

GOODYEAR TIRE & RUBBER CO /OH/  
Form 10-Q  
April 29, 2014

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 March 31, 2014

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐  
(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 March 31, 2014:

248,451,747

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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 March 31,	
(In millions, except per share amounts)	2014	2013
Net Sales	\$4,469	\$4,853
Cost of Goods Sold	3,518	3,940
Selling, Administrative and General Expense	667	645
Rationalizations (Note 2)	41	7
Interest Expense	105	85
Other Expense (Note 3)	168	126
Income (Loss) before Income Taxes	(30)	) 50
United States and Foreign Taxes (Note 4)	8	19
Net Income (Loss)	(38)	) 31
Less: Minority Shareholders' Net Income (Loss)	13	(2)
Goodyear Net Income (Loss)	(51)	) 33
Less: Preferred Stock Dividends	7	7
Goodyear Net Income (Loss) available to Common Shareholders	\$(58)	) \$26
Goodyear Net Income (Loss) available to Common Shareholders — Per Share of Common Stock		
Basic	\$(0.23)	) \$0.10
Weighted Average Shares Outstanding (Note 5)	248	245
Diluted	\$(0.23)	) \$0.10
Weighted Average Shares Outstanding (Note 5)	248	248
Cash Dividends Declared Per Common Share	\$0.05	\$—

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)

	Three Months Ended March 31,	
(In millions)	2014	2013
Net Income (Loss)	\$(38)	) \$31
Other Comprehensive Income:		
Foreign currency translation, net of tax of \$0 in 2014 (\$0 in 2013)	(6	) (57
Reclassification adjustment for amounts recognized in income, net of tax of \$0 in 2014 (\$0 in 2013)	—	1
Defined benefit plans:		
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of \$2 in 2014 (\$4 in 2013)	32	61
Decrease in net actuarial losses, net of tax of \$0 in 2014 (\$0 in 2013)	19	97
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures, net of tax of \$0 in 2014 (\$0 in 2013)	42	—
Deferred derivative gains (losses), net of tax of \$0 in 2014 (\$0 in 2013)	(2	) 4
Reclassification adjustment for amounts recognized in income, net of tax of \$0 in 2014 (\$0 in 2013)	1	—
Unrealized investment gains (losses), net of tax of \$0 in 2014 (\$0 in 2013)	(5	) 17
Other Comprehensive Income	81	123
Comprehensive Income	43	154
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	29	(15
Goodyear Comprehensive Income	\$14	\$169
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, except share data)

	March 31, 2014	December 31, 2013
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$1,853	\$2,996
Accounts Receivable, less Allowance — \$98 (\$99 in 2013)	2,913	2,435
Inventories:		
Raw Materials	619	592
Work in Process	172	164
Finished Products	2,230	2,060
	3,021	2,816
Prepaid Expenses and Other Current Assets	419	397
Total Current Assets	8,206	8,644
Goodwill	668	668
Intangible Assets	137	138
Deferred Income Taxes	168	157
Other Assets	600	600
Property, Plant and Equipment, less Accumulated Depreciation — \$9,275 (\$9,158 in 2013)	7,313	7,320
Total Assets	\$17,092	\$17,527
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$3,112	\$3,097
Compensation and Benefits (Notes 9 and 10)	727	758
Other Current Liabilities	1,119	1,083
Notes Payable and Overdrafts (Note 7)	26	14
Long Term Debt and Capital Leases due Within One Year (Note 7)	47	73
Total Current Liabilities	5,031	5,025
Long Term Debt and Capital Leases (Note 7)	7,047	6,162
Compensation and Benefits (Notes 9 and 10)	1,376	2,673
Deferred and Other Noncurrent Income Taxes	257	256
Other Long Term Liabilities	944	966
Total Liabilities	14,655	15,082
Commitments and Contingent Liabilities (Note 11)		
Minority Shareholders' Equity (Note 1)	600	577
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Preferred Stock, no par value: (Note 12)		
Authorized, 50 million shares, Outstanding shares — 10 million (10 million in 2013), liquidation preference \$50 per share	500	500
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares — 248 million (248 million in 2013) after deducting 3 million treasury shares (3 million in 2013)	248	248
Capital Surplus	2,840	2,847

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Retained Earnings	1,888	1,958
Accumulated Other Comprehensive Loss	(3,883)	(3,947)
Goodyear Shareholders' Equity	1,593	1,606
Minority Shareholders' Equity — Nonredeemable	244	262
Total Shareholders' Equity	1,837	1,868
Total Liabilities and Shareholders' Equity	\$17,092	\$17,527

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)

(In millions)

