

GOODYEAR TIRE & RUBBER CO /OH/

FORM 10-Q (Quarterly Report)

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Industry	Tires & Rubber Products
Sector	Consumer Cyclical
Fiscal Year	12/31

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 June 30, 2017

Commission File Number: 1-1927

THE GOODYEAR TIRE & RUBBER COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Ohio

(State or Other Jurisdiction of
Incorporation or Organization)

34-0253240

(I.R.S. Employer
Identification No.)

200 Innovation Way, Akron, Ohio
(Address of Principal Executive Offices)

44316-0001
(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 No

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

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

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

Number of Shares of Common Stock,
Without Par Value, Outstanding at June 30, 2017:

251,763,670

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
<i>(In millions, except per share amounts)</i>				
Net Sales	\$ 3,686	\$ 3,879	\$ 7,385	\$ 7,570
Cost of Goods Sold	2,792	2,813	5,557	5,514
Selling, Administrative and General Expense	583	593	1,162	1,208
Rationalizations (Note 2)	27	48	56	59
Interest Expense	89	104	176	195
Other (Income) Expense (Note 3)	5	20	5	26
Income before Income Taxes	190	301	429	568
United States and Foreign Taxes Expense (Note 4)	36	93	106	171
Net Income	154	208	323	397
Less: Minority Shareholders' Net Income	7	6	10	11
Goodyear Net Income	\$ 147	\$ 202	\$ 313	\$ 386
Goodyear Net Income — Per Share of Common Stock				
Basic	\$ 0.58	\$ 0.76	\$ 1.24	\$ 1.45
Weighted Average Shares Outstanding (Note 5)	252	264	252	266
Diluted	\$ 0.58	\$ 0.75	\$ 1.23	\$ 1.43
Weighted Average Shares Outstanding (Note 5)	256	268	256	269
Cash Dividends Declared Per Common Share	\$ 0.10	\$ 0.07	\$ 0.20	\$ 0.14

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)

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net Income	\$ 154	\$ 208	\$ 323	\$ 397
Other Comprehensive Income (Loss):				
Foreign currency translation, net of tax of \$16 and \$19 in 2017 ((\$3) and \$14 in 2016)	50	(53)	134	7
Defined benefit plans:				
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of \$11 and \$21 in 2017 (\$8 and \$16 in 2016)	19	16	39	32
(Increase)/Decrease in net actuarial losses, net of tax of \$0 and \$1 in 2017 (\$1 and \$0 in 2016)	(1)	1	3	1
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 2017 and 2016	—	15	—	15
Deferred derivative gains and losses, net of tax of (\$5) and (\$7) in 2017 (\$1 and \$0 in 2016)	(8)	9	(14)	3
Reclassification adjustment for amounts recognized in income, net of tax of \$0 and (\$1) in 2017 ((\$1) and (\$2) in 2016)	(2)	(5)	(3)	(8)
Other Comprehensive Income (Loss)	58	(17)	159	50
Comprehensive Income	212	191	482	447
Less: Comprehensive Income Attributable to Minority Shareholders	14	1	23	13
Goodyear Comprehensive Income	\$ 198	\$ 190	\$ 459	\$ 434

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

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

<i>(In millions)</i>	June 30, 2017	December 31, 2016
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 903	\$ 1,132
Accounts Receivable, less Allowance — \$113 (\$101 in 2016)	2,309	1,769
Inventories:		
Raw Materials	560	436
Work in Process	145	131
Finished Products	2,479	2,060
	<u>3,184</u>	<u>2,627</u>
Prepaid Expenses and Other Current Assets	236	190
Total Current Assets	6,632	5,718
Goodwill	571	535
Intangible Assets	137	136
Deferred Income Taxes (Note 4)	2,361	2,414
Other Assets	700	668
Property, Plant and Equipment, less Accumulated Depreciation — \$9,662 (\$9,125 in 2016)	7,245	7,040
Total Assets	\$ 17,646	\$ 16,511
Liabilities:		
Current Liabilities:		
Accounts Payable — Trade	\$ 2,774	\$ 2,589
Compensation and Benefits (Notes 9 and 10)	567	584
Other Current Liabilities	1,055	963
Notes Payable and Overdrafts (Note 7)	238	245
Long Term Debt and Capital Leases due Within One Year (Note 7)	435	436
Total Current Liabilities	5,069	4,817
Long Term Debt and Capital Leases (Note 7)	5,403	4,798
Compensation and Benefits (Notes 9 and 10)	1,408	1,460
Deferred Income Taxes (Note 4)	86	85
Other Long Term Liabilities	535	626
Total Liabilities	12,501	11,786
Commitments and Contingent Liabilities (Note 11)		
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares — 252 million in 2017 and 2016 after deducting 26 million treasury shares in 2017 and 2016	252	252
Capital Surplus	2,638	2,645
Retained Earnings	6,071	5,808
Accumulated Other Comprehensive Loss	(4,052)	(4,198)
Goodyear Shareholders' Equity	4,909	4,507
Minority Shareholders' Equity — Nonredeemable	236	218
Total Shareholders' Equity	5,145	4,725
Total Liabilities and Shareholders' Equity	\$ 17,646	\$ 16,511

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)

<i>(In millions)</i>	Six Months Ended June 30,	
	2017	2016
Cash Flows from Operating Activities:		
Net Income	\$ 323	\$ 397
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	387	355
Amortization and Write-Off of Debt Issuance Costs	14	20
Provision for Deferred Income Taxes	45	87
Net Pension Curtailments and Settlements	1	14
Net Rationalization Charges (Note 2)	56	59
Rationalization Payments	(54)	(52)
Net (Gains) Losses on Asset Sales (Note 3)	(13)	(1)
Pension Contributions and Direct Payments	(45)	(48)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(470)	(417)
Inventories	(482)	(176)
Accounts Payable — Trade	190	(93)
Compensation and Benefits	(67)	(104)
Other Current Liabilities	27	(68)
Other Assets and Liabilities	(97)	(40)
Total Cash Flows from Operating Activities	(185)	(67)
Cash Flows from Investing Activities:		
Capital Expenditures	(497)	(466)
Asset Dispositions (Note 3)	2	1
Short Term Securities Acquired	(43)	(34)
Short Term Securities Redeemed	43	23
Other Transactions	(3)	—
Total Cash Flows from Investing Activities	(498)	(476)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	290	124
Short Term Debt and Overdrafts Paid	(303)	(36)
Long Term Debt Incurred	3,456	3,283
Long Term Debt Paid	(2,905)	(2,931)
Common Stock Issued	11	3
Common Stock Repurchased (Note 12)	(30)	(150)
Common Stock Dividends Paid (Note 12)	(50)	(38)
Transactions with Minority Interests in Subsidiaries	(5)	(7)
Debt Related Costs and Other Transactions	(38)	(76)
Total Cash Flows from Financing Activities	426	172
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	37	22
Net Change in Cash, Cash Equivalents and Restricted Cash	(220)	(349)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	1,189	1,502
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 969	\$ 1,153

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 and regulations and generally accepted accounting principles in the United States of America ("US GAAP") and in the opinion of management contain all adjustments (including normal recurring adjustments) necessary to fairly state 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, 2016 (the "2016 Form 10-K").

Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results expected in subsequent quarters or for the year ending December 31, 2017 .

Recently Adopted Accounting Standards

Effective January 1, 2017, we adopted an accounting standards update with new guidance on the transition to the equity method of accounting. The new guidance eliminates the requirement for an investor to retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for the equity method. Instead, the investor is required to apply the equity method prospectively from the date the investment qualifies for the equity method. In addition, an entity that has an available-for-sale equity security that becomes qualified for the equity method must recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment qualifies for the equity method. The adoption of this standards update did not impact our consolidated financial statements.

Effective January 1, 2017, we adopted an accounting standards update with new guidance on the measurement of inventory. Inventory within the scope of this update is required to be measured at the lower of its cost or net realizable value, with net realizable value being the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The adoption of this standards update did not impact our consolidated financial statements.

Effective January 1, 2017, we early adopted an accounting standards update with new guidance on how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update provides guidance on eight specific cash flow issues. As a result of the adoption, premiums for debt extinguishment of \$53 million were reclassified from Operating Activities to Financing Activities in the statement of cash flows for the six months ended June 30, 2016. The other seven specific cash flow issues were either not applicable to Goodyear or the treatment has not changed from our current practice.

Effective January 1, 2017, we early adopted an accounting standards update with new guidance on the presentation of restricted cash in the statement of cash flows. The standards update requires that the reconciliation of the beginning and end of period cash amounts shown in the statement of cash flows include restricted cash. When restricted cash is presented separately from cash and cash equivalents on the balance sheet, a reconciliation is required between the amounts presented on the statement of cash flows and the balance sheet. Also, the new guidance requires the disclosure of information about the nature of the restrictions. The restricted cash balances as of June 30, 2017, December 31, 2016, and June 30, 2016 were \$66 million , \$57 million and \$15 million , respectively.

Recently Issued Accounting Standards

In May 2017, the Financial Accounting Standards Board ("FASB") issued an accounting standards update with new guidance to clarify when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires the application of modification accounting if the value, vesting conditions or classification of the award changes. The standards update is effective prospectively for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted. The adoption of this standards update is not expected to impact our consolidated financial statements.

In March 2017, the FASB issued an accounting standards update intended to improve the financial statement presentation of pension and postretirement benefits cost. The standards update requires employers that offer defined benefit pension or other postretirement benefit plans to report service cost in the same income statement line as compensation costs and to report non-service related costs separately from service cost outside a sub-total of income from operations, if one is presented. Currently, the Company records both service and non-service related costs in selling, administrative and general expense ("SAG") and cost of goods sold ("CGS"), as appropriate. In addition, the new guidance allows only service cost to be capitalized. The standards update

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

is effective retrospectively for the financial statement presentation of benefits cost and prospectively for the capitalization of service cost, for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted.

In January 2017, the FASB issued an accounting standards update with new guidance intended to simplify the subsequent measurement of goodwill. The standards update eliminates the requirement for an entity to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, an entity will perform its annual, or interim, goodwill impairment testing by comparing the fair value of a reporting unit with its carrying amount and recording an impairment charge for the amount by which the carrying amount exceeds the fair value. The standards update is effective prospectively for annual and interim goodwill impairment testing performed in fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this standards update is not expected to impact our consolidated financial statements.

In October 2016, the FASB issued an accounting standards update with new guidance on the accounting for the income tax consequences of intra-entity transfers of assets other than inventory, including the elimination of the prohibition on recognition of current and deferred income taxes on such transfers. The standards update is effective using the modified retrospective approach for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted. The adoption of this standards update will not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued an accounting standards update with new guidance intended to increase transparency and comparability among organizations relating to leases. Lessees will be required to recognize a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term. The FASB retained a dual model for lease classification, requiring leases to be classified as finance or operating leases to determine recognition in the statements of operations and cash flows; however, substantially all leases will be required to be recognized on the balance sheet. Lessor accounting is largely unchanged from the current accounting model. The standards update will also require quantitative and qualitative disclosures regarding key information about leasing arrangements. The standards update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. It must be adopted using a modified retrospective approach, and provides for certain practical expedients. The transition will require application at the beginning of the earliest comparative period presented at the time of adoption. We are currently assessing the impact of this standards update on our consolidated financial statements.

In May 2014, the FASB issued an accounting standards update with new guidance on recognizing revenue from contracts with customers. The standards update outlines a single comprehensive model for entities to utilize to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that will be received in exchange for the goods and services. Additional disclosures will also be required to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In 2016, the FASB issued several amendments which provide clarification, additional guidance, practical expedients and technical corrections. In August 2015, the FASB deferred the effective date of this standards update to fiscal years beginning after December 15, 2017, with early adoption permitted on the original effective date of fiscal years beginning after December 15, 2016. The standard permits the use of either a retrospective or modified retrospective application. We intend to use the modified retrospective approach. The adoption of this standards update is not expected to have a material impact on our consolidated financial statements. We will continue our evaluation of the standards update through the date of adoption, including assessing the impact of required new disclosures.

Principles of Consolidation

The consolidated financial statements include the accounts of all legal entities in which we hold a controlling financial interest. A controlling financial interest generally arises from our ownership of a majority of the voting shares of our subsidiaries. We would also hold a controlling financial interest in variable interest entities if we are considered to be the primary beneficiary. Investments in companies in which we do not own a majority interest and we have the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Investments in other companies are carried at cost. All intercompany balances and transactions have been eliminated in consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Restricted Cash

The following table provides a reconciliation of Cash, Cash Equivalents and Restricted Cash as reported within the Consolidated Statements of Cash Flows:

(In millions)

	June 30,	
	2017	2016
Cash and Cash Equivalents	\$ 903	\$ 1,138
Restricted Cash	66	15
Total Cash, Cash Equivalents and Restricted Cash	\$ 969	\$ 1,153

Restricted Cash, which is included in Prepaid Expenses and Other Current Assets in the Consolidated Balance Sheets, primarily represents amounts required to be set aside in connection with accounts receivable factoring programs and funds obtained under certain Chinese credit facilities for plant expansion in China. The restrictions lapse when cash from factored accounts receivable are remitted to the purchaser of those receivables or when funds are used for plant expansion expenditures, respectively.

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 and excess 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, 2016	\$ 214	\$ 5	\$ 219
2017 Charges	45	13	58
Incurred, including net Foreign Currency Translation of \$15 million and \$0 million, respectively	(27)	(13)	(40)
Reversed to the Statements of Operations	(2)	—	(2)
Balance at June 30, 2017	\$ 230	\$ 5	\$ 235

Rationalization actions accrued at June 30, 2017 include \$128 million related to the closure of our tire manufacturing facility in Philippsburg, Germany. The closure is in furtherance of our strategy to capture the growing demand for premium, large-rim diameter tires in part by reducing excess capacity in declining, less profitable segments of the tire market. The closure will result in approximately 890 job reductions. Approximately \$120 million of the accrued charges related to the closure are expected to be paid during the second half of 2017 with the remainder paid in 2018.

The remainder of the accrual balance at June 30, 2017 is expected to be substantially utilized within the next 12 months and includes \$36 million related to manufacturing headcount reductions in certain countries in Europe, Middle East and Africa ("EMEA"), \$18 million related to a SAG headcount reduction plan in certain countries in EMEA, and \$17 million related to a separate global plan to reduce SAG headcount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Current Year Plans				
Associate Severance and Other Related Costs	\$ 2	\$ 43	\$ 25	\$ 43
Other Exit and Non-Cancelable Lease Costs	1	—	1	—
Current Year Plans - Net Charges	\$ 3	\$ 43	\$ 26	\$ 43
Prior Year Plans				
Associate Severance and Other Related Costs	\$ 17	\$ 6	\$ 17	\$ 10
Benefit Plan Curtailment Loss (Gain)	—	(1)	—	(1)
Other Exit and Non-Cancelable Lease Costs	7	—	13	7
Prior Year Plans - Net Charges	24	5	30	16
Total Net Charges	\$ 27	\$ 48	\$ 56	\$ 59
Asset Write-off and Accelerated Depreciation Charges	\$ 21	\$ 5	\$ 29	\$ 7

Substantially all of the new charges for the three and six months ended June 30, 2017 and 2016 related to future cash outflows. Net current year plan charges for the three and six months ended June 30, 2017 include charges of \$2 million and \$19 million, respectively, related to SAG headcount reductions in certain countries in EMEA and \$1 million and \$7 million, respectively, related to a plan to improve operating efficiency in EMEA. Net current year plan charges for the three and six months ended June 30, 2016 primarily related to manufacturing headcount reductions in EMEA to improve operating efficiency. In addition, we initiated a plan to reduce SAG headcount globally.

Net prior year plan charges for the three and six months ended June 30, 2017 include \$18 million and \$20 million, respectively, related to the closure of our tire manufacturing facility in Philippsburg, Germany, and charges of \$2 million and \$5 million, respectively, related to the closure of our Wolverhampton, U.K. mixing and retreading facility and the plan to transfer consumer tire production from our manufacturing facility in Wittlich, Germany to other manufacturing facilities in EMEA. Net prior year plan charges for the three and six months ended June 30, 2016 include charges of \$3 million and \$9 million, respectively, for associate severance and idle plant costs related to the closure of one of our manufacturing facilities in Amiens, France.

Net charges for the three and six months ended June 30, 2017 included reversals of \$1 million and \$2 million, respectively, for actions no longer needed for their originally intended purposes. Ongoing rationalization plans had approximately \$595 million in charges incurred prior to 2017 and approximately \$80 million is expected to be incurred in future periods.

Approximately 300 associates will be released under new plans initiated in 2017, of which approximately 50 were released through June 30, 2017. In the first six months of 2017, approximately 200 associates were released under plans initiated in prior years. In July 2017, in connection with the closure of our tire manufacturing facility in Philippsburg, Germany, approximately 600 associates were released, and approximately 1,100 associates remain to be released under all ongoing rationalization plans.

Approximately 850 former associates of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims against us. Refer to Note to the Consolidated Financial Statements No. 11, Commitments and Contingent Liabilities, in this Form 10-Q.

Accelerated depreciation charges for the three and six months ended June 30, 2017 primarily related to the closure of our tire manufacturing facility in Philippsburg, Germany. Accelerated depreciation charges for the three and six months ended June 30, 2016 primarily related to the closure of our Wolverhampton, U.K. mixing and retreading facility. Asset write-off and accelerated depreciation charges for all periods were recorded in CGS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3. OTHER (INCOME) EXPENSE

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Financing fees and financial instruments	\$ 32	\$ 52	\$ 40	\$ 68
Royalty income	(11)	(10)	(16)	(14)
Net (gains) losses on asset sales	(12)	—	(13)	(1)
Interest income	(3)	(4)	(7)	(8)
Net foreign currency exchange (gains) losses	(2)	(1)	(3)	(3)
General and product liability expense (income) - discontinued products	1	(14)	3	(16)
Miscellaneous (income) expense	—	(3)	1	—
	<u>\$ 5</u>	<u>\$ 20</u>	<u>\$ 5</u>	<u>\$ 26</u>

Financing fees and financial instruments consist of commitment fees and charges incurred in connection with financing transactions. Financing fees and financial instruments for the three and six months ended June 30, 2017 include a redemption premium of \$25 million related to the redemption of our \$700 million 7% senior notes due 2022. Financing fees and financial instruments for the three and six months ended June 30, 2016 include redemption premiums of \$44 million and \$53 million, respectively, related to the redemption of our \$900 million 6.5% senior notes due 2021 in June 2016 and our €250 million 6.75% senior notes due 2019 in January 2016.

Net (gains) losses on asset sales for the three and six months ended June 30, 2017 include a gain of \$6 million related to the sale of a former wire plant site in Luxembourg.

General and product liability expense (income) - discontinued products consists of charges for claims against us related primarily to asbestos personal injury claims, net of probable insurance recoveries. General and product liability expense (income) - discontinued products for the three and six months ended June 30, 2016 includes a benefit of \$4 million for the recovery of past costs from one of our asbestos insurers and a benefit of \$10 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods.

Also, included in Other (Income) Expense is royalty income which is derived primarily from licensing arrangements related to divested businesses as well as other licensing arrangements, interest income which primarily consists of amounts earned on cash deposits, and net foreign currency exchange (gains) and losses.

NOTE 4. INCOME TAXES

In the second quarter of 2017, we recorded tax expense of \$36 million on income before income taxes of \$190 million. For the first six months of 2017, we recorded tax expense of \$106 million on income before income taxes of \$429 million. Income tax expense for the three and six months ended June 30, 2017 was favorably impacted by \$9 million and \$11 million of various discrete tax adjustments, respectively. In the second quarter of 2016, we recorded tax expense of \$93 million on income before income taxes of \$301 million. For the first six months of 2016, we recorded tax expense of \$171 million on income before income taxes of \$568 million. Income tax expense for the three and six months ended June 30, 2016 was unfavorably impacted by \$3 million and favorably impacted by \$9 million of various discrete tax adjustments, respectively.

We record taxes based on overall estimated annual effective tax rates. The difference between our effective tax rate and the U.S. statutory rate was primarily attributable to the discrete items noted above and an overall lower effective tax rate in the foreign jurisdictions in which we operate.

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 foreign deferred tax assets. Each reporting period we assess available positive and negative evidence and estimate if sufficient future taxable income will be generated to utilize these existing deferred tax assets. We do not believe that sufficient positive evidence required to release all or a significant portion of these valuation allowances will exist within the next twelve months.

At January 1, 2017, we had unrecognized tax benefits of \$63 million that if recognized, would have a favorable impact on our tax expense of \$47 million. We had accrued interest of \$4 million as of January 1, 2017. If not favorably settled, \$12 million of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

unrecognized tax benefits and all of the accrued interest would require the use of our cash. We do not expect any changes to our unrecognized tax benefits during 2017 to have a significant impact on our financial position or results of operations.

We are open to examination in the United States for 2016 and in Germany from 2013 onward. Generally, for our remaining tax jurisdictions, years from 2012 onward are still open to examination.

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:

<i>(In millions, except per share amounts)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Earnings per share — basic:				
Goodyear net income	\$ 147	\$ 202	\$ 313	\$ 386
Weighted average shares outstanding	252	264	252	266
Earnings per common share — basic	\$ 0.58	\$ 0.76	\$ 1.24	\$ 1.45
Earnings per share — diluted:				
Goodyear net income	\$ 147	\$ 202	\$ 313	\$ 386
Weighted average shares outstanding	252	264	252	266
Dilutive effect of stock options and other dilutive securities	4	4	4	3
Weighted average shares outstanding — diluted	256	268	256	269
Earnings per common share — diluted	\$ 0.58	\$ 0.75	\$ 1.23	\$ 1.43

Weighted average shares outstanding - diluted for the three and six months ended June 30, 2017 and 2016 exclude approximately 1 million equivalent shares related to options with exercise prices greater than the average market price of our common shares (i.e., "underwater" options).

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NOTE 6. BUSINESS SEGMENTS

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Sales:				
Americas	\$ 2,029	\$ 2,090	\$ 3,987	\$ 4,041
Europe, Middle East and Africa	1,114	1,261	2,353	2,512
Asia Pacific	543	528	1,045	1,017
Net Sales	\$ 3,686	\$ 3,879	\$ 7,385	\$ 7,570
Segment Operating Income:				
Americas	\$ 213	\$ 291	\$ 427	\$ 551
Europe, Middle East and Africa	77	148	175	228
Asia Pacific	71	92	144	171
Total Segment Operating Income	\$ 361	\$ 531	\$ 746	\$ 950
Less:				
Rationalizations	\$ 27	\$ 48	\$ 56	\$ 59
Interest expense	89	104	176	195
Other (income) expense (Note 3)	5	20	5	26
Asset write-offs and accelerated depreciation	21	5	29	7
Corporate incentive compensation plans	12	14	27	40
Pension curtailments/settlements	—	14	—	14
Intercompany profit elimination	(2)	3	(5)	5
Retained expenses of divested operations	3	5	6	10
Other	16	17	23	26
Income before Income Taxes	\$ 190	\$ 301	\$ 429	\$ 568

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Rationalizations, as described in Note to the Consolidated Financial Statements No. 2, Costs Associated with Rationalization Programs, Net (gains) losses on asset sales and Asset write-offs and accelerated depreciation were not charged (credited) to the SBUs for performance evaluation purposes but were attributable to the SBUs as follows:

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Rationalizations:				
Americas	\$ 1	\$ 1	\$ 2	\$ 4
Europe, Middle East and Africa	26	45	53	53
Asia Pacific	—	1	1	1
Total Segment Rationalizations	\$ 27	\$ 47	\$ 56	\$ 58
Corporate	—	1	—	1
	\$ 27	\$ 48	\$ 56	\$ 59
Net (Gains) Losses on Asset Sales:				
Americas	\$ (2)	\$ —	\$ (3)	\$ —
Europe, Middle East and Africa	(10)	—	(10)	—
Asia Pacific	—	—	—	(1)
Total Segment Asset Sales	\$ (12)	\$ —	\$ (13)	\$ (1)
Asset Write-offs and Accelerated Depreciation:				
Europe, Middle East and Africa	\$ 21	\$ 5	\$ 29	\$ 7
Total Segment Asset Write-offs and Accelerated Depreciation	\$ 21	\$ 5	\$ 29	\$ 7

NOTE 7. FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

At June 30, 2017, we had total credit arrangements of \$8,559 million, of which \$2,440 million were unused. At that date, 38% of our debt was at variable interest rates averaging 4.78%.

