

GOODYEAR TIRE & RUBBER CO /OH/  
Form 10-Q  
October 29, 2015

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2015

Commission File Number: 1-1927

THE GOODYEAR TIRE & RUBBER COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Ohio

(State or Other Jurisdiction of

Incorporation or Organization)

34-0253240

(I.R.S. Employer

Identification No.)

200 Innovation Way, Akron, Ohio

(Address of Principal Executive Offices)

(330) 796-2121

(Registrant's Telephone Number, Including Area Code)

44316-0001

(Zip Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☐

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Number of Shares of Common Stock,

Without Par Value, Outstanding at September 30,

2015:

268,908,141

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2015	2014	2015	2014
Net Sales	\$4,184	\$4,657	\$12,380	\$13,782
Cost of Goods Sold	3,000	3,516	9,093	10,566
Selling, Administrative and General Expense	633	653	1,889	2,018
Rationalizations (Note 2)	20	15	82	80
Interest Expense	102	108	311	315
Other (Income) Expense (Note 3)	(2	) 66	(113	) 242
Income before Income Taxes	431	299	1,118	561
United States and Foreign Taxes (Note 5)	126	100	369	168
Net Income	305	199	749	393
Less: Minority Shareholders' Net Income	34	38	62	70
Goodyear Net Income	271	161	687	323
Less: Preferred Stock Dividends	—	—	—	7
Goodyear Net Income available to Common Shareholders	\$271	\$161	\$687	\$316
Goodyear Net Income available to Common Shareholders — Per Share of Common Stock				
Basic	\$1.01	\$0.58	\$2.55	\$1.18
Weighted Average Shares Outstanding (Note 6)	269	275	270	266
Diluted	\$0.99	\$0.58	\$2.51	\$1.15
Weighted Average Shares Outstanding (Note 6)	274	279	274	280
Cash Dividends Declared Per Common Share	\$0.06	\$0.06	\$0.18	\$0.16

The accompanying notes are an integral part of these consolidated financial statements.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	\$305	\$199	\$749	\$393
Other Comprehensive Income (Loss):				
Foreign currency translation, net of tax of (\$18) and (\$42) in 2015 (\$0 and \$0 in 2014)	(100	) (185	) (205	) (170
Reclassification adjustment for amounts recognized in income, net of tax of \$0 and \$0 in 2015 (\$0 and \$0 in 2014)	1	4	2	2
Defined benefit plans:				
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of \$9 and \$27 in 2015 (\$2 and \$5 in 2014)	19	25	56	82
Decrease in net actuarial losses, net of tax of \$0 and \$11 in 2015 (\$0 and \$3 in 2014)	—	6	24	30
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures, net of tax of \$0 and \$0 in 2015 (\$0 and \$0 in 2014)	—	1	2	43
Prior service credit (cost) from plan amendments, net of tax of \$0 and \$0 in 2015 (\$0 and \$0 in 2014)	—	(1	) —	(1
Deferred derivative gains (losses), net of tax of \$1 and \$3 in 2015 (\$1 and \$0 in 2014)	6	11	16	10
Reclassification adjustment for amounts recognized in income, net of tax of \$0 and (\$2) in 2015 (\$0 and \$0 in 2014)	(8	) —	(21	) 1
Unrealized investment gains (losses), net of tax of \$0 and \$1 in 2015 (\$0 and \$0 in 2014)	(4	) (1	) (3	) —
Other Comprehensive Income (Loss)	(86	) (140	) (129	) (3
Comprehensive Income	219	59	620	390
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	15	(13	) —	38
Goodyear Comprehensive Income	\$204	\$72	\$620	\$352

The accompanying notes are an integral part of these consolidated financial statements.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(In millions)	September 30, 2015	December 31, 2014
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$1,690	\$2,161
Accounts Receivable, less Allowance — \$98 (\$89 in 2014)	2,616	2,126
Inventories:		
Raw Materials	508	535
Work in Process	142	149
Finished Products	1,894	1,987
	2,544	2,671
Deferred Income Taxes	575	570
Assets Held for Sale (Note 4)	242	—
Prepaid Expenses and Other Current Assets	255	196
Total Current Assets	7,922	7,724
Goodwill	556	601
Intangible Assets	131	138
Deferred Income Taxes	1,485	1,762
Other Assets	748	731
Property, Plant and Equipment, less Accumulated Depreciation — \$8,700 (\$9,029 in 2014)	6,673	7,153
Total Assets	\$17,515	\$18,109
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$2,576	\$2,878
Compensation and Benefits (Notes 10 and 11)	723	724
Liabilities Held for Sale (Note 4)	204	—
Other Current Liabilities	871	956
Notes Payable and Overdrafts (Note 8)	41	30
Long Term Debt and Capital Leases due Within One Year (Note 8)	368	148
Total Current Liabilities	4,783	4,736
Long Term Debt and Capital Leases (Note 8)	5,591	6,216
Compensation and Benefits (Notes 10 and 11)	1,426	1,676
Deferred and Other Noncurrent Income Taxes	176	181
Other Long Term Liabilities	587	873
Total Liabilities	12,563	13,682
Commitments and Contingent Liabilities (Note 12)		
Minority Shareholders' Equity (Note 1)	590	582
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares — 269 million (269 million in 2014)	269	269
after deducting 9 million treasury shares (9 million in 2014)		
Capital Surplus	3,103	3,141
Retained Earnings	4,981	4,343

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Accumulated Other Comprehensive Loss	(4,210	) (4,143	)
Goodyear Shareholders' Equity	4,143	3,610	
Minority Shareholders' Equity — Nonredeemable	219	235	
Total Shareholders' Equity	4,362	3,845	
Total Liabilities and Shareholders' Equity	\$17,515	\$18,109	

The accompanying notes are an integral part of these consolidated financial statements.

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THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended September 30,	
(In millions)	2015	2014
Cash Flows from Operating Activities:		
Net Income	\$ 749	\$ 393
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	522	553
Amortization and Write-Off of Debt Issuance Costs	6	12
Provision for Deferred Income Taxes	265	61
Net Pension Curtailments and Settlements	2	39
Net Rationalization Charges (Note 2)	82	80
Rationalization Payments	(105)	(169)
Net Losses on Asset Sales (Note 3)	9	4
Pension Contributions and Direct Payments	(77)	(1,292)
Net Venezuela Currency Loss (Note 3)	—	155
Gain on Recognition of Deferred Royalty Income (Note 3)	(155)	—
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(644)	(675)
Inventories	(97)	(226)
Accounts Payable — Trade	33	(69)
Compensation and Benefits	29	103
Other Current Liabilities	(29)	(5)
Other Assets and Liabilities	45	97
Total Cash Flows from Operating Activities	635	(939)
Cash Flows from Investing Activities:		
Capital Expenditures	(656)	(634)
Asset Dispositions (Note 3)	13	6
Decrease (Increase) in Restricted Cash	(11)	6
Short Term Securities Acquired	(50)	(72)
Short Term Securities Redeemed	25	82
Other Transactions	5	7
Total Cash Flows from Investing Activities	(674)	(605)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	72	52
Short Term Debt and Overdrafts Paid	(59)	(24)
Long Term Debt Incurred	1,265	1,739
Long Term Debt Paid	(1,469)	(1,054)
Common Stock Issued	33	41
Common Stock Repurchased (Note 13)	(82)	(97)
Common Stock Dividends Paid (Note 13)	(49)	(43)
Preferred Stock Dividends Paid (Note 13)	—	(15)
Transactions with Minority Interests in Subsidiaries	(5)	(36)
Debt Related Costs and Other Transactions	(12)	—
Total Cash Flows from Financing Activities	(306)	563
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(102)	(271)

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Net Change in Cash and Cash Equivalents	(447	) (1,252	)
Cash and Cash Equivalents at Beginning of the Period	2,161	2,996	
Less: Cash Held for Sale	(24	) —	
Cash and Cash Equivalents at End of the Period	\$1,690	\$1,744	

The accompanying notes are an integral part of these consolidated financial statements.

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THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by The Goodyear Tire & Rubber Company (the "Company," "Goodyear," "we," "us" or "our") in accordance with Securities and Exchange Commission rules and regulations and generally accepted accounting principles in the United States of America ("US GAAP") and in the opinion of management contain all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K").

We are a party to shareholder agreements concerning certain of our less-than-wholly-owned consolidated subsidiaries. Under the terms of certain of these agreements, the minority shareholders have the right to require us to purchase their ownership interests in the respective subsidiaries if there is a change in control of Goodyear, a bankruptcy of Goodyear, or other circumstances. Accordingly, we have reported the minority equity in those subsidiaries outside of shareholders' equity. Refer to Note 4.

Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results expected in subsequent quarters or for the year ending December 31, 2015.

Recently Issued Accounting Standards

In September 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standards update with new guidance that eliminates the requirement in a business combination to restate prior period financial statements for measurement period adjustments. Instead, measurement period adjustments will be recognized in the reporting period in which the adjustment is identified. The standards update is effective for fiscal years and interim periods beginning after December 15, 2015. The amendments should be applied prospectively to measurement period adjustments that occur after the effective date of this update with early adoption permitted for financial statements that have not been issued. We will adopt this standards update as required and recognize any such future adjustments accordingly.

In July 2015, the FASB issued an accounting standards update with new guidance on simplifying the measurement of inventory. Inventory within the scope of this update is required to be measured at the lower of its cost or net realizable value, with net realizable value being the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The standards update is effective prospectively for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. We are currently assessing the impact of adopting this standards update on our consolidated financial statements.

In April 2015, the FASB issued an accounting standards update with new guidance on whether a cloud computing arrangement includes a software license and the accounting for such an arrangement. If a cloud computing arrangement includes a software license, then the software license element of the arrangement should be accounted for consistently with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the agreement should be accounted for as a service contract. The standards update is effective for fiscal years and interim periods beginning after December 15, 2015, with early adoption permitted. The adoption of this standards update is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued an accounting standards update with new guidance on the presentation of debt issuance costs that requires all costs incurred to issue debt to be presented on the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. In August 2015, the FASB issued an accounting standards update that allows debt issuance costs incurred in connection with line of credit arrangements to be presented as an asset. The standards updates are effective for fiscal years and interim periods beginning after December 15, 2015 on a retrospective basis, with early adoption permitted. The adoption of

these standards updates will not have a material impact on our consolidated financial statements.

