GOODYEAR TIRE & RUBBER CO /OH/
Form 10-Q
October 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 September 30, 2014
Commission File Number: 1-1927
THE GOODYEAR TIRE & RUBBER COMPANY
(Exact Name of Registrant as Specified in Its Charter)

Ohio	34-0253240
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
200 Innovation Way, Akron, Ohio	44316-0001
(Address of Principal Executive Offices)	(Zip Code)

(330) 796-2121
(Registrant's Telephone Number, Including Area 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 þ No o
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 þ No o
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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ
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, 2014:	274,562,504

TABLE OF CONTENTS

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)	2014	2013	2014	2013
Net Sales	$4,657	$5,002	$13,782	$14,749
Cost of Goods Sold	3,516	3,946	10,566	11,732
Selling, Administrative and General Expense	653	686	2,018	2,022
Rationalizations (Note 2)	15	21	80	41
Interest Expense	108	100	315	287
Other Expense (Note 3)	66	—	242	112
Income before Income Taxes	299	249	561	555
United States and Foreign Taxes (Note 4)	100	54	168	136
Net Income	199	195	393	419
Less: Minority Shareholders' Net Income	38	22	70	25
Goodyear Net Income	161	173	323	394
Less: Preferred Stock Dividends	—	7	7	22
Goodyear Net Income available to Common Shareholders	$161	$166	$316	$372
Goodyear Net Income available to Common Shareholders — Per Share of Common Stock				
Basic	$0.58	$0.67	$1.18	$1.51
Weighted Average Shares Outstanding (Note 5)	275	246	266	246
Diluted	$0.58	$0.62	$1.15	$1.43
Weighted Average Shares Outstanding (Note 5)	279	278	280	276
Cash Dividends Declared Per Common Share	$0.06	0.05	$0.16	$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 September 30,		Nine Months Ended September 30,	
(In millions)	2014	2013	2014	2013
Net Income	$199	$195	$393	$419
Other Comprehensive Income:				
Foreign currency translation, net of tax of $0 and $0 in 2014 ($0 and $0 in 2013)	(185)	39	(170)	(116)
Reclassification adjustment for amounts recognized in income, net of tax of $0 and $0 in 2014 ($0 and $0 in 2013)	4	—	2	1
Defined benefit plans:				
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of $2 and $5 in 2014 ($1 and $8 in 2013)	25	54	82	174
Decrease in net actuarial losses, net of tax of $0 and $3 in 2014 ($0 and $2 in 2013)	6	—	30	124
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 2014 ($0 and $0 in 2013)	1	1	43	2
Prior service credit (cost) from plan amendments, net of tax of $0 and $0 in 2014 ($0 and $0 in 2013)	(1)	—	(1)	—
Deferred derivative gains (losses), net of tax of $1 and $0 in 2014 ($0 and $1 in 2013)	11	(5)	10	1
Reclassification adjustment for amounts recognized in income, net of tax of $0 and $0 in 2014 ($0 and $1 in 2013)	—	1	1	2
Unrealized investment gains (losses), net of tax of $0 and $0 in 2014 ($0 and $0 in 2013)	(1)	(3)	—	12
Other Comprehensive Income (Loss)	(140)	87	(3)	200
Comprehensive Income	59	282	390	619
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	(13)	41	38	28
Goodyear Comprehensive Income	$72	$241	$352	$591

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, 2014	December 31, 2013
Assets:		
Current Assets:		
Cash and Cash Equivalents	$1,744	$2,996
Accounts Receivable, less Allowance — $96 ($99 in 2013)	3,021	2,435
Inventories:		
Raw Materials	584	592
Work in Process	161	164
Finished Products	2,179	2,060
	2,924	2,816
Prepaid Expenses and Other Current Assets	358	397
Total Current Assets	8,047	8,644
Goodwill	623	668
Intangible Assets	135	138
Deferred Income Taxes	105	157
Other Assets	654	600
Property, Plant and Equipment, less Accumulated Depreciation — $9,189 ($9,158 in 2013)	7,092	7,320
Total Assets	$16,656	$17,527
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	$2,827	$3,097
Compensation and Benefits (Notes 9 and 10)	774	758
Other Current Liabilities	1,036	1,083
Notes Payable and Overdrafts (Note 7)	38	14
Long Term Debt and Capital Leases due Within One Year (Note 7)	98	73
Total Current Liabilities	4,773	5,025
Long Term Debt and Capital Leases (Note 7)	6,719	6,162
Compensation and Benefits (Notes 9 and 10)	1,307	2,673
Deferred and Other Noncurrent Income Taxes	243	256
Other Long Term Liabilities	916	966
Total Liabilities	13,958	15,082
Commitments and Contingent Liabilities (Note 11)		
Minority Shareholders' Equity (Note 1)	595	577
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Preferred Stock, no par value: (Note 12)		
Authorized, 50 million shares, Outstanding shares — none in 2014 (10 million in 2013), liquidation preference $50 per share	—	500
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares — 275 million (248 million in 2013) after deducting 3 million treasury shares (3 million in 2013)	275	248
Capital Surplus	3,275	2,847

Retained Earnings	2,231	1,958
Accumulated Other Comprehensive Loss	(3,919)	(3,947)
Goodyear Shareholders' Equity	1,862	1,606
Minority Shareholders' Equity — Nonredeemable	241	262
Total Shareholders' Equity	2,103	1,868
Total Liabilities and Shareholders' Equity	$16,656	$17,527