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

At June 30, 2017, we had short term committed and uncommitted credit arrangements totaling \$591 million, of which \$353 million were unused. These arrangements are available primarily to certain of our foreign subsidiaries through various banks at quoted market interest rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following table presents amounts due within one year:

<i>(In millions)</i>	June 30, 2017	December 31, 2016
Notes payable and overdrafts	\$ 238	\$ 245
Weighted average interest rate	5.19%	6.18%
Chinese credit facilities	\$ 141	\$ 146
Other domestic and foreign debt (including capital leases)	294	290
Long term debt and capital leases due within one year	\$ 435	\$ 436
Weighted average interest rate	8.46%	9.39%
Total obligations due within one year	\$ 673	\$ 681

Long Term Debt and Capital Leases and Financing Arrangements

At June 30, 2017, we had long term credit arrangements totaling \$7,968 million, of which \$2,087 million were unused.

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

<i>(In millions)</i>	June 30, 2017		December 31, 2016	
	Amount	Interest Rate	Amount	Interest Rate
Notes:				
8.75% due 2020	\$ 274		\$ 273	
7% due 2022	—		700	
5.125% due 2023	1,000		1,000	
3.75% Euro Notes due 2023	285		264	
5% due 2026	900		900	
4.875% due 2027	700		—	
7% due 2028	150		150	
Credit Facilities:				
\$2.0 billion first lien revolving credit facility due 2021	420	2.44%	85	1.98%
Second lien term loan facility due 2019	399	3.12%	399	3.75%
€550 million revolving credit facility due 2020	245	1.75%	—	—
Pan-European accounts receivable facility	160	0.96%	198	0.98%
Chinese credit facilities	276	4.77%	315	4.68%
Other foreign and domestic debt ⁽¹⁾	1,035	7.58%	951	9.14%
	5,844		5,235	
Unamortized deferred financing fees	(45)		(42)	
	5,799		5,193	
Capital lease obligations	39		41	
	5,838		5,234	
Less portion due within one year	(435)		(436)	
	\$ 5,403		\$ 4,798	

(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 Americas Headquarters.

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NOTES

\$700 million 4.875% Senior Notes due 2027

In March 2017, we issued \$700 million in aggregate principal amount of 4.875% senior notes due 2027. These notes were sold at 100% of the principal amount and will mature on March 15, 2027. These notes are unsecured senior obligations and are guaranteed by our U.S. and Canadian subsidiaries that also guarantee our obligations under our U.S. senior secured credit facilities described below.

We have the option to redeem these notes, in whole or in part, at any time prior to their maturity. If we elect to redeem the notes prior to December 15, 2026, we will pay a redemption price equal to the greater of 100% of the principal amount of the notes redeemed or the sum of the present values of the remaining scheduled payments on the notes redeemed, discounted using a defined treasury rate plus 50 basis points, plus in either case accrued and unpaid interest to the redemption date. If we elect to redeem the notes on or after December 15, 2026, we will pay a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to the redemption date.

The terms of the indenture for these notes, among other things, limit our ability and the ability of certain of our subsidiaries to (i) incur certain liens, (ii) engage in sale and leaseback transactions, and (iii) consolidate, merge, sell or otherwise dispose of all or substantially all of our assets. These covenants are subject to significant exceptions and qualifications.

\$700 million 7% Senior Notes due 2022

In May 2017, we used the proceeds from the \$700 million 4.875% senior notes due 2027, together with cash and cash equivalents, to redeem in full our \$700 million 7% senior notes due 2022, which included the payment of a \$25 million redemption premium plus accrued and unpaid interest to the redemption date. We also recorded \$6 million of expense for the write-off of deferred financing fees as a result of the redemption.

CREDIT FACILITIES

\$2.0 billion Amended and Restated First Lien Revolving Credit Facility due 2021

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. Based on our current liquidity, amounts drawn under this facility bear interest at LIBOR plus 125 basis points, and undrawn amounts under the facility will be subject to an annual commitment fee of 30 basis points.

Availability under the facility is subject to a borrowing base, which is based primarily on (i) eligible accounts receivable and inventory of The Goodyear Tire & Rubber Company and certain of its U.S. and Canadian subsidiaries, (ii) the value of our principal trademarks, and (iii) certain cash in an amount not to exceed \$200 million. To the extent that our eligible accounts receivable and inventory and other components of the borrowing base decline in value, our borrowing base will decrease and the availability under the facility may decrease below \$2.0 billion. As of June 30, 2017, our borrowing base, and therefore our availability, under this facility was \$348 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 business or financial condition since December 31, 2015. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

At June 30, 2017, we had \$420 million of borrowings and \$37 million of letters of credit issued under the revolving credit facility. At December 31, 2016, we had \$85 million of borrowings and \$40 million of letters of credit issued under the revolving credit facility.

Amended and Restated Second Lien Term Loan Facility due 2019

In March 2017, we amended our second lien term loan facility. As a result of the amendment, the term loan now bears interest, at our option, at (i) 200 basis points over LIBOR or (ii) 100 basis points over an alternative base rate (the higher of (a) the prime rate, (b) the federal funds effective rate or the overnight bank funding rate plus 50 basis points or (c) LIBOR plus 100 basis points). After March 7, 2017 and prior to September 3, 2017, (i) loans under the facility may not be prepaid or repaid with the proceeds of term loan indebtedness, or converted into or replaced by new term loans, bearing interest at an effective interest rate that is less than the effective interest rate then applicable to such loans and (ii) no amendment of the facility may be made that, directly or

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indirectly, reduces the effective interest rate applicable to the loans under the facility, in each case unless we pay a fee equal to 1.0% of the principal amount of the loans so affected. In addition, if the Total Leverage Ratio is equal to or less than 1.25 to 1.00, we have the option to further reduce the spreads described above by 25 basis points. "Total Leverage Ratio" has the meaning given it in the facility.

Our obligations under our second lien term loan facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries and are secured by second priority security interests in the same collateral securing the \$2.0 billion first lien revolving credit facility.

At June 30, 2017 and December 31, 2016, the amounts outstanding under this facility were \$399 million .

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

Our amended and restated €550 million European revolving credit facility consists of (i) a €125 million German tranche that is available only to Goodyear Dunlop Tires Germany GmbH ("GDTG") and (ii) a €425 million all-borrower tranche that is available to Goodyear Dunlop Tires Europe B.V. ("GDTE"), GDTG and Goodyear Dunlop Tires Operations S.A. Up to €150 million of swingline loans and €50 million in letters of credit are available for issuance under the all-borrower tranche. Amounts drawn under this facility will bear interest at LIBOR plus 175 basis points for loans denominated in U.S. dollars or pounds sterling and EURIBOR plus 175 basis points for loans denominated in euros, and undrawn amounts under the facility will be subject to an annual commitment fee of 30 basis points.

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 generally do not provide collateral support for the German tranche. The Company and its U.S. subsidiaries and primary Canadian subsidiary that guarantee our U.S. senior secured credit facilities described above also provide unsecured guarantees in support of the facility.

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

At June 30, 2017 , there were \$142 million (€125 million) of borrowings outstanding under the German tranche and there were \$103 million (€90 million) of borrowings outstanding under the all-borrower tranche. At December 31, 2016, there were no borrowings outstanding under the European revolving credit facility. There were no letters of credit issued at June 30, 2017 and December 31, 2016.

Accounts Receivable Securitization Facilities (On-Balance Sheet)

GDTE and certain other of our European subsidiaries are parties to a pan-European accounts receivable securitization facility that expires in 2019. The terms of the facility provide the flexibility to designate annually the maximum amount of funding available under the facility in an amount of not less than €45 million and not more than €450 million . For the period beginning October 16, 2016 to October 15, 2017, the designated maximum amount of the facility is €320 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, 2017.

At June 30, 2017 , the amounts available and utilized under this program totaled \$160 million (€140 million). At December 31, 2016 , the amounts available and utilized under this program totaled \$198 million (€188 million). The program does not qualify for sale accounting, and accordingly, these amounts are included in Long Term Debt and Capital Leases.

In addition to the pan-European accounts receivable securitization facility discussed above, subsidiaries in Australia have an accounts receivable securitization program that provides flexibility to designate semi-annually the maximum amount of funding available under the facility in an amount of not less than 60 million Australian dollars and not more than 85 million Australian dollars. From July 1, 2016 to December 31, 2017, the designated maximum amount of the facility is 60 million Australian dollars. At June 30, 2017 , the amounts available and utilized under this program were \$28 million (AUD 37 million) and \$13 million

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(AUD 17 million), respectively. At December 31, 2016 , the amounts available and utilized under this program were \$28 million (AUD 39 million) and \$12 million (AUD 16 million), respectively. The receivables sold under this program also serve as collateral for the related facility. We retain the risk of loss related to these receivables in the event of non-payment. These amounts are included in Long Term Debt and Capital Leases due Within One Year.

For a description of the collateral securing the credit facilities described above as well as the covenants applicable to them, refer to Note to the Consolidated Financial Statements No. 15, Financing Arrangements and Derivative Financial Instruments, in our 2016 Form 10-K.

Accounts Receivable Factoring Facilities (Off-Balance Sheet)

We have sold certain of our 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 June 30, 2017 , the gross amount of receivables sold was \$467 million , compared to \$502 million at December 31, 2016 .

Other Foreign Credit Facilities

A Chinese subsidiary has several financing arrangements in China. At June 30, 2017 , these non-revolving credit facilities had total unused availability of \$224 million and can only be used to finance the expansion of our manufacturing facility in China. At June 30, 2017 and December 31, 2016 , the amounts outstanding under these facilities were \$276 million and \$315 million , respectively. The facilities ultimately mature in 2025 and principal amortization began in 2015. The facilities contain covenants relating to the Chinese subsidiary and have customary representations and warranties and defaults relating to the Chinese subsidiary's ability to perform its obligations under the facilities. At June 30, 2017 and December 31, 2016 , restricted cash related to funds obtained under these credit facilities was \$18 million and \$8 million , respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

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

Foreign Currency Contracts

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

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

<i>(In millions)</i>	June 30,	December 31,
	2017	2016
Fair Values — Current asset (liability):		
Accounts receivable	\$ 4	\$ 30
Other current liabilities	(39)	(18)

At June 30, 2017 and December 31, 2016 , these outstanding foreign currency derivatives had notional amounts of \$1,236 million and \$1,812 million , respectively, and were primarily related to intercompany loans. Other (Income) Expense included net transaction losses on derivatives of \$41 million and \$45 million for the three and six months ended June 30, 2017 , respectively, and net transaction gains on derivatives of \$5 million and net transaction losses on derivatives of \$18 million for the three and six months ended June 30, 2016, respectively. These amounts were substantially offset in Other (Income) Expense by the effect of changing exchange rates on the underlying currency exposures.

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

<i>(In millions)</i>	June 30,		December 31,	
	2017		2016	
Fair Values — Current asset (liability):				
Accounts receivable	\$	—	\$	9
Other current liabilities		(7)		—
Fair Values — Long term asset (liability):				
Other assets	\$	—	\$	2
Other long term liabilities		(1)		—

At June 30, 2017 and December 31, 2016, these outstanding foreign currency derivatives had notional amounts of \$215 million and \$293 million, respectively, and primarily related to U.S. dollar denominated intercompany transactions.

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

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

<i>(In millions) (Income) Expense</i>	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2017		2016		2017		2016	
Amounts deferred to Accumulated Other Comprehensive Loss ("AOCL")	\$	13	\$	(6)	\$	21	\$	1
Amount of deferred (gain) loss reclassified from AOCL into CGS		(2)		(1)		(4)		(6)
Amounts excluded from effectiveness testing		—		(1)		(1)		(1)

The estimated net amount of deferred gains at June 30, 2017 that are 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.

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NOTE 8. FAIR VALUE MEASUREMENTS

The following table presents information about assets and liabilities recorded at fair value on the Consolidated Balance Sheets at June 30, 2017 and December 31, 2016 :

<i>(In millions)</i>	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)	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets:								
Investments	\$ 10	\$ 9	\$ 10	\$ 9	\$ —	\$ —	\$ —	\$ —
Foreign Exchange Contracts	4	41	—	—	4	41	—	—
Total Assets at Fair Value	\$ 14	\$ 50	\$ 10	\$ 9	\$ 4	\$ 41	\$ —	\$ —
Liabilities:								
Foreign Exchange Contracts	\$ 47	\$ 18	\$ —	\$ —	\$ 47	\$ 18	\$ —	\$ —
Total Liabilities at Fair Value	\$ 47	\$ 18	\$ —	\$ —	\$ 47	\$ 18	\$ —	\$ —

The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding capital leases, at June 30, 2017 and December 31, 2016 .

<i>(In millions)</i>	June 30, 2017	December 31, 2016
Fixed Rate Debt:		
Carrying amount — liability	\$ 3,586	\$ 3,514
Fair value — liability	3,773	3,669
Variable Rate Debt:		
Carrying amount — liability	\$ 2,213	\$ 1,679
Fair value — liability	2,198	1,678

Long term debt with a fair value of \$3,856 million and \$3,804 million at June 30, 2017 and December 31, 2016 , respectively, was estimated using quoted Level 1 market prices. The carrying value of the remaining long term debt is categorized within the Level 2 hierarchy and approximates fair value since the terms of the financing arrangements are similar to terms that could be obtained under current lending market conditions .

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NOTE 9. PENSION, SAVINGS AND OTHER POSTRETIREMENT BENEFIT PLANS

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

Defined benefit pension cost follows:

<i>(In millions)</i>	U.S.		U.S.	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Service cost	\$ 1	\$ 1	\$ 2	\$ 2
Interest cost	41	40	81	82
Expected return on plan assets	(61)	(63)	(121)	(127)
Amortization of net losses	28	27	56	54
Net periodic pension cost	9	5	18	11
Net curtailments/settlements/termination benefits	1	—	1	—
Total defined benefit pension cost	\$ 10	\$ 5	\$ 19	\$ 11

<i>(In millions)</i>	Non-U.S.		Non-U.S.	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Service cost	\$ 8	\$ 8	\$ 15	\$ 15
Interest cost	18	21	35	41
Expected return on plan assets	(20)	(24)	(39)	(46)
Amortization of net losses	8	7	16	14
Net periodic pension cost	14	12	27	24
Net curtailments/settlements/termination benefits	—	13	—	13
Total defined benefit pension cost	\$ 14	\$ 25	\$ 27	\$ 37

During the second quarter of 2016, annuities were purchased from existing plan assets to settle \$ 41 million in obligations of one of our U.K. pension plans which resulted in a settlement charge of \$ 14 million .

We expect to contribute approximately \$50 million to \$75 million to our funded non-U.S. pension plans in 2017. For the three and six months ended June 30, 2017 , we contributed \$13 million and \$27 million , respectively, to our non-U.S. plans.

The expense recognized for our contributions to defined contribution savings plans for the three months ended June 30, 2017 and 2016 was \$28 million and \$ 29 million , respectively, and for the six months ended June 30, 2017 and 2016 was \$58 million and \$63 million , respectively.

We also 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 June 30, 2017 and 2016 was \$1 million and \$ 7 million , respectively, and for the six months ended June 30, 2017 and 2016 was \$3 million and \$13 million , respectively.

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NOTE 10. STOCK COMPENSATION PLANS

Our Board of Directors granted 0.7 million stock options, 0.1 million restricted stock units and 0.2 million performance share units during the six months ended June 30, 2017 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 six months ended June 30, 2017 were \$35.26 and \$12.08 , respectively. We estimated the fair value of the stock options using the following assumptions in our Black-Scholes model:

Expected term: 7.2 years
Interest rate: 2.13%
Volatility: 33.63%
Dividend yield: 1.13%

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 \$35.25 for restricted stock units and \$36.78 for performance share units granted during the six months ended June 30, 2017 .

We recognized stock-based compensation expense of \$6 million and \$12 million during the three and six months ended June 30, 2017 , respectively. At June 30, 2017 , unearned compensation cost related to the unvested portion of all stock-based awards was approximately \$36 million and is expected to be recognized over the remaining vesting period of the respective grants, through the first quarter of 2022 . We recognized stock-based compensation expense of \$4 million and \$11 million during the three and six months ended June 30, 2016 , respectively.

Stock based awards are made pursuant to stock compensation plans that are approved by our shareholders. The 2017 Performance Plan was adopted by our shareholders on April 10, 2017 and will expire on April 9, 2027 unless earlier terminated. The 2017 Performance Plan replaced the 2013 Performance Plan, which was terminated on April 10, 2017, except with respect to outstanding awards.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Environmental Matters

We have recorded liabilities totaling \$52 million and \$55 million at June 30, 2017 and December 31, 2016 , 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, \$19 million and \$21 million was included in Other Current Liabilities at June 30, 2017 and December 31, 2016 , 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 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 \$249 million and \$248 million for anticipated costs related to workers' compensation at June 30, 2017 and December 31, 2016 , respectively. Of these amounts, \$44 million and \$48 million was included in Current Liabilities as part of Compensation and Benefits at June 30, 2017 and December 31, 2016 , 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 June 30, 2017 and December 31, 2016 , the liability was discounted using a risk-free rate of return. At June 30, 2017 , we estimate that it is reasonably possible that the liability could exceed our recorded amounts by approximately \$30 million .

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General and Product Liability and Other Litigation

We have recorded liabilities totaling \$329 million and \$316 million, including related legal fees expected to be incurred, for potential product liability and other tort claims, including asbestos claims, at June 30, 2017 and December 31, 2016, respectively. Of these amounts, \$54 million and \$49 million was included in Other Current Liabilities at June 30, 2017 and December 31, 2016, 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 June 30, 2017, 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.

We have recorded an indemnification asset within Accounts Receivable of \$5 million and within Other Assets of \$28 million for Sumitomo Rubber Industries, Ltd.'s ("SRI") obligation to indemnify us for certain product liability claims related to products manufactured by a formerly consolidated joint venture entity, subject to certain caps and restrictions.

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 126,700 claims by defending, obtaining the dismissal thereof, or 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 \$525 million through June 30, 2017 and \$517 million through December 31, 2016.

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.

<i>(Dollars in millions)</i>	Six Months Ended	Year Ended
	June 30, 2017	December 31, 2016
Pending claims, beginning of period	64,400	67,400
New claims filed	1,000	1,900
Claims settled/dismissed	(4,000)	(4,900)
Pending claims, end of period	61,400	64,400
Payments ⁽¹⁾	\$ 4	\$ 20

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

We periodically, and at least annually, review our existing reserves for pending claims, including a reasonable estimate of the liability associated with unasserted asbestos claims, and estimate our receivables from probable insurance recoveries. We recorded gross liabilities for both asserted and unasserted claims, inclusive of defense costs, totaling \$175 million and \$171 million at June 30, 2017 and December 31, 2016, respectively. In determining the estimate of our asbestos liability, we evaluated claims over the next ten -year period. Due to the difficulties in making these estimates, analysis based on new data and/or a change in circumstances arising in the future may result in an increase in the recorded obligation, and that increase could be significant.

We maintain certain primary and excess insurance coverage under coverage-in-place agreements, and also have additional excess liability insurance with respect to asbestos liabilities. After consultation with our outside legal counsel and giving consideration to agreements with certain of our insurance carriers, the financial viability and legal obligations of our insurance carriers and other relevant factors, we determine an amount we expect is probable of recovery from such carriers. We record a receivable with respect to such policies when we determine that recovery is probable and we can reasonably estimate the amount of a particular recovery.

We recorded a receivable related to asbestos claims of \$126 million and \$123 million at June 30, 2017 and December 31, 2016, respectively. We expect that approximately 70% of asbestos claim related losses would be recoverable through insurance during the ten -year period covered by the estimated liability. Of these amounts, \$12 million was included in Current Assets as part of Accounts Receivable at June 30, 2017 and December 31, 2016. The recorded receivable consists of an amount we expect to collect under coverage-in-place agreements with certain primary and excess insurance carriers as well as an amount we believe is probable of recovery from certain of our other excess insurance carriers.

We believe that, at December 31, 2016, we had approximately \$430 million in excess level policy limits applicable to indemnity and defense costs for asbestos products claims under coverage-in-place agreements. We also had additional unsettled excess level

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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policy limits potentially applicable to such costs. We had coverage under certain primary policies for indemnity and defense costs for asbestos products claims under remaining aggregate limits pursuant to a coverage-in-place agreement, as well as coverage for indemnity and defense costs for asbestos premises claims pursuant to coverage-in-place agreements.

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

Amiens Labor Claims

Approximately 850 former employees of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims totaling €118 million (\$135 million) against Goodyear Dunlop Tires France. We intend to vigorously defend ourselves against these claims, and any additional claims that may be asserted against us, and cannot estimate the amounts, if any, that we may ultimately pay in respect of such claims.

Other Actions

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

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

Income Tax Matters

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

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

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(Unaudited)

Guarantees

We have off-balance sheet financial guarantees and other commitments totaling approximately \$39 million and \$40 million at June 30, 2017 and December 31, 2016, respectively. We issue guarantees to financial institutions or other entities on behalf of certain of our affiliates, lessors or customers. We also generally do not require collateral in connection with the issuance of these guarantees. In 2015, as a result of the dissolution of the global alliance with SRI, we issued a guarantee of approximately \$46 million to an insurance company related to SRI's obligation to pay certain outstanding workers' compensation claims of a formerly consolidated joint venture entity. As of June 30, 2017, this guarantee amount has been reduced to \$38 million. We have concluded the probability of our performance to be remote and, therefore, have not recorded a liability for this guarantee. While there is no fixed duration of this guarantee, we expect the amount of this guarantee to continue to decrease over time as the formerly consolidated joint venture entity pays its outstanding claims. 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, customer, or SRI. Except for the workers' compensation guarantee described above, the guarantees expire at various times through 2020. We are unable to estimate the extent to which our affiliates', lessors', customers', or SRI's assets would be adequate to recover any payments made by us under the related guarantees.

NOTE 12. CAPITAL STOCK

Dividends

In the first six months of 2017, we paid cash dividends of \$50 million on our common stock. On July 12, 2017, the Board of Directors (or a duly authorized committee thereof) declared cash dividends of \$0.10 per share of common stock, or approximately \$25 million in the aggregate. The dividend will be paid on September 1, 2017 to stockholders of record as of the close of business on August 1, 2017. Future quarterly dividends are subject to Board approval.

Common Stock Repurchases

On September 18, 2013, the Board of Directors approved our common stock repurchase program. From time to time, the Board of Directors has approved increases in the amount authorized to be purchased under that program. On February 2, 2017, the Board of Directors approved a further increase in that authorization to an aggregate of \$2.1 billion. This program expires on December 31, 2019. 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 second quarter of 2017, we repurchased 146,626 shares at an average price, including commissions, of \$35.17 per share, or \$5 million in the aggregate. During the first six months of 2017, we repurchased 843,120 shares at an average price, including commissions, of \$35.77 per share, or \$30 million in the aggregate. Since 2013, we repurchased 32,057,230 shares at an average price, including commissions, of \$29.43 per share, or \$943 million in the aggregate.

In addition, we may repurchase shares delivered to us by employees as payment for the exercise price of stock options and the withholding taxes due upon the exercise of the stock options or the vesting or payment of stock awards. During the first six months of 2017, we did not repurchase any shares from employees.