In August 2014, the FASB issued an accounting standards update with new guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management must evaluate whether it is probable that known conditions or events, considered in the aggregate, would raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. If such conditions or events are identified, the standard requires management's mitigation plans to alleviate the doubt

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

or a statement of the substantial doubt about the entity's ability to continue as a going concern to be disclosed in the financial statements. The standards update is effective for the first annual period ending after December 15, 2016, with early adoption permitted. The adoption of this standards update is not expected to impact our consolidated financial statements.

In May 2014, the FASB issued an accounting standards update with new guidance on recognizing revenue from contracts with customers. The standards update outlines a single comprehensive model for entities to utilize to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that will be received in exchange for the goods and services. Additional disclosures will also be required to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB deferred the effective date of this standards update to fiscal years beginning after December 15, 2017, with early adoption permitted on the original effective date of fiscal years beginning after December 15, 2016. We are currently evaluating our significant contracts and assessing any impact of adopting this standards update on our consolidated financial statements.

## Recently Adopted Accounting Standards

Effective January 1, 2015, we adopted an accounting standards update providing new guidance on the requirements for reporting a discontinued operation. The standards update allows only those disposals representing a strategic shift in operations with a major effect on the entity's operations and financial results to be reported as a discontinued operation. It also allows companies to have significant continuing involvement and continuing cash flows with the discontinued operations. Additional disclosures are also required for discontinued operations and individually material disposal transactions that do not meet the definition of a discontinued operation. The adoption of this standards update did not impact our consolidated financial statements.

## Reclassifications and Adjustments

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current presentation.

## NOTE 2. COSTS ASSOCIATED WITH RATIONALIZATION PROGRAMS

In order to maintain our global competitiveness, we have implemented rationalization actions over the past several years to reduce high-cost manufacturing capacity and associate headcount. Rationalization actions initiated in 2015 included a plan to close our Wolverhampton, U.K. mixing and retreading facility and to transfer the production to other manufacturing facilities in Europe, Middle East and Africa ("EMEA") and a plan to transfer consumer tire production from our manufacturing facility in Wittlich, Germany to other manufacturing facilities in EMEA. We also initiated plans for selling, administrative and general expense ("SAG") headcount reductions in North America, EMEA and Latin America.

The following table shows the roll-forward of our liability between periods:

(In millions)	Associate- Related Costs	Other Exit and Non-cancelable Lease Costs	Total
Balance at December 31, 2014	\$117	\$2	\$119
2015 Charges	64	19	83
Reversed to the Statements of Operations	—	—	—
Incurred, Net of Foreign Currency Translation of \$(9) million and \$0 million, respectively <sup>(1)</sup>	(78)	(19)	(97)
Balance at September 30, 2015	\$103	\$2	\$105

<sup>(1)</sup> Incurred in the first nine months of 2015 of \$97 million excludes \$20 million of rationalization payments for labor claims relating to a previously closed facility in Greece. Refer to Note 3.

The accrual balance of \$105 million at September 30, 2015 is expected to be substantially utilized within the next 12 months, and includes \$36 million related to the plan to exit the farm tire business in EMEA and the closure of one of our manufacturing facilities in Amiens, France and \$27 million related to the plan to close our Wolverhampton, U.K. mixing and retreading facility.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table shows net rationalization charges included in Income before Income Taxes:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Current Year Plans</b>				
Associate Severance and Other Related Costs	\$11	\$8	\$46	\$17
Other Exit and Non-Cancelable Lease Costs	3	—	4	1
Current Year Plans - Net Charges	\$14	\$8	\$50	\$18
<b>Prior Year Plans</b>				
Associate Severance and Other Related Costs	\$2	\$(2)	\$18	\$43
Pension Curtailment Gain	—	—	(1)	(22)
Other Exit and Non-Cancelable Lease Costs	4	9	15	41
Prior Year Plans - Net Charges	6	7	32	62
Total Net Charges	\$20	\$15	\$82	\$80
<b>Asset Write-off and Accelerated Depreciation Charges</b>				
	\$3	\$—	\$5	\$3

Substantially all of the new charges for the three and nine months ended September 30, 2015 and 2014 related to future cash outflows. Net current year plan charges for the three and nine months ended September 30, 2015 include charges of \$1 million and \$28 million, respectively, related to the plan to close our Wolverhampton, U.K. mixing and retreading facility. Additional charges for the three and nine months ended September 30, 2015 primarily relate to plans to reduce manufacturing and SAG headcount in EMEA.

Net prior year plan charges for the three and nine months ended September 30, 2015 include charges of \$2 million and \$21 million, respectively, for associate severance and idle plant costs related to the closure of one of our manufacturing facilities in Amiens, France and our exit from the farm tire business in EMEA. In addition, net prior year plan charges for the three months ended September 30, 2014 of \$7 million include a net credit of \$(2) million primarily related to associate severance and idle plant costs related to the closure of one of our manufacturing facilities in Amiens, France, resulting from the impact of changes in tax laws and revised estimates. Net prior year plan charges for the nine months ended September 30, 2014 of \$62 million include charges of \$63 million for associate severance and idle plant costs, partially offset by a pension curtailment gain of \$22 million, related to the closure of one of our manufacturing facilities in Amiens, France. Net charges for the nine months ended September 30, 2014 included reversals of \$5 million for actions no longer needed for their originally intended purposes.

Approximately 800 associates will be released under plans initiated in 2015, of which approximately 100 associates have been released as of September 30, 2015. In the first nine months of 2015, approximately 200 associates were released under plans initiated in prior years, primarily related to our exit from the farm tire business in EMEA and the closure of one of our manufacturing facilities in Amiens, France. In total, approximately 800 associates remain to be released under rationalization plans. At September 30, 2015, approximately 800 former associates of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims against us. Refer to Note 12.

Accelerated depreciation charges for the three and nine months ended September 30, 2015 primarily related to the plan to close our Wolverhampton, U.K. mixing and retreading facility. Accelerated depreciation charges for the three and nine months ended September 30, 2014 related to property and equipment in our Birmingham, U.K. manufacturing facility. Accelerated depreciation charges for all periods were recorded in cost of goods sold ("CGS").



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 3. OTHER (INCOME) EXPENSE

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2015	2014	2015	2014
Royalty income	\$(12	) \$9	) \$(187	) \$(27
Net foreign currency exchange losses	33	31	62	182
Financing fees and financial instruments	14	18	45	54
General and product liability — discontinued products	(43	) 4	(34	) 21
(gains) losses				
Interest income	(7	) (4	) (16	) (23
Net losses on asset sales	10	7	9	4
Miscellaneous	3	19	8	31
	\$(2	) \$66	\$(113	) \$242

Royalty income in the third quarter of 2015 was \$12 million, compared to \$9 million in the third quarter of 2014. Royalty income in the first nine months of 2015 and 2014 was \$187 million and \$27 million, respectively. Royalty income is derived primarily from licensing arrangements related to divested businesses. Royalty income in 2015 included a one-time pre-tax gain of \$155 million on the recognition of deferred income resulting from the termination of a licensing agreement associated with the sale of our former Engineered Products business ("Veyance"). The licensing agreement was terminated following the acquisition of Veyance by Continental AG in January 2015. Net foreign currency exchange losses in the third quarter of 2015 were \$33 million, primarily related to Brazil and Venezuela, compared to \$31 million in the third quarter of 2014. Net foreign currency exchange losses in the three months ended September 30, 2014 included a net remeasurement loss of \$5 million in Venezuela resulting from the derecognition of a portion of the subsidy receivable established on January 24, 2014, as discussed below, and a reduction of \$7 million of foreign currency exchange losses previously recorded as part of the \$157 million first quarter 2014 Venezuelan remeasurement loss. As described in Note 5, Income Taxes, in the third quarter of 2014 we established valuation allowances on the net deferred tax assets of our Venezuelan and Brazilian subsidiaries, and accordingly, reduced \$7 million of previously recorded foreign currency exchange losses related to deferred tax assets of our Venezuelan subsidiary. Net losses in the first nine months of 2015 and 2014 were \$62 million and \$182 million, respectively. Net losses in the nine months ended September 30, 2014 included net remeasurement losses of \$155 million resulting from devaluations of the Venezuelan bolivar fuerte against the U.S. dollar. Foreign currency exchange also reflects net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide.

Effective January 24, 2014, Venezuela's exchange rate applicable to the settlement of certain transactions, including payments of dividends and royalties, changed to an auction-based floating rate, the Complementary System of Foreign Currency Administration ("SICAD") rate, which was 11.4 and 13.5 bolivares fuertes to the U.S. dollar at January 24, 2014 and September 30, 2015, respectively.

We are required to remeasure our bolivar-denominated monetary assets and liabilities at the rate expected to be available for future dividend remittances by our Venezuelan subsidiary. Therefore, in the first nine months of 2014 we recorded a net remeasurement loss of \$155 million, including a first quarter loss of \$157 million using the then-applicable SICAD rate. All bolivar-denominated monetary assets and liabilities were remeasured at 13.5 and 12.0 bolivares fuertes to the U.S. dollar at September 30, 2015 and December 31, 2014, respectively.