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

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

	Nine Months Ended September 30,	
	2014	2013
Cash Flows from Operating Activities:		
Net Income	$393	$419
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	553	539
Amortization and Write-Off of Debt Issuance Costs	12	13
Deferred Income Taxes	61	3
Net Pension Curtailments and Settlements	39	—
Net Rationalization Charges (Note 2)	80	41
Rationalization Payments	(169)	(60)
Net (Gains) Losses on Asset Sales (Note 3)	4	(6)
Pension Contributions and Direct Payments	(1,292)	(1,072)
Net Venezuela Currency Remeasurement Loss (Note 3)	155	115
Customer Prepayments and Government Grants	5	32
Insurance Proceeds	4	17
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(675)	(728)
Inventories	(226)	249
Accounts Payable — Trade	(69)	(26)
Compensation and Benefits	103	215
Other Current Liabilities	(5)	(12)
Other Assets and Liabilities	88	(37)
Total Cash Flows from Operating Activities	(939)	(298)
Cash Flows from Investing Activities:		
Capital Expenditures	(634)	(734)
Asset Dispositions (Note 3)	6	8
Decrease in Restricted Cash	6	3
Short Term Securities Acquired	(72)	(89)
Short Term Securities Redeemed	82	81
Other Transactions	7	6
Total Cash Flows from Investing Activities	(605)	(725)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	52	30
Short Term Debt and Overdrafts Paid	(24)	(89)
Long Term Debt Incurred	1,739	2,152
Long Term Debt Paid	(1,054)	(660)
Common Stock Issued	41	16
Common Stock Repurchased (Note 12)	(97)	(1)
Common Stock Dividends Paid (Note 12)	(43)	—
Preferred Stock Dividends Paid (Note 12)	(15)	(22)
Transactions with Minority Interests in Subsidiaries	(36)	(10)
Debt Related Costs and Other Transactions	—	(16)
Total Cash Flows from Financing Activities	563	1,400

Effect of Exchange Rate Changes on Cash and Cash Equivalents	(271)	(158)
Net Change in Cash and Cash Equivalents	(1,252)	219
Cash and Cash Equivalents at Beginning of the Period	2,996	2,281
Cash and Cash Equivalents at End of the Period	$1,744	$2,500

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

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 a 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 and nine months ended September 30, 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 August 2014, the Financial Accounting Standards Board (“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 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 fiscal years and interim periods beginning 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. The standards update is effective for fiscal years beginning after December 15, 2016, and early adoption is not permitted. We are currently evaluating the impact of adopting this standards update on our consolidated financial statements.

In April 2014, the FASB issued 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 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.

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

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.

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)	65	42	107
Reversed to the Statements of Operations	(5)	—	(5)
Incurred, Net of Foreign Currency Translation of $(14) million and $0 million, respectively	(152)	(38)	(190)
Balance at September 30, 2014	$140	$9	$149

(1) Charges in the first nine months of 2014 of $107 million exclude $22 million of pension curtailment gains recorded in Rationalizations in the Statement of Operations.

Significant rationalization actions initiated in 2014 consisted primarily of manufacturing headcount reductions related to Europe, Middle East and Africa's ("EMEA") plans to improve operating efficiency. In addition, EMEA, Latin America and Asia Pacific also initiated plans to reduce selling, administrative and general ("SAG") headcount.

The accrual balance of $149 million at September 30, 2014 is expected to be substantially utilized within the next 12 months and includes $103 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.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
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,	
	2014	2013	2014	2013
Current Year Plans				
Associate Severance and Other Related Costs	$8	$11	$17	$16
Other Exit and Non-Cancelable Lease Costs	—	2	1	2
Current Year Plans - Net Charges	$8	$13	$18	$18
Prior Year Plans				
Associate Severance and Other Related Costs	$(2)	$3	$43	$9
Pension Curtailment Gain	—	—	(22)	—
Other Exit and Non-Cancelable Lease Costs	9	5	41	14
Prior Year Plans - Net Charges	7	8	62	23
Total Net Charges	$15	$21	$80	$41
Asset Write-off and Accelerated Depreciation Charges	$—	$5	$3	$15

Substantially all of the new charges for the three and nine months ended September 30, 2014 and 2013 related to future cash outflows. 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, and net charges for the three and nine months ended September 30, 2013 included reversals of $4 million and $11 million, respectively, 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 September 30, 2014. In the first nine months of 2014, approximately 1,400 associates were released under plans initiated in prior years, primarily related to the plan to exit the farm tire business in EMEA and the closure of one of our manufacturing facilities in Amiens, France. In total, approximately 400 associates remain to be released under rationalization plans. At September 30, 2014, approximately 600 former associates of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims against us. We are currently unable to estimate the number and amount of the claims that may ultimately be asserted against us, but intend to vigorously defend any such claims.

Accelerated depreciation charges for the three and nine months ended September 30, 2014 related to property and equipment in one of our manufacturing facilities in the U.K. Accelerated depreciation charges for the three and nine months ended September 30, 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”).

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

NOTE 3. OTHER EXPENSE

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2014	2013	2014	2013
Net foreign currency exchange (gains) losses	$31	$(2)	$182	$116
Financing fees and financial instruments	17	14	46	41
Royalty income	(9)	(10)	(27)	(39)
Interest income	(4)	(6)	(23)	(18)
General and product liability — discontinued products	4	4	21	12
Net (gains) losses on asset sales	7	(3)	4	(6)
Miscellaneous	20	3	39	6
	$66	$—	$242	$112

Net foreign currency exchange losses in the three months ended September 30, 2014 were $31 million, primarily in Venezuela, compared to net gains of $2 million in the three months ended September 30, 2013. 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 4, 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 nine months ended September 30, 2014 and 2013 were $182 million and $116 million, respectively, which included net remeasurement losses of $155 million and $115 million, respectively, 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 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. 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 12.0 bolivares fuertes to the U.S. dollar at January 24, 2014 and September 30, 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 first quarter $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 would be transacted at the SICAD I rate and, therefore, in 2014 we have recorded a net remeasurement loss of $155 million, including a first quarter loss of $157 million using the SICAD I rate. All bolivar-denominated monetary assets and liabilities were remeasured at 12.0 and 6.3 bolivares fuertes to the U.S. dollar at September 30, 2014 and December 31, 2013, respectively.

