

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<i>(In millions, except per share amounts)</i>				
NET SALES	\$ 4,071	\$ 3,741	\$ 15,377	\$ 15,158
Cost of Goods Sold	3,093	2,722	11,719	10,972
Selling, Administrative and General Expense	584	600	2,302	2,407
Rationalizations	33	16	135	210
Interest Expense	75	87	335	372
Other (Income) Expense	(1)	(13)	8	(10)
Income before Income Taxes	287	329	878	1,207
United States and Foreign Tax Expense (Benefit)	377	(238)	513	(77)
Net Income (Loss)	(90)	567	365	1,284
Less: Minority Shareholders' Net Income	6	6	19	20
Goodyear Net Income (Loss)	\$ (96)	\$ 561	\$ 346	\$ 1,264
Goodyear Net Income (Loss)				
- Per Share of Common Stock				
Basic	\$ (0.39)	\$ 2.17	\$ 1.39	\$ 4.81
Weighted Average Shares Outstanding	244	258	249	263
Diluted	\$ (0.39)	\$ 2.14	\$ 1.37	\$ 4.74
Weighted Average Shares Outstanding	244	262	253	266
Cash Dividends Declared Per Common Share	\$ 0.14	\$ --	\$ 0.44	\$ 0.31

(more)

The Goodyear Tire & Rubber Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

(In millions, except share data)

	December 31, <u>2017</u>	December 31, <u>2016</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,043	\$ 1,132
Accounts Receivable	2,025	1,769
Inventories:		
Raw Materials	466	436
Work in Process	142	131
Finished Products	<u>2,179</u>	<u>2,060</u>
	2,787	2,627
Prepaid Expenses and Other Current Assets	<u>224</u>	<u>190</u>
Total Current Assets	6,079	5,718
Goodwill	595	535
Intangible Assets	139	136
Deferred Income Taxes	2,008	2,414
Other Assets	792	668
Property, Plant and Equipment		
less Accumulated Depreciation - \$10,078 (\$9,125 in 2016)	<u>7,451</u>	<u>7,040</u>
Total Assets	<u>\$ 17,064</u>	<u>\$ 16,511</u>
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,807	\$ 2,589
Compensation and Benefits	539	584
Other Current Liabilities	1,026	963
Notes Payable and Overdrafts	262	245
Long Term Debt and Capital Leases due Within One Year	<u>391</u>	<u>436</u>
Total Current Liabilities	5,025	4,817
Long Term Debt and Capital Leases	5,076	4,798
Compensation and Benefits	1,515	1,460
Deferred Income Taxes	100	85
Other Long Term Liabilities	<u>498</u>	<u>626</u>
Total Liabilities	12,214	11,786
Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares – 240 million (252 million in 2016)		
after deducting 38 million treasury shares (27 million in 2016)	240	252
Capital Surplus	2,295	2,645
Retained Earnings	6,044	5,808
Accumulated Other Comprehensive Loss	<u>(3,976)</u>	<u>(4,198)</u>
Goodyear Shareholders' Equity	4,603	4,507
Minority Shareholders' Equity – Nonredeemable	247	218
Total Shareholders' Equity	<u>4,850</u>	<u>4,725</u>
Total Liabilities and Shareholders' Equity	<u>\$ 17,064</u>	<u>\$ 16,511</u>

(more)

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

(In millions)

	Year Ended	
	December 31,	
	2017	2016
Cash Flows from Operating Activities:		
Net Income	\$ 365	\$ 1,284
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	781	727
Amortization and Write-Off of Debt Issuance Costs	21	29
Provision for Deferred Income Taxes	385	(229)
Net Pension Curtailments and Settlements	19	17
Net Rationalization Charges	135	210
Rationalization Payments	(154)	(86)
Net Gains on Asset Sales	(14)	(31)
Pension Contributions and Direct Payments	(90)	(89)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(147)	211
Inventories	(44)	(172)
Accounts Payable - Trade	85	(156)
Compensation and Benefits	(65)	(50)
Other Current Liabilities	(76)	(56)
Other Assets and Liabilities	(43)	(52)
Total Cash Flows from Operating Activities	1,158	1,557
Cash Flows from Investing Activities:		
Capital Expenditures	(881)	(996)
Asset Dispositions	12	35
Short Term Securities Acquired	(83)	(72)
Short Term Securities Redeemed	83	60
Other Transactions	(10)	(6)
Total Cash Flows from Investing Activities	(879)	(979)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	1,054	417
Short Term Debt and Overdrafts Paid	(1,046)	(228)
Long Term Debt Incurred	6,463	4,988
Long Term Debt Paid	(6,342)	(5,433)
Common Stock Issued	14	13
Common Stock Repurchased	(400)	(500)
Common Stock Dividends Paid	(110)	(82)
Transactions with Minority Interests in Subsidiaries	(7)	(11)
Debt Related Costs and Other Transactions	(41)	(40)
Total Cash Flows from Financing Activities	(415)	(876)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	57	(15)
Net Change in Cash, Cash Equivalents and Restricted Cash	(79)	(313)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	1,189	1,502
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 1,110	\$ 1,189

(more)

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 Goodyear Net Income as a percent of 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.