	Three Months Ended March 31,	
	2014	2013
Cash Flows from Operating Activities:		
Net Income (Loss)	\$(38	) \$31
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	183	177
Amortization and Write-Off of Debt Issuance Costs	6	5
Net Pension Curtailments and Settlements	39	—
Net Rationalization Charges (Note 2)	41	7
Rationalization Payments	(36	) (24
Net Losses on Asset Sales (Note 3)	2	2
Pension Contributions and Direct Payments	(1,223	) (908
Net Venezuela Currency Remeasurement Loss (Note 3)	157	115
Customer Prepayments and Government Grants	2	29
Insurance Proceeds	4	17
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(456	) (500
Inventories	(214	) 31
Accounts Payable — Trade	80	134
Compensation and Benefits	(44	) (23
Other Current Liabilities	6	(4
Other Assets and Liabilities	(52	) (26
Total Cash Flows from Operating Activities	(1,543	) (937
Cash Flows from Investing Activities:		
Capital Expenditures	(229	) (271
Asset Dispositions (Note 3)	2	5
Government Grants Received	1	4
Decrease (Increase) in Restricted Cash	4	(23
Short Term Securities Acquired	(25	) (20
Short Term Securities Redeemed	35	22
Other Transactions	1	—
Total Cash Flows from Investing Activities	(211	) (283
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	13	30
Short Term Debt and Overdrafts Paid	—	(24
Long Term Debt Incurred	1,104	1,558
Long Term Debt Paid	(272	) (78
Common Stock Issued (Note 12)	24	2
Common Stock Repurchased (Note 12)	(32	) —
Common Stock Dividends Paid (Note 12)	(12	) —
Preferred Stock Dividends Paid (Note 12)	(7	) (7
Transactions with Minority Interests in Subsidiaries	(23	) (4
Debt Related Costs and Other Transactions	—	(15

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Total Cash Flows from Financing Activities	795	1,462
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(184	) (137
Net Change in Cash and Cash Equivalents	(1,143	) 105
Cash and Cash Equivalents at Beginning of the Period	2,996	2,281
Cash and Cash Equivalents at End of the Period	\$ 1,853	\$ 2,386

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, 2013 (the "2013 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.

Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results expected in subsequent quarters or for the year ending December 31, 2014.

Recently Issued Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update providing new guidance on the requirements for reporting a discontinued operation. The standards update defines a discontinued operation as (1) a component of an entity or a group of components of an entity, or a business, that has been disposed of by sale, or other than by sale, or is classified as held for sale that represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results or (2) an acquired business that is classified as held for sale on the date of the acquisition. The standards update 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 standards update is effective for fiscal years beginning after December 15, 2014. We will adopt this standards update, as required, beginning with the first quarter of 2015. The adoption of this standards update affects presentation only and, as such, is not expected to have a material impact on our consolidated financial statements.

Recently Adopted Accounting Standards

Effective January 1, 2014, we adopted an accounting standards update requiring the presentation of an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. This net presentation is required unless a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset to settle any additional income tax that would result from the disallowance of the unrecognized tax benefit. The adoption of this standards update did not have a material impact on our consolidated financial statements.

Effective January 1, 2014, we adopted an accounting standards update providing guidance with respect to the release of cumulative translation adjustments into net income when a parent sells either a part or all of its investment in a foreign entity. The standards update also requires the release of cumulative translation adjustments when a company no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity, and provides guidance for the acquisition in stages of a controlling interest in a foreign entity. The adoption of this standards update did not impact our consolidated financial statements.

Effective January 1, 2014, we adopted an accounting standards update requiring an entity to record obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. 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.

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

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. 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, 2013	\$232	\$5	\$237	
2014 Charges (1)	56	8	64	
Reversed to the Statements of Operations	(3	) —	(3	)
Incurred, Net of Foreign Currency Translation of \$1 million and \$0 million, respectively	(41	) (8	) (49	)
Balance at March 31, 2014	\$244	\$5	\$249	

(1) Charges in the first quarter of 2014 of \$64 million exclude \$20 million of pension curtailment gains recorded in Rationalizations in the Statement of Operations.

Significant rationalization actions initiated in the first quarter of 2014 consisted of manufacturing headcount reductions related to EMEA's plans to improve operating efficiency. In addition, EMEA and Asia Pacific also initiated plans to reduce selling, administrative and general ("SAG") headcount.

The accrual balance of \$249 million at March 31, 2014 is expected to be substantially utilized within the next 12 months and includes \$183 million related to the plan to exit the farm tire business and close one of our manufacturing facilities in Amiens, France.

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

	Three Months Ended March 31,	
	2014	2013
Current Year Plans		
Associate Severance and Other Related Costs	\$4	\$—
Other Exit and Non-Cancelable Lease Costs	1	—
Current Year Plans - Net Charges	\$5	\$—
Prior Year Plans		
Associate Severance and Other Related Costs	\$49	\$—
Pension Curtailment Gain	(20	) —
Other Exit and Non-Cancelable Lease Costs	7	7
Prior Year Plans - Net Charges	36	7
Total Net Charges	\$41	\$7
Asset Write-off and Accelerated Depreciation Charges	\$1	\$5

Substantially all of the new charges for the three months ended March 31, 2014 and 2013 related to future cash outflows. Net prior year plan charges of \$36 million in the first quarter of 2014 include charges of \$50 million for associate severance and idle plant costs, partially offset by a pension curtailment gain of \$20 million, related to the closure of one of our manufacturing facilities in Amiens, France. Net charges for the three months ended March 31, 2014 and 2013 both included reversals of \$3 million for actions no longer needed for their originally intended purposes.