We also recorded a subsidy receivable at January 24, 2014 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. Effective September 9, 2014, the official exchange rate for settling purchases of certain finished goods changed from 6.3 bolivares fuertes to the U.S. dollar to the SICAD I rate and, accordingly, in the third quarter of 2014, we derecognized $5 million of the subsidy receivable, which is included in the net remeasurement loss of $155 million for the nine months ended September 30, 2014. At September 30, 2014, the subsidy receivable was $44 million. A portion of this subsidy will reduce cost of goods sold in periods when the related inventory is sold.

Royalty income in the nine months ended September 30, 2014 was $27 million, compared to $39 million in the nine months ended September 30, 2013. Royalty income in 2013 included a one-time royalty of $8 million related to chemical operations. Royalty income is derived primarily from licensing arrangements related to divested businesses.

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

Interest income in the nine months ended September 30, 2014 was $23 million, compared to interest income of $18 million in the nine months ended September 30, 2013. Interest income in 2014 included $9 million earned on the settlement of indirect tax claims in Latin America.

Miscellaneous expense in the three and nine months ended September 30, 2014 included charges of $3 million and $20 million, respectively, and in the three and nine months ended September 30, 2013 included charges of $1 million and $6 million, respectively, for labor claims related to a previously closed facility in EMEA. 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 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 general and product liability — discontinued products expense which includes charges for claims against us related primarily to asbestos personal injury claims, net of probable insurance recoveries.

NOTE 4. INCOME TAXES

For the three months ended September 30, 2014, we recorded tax expense of $100 million on income before income taxes of $299 million. For the nine months ended September 30, 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 a recently enacted law change in Chile. For the three months ended September 30, 2013, we recorded tax expense of $54 million on income before income taxes of $249 million. For the nine months ended September 30, 2013, we recorded tax expense of $136 million on income before income taxes of $555 million. Income tax expense for the nine months ended September 30, 2013 was favorably impacted by $5 million due primarily to newly enacted law changes.

We record taxes based on overall estimated annual effective tax rates. In addition to the discrete items noted above, the differences between our effective tax rate and the U.S. statutory rate in both years were primarily attributable to the full valuation allowance on our U.S. and certain foreign deferred tax assets. In 2013, the difference between our effective tax rate and the U.S. statutory rate was also attributable to charges that are not deductible for tax purposes related to the devaluation of the bolivar fuerte in Venezuela.

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 U.S. results for the last seven quarters 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 the remainder of 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 within the next twelve months. This may result in a reduction of the valuation allowance by up to $105 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 twelve 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.

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

NOTE 5. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2014	2013	2014	2013
Earnings per share — basic:				
Goodyear net income	$161	$173	$323	$394
Less: Preferred stock dividends	—	7	7	22
Goodyear net income available to common shareholders	$161	$166	$316	$372
Weighted average shares outstanding	275	246	266	246
Earnings per common share — basic	$0.58	$0.67	$1.18	$1.51
Earnings per share — diluted:				
Goodyear net income	$161	$173	$323	$394
Less: Preferred stock dividends	—	—	—	—
Goodyear net income available to common shareholders	$161	$173	$323	$394
Weighted average shares outstanding	275	246	266	246
Dilutive effect of mandatory convertible preferred stock	—	27	9	27
Dilutive effect of stock options and other dilutive securities	4	5	5	3
Weighted average shares outstanding — diluted	279	278	280	276
Earnings per common share — diluted	$0.58	$0.62	$1.15	$1.43

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, and for the three and nine months ended September 30, 2013 excludes approximately 4 million and 5 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.

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

NOTE 6. BUSINESS SEGMENTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2014	2013	2014	2013
Sales:				
North America	$2,057	$2,186	$5,980	$6,553
Europe, Middle East and Africa	1,618	1,752	4,874	4,936
Latin America	451	527	1,362	1,571
Asia Pacific	531	537	1,566	1,689
Net Sales	$4,657	$5,002	$13,782	$14,749
Segment Operating Income:				
North America	$210	$161	$574	$492
Europe, Middle East and Africa	181	115	408	197
Latin America	49	89	150	231
Asia Pacific	80	66	221	241
Total Segment Operating Income	520	431	1,353	1,161
Less:				
Rationalizations	15	21	80	41
Interest expense	108	100	315	287
Other expense	66	—	242	112
Asset write-offs and accelerated depreciation	—	5	3	15
Corporate incentive compensation plans	23	34	69	79
Pension curtailments/settlements	—	—	33	—
Intercompany profit elimination	(5)	5	4	5
Retained expenses of divested operations	4	7	11	17
Other [(1)]	10	10	35	50
Income before Income Taxes	$299	$249	$561	$555

(1) For the three and nine months ended September 30, 2014, Other includes the elimination of $6 million and $18 million, respectively, of royalty income attributable to the strategic business units, compared to $7 million and $30 million, respectively, for the three and nine months ended September 30, 2013.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2014	2013	2014	2013
Rationalizations:				
North America	$—	$1	$(1)	$8
Europe, Middle East and Africa	11	9	69	15
Latin America	2	2	3	4
Asia Pacific	2	9	9	14
Total Segment Rationalizations	$15	$21	$80	$41
Net (Gains) Losses on Asset Sales:				
North America	$—	$(2)	$(1)	$(4)
Europe, Middle East and Africa	7	—	7	2
Asia Pacific	—	(1)	—	(4)
Total Segment Asset Sales	$7	$(3)	$6	$(6)
Corporate	—	—	(2)	—
	$7	$(3)	$4	$(6)
Asset Write-offs and Accelerated Depreciation:				
Europe, Middle East and Africa	$—	$5	$3	$15
Total Segment Asset Write-offs and Accelerated Depreciation	$—	$5	$3	$15

NOTE 7. FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

At September 30, 2014, we had total credit arrangements of $9,165 million, of which $1,982 million were unused. At that date, 38% of our debt was at variable interest rates averaging 5.40%.

