Debt and Overdrafts Paid	(521)	(908)
Long Term Debt Incurred	4,886	3,479
Long Term Debt Paid	(3,879)	(2,628)
Common Stock Issued	--	1
Common Stock Dividends Paid	(37)	(74)
Transactions with Minority Interests in Subsidiaries	--	(25)
Debt Related Costs and Other Transactions	(53)	(17)
<b>Total Cash Flows from Financing Activities</b>	<b>1,324</b>	<b>811</b>
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(50)	6
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>64</b>	<b>107</b>
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	974	873
<b>Cash, Cash Equivalents and Restricted Cash at End of the Period</b>	<b>\$ 1,038</b>	<b>\$ 980</b>

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## Non-GAAP Financial Measures (unaudited)

This earnings release presents Total 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).

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 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, Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) Per Share to the most directly comparable U.S. GAAP financial measures.

## Segment Operating Income (Loss) and Margin Reconciliation Table

<i>(In millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Total Segment Operating Income (Loss)</b>	<b>\$ (431)</b>	<b>\$ 219</b>	<b>\$ (478)</b>	<b>\$ 409</b>
Goodwill and Other Asset Impairments	(148)	--	(330)	--
Rationalizations	(99)	(4)	(108)	(107)
Interest Expense	(85)	(88)	(158)	(173)
Other Income (Expense)	(34)	(17)	(61)	(39)
Asset Write-offs and Accelerated Depreciation	(86)	(1)	(90)	(1)
Corporate Incentive Compensations Plans	(7)	(14)	(10)	(15)
Retained Expenses of Divested Operations	(1)	(3)	(3)	(6)
Other	2	(10)	(19)	(24)
<b>Income (Loss) before Income Taxes</b>	<b>\$ (889)</b>	<b>\$ 82</b>	<b>\$(1,257)</b>	<b>\$ 44</b>
United States and Foreign Taxes (Benefit)	(186)	26	63	32
Less: Minority Shareholders' Net Income (Loss)	(7)	2	(5)	19
<b>Goodyear Net Income (Loss)</b>	<b>\$ (696)</b>	<b>\$ 54</b>	<b>\$(1,315)</b>	<b>\$ (7)</b>
Sales	\$2,144	\$3,632	\$5,200	\$7,230
Return on Sales	(32.5)%	1.5%	(25.3)%	(0.1)%
Total Segment Operating Margin	(20.1)%	6.0%	(9.2)%	5.7%

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## Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) per Share Reconciliation Tables

Second 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>						
<b>As Reported</b>	\$ (889)	\$ (186)	\$ (7)	\$ (696)	234	\$ (2.97)
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	185	44		141		0.60
Impairment of TireHub Investment	148	35		113		0.48
Asset Sales	3			3		0.01
Discrete Tax Items		(2)		2		0.01
	336	77	--	259		1.10
<b>As Adjusted</b>	\$ (553)	\$ (109)	\$ (7)	\$ (437)	234	\$ (1.87)

Second Quarter 2019	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
<i>(In millions, except EPS)</i>						
<b>As Reported</b>	\$ 82	\$ 26	\$ 2	\$ 54	234	\$ 0.23
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	5	1		4		0.02
	5	1	--	4		0.02
<b>As Adjusted</b>	\$ 87	\$ 27	\$ 2	\$ 58	234	\$ 0.25

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<b>First Six Months 2020</b>	<b>Income (Loss) Before Income Taxes</b>	<b>Taxes</b>	<b>Minority Interest</b>	<b>Goodyear Net Income (Loss)</b>	<b>Weighted Average Shares Outstanding- Diluted</b>	<b>Diluted EPS</b>
<i>(In millions, except EPS)</i>						
<b>As Reported</b>	<b>\$ (1,257)</b>	<b>\$ 63</b>	<b>\$ (5)</b>	<b>\$ (1,315)</b>	<b>234</b>	<b>\$ (5.62)</b>
Significant Items:						
Discrete Tax Items		(293)		293		1.25
Goodwill and Other Asset Impairments	330	39		291		1.24
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	198	46		152		0.65
Asset Sales	2			2		0.01
Pension Settlement Charges	3	1		2		0.01
	533	(207)	--	740		3.16
<b>As Adjusted</b>	<b>\$ (724)</b>	<b>\$ (144)</b>	<b>\$ (5)</b>	<b>\$ (575)</b>	<b>234</b>	<b>\$ (2.46)</b>

<b>First Six Months 2019</b>	<b>Income Before Income Taxes</b>	<b>Taxes</b>	<b>Minority Interest</b>	<b>Goodyear Net Income (Loss)</b>	<b>Weighted Average Shares Outstanding- Diluted*</b>	<b>Diluted EPS</b>
<i>(In millions, except EPS)</i>						
<b>As Reported</b>	<b>\$ 44</b>	<b>\$ 32</b>	<b>\$ 19</b>	<b>\$ (7)</b>	<b>232</b>	<b>\$ (0.03)</b>
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	108	17		91		0.38
Indirect Tax Settlements and Discrete Tax Items	(6)	(13)	(16)	23		0.10
Legal Claims Related to Discontinued Operations	5	1		4		0.02
Insurance Recovery from Hurricanes	(3)			(3)		(0.01)
Asset Sales	(6)	(1)		(5)		(0.02)
	98	4	(16)	110		0.47
<b>As Adjusted</b>	<b>\$ 142</b>	<b>\$ 36</b>	<b>\$ 3</b>	<b>\$ 103</b>	<b>234</b>	<b>\$ 0.44</b>

\*Weighted Average Shares Outstanding-Diluted for the calculation of as-reported diluted EPS excludes 2 million weighted average shares outstanding for stock options and other securities that were anti-dilutive due to Goodyear's net loss.