

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

	(Unaudited) Three Months Ended December 31,		Year Ended December 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<i>(In millions, except per share amounts)</i>				
NET SALES	\$4,063	\$4,356	\$16,443	\$18,138
Cost of Goods Sold	3,071	3,340	12,164	13,906
Selling, Administrative and General Expense	725	702	2,614	2,720
Rationalizations	32	15	114	95
Interest Expense	101	113	412	428
Loss on Deconsolidation of Venezuelan Subsidiary	646	--	646	--
Other (Income) Expense	<u>(2)</u>	<u>60</u>	<u>(115)</u>	<u>302</u>
Income (Loss) before Income Taxes	(510)	126	608	687
United States and Foreign Taxes (Benefit)	<u>(137)</u>	<u>(2,002)</u>	<u>232</u>	<u>(1,834)</u>
Net Income (Loss)	(373)	2,128	376	2,521
Less: Minority Shareholders' Net Income (Loss)	<u>7</u>	<u>(1)</u>	<u>69</u>	<u>69</u>
Goodyear Net Income (Loss)	(380)	2,129	307	2,452
Less: Preferred Stock Dividends	--	--	--	7
Goodyear Net Income (Loss) Available to Common Shareholders	<u>\$ (380)</u>	<u>\$ 2,129</u>	<u>\$ 307</u>	<u>\$ 2,445</u>
Goodyear Net Income (Loss) Available to Common Shareholders - Per Share of Common Stock				
Basic	<u>\$ (1.42)</u>	<u>\$ 7.82</u>	<u>\$ 1.14</u>	<u>\$ 9.13</u>
Weighted Average Shares Outstanding	269	272	269	268
Diluted	<u>\$ (1.42)</u>	<u>\$ 7.68</u>	<u>\$ 1.12</u>	<u>\$ 8.78</u>
Weighted Average Shares Outstanding	269	277	273	279
Cash Dividends Declared Per Common Share	<u>\$ 0.07</u>	<u>\$ 0.06</u>	<u>\$ 0.25</u>	<u>\$ 0.22</u>

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets

(In millions, except share data)

	December 31, <u>2015</u>	December 31, <u>2014</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,476	\$ 2,161
Accounts Receivable, less Allowance - \$105 (\$89 in 2014)	2,033	2,126
Inventories:		
Raw Materials	419	535
Work in Process	138	149
Finished Products	<u>1,907</u>	<u>1,987</u>
	2,464	2,671
Prepaid Expenses and Other Current Assets	<u>168</u>	<u>201</u>
Total Current Assets	6,141	7,159
Goodwill	555	601
Intangible Assets	138	138
Deferred Income Taxes	2,141	2,253
Other Assets	687	740
Property, Plant and Equipment		
less Accumulated Depreciation - \$8,637 (\$9,029 in 2014)	<u>6,777</u>	<u>7,153</u>
Total Assets	<u>\$ 16,439</u>	<u>\$ 18,044</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,769	\$ 2,878
Compensation and Benefits	666	724
Other Current Liabilities	886	950
Notes Payable and Overdrafts	49	30
Long Term Debt and Capital Leases due Within One Year	<u>587</u>	<u>148</u>
Total Current Liabilities	4,957	4,730
Long Term Debt and Capital Leases	5,120	6,216
Compensation and Benefits	1,468	1,676
Deferred Income Taxes	91	90
Other Long Term Liabilities	<u>661</u>	<u>905</u>
Total Liabilities	12,297	13,617
Commitments and Contingent Liabilities		
Minority Shareholders' Equity	--	582
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 267 million (269 million in 2014) after deducting 11 million treasury shares (9 million in 2014)	267	269
Capital Surplus	3,093	3,141
Retained Earnings	4,570	4,331
Accumulated Other Comprehensive Loss	<u>(4,010)</u>	<u>(4,131)</u>
Goodyear Shareholders' Equity	3,920	3,610
Minority Shareholders' Equity – Nonredeemable	<u>222</u>	<u>235</u>
Total Shareholders' Equity	4,142	3,845
Total Liabilities and Shareholders' Equity	<u>\$ 16,439</u>	<u>\$ 18,044</u>

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The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Statements of Cash Flows

(In millions)

	Year Ended	
	December 31,	
	2015	2014
Cash Flows from Operating Activities:		
Net Income	\$ 376	\$ 2,521
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	698	732
Amortization and Write-Off of Debt Issuance Costs	23	14
Provision for Deferred Income Taxes	79	(1,970)
Loss on Deconsolidation of Venezuelan Subsidiary	646	--
Net Pension Curtailments and Settlements	139	39
Net Rationalization Charges	114	95
Rationalization Payments	(144)	(226)
Net Gains on Asset Sales	(71)	(3)
Pension Contributions and Direct Payments	(103)	(1,338)
Net Venezuela Currency Losses	--	200
Gain on Recognition of Deferred Royalty Income	(155)	--
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(31)	75
Inventories	(89)	(35)
Accounts Payable - Trade	78	(41)
Compensation and Benefits	66	223
Other Current Liabilities	(28)	(40)
Other Assets and Liabilities	89	94
Total Cash Flows from Operating Activities	1,687	340
Cash Flows from Investing Activities:		
Capital Expenditures	(983)	(923)
Asset Dispositions	62	18
Decrease in Cash Due to Deconsolidation of Venezuelan Subsidiary	(320)	--
(Increase) Decrease in Restricted Cash	(6)	5
Short Term Securities Acquired	(77)	(72)
Short Term Securities Redeemed	69	95
Other Transactions	(7)	26
Total Cash Flows from Investing Activities	(1,262)	(851)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	103	46
Short Term Debt and Overdrafts Paid	(84)	(24)
Long Term Debt Incurred	2,819	1,842
Long Term Debt Paid	(3,315)	(1,555)
Common Stock Issued	53	39
Common Stock Repurchased	(180)	(234)
Common Stock Dividends Paid	(68)	(60)
Preferred Stock Dividends Paid	--	(15)
Transactions with Minority Interests in Subsidiaries	(9)	(49)
Debt Related Costs and Other Transactions	(33)	(1)
Dissolution of Global Alliance	(271)	--
Total Cash Flows from Financing Activities	(985)	(11)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(125)	(313)
Net Change in Cash and Cash Equivalents	(685)	(835)
Cash and Cash Equivalents at Beginning of the Period	2,161	2,996
Cash and Cash Equivalents at End of the Period	\$ 1,476	\$ 2,161