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NOTE 13. CHANGES IN SHAREHOLDERS' EQUITY

The following tables present the changes in shareholders' equity for the six months ended June 30, 2017 and 2016 :

<i>(In millions)</i>	June 30, 2017			June 30, 2016		
	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	\$ 4,507	\$ 218	\$ 4,725	\$ 3,920	\$ 222	\$ 4,142
Comprehensive income (loss):						
Net income	313	10	323	386	11	397
Foreign currency translation, net of tax of \$19 in 2017 (\$14 in 2016)	121	13	134	5	2	7
Amortization of prior service cost and unrecognized gains (losses) included in total benefit cost, net of tax of \$21 in 2017 (\$16 in 2016)	39	—	39	32	—	32
Decrease in net actuarial losses, net of tax of \$1 in 2017 (\$0 in 2016)	3	—	3	1	—	1
Immediate recognition of prior service cost and unrecognized gains (losses) due to curtailments, settlements, and divestitures, net of tax of \$0 in 2017 and 2016	—	—	—	15	—	15
Deferred derivative gains (losses), net of tax of (\$7) in 2017 (\$0 in 2016)	(14)	—	(14)	3	—	3
Reclassification adjustment for amounts recognized in income, net of tax of (\$1) in 2017 ((\$2) in 2016)	(3)	—	(3)	(8)	—	(8)
Other comprehensive income	146	13	159	48	2	50
Total comprehensive income	459	23	482	434	13	447
Dividends declared to minority shareholders	—	(5)	(5)	—	(9)	(9)
Stock-based compensation plans (Note 10)	12	—	12	13	—	13
Repurchase of common stock (Note 12)	(30)	—	(30)	(150)	—	(150)
Dividends declared (Note 12)	(50)	—	(50)	(38)	—	(38)
Common stock issued from treasury	11	—	11	3	—	3
Balance at end of period	\$ 4,909	\$ 236	\$ 5,145	\$ 4,182	\$ 226	\$ 4,408

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 six months ended June 30, 2017 and 2016 :

<i>(In millions) Income (Loss)</i>	Foreign Currency Translation Adjustment	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Total
Balance at December 31, 2016	\$ (1,155)	\$ (3,053)	\$ 10	\$ (4,198)
Other comprehensive income (loss) before reclassifications	121	3	(14)	110
Amounts reclassified from accumulated other comprehensive loss	—	39	(3)	36
Balance at June 30, 2017	<u>\$ (1,034)</u>	<u>\$ (3,011)</u>	<u>\$ (7)</u>	<u>\$ (4,052)</u>

<i>(In millions) Income (Loss)</i>	Foreign Currency Translation Adjustment	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Total
Balance at December 31, 2015	\$ (946)	\$ (3,071)	\$ 7	\$ (4,010)
Other comprehensive income (loss) before reclassifications	5	1	3	9
Amounts reclassified from accumulated other comprehensive loss	—	47	(8)	39
Balance at June 30, 2016	<u>\$ (941)</u>	<u>\$ (3,023)</u>	<u>\$ 2</u>	<u>\$ (3,962)</u>

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

<i>(In millions) (Income) Expense</i>	Three Months Ended June 30,		Six Months Ended June 30,		Affected Line Item in the Consolidated Statements of Operations
	2017	2016	2017	2016	
Component of AOCL	Amount Reclassified from AOCL		Amount Reclassified from AOCL		
Amortization of prior service cost and unrecognized gains and losses	\$ 30	\$ 24	\$ 60	\$ 48	Total Benefit Cost
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures	—	15	—	15	Total Benefit Cost
Unrecognized Net Actuarial Losses and Prior Service Costs, before tax	\$ 30	\$ 39	\$ 60	\$ 63	
Tax effect	(11)	(8)	(21)	(16)	United States and Foreign Taxes
Net of tax	<u>\$ 19</u>	<u>\$ 31</u>	<u>\$ 39</u>	<u>\$ 47</u>	Goodyear Net Income
Deferred Derivative (Gains) Losses, before tax	\$ (2)	\$ (6)	\$ (4)	\$ (10)	Cost of Goods Sold
Tax effect	—	1	1	2	United States and Foreign Taxes
Net of tax	<u>\$ (2)</u>	<u>\$ (5)</u>	<u>\$ (3)</u>	<u>\$ (8)</u>	Goodyear Net Income
Total reclassifications	<u>\$ 17</u>	<u>\$ 26</u>	<u>\$ 36</u>	<u>\$ 39</u>	Goodyear Net Income

Amortization of prior service cost and unrecognized gains and losses 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. 17, Pension, Other Postretirement Benefits and Savings Plans, in our 2016 Form 10-K.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15. CONSOLIDATING FINANCIAL INFORMATION

Certain of our subsidiaries have guaranteed our obligations under the \$282 million outstanding principal amount of 8.75% notes due 2020 , the \$1.0 billion outstanding principal amount of 5.125% senior notes due 2023 , the \$900 million outstanding principal amount of 5% senior notes due 2026 and the \$700 million outstanding principal amount of 4.875% senior notes due 2027 (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 capital stock, loans and other capital transactions between members of the consolidated group.

During the first quarter of 2017, one of our guarantor subsidiaries merged with the Parent Company. We have changed the prior year consolidating financial statements to conform to the current structure. As a result, Parent Company Total Assets decreased \$113 million and Guarantor Subsidiaries Total Assets decreased \$358 million , with corresponding offsetting adjustments presented on the same line items in the Consolidating Entries and Eliminations column, as of December 31, 2016. In addition, Parent Company Total Liabilities decreased \$113 million , Guarantor Subsidiaries Total Liabilities decreased \$46 million and Guarantor Subsidiaries Total Shareholders' Equity decreased \$312 million , with corresponding offsetting adjustments presented on the same line items in the Consolidating Entries and Eliminations column, as of December 31, 2016. Furthermore, Net Income increased \$2 million and \$8 million for Guarantor Subsidiaries, with corresponding offsetting adjustments presented on the same line items in the Consolidating Entries and Eliminations column, for the three and six month periods ended June 30, 2016, respectively. The change did not impact the Non-Guarantor Subsidiaries presentation in the previously issued consolidating financial statements.

We revised the presentation of eliminations of certain intercompany transactions solely between Non-Guarantor Subsidiaries within the consolidating statement of operations for the three and six months ended June 30, 2016. The revision did not impact the presentation of amounts in previously issued consolidating financial statements for the Parent Company or Guarantor Subsidiaries columns, nor did it impact amounts previously reported in the Company's Consolidated Statements of Operations. Certain eliminations solely between Non-Guarantor Subsidiaries that were previously presented within the Consolidating Entries and Eliminations column are now presented within the Non-Guarantor Subsidiaries column. Under the prior presentation, the Non-Guarantor Subsidiaries column in the consolidating statement of operations was \$322 million and \$614 million lower for both Net Sales and Cost of Goods Sold for the three and six month periods ended June 30, 2016, respectively, with corresponding offsetting adjustments presented on the same line items in the Consolidating Entries and Eliminations column. We do not consider these changes in presentation to be material to any previously issued financial statements as the primary purpose of this disclosure is to provide our noteholders with visibility into the entities that provide guarantees in support of the notes, which is disclosed in the Parent Company and Guarantor Subsidiaries columns which are not affected by the revisions described above.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Balance Sheet

June 30, 2017

<i>(In millions)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets:					
Current Assets:					
Cash and Cash Equivalents	\$ 84	\$ 55	\$ 764	\$ —	\$ 903
Accounts Receivable, net	678	136	1,495	—	2,309
Accounts Receivable From Affiliates	—	166	261	(427)	—
Inventories	1,613	50	1,542	(21)	3,184
Prepaid Expenses and Other Current Assets	74	2	157	3	236
Total Current Assets	2,449	409	4,219	(445)	6,632
Goodwill	24	1	421	125	571
Intangible Assets	118	—	19	—	137
Deferred Income Taxes	1,930	32	399	—	2,361
Other Assets	223	51	423	3	700
Investments in Subsidiaries	4,645	590	—	(5,235)	—
Property, Plant and Equipment, net	2,481	378	4,414	(28)	7,245
Total Assets	\$ 11,870	\$ 1,461	\$ 9,895	\$ (5,580)	\$ 17,646
Liabilities:					
Current Liabilities:					
Accounts Payable-Trade	\$ 851	\$ 106	\$ 1,817	\$ —	\$ 2,774
Accounts Payable to Affiliates	427	—	—	(427)	—
Compensation and Benefits	311	15	241	—	567
Other Current Liabilities	350	1	706	(2)	1,055
Notes Payable and Overdrafts	—	—	238	—	238
Long Term Debt and Capital Leases Due Within One Year	5	—	430	—	435
Total Current Liabilities	1,944	122	3,432	(429)	5,069
Long Term Debt and Capital Leases	4,017	52	1,334	—	5,403
Compensation and Benefits	598	100	710	—	1,408
Deferred Income Taxes	—	1	85	—	86
Other Long Term Liabilities	402	11	122	—	535
Total Liabilities	6,961	286	5,683	(429)	12,501
Commitments and Contingent Liabilities					
Shareholders' Equity:					
Goodyear Shareholders' Equity:					
Common Stock	252	—	—	—	252
Other Equity	4,657	1,175	3,976	(5,151)	4,657
Goodyear Shareholders' Equity	4,909	1,175	3,976	(5,151)	4,909
Minority Shareholders' Equity — Nonredeemable	—	—	236	—	236
Total Shareholders' Equity	4,909	1,175	4,212	(5,151)	5,145
Total Liabilities and Shareholders' Equity	\$ 11,870	\$ 1,461	\$ 9,895	\$ (5,580)	\$ 17,646

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Condensed Consolidating Balance Sheet

December 31, 2016

<i>(In millions)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets:					
Current Assets:					
Cash and Cash Equivalents	\$ 188	\$ 55	\$ 889	\$ —	\$ 1,132
Accounts Receivable, net	589	106	1,074	—	1,769
Accounts Receivable From Affiliates	—	277	270	(547)	—
Inventories	1,443	25	1,178	(19)	2,627
Prepaid Expenses and Other Current Assets	57	3	130	—	190
Total Current Assets	2,277	466	3,541	(566)	5,718
Goodwill	24	—	391	120	535
Intangible Assets	118	—	18	—	136
Deferred Income Taxes	2,010	31	373	—	2,414
Other Assets	223	53	387	5	668
Investments in Subsidiaries	4,344	541	—	(4,885)	—
Property, Plant and Equipment, net	2,481	308	4,279	(28)	7,040
Total Assets	\$ 11,477	\$ 1,399	\$ 8,989	\$ (5,354)	\$ 16,511
Liabilities:					
Current Liabilities:					
Accounts Payable-Trade	\$ 905	\$ 142	\$ 1,542	\$ —	\$ 2,589
Accounts Payable to Affiliates	547	—	—	(547)	—
Compensation and Benefits	365	15	204	—	584
Other Current Liabilities	355	—	611	(3)	963
Notes Payable and Overdrafts	—	—	245	—	245
Long Term Debt and Capital Leases Due Within One Year	6	—	430	—	436
Total Current Liabilities	2,178	157	3,032	(550)	4,817
Long Term Debt and Capital Leases	3,685	—	1,113	—	4,798
Compensation and Benefits	682	98	680	—	1,460
Deferred Income Taxes	—	1	84	—	85
Other Long Term Liabilities	425	12	188	1	626
Total Liabilities	6,970	268	5,097	(549)	11,786
Commitments and Contingent Liabilities					
Shareholders' Equity:					
Goodyear Shareholders' Equity:					
Common Stock	252	—	—	—	252
Other Equity	4,255	1,131	3,674	(4,805)	4,255
Goodyear Shareholders' Equity	4,507	1,131	3,674	(4,805)	4,507
Minority Shareholders' Equity — Nonredeemable	—	—	218	—	218
Total Shareholders' Equity	4,507	1,131	3,892	(4,805)	4,725
Total Liabilities and Shareholders' Equity	\$ 11,477	\$ 1,399	\$ 8,989	\$ (5,354)	\$ 16,511

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Consolidating Statements of Operations
Three Months Ended June 30, 2017

<i>(In millions)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net Sales	\$ 1,863	\$ 290	\$ 2,316	\$ (783)	\$ 3,686
Cost of Goods Sold	1,462	286	1,842	(798)	2,792
Selling, Administrative and General Expense	248	10	324	1	583
Rationalizations	1	—	26	—	27
Interest Expense	69	2	31	(13)	89
Other (Income) Expense	—	(1)	(19)	25	5
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	83	(7)	112	2	190
United States and Foreign Taxes	17	(3)	20	2	36
Equity in Earnings of Subsidiaries	81	16	—	(97)	—
Net Income (Loss)	147	12	92	(97)	154
Less: Minority Shareholders' Net Income	—	—	7	—	7
Goodyear Net Income (Loss)	\$ 147	\$ 12	\$ 85	\$ (97)	\$ 147
Comprehensive Income (Loss)	\$ 198	\$ 13	\$ 146	\$ (145)	\$ 212
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	—	—	14	—	14
Goodyear Comprehensive Income (Loss)	\$ 198	\$ 13	\$ 132	\$ (145)	\$ 198

Consolidating Statements of Operations
Three Months Ended June 30, 2016

<i>(In millions)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net Sales	\$ 1,889	\$ 351	\$ 2,347	\$ (708)	\$ 3,879
Cost of Goods Sold	1,407	329	1,797	(720)	2,813
Selling, Administrative and General Expense	261	11	321	—	593
Rationalizations	3	—	45	—	48
Interest Expense	78	4	22	—	104
Other (Income) Expense	(1)	—	7	14	20
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	141	7	155	(2)	301
United States and Foreign Taxes	49	2	37	5	93
Equity in Earnings of Subsidiaries	110	1	—	(111)	—
Net Income (Loss)	202	6	118	(118)	208
Less: Minority Shareholders' Net Income	—	—	6	—	6
Goodyear Net Income (Loss)	\$ 202	\$ 6	\$ 112	\$ (118)	\$ 202
Comprehensive Income (Loss)	\$ 190	\$ 1	\$ 86	\$ (86)	\$ 191
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	—	—	1	—	1
Goodyear Comprehensive Income (Loss)	\$ 190	\$ 1	\$ 85	\$ (86)	\$ 190

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Consolidating Statements of Operations

Six Months Ended June 30, 2017

<i>(In millions)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net Sales	\$ 3,630	\$ 589	\$ 4,618	\$ (1,452)	\$ 7,385
Cost of Goods Sold	2,842	560	3,638	(1,483)	5,557
Selling, Administrative and General Expense	507	19	636	—	1,162
Rationalizations	2	—	54	—	56
Interest Expense	134	4	62	(24)	176
Other (Income) Expense	(19)	1	(23)	46	5
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	164	5	251	9	429
United States and Foreign Taxes	60	—	49	(3)	106
Equity in Earnings of Subsidiaries	209	31	—	(240)	—
Net Income (Loss)	313	36	202	(228)	323
Less: Minority Shareholders' Net Income	—	—	10	—	10
Goodyear Net Income (Loss)	\$ 313	\$ 36	\$ 192	\$ (228)	\$ 313
Comprehensive Income (Loss)	\$ 459	\$ 41	\$ 340	\$ (358)	\$ 482
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	—	—	23	—	23
Goodyear Comprehensive Income (Loss)	\$ 459	\$ 41	\$ 317	\$ (358)	\$ 459

Consolidating Statements of Operations

Six Months Ended June 30, 2016

<i>(In millions)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net Sales	\$ 3,676	\$ 665	\$ 4,603	\$ (1,374)	\$ 7,570
Cost of Goods Sold	2,737	624	3,574	(1,421)	5,514
Selling, Administrative and General Expense	531	21	657	(1)	1,208
Rationalizations	5	—	54	—	59
Interest Expense	146	7	53	(11)	195
Other (Income) Expense	(5)	1	(10)	40	26
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	262	12	275	19	568
United States and Foreign Taxes	105	(1)	63	4	171
Equity in Earnings of Subsidiaries	229	21	—	(250)	—
Net Income (Loss)	386	34	212	(235)	397
Less: Minority Shareholders' Net Income	—	—	11	—	11
Goodyear Net Income (Loss)	\$ 386	\$ 34	\$ 201	\$ (235)	\$ 386
Comprehensive Income (Loss)	\$ 434	\$ 14	\$ 241	\$ (242)	\$ 447
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	—	—	13	—	13
Goodyear Comprehensive Income (Loss)	\$ 434	\$ 14	\$ 228	\$ (242)	\$ 434

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Statement of Cash Flows

Six Months Ended June 30, 2017

<i>(In millions)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Cash Flows from Operating Activities:					
Total Cash Flows from Operating Activities	\$ (49)	\$ (30)	\$ (90)	\$ (16)	\$ (185)
Cash Flows from Investing Activities:					
Capital Expenditures	(190)	(86)	(224)	3	(497)
Asset Dispositions	1	—	1	—	2
Short Term Securities Acquired	—	—	(43)	—	(43)
Short Term Securities Redeemed	—	—	43	—	43
Capital Contributions and Loans Incurred	(62)	—	(30)	92	—
Capital Redemptions and Loans Paid	—	—	61	(61)	—
Other Transactions	—	—	(3)	—	(3)
Total Cash Flows from Investing Activities	(251)	(86)	(195)	34	(498)
Cash Flows from Financing Activities:					
Short Term Debt and Overdrafts Incurred	40	—	250	—	290
Short Term Debt and Overdrafts Paid	(40)	—	(263)	—	(303)
Long Term Debt Incurred	2,090	52	1,314	—	3,456
Long Term Debt Paid	(1,759)	—	(1,146)	—	(2,905)
Common Stock Issued	11	—	—	—	11
Common Stock Repurchased	(30)	—	—	—	(30)
Common Stock Dividends Paid	(50)	—	—	—	(50)
Capital Contributions and Loans Incurred	30	62	—	(92)	—
Capital Redemptions and Loans Paid	(61)	—	—	61	—
Intercompany Dividends Paid	—	—	(13)	13	—
Transactions with Minority Interests in Subsidiaries	—	—	(5)	—	(5)
Debt Related Costs and Other Transactions	(26)	—	(12)	—	(38)
Total Cash Flows from Financing Activities	205	114	125	(18)	426
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	—	2	35	—	37
Net Change in Cash, Cash Equivalents and Restricted Cash	(95)	—	(125)	—	(220)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	210	55	924	—	1,189
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 115	\$ 55	\$ 799	\$ —	\$ 969

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2016

<i>(In millions)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Cash Flows from Operating Activities:					
Total Cash Flows from Operating Activities	\$ (199)	\$ (11)	\$ 160	\$ (17)	\$ (67)
Cash Flows from Investing Activities:					
Capital Expenditures	(189)	(40)	(239)	2	(466)
Asset Dispositions	—	—	1	—	1
Short Term Securities Acquired	—	—	(34)	—	(34)
Short Term Securities Redeemed	—	—	23	—	23
Capital Contributions and Loans Incurred	(93)	—	(243)	336	—
Capital Redemptions and Loans Paid	25	—	143	(168)	—
Total Cash Flows from Investing Activities	(257)	(40)	(349)	170	(476)
Cash Flows from Financing Activities:					
Short Term Debt and Overdrafts Incurred	—	—	124	—	124
Short Term Debt and Overdrafts Paid	—	—	(36)	—	(36)
Long Term Debt Incurred	2,051	—	1,232	—	3,283
Long Term Debt Paid	(1,523)	—	(1,408)	—	(2,931)
Common Stock Issued	3	—	—	—	3
Common Stock Repurchased	(150)	—	—	—	(150)
Common Stock Dividends Paid	(38)	—	—	—	(38)
Capital Contributions and Loans Incurred	243	59	34	(336)	—
Capital Redemptions and Loans Paid	(143)	(25)	—	168	—
Intercompany Dividends Paid	—	—	(15)	15	—
Transactions with Minority Interests in Subsidiaries	—	—	(7)	—	(7)
Debt Related Costs and Other Transactions	(66)	—	(10)	—	(76)
Total Cash Flows from Financing Activities	377	34	(86)	(153)	172
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	—	2	20	—	22
Net Change in Cash, Cash Equivalents and Restricted Cash	(79)	(15)	(255)	—	(349)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	361	67	1,074	—	1,502
Cash, Cash Equivalents and Restricted Cash at End of the Period	\$ 282	\$ 52	\$ 819	\$ —	\$ 1,153

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

All per share amounts are diluted and refer to Goodyear net income (loss).

OVERVIEW

The Goodyear Tire & Rubber Company is one of the world's leading manufacturers of tires, with one of the most recognizable brand names in the world and operations in most regions of the world. We have a broad global footprint with 47 manufacturing facilities in 21 countries, including the United States. We operate our business through three operating segments representing our regional tire businesses: Americas; Europe, Middle East and Africa ("EMEA"); and Asia Pacific.

Results of Operations

In the second quarter of 2017, we continued to experience challenging global industry conditions, including volatile raw material costs, increased price competition and weaker demand in many of our key markets. We experienced weakening demand for original equipment ("OE") and consumer replacement tires in the United States and Europe despite favorable trends in miles driven, gasoline prices and unemployment. In EMEA, we continued to pursue our strategy of focusing on more profitable segments of the market, such as larger rim diameter tires, and closed our manufacturing facility in Philippsburg, Germany in July 2017.

Our second quarter of 2017 results reflect a 10.2% decrease in tire unit shipments compared to the second quarter of 2016. In the second quarter of 2017, we realized approximately \$59 million of cost savings, including raw material cost saving measures of approximately \$23 million, which exceeded the impact of general inflation.

Net sales in the second quarter of 2017 were \$3,686 million, compared to \$3,879 million in the second quarter of 2016. Net sales decreased in the second quarter of 2017 due primarily to lower tire unit volumes, primarily in EMEA and Americas. This decrease was partially offset by increases in price and product mix and higher sales in other tire-related businesses, primarily related to higher prices for third-party chemical sales in Americas.

In the second quarter of 2017, Goodyear net income was \$147 million, or \$0.58 per share, compared to \$202 million, or \$0.75 per share, in the second quarter of 2016. The decrease in Goodyear net income in the second quarter of 2017 compared to the second quarter of 2016 was primarily driven by lower segment operating income. This decrease was partially offset by lower income tax expense, lower rationalization charges and lower interest expense.

Our total segment operating income for the second quarter of 2017 was \$361 million, compared to \$531 million in the second quarter of 2016. The \$170 million decrease in segment operating income was due to higher raw material costs of \$166 million, which more than offset increases in price and product mix of \$127 million, lower volume of \$98 million, primarily in EMEA and Americas, and higher conversion costs of \$39 million, primarily due to higher under-absorbed overhead as a result of lower production volume in Americas. Refer to "Results of Operations — Segment Information" for additional information.

Net sales in the first six months of 2017 were \$7,385 million, compared to \$7,570 million in the first six months of 2016. Net sales decreased in the first six months of 2017 due to lower tire unit volumes, primarily in EMEA and Americas. This decrease was partially offset by increases in price and product mix and higher sales in other tire-related businesses, primarily related to higher prices for third-party chemical sales in Americas.

In the first six months of 2017, Goodyear net income was \$313 million, or \$1.23 per share, compared to \$386 million, or \$1.43 per share, in the first six months of 2016. The decrease in Goodyear net income in the first six months of 2017 compared to the first six months of 2016 was driven by lower segment operating income. This decrease was partially offset by lower income tax expense, lower corporate selling, administrative and general expense ("SAG"), primarily related to lower incentive compensation, and lower interest expense.

Our total segment operating income for the first six months of 2017 was \$746 million, compared to \$950 million in the first six months of 2016. The \$204 million decrease in segment operating income was due primarily to an increase in raw material costs of \$178 million, which more than offset increases in price and product mix of \$174 million, lower volume of \$132 million, and higher conversion costs of \$70 million, primarily due to higher under-absorbed overhead as a result of lower production volume in Americas and EMEA. Refer to "Results of Operations — Segment Information" for additional information.

At June 30, 2017, we had \$903 million of Cash and cash equivalents as well as \$2,440 million of unused availability under our various credit agreements, compared to \$1,132 million and \$2,970 million, respectively, at December 31, 2016. Cash and cash equivalents decreased by \$229 million from December 31, 2016 due primarily to cash used for working capital of \$762 million, capital expenditures of \$497 million, \$80 million in common stock repurchases and dividends, and redemption premiums paid of \$25 million. These uses of cash were partially offset by net income of \$323 million, which included non-cash depreciation and amortization charges of \$387 million, and net borrowings of \$538 million. Refer to "Liquidity and Capital Resources" for additional information.

Outlook

We now expect that our full-year tire unit volume for 2017 will be down approximately 3.5% compared to 2016, and for under-absorbed fixed overhead costs to be approximately \$155 million higher in 2017 compared to 2016. We continue to expect cost savings to more than offset general inflation in 2017. Based on current spot rates, we now expect foreign currency translation to be essentially neutral in 2017 compared to 2016.

Based on current raw material spot prices, for the full year of 2017, we continue to expect our raw material costs will be approximately 20% higher than 2016, excluding raw material cost saving measures. However, given the industry environment, we now expect those higher raw material costs to exceed improvements in price and product mix by approximately \$175 million. Natural and synthetic rubber prices and other commodity prices historically have experienced significant volatility, and this estimate could change significantly based on fluctuations in the cost of these and other key raw materials. We are continuing to focus on price and product mix, to substitute lower cost materials where possible, to work to identify additional substitution opportunities, to reduce the amount of material required in each tire, and to pursue alternative raw materials.

Refer to “Forward-Looking Information — Safe Harbor Statement” for a discussion of our use of forward-looking statements in this Form 10-Q.

RESULTS OF OPERATIONS

CONSOLIDATED

Three Months Ended June 30, 2017 and 2016

Net sales in the second quarter of 2017 were \$3,686 million, decreasing \$193 million, or 5.0%, from \$3,879 million in the second quarter of 2016. Goodyear net income was \$147 million, or \$0.58 per share, in the second quarter of 2017, compared to \$202 million, or \$0.75 per share, in the second quarter of 2016.

Net sales decreased in the second quarter of 2017, due primarily to lower tire unit volume of \$343 million, primarily in EMEA and Americas. This decrease was partially offset by increases in price and product mix of \$121 million and higher sales in other tire-related businesses of \$38 million, driven by higher prices for third-party chemical sales in Americas.

Worldwide tire unit sales in the second quarter of 2017 were 37.4 million units, decreasing 4.1 million units, or 10.2%, from 41.5 million units in the second quarter of 2016. Replacement tire volume decreased 3.1 million units, or 10.9%, primarily in EMEA and Americas. OE tire volume decreased 1.0 million units, or 8.3%, primarily in Americas and EMEA.

Cost of goods sold (“CGS”) in the second quarter of 2017 was \$2,792 million, decreasing \$21 million, or 0.7%, from \$2,813 million in the second quarter of 2016. CGS decreased due to lower tire volume of \$245 million, primarily in EMEA and Americas. This decrease was partially offset by higher raw material costs of \$166 million and higher costs in other tire-related businesses of \$53 million, primarily related to third-party chemical sales in Americas.