Approximately 200 associates will be released under plans initiated in 2014, of which approximately 100 associates have been released as of March 31, 2014. In the first quarter of 2014, approximately 1,100 associates were released under plans initiated in

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

prior years, primarily related to the plan to exit the farm tire business and close one of our manufacturing facilities in Amiens, France. In total, approximately 600 associates remain to be released under rationalization plans. Accelerated depreciation charges for the three months ended March 31, 2013 related primarily to property and equipment in one of our manufacturing facilities in Amiens, France. Accelerated depreciation charges for all periods were recorded in cost of goods sold ("CGS").

NOTE 3. OTHER EXPENSE

(In millions)	Three Months Ended March 31,	
	2014	2013
Net foreign currency exchange (gains) losses	\$153	\$123
Financing fees and financial instruments	14	13
Royalty income	(9)	(10)
Interest income	(6)	(5)
General and product liability — discontinued products	6	3
Net (gains) losses on asset sales	2	2
Miscellaneous	8	—
	\$168	\$126

Net foreign currency exchange losses in the first three months of 2014 were \$153 million, compared to net losses of \$123 million in the first three months of 2013. Net losses in the first quarter of 2014 and 2013 included net remeasurement losses of \$157 million and \$115 million, respectively, resulting from the devaluation 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 February 13, 2013, Venezuela's official exchange rate changed from 4.3 to 6.3 bolivares fuertes to the U.S. dollar for substantially all goods. In the first quarter of 2013, we recorded a \$115 million remeasurement loss on bolivar-denominated net monetary assets and liabilities, including deferred taxes, primarily related to cash deposits in Venezuela. We also recorded a subsidy receivable of \$13 million related to certain U.S. dollar-denominated payables that were expected to be settled at the then-official subsidy exchange rate of 4.3 bolivares fuertes per U.S. dollar applicable to certain import purchases prior to the devaluation date. We received \$2 million of this subsidy through December 31, 2013.

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 I") rate, which was 11.4 and 10.7 bolivares fuertes to the U.S. dollar at January 24, 2014 and March 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 subsidy exchange rate of 4.3 bolivares fuertes to the U.S. dollar was eliminated and, accordingly, we derecognized the remaining \$11 million subsidy receivable as part of the \$157 million remeasurement loss.

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. We expect that future remittances of dividends by our Venezuelan subsidiary will be transacted at the SICAD I rate and, therefore, we recorded a remeasurement loss of \$157 million using the SICAD I rate of 11.4 bolivares fuertes to the U.S. dollar as of January 24, 2014. We also recorded a subsidy receivable at that date of \$50 million related to certain U.S. dollar-denominated payables that are 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. At March 31, 2014, the subsidy receivable was \$45 million. A portion of this subsidy will reduce cost of goods sold in periods when the related inventory is sold.

The SICAD I rate has fluctuated since January 24, 2014 and was 10.7 bolivares fuertes to the U.S. dollar at March 31, 2014 and, accordingly, the foreign currency exchange gain resulting from the decrease in the SICAD I rate was also recorded in foreign currency exchange. All bolivar-denominated monetary assets and liabilities were remeasured at 10.7 and 6.3 bolivares fuertes to the U.S. dollar at March 31, 2014 and December 31, 2013, respectively.

Miscellaneous expense in the first three months of 2014 primarily consists of charges of \$7 million for labor claims related to a previously closed facility in EMEA. Also included in Other Expense are financing fees and financial instruments expense consisting

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

of the amortization of deferred financing fees, commitment fees and charges incurred in connection with financing transactions; royalty income derived primarily from licensing arrangements related to divested businesses; interest income consisting primarily of amounts earned on cash deposits; and general and product liability — discontinued products which includes charges for claims against us related primarily to asbestos personal injury claims, net of probable insurance recoveries.

NOTE 4. INCOME TAXES

In the first quarter of 2014, we recorded tax expense of \$8 million on a loss before income taxes of \$30 million. In the first quarter of 2013, we recorded tax expense of \$19 million on income before income taxes of \$50 million. Income tax expense in the first quarter of 2013 was favorably impacted by \$12 million due primarily to an enacted tax law change.