The official exchange rate for imports of essential goods, such as certain raw materials needed for the production of tires, remained at 6.3 bolivares fuertes to the U.S. dollar; however, the previously existing subsidy exchange rate of 4.3 bolivares fuertes to the U.S. dollar was eliminated and, accordingly, we derecognized \$11 million of previously recognized subsidy receivables as part of the \$157 million remeasurement loss in the first nine months of 2014.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

We also recorded a subsidy receivable at January 24, 2014 of \$50 million related to certain U.S. dollar-denominated payables that were expected to be settled at the official exchange rate of 6.3 bolivares fuertes to the U.S. dollar for essential goods, based on ongoing approvals for importation of such goods. In the fourth quarter of 2014, we entered into an agreement with the Venezuelan government to settle \$85 million of U.S. dollar-denominated payables at the SICAD rate that we previously had expected to be settled at the official exchange rate for imports of essential goods of 6.3 bolivares fuertes to the U.S. dollar and, accordingly, derecognized the remaining subsidy receivable of \$45 million. As of September 30, 2015, we have received payments of \$7 million under this agreement. Subsidies received from the government related to certain U.S. dollar-denominated payables settled at the official exchange rate for imports of essential goods of 6.3 bolivares fuertes to the U.S. dollar are now recognized in CGS upon receipt. General and product liability — discontinued products in the third quarter of 2015 was a benefit of \$43 million compared to expense of \$4 million for the third quarter of 2014. General and product liability — discontinued products for the nine months ended September 30, 2015 included benefits of \$34 million compared to expense of \$21 million for the nine months ended September 30, 2014. General and product liability — discontinued products in the three and nine months ended September 30, 2015 included a benefit of \$25 million for the recovery of past costs from one of our asbestos insurers and a benefit of \$21 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods.

Interest income in the third quarter of 2015 was \$7 million, compared to interest income of \$4 million in the third quarter of 2014. Interest income in the first nine months of 2015 and 2014 was \$16 million and \$23 million, respectively. Interest income consisted primarily of amounts earned on cash deposits. Interest income in the first nine months of 2014 included \$9 million earned on the settlement of indirect tax claims in Latin America.

Miscellaneous expense in the nine months ended September 30, 2015 included charges of \$4 million and in the three and nine months ended September 30, 2014 included charges of \$3 million and \$20 million, respectively, for labor claims related to a previously closed facility in Greece. These claims have been settled and we do not expect any additional charges. Miscellaneous expense in the three and nine months ended September 30, 2014 also included a charge of \$16 million related to a government investigation involving our compliance with the U.S. Foreign Corrupt Practices Act in certain countries in Africa.

Also included in Other (Income) Expense are financing fees and financial instruments expense consisting of the amortization of deferred financing fees, commitment fees and charges incurred in connection with financing transactions; and net gains and losses on asset sales.

### NOTE 4. DISSOLUTION OF GLOBAL ALLIANCE WITH SUMITOMO RUBBER INDUSTRIES

On October 1, 2015, the Company completed the previously announced dissolution of its global alliance with Sumitomo Rubber Industries, Ltd. (“SRI”) in accordance with the terms and conditions set forth in the Framework Agreement, dated as of June 4, 2015, by and between the Company and SRI.

Pursuant to the Framework Agreement, the Company has sold to SRI its 75% interest in Goodyear Dunlop Tires North America, Ltd. (“GDTNA”), 25% interest in Dunlop Goodyear Tires Ltd. (“DGT”) and Huntsville, Alabama test track used by GDTNA. Accordingly, the Company will no longer have any remaining ownership interests in GDTNA, DGT or the Huntsville, Alabama test track. The Company also has acquired from SRI its 75% interest in Nippon Goodyear Ltd. (“NGY”) and 25% interest in Goodyear Dunlop Tires Europe B.V. (“GDTE”). Accordingly, the Company will have full ownership interests in NGY and GDTE.

We paid SRI a net amount of \$271 million upon closing of the transactions described above. In addition, we delivered a promissory note to GDTNA: (1) in an initial principal amount of \$56 million, (2) with a maturity date three years following the date of dissolution, and (3) at an interest rate of LIBOR plus 0.1%.

The Framework Agreement also provides that we and SRI will conduct an orderly sale of the SRI common stock held by us and the Goodyear common stock held by SRI. Additionally, the Company will liquidate and distribute the remaining assets and liabilities of a company that coordinated and disseminated both commercialized tire technology

and non-commercialized technology among the Company and SRI, the joint ventures and their respective affiliates (the “Technology JV”) and of a global purchasing company (the “Purchasing JV”) to the Company and SRI in accordance with their respective ownership interests.

The effects of the dissolution transactions that occurred on October 1, 2015 will be included in our year-end 2015 financial statements. We expect to record a gain in the fourth quarter of 2015 estimated to be between zero and \$30 million, primarily resulting from the sale of our ownership interests in GDTNA and DGT as well as the fair value of the rights acquired by SRI from the Company to sell Dunlop-brand tires in those countries that were previously non-exclusive under the global alliance. Our estimate of the net gain is based upon preliminary valuations which will be completed during the fourth quarter of 2015.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Prior to October 1, 2015, GDTE's assets and liabilities were included in our consolidated balance sheets and GDTE's results of operations were included in our consolidated statements of operations, which also reflected SRI's minority interest in GDTE. Subsequent to October 1, 2015, we will continue to include GDTE in our consolidated balance sheets and consolidated statements of operations; however, there will no longer be a minority interest impact to our results related to GDTE. Additionally, prior to October 1, 2015, we accounted for NGY under the equity method as we did not have a controlling financial interest in NGY. Subsequent to October 1, 2015, we will have a controlling interest in NGY and, accordingly, NGY's assets and liabilities will be included in our consolidated balance sheets and NGY's results of operations will be included in our consolidated statements of operations.

The assets and liabilities of GDTNA, the Huntsville, Alabama test track, and our investment in DGT have been classified as held for sale as of September 30, 2015. The carrying amount of the net assets at September 30, 2015 was \$38 million. The carrying amount of major assets and liabilities related to GDTNA included in our North America business unit at September 30, 2015 consisted of \$24 million of cash and cash equivalents, \$128 million of property, plant and equipment, \$45 million of inventories, \$15 million of accounts receivable, \$11 million of goodwill and intangible assets, \$71 million in compensation and benefit liabilities, \$65 million of accounts payable, and \$68 million of other liabilities. The carrying amount of our investment in DGT included in our Asia Pacific business unit was \$15 million.

Upon classifying the assets and liabilities related to GDTNA and our investment in DGT as held for sale, we evaluated the sale of these entities both quantitatively and qualitatively and concluded that individually and in the aggregate, the disposals did not represent a strategic shift that has, or will have, a major effect on our operations and financial results, and, accordingly, do not qualify as discontinued operations. We also concluded that neither GDTNA nor DGT were individually significant components of our operations.

### NOTE 5. INCOME TAXES

In the third quarter of 2015, we recorded tax expense of \$126 million on income before income taxes of \$431 million. For the first nine months of 2015, we recorded tax expense of \$369 million on income before income taxes of \$1,118 million. Income tax expense for the three months ended September 30, 2015 was favorably impacted by \$8 million of discrete tax adjustments, primarily related to the settlement of an audit in EMEA. In the third quarter of 2014, we recorded tax expense of \$100 million on income before income taxes of \$299 million. For the first nine months of 2014, we recorded tax expense of \$168 million on income before income taxes of \$561 million. Income tax expense for both the three and nine months ended September 30, 2014 was unfavorably impacted by \$47 million of discrete tax adjustments, including \$37 million to establish valuation allowances on the net deferred tax assets of our Venezuelan and Brazilian subsidiaries, due to continuing operating losses and currency devaluations in Venezuela, as well as \$11 million due to an enacted law change in Chile. The increase in income taxes for the three and nine months ended September 30, 2015 compared to 2014 was primarily due to recording tax expense on our U.S. income as a result of the reversal of the valuation allowance on our U.S. deferred tax assets in the fourth quarter of 2014.

We record taxes based on overall estimated annual effective tax rates. In 2014, the difference between our effective tax rate and the U.S. statutory rate was primarily attributable to maintaining a full valuation allowance on certain deferred tax assets, including those in the U.S., and charges that were not deductible for tax purposes related to the devaluation of the bolivar fuerte in Venezuela.

Our losses in various foreign taxing jurisdictions in recent periods represented sufficient negative evidence to require us to maintain a full valuation allowance against certain of our net deferred tax assets. Each reporting period we assess available positive and negative evidence and estimate if sufficient future taxable income will be generated to utilize these existing deferred tax assets. If recent positive evidence provided by the profitability in certain EMEA subsidiaries continues, it will provide us the opportunity to apply greater significance to our forecasts in assessing the need for a valuation allowance. We believe it is reasonably possible that sufficient positive evidence required to release all, or a portion, of these valuation allowances will exist within the next twelve months. This may result in a

reduction of the valuation allowance by up to \$300 million.

At January 1, 2015, we had unrecognized tax benefits of \$81 million that if recognized, would have a favorable impact on our tax expense of \$65 million. We had accrued interest of \$15 million as of January 1, 2015. If not favorably settled, \$26 million of the unrecognized tax benefits and all of the accrued interest would require the use of our cash. During 2015, certain of our European entities have settled various tax years, resulting in a \$13 million reduction of unrecognized tax benefits and a \$5 million reduction in accrued interest. It is reasonably possible that our remaining unrecognized tax benefits will be paid or settled during the next 12 months. We do not expect these changes to have a significant impact on our financial position or results of operations.

Generally, years from 2010 onward are still open to examination by foreign taxing authorities. We are open to examination in Germany from 2011 onward and in the United States for 2014.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## NOTE 6. EARNINGS PER SHARE

Basic earnings per share are computed based on the weighted average number of common shares outstanding. Diluted earnings per share are calculated to reflect the potential dilution that could occur if securities or other contracts were exercised or converted into common stock.