CGS in the second quarter of 2017 included pension expense of \$12 million, compared to \$11 million in 2016, excluding a pension settlement charge of \$14 million in 2016. CGS in the second quarter of 2017 included accelerated depreciation of \$21 million (\$16 million after-tax and minority) primarily related to the closure of our manufacturing facility in Philippsburg, Germany compared to \$5 million (\$5 million after-tax and minority) in the second quarter of 2016 primarily related to the closure of our Wolverhampton, U.K. facility. CGS in the second quarter of 2017 and 2016 also included incremental savings from rationalization plans of \$9 million and \$2 million, respectively. CGS was 75.7% of sales in the second quarter of 2017 compared to 72.5% in the second quarter of 2016.

SAG in the second quarter of 2017 was \$583 million, decreasing \$10 million, or 1.7%, from \$593 million in the second quarter of 2016. SAG decreased primarily due to lower advertising costs of \$10 million and lower incentive compensation of \$5 million. These decreases were partially offset by higher bad debt expense of \$6 million.

SAG in the second quarter of 2017 included pension expense of \$9 million, compared to \$8 million in 2016. SAG in the second quarter of 2017 and 2016 also included incremental savings from rationalization plans of \$9 million and \$6 million, respectively. SAG was 15.8% of sales in the second quarter of 2017, compared to 15.3% in the second quarter of 2016.

We recorded net rationalization charges of \$27 million (\$20 million after-tax and minority) in the second quarter of 2017 and \$48 million (\$44 million after-tax and minority) in the second quarter of 2016. In the second quarter of 2017, we recorded charges of \$3 million for rationalization actions initiated during 2017, which primarily related to SAG headcount reductions and a plan to improve operating efficiency in EMEA. We also recorded charges of \$24 million related to prior year plans, primarily related to the closure of our tire manufacturing facility in Philippsburg, Germany and to the closure of our Wolverhampton, U.K. mixing and retreading facility and the plan to transfer consumer tire production from our manufacturing facility in Wittlich, Germany to other manufacturing facilities in EMEA. In the second quarter of 2016, we recorded charges of \$43 million for rationalization actions

initiated during the quarter, which primarily related to manufacturing headcount reductions in EMEA to improve operating efficiency. In addition, we initiated a plan to reduce SAG headcount globally. We also recorded charges of \$5 million related to prior year plans, including additional associate-related and dismantling costs related to the closure of one of our manufacturing facilities in Amiens, France.

Interest expense in the second quarter of 2017 was \$89 million, decreasing \$15 million, or 14.4%, from \$104 million in the second quarter of 2016. The decrease was due to a lower average interest rate of 5.93% in the second quarter of 2017 compared to 6.76% in the second quarter of 2016, and a lower average debt balance of \$6,005 million in the second quarter of 2017 compared to \$6,156 million in the second quarter of 2016. In addition, interest expense included charges of \$6 million (\$4 million after-tax and minority) and \$9 million (\$6 million after-tax and minority) for the three months ended June 30, 2017 and 2016, respectively, related to the write-off of deferred financing fees.

Other (Income) Expense in the second quarter of 2017 was \$5 million of expense, compared to \$20 million of expense in the second quarter of 2016. Other (Income) Expense included financing fees and financial instruments expense of \$32 million, compared to \$52 million in the second quarter of 2016. The decrease primarily relates to lower redemption premiums paid during the second quarter of 2017 of \$25 million (\$15 million after-tax and minority interest) as compared to \$44 million (\$28 million after-tax and minority) in the second quarter of 2016, related to the redemption of certain notes.

Other (Income) Expense in the second quarter of 2017 also included expense of \$1 million in general and product liability expense (income) - discontinued products, compared to income of \$14 million in the second quarter of 2016. The difference primarily relates to a benefit of \$4 million (\$3 million after-tax and minority) for the recovery of past costs from one of our asbestos insurers and a benefit of \$10 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods, both of which were recognized in the second quarter of 2016. Additionally, Other (Income) Expense in the second quarter of 2017 included net gains on asset sales of \$12 million (\$12 million after-tax and minority), primarily related to the sale of a former wire plant site in Luxembourg.

In the second quarter of 2017, we recorded income tax expense of \$36 million on income before income taxes of \$190 million. Income tax expense in the second quarter of 2017 was favorably impacted by \$9 million (\$9 million after minority interest) of various discrete tax adjustments. In the second quarter of 2016, we recorded income tax expense of \$93 million on income before income taxes of \$301 million. Income tax expense in the second quarter of 2016 was unfavorably impacted by \$3 million (\$3 million after minority interest) of various discrete tax adjustments.

We record taxes based on overall estimated annual effective tax rates. The difference between our effective tax rate and the U.S. statutory rate was primarily attributable to the discrete items noted above and an overall lower effective tax rate in the foreign jurisdictions in which we operate.

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 foreign deferred tax assets. Each reporting period we assess available positive and negative evidence and estimate if sufficient future taxable income will be generated to utilize these existing deferred tax assets. We do not believe that sufficient positive evidence required to release all or a significant portion of these valuation allowances will exist within the next twelve months.

Minority shareholders' net income in the second quarter of 2017 was \$7 million, compared to \$6 million in 2016.

Six Months Ended June 30, 2017 and 2016

Net sales in the first six months of 2017 were \$7,385 million, decreasing \$185 million, or 2.4%, from \$7,570 million in the first six months of 2016. Goodyear net income was \$313 million, or \$1.23 per share, in the first six months of 2017, compared to \$386 million, or \$1.43 per share, in the first six months of 2016.

Net sales decreased in the first six months of 2017, due primarily to lower tire unit volume of \$461 million, primarily in EMEA and Americas. This decrease was partially offset by increases in price and product mix of \$202 million and higher sales in other tire-related businesses of \$84 million, primarily related to higher prices for third-party chemical sales in Americas.

Worldwide tire unit sales in the first six months of 2017 were 77.4 million units, decreasing 5.6 million units, or 6.8%, from 83.0 million units in the first six months of 2016. Replacement tire volume decreased 3.6 million units, or 6.3%, primarily in EMEA and Americas. OE tire volume decreased 2.0 million units, or 8.0%, primarily in Americas and EMEA.

CGS in the first six months of 2017 was \$5,557 million, increasing \$43 million, or 0.8%, from \$5,514 million in the first six months of 2016. CGS increased due to higher raw material costs of \$178 million, higher costs in other tire-related businesses of \$108 million, driven by third-party chemical sales in Americas, higher conversion costs of \$70 million, primarily due to increased under-absorbed overhead resulting from lower production volumes, and incremental start-up costs of \$13 million associated with our new plant in San Luis Potosi, Mexico. These increases were partially offset by lower tire volume of \$329 million, primarily in EMEA and Americas.

CGS in the first six months of 2017 included pension expense of \$24 million, which was unchanged from 2016, excluding a pension settlement charge of \$14 million in 2016. CGS in the first six months of 2017 also included accelerated depreciation of \$29 million (\$21 million after-tax and minority) primarily related to the closure of our manufacturing facility in Philippsburg, Germany compared to \$7 million (\$7 million after-tax and minority) in the first six months of 2016 primarily related to the closure of our Wolverhampton, U.K. mixing and retreading facility. CGS in the first six months of 2017 and 2016 also included incremental savings from rationalization plans of \$13 million and \$3 million, respectively. CGS was 75.2% of sales in the first six months of 2017 compared to 72.8% in the first six months of 2016.

SAG in the first six months of 2017 was \$1,162 million, decreasing \$46 million, or 3.8%, from \$1,208 million in the first six months of 2016. SAG decreased primarily due to lower incentive compensation of \$27 million and lower advertising costs of \$23 million.

SAG in the first six months of 2017 included pension expense of \$18 million, which increased from \$15 million in the first six months of 2016. SAG in the first six months of 2017 and 2016 also included incremental savings from rationalization plans of \$18 million and \$14 million, respectively. SAG was 15.7% of sales in the first six months of 2017, compared to 16.0% in the first six months of 2016.

We recorded net rationalization charges of \$56 million (\$40 million after-tax and minority) in the first six months of 2017 and \$59 million (\$54 million after-tax and minority) in the first six months of 2016. In the first six months of 2017, we recorded charges of \$26 million for rationalization actions initiated during 2017, which primarily related to SAG headcount reductions and a plan to improve operating efficiency in EMEA. We also recorded charges of \$30 million related to prior year plans, primarily related to the closure of our tire manufacturing facility in Philippsburg, Germany and to the closure of our Wolverhampton, U.K. mixing and retreading facility and the plan to transfer consumer tire production from our manufacturing facility in Wittlich, Germany to other manufacturing facilities in EMEA. In the first six months of 2016, we recorded charges of \$43 million for rationalization actions initiated during 2016, which primarily related to manufacturing headcount reductions in EMEA to improve operating efficiency. In addition, we initiated a plan to reduce SAG headcount globally. We also recorded charges of \$16 million related to prior year plans, including additional associate-related and dismantling costs related to the closure of one of our manufacturing facilities in Amiens, France.

Interest expense in the first six months of 2017 was \$176 million, decreasing \$19 million, or 9.7%, from \$195 million in the first six months of 2016. The decrease was due to a lower average interest rate of 6.01% in the first six months of 2017 compared to 6.49% in the first six months of 2016, and a lower average debt balance of \$5,855 million in the first six months of 2017 compared to \$6,012 million in the first six months of 2016. In addition, interest expense included charges of \$6 million (\$4 million after-tax and minority) and \$11 million (\$8 million after-tax and minority) for the six months ended June 30, 2017 and 2016, respectively, related to the write-off of deferred financing fees.

Other (Income) Expense in the first six months of 2017 was \$5 million of expense, compared to \$26 million of expense in the first six months of 2016. Other (Income) Expense included financing fees and financial instruments expense of \$40 million, compared to \$68 million in the first six months of 2016. The decrease primarily relates to lower redemption premiums paid during 2017 of \$25 million (\$15 million after-tax and minority interest) as compared to \$53 million (\$37 million after-tax and minority) in the first six months of 2016, related to the redemption of certain notes.

Other (Income) Expense in the first six months of 2017 also included expense of \$3 million in general and product liability expense (income) - discontinued products, compared to income of \$16 million in the first six months of 2016. The difference primarily relates to a benefit of \$4 million (\$3 million after-tax and minority) for the recovery of past costs from one of our asbestos insurers and a benefit of \$10 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods, both of which were recognized in the second quarter of 2016. Additionally, Other (Income) Expense in the second quarter of 2017 included net gains on asset sales of \$13 million (\$12 million after-tax and minority), primarily related to the sale of a former wire plant site in Luxembourg.

In the first six months of 2017, we recorded income tax expense of \$106 million on income before income taxes of \$429 million. Income tax expense in the first six months of 2017 was favorably impacted by \$11 million (\$11 million after minority interest) of various discrete tax adjustments. In the first six months of 2016, we recorded income tax expense of \$171 million on income before income taxes of \$568 million. Income tax expense in the first six months of 2016 was favorably impacted by \$9 million (\$8 million after minority interest) of various discrete tax adjustments.

We record taxes based on overall estimated annual effective tax rates. The difference between our effective tax rate and the U.S. statutory rate was primarily attributable to the discrete items noted above and an overall lower effective tax rate in the foreign jurisdictions in which we operate.

Minority shareholders' net income in the first six months of 2017 was \$10 million, compared to \$11 million in 2016.

SEGMENT INFORMATION

Segment information reflects our strategic business units (“SBUs”), which are organized to meet customer requirements and global competition and are segmented on a regional basis.

Results of operations are measured based on net sales to unaffiliated customers and segment operating income. Each segment exports tires to other segments. The financial results of each segment exclude sales of tires exported to other segments, but include operating income derived from such transactions. Segment operating income is computed as follows: Net Sales less CGS (excluding asset write-off and accelerated depreciation charges) and SAG (including certain allocated corporate administrative expenses). Segment operating income also includes certain royalties and equity in earnings of most affiliates. Segment operating income does not include net rationalization charges (credits), asset sales and certain other items including pension curtailments and settlements.

Management believes that total segment operating income is useful because it represents the aggregate value of income created by our SBUs and excludes items not directly related to the SBUs for performance evaluation purposes. Total segment operating income is the sum of the individual SBUs’ segment operating income. Refer to Note to the Consolidated Financial Statements No. 6, Business Segments, in this Form 10-Q for further information and for a reconciliation of total segment operating income to Income before Income Taxes.

Total segment operating income in the second quarter of 2017 was \$361 million, decreasing \$170 million, or 32.0%, from \$531 million in the second quarter of 2016. Total segment operating margin (segment operating income divided by segment sales) in the second quarter of 2017 was 9.8%, compared to 13.7% in the second quarter of 2016. Total segment operating income in the first six months of 2017 was \$746 million, decreasing \$204 million, or 21.5%, from \$950 million in the first six months of 2016. Total segment operating margin in the first six months of 2017 was 10.1%, compared to 12.5% in the first six months of 2016.

Americas

(In millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	2016	Change	Percent Change	2017	2016	Change	Percent Change
Tire Units	17.1	18.8	(1.7)	(9.2)%	34.3	36.8	(2.5)	(6.9)%
Net Sales	\$ 2,029	\$ 2,090	\$ (61)	(2.9)%	\$ 3,987	\$ 4,041	\$ (54)	(1.3)%
Operating Income	213	291	(78)	(26.8)%	427	551	(124)	(22.5)%
Operating Margin	10.5%	13.9%			10.7%	13.6%		

Three Months Ended June 30, 2017 and 2016

Americas unit sales in the second quarter of 2017 decreased 1.7 million units, or 9.2%, to 17.1 million units. Replacement tire volume decreased 1.1 million units, or 8.4%, primarily in consumer replacement in the United States, Canada and Mexico. Declines in consumer replacement volumes in the United States were primarily driven by lower volumes in 16 inch and below rim size tires that reflected increased competition. OE tire volume decreased 0.6 million units, or 11.5%, primarily in consumer OE in the United States, driven by reduced OEM production.

Net sales in the second quarter of 2017 were \$2,029 million, decreasing \$61 million, or 2.9%, from \$2,090 million in the second quarter of 2016. The decrease in net sales was primarily driven by lower tire volume of \$152 million. This decrease was partially offset by improved price and product mix of \$46 million, driven by the impact of higher raw material costs on pricing, and higher sales in other tire-related businesses of \$44 million, primarily driven by an increase in price for third-party sales of chemical products.

Operating income in the second quarter of 2017 was \$213 million, decreasing \$78 million, or 26.8%, from \$291 million in the second quarter of 2016. The decrease in operating income was due to increased raw material costs of \$74 million, which more than offset improved price and product mix of \$63 million, lower tire volume of \$40 million, unfavorable conversion costs of \$37 million, primarily due to increased under-absorbed overhead resulting from lower production volumes, lower income in our other tire-related businesses of \$15 million, primarily in third-party chemical sales, and incremental start-up costs of \$8 million associated with our new plant in San Luis Potosi, Mexico. These decreases in operating income were partially offset by an out of period adjustment of \$24 million of expense in 2016 related to the elimination of intracompany profit, primarily related to the years 2012 to 2015, with the majority attributable to 2012. SAG included incremental savings from rationalization plans of \$6 million.

Operating income in the second quarter of 2017 excluded rationalization charges of \$1 million and net gains on asset sales of \$2 million. Operating income in the second quarter of 2016 excluded rationalization charges of \$1 million.

Six Months Ended June 30, 2017 and 2016

Americas unit sales in the first six months of 2017 decreased 2.5 million units, or 6.9% , to 34.3 million units. Replacement tire volume decreased 1.3 million units, or 5.1% , primarily in consumer replacement in the United States and Mexico. Declines in consumer replacement volumes in the United States were primarily driven by lower volumes in 16 inch and below rim size tires that reflected increased competition. OE tire volume decreased 1.2 million units, or 11.9% , primarily in consumer OE in the United States, driven by reduced OEM production.

Net sales in the first six months of 2017 were \$3,987 million , decreasing \$54 million , or 1.3% , from \$4,041 million in the first six months of 2016 . The decrease in net sales was primarily driven by lower tire volume of \$223 million. This decrease was partially offset by higher sales in our other tire-related businesses of \$91 million, primarily due to an increase in price for third-party sales of chemical products, improved price and product mix of \$42 million, driven by the impact of higher raw material costs on pricing, and favorable foreign currency translation of \$36 million, primarily in Brazil.

Operating income in the first six months of 2017 was \$427 million , decreasing \$124 million , or 22.5% , from \$551 million in the first six months of 2016 . The decrease in operating income was due to increased raw material costs of \$71 million, which more than offset improved price and product mix of \$67 million, lower tire unit volume of \$60 million, unfavorable conversion costs of \$60 million, primarily due to increased under-absorbed overhead resulting from lower production volumes, lower income in our other tire-related businesses of \$21 million, and incremental start-up costs of \$13 million associated with our new plant in San Luis Potosi, Mexico. These decreases in operating income were partially offset by an out of period adjustment of \$24 million of expense in 2016 related to the elimination of intracompany profit, primarily related to the years 2012 to 2015, with the majority attributable to 2012. SAG included incremental savings from rationalization plans of \$13 million.

Operating income in the first six months of 2017 excluded rationalization charges of \$2 million and net gains on asset sales of \$3 million . Operating income in the first six months of 2016 excluded rationalization charges of \$4 million .

Europe, Middle East and Africa

(In millions)	Three Months Ended June 30,				Six Months Ended June 30,			
			Percent				Percent	
	2017	2016	Change	Change	2017	2016	Change	Change
Tire Units	13.0	15.4	(2.4)	(15.8)%	28.5	31.6	(3.1)	(9.7)%
Net Sales	\$ 1,114	\$ 1,261	\$ (147)	(11.7)%	\$ 2,353	\$ 2,512	\$ (159)	(6.3)%
Operating Income	77	148	(71)	(48.0)%	175	228	(53)	(23.2)%
Operating Margin	6.9%	11.7%			7.4%	9.1%		

Three Months Ended June 30, 2017 and 2016

Europe, Middle East and Africa unit sales in the second quarter of 2017 decreased 2.4 million units, or 15.8% , to 13.0 million units. Replacement tire volume decreased 1.9 million units, or 17.9% , primarily due to lower consumer replacement volumes driven by increased competition and lower summer tire industry demand, slightly offset by increased winter tire volumes. OE tire volume decreased 0.5 million units, or 11.2% , primarily in our consumer business driven by decreased industry demand.

Net sales in the second quarter of 2017 were \$1,114 million , decreasing \$147 million , or 11.7% , from \$1,261 million in the second quarter of 2016 . Net sales decreased primarily due to lower tire unit volume of \$188 million. This decrease was partially offset by improvements in price and product mix of \$53 million, primarily driven by the impact of higher raw material costs on pricing.

Operating income in the second quarter of 2017 was \$77 million , decreasing \$71 million , or 48.0% , from \$148 million in the second quarter of 2016 . Operating income decreased primarily due to lower volume of \$57 million, higher raw material costs of \$47 million, which more than offset improvements in price and product mix of \$26 million, and increased conversion costs of \$4 million. These decreases were partially offset by lower SAG of \$13 million, primarily related to lower advertising costs and wages and benefits. SAG and conversion costs included incremental savings from rationalization plans of \$3 million and \$9 million, respectively.

Operating income in the second quarter of 2017 excluded net rationalization charges of \$26 million , primarily related to plans initiated to streamline operations and reduce complexity across EMEA, accelerated depreciation of \$21 million , primarily related to the closure of our tire manufacturing facility in Philippsburg, Germany, and gains on asset sales of \$10 million, primarily related to the sale of a former wire plant site in Luxembourg.

Operating income in the second quarter of 2016 excluded net rationalization charges of \$45 million , primarily related to plans initiated to streamline operations and reduce complexity across EMEA, and accelerated depreciation of \$5 million , primarily related to the closure of our Wolverhampton, U.K. mixing and retreading facility.

Six Months Ended June 30, 2017 and 2016

Europe, Middle East and Africa unit sales in the first six months of 2017 decreased 3.1 million units, or 9.7% , to 28.5 million units. Replacement tire volume decreased 2.5 million units, or 11.1% , primarily due to increased competition. OE tire volume decreased 0.6 million units, or 6.3% , primarily in our consumer business driven by decreased industry demand.

Net sales in the first six months of 2017 were \$2,353 million , decreasing \$159 million , or 6.3% , from \$2,512 million in the first six months of 2016 . Net sales decreased due to lower tire unit volume of \$235 million and unfavorable foreign currency translation of \$41 million, primarily due to the devaluation of the Turkish lira. These impacts were partially offset by improvements in price and product mix of \$121 million.

Operating income in the first six months of 2017 was \$175 million , decreasing \$53 million , or 23.2% from \$228 million in the first six months of 2016 . Operating income decreased due to lower volumes of \$70 million, increased conversion costs of \$13 million, primarily due to increased under-absorbed overhead resulting from lower production volumes, and unfavorable foreign currency translation of \$6 million. These decreases were partially offset by improvements in price and product mix of \$53 million, which more than offset increased raw material costs of \$51 million, and lower SAG of \$34 million, driven by lower advertising costs and incentive compensation. SAG and conversion costs included incremental savings from rationalization plans of \$5 million and \$13 million, respectively.

Operating income in the first six months of 2017 excluded net rationalization charges of \$53 million , primarily related to plans initiated to streamline operations and reduce complexity across EMEA, accelerated depreciation of \$29 million , primarily related to the closure of our tire manufacturing facility in Philippsburg, Germany, and gains on asset sales of \$10 million, primarily related to the sale of a former wire plant site in Luxembourg.

Operating income in the first six months of 2016 excluded net rationalization charges of \$53 million , primarily related to plans initiated to streamline operations and reduce complexity across EMEA, and accelerated depreciation of \$7 million , primarily related to the closure of our Wolverhampton, U.K. mixing and retreading facility.

Asia Pacific

(In millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	2016	Change	Percent Change	2017	2016	Change	Percent Change
Tire Units	7.3	7.3	—	(0.7)%	14.6	14.6	—	(0.4)%
Net Sales	\$ 543	\$ 528	\$ 15	2.8 %	\$ 1,045	\$ 1,017	\$ 28	2.8 %
Operating Income	71	92	(21)	(22.8)%	144	171	(27)	(15.8)%
Operating Margin	13.1%	17.4%			13.8%	16.8%		

Three Months Ended June 30, 2017 and 2016

Asia Pacific unit sales in the second quarter of 2017 were consistent with the second quarter of 2016 at 7.3 million units. OE tire volume increased 0.1 million units, or 2.2% . Replacement tire volume decreased 0.1 million units, or 2.5% .

Net sales in the second quarter of 2017 were \$543 million , increasing \$15 million , or 2.8% , from \$528 million in the second quarter of 2016 . Net sales increased by \$22 million due to higher price and product mix, driven by the impact of higher raw material costs on pricing. This increase was partially offset by unfavorable foreign currency translation of \$4 million and lower volume of \$3 million.

Operating income in the second quarter of 2017 was \$71 million , decreasing \$21 million , or 22.8% , from \$92 million in the second quarter of 2016 . Operating income decreased due to higher raw material costs of \$45 million, which more than offset the effect of higher price and product mix of \$38 million, higher SAG of \$7 million, primarily due to higher wages and benefits and higher advertising costs, lower income in other tire-related businesses of \$3 million, and unfavorable foreign currency translation of \$3 million.

Operating income in the second quarter of 2016 excluded net rationalization charges of \$1 million .

Six Months Ended June 30, 2017 and 2016

Asia Pacific unit sales in the first six months of 2017 were consistent with the first six months of 2016 at 14.6 million units. Replacement tire volume increased 0.2 million units, or 1.9% , primarily in our consumer business. OE tire volume decreased 0.2 million units, or 3.9% , primarily in our consumer business in China.

Net sales in the first six months of 2017 were \$1,045 million , increasing \$28 million , or 2.8% , from \$1,017 million in the first six months of 2016 . Net sales increased by \$39 million due to higher price and product mix, driven by the impact of higher raw

material costs on pricing. This increase was partially offset by unfavorable foreign currency translation of \$6 million, primarily related to the strengthening of the U.S. dollar against the Chinese yuan, lower volume of \$3 million, and lower sales in other tire-related businesses of \$3 million.

Operating income in the first six months of 2017 was \$144 million, decreasing \$27 million, or 15.8%, from \$171 million in the first six months of 2016. Operating income decreased due to higher raw material costs of \$56 million, which more than offset the effect of higher price and product mix of \$54 million, higher SAG of \$8 million, primarily due to higher wages and benefits, lower income in other tire-related businesses of \$7 million, unfavorable foreign currency translation of \$4 million, and a decrease of \$3 million in incentives recognized for the expansion of our factory in China.