We record taxes based on overall estimated annual effective tax rates. In addition to the discrete item related to the first quarter of 2013 noted above, the differences between our effective tax rate and the U.S. statutory rate in both years were primarily attributable to charges that are not deductible for tax purposes related to the devaluation of the bolivar fuerte in Venezuela and continuing to maintain a full valuation allowance on our U.S. deferred tax assets. At January 1, 2014, our valuation allowance on our U.S. deferred tax assets was approximately \$2,400 million. Each reporting period we assess available positive and negative evidence and estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. Through 2012 our history of U.S. operating losses limited the weight we could apply to other subjective evidence such as our projections for future profitability. Recent positive evidence includes our profitable 2013 U.S. results and full funding of our hourly U.S. pension plans in January 2014, which eliminates volatility in Other Comprehensive Income. This recent positive evidence provides us the opportunity to apply greater significance to our projections in assessing the need for a valuation allowance. We believe it is reasonably possible that sufficient positive evidence will exist during 2014 to release all or a significant portion of our valuation allowance on our U.S. deferred tax assets.

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. However, it is reasonably possible that sufficient positive evidence required to release all, or a portion, of certain valuation allowances will exist during 2014. This may result in a reduction of the valuation allowance by up to \$80 million.

At January 1, 2014, we had unrecognized tax benefits of \$88 million that if recognized, would have a favorable impact on our tax expense of \$78 million. We had accrued interest of \$16 million as of January 1, 2014. If not favorably settled, \$32 million of the unrecognized tax benefits and all of the accrued interest would require the use of our cash. It is reasonably possible that our total amount of unrecognized tax benefits may change during the next 12 months. However, we do not expect these changes to have a significant impact on our financial position or results of operations.

Generally, years from 2008 onward are still open to examination by foreign taxing authorities. We are open to examination in Germany from 2006 onward and in the United States for 2013.

NOTE 5. EARNINGS (LOSS) PER SHARE

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

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

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

	Three Months Ended March 31,	
(In millions, except per share amounts)	2014	2013
Earnings (loss) per share — basic:		
Goodyear net income (loss)	\$(51	) \$33
Less: Preferred stock dividends	7	7
Goodyear net income (loss) available to common shareholders	\$(58	) \$26
Weighted average shares outstanding	248	245
Earnings (loss) per common share — basic	\$(0.23	) \$0.10
Earnings (loss) per share — diluted:		
Goodyear net income (loss)	\$(51	) \$33
Less: Preferred stock dividends	7	7
Goodyear net income (loss) available to common shareholders	\$(58	) \$26
Weighted average shares outstanding	248	245
Dilutive effect of stock options and other dilutive securities	—	3
Weighted average shares outstanding — diluted	248	248
Earnings (loss) per common share — diluted	\$(0.23	) \$0.10

Weighted average shares outstanding - diluted for the three months ended March 31, 2014 and 2013 excludes the effect of approximately 28 million and 34 million equivalent shares, respectively, related to the mandatory convertible preferred stock as their inclusion would have been anti-dilutive. In addition, Goodyear net income (loss) used to compute earnings per common share - diluted for the three months ended March 31, 2014 and 2013 is reduced by \$7 million of preferred stock dividends since the inclusion of the related shares of preferred stock would have been anti-dilutive.

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.

Weighted average shares outstanding - diluted for the three months ended March 31, 2014 excludes the effect of approximately 10 million equivalent shares, with a dilutive effect of approximately 5 million shares, related primarily to options with exercise prices less than the average market price of our common shares (i.e., "in-the-money" options), as their inclusion would have been anti-dilutive due to the Goodyear net loss. Additionally, weighted average shares outstanding - diluted for the three months ended March 31, 2014 and 2013 excludes approximately 2 million and 7 million equivalent shares, respectively, related to options with exercise prices greater than the average market price of our common shares (i.e., "underwater" options).



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

## NOTE 6. BUSINESS SEGMENTS

(In millions)	Three Months Ended	
	March 31,	
	2014	2013
Sales:		
North America	\$1,879	\$2,166
Europe, Middle East and Africa	1,676	1,607
Latin America	422	513
Asia Pacific	492	567
Net Sales	\$4,469	\$4,853
Segment Operating Income:		
North America	\$156	\$127
Europe, Middle East and Africa	110	31
Latin America	42	60
Asia Pacific	65	84
Total Segment Operating Income	373	302
Less:		
Rationalizations	41	7
Interest expense	105	85
Other expense	168	126
Asset write-offs and accelerated depreciation	1	5
Corporate incentive compensation plans	27	10
Pension curtailments/settlements	33	—
Intercompany profit elimination	13	3
Retained expenses of divested operations	4	4
Other	11	12
Income (Loss) before Income Taxes	\$(30	) \$50

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

Substantially all of the pension curtailment charges of \$33 million 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, as described in Note 3, Other Expense; 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:

	Three Months Ended		
(In millions)	March 31,		
	2014	2013	
Rationalizations:			
North America	\$(1	) \$2	
Europe, Middle East and Africa	38	3	
Asia Pacific	4	2	
Total Segment Rationalizations	\$41	\$7	
Net (Gains) Losses on Asset Sales:			
North America	\$—	\$1	
Europe, Middle East and Africa	2	2	
Latin America	—	(1	)
Total Segment Asset Sales	2	2	
Asset Write-offs and Accelerated Depreciation:			
Europe, Middle East and Africa	\$1	\$5	
Total Segment Asset Write-offs and Accelerated Depreciation	\$1	\$5	

NOTE 7. FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

At March 31, 2014, we had total credit arrangements of \$9,190 million, of which \$1,751 million were unused. At that date, 42% of our debt was at variable interest rates averaging 5.15%.

