

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<i>(In millions, except per share amounts)</i>				
NET SALES	\$ 3,802	\$ 3,928	\$ 11,032	\$ 11,599
Cost of Goods Sold	2,965	3,028	8,699	8,953
Selling, Administrative and General Expense	572	553	1,705	1,732
Rationalizations	21	5	128	40
Interest Expense	88	82	261	236
Other (Income) Expense	35	(253)	74	(171)
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Income before Income Taxes	121	513	165	809
United States and Foreign Tax Expense	31	159	63	211
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Net Income	90	354	102	598
Less: Minority Shareholders' Net Income	2	3	21	15
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Goodyear Net Income	\$ 88	\$ 351	\$ 81	\$ 583
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Goodyear Net Income - Per Share of Common Stock				
Basic	\$ 0.38	\$ 1.49	\$ 0.35	\$ 2.45
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Weighted Average Shares Outstanding	233	236	233	238
Diluted	\$ 0.38	\$ 1.48	\$ 0.35	\$ 2.42
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Weighted Average Shares Outstanding	234	238	234	241
Cash Dividends Declared Per Common Share	\$ 0.16	\$ 0.14	\$ 0.48	\$ 0.42
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The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	September 30, <u>2019</u>	December 31, <u>2018</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 868	\$ 801
Accounts Receivable, less Allowance - \$114 (\$113 in 2018)	2,748	2,030
Inventories:		
Raw Materials	546	569
Work in Process	155	152
Finished Products	<u>2,264</u>	<u>2,135</u>
	2,965	2,856
Prepaid Expenses and Other Current Assets	<u>280</u>	<u>238</u>
Total Current Assets	6,861	5,925
Goodwill	550	569
Intangible Assets	134	136
Deferred Income Taxes	1,839	1,847
Other Assets	1,055	1,136
Operating Lease Right-of-Use Assets	828	--
Property, Plant and Equipment, less Accumulated Depreciation - \$10,457 (\$10,161 in 2018)	<u>7,032</u>	<u>7,259</u>
Total Assets	<u>\$ 18,299</u>	<u>\$ 16,872</u>
Liabilities:		
Current Liabilities:		
Accounts Payable - Trade	\$ 2,651	\$ 2,920
Compensation and Benefits	539	471
Other Current Liabilities	690	737
Notes Payable and Overdrafts	486	410
Operating Lease Liabilities due Within One Year	197	--
Long Term Debt and Finance Leases due Within One Year	<u>610</u>	<u>243</u>
Total Current Liabilities	5,173	4,781
Operating Lease Liabilities	642	--
Long Term Debt and Finance Leases	5,580	5,110
Compensation and Benefits	1,244	1,345
Deferred Income Taxes	91	95
Other Long Term Liabilities	<u>534</u>	<u>471</u>
Total Liabilities	13,264	11,802
Commitments and Contingent Liabilities		
Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 233 and 232 million in 2019 and 2018	233	232
Capital Surplus	2,132	2,111
Retained Earnings	6,543	6,597
Accumulated Other Comprehensive Loss	<u>(4,073)</u>	<u>(4,076)</u>
Goodyear Shareholders' Equity	4,835	4,864
Minority Shareholders' Equity – Nonredeemable	<u>200</u>	<u>206</u>
Total Shareholders' Equity	5,035	5,070
Total Liabilities and Shareholders' Equity	<u>\$ 18,299</u>	<u>\$ 16,872</u>

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The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In millions)

	Nine Months Ended	
	September 30,	
	2019	2018
Cash Flows from Operating Activities:		
Net Income	\$ 102	\$ 598
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	584	589
Amortization and Write-Off of Debt Issuance Costs	12	11
Provision for Deferred Income Taxes	(33)	59
Net Pension Curtailments and Settlements	1	13
Net Rationalization Charges	128	40
Rationalization Payments	(46)	(151)
Net (Gains) Losses on Asset Sales	(5)	(1)
Gain on TireHub Transaction, Net of Transaction Costs	--	(273)
Operating Lease Expense	221	--
Operating Lease Payments	(201)	--
Pension Contributions and Direct Payments	(51)	(56)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(785)	(807)
Inventories	(166)	(254)
Accounts Payable - Trade	(110)	235
Compensation and Benefits	129	7
Other Current Liabilities	16	(119)
Other Assets and Liabilities	65	85
Total Cash Flows from Operating Activities	(139)	(24)
Cash Flows from Investing Activities:		
Capital Expenditures	(561)	(615)
Asset Dispositions	2	2
Short Term Securities Acquired	(73)	(61)
Short Term Securities Redeemed	67	61
Notes Receivable	(7)	(50)
Other Transactions	(12)	(1)
Total Cash Flows from Investing Activities	(584)	(664)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	1,451	1,458
Short Term Debt and Overdrafts Paid	(1,357)	(1,267)
Long Term Debt Incurred	4,797	4,704
Long Term Debt Paid	(3,941)	(3,992)
Common Stock Issued	1	4
Common Stock Repurchased	--	(200)
Common Stock Dividends Paid	(111)	(100)
Transactions with Minority Interests in Subsidiaries	(26)	(27)
Debt Related Costs and Other Transactions	(25)	(3)
Total Cash Flows from Financing Activities	789	577
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(13)	(37)
Net Change in Cash, Cash Equivalents and Restricted Cash	53	(148)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	873	1,110
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 926	\$ 962