Basic and diluted earnings per common share are calculated as follows:

(In millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Earnings per share — basic:				
Goodyear net income	\$271	\$161	\$687	\$323
Less: Preferred stock dividends	—	—	—	7
Goodyear net income available to common shareholders	\$271	\$161	\$687	\$316
Weighted average shares outstanding	269	275	270	266
Earnings per common share — basic	\$1.01	\$0.58	\$2.55	\$1.18
Earnings per share — diluted:				
Goodyear net income	\$271	\$161	\$687	\$323
Less: Preferred stock dividends	—	—	—	—
Goodyear net income available to common shareholders	\$271	\$161	\$687	\$323
Weighted average shares outstanding	269	275	270	266
Dilutive effect of mandatory convertible preferred stock	—	—	—	9
Dilutive effect of stock options and other dilutive securities	5	4	4	5
Weighted average shares outstanding — diluted	274	279	274	280
Earnings per common share — diluted	\$0.99	\$0.58	\$2.51	\$1.15

Weighted average shares outstanding - diluted for the three and nine months ended September 30, 2014 excludes approximately 3 million and 2 million equivalent shares, respectively, related to options with exercise prices greater than the average market price of our common shares (i.e., “underwater” options).

On April 1, 2014, all outstanding shares of mandatory convertible preferred stock automatically converted into 27,573,735 shares of common stock, net of fractional shares, at a conversion rate of 2.7574 shares of common stock per share of preferred stock.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## NOTE 7. BUSINESS SEGMENTS

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Sales:				
North America	\$1,978	\$2,057	\$5,862	\$5,980
Europe, Middle East and Africa	1,328	1,618	3,924	4,874
Asia Pacific	458	531	1,399	1,566
Latin America	420	451	1,195	1,362
Net Sales	\$4,184	\$4,657	\$12,380	\$13,782
Segment Operating Income:				
North America	\$323	\$210	\$842	\$574
Europe, Middle East and Africa	154	181	335	408
Asia Pacific	72	80	223	221
Latin America	50	49	146	150
Total Segment Operating Income	\$599	\$520	1,546	1,353
Less:				
Rationalizations	20	15	82	80
Interest expense	102	108	311	315
Other (income) expense <sup>(1)</sup>	(2	) 66	(113	) 242
Asset write-offs and accelerated depreciation	3	—	5	3
Corporate incentive compensation plans	26	23	61	69
Pension curtailments/settlements	—	—	—	33
Intercompany profit elimination	(11	) (5	) 10	4
Retained expenses of divested operations	2	4	6	11
Other <sup>(2)</sup>	28	10	66	35
Income before Income Taxes	\$431	\$299	\$1,118	\$561

(1) Refer to Note 3.

(2) Primarily represents unallocated corporate costs including, in 2015, certain costs for one-time strategic global initiatives.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Substantially all of the pension curtailment charges of \$33 million for the nine months ended September 30, 2014 noted above related to our North America strategic business unit ("SBU"); however, such costs were not included in North America segment operating income for purposes of management's assessment of SBU operating performance. In addition, rationalizations, as described in Note 2, Costs Associated with Rationalization Programs; net (gains) losses on asset sales; and asset write-offs and accelerated depreciation are not (credited) charged to the SBUs for performance evaluation purposes, but were attributable to the SBUs as follows:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Rationalizations:				
North America	\$2	\$—	\$7	\$(1 )
Europe, Middle East and Africa	12	11	66	69
Asia Pacific	1	2	4	9
Latin America	5	2	5	3
Total Segment Rationalizations	\$20	\$15	\$82	\$80
Net (Gains) Losses on Asset Sales:				
North America	\$(1 )	\$—	\$(1 )	\$(1 )
Europe, Middle East and Africa	11	7	16	7
Asia Pacific	—	—	(6 )	—
Latin America	—	—	(1 )	—
Total Segment Asset Sales	\$10	\$7	\$8	\$6
Corporate	—	—	1	(2 )
	\$10	\$7	\$9	\$4
Asset Write-offs and Accelerated Depreciation:				
Europe, Middle East and Africa	\$3	\$—	\$5	\$3
Total Segment Asset Write-offs and Accelerated Depreciation	\$3	\$—	\$5	\$3

## NOTE 8. FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

At September 30, 2015, we had total credit arrangements of \$8,829 million, of which \$2,564 million were unused. At that date, 38% of our debt was at variable interest rates averaging 5.73%.

Notes Payable and Overdrafts, Long Term Debt and Capital Leases due Within One Year and Short Term Financing Arrangements

At September 30, 2015, we had short term committed and uncommitted credit arrangements totaling \$454 million, of which \$413 million were unused. These arrangements are available primarily to certain of our foreign subsidiaries through various banks at quoted market interest rates.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents amounts due within one year:

(In millions)	September 30, 2015	December 31, 2014	
Notes payable and overdrafts	\$41	\$30	
Weighted average interest rate	6.30	% 10.63	%
Long term debt and capital leases due within one year			
Other domestic and foreign debt (including capital leases)	\$368	\$148	
Weighted average interest rate	7.84	% 7.75	%
Total obligations due within one year	\$409	\$178	

## Long Term Debt and Capital Leases and Financing Arrangements

At September 30, 2015, we had long term credit arrangements totaling \$8,375 million, of which \$2,151 million were unused.

The following table presents long term debt and capital leases, net of unamortized discounts, and interest rates:

	September 30, 2015		December 31, 2014		
(In millions)	Amount	Interest Rate	Amount	Interest Rate	
Notes:					
6.75% Euro Notes due 2019	\$280		\$303		
8.25% due 2020	996		996		
8.75% due 2020	270		269		
6.5% due 2021	900		900		
7% due 2022	700		700		
7% due 2028	150		150		
Credit Facilities:					
\$2.0 billion first lien revolving credit facility due 2017	—	—	—	—	
\$1.2 billion second lien term loan facility due 2019	996	3.75	% 1,196	4.75	%
€550 million revolving credit facility due 2020	—	—	—	—	
Pan-European accounts receivable facility	273	1.48	% 343	1.54	%
Chinese credit facilities	494	5.54	% 535	5.65	%
Other foreign and domestic debt <sup>(1)</sup>	849	9.57	% 913	8.70	%
	5,908		6,305		
Capital lease obligations	51		59		
	5,959		6,364		
Less portion due within one year	(368)	)	(148)	)	
	\$5,591		\$6,216		

(1) Interest rates are weighted average interest rates related to various foreign credit facilities with customary terms and conditions and domestic debt related to our Global and North America Headquarters.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### CREDIT FACILITIES

#### \$2.0 billion Amended and Restated First Lien Revolving Credit Facility due 2017

Our amended and restated first lien revolving credit facility is available in the form of loans or letters of credit, with letter of credit availability limited to \$800 million. Subject to the consent of the lenders whose commitments are to be increased, we may request that the facility be increased by up to \$250 million. Our obligations under the facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries. Our obligations under the facility and our subsidiaries' obligations under the related guarantees are secured by first priority security interests in a variety of collateral. Amounts drawn under this facility will bear interest at LIBOR plus 150 basis points.

Availability under the facility is subject to a borrowing base, which is based primarily on eligible accounts receivable and inventory of The Goodyear Tire & Rubber Company and certain of its U.S. and Canadian subsidiaries. To the extent that our eligible accounts receivable and inventory decline, our borrowing base will decrease and the availability under the facility may decrease below \$2.0 billion. As of September 30, 2015, our borrowing base, and therefore our availability, under this facility was \$522 million below the facility's stated amount of \$2.0 billion.

The facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our financial condition since December 31, 2011. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

At September 30, 2015 and December 31, 2014, there were no borrowings outstanding under the first lien revolving credit facility. Letters of credit issued totaled \$316 million at September 30, 2015 and \$377 million at December 31, 2014.

#### \$1.2 billion Amended and Restated Second Lien Term Loan Facility due 2019

In June 2015, we amended our second lien term loan facility. As a result of the amendment, the term loan now bears interest, at our option, at (i) 300 basis points over LIBOR (subject to a minimum LIBOR rate of 75 basis points) or (ii) 200 basis points over an alternative base rate (the higher of the prime rate, the federal funds rate plus 50 basis points or LIBOR plus 100 basis points). After June 16, 2015 and prior to June 16, 2016, (i) loans under the facility may not be prepaid or repaid with the proceeds of term loan indebtedness, or converted into or replaced by new term loans, bearing interest at an effective interest rate that is less than the effective interest rate then applicable to such loans and (ii) no amendment of the facility may be made that, directly or indirectly, reduces the effective interest rate applicable to the loans under the facility, in each case unless we pay a fee equal to 1.0% of the principal amount of the loans so affected.

Our obligations under our second lien term loan facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries and are secured by second priority security interests in the same collateral securing the \$2.0 billion first lien revolving credit facility. This facility may be increased by up to \$300 million at our request, subject to the consent of the lenders making such additional term loans.

At September 30, 2015 and December 31, 2014, the amounts outstanding under this facility were \$996 million and \$1,196 million, respectively.

#### €550 million Amended and Restated Senior Secured European Revolving Credit Facility due 2020

In May 2015, we amended and restated our existing €400 million European revolving credit facility. Significant changes to the facility include extending the maturity to May 12, 2020, increasing the available commitments thereunder from €400 million to €550 million and decreasing the annual commitment fee by 20 basis points to 30 basis points. Loans will bear interest at LIBOR plus 175 basis points for loans denominated in U.S. dollars or pounds sterling and EURIBOR plus 175 basis points for loans denominated in euros.

Our amended and restated €550 million European revolving credit facility consists of (i) a €125 million German tranche that is available only to Goodyear Dunlop Tires Germany GmbH ("GDTG") and (ii) a €425 million all-borrower tranche that is available to GDTE, GDTG and Goodyear Dunlop Tires Operations S.A. Up to €150 million of swingline loans and €50 million in letters of credit are available for issuance under the all-borrower tranche.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

GDTE and certain of its subsidiaries in the United Kingdom, Luxembourg, France and Germany provide guarantees to support the facility. GDTE's obligations under the facility and the obligations of its subsidiaries under the related guarantees are secured by security interests in collateral that includes, subject to certain exceptions:

- the capital stock of the principal subsidiaries of GDTE; and
- a substantial portion of the tangible and intangible assets of GDTE and certain of its subsidiaries in the United Kingdom, Luxembourg, France and Germany, including real property, equipment, inventory, contract rights, intercompany receivables and cash accounts, but excluding accounts receivable and certain cash accounts in subsidiaries that are or may become parties to securitization or factoring transactions.