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

At March 31, 2014, we had short term committed and uncommitted credit arrangements totaling \$508 million, of which \$482 million were unused. These arrangements are available primarily to certain of our foreign subsidiaries through various banks at quoted market interest rates.

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The following table presents amounts due within one year:

(In millions)	March 31, 2014	December 31, 2013	
Notes payable and overdrafts	\$26	\$14	
Weighted average interest rate	7.92	% 3.40	%
Long term debt and capital leases due within one year			
Other domestic and international debt (including capital leases)	\$47	\$73	
Weighted average interest rate	4.56	% 6.91	%
Total obligations due within one year	\$73	\$87	

Long Term Debt and Capital Leases and Financing Arrangements

At March 31, 2014, we had long term credit arrangements totaling \$8,682 million, of which \$1,269 million were unused.

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

	March 31, 2014		December 31, 2013		
(In millions)	Amount	Interest Rate	Amount	Interest Rate	
Notes:					
6.75% Euro Notes due 2019	\$345		\$344		
8.25% due 2020	995		995		
8.75% due 2020	268		267		
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	100	1.65	% —	—	
\$1.2 billion second lien term loan facility due 2019	1,195	4.75	% 1,195	4.75	%
€400 million revolving credit facility due 2016	510	2.72	% —	—	
Pan-European accounts receivable facility due 2015	364	3.02	% 207	3.19	%
Chinese credit facilities	532	5.89	% 537	5.86	%
Other foreign and domestic debt <sup>(1)</sup>	975	8.65	% 878	8.97	%
	7,034		6,173		
Capital lease obligations	60		62		
	7,094		6,235		
Less portion due within one year	(47 )		(73 )		
	\$7,047		\$6,162		

(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.

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

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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 March 31, 2014, our borrowing base, and therefore our availability, under this facility was \$587 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 March 31, 2014, the amount outstanding under the first lien revolving credit facility was \$100 million. At December 31, 2013, there were no borrowings outstanding under the first lien revolving credit facility. Letters of credit issued totaled \$374 million at March 31, 2014 and \$375 million at December 31, 2013.

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

Our obligations under our amended and restated 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. The term loan bears interest at LIBOR plus 375 basis points, subject to a minimum LIBOR rate of 100 basis points.

At March 31, 2014 and December 31, 2013, this facility was fully drawn.

**€400 million Amended and Restated Senior Secured European Revolving Credit Facility due 2016**

Our amended and restated €400 million European revolving credit facility consists of (i) a €100 million German tranche that is available only to Goodyear Dunlop Tires Germany GmbH (the "German borrower") and (ii) a €300 million all-borrower tranche that is available to Goodyear Dunlop Tires Europe B.V. ("GDTE"), the German borrower and certain of GDTE's other subsidiaries. Up to €50 million in letters of credit are available for issuance under the all-borrower tranche. Amounts drawn under this facility will bear interest at LIBOR plus 250 basis points for loans denominated in U.S. dollars or pounds sterling and EURIBOR plus 250 basis points for loans denominated in euros. GDTE and certain of its subsidiaries in the United Kingdom, Luxembourg, France and Germany provide guarantees to support the facility. 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 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 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, 2010. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

At March 31, 2014, the amounts outstanding under the German tranche and all-borrower tranche were \$138 million (€100 million) and \$372 million (€270 million), respectively. At December 31, 2013, there were no borrowings outstanding under the revolving credit facility. Letters of credit issued under the all-borrower tranche totaled \$5 million (€3 million) at March 31, 2014 and December 31, 2013.

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

GDTE and certain of its subsidiaries are parties to a pan-European accounts receivable securitization facility that provides up to €450 million of funding and expires on July 30, 2015. Utilization under this facility is based on eligible receivable balances. The facility is subject to the customary renewal of its back-up liquidity commitments, which

expire on October 17, 2014.

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. At March 31, 2014, the amounts available and utilized under this program totaled \$364 million (€264 million). At December 31, 2013, the amounts available and utilized under this program totaled \$386 million (€280 million) and \$207 million

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(€150 million), respectively. 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 \$79 million (85 million Australian dollars) of funding. At March 31, 2014, the amounts available and utilized under this program were \$79 million and \$49 million, respectively. At December 31, 2013, the amounts available and utilized under this program were \$76 million and \$18 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.