(more)

Segment Operating Income and Margin Reconciliation Table

<i>(In millions)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
Total Segment Operating Income	\$419	\$479	\$1,522	\$1,985
Rationalizations	33	16	135	210
Interest Expense	75	87	335	372
Other (Income) Expense	(1)	(13)	8	(10)
Asset Write-offs and Accelerated Depreciation	1	10	40	20
Corporate Incentive Compensation Plans	6	16	33	76
Pension Curtailments/Settlements	6	2	19	16
Intercompany Profit Elimination	(14)	(5)	2	2
Retained Expenses of Divested Operations	4	6	13	18
Other	22	31	59	74
Income before Income Taxes	\$287	\$329	\$878	\$1,207
United States and Foreign Taxes Expense (Benefit)	377	(238)	513	(77)
Less: Minority Shareholders Net Income	6	6	19	20
Goodyear Net Income (Loss)	\$(96)	\$561	\$346	\$1,264
Sales	\$4,071	\$3,741	\$15,377	\$15,158
Goodyear Net Income (Loss) as a Percent of Sales	(2.4)%	15.0%	2.3%	8.3%
Total Segment Operating Margin	10.3%	12.8%	9.9%	13.1%

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Adjusted Net Income and Adjusted Diluted Earnings per Share Reconciliation Table

Fourth Quarter 2017	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income (Loss)	Weighted Average Shares Outstanding- Diluted *	Diluted EPS
<i>(In millions, except EPS)</i>						
As Reported	\$287	\$377	\$ 6	\$ (96)	244	\$ (0.39)
Significant Items:						
Discrete Tax Items		(315)		315		1.28
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	34	11		23		0.09
Pension Settlements	6	3		3		0.01
	40	(301)		341		\$ 1.38
As Adjusted	\$327	\$ 76	\$ 6	\$ 245	248	\$ 0.99
Fourth Quarter 2016	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	\$ 329	\$ (238)	\$ 6	\$561	262	\$ 2.14
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	26	2	1	23		0.09
Legal Claims Unrelated to Operations	10	4		6		0.02
Pension Settlements	3			3		0.01
Discrete Tax Items		331	1	(332)		(1.26)
Insurance Recoveries – Discontinued Products	(17)	(7)		(10)		(0.04)
Net Gains on Asset Sales	(3)	(1)		(2)		(0.01)
	19	329	2	(312)		\$ (1.19)
As Adjusted	\$ 348	\$ 91	\$ 8	\$ 249	262	\$ 0.95

* Weighted Average Shares Outstanding – Diluted for the calculation of as-reported diluted EPS excludes 4 million weighted average shares outstanding for stock options and other securities that were anti-dilutive.

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Full-Year 2017*(In millions, except EPS)*

	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
As Reported	\$ 878	\$ 513	\$ 19	\$346	253	\$ 1.37
Significant Items:						
Discrete Tax Items	(2)	(294)		292		1.14
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	175	53	1	121		0.48
Debt Redemption Charges	31	12		19		0.08
Hurricane Effect	18	2		16		0.06
Pension Settlements	19	7		12		0.05
Net Gains on Asset Sales	(14)	(1)		(13)		(0.05)
Insurance Recoveries – Discontinued Products	(5)	(2)		(3)		(0.01)
	222	(223)	1	444		\$ 1.75
As Adjusted	\$1,100	\$ 290	\$ 20	\$790	253	\$ 3.12

Full-Year 2016*(In millions, except EPS)*

	Income Before Income Taxes	Taxes	Minority Interest	Goodyear Net Income	Weighted Average Shares Outstanding- Diluted	Diluted EPS
As Reported	\$ 1,207	\$ (77)	\$ 20	\$1,264	266	\$ 4.74
Significant Items:						
Rationalizations, Asset Write-offs, and Accelerated Depreciation Charges	230	11	1	218		0.82
Debt Redemption Charges	65	20		45		0.17
Americas Intracompany Profit Elimination Adjustment	24	9		15		0.06
Pension Settlements	17			17		0.06
Legal Claims Unrelated to Operations	10	4		6		0.02
Discrete Tax Items	2	458	2	(458)		(1.71)
Net Gains on Asset Sales	(31)	(5)		(26)		(0.10)
Insurance Recoveries – Discontinued Products	(24)	(9)		(15)		(0.06)
	293	488	3	(198)		\$ (0.74)
As Adjusted	\$ 1,500	\$ 411	\$ 23	\$1,066	266	\$ 4.00