The German guarantors secure the German tranche on a first-lien basis and the all-borrower tranche on a second-lien basis. GDTE and its other subsidiaries that provide guarantees secure the all-borrower tranche on a first-lien basis and generally do not provide collateral support for the German tranche. The Company and its U.S. subsidiaries and primary Canadian subsidiary that guarantee our U.S. senior secured credit facilities described above also provide unsecured guarantees in support of the facility.

The facility contains covenants similar to those in our first lien revolving credit facility, with additional limitations applicable to GDTE and its subsidiaries. In addition, under the facility, GDTE's ratio of Consolidated Net J.V. Indebtedness to Consolidated European J.V. EBITDA for a period of four consecutive fiscal quarters is not permitted to be greater than 3.0 to 1.0 at the end of any fiscal quarter. "Consolidated Net J.V. Indebtedness" and "Consolidated European J.V. EBITDA" have the meanings given them in the facility.

The facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our business or financial condition since December 31, 2014. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

At September 30, 2015 and December 31, 2014, there were no borrowings outstanding under the European revolving credit facility. There were no letters of credit issued at September 30, 2015 and December 31, 2014.

### Accounts Receivable Securitization Facilities (On-Balance Sheet)

GDTE and certain other of our European subsidiaries are parties to a pan-European accounts receivable securitization facility that expires in 2019. The terms of the facility provide the flexibility to designate annually the maximum amount of funding available under the facility in an amount of not less than €45 million and not more than €450 million. For the period beginning October 16, 2014 to October 15, 2015, the designated maximum amount of the facility was €380 million. Effective October 16, 2015, the designated maximum amount of the facility was reduced to €340 million. The facility involves an ongoing daily sale of substantially all of the trade accounts receivable of certain GDTE subsidiaries to a bankruptcy-remote French company controlled by one of the liquidity banks in the facility. These subsidiaries retain servicing responsibilities. Utilization under this facility is based on eligible receivable balances. The funding commitments under the facility will expire upon the earliest to occur of: (a) September 25, 2019, (b) the non-renewal and expiration (without substitution) of all of the back-up liquidity commitments, (c) the early termination of the facility according to its terms (generally upon an Early Amortisation Event (as defined in the facility), which includes, among other things, events similar to the events of default under our senior secured credit facilities; certain tax law changes; or certain changes to law, regulation or accounting standards), or (d) our request for early termination of the facility. The facility's current back-up liquidity commitments will expire on October 15, 2016. At September 30, 2015, the amounts available and utilized under this program totaled \$273 million (€243 million). At December 31, 2014, the amounts available and utilized under this program totaled \$343 million (€283 million). The program does not qualify for sale accounting, and accordingly, these amounts are included in Long Term Debt and Capital Leases.

In addition to the pan-European accounts receivable securitization facility discussed above, subsidiaries in Australia have an accounts receivable securitization program that provides up to \$60 million (85 million Australian dollars) of

funding. At September 30, 2015, the amounts available and utilized under this program were \$27 million and \$20 million, respectively. At December 31, 2014, the amounts available and utilized under this program were \$43 million and \$23 million, respectively. The receivables sold under this program also serve as collateral for the related facility. We retain the risk of loss related to these receivables in the event of non-payment. These amounts are included in Long Term Debt and Capital Leases due Within One Year.

For a description of the collateral securing the credit facilities described above as well as the covenants applicable to them, refer to the Note to the Consolidated Financial Statements No. 14, Financing Arrangements and Derivative Financial Instruments, in our 2014 Form 10-K.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## Accounts Receivable Factoring Facilities (Off-Balance Sheet)

Various subsidiaries sold certain of their trade receivables under off-balance sheet programs. For these programs, we have concluded that there is generally no risk of loss to us from non-payment of the sold receivables. At September 30, 2015, the gross amount of receivables sold was \$289 million, compared to \$365 million at December 31, 2014.

## Other Foreign Credit Facilities

A Chinese subsidiary has several financing arrangements in China. At September 30, 2015, these non-revolving credit facilities had total unused availability of \$68 million and can only be used to finance the expansion of our manufacturing facility in China. At September 30, 2015 and December 31, 2014, the amounts outstanding under these facilities were \$494 million and \$535 million, respectively. The facilities ultimately mature in 2023 and principal amortization began in 2015. The facilities contain covenants relating to the Chinese subsidiary and have customary representations and warranties and defaults relating to the Chinese subsidiary's ability to perform its obligations under the facilities. At September 30, 2015 and December 31, 2014, restricted cash related to funds obtained under these credit facilities was \$16 million and \$4 million, respectively.

## DERIVATIVE FINANCIAL INSTRUMENTS

We utilize derivative financial instrument contracts and nonderivative instruments to manage interest rate, foreign exchange and commodity price risks. We have established a control environment that includes policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. We do not hold or issue derivative financial instruments for trading purposes.

## Foreign Currency Contracts

We enter into foreign currency contracts in order to manage the impact of changes in foreign exchange rates on our consolidated results of operations and future foreign currency-denominated cash flows. These contracts may be used to reduce exposure to currency movements affecting existing foreign currency-denominated assets, liabilities, firm commitments and forecasted transactions resulting primarily from trade purchases and sales, equipment acquisitions, intercompany loans and royalty agreements. Contracts hedging short term trade receivables and payables normally have no hedging designation.

The following table presents the fair values for foreign currency contracts not designated as hedging instruments:

(In millions)	September 30, 2015	December 31, 2014
Fair Values — asset (liability):		
Accounts receivable	\$13	\$20
Other current liabilities	(14)	(4)

At September 30, 2015 and December 31, 2014, these outstanding foreign currency derivatives had notional amounts of \$1,148 million and \$878 million, respectively, and were primarily related to intercompany loans. Other (Income) Expense included net transaction gains of \$16 million and \$46 million for the three and nine months ended September 30, 2015, respectively compared to net transaction gains of \$38 million and \$33 million for the three and nine months ended September 30, 2014, respectively. These amounts were substantially offset in Other (Income) Expense by the effect of changing exchange rates on the underlying currency exposures.

The following table presents fair values for foreign currency contracts designated as cash flow hedging instruments:

(In millions)	September 30, 2015	December 31, 2014
Fair Values — asset (liability):		
Accounts receivable	\$8	\$10

At September 30, 2015 and December 31, 2014, these outstanding foreign currency derivatives had notional amounts of \$171 million and \$157 million, respectively, and primarily related to U.S. dollar denominated intercompany transactions.

We enter into master netting agreements with counterparties. The amounts eligible for offset under the master netting agreements are not material and we have elected a gross presentation of foreign currency contracts in the Consolidated Balance Sheets.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents information related to foreign currency contracts designated as cash flow hedging instruments (before tax and minority):

(In millions) (Income) Expense	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Amounts deferred to Accumulated Other Comprehensive Loss ("AOCL")	\$(7	) \$(12	) \$(19	) \$(10
Amount of deferred (gain) loss reclassified from AOCL into CGS	(7	) 1	(23	) 1
Amounts excluded from effectiveness testing	—	—	1	1

The estimated net amount of deferred gains at September 30, 2015 that is expected to be reclassified to earnings within the next twelve months is \$9 million.

The counterparties to our foreign currency contracts were considered by us to be substantial and creditworthy financial institutions that are recognized market makers at the time we entered into those contracts. We seek to control our credit exposure to these counterparties by diversifying across multiple counterparties, by setting counterparty credit limits based on long term credit ratings and other indicators of counterparty credit risk such as credit default swap spreads, and by monitoring the financial strength of these counterparties on a regular basis. We also enter into master netting agreements with counterparties when possible. By controlling and monitoring exposure to counterparties in this manner, we believe that we effectively manage the risk of loss due to nonperformance by a counterparty.

However, the inability of a counterparty to fulfill its contractual obligations to us could have a material adverse effect on our liquidity, financial position or results of operations in the period in which it occurs.

## NOTE 9. FAIR VALUE MEASUREMENTS

The following table presents information about assets and liabilities recorded at fair value on the Consolidated Balance Sheets at September 30, 2015 and December 31, 2014:

(In millions)	Total Carrying Value in the Consolidated Balance Sheet		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets:								
Investments	\$54	\$56	\$54	\$56	\$—	\$—	\$—	\$—
Foreign Exchange Contracts	21	30	—	—	21	30	—	—
Total Assets at Fair Value	\$75	\$86	\$54	\$56	\$21	\$30	\$—	\$—
Liabilities:								
Foreign Exchange Contracts	\$14	\$4	\$—	\$—	\$14	\$4	\$—	\$—
Total Liabilities at Fair Value	\$14	\$4	\$—	\$—	\$14	\$4	\$—	\$—

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding capital leases, at September 30, 2015 and December 31, 2014. Long term debt with a fair value of \$4,508 million and \$4,603 million at September 30, 2015 and December 31, 2014, respectively, was estimated using quoted Level 1 market prices. The carrying value of the remaining long term debt approximates fair value since the terms of the financing arrangements are similar to terms that could be obtained under current lending market conditions.

(In millions)	September 30, 2015	December 31, 2014
Fixed Rate Debt:		
Carrying amount — liability	\$3,623	\$3,680
Fair value — liability	3,838	3,773
Variable Rate Debt:		
Carrying amount — liability	\$2,285	\$2,625
Fair value — liability	2,285	2,622

In the third quarter of 2015, we corrected the presentation of both the carrying amount and fair value of certain variable rate debt that had previously been disclosed as fixed rate debt, resulting in a revision of \$452 million between fixed rate debt and variable rate debt at December 31, 2014. This revision did not impact the Consolidated Balance Sheet. We do not consider these changes in presentation to be material to any previously issued financial statements.

## NOTE 10. PENSION, SAVINGS AND OTHER POSTRETIREMENT BENEFIT PLANS

We provide employees with defined benefit pension or defined contribution savings plans.