Operating income in the first six months of 2017 excluded net rationalization charges of \$1 million. Operating income in the first six months of 2016 excluded net gains on asset sales of \$1 million and net rationalization charges of \$1 million.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash generated from our operating and financing activities. Our cash flows from operating activities are driven primarily by our operating results and changes in our working capital requirements and our cash flows from financing activities are dependent upon our ability to access credit or other capital.

At June 30, 2017, we had \$903 million in Cash and cash equivalents, compared to \$1,132 million at December 31, 2016. For the six months ended June 30, 2017, net cash used by operating activities was \$185 million, primarily driven by cash used for working capital of \$762 million, that was partially offset by net income of \$323 million, which included non-cash charges for depreciation and amortization of \$387 million. Net cash used in investing activities was \$498 million, primarily reflecting capital expenditures of \$497 million. Net cash provided by financing activities was \$426 million, primarily due to net borrowings of \$538 million, partially offset by cash used for common stock repurchases and dividends of \$80 million.

At June 30, 2017, we had \$2,440 million of unused availability under our various credit agreements, compared to \$2,970 million at December 31, 2016. The table below presents unused availability under our credit facilities at those dates:

<i>(In millions)</i>	June 30, 2017	December 31, 2016
First lien revolving credit facility	\$ 1,195	\$ 1,506
European revolving credit facility	382	579
Chinese credit facilities	224	252
Other foreign and domestic debt	286	319
Notes payable and overdrafts	353	314
	\$ 2,440	\$ 2,970

We have deposited our cash and cash equivalents and entered into various credit agreements and derivative contracts with financial institutions that we considered to be substantial and creditworthy at the time of such transactions. We seek to control our exposure to these financial institutions by diversifying our deposits, credit agreements and derivative contracts across multiple financial institutions, by setting deposit and counterparty credit limits based on long term credit ratings and other indicators of credit risk such as credit default swap spreads, and by monitoring the financial strength of these financial institutions on a regular basis. We also enter into master netting agreements with counterparties when possible. By controlling and monitoring exposure to financial institutions in this manner, we believe that we effectively manage the risk of loss due to nonperformance by a financial institution. However, we cannot provide assurance that we will not experience losses or delays in accessing our deposits or lines of credit due to the nonperformance of a financial institution. Our inability to access our cash deposits or make draws on our lines of credit, or 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.

We expect our 2017 cash flow needs to include capital expenditures of approximately \$800 million to \$900 million. We also expect interest expense to range between \$340 million and \$365 million, restructuring payments to be approximately \$225 million, dividends on our common stock to be approximately \$100 million, and contributions to our funded non-U.S. pension plans to be approximately \$50 million to \$75 million. We expect working capital to be a use of cash of approximately \$150 million in 2017. We intend to operate the business in a way that allows us to address these needs with our existing cash and available credit if they cannot be funded by cash generated from operations.

We believe that our liquidity position is adequate to fund our operating and investing needs and debt maturities in 2017 and to provide us with flexibility to respond to further changes in the business environment.

Our ability to service debt and operational requirements is also dependent, in part, on the ability of our subsidiaries to make distributions of cash to various other entities in our consolidated group, whether in the form of dividends, loans or otherwise. In certain countries where we operate, such as China and South Africa, transfers of funds into or out of such countries by way of dividends, loans, advances or payments to third-party or affiliated suppliers are generally or periodically subject to certain requirements, such as obtaining approval from the foreign government and/or currency exchange board before net assets can be transferred out of the country. In addition, certain of our credit agreements and other debt instruments limit the ability of foreign subsidiaries to make distributions of cash. Thus, we would have to repay and/or amend these credit agreements and other debt instruments in order to use this cash to service our consolidated debt. Because of the inherent uncertainty of satisfactorily meeting these requirements or limitations, we do not consider the net assets of our subsidiaries, including our Chinese and South African subsidiaries, that are subject to such requirements or limitations to be integral to our liquidity or our ability to service our debt and operational requirements. At June 30, 2017, approximately \$808 million of net assets, including \$174 million of cash and cash equivalents, were subject to such requirements. The requirements we must comply with to transfer funds out of China and South Africa have not adversely impacted our ability to make transfers out of those countries.

Operating Activities

Net cash used by operating activities was \$185 million in the first six months of 2017 , compared to \$67 million in the first six months of 2016 . Net cash used by operating activities in the first six months of 2017 increased compared to 2016 primarily due to a \$76 million increase in cash used for working capital and a \$74 million decrease in net income, partially offset by a \$37 million decrease in cash used for compensation and benefits, driven by lower incentive compensation.

The increased use of cash for working capital in 2017 was primarily due to an increase in cash used for inventories and accounts receivable of \$306 million and \$53 million, respectively, reflecting the impact of higher raw material prices on our costs and pricing, and the impact of lower sales volumes. Cash used for accounts payable decreased \$283 million primarily due to the timing of current year payments, with recent raw material price increases being included in Accounts Payable - Trade on the balance sheet at June 30, 2017.

Investing Activities

Net cash used in investing activities was \$498 million in the first six months of 2017 , compared to \$476 million in the first six months of 2016 . Capital expenditures were \$497 million in the first six months of 2017 , compared to \$466 million in the first six months of 2016 . Beyond expenditures required to sustain our facilities, capital expenditures in 2017 and 2016 primarily related to the construction of a new manufacturing facility in Mexico and investments in additional capacity around the world.

Financing Activities

Net cash provided by financing activities was \$426 million in the first six months of 2017 , compared to \$172 million in the first six months of 2016 . Financing activities in 2017 included net borrowings of \$538 million, which were partially offset by dividends on our common stock of \$50 million, debt related costs and other transactions of \$38 million, primarily due to debt refinancing activities, and common stock repurchases of \$30 million. Financing activities in 2016 included net borrowings of \$440 million, which were partially offset by common stock repurchases of \$150 million, debt related costs and other transactions of \$76 million, primarily due to debt refinancing activities, and dividends on our common stock of \$38 million.

Credit Sources

In aggregate, we had total credit arrangements of \$8,559 million available at June 30, 2017 , of which \$2,440 million were unused, compared to \$8,491 million available at December 31, 2016 , of which \$2,970 million were unused. At June 30, 2017 , we had long term credit arrangements totaling \$7,968 million , of which \$2,087 million were unused, compared to \$7,932 million and \$2,656 million, respectively, at December 31, 2016 . At June 30, 2017 , we had short term committed and uncommitted credit arrangements totaling \$591 million , of which \$353 million were unused, compared to \$559 million and \$314 million, respectively, at December 31, 2016 . The continued availability of the short term uncommitted arrangements is at the discretion of the relevant lender and may be terminated at any time.

Outstanding Notes

At June 30, 2017 , we had \$3,309 million of outstanding notes, compared to \$3,287 million at December 31, 2016 .

\$700 million 4.875% Senior Notes due 2027

In March 2017, we issued \$700 million in aggregate principal amount of 4.875% senior notes due 2027. In May 2017, we used the proceeds of this offering, together with cash and cash equivalents, to redeem in full our \$700 million 7% senior notes due 2022.

\$2.0 Billion Amended and Restated First Lien Revolving Credit Facility due 2021

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. Availability under the facility is subject to a borrowing base, which is based primarily on (i) eligible accounts receivable and inventory of The Goodyear Tire & Rubber Company and certain of its U.S. and Canadian subsidiaries, (ii) the value of our principal trademarks, and (iii) certain cash in an amount not to exceed \$200 million. To the extent that our eligible accounts receivable and inventory and other components of the borrowing base decline in value, our borrowing base will decrease and the availability under the facility may decrease below \$2.0 billion. In addition, if the amount of outstanding borrowings and letters of credit under the facility exceeds the borrowing base, we are required to prepay borrowings and/or cash collateralize letters of credit sufficient to eliminate the excess. As of June 30, 2017 , our borrowing base, and therefore our availability, under the facility was \$348 million below the facility's stated amount of \$2.0 billion. Based on our current liquidity, amounts drawn under this facility bear interest at LIBOR plus 125 basis points, and undrawn amounts under the facility will be subject to an annual commitment fee of 30 basis points.

At June 30, 2017 , we had \$420 million of borrowings and \$37 million of letters of credit issued under the revolving credit facility. At December 31, 2016 , we had \$85 million of borrowings and \$40 million of letters of credit issued under the revolving credit facility.

During 2016, we began entering into bilateral letter of credit agreements. At June 30, 2017, we had \$255 million in letters of credit issued under these agreements.

Amended and Restated Second Lien Term Loan Facility due 2019

In March 2017, we amended our second lien term loan facility. As a result of the amendment, the term loan now bears interest, at our option, at (i) 200 basis points over LIBOR or (ii) 100 basis points over an alternative base rate (the higher of (a) the prime rate, (b) the federal funds effective rate or the overnight bank funding rate plus 50 basis points or (c) LIBOR plus 100 basis points). After March 7, 2017 and prior to September 3, 2017, (i) loans under the facility may not be prepaid or repaid with the proceeds of term loan indebtedness, or converted into or replaced by new term loans, bearing interest at an effective interest rate that is less than the effective interest rate then applicable to such loans and (ii) no amendment of the facility may be made that, directly or indirectly, reduces the effective interest rate applicable to the loans under the facility, in each case unless we pay a fee equal to 1.0% of the principal amount of the loans so affected. In addition, if the Total Leverage Ratio is equal to or less than 1.25 to 1.00, we have the option to further reduce the spreads described above by 25 basis points. "Total Leverage Ratio" has the meaning given it in the facility.

At June 30, 2017 and December 31, 2016, the amounts outstanding under this facility were \$399 million.

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

Our amended and restated €550 million European revolving credit facility consists of (i) a €125 million German tranche that is available only to Goodyear Dunlop Tires Germany GmbH ("GDTG") and (ii) a €425 million all-borrower tranche that is available to Goodyear Dunlop Tires Europe B.V. ("GDTE"), GDTG and Goodyear Dunlop Tires Operations S.A. Up to €150 million of swingline loans and €50 million in letters of credit are available for issuance under the all-borrower tranche. Amounts drawn under the facility will bear interest at LIBOR plus 175 basis points for loans denominated in U.S. dollars or pounds sterling and EURIBOR plus 175 basis points for loans denominated in euros, and undrawn amounts under the facility will be subject to an annual commitment fee of 30 basis points.

At June 30, 2017, there were \$142 million (€125 million) of borrowings outstanding under the German tranche and there were \$103 million (€90 million) of borrowings outstanding under the all-borrower tranche. At December 31, 2016, there were no borrowings outstanding under the European revolving credit facility. There were no letters of credit issued at June 30, 2017 and December 31, 2016.

Each of our first lien revolving credit facility and our European revolving credit facility have customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our business or financial condition since December 31, 2015 under the first lien facility and December 31, 2014 under the European facility.

Accounts Receivable Securitization Facilities (On-Balance Sheet)

GDTE and certain other of our European subsidiaries are parties to a pan-European accounts receivable securitization facility that provides the flexibility to designate annually the maximum amount of funding available under the facility in an amount of not less than €45 million and not more than €450 million. For the period beginning October 16, 2016 to October 15, 2017, the designated maximum amount of the facility is €320 million.

The facility involves an ongoing daily sale of substantially all of the trade accounts receivable of certain GDTE subsidiaries. Utilization under the 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, 2017.

At June 30, 2017, the amounts available and utilized under this program totaled \$160 million (€140 million). At December 31, 2016, the amounts available and utilized under this program totaled \$198 million (€188 million). The program does not qualify for sale accounting, and accordingly, these amounts are included in Long Term Debt and Capital Leases.

In addition to the pan-European accounts receivable securitization facility discussed above, subsidiaries in Australia have an accounts receivable securitization program that provides flexibility to designate semi-annually the maximum amount of funding available under the facility in an amount of not less than 60 million Australian dollars and not more than 85 million Australian dollars. From July 1, 2016 to December 31, 2017, the designated maximum amount of the facility is 60 million Australian dollars. Availability under this program is based on eligible receivable balances. At June 30, 2017, the amounts available and utilized under this program were \$28 million (AUD 37 million) and \$13 million (AUD 17 million), respectively. At December 31, 2016, the

amounts available and utilized under this program were \$28 million (AUD 39 million) and \$12 million (AUD 16 million), respectively. The receivables sold under this program also serve as collateral for the related facility. We retain the risk of loss related to these receivables in the event of non-payment. These amounts are included in Long Term Debt and Capital Leases due Within One Year.

Accounts Receivable Factoring Facilities (Off-Balance Sheet)

We have sold certain of our trade receivables under off-balance sheet programs during the first six months of 2017. For these programs, we have concluded that there is generally no risk of loss to us from non-payment of the sold receivables. At June 30, 2017 , the gross amount of receivables sold was \$467 million , compared to \$502 million at December 31, 2016 .

Supplier Financing

We have entered into payment processing agreements with several financial institutions. Under these agreements, the financial institution acts as our paying agent with respect to accounts payable due to our suppliers. These agreements also allow our suppliers to sell their receivables to the financial institutions at the sole discretion of both the supplier and the financial institution on terms that are negotiated between them. We are not always notified when our suppliers sell receivables under these programs. Our obligations to our suppliers, including the amounts due and scheduled payment dates, are not impacted by our suppliers' decisions to sell their receivables under the programs. Agreements for such financing programs totaled up to \$500 million at June 30, 2017 and December 31, 2016.

Further Information

For a further description of the terms of our outstanding notes, first lien revolving credit facility, second lien term loan facility, European revolving credit facility and pan-European accounts receivable securitization facility, please refer to Note to the Consolidated Financial Statements No. 15, Financing Arrangements and Derivative Financial Instruments, in our 2016 Form 10-K and Note to the Consolidated Financial Statements No. 7, Financing Arrangements and Derivative Financial Instruments, in this Form 10-Q.

Covenant Compliance

Our first and second lien credit facilities and some of the indentures governing our notes contain certain covenants that, among other things, limit our ability to incur additional debt or issue redeemable preferred stock, pay dividends, repurchase shares or make certain other restricted payments or investments, incur liens, sell assets, incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us, enter into affiliate transactions, engage in sale and leaseback transactions, and consolidate, merge, sell or otherwise dispose of all or substantially all of our assets. These covenants are subject to significant exceptions and qualifications. Our first and second lien credit facilities and the indentures governing our notes also have customary defaults, including cross-defaults to material indebtedness of Goodyear and its subsidiaries.

We have additional financial covenants in our first and second lien credit facilities that are currently not applicable. We only become subject to these financial covenants when certain events occur. These financial covenants and related events are as follows:

- We become subject to the financial covenant contained in our first lien revolving credit facility when the aggregate amount of our Parent Company (The Goodyear Tire & Rubber Company) and guarantor subsidiaries cash and cash equivalents (“Available Cash”) plus our availability under our first lien revolving credit facility is less than \$200 million. If this were to occur, our ratio of EBITDA to Consolidated Interest Expense may not be less than 2.0 to 1.0 for the most recent period of four consecutive fiscal quarters. As of June 30, 2017 , our availability under this facility of \$1,195 million , plus our Available Cash of \$139 million , totaled \$1,334 million , which is in excess of \$200 million.
- We become subject to a covenant contained in our second lien credit facility upon certain asset sales. The covenant provides that, before we use cash proceeds from certain asset sales to repay any junior lien, senior unsecured or subordinated indebtedness, we must first offer to use such cash proceeds to prepay borrowings under the second lien credit facility unless our ratio of Consolidated Net Secured Indebtedness to EBITDA (Pro Forma Senior Secured Leverage Ratio) for any period of four consecutive fiscal quarters is equal to or less than 3.0 to 1.0.

In addition, our European revolving credit facility contains non-financial covenants similar to the non-financial covenants in our first and second lien credit facilities that are described above and a financial covenant applicable only to GDTE and its subsidiaries. This financial covenant provides that we are not permitted to allow GDTE’s ratio of Consolidated Net J.V. Indebtedness to Consolidated European J.V. EBITDA for a period of four consecutive fiscal quarters to be greater than 3.0 to 1.0 at the end of any fiscal quarter. Consolidated Net J.V. Indebtedness is determined net of the sum of cash and cash equivalents in excess of \$100 million held by GDTE and its subsidiaries, cash and cash equivalents in excess of \$150 million held by the Parent Company and its U.S. subsidiaries, and availability under our first lien revolving credit facility if the ratio of EBITDA to Consolidated Interest Expense described above is not applicable and the conditions to borrowing under the first lien revolving credit facility are met. Consolidated Net J.V. Indebtedness also excludes loans from other consolidated Goodyear entities. This financial covenant is also included in our pan-European accounts receivable securitization facility. At June 30, 2017 , we were in compliance with this financial covenant.

Our credit facilities also state that we may only incur additional debt or make restricted payments that are not otherwise expressly permitted if, after giving effect to the debt incurrence or the restricted payment, our ratio of EBITDA to Consolidated Interest Expense for the prior four fiscal quarters would exceed 2.0 to 1.0. Certain of our senior note indentures have substantially similar limitations on incurring debt and making restricted payments. Our credit facilities and indentures also permit the incurrence of additional debt through other provisions in those agreements without regard to our ability to satisfy the ratio-based incurrence test described above. We believe that these other provisions provide us with sufficient flexibility to incur additional debt necessary to meet our operating, investing and financing needs without regard to our ability to satisfy the ratio-based incurrence test.

Covenants could change based upon a refinancing or amendment of an existing facility, or additional covenants may be added in connection with the incurrence of new debt.

At June 30, 2017, we were in compliance with the currently applicable material covenants imposed by our principal credit facilities and indentures.

The terms "Available Cash," "EBITDA," "Consolidated Interest Expense," "Consolidated Net Secured Indebtedness," "Pro Forma Senior Secured Leverage Ratio," "Consolidated Net J.V. Indebtedness" and "Consolidated European J.V. EBITDA" have the meanings given them in the respective credit facilities.

Potential Future Financings

In addition to our previous financing activities, we may seek to undertake additional financing actions which could include restructuring bank debt or capital markets transactions, possibly including the issuance of additional debt or equity. Given the challenges that we face and the uncertainties of the market conditions, access to the capital markets cannot be assured.

Our future liquidity requirements may make it necessary for us to incur additional debt. However, a substantial portion of our assets are already subject to liens securing our indebtedness. As a result, we are limited in our ability to pledge our remaining assets as security for additional secured indebtedness. In addition, no assurance can be given as to our ability to raise additional unsecured debt.

Dividends and Common Stock Repurchase Program

Under our primary credit facilities and some of our note indentures, we are permitted to pay dividends on and repurchase our capital stock (which constitute restricted payments) as long as no default will have occurred and be continuing, additional indebtedness can be incurred under the credit facilities or indentures following the payment, and certain financial tests are satisfied.

In the first six months of 2017, we paid cash dividends of \$50 million on our common stock. On July 12, 2017, the Board of Directors (or a duly authorized committee thereof) declared cash dividends of \$0.10 per share of common stock, or approximately \$25 million in the aggregate. The dividend will be paid on September 1, 2017 to stockholders of record as of the close of business on August 1, 2017. Future quarterly dividends are subject to Board approval.

On September 18, 2013, the Board of Directors approved our common stock repurchase program. From time to time, the Board of Directors has approved increases in the amount authorized to be purchased under that program. On February 2, 2017, the Board of Directors approved a further increase in that authorization to an aggregate of \$2.1 billion. This program expires on December 31, 2019. 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 second quarter of 2017, we repurchased 146,626 shares at an average price, including commissions, of \$35.17 per share, or \$5 million in the aggregate. During the first six months of 2017, we repurchased 843,120 shares at an average price, including commissions, of \$ 35.77 per share, or \$30 million in the aggregate. Since 2013, we repurchased 32,057,230 shares at an average price, including commissions, of \$29.43 per share, or \$943 million in the aggregate.

The restrictions imposed by our credit facilities and indentures did not affect our ability to pay the dividends on or repurchase our capital stock as described above, and are not expected to affect our ability to pay similar dividends or make similar repurchases in the future.

Asset Dispositions

The restrictions on asset sales imposed by our material indebtedness have not affected our strategy of divesting non-core businesses, and those divestitures have not affected our ability to comply with those restrictions.

FORWARD-LOOKING INFORMATION — SAFE HARBOR STATEMENT

Certain information in this Form 10-Q (other than historical data and information) may constitute forward-looking statements regarding events and trends that may affect our future operating results and financial position. The words “estimate,” “expect,” “intend” and “project,” as well as other words or expressions of similar meaning, are intended to identify forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Such statements are based on current expectations and assumptions, are inherently uncertain, are subject to risks and should be viewed with caution. Actual results and experience may differ materially from the forward-looking statements as a result of many factors, including:

- if we do not successfully implement our strategic initiatives, our operating results, financial condition and liquidity may be materially adversely affected;
- we face significant global competition and our market share could decline;
- deteriorating economic conditions in any of our major markets, or an inability to access capital markets or third-party financing when necessary, may materially adversely affect our operating results, financial condition and liquidity;
- raw material and energy costs may materially adversely affect our operating results and financial condition;
- if we experience a labor strike, work stoppage or other similar event our business, results of operations, financial condition and liquidity could be materially adversely affected;
- our international operations have certain risks that may materially adversely affect our operating results, financial condition and liquidity;
- we have foreign currency translation and transaction risks that may materially adversely affect our operating results, financial condition and liquidity;
- our long term ability to meet our obligations, to repay maturing indebtedness or to implement strategic initiatives may be dependent on our ability to access capital markets in the future and to improve our operating results;
- financial difficulties, work stoppages, supply disruptions or economic conditions affecting our major OE customers, dealers or suppliers could harm our business;
- our capital expenditures may not be adequate to maintain our competitive position and may not be implemented in a timely or cost-effective manner;
- we have a substantial amount of debt, which could restrict our growth, place us at a competitive disadvantage or otherwise materially adversely affect our financial health;
- any failure to be in compliance with any material provision or covenant of our debt instruments, or a material reduction in the borrowing base under our revolving credit facility, could have a material adverse effect on our liquidity and operations;
- our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly;
- we have substantial fixed costs and, as a result, our operating income fluctuates disproportionately with changes in our net sales;
- we may incur significant costs in connection with our contingent liabilities and tax matters;
- our reserves for contingent liabilities and our recorded insurance assets are subject to various uncertainties, the outcome of which may result in our actual costs being significantly higher than the amounts recorded;
- we are subject to extensive government regulations that may materially adversely affect our operating results;
- we may be adversely affected by any disruption in, or failure of, our information technology systems due to computer viruses, unauthorized access, cyber-attack, natural disasters or other similar disruptions;
- if we are unable to attract and retain key personnel, our business could be materially adversely affected; and
- we may be impacted by economic and supply disruptions associated with events beyond our control, such as war, acts of terror, political unrest, public health concerns, labor disputes or natural disasters.

It is not possible to foresee or identify all such factors. We will not revise or update any forward-looking statement or disclose any facts, events or circumstances that occur after the date hereof that may affect the accuracy of any forward-looking statement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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.

Commodity Price Risk

The raw material costs to which our operations are principally exposed include the cost of natural rubber, synthetic rubber, carbon black, fabrics, steel cord and other petrochemical-based commodities. Approximately two-thirds of our raw materials are oil-based derivatives, the cost of which may be affected by fluctuations in the price of oil. We currently do not hedge commodity prices. We do, however, use various strategies to partially offset cost increases for raw materials, including centralizing purchases of raw materials through our global procurement organization in an effort to leverage our purchasing power, expanding our capabilities to substitute lower cost raw materials, and reducing the amount of material required in each tire.

Interest Rate Risk

We continuously monitor our fixed and floating rate debt mix. Within defined limitations, we manage the mix using refinancing. At June 30, 2017, 38% of our debt was at variable interest rates averaging 4.78%.

The following table presents information about long term fixed rate debt, excluding capital leases, at June 30, 2017:

(In millions)

Carrying amount — liability	\$	3,586
Fair value — liability		3,773
Pro forma fair value — liability		3,906

The pro forma information assumes a 100 basis point decrease in market interest rates at June 30, 2017, and reflects the estimated fair value of fixed rate debt outstanding at that date under that assumption. The sensitivity of our fixed rate debt to changes in interest rates was determined using current market pricing models.

Foreign Currency Exchange Risk

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

The following table presents foreign currency contract information at June 30, 2017:

(In millions)

Fair value — asset (liability)	\$	(43)
Pro forma decrease in fair value		(132)
Contract maturities		7/17 - 6/19

The pro forma decrease in fair value assumes a 10% adverse change in underlying foreign exchange rates at June 30, 2017, and reflects the estimated change in the fair value of contracts outstanding at that date under that assumption. The sensitivity of our foreign currency positions to changes in exchange rates was determined using current market pricing models.

Fair values are recognized on the Consolidated Balance Sheet at June 30, 2017 as follows:

(In millions)

Current asset (liability):		
Accounts receivable	\$	4
Other current liabilities		(46)
Long term asset (liability):		
Other assets	\$	—
Other long term liabilities		(1)

For further information on foreign currency contracts, refer to Notes to the Consolidated Financial Statements No. 7, Financing Arrangements and Derivative Financial Instruments, in this Form 10-Q. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” for a discussion of our management of counterparty risk.