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 2013 Form 10-K.

#### 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 March 31, 2014, the gross amount of receivables sold was \$264 million, compared to \$301 million at December 31, 2013.

#### Chinese Credit Facilities

A Chinese subsidiary has several financing arrangements in China. At March 31, 2014, these non-revolving credit facilities were fully drawn. There were \$532 million and \$537 million of borrowings outstanding under these facilities at March 31, 2014 and December 31, 2013, respectively. The facilities ultimately mature in 2020 and principal amortization begins 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. Restricted cash related to funds obtained under these credit facilities was \$6 million and \$11 million at March 31, 2014 and December 31, 2013, respectively. These facilities can only be used to finance the relocation and expansion of our manufacturing facility in China.

#### 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 will 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 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 fair values for foreign currency contracts not designated as hedging instruments:

(In millions)	March 31, 2014	December 31, 2013
Fair Values — asset (liability):		
Accounts receivable	\$9	\$3
Other current liabilities	(12)	(17)

At March 31, 2014 and December 31, 2013, these outstanding foreign currency derivatives had notional amounts of \$1,236 million and \$1,231 million, respectively, and were primarily related to intercompany loans. Other Expense included net transaction losses of \$8 million and net transaction gains of \$20 million for the three months ended

March 31, 2014 and March 31, 2013, respectively. These amounts were substantially offset in Other Expense by the effect of changing exchange rates on the underlying currency exposures.

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

(In millions)	March 31, 2014	December 31, 2013
Fair Values — asset (liability):		
Accounts receivable	\$—	\$3
Other current liabilities	(3	) (3

At March 31, 2014 and December 31, 2013, these outstanding foreign currency derivatives had notional amounts of \$166 million and \$171 million, respectively, and primarily related to 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.

The following table presents the classification of changes in fair values of foreign currency contracts designated as cash flow hedging instruments (before tax and minority):

(In millions) (Income) Expense	Three Months Ended March 31, 2014	2013
Amounts deferred to Accumulated Other Comprehensive Loss ("AOCL")	\$2	\$(4
Amount of deferred (gain) loss reclassified from AOCL into CGS	1	—

The estimated amount of deferred losses at March 31, 2014 that is expected to be reclassified to earnings within the next twelve months is \$3 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.

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NOTE 8. FAIR VALUE MEASUREMENTS

The following table presents information about assets and liabilities recorded at fair value on the Consolidated Balance Sheets at March 31, 2014 and December 31, 2013:

	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)	
	2014	2013	2014	2013	2014	2013	2014	2013
(In millions)								
Assets:								
Investments	\$48	\$53	\$48	\$53	\$—	\$—	\$—	\$—
Foreign Exchange Contracts	9	6	—	—	9	6	—	—
Total Assets at Fair Value	\$57	\$59	\$48	\$53	\$9	\$6	\$—	\$—
Liabilities:								
Foreign Exchange Contracts	\$15	\$20	\$—	\$—	\$15	\$20	\$—	\$—
Total Liabilities at Fair Value	\$15	\$20	\$—	\$—	\$15	\$20	\$—	\$—

The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding capital leases, at March 31, 2014 and December 31, 2013. The fair value was estimated using quoted market prices.

(In millions)	March 31, 2014	December 31, 2013
Fixed Rate Debt:		
Carrying amount — liability	\$4,090	\$4,090
Fair value — liability	4,455	4,414
Variable Rate Debt:		
Carrying amount — liability	\$2,944	\$2,083
Fair value — liability	2,938	2,095

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NOTE 9. PENSION, SAVINGS AND OTHER POSTRETIREMENT BENEFIT PLANS

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

Defined benefit pension cost follows:

	U.S. Three Months Ended March 31,	
(In millions)	2014	2013
Service cost — benefits earned during the period	\$9	\$11
Interest cost on projected benefit obligation	65	61
Expected return on plan assets	(80)	(84)
Amortization of: — prior service cost	1	4
— net losses	33	53
Net periodic pension cost	28	45
Net curtailments/settlements/termination benefits	32	—
Total defined benefit pension cost	\$60	\$45
	Non-U.S. Three Months Ended March 31,	
(In millions)	2014	2013
Service cost — benefits earned during the period	\$9	\$10
Interest cost on projected benefit obligation	34	33
Expected return on plan assets	(30)	(28)
Amortization of: — prior service cost	—	—
— net losses	9	16
Net periodic pension cost	22	31
Net curtailments/settlements/termination benefits	(13)	—
Total defined benefit pension cost	\$9	\$31

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 will be frozen to future accruals effective April 30, 2014. Following these contributions, we changed our target asset allocation for these plans to a portfolio of substantially all fixed income securities designed to offset the future impact of discount rate movements on the plans' funded status.