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

At September 30, 2014, we had short term committed and uncommitted credit arrangements totaling $453 million, of which $415 million were unused. These arrangements are available primarily to certain of our foreign subsidiaries through various banks at quoted market interest rates.

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

The following table presents amounts due within one year:

(In millions)	September 30, 2014		December 31, 2013	
Notes payable and overdrafts	$38		$14	
Weighted average interest rate	9.85	%	3.40	%
Long term debt and capital leases due within one year				
Other domestic and international debt (including capital leases)	$98		$73	
Weighted average interest rate	8.54	%	6.91	%
Total obligations due within one year	$136		$87	

Long Term Debt and Capital Leases and Financing Arrangements
At September 30, 2014, we had long term credit arrangements totaling $8,712 million, of which $1,567 million were unused.
The following table presents long term debt and capital leases, net of unamortized discounts, and interest rates:

	September 30, 2014			December 31, 2013		
(In millions)	Amount	Interest Rate		Amount	Interest Rate	
Notes:						
6.75% Euro Notes due 2019	$315			$344		
8.25% due 2020	995			995		
8.75% due 2020	269			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	—	—		—	—	
$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	353	2.52	%	—	—	
Pan-European accounts receivable facility	348	2.82	%	207	3.19	%
Chinese credit facilities	533	5.89	%	537	5.86	%
Other foreign and domestic debt(1)	1,007	8.38	%	878	8.97	%
	6,765			6,173		
Capital lease obligations	52			62		
	6,817			6,235		
Less portion due within one year	(98)			(73)		
	$6,719			$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.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
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, 2014, our borrowing base, and therefore our availability, under this facility was $437 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, 2014 and December 31, 2013, there were no borrowings outstanding under the first lien revolving credit facility. Letters of credit issued totaled $377 million at September 30, 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 September 30, 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 September 30, 2014, the amounts outstanding under the German and all-borrower tranche were $126 million (€100 million) and $227 million (€180 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 $4 million (€3 million) at September 30, 2014 and $5 million (€3 million) at December 31, 2013.

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

Accounts Receivable Securitization Facilities (On-Balance Sheet)
On September 25, 2014, GDTE and certain other of our European subsidiaries amended and restated the definitive agreements for our pan-European accounts receivable securitization facility. The most significant changes to the facility are an extension of the term through 2019 and 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. Until October 17, 2014, the maximum amount of the facility was €450 million, and from October 17, 2014 to October 15, 2015, the designated maximum amount of the facility is €380 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, 2015.
At September 30, 2014, the amounts available and utilized under this program totaled $348 million (€276 million). At December 31, 2013, the amounts available and utilized under this program totaled $386 million (€280 million) and $207 million (€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 $74 million (85 million Australian dollars) of funding. At September 30, 2014, the amounts available and utilized under this program were $45 million. 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 September 30, 2014, the gross amount of receivables sold was $306 million, compared to $301 million at December 31, 2013.
Chinese Credit Facilities
A Chinese subsidiary has several financing arrangements in China. At September 30, 2014, these non-revolving credit facilities were fully drawn. There were $533 million and $537 million of borrowings outstanding under these facilities at September 30, 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 $5 million and $11 million at September 30, 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 may be used to reduce exposure to currency movements affecting existing foreign currency-denominated assets, liabilities, firm commitments and forecasted

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

transactions resulting primarily from, among other things, 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)	September 30, 2014	December 31, 2013
Fair Values — asset (liability):		
Accounts receivable	$17	$3
Other current liabilities	(3)	(17)

At September 30, 2014 and December 31, 2013, these outstanding foreign currency derivatives had notional amounts of $761 million and $1,231 million, respectively, and were primarily related to intercompany loans. Other Expense included net transaction gains of $38 million and $33 million for the three and nine months ended September 30, 2014, respectively, compared to net transaction losses of $28 million and $21 million for the three and nine months ended September 30, 2013, respectively. These amounts were substantially offset in Other 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, 2014	December 31, 2013
Fair Values — asset (liability):		
Accounts receivable	$8	$3
Other current liabilities	—	(3)

At September 30, 2014 and December 31, 2013, these outstanding foreign currency derivatives had notional amounts of $149 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 information related to foreign currency contracts designated as cash flow hedging instruments (before tax and minority):

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions) (Income) Expense	2014	2013	2014	2013
Amounts deferred to Accumulated Other Comprehensive Loss ("AOCL")	$(12)	$5	$(10)	$(2)
Amount of deferred (gain) loss reclassified from AOCL into CGS	—	1	1	3
Amounts excluded from effectiveness testing	—	—	1	—

The estimated amount of deferred gains at September 30, 2014 that is expected to be reclassified to earnings within the next twelve months is $8 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.

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

NOTE 8. FAIR VALUE MEASUREMENTS
The following table presents information about assets and liabilities recorded at fair value on the Consolidated Balance Sheets at September 30, 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)	
(In millions)	2014	2013	2014	2013	2014	2013	2014	2013
Assets:								
Investments	$53	$53	$53	$53	$—	$—	$—	$—
Foreign Exchange Contracts	25	6	—	—	25	6	—	—
Total Assets at Fair Value	$78	$59	$53	$53	$25	$6	$—	$—
Liabilities:								
Foreign Exchange Contracts	$3	$20	$—	$—	$3	$20	$—	$—
Total Liabilities at Fair Value	$3	$20	$—	$—	$3	$20	$—	$—

The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding capital leases, at September 30, 2014 and December 31, 2013. The fair value was estimated using quoted market prices.