Defined benefit pension cost follows:

(In millions)	U.S. Three Months Ended September 30,		U.S. Nine Months Ended September 30,	
	2015	2014	2015	2014
Service cost — benefits earned during the period	\$1	\$1	\$3	\$14
Interest cost on projected benefit obligation	61	64	182	192
Expected return on plan assets	(75	) (77	(225	) (234
Amortization of: — prior service cost	—	—	—	1
— net losses	27	27	81	87
Net periodic pension cost	14	15	41	60
Net curtailments/settlements/termination benefits	—	—	—	32
Total defined benefit pension cost	\$14	\$15	\$41	\$92



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Non-U.S. Three Months Ended September 30,		Non-U.S. Nine Months Ended September 30,	
(In millions)	2015	2014	2015	2014
Service cost — benefits earned during the period	\$11	\$8	\$33	\$26
Interest cost on projected benefit obligation	28	32	85	100
Expected return on plan assets	(26	) (29	) (79	) (90
Amortization of: — prior service cost	—	1	—	1
— net losses	9	9	28	27
Net periodic pension cost	22	21	67	64
Net curtailments/settlements/termination benefits	—	—	1	(14
Total defined benefit pension cost	\$22	\$21	\$68	\$50

During the first quarter of 2014, we made contributions of \$1,167 million, including discretionary contributions of \$907 million, to fully fund our hourly U.S. pension plans. As a result, and in accordance with our master collective bargaining agreement with the United Steelworkers, the hourly U.S. pension plans were frozen to future accruals effective April 30, 2014. As a result of the accrual freezes to pension plans related to our North America SBU, we recognized curtailment charges of \$33 million in the first quarter of 2014.

In the first quarter of 2014, our largest U.K. pension plans were merged and lump sum payments were made to settle certain obligations of those plans prior to the merger, which resulted in a settlement charge of \$5 million.

In the first quarter of 2014, we also ceased production at one of our manufacturing facilities in Amiens, France and recorded curtailment gains of \$22 million for the nine months ended September 30, 2014, which is included in rationalization charges, related to the termination of employees at that facility who were participants in our France retirement indemnity plan.

We expect to contribute approximately \$50 million to \$75 million to our funded non-U.S. pension plans in 2015. For the three and nine months ended September 30, 2015, we contributed \$15 million and \$47 million, respectively, to our non-U.S. plans.

The expense recognized for our contributions to defined contribution savings plans for the three months ended September 30, 2015 and 2014 was \$30 million and \$30 million, respectively, and \$94 million and \$85 million, for the nine months ended September 30, 2015 and 2014, respectively.

We provide certain U.S. employees and employees at certain non-U.S. subsidiaries with health care benefits or life insurance benefits upon retirement. Other postretirement benefits credit for the three months ended September 30, 2015 and 2014 was \$(5) million and \$(4) million respectively, and \$(15) million and \$(11) million for the nine months ended September 30, 2015 and 2014, respectively.

## NOTE 11. STOCK COMPENSATION PLANS

Our Board of Directors granted 0.8 million stock options, 0.2 million restricted stock units and 0.2 million performance share units during the nine months ended September 30, 2015 under our stock compensation plans. The weighted average exercise price per share and weighted average fair value per share of the stock option grants during the nine months ended September 30, 2015 were \$27.30 and \$11.50, respectively. We estimated the fair value of the stock options using the following assumptions in our Black-Scholes model:

Expected term: 7.3 years

Interest rate: 1.83%

Volatility: 42.00%

Dividend yield: 0.88%

We measure the fair value of grants of restricted stock units and performance share units based primarily on the closing market price of a share of our common stock on the date of the grant, modified as appropriate to take into account the features of such grants. The weighted average fair value per share was \$26.72 for restricted stock units and \$28.44 for performance share units granted during the nine months ended September 30, 2015.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

We recognized stock-based compensation expense of \$5 million and \$15 million during the three and nine months ended September 30, 2015, respectively. At September 30, 2015, unearned compensation cost related to the unvested portion of all stock-based awards was approximately \$35 million and is expected to be recognized over the remaining vesting period of the respective grants, through October 2020. We recognized stock-based compensation expense of \$2 million and \$14 million during the three and nine months ended September 30, 2014, respectively.

### NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

#### Environmental Matters

We have recorded liabilities totaling \$45 million and \$46 million at September 30, 2015 and December 31, 2014, respectively, for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by us. Of these amounts, \$9 million were included in Other Current Liabilities at September 30, 2015 and December 31, 2014. The costs include legal and consulting fees, site studies, the design and implementation of remediation plans, post-remediation monitoring and related activities, and will be paid over several years. The amount of our ultimate liability in respect of these matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute. We have limited potential insurance coverage for future environmental claims.

Since many of the remediation activities related to environmental matters vary substantially in duration and cost from site to site and the associated costs for each vary depending on the mix of unique site characteristics, in some cases we cannot reasonably estimate a range of possible losses. Although it is not possible to estimate with certainty the outcome of all of our environmental matters, management believes that potential losses in excess of current reserves for environmental matters, individually and in the aggregate, will not have a material adverse effect on our financial position, cash flows or results of operations.

#### Workers' Compensation

We have recorded liabilities, on a discounted basis, totaling \$308 million and \$306 million, respectively, for anticipated costs related to workers' compensation at September 30, 2015 and December 31, 2014. Of these amounts, \$62 million and \$71 million was included in Current Liabilities as part of Compensation and Benefits at September 30, 2015 and December 31, 2014, respectively. The costs include an estimate of expected settlements on pending claims, defense costs and a provision for claims incurred but not reported. These estimates are based on our assessment of potential liability using an analysis of available information with respect to pending claims, historical experience, and current cost trends. The amount of our ultimate liability in respect of these matters may differ from these estimates. We periodically, and at least annually, update our loss development factors based on actuarial analyses. At September 30, 2015 and December 31, 2014, the liability was discounted using a risk-free rate of return. At September 30, 2015, we estimate that it is reasonably possible that the liability could exceed our recorded amounts by approximately \$30 million.

#### General and Product Liability and Other Litigation

We have recorded liabilities totaling \$320 million and \$324 million, including related legal fees expected to be incurred, for potential product liability and other tort claims, including asbestos claims, at September 30, 2015 and December 31, 2014, respectively. Of these amounts, \$46 million was included in Other Current Liabilities at September 30, 2015 and December 31, 2014. The amounts recorded were estimated based on an assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and, where available, recent and current trends. Based upon that assessment, at September 30, 2015, we do not believe that estimated reasonably possible losses associated with general and product liability claims in excess of the amounts recorded will have a material adverse effect on our financial position, cash flows or results of operations. However, the amount of our ultimate liability in respect of these matters may differ from these estimates.

**Asbestos.** We are a defendant in numerous lawsuits alleging various asbestos-related personal injuries purported to result from alleged exposure to asbestos in certain products manufactured by us or present in certain of our facilities.

Typically, these lawsuits have been brought against multiple defendants in state and Federal courts. To date, we have disposed of approximately 115,100 claims by defending and obtaining the dismissal thereof or by entering into a settlement. The sum of our accrued asbestos-related liability and gross payments to date, including legal costs, by us and our insurers totaled approximately \$465 million through September 30, 2015 and \$458 million through December 31, 2014.

A summary of recent approximate asbestos claims activity follows. Because claims are often filed and disposed of by dismissal or settlement in large numbers, the amount and timing of settlements and the number of open claims during a particular period can fluctuate significantly.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
(Dollars in millions)		
Pending claims, beginning of period	73,800	74,000
New claims filed	1,400	1,900
Claims settled/dismissed	(5,600	) (2,100
Pending claims, end of period	69,600	73,800
Payments (1)	\$15	\$20

(1) Represents cash payments made during the period by us and our insurers on asbestos litigation defense and claim resolution.

We periodically, and at least annually, review our existing reserves for pending claims, including a reasonable estimate of the liability associated with unasserted asbestos claims, and estimate our receivables from probable insurance recoveries. We had recorded gross liabilities for both asserted and unasserted claims, inclusive of defense costs, totaling \$143 million and \$151 million at September 30, 2015 and December 31, 2014, respectively.

We recorded a receivable related to asbestos claims of \$98 million and \$71 million at September 30, 2015 and December 31, 2014, respectively. The increase in the receivable balance at September 30, 2015 is primarily related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods which positively impacted the receivable by \$21 million.

We expect that approximately 70% of asbestos claim related losses will be recoverable through insurance during the ten-year period covered by the estimated liability. Of these amounts, \$12 million and \$13 million were included in Current Assets as part of Accounts Receivable at September 30, 2015 and December 31, 2014, respectively. The recorded receivable consists of an amount we expect to collect under coverage-in-place agreements with certain primary carriers and excess insurance carriers as well as an amount we believe is probable of recovery from certain of our other excess insurance carriers.

We believe that, at September 30, 2015, we had approximately \$410 million in excess level policy limits applicable to indemnity and defense costs for asbestos products claims under coverage-in-place agreements, which increased as a result of recent changes in assumptions for insurance recoveries. We also had additional unsettled excess level policy limits potentially applicable to such costs. We also had coverage under certain primary policies for indemnity and defense costs for asbestos products claims under remaining aggregate limits pursuant to a coverage-in-place agreement, as well as coverage for indemnity and defense costs for asbestos premises claims on a per occurrence basis pursuant to coverage-in-place agreements.

With respect to both asserted and unasserted claims, it is reasonably possible that we may incur a material amount of cost in excess of the current reserve; however, such amounts cannot be reasonably estimated. Coverage under insurance policies is subject to varying characteristics of asbestos claims including, but not limited to, the type of claim (premise vs. product exposure), alleged date of first exposure to our products or premises and disease alleged. Depending upon the nature of these characteristics, as well as the resolution of certain legal issues, some portion of the insurance may not be accessible by us.

## Brazilian Indirect Tax Assessments

In September 2011, the State of Sao Paulo, Brazil issued an assessment to us for allegedly improperly taking tax credits for value-added taxes paid to a supplier of natural rubber during the period from January 2006 to August 2008. The assessment, including interest and penalties, totals 92 million Brazilian real (approximately \$23 million). We have filed a response contesting this assessment and are defending the matter.