ITEM 4. CONTROLS AND PROCEDURES.

Management’s Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures” which, consistent with Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, we define to mean controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and to ensure that such information is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of June 30, 2017 (the end of the period covered by this Quarterly Report on Form 10-Q).

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Asbestos Litigation

As reported in our Form 10-Q for the period ended March 31, 2017, we were one of numerous defendants in legal proceedings in certain state and federal courts involving approximately 61,700 claimants relating to their alleged exposure to materials containing asbestos in products allegedly manufactured by us or asbestos materials present in our facilities. During the second quarter of 2017, approximately 400 new claims were filed against us and approximately 700 were settled or dismissed. The amount expended on asbestos defense and claim resolution by Goodyear and its insurance carriers during the second quarter of 2017 was \$2 million. At June 30, 2017, there were approximately 61,400 asbestos claims pending against us. The plaintiffs are seeking unspecified actual and punitive damages and other relief. Refer to Note to the Consolidated Financial Statements No. 11, Commitments and Contingent Liabilities, in this Form 10-Q for additional information on asbestos litigation.

Reference is made to Item 3 of Part I of our 2016 Form 10-K and to Item 1 of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 for additional discussion of legal proceedings.

ITEM 1A. RISK FACTORS

Refer to "Item 1A. Risk Factors" in our 2016 Form 10-K for a discussion of our risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents information with respect to repurchases of common stock made by us during the three months ended June 30, 2017.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
4/1/17-4/30/17	—	\$ —	—	\$ 1,161,647,202
5/1/17-5/31/17	146,626	35.17	146,626	1,156,490,275
6/1/17-6/30/17	—	—	—	1,156,490,275
Total	146,626	—	146,626	\$ 1,156,490,275

(1) Total number of shares purchased as part of our common stock repurchase program and delivered to us by employees as payment for the exercise price of stock options and the withholding taxes due upon the exercise of stock options or the vesting or payment of stock awards.

(2) On September 18, 2013, the Board of Directors authorized \$100 million for use in our common stock repurchase program. From time to time, the Board of Directors has approved increases in the amount authorized to be purchased under that program. On February 2, 2017, the Board of Directors approved a further increase in that authorization to an aggregate of \$2.1 billion. This program expires on December 31, 2019. 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 three month period ended June 30, 2017, we repurchased 146,626 shares at an average price, including commissions, of \$35.17 per share, or \$5 million in the aggregate.

ITEM 6. EXHIBITS

Refer to the Index of Exhibits at page 51, which is by specific reference incorporated into and made a part of this Quarterly Report on Form 10-Q.

THE GOODYEAR TIRE & RUBBER COMPANY
Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2017
INDEX OF EXHIBITS

Exhibit Table Item No.	<u>Description of Exhibit</u>	<u>Exhibit Number</u>
10	Material Contracts	
(a)	2017 Performance Plan of the Company (incorporated by reference, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 13, 2017, File No. 1-1927).	
(b)	Form of Non-Qualified Stock Option Grant Agreement (incorporated by reference, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 8, 2017, File No. 1-1927).	
(c)	Form of Non-Qualified Stock Option with tandem Stock Appreciation Right Grant Agreement (incorporated by reference, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed June 8, 2017, File No. 1-1927).	
(d)	Form of Incentive Stock Option Grant Agreement (incorporated by reference, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, filed June 8, 2017, File No. 1-1927).	
(e)	Form of Performance Share Grant Agreement (incorporated by reference, filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, filed June 8, 2017, File No. 1-1927).	
(f)	Form of Executive Performance Unit Grant Agreement (incorporated by reference, filed as Exhibit 10.5 to the Company's Current Report on Form 8-K, filed June 8, 2017, File No. 1-1927).	
(g)	Form of Restricted Stock Unit Retention Grant Agreement (incorporated by reference, filed as Exhibit 10.6 to the Company's Current Report on Form 8-K, filed June 8, 2017, File No. 1-1927).	
(h)	Form of Restricted Stock Unit Annual Grant Agreement (incorporated by reference, filed as Exhibit 10.7 to the Company's Current Report on Form 8-K, filed June 8, 2017, File No. 1-1927).	
(i)	Deferred Compensation Plan for Executives (As Amended and Restated Effective September 1, 2016), dated April 19, 2017.	10.1
12	Statement re Computation of Ratios	
(a)	Statement setting forth the Computation of Ratio of Earnings to Fixed Charges.	12.1
31	302 Certifications	
(a)	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	31.1
(b)	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	31.2
32	906 Certifications	
(a)	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	32.1
101	Interactive Data File	
(a)	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements.	101

THE GOODYEAR TIRE & RUBBER COMPANY

DEFERRED COMPENSATION PLAN FOR EXECUTIVES

(As Amended and Restated Effective September 1, 2016)

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**THE GOODYEAR TIRE & RUBBER COMPANY
DEFERRED COMPENSATION PLAN FOR EXECUTIVES**

This restatement incorporates a September 1, 2016 amendment to allow certain subsequent deferral elections by Participants. The prior 2008 Restatement provided provisions for compliance with Section 409A of the Internal Revenue Code for all benefits under this Plan that were not both earned and vested prior to January 1, 2005 within the meaning of Section 409A of the Code ("Post-2004 Benefits"). All provisions of the Plan amended on or prior to December 3, 2002 apply to the accrued benefits that were earned and vested as of December 31, 2004 within the meaning of Section 409A of the Code ("Pre-2005 Benefits"). Where a provision no longer applies under Section 409A, that Section will be shown as the original applying to Pre-2005 Benefits ("Pre-2005 Provisions") and the revised sections applying only to Post-2004 Benefits ("Post-2004 Provisions"). Nothing contained herein was intended to materially enhance a benefit or right with respect to Pre-2005 Benefits under the Plan as of October 3, 2004 or add a new material benefit or right to such Pre-2005 Benefits.

THE GOODYEAR TIRE & RUBBER COMPANY, an Ohio corporation ("Goodyear" or the "Company") hereby amends and restates the Deferred Compensation Plan for Executives of the Company (the "Plan") as hereinafter provided.

**ARTICLE I
GENERAL**

Section 1.1 Purpose. The purpose of the Plan is to promote the greater success of Goodyear and its Subsidiaries by providing a means for a select group of management and highly compensated employees of Goodyear and such subsidiaries (whose positions enable them to make significant contributions to the profitability, competitiveness and growth of the Company and its subsidiaries) to defer certain incentive and salary compensation.

Section 1.2. Intent. The Plan is intended to be an unfunded, non-qualified plan primarily for the purpose of providing the opportunity to officers and a select group of management and highly compensated employees of the Company and participating wholly-owned subsidiaries of the Company, as described under Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA, to defer certain compensation. The Plan is not intended to be a plan described in Section 401(a) of the Code.

Section 1.3. Effective Date. The original provisions of the Plan shall be effective as of January 1, 2002. If the provision is implementing Code Section 409A requirements, the effective

date will be January 1, 2005. Otherwise the effective date of any other provision will be as specified in the plan, or if not specified, it will be the date for which the applicable changes to the Plan were approved by the Compensation Committee of the Goodyear Board of Directors and adopted by the Goodyear Board of Directors. The rights, if any, of any Participant (as hereinafter defined) in the Plan whose status as an employee of the Company or any Participating Employer (as hereinafter defined) terminates for any reason shall be determined pursuant to the Plan as in effect on the date such Participant ceases to be an employee of the Company or any Participating Employer, unless a subsequently adopted provision of the Plan states otherwise.

Section 1.4. Contractual Obligation of Employer. The obligation of the Company and Participating Employers to make payments of Deferred Compensation (as hereinafter defined) in accordance with the Plan are contractual, general unsecured obligations and liabilities of the Company and, as applicable, Participating Employers to pay for services in accordance with the terms of the Plan. It is intended that payments of Deferred Compensation under the Plan shall be paid from one or more Trusts (as hereinafter defined) established for that purpose. If, and to the extent that, the assets of such Trusts are not sufficient to make all payments of Deferred Compensation required by the terms of the Plan, such shortfall shall be paid by the Company and, as applicable, the Participating Employers. All Deferred Performance Amounts (as hereinafter defined) and Deferred Salary Amounts (as hereinafter defined) will be recorded in Accounts (as hereinafter defined) and, ordinarily, amounts equivalent thereto will be transferred by the Company and, as applicable, the Participating Employers to their respective Trusts. Each Participant may elect, from alternatives available under the Plan, to have Deferred Performance Amounts and Deferred Salary Amounts, if any, adjusted by amounts equivalent to the amounts such Deferred Amounts, if any, would realize (as earnings, gains and losses, net of expenses and taxes) if invested (for the relevant period) in one or more of the mutual funds or other investment vehicles or reference rates designated from time to time as the Reference Investment Funds (as hereinafter defined) available under the Plan. No Participant or Beneficiary (as hereinafter defined) shall have any right, title or interest whatever in or to any investment reserves, accounts, trusts or other funds or assets that the Company or the Participating Employers may purchase, establish, or accumulate to aid in paying Deferred Compensation as and when due to the Participants under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust or a fiduciary relationship of any kind between the Company (or a Participating Employer) and a Participant, his or her Beneficiaries or any other person. Neither a Participant nor his or her Beneficiaries shall acquire any right or interest under the Plan other or greater than that of an unsecured creditor.

ARTICLE II **DEFINITIONS AND USAGE**

Section 2.1. Definitions. Wherever used in the Plan, the following words and phrases shall have the meaning set forth below, unless the context plainly requires a different meaning:

“Account” means the following “Accounts” to be maintained by the Committee for each Participant for recordkeeping, measurement and accounting purposes; provided, that any Plan assets will not be segregated among such “Accounts” and each Participant will have only an unsecured contractual claim against his or her Employer for the amount of his or her “Account” balances:

(a) Performance Plan Account. An Account to record the amount of a Participant’s Performance Compensation deferred pursuant to the provisions of Article IV of the Plan in respect of a Performance Grant Period, as from time to time adjusted to reflect any and all Equivalents attributable to such Deferred Performance Amount.

(b) Annual Salary Account. An Account to record the aggregate amount of a Participant’s Salary deferred pursuant to the provisions of Article IV of the Plan in respect of a Plan Year, as from time to time adjusted to reflect any and all Equivalents attributable to such Deferred Salary Amount.

“Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

“Aggregate Deferred Amount” means, with respect to any Participant, the sum of all Deferred Amounts with respect to such Participant during all Plan Years to the date (or Valuation Date) on or as of which any determination of the amount thereof is being or to be made.

“Agreement” and “Notice and Agreement” means an instrument executed and delivered in accordance with Section 4.3 of the Plan, whereunder an Eligible Employee elects and agrees with his or her Employer to (i) participate in the Plan in respect of a Plan Year by deferring Performance Compensation or Deferrable Salary, as the case may be, in accordance with Article IV of the Plan (a Participant must enter into a separate Agreement in respect of the deferral of Performance Compensation and a separate Agreement in respect of the deferral of Salary each Plan Year in order to defer Performance Compensation and Salary), (ii) defer all or a specific portion by either an amount or percentage of such Performance Compensation or Deferrable Salary, and (iii) comply with and be bound by all the terms and conditions of the Plan.

“Annual Salary Rate” means, with respect to each Plan Year: (i) if the Salary Measurement Date is December 1 of the year preceding such Plan Year, the Salary payable to an Employee during or in respect of the month of December of the year preceding such Plan Year multiplied by twelve (12), or (ii) if the Salary Measurement Date is an Eligibility Date, the Salary payable to an Employee during or in respect of such person’s first full month of Employment multiplied by twelve.

“Beneficiary” means any person or entity (including a trust or the estate of a Participant) designated in a written instrument executed by a Participant and delivered to the Committee in accordance with the provisions of Section 10.1 of the Plan.

“Board” means the Board of Directors of Goodyear.

“ Change of Control Event ” means (i) the first date that any one person, or more than one person acting as a group (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B), acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company; or (ii) the first date any one person or more than one person acting as a group (as determined under Treasury Regulation Section 1.409A-3(i)(5)(v)(B), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company; or (iii) the first date a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election. In any event, a change in Control Event only occurs to the extent it qualifies as a change of Control Event under Treasury Regulation Section 1.409A-3.

“ Code ” means the Internal Revenue Code of 1986, as amended from time to time, and regulations and rulings promulgated thereunder.

“ Committee ” means the Committee established under, and operating pursuant to the provisions of, Article XI of the Plan.

“ Company ” means The Goodyear Tire & Rubber Company, its successors and any corporation into which it may be merged or consolidated.

“ Compensation Committee ” means the Compensation Committee of the Board.

“ Deferrable Salary ” means, with respect to each Eligible Employee and with respect to each Plan Year, that portion of such Eligible Employee’s Salary that is net of all amounts required to be withheld for tax or any deductions pursuant to elections for such deductions made prior to the Participant’s election to defer under Section 4.4 for such Plan Year.

“ Deferred Amount ” means, with respect to any Participant and any Plan Year in which the Salary or Performance Compensation would otherwise be payable absent the deferral election, the sum of the Deferred Performance Amount and the Deferred Salary Amount of such Participant during such Plan Year.

“ Deferred Compensation ” means, with respect to any Participant, the aggregate of all Deferred Performance Compensation and Deferred Salary of such Participant for all Plan Years to the date (or Valuation Date) on or as of which any determination of the amount thereof is being or to be made.

“ Deferred Performance Amount ” means, with respect to any Participant and any Performance Plan Period, the amount of Performance Compensation deferred by such Participant for such Plan Year in which the Performance Compensation would otherwise be payable absent the deferral election pursuant to Article IV of the Plan.

“Deferred Performance Compensation” means, with respect to any Participant and any Plan Year, the sum of the Deferred Performance Amount in respect of such Plan Year and all Equivalents attributable to, and credited (or charged) to the Performance Plan Account in respect of, such Deferred Performance Amount to the date (or Valuation Date) on or as of which any determination of the amount thereof is being or to be made.

“Deferred Salary” means, with respect to any Participant and any Plan Year, the sum of the Deferred Salary Amount in respect of such Plan Year and all Equivalents attributable to, and credited (or charged) to the Annual Salary Account in respect of, such Deferred Salary Amount to the date (or Valuation Date) on or as of which any determination of the amount thereof is being or to be made.

“Deferred Salary Amount” means, with respect to any Participant and any Plan Year, the amount of Salary deferred by such Participant during such Plan Year pursuant to Article IV of the Plan.

“Disability” or “Disabled” means:

- (a) (the following only applies as a Pre-2005 Provision to Pre-2005 Benefits) a physical or mental condition of a Participant resulting from a bodily injury, disease, or mental disorder which renders the Participant incapable of continuing in the Employment of any Employer or other Affiliate of the Company and results in such Participant receiving or being entitled to receive benefits under the Company’s Long Term Disability Income Plan or the Retirement Plan (or, if such Participant is then an Employee of a Participating Employer, under similar plans, if any, of such Participating Employer).
- (b) (the following only applies as a Post-2004 Provision to Post-2004 Benefits) a Participant is disabled if the Participant receives at least 12 months of the Company’s Long-Term Disability Benefits for Salaried Employees provided that the definition of disability under such plan remains in compliance with Treasury Regulation Section 1.409A-3(i)(4).

“Eligibility Date” means the first date on which an Employee is designated as first eligible to participate in the Plan or any other nonqualified deferred compensation plan that is aggregated with this Plan under Section 409A of the Code.

“Eligible Employee” means any Employee of an Employer who, at the time the determination thereof is being or to be made, either meets the requirements of (A) or is designated pursuant to (B):

- (A) The Employee is
 - (i) either
 - (1) employed within the United States of America, or
 - (2) employed as an expatriate outside the United States and the Company can validate that participation by such Employee is not illegal under foreign

law applicable to such Employee and will have no adverse tax implications to the Company,

(ii) is a citizen or resident (green card holder) of the United States of America, and

(iii) is either

(y) a participant in a Performance Plan for the then current Plan Year, or

(z) has an Annual Salary Rate of at least the amount provided by Section 401(a)(17) of the Code for the Plan Year, or

(B) is designated by Chief Executive Officer as being eligible to participate in the Plan for the Plan Year.”

“Employee” means any person who is a full-time salaried employee of an Employer.

“Employer” means and includes, as of the time at which a determination thereof is being or to be made, the Company or any Participating Employer, or their respective successors and assigns that adopt the Plan.

“Employment” means the fact that and the period during which an Employee is regularly employed by an Employer.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and regulations and rulings promulgated thereunder.

“Equivalent” means, as at any time as of which any determination thereof is being or to be made, the net amount (of the earnings, gains, losses, expenses and taxes in respect of applicable Reference Investment Funds) attributed to any Deferred Performance Amount, or Deferred Salary Amount, and credited (or charged) to the related Account, in accordance with the provisions of Article VI of the Plan.

“Net Performance Compensation” means the amount of Performance Compensation after withholding for taxes and other deductions that would apply to Deferred Compensation.

“Participant” means any, and includes each, (i) Eligible Employee participating or a former Eligible Employee who continues to have deferrals because of participation in the Plan in accordance with Articles III and IV of the Plan.

“Participating Employer” means each Subsidiary of the Company which is organized and existing under the laws of the United States of America or any state thereof that adopts the Plan by action of its board of directors and enters into a Trust Agreement.

“Performance Compensation” means any amount earned by and payable to an Eligible Employee under all Performance Plans during any Plan Year thereof.

“Performance Grant” means an award (not including any award of stock options or stock appreciation rights) made pursuant to the 2013 Performance Plan (or successor plan thereof) that (i) is denominated in units (and not in actual shares of stock), (ii) is payable solely in cash, and (iii)

will be earned, if at all, based upon the achievement of specified performance goals for one or more Plan Years during a specified Performance Grant Period.

“Performance Grant Period” means the total period with respect to which a Performance Grant is awarded and if earned is not payable until after such period is completed, including any period of continued service required after the achievement of applicable performance goals for any Plan Year within the Performance Grant Period.

“Performance Plan” means any or all of the following: (i) the Goodyear Performance Recognition Plan, (ii) the Management Incentive Plan for any Performance Plan Year, or (iii) a Performance Grant, (payouts, if any, in respect of which would be made in the year following the applicable Performance Plan Period), as approved by the Compensation Committee, or any plan designated by the Compensation Committee as the successor to any such plan.

“Performance Plan Period” means either the Performance Plan Year or the Performance Grant Period.

“Performance Plan Year” means the period commencing January 1 and ending on December 31 in respect of which there is a Performance Plan in effect that has a one year performance period, where the payout, if any, thereunder will be made no later than March 15th of the following year.

“Plan Year” means each period of one year beginning January 1 and ending December 31.

“Recordkeeper” means that person or entity selected from time to time by the Committee to establish and maintain Accounts and other records and to perform related services in respect of the Plan and the Trusts.

“Reference Investment Funds” means those mutual funds, bank common trust funds, insurance contracts and other investment vehicles and reference rates which, in accordance with the provisions of Article VII of the Plan, are used as the reference for the determination and measurement of Equivalents to be attributed to the Deferred Amounts of Participants, as from time to time selected by the Compensation Committee pursuant to the provisions of Article VII of the Plan and identified at Annex I to the Plan.

“Retirement” means, (i) for pre-2005 Benefits with respect to any Participant, the termination of employment with the Company (or other Participating Employer) after either 30 years of service or 10 years of service and the attainment of age 55.

(ii) for Post-2004 Benefits with respect to any Participant, a separation from service with the Company (or other Participating Employer) after 10 years of service and attainment of age 55. For purposes of establishing whether an employee has had a separation from service, the employee will be deemed to have a separation from service on the date of retirement, if the employee after the date of retirement is not reasonably anticipated to provide a level of bona fide services that exceeds 25% of the average level of bona fide services provided by the employee in the immediately

preceding 36 months (or the total period of employment, if less than 36 months), within the meaning of Section 409A of tax code.

“Retirement Plan” means a defined benefit pension plan of the Company or an Affiliate qualified under Section 401(a) of the Code, as amended and in effect from time to time.

“Salary” means the amount of base salary (as determined before any contributions to the Savings Plan (or any similar plan of any Participating Employer) and before any withholding for taxes, payroll taxes or charges and deductions for benefits provided by the Company or any other Employer) paid or payable to an Employee during the period in respect of which a determination with respect to such base salary is being or to be made.

“Salary Measurement Date” shall mean, with respect to each Plan Year: (i) with respect to each person who is an Employee on the first day of such Plan Year, December 1 of the year preceding such Plan Year; and (ii) in respect of each person who becomes an Employee during such Plan Year, the Eligibility Date of such Employee.

“Savings Plan” means any plan of the Company or an Affiliate that meets the requirements of Section 401(k) of the Code, as amended and in effect from time to time.

“Specified Employee” (term only applies to Post-2004 Provisions) means an employee who is a specified employee in accordance with Section 409A of the Code. The specified employee identification date for the Plan is December 31 of each year. The specified employee effective date for the Plan is each following January 1.

“Subsidiary” means any corporation, joint venture or other entity of which (or in which) more than 50% of the outstanding capital stock, or interest in the profits, is owned by the Company and one or more other Subsidiaries, or by one or more other Subsidiaries.

“Trust” or “Trust Fund” means each of (i) the “Rabbi Trust” to be established under a Trust Agreement to be entered into by the Company to receive and invest amounts transferred to it by the Company for future payment as Deferred Compensation under the Plan, which trust’s assets will be subject to the claims of general creditors of the Company, and (ii) each “Rabbi Trust” established under a Trust Agreement entered into by a Participating Employer to receive and invest amounts transferred to such “Rabbi Trust” by such Participating Employer for future payment as Deferred Compensation under the Plan, which trust’s assets will be subject to the claims of general creditors of the Participating Employer establishing such “Rabbi Trust”; and “Trusts” and “Trust Funds” means all such Trusts and Trust Funds.

“Trust Agreement” means each of (i) a Rabbi Trust Agreement between the Company and the Trustee to provide for the Trust to be established by the Company, and (ii) a similar agreement between a Participating Employer and such Trustee; and “Trust Agreements” means all such Trust Agreements.

“ Trustee ” means the individual(s), corporation(s) or other entity(ies) appointed by the Company and each of the Participating Employers, pursuant to the Trust Agreements, to hold and manage the Trust Funds as “Rabbi Trusts”.

“ Valuation Date ” means the close of each business day during each Plan Year, of which the Trustee will determine the fair market value of the Trust Fund and the Recordkeeper will determine the amount (balance) of each Account.

Section 2.2. Usage. Except where otherwise indicated by the context, any masculine terminology used herein shall also include the feminine and vice versa, and the definition of any term herein in the singular shall also include the plural and vice versa.

ARTICLE III **ELIGIBILITY**

Section 3.1. Eligibility to Defer Performance Compensation. Any Eligible Employee who participates in a Performance Plan during a Plan Year may elect to defer all or certain portions of his or her Performance Compensation in respect of each Performance Plan Period commencing on (a) January 1 of any year in the amount, for the deferral period and in the manner provided in the Plan, if such Employee was an Eligible Employee at January 1 of such Performance Plan Year or if the Performance Plan Period is more than one year, January 1 of the first year of the Performance Plan Period, or (b) commencing on the date the election becomes irrevocable if the Eligibility Date of such Employee occurs during the period January 2 through August 31, inclusive, of such Performance Plan Year or if the Performance Plan Period is more than one year, the first year of the Performance Plan Period.

(The following only applies as an additional Post-2004 Provision of Section 3.1 applying to Post-2004 Benefits)

The Performance Compensation subject to deferral by any Employee eligible under Section 3.1(b) shall be limited to the amount of Performance Compensation that is equal to the Performance Compensation earned by such Employee during the Performance Plan Period multiplied by a percentage determined where the numerator is the number of days remaining in the Performance Plan Period after the election becomes irrevocable and the denominator is the total number of days in the period commencing with the Eligibility Date and ending on the last day in the Performance Plan Period.

Section 3.2. Eligibility to Defer Salary. Any Eligible Employee who has at least an Annual Salary Rate in the amount provided by Section 401(a)(17) of the Code of the Plan Year, may elect to defer all or certain portions of his or her Deferrable Salary in respect of any Plan Year commencing on (a) January 1 of any year in the amount, for the deferral period and in the manner provided for herein if such Employee was an Eligible Employee at January 1 of such Plan Year using December 1 of the year preceding such Plan Year as the Salary Measurement Date, or (b) commencing on the date the election becomes irrevocable if the Eligibility Date of such Employee was during the

period January 2 through August 31, inclusive, of such Plan Year and on his or her Eligibility Date such Employee was an Eligible Employee, determined using his or her Eligibility Date as the Salary Measurement Date.

(The following only applies as an additional Post-2004 Provision of Section 3.2)

The election will only apply to Deferrable Salary earned beginning with the second payroll period commencing immediately after the election becomes irrevocable.