(In millions)	September 30, 2014	December 31, 2013
Fixed Rate Debt:		
Carrying amount — liability	$4,157	$4,090
Fair value — liability	4,438	4,414
Variable Rate Debt:		
Carrying amount — liability	$2,608	$2,083
Fair value — liability	2,608	2,095

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

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 September 30,		U.S. Nine Months Ended September 30,	
(In millions)	2014	2013	2014	2013
Service cost — benefits earned during the period	$1	$11	$14	$34
Interest cost on projected benefit obligation	64	61	192	182
Expected return on plan assets	(77)	(84)	(234)	(252)
Amortization of: — prior service cost	—	4	1	13
— net losses	27	51	87	154
Net periodic pension cost	15	43	60	131
Net curtailments/settlements/termination benefits	—	—	32	—
Total defined benefit pension cost	$15	$43	$92	$131

	Non-U.S. Three Months Ended September 30,		Non-U.S. Nine Months Ended September 30,	
(In millions)	2014	2013	2014	2013
Service cost — benefits earned during the period	$8	$10	$26	$30
Interest cost on projected benefit obligation	32	32	100	97
Expected return on plan assets	(29)	(27)	(90)	(83)
Amortization of: — prior service cost	1	—	1	1
— net losses	9	7	27	37
Net periodic pension cost	21	22	64	82
Net curtailments/settlements/termination benefits	—	2	(14)	4
Total defined benefit pension cost	$21	$24	$50	$86

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. 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 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 announcement of 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.

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

In the first quarter of 2014, we 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 $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. For the nine months ended September 30, 2014, we contributed $1,167 million to our U.S. plans, all of which was contributed in the first quarter. For the three and nine months ended September 30, 2014, we contributed $26 million and $98 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, 2014 and 2013 was $30 million and $34 million, respectively, and $85 million and $83 million, for the nine months ended September 30, 2014 and 2013, respectively. Expense recognized for the three and nine months ended September 30, 2013 includes a one-time contribution of $13 million related to our USW agreement.

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, 2014 and 2013 was $(4) million and $(3) million, respectively, and $(11) million and $(7) million for the nine months ended September 30, 2014 and 2013, respectively.

NOTE 10. STOCK COMPENSATION PLANS

Our Board of Directors granted 0.7 million stock options, 0.2 million restricted stock units and 0.1 million performance share units during the nine months ended September 30, 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 nine months ended September 30, 2014 were $26.29 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 $26.32 for restricted stock units and $29.00 for performance share units granted during the nine months ended September 30, 2014.

We recognized stock-based compensation expense of $2 million and $14 million during the three and nine months ended September 30, 2014, respectively. At September 30, 2014, unearned compensation cost related to the unvested portion of all stock-based awards was approximately $29 million and is expected to be recognized over the remaining vesting period of the respective grants, through August 2018. We recognized stock-based compensation expense of $8 million and $16 million during the three and nine months ended September 30, 2013, respectively.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Environmental Matters

We have recorded liabilities totaling $47 million and $45 million at September 30, 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, $9 million and $11 million were included in Other Current Liabilities at September 30, 2014 and December 31, 2013, respectively. 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

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

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 $312 million and $310 million for anticipated costs related to workers' compensation at September 30, 2014 and December 31, 2013, respectively. Of these amounts, $80 million and $79 million was included in Current Liabilities as part of Compensation and Benefits at September 30, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, the liability was discounted using a risk-free rate of return. At September 30, 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 $323 million and $305 million, including related legal fees expected to be incurred, for potential product liability and other tort claims, including asbestos claims, at September 30, 2014 and December 31, 2013, respectively. Of these amounts, $41 million and $45 million were included in Other Current Liabilities at September 30, 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 September 30, 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 109,000 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 $451 million through September 30, 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.

(Dollars in millions)	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
Pending claims, beginning of period	74,000	73,200
New claims filed	1,500	2,600
Claims settled/dismissed	(1,600)	(1,800)
Pending claims, end of period	73,900	74,000
Payments (1)	$14	$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 $150 million and $145 million at September 30, 2014 and December 31, 2013, respectively.

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

We recorded a receivable related to asbestos claims of $70 million and $75 million as of September 30, 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, $11 million were included in Current Assets as part of Accounts Receivable at both September 30, 2014 and December 31, 2013. 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 September 30, 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 $38 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.

Greek Labor Cases

Approximately 320 former employees of a factory in Thessaloniki, Greece that was closed in 1996 sued Goodyear Dunlop Tires Hellas S.A.I.C. (“Goodyear Dunlop Greece”) seeking compensation in arrears alleging the absence of consultation prior to the closure under applicable European law. The Greek courts have issued judgments affirming Goodyear Dunlop Greece's liability to pay salaries in arrears (less incomes earned in other capacities) with respect to the 5-1/2 year period following the plant closure and permitting a reduction in the amount of that liability to the extent of severance payments previously paid to the former employees. Goodyear Dunlop Greece's remaining liability with respect to these judgments is currently estimated to be up to approximately €37 million ($47 million), which includes salaries in arrears, interest and related payroll taxes. In addition, Goodyear Dunlop Greece may be required to pay social security contributions up to €26 million ($33 million) related to any salaries in arrears it must ultimately pay. In March 2013, the former employees filed a separate claim for severance payments totaling approximately €12 million ($15 million). Goodyear Dunlop Greece has entered into settlement discussions with its former employees, the ultimate outcome of which cannot be predicted at this time. We do not expect the outcome of this matter to materially affect our future results of operations.

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.

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

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 $9 million at September 30, 2014, compared to $14 million at December 31, 2013. 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 12. 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
In the first nine months of 2014, we paid cash dividends of $15 million on our mandatory convertible preferred stock. No further dividends will be paid on our preferred stock following the conversion into shares of common stock on April 1, 2014.
In the first nine months of 2014, we paid cash dividends of $43 million on our common stock. On October 6, 2014, the Board of Directors (or a duly authorized committee thereof) declared cash dividends of $0.06 per share of common stock, or approximately $16 million in the aggregate. The dividend will be paid on December 1, 2014 to stockholders of record as of the close of business on October 31, 2014. Future quarterly dividends are subject to Board

approval.