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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 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(In millions)</i>				
Total Segment Operating Income	\$294	\$362	\$703	\$967
Rationalizations	21	5	128	40
Interest Expense	88	82	261	236
Other (Income) Expense	35	(253)	74	(171)
Asset Write-offs and Accelerated Depreciation	1	--	2	2
Corporate Incentive Compensation Plans	13	(1)	28	6
Retained Expenses of Divested Operations	1	2	7	7
Other	14	14	38	38
Income before Income Taxes	\$121	\$513	\$165	\$809
United States and Foreign Taxes	31	159	63	211
Less: Minority Shareholder's Net Income	2	3	21	15
Goodyear Net Income	\$88	\$351	\$81	\$583
Sales	\$3,802	\$3,928	\$11,032	\$11,599
Return on Sales	2.3%	8.9%	0.7%	5.0%
Total Segment Operating Margin	7.7%	9.2%	6.4%	8.3%

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Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Tables

Third 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>						
As Reported	\$ 121	\$ 31	\$ 2	\$ 88	234	\$ 0.38
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	21	3		18		0.07
Beaumont, Texas Flood Effect	6	1		5		0.02
Indirect Tax Settlements and Discrete Tax Items	(1)	5		(6)		(0.02)
	26	9		17		0.07
As Adjusted	\$ 147	\$ 40	\$ 2	\$ 105	234	\$ 0.45

Third 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	\$ 513	\$ 159	\$ 3	\$ 351	238	\$ 1.48
Significant Items:						
Indirect Tax Settlements and Discrete Tax Items	(22)	(36)		14		0.05
Pension Settlement	10	2		8		0.03
Rationalizations, Asset Write-Offs, and Accelerated Depreciation Charges	5	1		4		0.01
Legal Claims Related To Discontinued Operations	4	1		3		0.01
Hurricane Effect	2			2		0.01
Gain on TireHub Transaction, Net of Transaction Costs	(287)	(68)		(219)		(0.91)
	(288)	(100)		(188)		(0.80)
As Adjusted	\$ 225	\$ 59	\$ 3	\$ 163	238	\$ 0.68

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First Nine Months 2019	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	\$ 165	\$ 63	\$ 21	\$ 81	234	\$ 0.35
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	130	21	1	108		0.45
Indirect Tax Settlements and Discrete Tax Items	(6)	(8)	(16)	18		0.08
Beaumont, Texas Flood Effect	6	1		5		0.02
Legal Claims Related to Discontinued Operations	5	1		4		0.02
Net Insurance Recovery from Hurricanes	(4)	(1)		(3)		(0.01)
Asset Sales	(5)			(5)		(0.02)
	126	14	(15)	127		0.54
As Adjusted	\$ 291	\$ 77	\$ 6	\$ 208	234	\$ 0.89

First Nine Months 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	\$ 809	\$ 211	\$ 15	\$ 583	241	\$ 2.42
Significant Items:						
Rationalizations, Asset Write-Offs, and Accelerated Depreciation Charges	42	11		31		0.13
Hurricane Effect	12			12		0.05
Pension Settlement	13	3		10		0.04
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)
Indirect Tax Settlements and Discrete Tax Items	(22)	(15)		(7)		(0.03)
Gain on TireHub Transaction, Net of Transaction Costs	(273)	(65)		(208)		(0.86)
	(211)	(62)		(149)		(0.62)
As Adjusted	\$ 598	\$ 149	\$ 15	\$ 434	241	\$ 1.80