ARTICLE IV
COMPENSATION ELIGIBLE FOR DEFERRAL: NOTICE AND PARTICIPATION

Section 4.1. Performance Compensation. (a) Any Eligible Employee meeting the requirements of Section 3.1 may elect (within the time period specified in Section 4.4 of the Plan) to defer the payment of all or a portion of his or her Performance Compensation in respect of any Performance Plan Period, in which event such Deferred Performance Amount (as adjusted by related Equivalents) shall be payable as Deferred Performance Compensation under the Plan. An Eligible Employee may specify all or any portion of his or her Performance Compensation in respect of a Performance Plan Period for deferral; provided, that: (i) if expressed as a dollar amount, the amount of Performance Compensation to be deferred shall be \$3,600 or any greater dollar amount thereof which is a multiple of \$100; and (ii) if expressed as a percentage of Performance Compensation in respect of such Performance Plan Period, the amount of Performance Compensation to be deferred shall be 5% or any greater whole percentage thereof. If a Participant selects a dollar amount of Performance Compensation for deferral and the amount so selected exceeds the amount of Performance Compensation available for deferral, the Participant shall be deemed to have elected to defer 100% of his or her Net Performance Compensation for such Performance Plan Period.

(b) In the event the amount of a Participant's Performance Compensation in any Plan Year not deferred pursuant to the Plan is not sufficient to pay all required withholding and payroll taxes then the amount of Performance Compensation subject to deferral in such Plan Year may be reduced by the amount necessary to provide for the payment of such taxes.

(The following only applies as a Pre-2005 Provision to Pre-2005 Benefits)

If any election would result in the deferral of less than \$3,600 of Performance Compensation in a Plan Year, such election will be invalid and no deferral of Performance Compensation will be made pursuant to such election.

Section 4.2. Deferrable Salary. Any Eligible Employee meeting the requirements of Section 3.2 may elect (within the time period specified in Section 4.4 of the Plan) to defer the payment of all or a portion of his or her Deferrable Salary in respect of any Plan Year, in which event such Deferred Salary Amount (as adjusted by related Equivalents) shall be payable as Deferred Salary Compensation under the Plan. An Eligible Employee may specify any portion of Deferrable

Salary in respect of a Plan Year for deferral; provided, that: (i) if expressed as a dollar amount, the amount of Salary to be deferred shall be \$3,600 or any greater amount which is a multiple of \$100, and (ii) if expressed as a percentage of Deferrable Salary for such Plan Year, the amount of Salary to be deferred shall be 5 % of Deferrable Salary for such Plan Year or any greater whole percentage thereof.

In the event the amount of a Participant's Salary in any Plan Year not deferred pursuant to the Plan is not sufficient to pay all required tax withholdings, payroll taxes and benefit contributions relating to changes to cafeteria plan elections, then the amount of Deferrable Salary subject to deferral in such Plan Year may be reduced by the amount necessary to provide for the payment of such taxes and benefit contributions.

(The following only applies as a Pre-2005 Provision to Pre-2005 Benefits):

If any election would result in the deferral of less than \$3,600 of Deferrable Salary during the Plan Year, such election will be invalid and no deferral of Salary will be made pursuant to such election.

Section 4.3. Participation: Notice and Agreement Procedure. (a) Any Eligible Employee may become a Participant by giving timely notice of the Net Performance Compensation or Deferrable Salary such Eligible Employee desires to defer by executing and delivering to the Committee an Agreement as provided in this Section 4.3 and in Section 4.4 of the Plan.

(b) Each Eligible Employee may elect to defer all or a portion (within the limits specified at Sections 4.1 and 4.2 of this Article IV) of his or her Net Performance Compensation for any Performance Plan Period or Deferrable Salary for any Plan Year (as each is adjusted by related Equivalents) for payment as Deferred Compensation under the Plan by executing and delivering to the Committee (within the time limits specified in respect of elections to defer specified at Section 4.4 of the Plan) one or more Agreements. Each Agreement shall provide, among other things, for (i) the amount (expressed in dollars) or portion (expressed as a percentage) of Net Performance Compensation or Deferrable Salary to be deferred, (ii) the period such amount shall be deferred and the form of payment in accordance with Section 7.1(d), and (iii) the Reference Investment Fund or Funds with reference to which the Deferred Amounts will be attributed Equivalents in accordance with Article VI of the Plan, all in accordance with the Plan and the Rules of the Committee.

(c) Each Agreement shall be in one of the alternative forms as prescribed by the Committee and shall be properly completed and executed by the Participant and delivered to the Committee within the periods for the filing thereof specified in Section 4.4 of the Plan. Any electronic election will be deemed executed upon sending by Participant from a secure platform which incorporates protected individual accounts.

(d) An Agreement shall be effective no earlier than the date on which it is delivered to the Committee and shall continue in effect (unless sooner terminated in accordance with the provisions of the Plan and the Agreement) until the Deferred Performance Compensation or Deferred Salary attributable to such Agreement has been paid in accordance with the Plan.

Section 4.4. Time for Filing Elections. Any Agreement to defer Net Performance Compensation in respect of any Performance Plan Period or Deferrable Salary in respect of any Plan Year shall be filed with the Committee by and shall become irrevocable as of:

(a) With respect to Performance Compensation in respect of any Performance Plan Period: (i) in the case of an Eligible Employee at the first day of such Performance Plan Period, (A) for Plan Years prior to January 1, 2005, March 30 of the applicable Performance Plan Year, (B) for Plan Years beginning January 1, 2005 and ending December 31, 2008, June 30th of the applicable Performance Plan Year, and (C) for Performance Plan Periods beginning after December 31, 2008 the day immediately prior to the commencement of the applicable Performance Plan Period in respect of which such deferral election is being or to be made; and (ii) in the case of an Eligible Employee who first becomes eligible to defer amounts under this Plan during a Plan Year, (within the meaning of Section 409A of the Code and after applying the aggregation rules) the 30th day after the Eligibility Date of such Eligible Employee, but in no event shall such election be permitted after September 30 of such Performance Plan Year or if the Performance Plan Period is greater than one year, no later than September 30th of the first year of the Performance Plan Period.

(b) With respect to Deferrable Salary in respect of any Plan Year: (i) in the case of an Eligible Employee at January 1 of such Plan Year, December 31 of the calendar year prior to the Plan Year in respect of which such election to defer Salary is being made; and (ii) in the case of an Eligible Employee whose Eligibility Date occurs during such Plan Year, the 30th day after the Eligibility Date of such Eligible Employee, but in no event shall any such election be permitted after September 30 of such Plan Year.

ARTICLE V
[RESERVED]

ARTICLE VI
ACCOUNTS AND REFERENCE INVESTMENT ELECTIONS

Section 6.1. Deferred Compensation. A Participant's Deferred Compensation shall be equal to the total amount of all Deferred Amounts of such Participant, plus all Equivalent attributable to each Deferred Performance Amount and each Deferred Salary Amount of such Participant, and credited (or charged) to, each of the Performance Plan Accounts and Annual Salary Accounts of such Participant pursuant to this Article VI.

Section 6.2. Accounts. The Company and each Participating Employer shall establish and maintain, or cause to be established and maintained, pursuant to the terms of the Plan Accounts for each Participant, consisting of Performance Plan Accounts, each of which will be credited with the Deferred Performance Amount of such Participant in a Plan Year and Annual Salary Accounts, each of which will be credited with the Deferred Salary Amount of such Participant during such Plan

Year, in each case to be adjusted by Equivalents attributable thereto in accordance with this Article VI. In respect of each Participant, a separate Performance Plan Account shall be established and maintained in respect of each Plan Year, the balance of which at any Valuation Date represents the amount of such Participant's Deferred Performance Compensation for such Plan Year. In respect of each Participant, a separate Annual Salary Account shall be established and maintained in respect of each Plan Year, the balance of which at any Valuation Date represents the amount of such Participant's Deferred Salary Compensation for such Plan Year. All amounts (of Equivalents) credited (or charged) to an Account shall be credited (or charged) solely for purposes of measurement, accounting, computation and recordkeeping. The obligation of an Employer to pay the amount in its Accounts is its general, unsecured contractual obligation and any assets maintained by such Employer to satisfy such claims shall be subject to the claims of such Employer's general creditors.

Section 6.3. Reference Investment Procedure. At the time a Participant makes his or her election to defer Performance Compensation or Salary in respect of any Plan Year, such Participant may express his or her choice of Reference Investment Fund or Funds and the allocation of his or her Performance Plan Account and Annual Salary Account among one or more such Reference Investment Funds. The Compensation Committee shall have absolute discretion in the selection of Reference Investment Funds available and may, from time to time, change the available Reference Investment Funds as it deems appropriate. Any such change of Reference Investment Funds shall be communicated to Participants in accordance with procedures adopted by the Committee.

Section 6.4. Equivalents: Reference Investment Elections. (a) In accordance with elections made by Participants in accordance with Section 6.3 and this Section 6.4, each Deferred Performance Amount and Deferred Salary Amount will be credited with earnings and gains and charged with losses, expenses and taxes in amounts equal to the amount such Deferred Performance Amount or Deferred Salary Amount would have been credited, net of all losses, expenses and taxes, or charged (where such losses, expenses and taxes exceeded earnings and gains) if such Deferred Performance Amount or Deferred Salary Amount had been invested during the relevant period in one or more of the Reference Investment Funds in accordance with such election (such amounts being herein referred to as "Equivalents"). On a Valuation Date an Account will be credited with all such earnings and gains, net of all losses, expenses and taxes, or charged for any losses, expenses and taxes to the extent such amounts exceed earnings and gains, such Deferred Performance Amount or Deferred Salary Amount as would have accrued if such amounts had been invested in the Reference Investment Funds selected from time to time by such Participant (or, if applicable, in accordance with Section 6.5 of the Plan). Equivalents in respect of any Deferred Performance Amount or Deferred Salary Amount (or portion thereof) shall be equal to the amount of increase or decrease, as the case may be, net of all expenses and taxes which would have been incurred, in the value of such Deferred Amount had such Deferred Amount been invested in the applicable Reference Investment Fund or Funds (in accordance with the Participant's elections as from time to time in effect or, if applicable, in accordance with Section 6.5 of the Plan) from the date deferred through the applicable Valuation Date.

(b) **Reference Investment Funds Available**. The Company and the Recordkeeper will maintain records in respect of the Accounts of each Participant which measure in accordance with

the elections made by such Participant in respect of his or her Deferred Amounts the earnings, gains and losses attributable to such Deferred Amounts as though invested in one or more of the Reference Investment Funds within the categories described below, as specifically selected by the Compensation Committee and identified at Annex I to the Plan:

(1) Reference Money Market Fund. The reference investment shall be a mutual fund or bank common trust fund which invests in various short-term U.S. Government securities and/or similar instruments, including Treasury Bills, certificates of deposit and other high quality instruments.

(2) Reference Equity Index Fund. The reference investment shall be a mutual fund or bank common trust fund which invests in common stocks of companies comprising the S&P 500 Index on a weighted basis substantially similar to the weighting of the S&P 500 Index.

(3) Reference Bond Fund. The reference investment shall be a mutual fund or bank common trust fund which invests in a diversified portfolio of government and high quality corporate bonds (generally A rated or higher) with average maturities of up to 5 years.

(4) Reference Balanced Fund. The reference investment shall be a mutual fund or bank common trust fund which invests primarily in S&P 500 equities and government and corporate bonds.

(5) Reference Growth Fund. The reference investment shall be a mutual fund which focuses on growth equities.

(c) Changes in Reference Investment Funds Available. The Reference Investment Funds available to Participants may be changed at any time and from time to time by the Compensation Committee. The Committee will give timely notice of any such change to each Participant. A Participant must change his or her election before implementation of such change if such change eliminates the availability of a Reference Investment Fund which was being used to measure Equivalents to be credited (or charged) to any Account of such Participant.

(d) Plan Investment Elections. Participants shall make their reference investment elections using the following procedures:

(1) Initial Election For Deferred Amounts. At the time any election to defer Performance Compensation or Salary is made a Participant can elect to have the Deferred Performance Amount or the Deferred Salary Amount, as the case may be, accrue Equivalents related to one or more of the Reference Investment Funds in five percent (5%) increments; provided, that the Participant must complete his or her investment election no later than the deadline established by the Committee.

(2) Change in Investment Election. Effective for the close of any business day, a Participant may change his or her investment election for all of his existing Accounts in 5

percent increments. Such election will affect all Deferred Amounts and the balance of all existing Accounts, but shall not affect any Accounts thereafter established in respect of future deferrals. To effect a change, the Participant must complete his investment election under guidelines established by the Committee.

(e) Allocation of Reinvestments of Reference Investment Fund Distributions. All Equivalents (earnings, gains and losses net after expenses and taxes) attributable to any Account as measured in respect of any Reference Investment Funds will be deemed to include any distributions by such Reference Investment Fund, which distributions shall be deemed to be reinvested in the same Reference Investment Fund after deducting any expenses and taxes attributable to such reinvestment.

(f) Special Election Rules. The Committee may permit (1) Participants to elect to have their Accounts allocated among available Reference Investment Funds in increments greater or lesser than 5 percent, (2) more options of Reference Investment Funds, (3) other election filing dates, and/or (4) any other variations as it considers proper, under regulations adopted by the Committee and published to Participants.

Section 6.5. Failure to Elect Reference Investments. Any portion of an Account of a Participant with respect to which such Participant has not indicated to the Committee a Reference Investment Fund (whether due to the failure of the Participant to timely complete and file his or her election or otherwise) shall be deemed to accrue Equivalents as though such portion of the Account were invested in the Reference Money Market Fund, or in such other investment or reference rate as the Compensation Committee may select.

Section 6.6. Adjustments to Account Balances

(a) Regular Valuation Dates. As of each Valuation Date, the Company and the Recordkeeper will determine the fair market value of each Account of each Participant. On each Valuation Date, each Account will be adjusted to reflect the following events in order since the preceding Valuation.

- (1) The increase or decrease in the amount of Equivalents (the pro rata share of the net earnings, gains and losses, net of expenses and taxes of the Reference Investment Fund or Funds in which the Account is deemed to be invested);
- (2) Deferred Amounts in a new Account;
- (3) Distributions, if any, from the Account; and
- (4) Changes in Reference Investment Fund or Funds under Section 6.4(d)(2) of the Plan.

(b) Valuations Binding. In determining the value of each Account of each Participant, the Committee will exercise its best judgment as to the value of such Account. All determinations of value of Accounts shall be binding upon Participants and their Beneficiaries.

(c) Allocation Date. All allocations of Equivalents will be considered to have been made as of the Valuation Date, regardless of when allocations are actually made.

(d) Statements of Account Balances. As soon as practicable after the end of each Plan Year, the Committee will provide to each Participant, or his or her Beneficiary, a statement showing with respect to each Account of such Participant: (1) the balance of such Account on January 1 of such Plan Year, (2) all Equivalents attributable to such Account during such Plan Year, (3) all distributions from such Account during such Plan Year and (4) the balance of such Account on December 31 of such Plan Year. During each Plan Year, the Committee may provide statements quarterly setting forth the balance of each Account of a Participant as at the end of a quarter and such other information in respect thereof as the Committee shall deem appropriate. If a Participant has Accounts with more than one Employer, the reports and records relating to such Accounts will be reported to the Participant without indicating which Employer established the Account, unless such Employer is bankrupt or insolvent.

(e) Correction of Mistakes. In the event the Committee discovers that a mistake has been made in an allocation to or distribution from any Account, or any other mistake which affects an Account, it will correct the mistake as soon as practicable. If an overpayment has been made, the Committee will seek cash reimbursement. (i) For pre-2005 Benefits, if an underpayment has been made, the amount of the underpayment will be paid pursuant to Article XIII unless the Committee determines the amount to be minimal, in which case it will be paid as a lump sum payment. (ii) For post-2004 Benefits, if an underpayment has been made, the amount of underpayment will be made as soon as possible.

Section 6.7. No Responsibility for Results of Reference Investment Funds. The Company shall not, and the Participating Employers, the Board of Directors, the Compensation Committee and the Committee shall not, have any responsibility or liability in the event any Reference Investment Fund selected by any Participant shall result in any reduction in any Deferred Amount or reduce from one Valuation Date to the next Valuation Date the amount of such Participant's Deferred Compensation or fail to result in any increase of Deferred Compensation.

ARTICLE VII

PAYMENT OF DEFERRED COMPENSATION

Section 7.1. Distributions Events. Deferred Compensation under the Plan shall be payable as follows:

(a) Separation from service for Other than Retirement, Death or After Becoming Disabled. In the event that a Participant's Employment with the Company or any Participating Employer shall be terminated by reason of voluntary termination, layoff due to job elimination or job relocation, involuntary termination for any reason or any other termination for any other reason other than Retirement, Death or after becoming Disabled, the entire amount of his or her Deferred Compensation shall be paid within sixty (60) days after such termination of Employment; provided,

however, that if a Participant immediately upon termination becomes an employee of any Subsidiary of the Company, such Participant shall not be deemed to have had a separation from service with the Company until the Participant's termination from the Subsidiary and all members of the control group (as defined under Section 414 of the Code) of the Company for the purpose of this Section 7.1, although such Participant shall no longer be an Eligible Employee if such Subsidiary is not a Participating Employer.

(The following is an additional provision applying only as a Post-2004 Provision to Post-2004 Benefits)

Further provided, that if the Participant is a Specified Employee upon separation from service, then the entire amount of Deferred Compensation shall be payable on the first business day that is more than six (6) months following the separation from service.

The phrase termination of employment, or words to a similar effect, shall mean a separation from service within the meaning of Section 409A of the Code, except that for purposes of establishing whether an employee has had a separation from service, the employee will be deemed to have a separation from service on the date of termination, if the employee after the date of termination is not reasonably anticipated to provide a level of bona fide services that exceeds 25% of the average level of bona fide services provided by the employee in the immediately preceding 36 months (or the total period of employment, if less than 36 months), within the meaning of Section 409A of tax code.

(b) Death of Participant. In the event of a Participant's death (whether before or after his or her Retirement or Disability), the entire amount of his or her Deferred Compensation shall be paid to his or her Beneficiaries in a lump sum within sixty (60) days after the date of such Participant's death.

(c) Separation from Service by Retirement or Becoming Disabled. In the event a Participant shall separate from service after meeting the requirements for Retirement or becoming Disabled, the distribution of his or her Deferred Compensation shall be made in accordance with the election of such Participant made in accordance with subsection (d), subsection (e) or subsection (f) of this Section 7.1, (i) or, if no election has been made by such Participant, in accordance with Section 7.2 of the Plan.

(d) In accordance with Elections. If Deferred Compensation has not been paid pursuant to subsections (a) or (b) above, then it shall be paid pursuant to the time and form of the elections made pursuant to this subsection (d). A Participant must, at the time he or she notifies the Committee of his or her election to have all or a portion of his or her Deferrable Salary or Net Performance Compensation in respect of any Plan Year payable as Deferred Compensation under the Plan and, to the extent applicable, at the time of a Subsequent Deferral Election made in accordance with Section 7.1(f), specify the payment of such Deferred Compensation only in the following forms thereof:

(i) (only applies as a Pre-2005 Provision) In a lump sum on the 15th of January following the second anniversary of the date such election of the Deferred Salary Amount or Deferred Performance Amount was made;

(Only applies as a Post-2004 Provision) In a lump sum on the 15th of the January following the specified anniversary of the end of the Plan Year the Deferred Compensation was earned, unless the deferral is in respect to a Performance Grant Period greater than 1 year, then following the specified anniversary of the end of the Performance Grant Period in which the award would have otherwise been payable in the immediate subsequent year, in either case, where the Participant specifies an anniversary of between 2 and 20 years at the time of election to defer; or

(ii) In a lump sum on the fifteenth (15th) day of January of the year following the year of such Participant's Retirement or Disability (the following clause only applies as a Post-2005 Provision with respect to Post-2005 Benefits) provided, however, that if the Participant is a Specified Employee upon Retirement, the Lump Sum shall be payable on the later of (1) the first business day that is more than six (6) months following Retirement or (2) the fifteenth day of January of the year following the year of such Participant's Retirement; or

(iii) (the following only applies as a Pre-2005 Provision) In annual installments over a period of not less than five (5) or more than fifteen (15) years, commencing in each case on the 15th day of January of the year following the date of such Participant's Retirement or Disability, each installment to equal the aggregate amount of all Deferred Compensation of such Participant then remaining in his or her Account or Accounts subject to such election, determined as at the Valuation Date immediately prior to such distribution date, divided by the number of installments then remaining to be made (including the installment to be paid on such distribution date);

(iv) (The following only applies as a Post-2004 Provision) In annual installments over a period specified by the Participant at the time of the deferral election of no less than 2 years and no more than fifteen (15) years, commencing in each case on the 15th day of January of the year following the date of such Participant's Retirement or Disability provided, however, that if the Participant is a Specified Employee upon Retirement the first installment shall be payable at the later of (1) the first business day that is more than six (6) months following Retirement, or (2) the fifteenth day of January of the year following the date of such Participant's Retirement, each installment to equal the aggregate amount of all Deferred Compensation of such Participant then remaining in his or her Account or Accounts subject to such election, determined as at the Valuation Date immediately prior to such distribution date, divided by the number of installments then remaining to be made (including the installment to be paid on such distribution date); or

(v) (The following only applies as a Post-2004 Provision) In annual installments over a period specified by the Participant at the time of the deferral election of no more than fifteen (15) years, commencing in each case on the 15th day of January following the

specified anniversary of the end of the Plan Year the Deferred Compensation was earned unless the deferral is in respect to a Performance Grant Period greater than 1 year, then following the specified anniversary of the end of the Performance Grant Period, in either case, where the Participant specifies an anniversary of between 2 and 20 years at the time of election to defer, each installment to equal the aggregate amount of all Deferred Compensation of such Participant then remaining in his or her Account or Accounts subject to such election, determined as at the Valuation Date immediately prior to such distribution date, divided by the number of installments then remaining to be made (including the installment to be paid on such distribution date).

(e) (The following only applies as a Pre-2005 Provision) Extension of Deferral Period. If the deferral period for any Deferred Amount specified by a Participant in an effective Agreement (or in any subsequent election form pursuant to this subsection (e)) is two years (as provided in clause (i) of subsection (d) of this Section 7.1), such Participant may extend the deferral of such Deferred Amount at his or her election to any date permitted by Section 7.1(d) if, and only if, such election is made at least twelve (12) months prior to the expiration of the deferral period provided under such Agreement (or subsequent election form) and in the calendar year prior to the calendar year during which such Deferred Compensation would have been paid but for this clause.

(f) (The following only applies as a Post-2004 Provision) Subsequent Deferral Elections. A Participant may elect, in such manner (written or electronic) as permitted by the Committee in accordance with this Section 7.1(f), to change the time and/or form of payment previously elected in accordance with Section 7.1(d) with respect to an amount of Deferred Compensation under the Plan (a "Subsequent Deferral Election"). A Subsequent Deferral Election shall be irrevocable and shall be made in accordance with the following rules:

(i) A Participant may make only one Subsequent Deferral Election with respect to each Account to which Deferred Compensation has been credited for each Plan Year (or Performance Grant Period, as applicable).

(ii) A Subsequent Deferral Election may only apply to Deferred Compensation that, if not originally deferred pursuant to Article IV, would have been payable to the Participant in cash.

(iii) A Subsequent Deferral Election (A) shall be irrevocable, (B) may not take effect until at least twelve (12) months after the date on which it is made by the Participant, (C) to be effective with respect to Deferred Compensation otherwise payable at a specified time or pursuant to a fixed schedule, must be made not less than twelve (12) months prior to the date of the first scheduled payment of such Deferred Compensation, and (D) must delay the payment date (or payment commencement date) of the applicable Deferred Compensation for a period of at least five (5) years after the date that payment otherwise would have been made (or commenced) in accordance with the Participant's prior election under Section 7.1(d) (except as may otherwise be permitted under Section 409A of the Code), provided that in no event may a Subsequent Deferral Election result in a payment of Deferred Compensation being made (or commenced) later than January 15th following the 20th

anniversary of the end of the Plan Year (or Performance Grant Period, as applicable) in which the Deferred Compensation was earned.

(iv) In no event may a Subsequent Deferral Election result in the acceleration of a payment in violation of Section 409A of the Code, and the Committee shall disregard any Subsequent Deferral Election by a Participant to the extent such election would result in such an acceleration or that otherwise does not comply with any of the terms of this Section 7.1(f).