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

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 2014, we repurchased 1,200,000 shares at an average price, including commissions, of $24.75 per share, or $30 million in the aggregate. During the first nine months of 2014, we repurchased 3,200,000 shares at an average price, including commissions, of $26.03 per share, or $83 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 third quarter of 2014, we repurchased 114,580 shares at an average price of $26.20 per share, or $3 million in the aggregate. During the first nine months of 2014, we repurchased 536,829 shares at an average price of $26.69 per share, or $14 million in the aggregate.

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

NOTE 13. CHANGES IN SHAREHOLDERS' EQUITY
The following tables present the changes in shareholders' equity for the nine months ended September 30, 2014 and 2013:

	September 30, 2014			September 30, 2013		
(In millions)	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	323	20	343	394	26	420
Foreign currency translation (net of tax of $0 in 2014 and $0 in 2013)	(117)	(10)	(127)	(111)	(15)	(126)
Reclassification adjustment for amounts recognized in income (net of tax of $0 in 2014 and $0 in 2013)	2	—	2	1	—	1
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost (net of tax of $5 in 2014 and $8 in 2013)	79	—	79	168	—	168
Decrease (increase) in net actuarial losses (net of tax of $3 in 2014 and $2 in 2013)	18	—	18	122	—	122
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)	39	—	39	2	—	2
Prior service credit (cost) from plan amendments (net of tax of $0 in 2014 and $0 in 2013)	(1)	—	(1)	—	—	—
Deferred derivative gains (losses) (net of tax of $1 in 2014 and $1 in 2013)	8	—	8	1	—	1
Reclassification adjustment for amounts recognized in income (net of tax of $0 in 2014 and $1 in 2013)	1	—	1	2	—	2
	—	—	—	12	—	12

Unrealized investment gains (losses) (net of tax of $0 in 2014 and $0 in 2013)						
Other comprehensive income (loss)	29	(10)	19	197	(15)	182
Total comprehensive income	352	10	362	591	11	602
Purchase of subsidiary shares from minority interest	(5)	(18)	(23)	(2)	(2)	(4)
Dividends declared to minority shareholders	—	(15)	(15)	—	(9)	(9)
Stock-based compensation plans (Note 10)	15	—	15	12	—	12
Repurchase of common stock (Note 12)	(97)	—	(97)	—	—	—
Dividends declared (Note 12)	(50)	—	(50)	(34)	—	(34)
Common stock issued from treasury	41	—	41	15	—	15
Other	—	2	2	—	(4)	(4)
Balance at end of period	$1,862	$ 241	$2,103	$952	$ 251	$1,203

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2014	2013	2014	2013
Balance at beginning of period	$613	$520	$577	$534
Comprehensive income (loss):				
Net income (loss)	31	12	50	(1)
Foreign currency translation, net of tax of $0 and $0 in 2014 ($0 and $0 in 2013)	(41)	18	(43)	10
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of $0 and $0 in 2014 ($0 and $0 in 2013)	1	2	3	6
Decrease (increase) in net actuarial losses, net of tax of $0 and $0 in 2014 ($0 and $0 in 2013)	—	—	12	2
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 2014 ($0 and $0 in 2013)	—	—	4	—
Deferred derivative gains (losses), net of tax of $(1) and $(1) in 2014 ($0 and $0 in 2013)	2	(1)	2	—
Reclassification adjustment for amounts recognized in income, net of tax of $0 and $0 in 2014 ($0 and $0 in 2013)	(1)	—	—	—
Other comprehensive income (loss)	(39)	19	(22)	18
Total comprehensive income (loss)	(8)	31	28	17
Dividends declared to minority shareholders	(10)	(11)	(10)	(11)
Balance at end of period	$595	$540	$595	$540

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

NOTE 14. 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, 2014 and 2013:

(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, 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)

	Foreign Currency Translation Adjustment	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Unrealized Investment Gains	Total
Balance at December 31, 2012	$(538)	$(4,044)	$(4)	$26	$(4,560)
Other comprehensive income (loss) before reclassifications	(111)	122	1	12	24
Amounts reclassified from accumulated other comprehensive loss	1	170	2	—	173
Balance at September 30, 2013	$(648)	$(3,752)	$(1)	$38	$(4,363)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,		
(In millions) (Income) Expense	2014	2013	2014	2013	
Component of AOCL	Amount Reclassified from AOCL		Amount Reclassified from AOCL		Affected Line Item in the Consolidated Statements of Operations
Foreign Currency Translation Adjustment, before tax	$4	$—	$2	$1	Other Expense
Tax effect	—	—	—	—	United States and Foreign Taxes
Minority interest	—	—	—	—	Minority Shareholders' Net Income
Net of tax	$4	$—	$2	$1	Goodyear Net Income
Amortization of prior service cost and unrecognized gains and losses	$27	$55	$87	$182	Total Benefit Cost
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures	1	1	43	2	Total Benefit Cost
Unrecognized Net Actuarial Losses and Prior Service Costs, before tax	$28	$56	$130	$184	
Tax effect	(2)	(1)	(5)	(8)	United States and Foreign Taxes
Minority interest	(1)	(2)	(7)	(6)	Minority Shareholders' Net Income
Net of tax	$25	$53	$118	$170	Goodyear Net Income
Deferred Derivative (Gains) Losses, before tax	$—	$1	$1	$3	Cost of Goods Sold
Tax effect	—	—	—	(1)	United States and Foreign Taxes
Minority interest	1	—	—	—	Minority Shareholders' Net Income
Net of tax	$1	$1	$1	$2	Goodyear Net Income
Total reclassifications	$30	$54	$121	$173	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. 9, Pension, Savings and Other Postretirement Benefit Plans in this Form 10-Q and No. 16, Pension, Other Postretirement Benefits and Savings Plans, in our 2013 Form 10-K.