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Non-GAAP Financial Measures (unaudited)

This earnings release presents Total Segment Operating Income, Adjusted Net Income and Adjusted Diluted Earnings Per Share (EPS) on a historical basis and our targeted Total 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' (SBUs) 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.

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, loss on deconsolidation of the Venezuelan subsidiary 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, Adjusted Net Income and Adjusted Diluted EPS to the most directly comparable U.S. GAAP measures.

Total Segment Operating Income and Margin Reconciliation Table

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
<i>(In millions)</i>				
Segment Operating Income	\$476	\$359	\$2,022	\$1,712
Rationalizations	32	15	114	95
Interest Expense	101	113	412	428
Other (Income) Expense	(2)	60	(115)	302
Asset Write-offs and Accelerated Depreciation	3	4	8	7
Corporate Incentive Compensation Plans	42	28	103	97
Corporate Pension Curtailments/Settlements	137	--	137	33
Intercompany Profit Elimination	(7)	(8)	3	(4)
Loss on Deconsolidation of Venezuelan Subsidiary	646	--	646	--
Retained Expenses of Divested Operations	8	5	14	16
Other	26	16	92	51
Income (Loss) before Income Taxes	\$(510)	\$126	\$608	\$687
United States and Foreign Tax (Benefit) Expense	(137)	(2,002)	232	(1,834)
Less: Minority Shareholders Net Income (Loss)	7	(1)	69	69
Goodyear Net Income (Loss)	\$(380)	\$2,129	\$307	\$2,452
Sales	\$4,063	\$4,356	\$16,443	\$18,138
Return on Sales	(9.4)%	48.9%	1.9%	13.5%
Total Segment Operating Margin	11.7%	8.2%	12.3%	9.4%

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Adjusted Net Income Reflecting Certain Significant Items (after tax and minority interest)

Fourth Quarter 2015	In Millions	Per Share (Diluted)
Goodyear Net Income (Loss)	\$ (380)	\$ (1.39)
Significant Items:		
Venezuela Deconsolidation	577	2.11
Pension Settlement	86	0.31
Debt Repayments	35	0.13
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	30	0.11
Transaction Costs and Net Gains on Asset Sales	(39)	(0.15)
Net Gains on SRI Share Sale	(32)	(0.12)
Net Income and Other Discrete Tax Benefits	(20)	(0.07)
	\$ 637	\$ 2.32
Adjusted Net Income (non-GAAP)	\$ 257	\$ 0.93

For the fourth quarter of 2015, the calculation of Adjusted Net Income Per Share (Diluted) reflects 273 million weighted average shares outstanding, including 4 million weighted average shares outstanding for stock options and other securities not included in the calculation of Goodyear Net Income (Loss) Per Share (Diluted), as reported, as their inclusion was anti-dilutive.

Fourth Quarter 2014	In Millions	Per Share (Diluted)
Goodyear Net Income	\$ 2,129	\$ 7.68
Significant Items:		
Net Venezuela Currency Losses	45	0.16
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	12	0.04
Net Income and Other Discrete Tax Benefits	(2,013)	(7.26)
Net Gains on Asset Sales	(7)	(0.03)
	\$ (1,963)	\$ (7.09)
Adjusted Net Income (non-GAAP)	\$ 166	\$ 0.59

(more)

Adjusted Net Income Reflecting Certain Significant Items (after tax and minority interest)

Full-Year 2015	In Millions	Per Share (Diluted)
Goodyear Net Income	\$ 307	\$ 1.12
Significant Items:		
Venezuela Deconsolidation	577	2.11
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	92	0.34
Pension Settlement	86	0.31
Debt Repayments	35	0.13
Charges Relating to Labor Claims with Respect to a Previously Closed Facility in Greece	4	0.02
Royalty Income Related to the Termination of a Licensing Agreement	(99)	(0.36)
Net Gains on SRI Share Sale	(32)	(0.12)
Net Income and Other Discrete Tax Benefits	(25)	(0.09)
Transaction Costs and Net Gains on Asset Sales	(23)	(0.08)
Insurance Recovery – Discontinued Products	(16)	(0.06)
	<u>\$ 599</u>	<u>\$ 2.20</u>
Adjusted Net Income (non-GAAP)	\$ 906	\$ 3.32

Full-Year 2014	In Millions	Per Share (Diluted)
Goodyear Net Income	\$ 2,452	\$ 8.78
Significant Items:		
Net Venezuela Currency Losses	175	0.63
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	71	0.25
Pension Curtailments and Settlements	36	0.13
Charges Relating to Labor Claims with Respect to a Previously Closed Facility in Greece	22	0.08
Charge Relating to Government Investigation in Africa	16	0.06
Net Income and Other Discrete Tax Benefits	(1,978)	(7.09)
Net Gains on Asset Sales	(4)	(0.01)
	<u>\$ (1,662)</u>	<u>\$ (5.95)</u>
Adjusted Net Income (non-GAAP)	\$ 790	\$ 2.83