## Amiens Labor Claims

Approximately 800 former employees of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims totaling €109 million (\$123 million) against Goodyear Dunlop Tires France. We intend to vigorously defend ourselves against these claims, and any additional claims that may be asserted against us, and cannot estimate the amounts, if any, that we may ultimately pay in respect of such claims.

Other Actions

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

We are currently a party to various claims, indirect tax assessments and legal proceedings in addition to those noted above. If management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on our financial position or overall trends in results of operations.

Our recorded liabilities and estimates of reasonably possible losses for the contingent liabilities described above are based on our assessment of potential liability using the information available to us at the time and, where applicable, any past experience and recent and current trends with respect to similar matters. Our contingent liabilities are subject to inherent uncertainties, and unfavorable judicial or administrative decisions could occur which we did not anticipate. Such an unfavorable decision could include monetary damages, fines or other penalties or an injunction prohibiting us from taking certain actions or selling certain products. If such an unfavorable decision were to occur, it could result in a material adverse impact on our financial position and results of operations in the period in which the decision occurs, or in future periods.

### Income Tax Matters

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We also recognize income tax benefits to the extent that it is more likely than not that our positions will be sustained when challenged by the taxing authorities. We derecognize income tax benefits when based on new information we determine that it is no longer more likely than not that our position will be sustained. To the extent we prevail in matters for which liabilities have been established, or determine we need to derecognize tax benefits recorded in prior periods, our results of operations and effective tax rate in a given period could be materially affected. An unfavorable tax settlement would require use of our cash, and lead to recognition of expense to the extent the settlement amount exceeds recorded liabilities and, in the case of an income tax settlement, result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would be recognized as a reduction of expense to the extent the settlement amount is lower than recorded liabilities and, in the case of an income tax settlement, would result in a reduction in our effective tax rate in the period of resolution.

While the Company applies consistent transfer pricing policies and practices globally, supports transfer prices through economic studies, seeks advance pricing agreements and joint audits to the extent possible and believes its transfer prices to be appropriate, such transfer prices, and related interpretations of tax laws, are occasionally challenged by various taxing authorities globally. We have received various tax assessments challenging our interpretations of applicable tax laws in various jurisdictions. Although we believe we have complied with applicable tax laws, have strong positions and defenses and have historically been successful in defending such claims, our results of operations could be materially adversely affected in the case we are unsuccessful in the defense of existing or future claims.

### Guarantees

We have off-balance sheet financial guarantees and other commitments totaling approximately \$8 million and \$7 million at September 30, 2015 and December 31, 2014, respectively. We issue guarantees to financial institutions or other entities on behalf of certain of our affiliates, lessors or customers. Normally there is no separate premium received by us as consideration for the issuance of guarantees. We also generally do not require collateral in connection with the issuance of these guarantees. If our performance under these guarantees is triggered by non-payment or another specified event, we would be obligated to make payment to the financial institution or the other entity, and would typically have recourse to the affiliate, lessor or customer. The guarantees expire at various times through 2023. We are unable to estimate the extent to which our affiliates', lessors' or customers' assets would be

adequate to recover any payments made by us under the related guarantees.

NOTE 13. CAPITAL STOCK

Mandatory Convertible Preferred Stock

On April 1, 2014, all outstanding shares of mandatory convertible preferred stock automatically converted into 27,573,735 shares of common stock, net of fractional shares, at a conversion rate of 2.7574 shares of common stock per share of preferred stock.

Dividends

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In the first nine months of 2015, we paid cash dividends of \$49 million on our common stock. On October 6, 2015, the Board of Directors (or a duly authorized committee thereof) declared cash dividends of \$0.07 per share of common stock, or approximately \$19 million in the aggregate. The dividend will be paid on December 1, 2015 to stockholders of record as of the close of business on November 2, 2015. Future quarterly dividends are subject to Board approval.

Common Stock Repurchases

On September 18, 2013, the Board of Directors authorized \$100 million for use in our common stock repurchase program. On May 27, 2014, the Board of Directors approved an increase in that authorization to \$450 million. This program expires on December 31, 2016. We intend to repurchase shares of common stock in open market transactions in order to offset new shares issued under equity compensation programs and to provide for additional shareholder returns. During the third quarter of 2015, we repurchased 1,001,309 shares at an average price of \$29.96 per share, or \$30 million in the aggregate. During the first nine months of 2015, we repurchased 2,601,438 shares at an average price of \$30.75 per share, or \$80 million in the aggregate.

In addition, we routinely repurchase shares delivered to us by employees as payment for the exercise price of stock options and the withholding taxes due upon the exercise of the stock options or the vesting or payment of stock awards. During the first nine months of 2015, we repurchased 75,520 shares at an average price of \$27.99 per share, or \$2 million in the aggregate.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## NOTE 14. CHANGES IN SHAREHOLDERS' EQUITY

The following tables present the changes in shareholders' equity for the nine months ended September 30, 2015 and 2014:

(In millions)	September 30, 2015			September 30, 2014		
	Goodyear Shareholders' Equity	Minority Shareholders' Equity – Nonredeemable	Total Shareholders' Equity	Goodyear Shareholders' Equity	Minority Shareholders' Equity – Nonredeemable	Total Shareholders' Equity
Balance at beginning of period	\$3,610	\$ 235	\$3,845	\$1,606	\$ 262	\$1,868
Comprehensive income (loss):						
Net income	687	19	706	323	20	343
Foreign currency translation net of tax of (\$42) in 2015 (\$0 in 2014)	(140)	(27)	(167)	(117)	(10)	(127)
Reclassification adjustment for amounts recognized in income net of tax of \$0 in 2015 (\$0 in 2014)	2	—	2	2	—	2
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost net of tax of \$27 in 2015 (\$5 in 2014)	53	—	53	79	—	79
Decrease (increase) in net actuarial losses net of tax of \$11 in 2015 (\$3 in 2014)	22	—	22	18	—	18
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures net of tax of \$0 in 2015 (\$0 in 2014)	2	—	2	39	—	39
Prior service credit (cost) from plan amendments net of tax of \$0 in 2015 (\$0 in 2014)	—	—	—	(1)	—	(1)
Deferred derivative gains (losses) net of tax of \$3 in 2015 (\$1 in 2014)	14	—	14	8	—	8
Reclassification adjustment for amounts recognized in income net of tax of (\$2) in 2015 (\$0 in 2014)	(17)	—	(17)	1	—	1
	(3)	—	(3)	—	—	—

Unrealized investment gains (losses) net of tax of \$1 in 2015 (\$0 in 2014)							
Other comprehensive income (loss)	(67	) (27	) (94	) 29	(10	) 19	
Total comprehensive income (loss)	620	(8	) 612	352	10	362	
Purchase of subsidiary shares from minority interest	—	—	—	(5	) (18	) (23	)
Dividends declared to minority shareholders	—	(8	) (8	) —	(15	) (15	)
Stock-based compensation plans (Note 11)	15	—	15	15	—	15	
Repurchase of common stock (Note 13)	(82	) —	(82	) (97	) —	(97	)
Dividends declared (Note 13)	(49	) —	(49	) (50	) —	(50	)
Common stock issued from treasury	29	—	29	41	—	41	
Other	—	—	—	—	2	2	
Balance at end of period	\$4,143	\$ 219	\$4,362	\$1,862	\$ 241	\$2,103	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents changes in Minority Equity presented outside of Shareholders' Equity:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance at beginning of period	\$569	\$613	\$582	\$577
Comprehensive income (loss):				
Net income	27	31	43	50
Foreign currency translation, net of tax of \$0 and \$0 in 2015 (\$0 and \$0 in 2014)	(6	) (41	) (38	) (43
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of \$0 and \$0 in 2015 (\$0 and \$0 in 2014)	1	1	3	3
Decrease (increase) in net actuarial losses, net of tax of \$0 and \$0 in 2015 (\$0 and \$0 in 2014)	—	—	2	12
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures, net of tax of \$0 and \$0 in 2015 (\$0 and \$0 in 2014)	—	—	—	4
Deferred derivative gains (losses), net of tax of \$0 and \$0 in 2015 (\$1) and \$(1) in 2014)	1	2	2	2
Reclassification adjustment for amounts recognized in income, net of tax of \$0 and \$0 in 2015 (\$0 and \$0 in 2014)	(2	) (1	) (4	) —
Other comprehensive income (loss)	(6	) (39	) (35	) (22
Total comprehensive income (loss)	21	(8	) 8	28
Dividends declared to minority shareholders	—	(10	) —	(10
Balance at end of period	\$590	\$595	\$590	\$595

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## NOTE 15. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents changes in Accumulated Other Comprehensive Loss (AOCL), by component, for the nine months ended September 30, 2015 and 2014:

(In millions) Income (Loss)	Foreign Currency Translation Adjustment	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Unrealized Investment Gains	Total
Balance at December 31, 2014	\$ (894	) \$ (3,297	) \$ 12	\$ 36	\$ (4,143 )
Other comprehensive income (loss) before reclassifications	(140	) 22	14	(3	) (107 )
Amounts reclassified from accumulated other comprehensive loss	2	55	(17	) —	40
Balance at September 30, 2015	\$ (1,032	) \$ (3,220	) \$ 9	\$ 33	\$ (4,210 )
	Foreign Currency Translation Adjustment	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Unrealized Investment Gains	Total
Balance at December 31, 2013	\$ (690	) \$ (3,290	) \$ (1	) \$ 34	\$ (3,947 )
Other comprehensive income (loss) before reclassifications	(117	) 17	8	—	(92 )
Amounts reclassified from accumulated other comprehensive loss	2	118	1	—	121
Purchase of subsidiary shares from minority interest	(1	) —	—	—	(1 )
Balance at September 30, 2014	\$ (806	) \$ (3,155	) \$ 8	\$ 34	\$ (3,919 )

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents reclassifications out of Accumulated Other Comprehensive Loss:

(In millions) (Income) Expense	Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line Item in the Consolidated Statements of Operations
	2015	2014	2015	2014	
Component of AOCL	Amount Reclassified from AOCL		Amount Reclassified from AOCL		
Foreign Currency Translation Adjustment, before tax	\$1	\$4	\$2	\$2	Other Expense
Tax effect	—	—	—	—	United States and Foreign Taxes
Minority interest	—	—	—	—	Minority Shareholders' Net Income
Net of tax	\$1	\$4	\$2	\$2	Goodyear Net Income
Amortization of prior service cost and unrecognized gains and losses	\$28	\$27	\$83	\$87	Total Benefit Cost
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures	—	1	2	43	Total Benefit Cost
Unrecognized Net Actuarial Losses and Prior Service Costs, before tax	\$28	\$28	\$85	\$130	
Tax effect	(9	) (2	) (27	) (5	United States and Foreign Taxes
Minority interest	(1	) (1	) (3	) (7	Minority Shareholders' Net Income
Net of tax	\$18	\$25	\$55	\$118	Goodyear Net Income
Deferred Derivative (Gains) Losses, before tax	\$(8	) \$—	\$(23	) \$1	Cost of Goods Sold
Tax effect	—	—	2	—	United States and Foreign Taxes
Minority interest	2	1	4	—	Minority Shareholders' Net Income
Net of tax	\$(6	) \$1	\$(17	) \$1	Goodyear Net Income
Total reclassifications	\$13	\$30	\$40	\$121	Goodyear Net Income

Amortization of prior service cost and unrecognized gains and losses and immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures are included in the computation of total benefit cost. For further information, refer to Note to the Consolidated Financial Statements No. 10, Pension, Savings and Other Postretirement Benefit Plans in this Form 10-Q and No. 16, Pension, Other Postretirement Benefits

and Savings Plans, in our 2014 Form 10-K.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### NOTE 16. CONSOLIDATING FINANCIAL INFORMATION

Certain of our subsidiaries have guaranteed our obligations under the \$1.0 billion outstanding principal amount of 8.25% senior notes due 2020, the \$282 million outstanding principal amount of 8.75% notes due 2020, the \$900 million outstanding principal amount of 6.5% senior notes due 2021, and the \$700 million outstanding principal amount of 7% senior notes due 2022 (collectively, the “notes”). The following presents the condensed consolidating financial information separately for:

- (i) The Goodyear Tire & Rubber Company (the “Parent Company”), the issuer of the guaranteed obligations;
- (ii) Guarantor Subsidiaries, on a combined basis, as specified in the indentures related to Goodyear’s obligations under the notes;
- (iii) Non-guarantor Subsidiaries, on a combined basis;

Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between the Parent Company, the Guarantor Subsidiaries and the Non-guarantor Subsidiaries, (b) eliminate the investments in our subsidiaries, and (c) record consolidating entries; and

- (v) The Goodyear Tire & Rubber Company and Subsidiaries on a consolidated basis.

Each guarantor subsidiary is 100% owned by the Parent Company at the date of each balance sheet presented. The notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation. Changes in intercompany receivables and payables related to operations, such as intercompany sales or service charges, are included in cash flows from operating activities. Intercompany transactions reported as investing or financing activities include the sale of the capital stock of various subsidiaries, loans and other capital transactions between members of the consolidated group.

Certain non-guarantor subsidiaries of the Parent Company are limited in their ability to remit funds to it by means of dividends, advances or loans due to required foreign government and/or currency exchange board approvals or limitations in credit agreements or other debt instruments of those subsidiaries.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Balance Sheet September 30, 2015					
(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets:					
Current Assets:					
Cash and Cash Equivalents	\$483	\$45	\$ 1,162	\$—	\$1,690
Accounts Receivable	829	207	1,580	—	2,616
Accounts Receivable From Affiliates	—	649	—	(649	) —
Inventories	1,214	161	1,223	(54	) 2,544
Deferred Income Taxes	505	6	61	3	575
Assets Held for Sale	193	—	234	(185	) 242
Prepaid Expenses and Other Current Assets	47	5	203	—	255
Total Current Assets	3,271	1,073	4,463	(885	) 7,922
Goodwill	—	24	424	108	556
Intangible Assets	109	—	22	—	131
Deferred Income Taxes	1,381	18	78	8	1,485
Other Assets	271	71	406	—	748
Investments in Subsidiaries	4,039	332	—	(4,371	) —
Property, Plant and Equipment	2,341	124	4,239	(31	) 6,673
Total Assets	\$11,412	\$1,642	\$ 9,632	\$(5,171	) \$17,515
Liabilities:					
Current Liabilities:					
Accounts Payable-Trade	\$872	\$180	\$ 1,524	\$—	\$2,576
Accounts Payable to Affiliates	461	—	188	(649	) —
Compensation and Benefits	371	30	322	—	723
Liabilities Held for Sale	—	—	204	—	204
Other Current Liabilities	316	23	539	(7	) 871
Notes Payable and Overdrafts	—	—	41	—	41
Long Term Debt and Capital Leases Due Within One Year	6	—	362	—	368
Total Current Liabilities	2,026	233	3,180	(656	) 4,783
Long Term Debt and Capital Leases	4,174	—	1,417	—	5,591
Compensation and Benefits	584	105	737	—	1,426
Deferred and Other Noncurrent Income Taxes	1	5	174	(4	) 176
Other Long Term Liabilities	484	10	93	—	587
Total Liabilities	7,269	353	5,601	(660	) 12,563
Commitments and Contingent Liabilities					
Minority Shareholders' Equity	—	—	414	176	590
Shareholders' Equity:					
Goodyear Shareholders' Equity:					
Common Stock	269	—	—	—	269
Other Equity	3,874	1,289	3,398	(4,687	) 3,874
Goodyear Shareholders' Equity	4,143	1,289	3,398	(4,687	) 4,143
Minority Shareholders' Equity — Nonredeemable—	—	—	219	—	219

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Total Shareholders' Equity	4,143	1,289	3,617	(4,687	) 4,362
Total Liabilities and Shareholders' Equity	\$11,412	\$1,642	\$ 9,632	\$(5,171	) \$17,515

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## Condensed Consolidating Balance Sheet

December 31, 2014

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$674	\$89	\$1,398	\$—	\$2,161
Accounts Receivable	833	166	1,127	—	2,126
Accounts Receivable From Affiliates	—	623	—	(623)	—
Inventories	1,151	148	1,410	(38)	2,671
Deferred Income Taxes	496	6	66	2	570
Prepaid Expenses and Other Current Assets	39	2	156	(1)	196
Total Current Assets	3,193	1,034	4,157	(660)	7,724
Goodwill	—	24	462	115	601
Intangible Assets	114	—	24	—	138
Deferred Income Taxes	1,633	24	96	9	1,762
Other Assets	234	86	411	—	731
Investments in Subsidiaries	4,054	416	—	(4,470)	—
Property, Plant and Equipment	2,329	132	4,721	(29)	7,153
Total Assets	\$11,557	\$1,716	\$9,871	\$(5,035)	\$18,109
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
Accounts Payable-Trade	\$910	\$191	\$1,777	\$—	\$2,878
Accounts Payable to Affiliates	557	—	66	(623)	—
Compensation and Benefits	392	31	301	—	724
Other Current Liabilities	350	23	589	(6)	956
Notes Payable and Overdrafts	—	—	30	—	30
Long Term Debt and Capital Leases Due Within One Year	6	—	142	—	148
Total Current Liabilities	2,215	245	2,905	(629)	4,736
Long Term Debt and Capital Leases	4,375	—	1,841	—	6,216
Compensation and Benefits	666	127	883	—	1,676
Deferred and Other Noncurrent Income Taxes	3	5	179	(6)	181
Other Long Term Liabilities	688	30	155	—	873
Total Liabilities	7,947	407	5,963	(635)	13,682
<b>Commitments and Contingent Liabilities</b>					
Minority Shareholders' Equity	—	—	392	190	582
<b>Shareholders' Equity:</b>					
<b>Goodyear Shareholders' Equity:</b>					
Common Stock	269	—	—	—	269
Other Equity	3,341	1,309	3,281	(4,590)	3,341
Goodyear Shareholders' Equity	3,610	1,309	3,281	(4,590)	3,610
Minority Shareholders' Equity — Nonredeemable	—	—	235	—	235
Total Shareholders' Equity	3,610	1,309	3,516	(4,590)	3,845
Total Liabilities and Shareholders' Equity	\$11,557	\$1,716	\$9,871	\$(5,035)	\$18,109

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Consolidating Statements of Operations Three Months Ended September 30, 2015					
(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net Sales	\$1,916	\$ 568	\$ 2,669	\$ (969 )	\$4,184
Cost of Goods Sold	1,421	523	2,063	(1,007 )	3,000
Selling, Administrative and General Expense	249	41	345	(2 )	633
Rationalizations	5	—	15	—	20
Interest Expense	77	5	33	(13 )	102
Other (Income) Expense	(80 )	1	34	43	(2 )
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	244	(2 )	179	10	431
United States and Foreign Taxes	99	(2 )	26	3	126
Equity in Earnings of Subsidiaries	126	20	—	(146 )	—
Net Income (Loss)	271	20	153	(139 )	305
Less: Minority Shareholders' Net Income (Loss)	—	—	34	—	34
Goodyear Net Income (Loss) available to Common Shareholders	\$271	\$ 20	\$ 119	\$ (139 )	\$271
Comprehensive Income (Loss)	\$204	\$ 30	\$ 48	\$ (63 )	\$219
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	—	—	15	—	15
Goodyear Comprehensive Income (Loss)	\$204	\$ 30	\$ 33	\$ (63 )	\$204

Consolidating Statements of Operations Three Months Ended September 30, 2014					
(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net Sales	\$1,999	\$ 673	\$ 3,338	\$ (1,353 )	\$4,657
Cost of Goods Sold	1,630	604	2,669	(1,387 )	3,516
Selling, Administrative and General Expense	228	43	383	(1 )	653
Rationalizations	—	—	15	—	