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

NOTE 15. 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;
(iv) 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.

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

	Condensed Consolidating Balance Sheet September 30, 2014				
(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets:					
Current Assets:					
Cash and Cash Equivalents	$471	$61	$ 1,212	$—	$1,744
Accounts Receivable	840	249	1,932	—	3,021
Accounts Receivable From Affiliates	—	770	—	(770)	—
Inventories	1,299	153	1,522	(50)	2,924
Prepaid Expenses and Other Current Assets	79	9	265	5	358
Total Current Assets	2,689	1,242	4,931	(815)	8,047
Goodwill	—	24	481	118	623
Intangible Assets	110	—	25	—	135
Deferred Income Taxes	—	20	76	9	105
Other Assets	287	101	266	—	654
Investments in Subsidiaries	4,401	412	—	(4,813)	—
Property, Plant and Equipment	2,246	128	4,745	(27)	7,092
Total Assets	$9,733	$1,927	$ 10,524	$(5,528)	$16,656
Liabilities:					
Current Liabilities:					
Accounts Payable-Trade	$869	$202	$ 1,756	$—	$2,827
Accounts Payable to Affiliates	646	—	124	(770)	—
Compensation and Benefits	372	32	370	—	774
Other Current Liabilities	314	29	696	(3)	1,036
Notes Payable and Overdrafts	—	—	38	—	38
Long Term Debt and Capital Leases Due Within One Year	6	—	92	—	98
Total Current Liabilities	2,207	263	3,076	(773)	4,773
Long Term Debt and Capital Leases	4,375	—	2,344	—	6,719
Compensation and Benefits	486	116	705	—	1,307
Deferred and Other Noncurrent Income Taxes	67	6	177	(7)	243
Other Long Term Liabilities	736	31	149	—	916
Total Liabilities	7,871	416	6,451	(780)	13,958
Commitments and Contingent Liabilities					
Minority Shareholders' Equity	—	—	398	197	595
Shareholders' Equity:					
Goodyear Shareholders' Equity:					
Common Stock	275	—	—	—	275
Other Equity	1,587	1,511	3,434	(4,945)	1,587
Goodyear Shareholders' Equity	1,862	1,511	3,434	(4,945)	1,862
Minority Shareholders' Equity — Nonredeemable	—	—	241	—	241
Total Shareholders' Equity	1,862	1,511	3,675	(4,945)	2,103
Total Liabilities and Shareholders' Equity	$9,733	$1,927	$ 10,524	$(5,528)	$16,656

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

	Condensed Consolidating Balance Sheet December 31, 2013				
(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets:					
Current Assets:					
Cash and Cash Equivalents	$1,269	$94	$ 1,633	$—	$2,996
Accounts Receivable	872	203	1,360	—	2,435
Accounts Receivable From Affiliates	—	733	—	(733)	—
Inventories	1,099	155	1,599	(37)	2,816
Prepaid Expenses and Other Current Assets	68	10	315	4	397
Total Current Assets	3,308	1,195	4,907	(766)	8,644
Goodwill	—	24	517	127	668
Intangible Assets	111	—	27	—	138
Deferred Income Taxes	—	24	121	12	157
Other Assets	288	101	211	—	600
Investments in Subsidiaries	4,325	386	—	(4,711)	—
Property, Plant and Equipment	2,242	140	4,964	(26)	7,320
Total Assets	$10,274	$1,870	$ 10,747	$(5,364)	$17,527
Liabilities:					
Current Liabilities:					
Accounts Payable-Trade	$833	$210	$ 2,054	$—	$3,097
Accounts Payable to Affiliates	275	—	458	(733)	—
Compensation and Benefits	373	33	352	—	758
Other Current Liabilities	347	34	713	(11)	1,083
Notes Payable and Overdrafts	—	—	14	—	14
Long Term Debt and Capital Leases Due Within One Year	8	—	65	—	73
Total Current Liabilities	1,836	277	3,656	(744)	5,025
Long Term Debt and Capital Leases	4,377	—	1,785	—	6,162
Compensation and Benefits	1,613	129	931	—	2,673
Deferred and Other Noncurrent Income Taxes	65	11	188	(8)	256
Other Long Term Liabilities	777	32	157	—	966
Total Liabilities	8,668	449	6,717	(752)	15,082
Commitments and Contingent Liabilities					
Minority Shareholders' Equity	—	—	361	216	577
Shareholders' Equity:					
Goodyear Shareholders' Equity:					
Preferred Stock	500	—	—	—	500
Common Stock	248	—	—	—	248
Other Equity	858	1,421	3,407	(4,828)	858
Goodyear Shareholders' Equity	1,606	1,421	3,407	(4,828)	1,606
Minority Shareholders' Equity — Nonredeemable	—	—	262	—	262
Total Shareholders' Equity	1,606	1,421	3,669	(4,828)	1,868
Total Liabilities and Shareholders' Equity	$10,274	$1,870	$ 10,747	$(5,364)	$17,527

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

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	—	15
Interest Expense	83	7	33	(15)	108
Other (Income) Expense	(14)	(1)	32	49	66
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	72	20	206	1	299
United States and Foreign Taxes	6	5	88	1	100
Equity in Earnings of Subsidiaries	95	21	—	(116)	—
Net Income (Loss)	161	36	118	(116)	199
Less: Minority Shareholders' Net Income (Loss)	—	—	38	—	38
Goodyear Net Income (Loss) available to Common Shareholders	$161	$36	$80	$(116)	$161
Comprehensive Income (Loss)	$72	$34	$(22)	$(25)	$59
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	—	—	4	(17)	(13)
Goodyear Comprehensive Income (Loss)	$72	$34	$(26)	$(8)	$72