Due to the future accrual freeze and change in target asset allocation, we were required to remeasure the benefit obligations and assets of the hourly U.S. pension plans at January 31, 2014, which resulted in an increase to net actuarial losses included in AOCL of \$31 million. The weighted average discount rate used to measure the benefit obligations of the hourly U.S. pension plans at January 31, 2014 was 4.32% as compared to 4.51% at December 31, 2013. As a result of the change in target asset allocation for the hourly U.S. pension plans, the expected annual long term return on plan assets for the hourly U.S. pension plans is 5.25% as of February 1, 2014.

As a result of the future accrual freezes to pension plans related to our North America SBU, we recognized curtailment charges of \$33 million in the first quarter of 2014.

During 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. As a result of these transactions we were required to remeasure the benefit obligations and assets of these plans at January

31, 2014. This resulted in a reduction to net actuarial losses included in AOCL of \$51 million.

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In the first quarter of 2014, we ceased production at one of our manufacturing facilities in Amiens, France and recorded a curtailment gain of \$20 million, 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 \$1.3 billion to our funded U.S. and non-U.S. pension plans in 2014, including our first quarter 2014 U.S. pension contributions of \$1,167 million, which included discretionary contributions of \$907 million. For the three months ended March 31, 2014, we contributed \$1,167 million and \$46 million to our U.S. and non-U.S. plans, respectively.

In the first quarter of 2013, we made \$34 million of required contributions and \$834 million of discretionary contributions to fully fund our frozen U.S. pension plans.

The expense recognized for our contributions to defined contribution savings plans for the three months ended March 31, 2014 and 2013 was \$27 million and \$26 million, 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 March 31, 2014 and 2013 was \$3 million and \$2 million, respectively.

NOTE 10. STOCK COMPENSATION PLANS

Our Board of Directors granted 0.6 million stock options, 0.1 million restricted stock units and 0.1 million performance share units during the three months ended March 31, 2014 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 three months ended March 31, 2014 were \$26.44 and \$11.94, respectively. We estimated the fair value of the stock options using the following assumptions in our Black-Scholes model:

Expected term: 7.4 years

Interest rate: 2.11%

Volatility: 43.94%

Dividend yield: 0.76%

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 \$26.44 for restricted stock units and \$29.00 for performance share units granted during the three months ended March 31, 2014.

We recognized stock-based compensation expense of \$7 million and \$2 million during the three months ended March 31, 2014 and 2013, respectively. At March 31, 2014, unearned compensation cost related to the unvested portion of all stock-based awards was approximately \$36 million and is expected to be recognized over the remaining vesting period of the respective grants, through February 2018.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Environmental Matters

We have recorded liabilities totaling \$47 million and \$45 million at March 31, 2014 and December 31, 2013, 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, \$11 million were included in Other Current Liabilities at both March 31, 2014 and December 31, 2013. 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.

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Workers' Compensation

We have recorded liabilities, on a discounted basis, totaling \$310 million for anticipated costs related to workers' compensation at both March 31, 2014 and December 31, 2013. Of these amounts, \$79 million was included in Current Liabilities as part of Compensation and Benefits at both March 31, 2014 and December 31, 2013. 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 March 31, 2014 and December 31, 2013, the liability was discounted using a risk-free rate of return. At March 31, 2014, we estimate that it is reasonably possible that the liability could exceed our recorded amounts by approximately \$40 million.

General and Product Liability and Other Litigation

We have recorded liabilities totaling \$311 million and \$305 million, including related legal fees expected to be incurred, for potential product liability and other tort claims, including asbestos claims, presently asserted against us at March 31, 2014 and December 31, 2013, respectively. Of these amounts, \$47 million and \$45 million were included in Other Current Liabilities at March 31, 2014 and December 31, 2013, respectively. 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 March 31, 2014, 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 108,200 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 \$438 million through March 31, 2014 and \$432 million through December 31, 2013.

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.

	Three Months Ended	Year Ended
(Dollars in millions)	March 31, 2014	December 31, 2013
Pending claims, beginning of period	74,000	73,200
New claims filed	600	2,600
Claims settled/dismissed	(800)	(1,800)
Pending claims, end of period	73,800	74,000
Payments (1)	\$6	\$19

(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 \$145 million at both March 31, 2014 and December 31, 2013.

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We recorded a receivable related to asbestos claims of \$74 million and \$75 million as of March 31, 2014 and December 31, 2013, respectively. We expect that approximately 50% of asbestos claim related losses will be recoverable through insurance during the ten-year period covered by the estimated liability. Of these amounts, \$10 million and \$11 million were included in Current Assets as part of Accounts Receivable at March 31, 2014 and December 31, 2013, respectively. The recorded receivable consists of an amount we expect to collect under coverage-in-place agreements with certain primary carriers as well as an amount we believe is probable of recovery from certain of our excess coverage insurance carriers.