Consolidating Statements of Operations
Three Months Ended September 30, 2013

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net Sales	$2,131	$676	$3,246	$(1,051)	$5,002
Cost of Goods Sold	1,810	605	2,620	(1,089)	3,946
Selling, Administrative and General Expense	241	43	409	(7)	686
Rationalizations	1	1	19	—	21
Interest Expense	82	7	28	(17)	100
Other (Income) Expense	(77)	(2)	1	78	—
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	74	22	169	(16)	249
United States and Foreign Taxes	7	7	41	(1)	54
Equity in Earnings of Subsidiaries	106	10	—	(116)	—
Net Income (Loss)	173	25	128	(131)	195
Less: Minority Shareholders' Net Income (Loss)	—	—	22	—	22
Goodyear Net Income (Loss)	173	25	106	(131)	173
Less: Preferred Stock Dividends	7	—	—	—	7
Goodyear Net Income (Loss) available to Common Shareholders	$166	$25	$106	$(131)	$166
Comprehensive Income (Loss)	$241	$23	$164	$(146)	$282
	—	—	33	8	41

Less: Comprehensive Income (Loss) Attributable to Minority Interest					
Goodyear Comprehensive Income (Loss)	$241	$23	$ 131	$(154)	$241

- 31-

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

Consolidating Statements of Operations
Nine Months Ended September 30, 2014

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net Sales	$5,864	$1,927	$9,361	$(3,370)	$13,782
Cost of Goods Sold	4,808	1,734	7,461	(3,437)	10,566
Selling, Administrative and General Expense	679	126	1,219	(6)	2,018
Rationalizations	(1)	—	81	—	80
Interest Expense	249	20	92	(46)	315
Other (Income) Expense	(60)	(10)	170	142	242
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	189	57	338	(23)	561
United States and Foreign Taxes	15	13	139	1	168
Equity in Earnings of Subsidiaries	149	37	—	(186)	—
Net Income (Loss)	323	81	199	(210)	393
Less: Minority Shareholders' Net Income (Loss)	—	—	70	—	70
Goodyear Net Income (Loss)	323	81	129	(210)	323
Less: Preferred Stock Dividends	7	—	—	—	7
Goodyear Net Income (Loss) available to Common Shareholders	$316	$81	$129	$(210)	$316
Comprehensive Income (Loss)	$352	$96	$153	$(211)	$390
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	—	—	57	(19)	38
Goodyear Comprehensive Income (Loss)	$352	$96	$96	$(192)	$352

Consolidating Statements of Operations
Nine Months Ended September 30, 2013

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net Sales	$6,212	$2,024	$9,664	$(3,151)	$14,749
Cost of Goods Sold	5,255	1,813	7,956	(3,292)	11,732
Selling, Administrative and General Expense	695	127	1,212	(12)	2,022
Rationalizations	6	2	33	—	41
Interest Expense	233	22	82	(50)	287
Other (Income) Expense	(204)	2	99	215	112
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	227	58	282	(12)	555
United States and Foreign Taxes	14	41	100	(19)	136
Equity in Earnings of Subsidiaries	181	—	—	(181)	—
Net Income (Loss)	394	17	182	(174)	419
Less: Minority Shareholders' Net Income (Loss)	—	—	25	—	25
Goodyear Net Income (Loss)	394	17	157	(174)	394
Less: Preferred Stock Dividends	22	—	—	—	22
Goodyear Net Income (Loss) available to Common Shareholders	$372	$17	$157	$(174)	$372

Comprehensive Income (Loss)	$ 591	$ 39	$ 111	$ (122)	$ 619
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	—	—	23	5	28
Goodyear Comprehensive Income (Loss)	$ 591	$ 39	$ 88	$ (127)	$ 591

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

	Condensed Consolidating Statement of Cash Flows Nine Months Ended September 30, 2014				
(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Cash Flows from Operating Activities:					
Total Cash Flows from Operating Activities	$(957)	$(11)	$ 71	$(42)	$(939)
Cash Flows from Investing Activities:					
Capital Expenditures	(203)	(14)	(420)	3	(634)
Asset Dispositions	2	1	3	—	6
Decrease (Increase) in Restricted Cash	—	—	6	—	6
Short Term Securities Acquired	—	—	(72)	—	(72)
Short Term Securities Redeemed	—	—	82	—	82
Capital Contributions and Loans Incurred	(211)	—	(452)	663	—
Capital Redemptions and Loans Paid	459	—	244	(703)	—
Other Transactions	1	—	6	—	7
Total Cash Flows from Investing Activities	48	(13)	(603)	(37)	(605)
Cash Flows from Financing Activities:					
Short Term Debt and Overdrafts Incurred	23	—	52	(23)	52
Short Term Debt and Overdrafts Paid	—	(6)	(41)	23	(24)
Long Term Debt Incurred	501	—	1,238	—	1,739
Long Term Debt Paid	(507)	—	(547)	—	(1,054)
Common Stock Issued	41	—	—	—	41
Common Stock Repurchased	(97)	—	—	—	(97)
Common Stock Dividends Paid	(43)	—	—	—	(43)
Preferred Stock Dividends Paid	(15)	—	—	—	(15)
Capital Contributions and Loans Incurred	452	—	211	(663)	—
Capital Redemptions and Loans Paid	(244)	—	(459)	703	—
Intercompany Dividends Paid	—	—	(39)	39	—
Transactions with Minority Interests in Subsidiaries	—	—	(36)	—	(36)
Total Cash Flows from Financing Activities	111	(6)	379	79	563
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	(3)	(268)	—	(271)
Net Change in Cash and Cash Equivalents	(798)	(33)	(421)	—	(1,252)
Cash and Cash Equivalents at Beginning of the Period	1,269	94	1,633	—	2,996
Cash and Cash Equivalents at End of the Period	$471				