We believe that, at March 31, 2014, we had approximately \$160 million in limits of excess level policies potentially applicable to indemnity and defense costs for asbestos products claims. We also had coverage under certain primary policies for indemnity and defense costs for asbestos products claims under remaining aggregate limits, as well as coverage for indemnity and defense costs for asbestos premises claims on a per occurrence basis pursuant to a coverage-in-place agreement.

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 \$40 million). We have filed a response contesting this assessment and are defending the matter. In the event we are unsuccessful in defending the assessment, our results of operations could be materially affected.

#### Other Actions

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.

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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 \$13 million at March 31, 2014, compared to \$14 million at December 31, 2013. In addition, we will from time to time 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 12. CAPITAL STOCK**

**Mandatory Convertible Preferred Stock**

At March 31, 2014, 10,000,000 shares of our 5.875% mandatory convertible preferred stock, without par value, were outstanding. Quarterly dividends on each share of the mandatory convertible preferred stock accrued at a rate of 5.875% per year on the initial liquidation preference of \$50.00 per share. Dividends were paid in cash on January 1, April 1, July 1 and October 1 of each year, commencing on July 1, 2011 and ending on April 1, 2014.

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**

In the first three months of 2014, we paid cash dividends of \$7 million on our mandatory convertible preferred stock. On March 6, 2014, the Company's Board of Directors (or a duly authorized committee thereof) declared cash dividends of \$0.7344 per share of mandatory convertible preferred stock or \$7 million in the aggregate. The dividend was paid on April 1, 2014 to stockholders who presented the preferred stock for mandatory conversion on that date. No further dividends will be paid on our preferred stock following the conversion to shares of common stock on April 1, 2014.

In the first three months of 2014, we paid cash dividends of \$12 million on our common stock. On April 14, 2014, the Company's Board of Directors (or a duly authorized committee thereof) declared cash dividends of \$0.05 per share of common stock, or approximately \$14 million in the aggregate. The dividend will be paid on June 2, 2014 to stockholders of record as of the close of business of May 1, 2014. Future quarterly dividends are subject to Board approval.

**Common Stock Repurchase Program**

On September 18, 2013, the Board of Directors authorized \$100 million for use in the Company's common stock repurchase program. That authorization expires on September 20, 2016. We intend to repurchase shares of common stock in open market transactions in order to offset new shares issued under equity compensation programs. During the first three months of 2014, the Company repurchased 850,000 shares at an average price, including commissions, of \$27.12 per share, or \$23 million in the aggregate.

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NOTE 13. CHANGES IN SHAREHOLDERS' EQUITY

The following tables present the changes in shareholders' equity for the three months ended March 31, 2014 and 2013:

(In millions)	March 31, 2014			March 31, 2013		
	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	\$ 1,606	\$ 262	\$ 1,868	\$ 370	\$ 255	\$ 625
Comprehensive income:						
Net income (loss)	(51	) 7	(44	) 33	6	39
Foreign currency translation (net of tax of \$0 in 2014 and \$0 in 2013)	(6	) (1	) (7	) (40	) (2	) (42
Reclassification adjustment for amounts recognized in income (net of tax of \$0 in 2014 and \$0 in 2013)	—	—	—	1	—	1
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost (net of tax of \$2 in 2014 and \$4 in 2013)	31	—	31	59	—	59
Decrease (increase) in net actuarial losses (net of tax of \$0 in 2014 and \$0 in 2013)	8	—	8	96	—	96
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures (net of tax of \$0 in 2014 and \$0 in 2013)	38	—	38	—	—	—
Deferred derivative gains (losses) (net of tax of \$0 in 2014 and \$0 in 2013)	(2	) —	(2	) 3	—	3
Reclassification adjustment for amounts recognized in income (net of tax of \$0 in 2014 and \$0 in 2013)	1	—	1	—	—	—
Unrealized investment gains (losses) (net of tax of \$0 in 2014 and \$0 in 2013)	(5	) —	(5	) 17	—	17
Other comprehensive income (loss)	65	(1	) 64	136	(2	) 134
Total comprehensive income	14	6	20	169	4	173

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Purchase of subsidiary shares from minority interest	(6	) (17	) (23	) (2	) (2	) (4	)
Dividends declared to minority shareholders	—	(7	) (7	) —	(2	) (2	)
Stock-based compensation plans (Note 10)	6	—	6	4	—	4	
Repurchase of common stock (Note 12)	(32	) —	(32	) —	—	—	
Dividends declared (Note 12)	(19	) —	(19	) (7	) —	(7	)
Common stock issued from treasury	24	—	24	2	—	2	
Other	—	—	—	—	(4	) (4	)
Balance at end of period	\$ 1,593	\$ 244	\$ 1,837	\$ 536	\$ 251	\$ 787	

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The following table presents changes in Minority Equity presented outside of Shareholders' Equity:  
Three Months Ended  
March 31,