Section 7.2. Elections of Deferral Period and Payment Forms. With respect to any Deferred Amount of an active Employee, the period of deferral and form of distribution will be determined in accordance with the elections in Section 7.1 except as otherwise determined under this Section 7.2 as follows:

(a) Absence of Deferral Period Election. With respect to any Deferred Amount of a Participant for which no effective election as to time of payment has been filed with the Committee, such related Deferred Compensation will be paid in a lump sum on the earlier of (a) the second (2nd) anniversary of (i) to the extent such Deferred Compensation is a Deferred Performance Amount, the date such Deferred Performance Amount would have been paid (but for such deferral election) or (ii) to the extent such Deferred Compensation is a Deferred Salary Amount, the fifteenth (15th) day of January of the year following the Plan Year during which such Deferred Salary Amount would have been paid (but for such deferral election), or (b) the fifteenth (15th) day of the year following the year of such Participant's Retirement or Disability, (The following clause is a Post-2004 Provision applying only to Post-2004 Benefits) provided that if the Participant retires while a Specified Employee, payment will be on the later of (1) the first business day that is more than six (6) months following the date of Retirement or (2) the fifteenth (15th) day of the year following the Participant's Retirement.

(b) (The following only applies as a Pre-2005 Provision applying to Pre-2005 Benefits) An employee may change an election made under 7.1(d) (ii) or (iii) for his form of distribution if the election is at least 12 months before Retirement. Such extension or change in the election will not be valid until the 12 months have expired. If a distribution would have otherwise been made under this Article VII pursuant to the last election applicable to such Deferred Compensation before the expiration of the 12 months, then the prior election will control the time and form of distribution.

(c) (The following only applies as a Pre-2005 Provision applying to Pre-2005 Benefits) Notwithstanding the other provisions of this Section 7.2, employees or retirees may elect to have any or all of their Deferred Compensation paid out as soon as administratively possible in a lump sum payment made at 90% of their Deferred Compensation payable under the other provisions of this Section 7.2 provided that in the case of any elected officer of the Company, such election is only valid if such election is approved by the Compensation Committee in its sole discretion.

Section 7.3. Minimum Balance. (The following only applies as a Pre-2005 Provision applying to Pre-2005 Benefits) Notwithstanding the foregoing, in the event that a Participant's Employment is terminated for any reason and the aggregate undistributed amount of all of his or

her Deferred Compensation is \$50,000 or less, as at the Valuation Date immediately prior to such termination of Employment, the entire amount of all of his or her Accounts shall be paid in a lump sum within sixty (60) days after his or her termination of Employment.

(The following only applies as a Post-2004 Provision applying to Post-2004 Benefits). Notwithstanding the foregoing, and to the extent permitted by Section 409A of the Code, the Committee may, in its sole discretion, require a mandatory lump sum payment of a Participant's Deferred Compensation if the undistributed amount does not exceed the applicable dollar limit under Section 402(g)(1)(B) of the Code, provided that the payment liquidates the Participant's entire interest in the Plan (applying the Plan aggregation rules).

ARTICLE VIII

PAYMENTS FROM THE PLAN

Section 8.1. Time, Amount and Form of Payment. Each payment of a Participant's Deferred Compensation to such Participant will be subject to the following rules and any other rules adopted from time to time by the Committee and uniformly applied:

(a) Time and Form of Payment. The Committee will cause the Company (or other Employer, as applicable) to pay, or cause to be paid, the Deferred Compensation of a Participant to such Participant or his or her Beneficiaries at the time or times and in the form (lump sum or installments) specified in Article VII of the Plan and in the Agreement or other payment election form submitted to the Committee in accordance with the terms of the Plan.

(b) Amount of Payment. Each amount of Deferred Compensation to be paid to a Participant will be determined as of the Valuation Date on or next preceding the date such payment is due to such Participant.

(c) Medium of Payment. Each Participant or his or her Beneficiaries will receive all payments of such Participant's Deferred Compensation in cash.

Section 8.2. Acceleration of Payment Upon Change of Control. (a) Pre-2005 Provision applying to Pre-2005 Benefits only. In the event a Change of Control occurs, the entire amount of Deferred Compensation of each Participant shall be immediately paid to such Participant (or, if applicable, his or her Beneficiaries) and no additional deferrals of Performance Compensation, Salary or other cash compensation will be made under the Plan (notwithstanding any outstanding election for such deferrals) and the Plan shall automatically terminate effective as of the Change of Control Date.

(b) Post-2004 Provision applying to Post-2004 Benefits only. In the event a Participant incurs a separation from service within two years of the occurrence of a Change of Control Event, the entire amount of Deferred Compensation of such Participant shall be immediately paid to such Participant (or, if applicable, his or her Beneficiaries), provided, that if the Participant is a Specified Employee upon separation from service, then the entire amount of Deferred Compensation shall

be payable on the first business day that is more than six (6) months following the separation from service, and no additional deferrals of Performance Compensation, Salary or other cash compensation will be made under the Plan (notwithstanding any outstanding election for such deferrals).

ARTICLE IX SOURCE OF PAYMENTS

Section 9.1. Payments from General Funds of Employers and Rabbi Trusts. All payments of Deferred Compensation under and in accordance with the Plan shall be paid in cash from the general funds of the applicable Employer and there shall be no requirement that any special or separate trust, fund or account shall be established in the name of any Participant or Beneficiary or other segregation of assets made to assure such payments; provided, however, that each of the Company and the Participating Employers intends to establish a Trust and may establish a bookkeeping reserve to meet its obligations under the Plan. To the extent that any Participant, Beneficiary or other person has a right to receive payments of Deferred Compensation from the Company or a Participating Employer under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company or such Participating Employer.

Section 9.2. The Trusts. (a) A Trust to be known as the Rabbi Trust for the Deferred Compensation Plan for Executives of the Company (the “Company Trust”) will be established pursuant to a Trust Agreement between the Company and the Trustee and is intended to be maintained as a “grantor trust” under section 671 of the Code. The assets of the Company Trust will be held, invested and disposed of by the Trustee in accordance with the terms of the Company Trust, for the exclusive purpose of paying Deferred Compensation to Participants or their Beneficiaries as and when due under the Plan. The assets of the Company Trust shall at all times be subject to the claims of the Company’s general creditors in the event of the Company’s insolvency or bankruptcy.

(b) Each Participating Employer shall prior to permitting any Eligible Employee to participate in the Plan, enter into and maintain a Trust for the Deferred Compensation Plan for Executives of the Company for Participants who are Employees of such Participating Employer (each an “Employer Trust”), which shall be established pursuant to a Trust Agreement between such Participating Employer and the Trustee and shall be intended to be maintained as a “grantor trust” under 671 of the Code. The assets of each Employer Trust will be held, invested and disposed of by the Trustee in accordance with the terms of the Employer Trust for the exclusive purpose of paying Deferred Compensation to Participants employed by such Participating Employer or their Beneficiaries as and when due under the Plan. The assets of each Employer Trust shall at all times be subject to the claims of the general creditors of the Participating Employer that established such trust in the event of such Participating Employer’s insolvency or bankruptcy.

(c) The Company Trust and each Employer Trust (herein collectively referred to as the “Trusts”) shall each contain substantially the same provisions and have the same Trustee and shall, to the extent practicable, be administered and invested jointly, except that the assets shall be separate

and subject only to the general creditors of the Employer which is the grantor of the applicable Trust.

Section 9.3. Contributions and Expenses. To the extent permitted by Section 409A of the Code, The Company and Participating Employers may, from time to time, make contributions to their respective Trusts in accordance with the applicable Trust Agreement and the Plan. Deferred Compensation payable under the Plan and expenses chargeable to the Participants in accordance with the Plan are intended first to be paid from the applicable Trusts. To the extent the funds in such Trusts are not sufficient (or are not paid by the Trustee), all Deferred Compensation shall be paid by the Company or the applicable Participating Employer.

Section 9.4. Trustee Duties. The powers, duties and responsibilities of the Trustee shall be as set forth in the Trust Agreements and nothing contained in the Plan, either expressly or by implication, shall impose any additional powers, duties or responsibilities upon the Trustee. The Trustee shall make investments in the Trusts as directed by the Committee, consistent with the provisions of the Plan and the Trust Agreements. The Trustee may hold cash and other liquid investments in such amounts as the Committee may deem appropriate.

Section 9.5. Reversion of Trust Funds to Company or Participating Employer.

(a) The Company shall have no beneficial interest in the Company Trust and no part of the Company Trust shall revert or be repaid to the Company, except the assets will be available to pay the general creditors of the Company in the case of insolvency and as expressly provided in the Plan or the Trust Agreement which establishes the Company Trust.

(b) No Participating Employer shall have a beneficial interest in such Employer's Employer Trust and no part of such Employer Trust shall revert or be repaid to such Participating Employer, except the assets will be available to pay the general creditors of the Participating Employer in the case of insolvency and as expressly provided in the Plan or the Trust Agreement which establishes such Employer Trust.

**ARTICLE X
DESIGNATION OF BENEFICIARIES**

Section 10.1. Designation Procedure. Each Participant may designate one beneficiary or several beneficiaries (such beneficiary or beneficiaries of a Participant herein referred to as the Participant's "Beneficiaries") to receive any balance, or portion thereof, of his or her Accounts which may be payable under the Plan upon his or her death. To be effective, each designation must be in writing on a form provided by the Committee and must be signed by the Participant and filed with the Committee prior to the Participant's death. Each Participant may name one or more primary Beneficiaries and one or more contingent Beneficiaries; provided that if a Participant names more than one Beneficiary, the Participant shall designate the percentage payable to each. A Participant may from time to time revoke or change his or her Beneficiaries designation without the consent of any Beneficiary by filing a new designation with the Committee, and each change will revoke

all prior designations of Beneficiaries. The last such designation of Beneficiaries received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

(b) **Absence of Designation**. If no designation of Beneficiaries is in effect at the time of a Participant's death, if no designated Beneficiary survives the Participant, or if the Participant's designation of Beneficiaries conflicts with law, then the Participant's estate shall be the Beneficiary entitled to receive all Deferred Compensation then unpaid. The Committee may direct the Company or any Participating Employer to retain such unpaid Deferred Compensation without liability for any interest thereon or other earnings or gains thereon, until the rights thereto are determined, or the Committee may direct the Company or Participating Subsidiary to pay such unpaid Deferred Compensation into any court of appropriate jurisdiction, and such payment shall completely discharge all liability of the Company and, if applicable, any Participating Employer for unpaid Deferred Compensation.

(c) **Payment to Minor or Incompetent Beneficiaries**. In the event a deceased Participant's Beneficiary is a minor, is legally incompetent, or cannot be located after reasonable effort, the Committee will make payment to the court-appointed guardian or representative of such Beneficiary, or to a trust established for the benefit of such Beneficiary, as applicable.

(d) **Judicial Determination**. In the event the Committee for any reason considers it improper to direct any payment as specified in this Section 10.1, it may have a court of competent jurisdiction determine to whom payments should be made, in which event all expenses incurred in obtaining such determination may be deducted from the unpaid Deferred Compensation or charged to the payee. Any such payment shall constitute a complete discharge of all liability of the Employers to such Participant under the Plan.

Section 10.2. Payment to Participant's Representative. If a Participant is incompetent to handle his or her affairs as of any date designated by such Participant as a date on which a payment of all or a portion of such Participant's Deferred Compensation is to be made, the Committee will make any payments due to such Participant to his or her court-appointed personal representative or, if none is appointed, the Committee may in its discretion make payments to his or her spouse, a child, a parent, or a brother or sister, or any other person deemed by the Committee to have incurred expenses for the care or maintenance of such Participant, in such manner and proportions as the Committee may determine; provided that the Committee may request a court of competent jurisdiction to determine the payee, in which event, to the extent permitted by Section 409A of the code, all expenses incurred in obtaining the determination may be deducted from the unpaid Deferred Compensation or charged to the payee. Any such payment shall constitute a complete discharge of all liability of the Employers to such Participant under the Plan.

Section 10.3. Unclaimed Benefits. In the event the Committee cannot locate, with reasonable effort, any person entitled to receive a Participant's unpaid balance of Deferred Compensation the obligation of the Employer to make any payment of such Participant's Deferred Compensation will be canceled on the fifth anniversary after the first day on which a payment of

such Deferred Compensation was due to be paid, but will be reinstated within sixty (60) days after the Participant or a Beneficiary is located.

ARTICLE XI
ADMINISTRATION OF PLAN

Section 11.1. Administration. The Plan shall be administered by the Committee, as appointed by the Compensation Committee (and which may be the Compensation Committee). Determinations by the Committee as to any questions arising under the Plan shall be final, conclusive and binding upon all persons including Participants, Beneficiaries, the Company and Participating Employers. A member of the Committee who is also a Participant must abstain from voting on any matter relating to his or her participation in the Plan or to his or her Deferred Compensation.

Section 11.2. Allocation of Fiduciary Responsibilities: Composition and Powers of Committee. The fiduciaries will have the powers and duties described below, and may delegate their duties to the extent permitted under ERISA;

(a) Company. The Company, through the Compensation Committee, will be responsible for appointing and removing Committee members, approving the adoption of the Plan by each new Participating Employer and designating Eligible Employees.

(b) The Committee.

(1) Appointment and Termination of Office. The Committee will consist of not less than three (3) or more than five (5) individuals who will be appointed by and serve at the pleasure of the Compensation Committee. The Compensation Committee will have the right to remove any member of the Committee at any time. A member of the Committee may resign at any time by written resignation to the Committee and the Compensation Committee. The Compensation Committee will appoint a successor to fill any vacancy in the Committee's membership.

(2) Organization of Committee. The Committee will elect a Chairman from among its members, and will appoint a Secretary who may or may not be a Committee member. The Committee may appoint or retain such agents (including legal counsel and accountants) who may or may not be Committee members, as it considers necessary for the effective performance of its duties in administering the Plan, and may delegate to such agents such ministerial powers and duties as it considers expedient or appropriate. The Committee may fix the compensation of the agents within the limits set by the Compensation Committee. Committee members who are employed by the Company or a Participating Employer shall serve as such without additional compensation.

(3) Committee Meetings. The Committee will hold meetings at least annually. A majority of the members then in office will constitute a quorum. All actions of the Committee may be taken with or without a meeting. Each action of the Committee taken at a meeting

shall be taken on a majority vote of all members of the Committee then in office. Any action taken without a meeting shall be in writing and signed by a majority of the members of the Committee then in office. The Committee may establish such other rules and procedures for taking action with or without a meeting as it shall deem appropriate.

(4) Powers of the Committee. The Committee will have primary responsibility for administering the Plan, and all powers necessary to enable it to properly perform its duties, including but not limited to the following powers and duties:

(A) Rules. The Committee may adopt rules, regulations and procedures as it deems necessary for the performance of its duties under the Plan, except to the extent that such rules, regulations and procedures conflict with the express provisions of the Plan or written policies or directives of the Compensation Committee.

(B) Interpretation. The Committee will have the power to interpret the Plan and to decide all questions arising under the Plan; provided, however, that the Compensation Committee shall also have the power and authority to interpret the Plan and interpretations, rules and regulations adopted by the Compensation Committee shall control.

(C) Individual Accounts. The Committee, or the Recordkeeper acting for it, will maintain individual Accounts for each Participant and will allocate Equivalents in respect of Deferred Amounts to the proper Accounts.

(D) Participant Data. The Committee will request from the Company and the Participating Employers complete information regarding the Deferred Amounts of each Participant and such other information as it considers necessary from time to time, and will treat Employer records as conclusive with respect to such information.

(E) Payments. The Committee will direct the payment of Account balances from the Trust (or from the Company or the Participating Employer, as the case may be), and will specify the Participant (or Beneficiary or Beneficiaries) to be paid and the amount, the time and the conditions, if any, of each payment.

(F) Disclosure. The Committee will prepare and distribute, or cause to be prepared and distributed, to the Participants copies of the Plan, notices and other information about the Plan in such manner as it deems appropriate and in compliance with applicable law.

(G) Agreements and Other Forms. The Committee will provide forms of Agreements for use by Eligible Employees to elect to participate in the Plan and other forms for use by Participants in respect of their participation in the Plan.

(H) Financial Information. The Committee will periodically prepare, or cause to be prepared, reports of the Plan's operation and will submit a copy of each report to the Compensation Committee and cause a copy to be maintained in the office of the Secretary of the Company and each Participating Employer.

(I) Reporting and Tax Returns. The Committee will cause to be filed all reports and tax returns required under ERISA and the Code.

Section 11.3. Indemnification. The Company and each of the Participating Employers will indemnify and hold harmless the Committee and each member, and each person to whom the Committee has delegated responsibility under this Article XI (each an "Other Person"), from and against any and all losses, costs, liabilities or expenses that may be imposed upon or incurred by them in connection with or resulting from any claim, action, suit, or proceeding to which any member of the Committee or such Other Person is or may be a party or may be involved by reason of any action taken or failure to act under the Plan, or for any other reason, and from and against any and all amounts paid by the members of the Committee (or any of them) or such Other Person or Persons in settlement (if with the Company's approval) of, or paid by them in satisfaction of a judgment in, any such action, suit or proceeding and from and against any other joint or several liability for their acts and omissions and for the acts and omissions of their duly appointed agents in the administration of the Plan, except for their own willful breach of fiduciary duty or willful misconduct.

Section 11.4. Claims Procedures. (a) Application for Payment of Deferred Compensation. The Committee will, if possible, furnish to each Participant timely information concerning distributions of Deferred Compensation due under the Plan to such Participant at least one year prior to the anticipated date of such distribution. The Committee may request any Participant, Beneficiary or other person claiming the right to receive payments of Deferred Compensation under the Plan to submit a written application, together with such information as the Committee considers necessary to process the claim. (The following is a Post-2004 Provision only) In any event, the Committee will either pay by the end of the year any amount that is payable in such year pursuant to the terms of the Plan and any effective elections that have been made.

(b) Action on Application. Within ninety (90) days after receipt of an application and all necessary information, the Committee will furnish the claimant a written notice of its decision. If the Committee denies the claim in whole or in part, the notice will set forth (1) specific reason for the denial, with specific reference to Plan provisions upon which the denial is based; (2) a description of any additional information or material necessary to process the application with an explanation why such material or information is necessary; and (3) an explanation of the claim review procedure under the Plan.

(c) Claim Review. Any Participant, Beneficiary or other claimant who does not agree with the decision rendered on the application may request that the Committee review the decision. Each request for review must be made in a writing addressed to and filed with the Committee within sixty (60) days after the claimant receives the decision, or if the application has neither been approved nor denied within the 90-day period specified in subsection (b), then the request must be made within 60 days after expiration of the 90-day period. Concurrently with filing the request for review

the claimant may submit in writing to the Committee a statement of the issues raised by his appeal and supporting arguments and comments. Where the Committee believes that the issues raised by the claimant's appeal may be more efficiently or fairly processed by taking testimony of the claimant or others, it will set the matter for oral hearing and give the claimant reasonable notice of the time and place. The Committee will proceed promptly to resolve all issues raised by the claimant's appeal and will render a written decision on the merits within 60 days following the claimant's request for review. Any determination by the Committee after completion of the review process set forth herein shall be binding upon the Company and the claimant.

ARTICLE XII AMENDMENT AND TERMINATION

Section 12.1. Amendment of the Plan. The Plan may be amended, modified or suspended by the Company pursuant to action taken by the Board or by the Compensation Committee; provided, however, that no such action shall have the effect of reducing or eliminating any Account balance as at the effective date of any such amendment, modification or suspension or otherwise impairing or adversely affecting the rights of any Participant or Beneficiary to payment of Deferred Compensation under the Plan which had accrued prior to the date of such action. In the event of any amendment to, or modification or suspension of, the Plan, the Company will promptly notify each Participant of such amendment, modification or suspension of the Plan. Any such amendment shall be made by, and any such modification or suspension shall be evidenced by, written instrument executed by the Company.

Section 12.2. Termination of the Plan. Although the Company expects the Plan to be continued indefinitely, the Company reserves the absolute right to terminate the Plan at any time by action taken by the Board or the Compensation Committee in accordance with this Section. Subsections (a), (b) and (c) apply after December 31, 2004.

(a) Notwithstanding the foregoing, no termination or amendment of this Plan may accelerate payment of Post-2004 Benefits to any Participant except under the following conditions subject to the mandatory six-month delay for Specified Employees:

(1) The Company may terminate and liquidate the Plan within 12 months of a corporate dissolution taxed under section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), provided that the amounts deferred under the Plan are included in the Participants' gross incomes in the latest of the following years (or, if earlier the taxable year in which the amount is actually or constructively received): (a) the calendar year in which the Plan termination and liquidation occurs; (b) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture; or (c) the first calendar year in which the payment is administratively practicable.

(2) The Company may terminate and liquidate the Plan pursuant to irrevocable action taken by the Board of Directors within the 30 days preceding or the 12 months following a change in control event (as defined in Treasury Regulation §1.409A-3(i)(5)),

provided that this paragraph will only apply to a payment under a plan if all agreements, methods, programs, and other arrangements sponsored by the Company immediately after the time of the change in control event with respect to which deferrals of compensation are treated as having been deferred under a single plan under Treasury Regulation §1.409A-1(c)(2) are terminated and liquidated with respect to each Participant that experienced the change in control event, so that under the terms of the termination and liquidation all such participants are required to receive all amounts of compensation deferred under the terminated agreements, methods, programs and other arrangements within 12 months of the date the Company irrevocably takes all necessary action to terminate and liquidate the agreements, methods, programs, and other arrangements.

(3) The Company may terminate and liquidate the Plan, provided that (a) the termination and liquidation does not occur proximate to a downturn in the financial health of the Company; (b) the Company terminates and liquidates all agreements, methods, programs, and other arrangements sponsored by the Company that would be aggregated with any terminated and liquidated agreements, methods, programs, and other arrangements under Treasury Regulation §1.409-1(c) if any Participant had deferrals of compensation under all of the agreements, methods, programs, and other arrangements that are terminated and liquidated; (c) no payments in liquidation of the Plan are made within 12 months of the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan other than payments that would be payable under the terms of the Plan if the action to terminate and liquidate the Plan had not occurred; (d) all payments are made within 24 months of the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan; and (e) the Company does not adopt a new plan that would be aggregated with any terminated and liquidated plan under Treasury Regulation §1.409A-1(c) if the same service provider participated in both plans, at any time within three years following the date the service recipient takes all necessary action to irrevocably terminate and liquidate the Plan.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 13.1. No Assignment. The right of any Participant or any of his or her Beneficiaries to receive Deferred Compensation under the Plan shall not be assigned, anticipated, transferred, pledged or encumbered, either voluntarily or by operation of law, nor shall any amount of a Participant's Deferred Compensation be subject to the claim or legal process of any creditor of such Participant, or subject to seizure for payment of any debts or judgments, except as provided in Article X of the Plan with respect to designation of Beneficiaries and except as may otherwise be required by law. If any Participant shall, or shall attempt to, assign, transfer, pledge or encumber any amount payable under the Plan, or if by reason of such Participant's bankruptcy or other event happening at any time any such payment would be made subject to his or her debts or liabilities or would otherwise devolve upon anyone else and not be enjoyed by him or her or his or her Beneficiary, the Compensation Committee may, in its sole discretion, terminate such Participant's right to any such payment of Deferred Compensation and, to the extent permitted by Section 409A of the Code,

direct that the same be held and applied to or for the benefit of such Participant or his or her spouse, children or other dependents, or any of them, in such manner as the Compensation Committee may deem appropriate.

Section 13.2. Adoption of and Withdrawal from Plan by a Participating Employer.

(a) Any domestic wholly-owned subsidiary of the Company which at the time is not a Participating Employer, may, with the consent of the Committee, adopt the Plan and become a Participating Employer by causing an appropriate written instrument evidencing such adoption to be executed pursuant to the authority of its board of directors and filed with the Company and by executing a Trust Agreement in form and substance satisfactory to the Committee.

(b) Any Participating Employer may, by action of its board of directors, withdraw from the Plan, such withdrawal to be effective upon notice in writing to the Committee, and shall thereupon cease to be an Employer with respect to future contributions by its Employees to the Plan. A Participating Employer shall be entitled to terminate the Plan with respect to its participation, if the Participating Employer meets the requirements of Section 12.2 when the Participating Employer is substituted for the Company.

Section 13.3. Information Required. Each Participant shall provide the Committee with such pertinent information concerning himself or herself and his or her Beneficiaries relating to Plan participation by the Participant as the Committee may specify, and no Participant or Beneficiary or other person shall have any rights in or be entitled to any payments of Deferred Compensation under the Plan unless such information is provided to the Committee.

Section 13.4. Elections by Eligible Employees. Any elections, designations, requests, notices, instructions and other communications from an Eligible Employee, Participant, Beneficiary or other person to the Committee required or permitted under the Plan shall be in such form as is prescribed from time to time by the Committee, shall be delivered as specified by the Committee and shall be deemed to have been given and delivered only upon actual receipt thereof by the Committee.

Section 13.5. Notices by Committee or any Employer. All notices, statements, reports and other communications from the Committee or any Employer to any Eligible Employee, Participant, Beneficiary or other person required or permitted under the Plan shall be deemed to have been duly given when delivered to such Eligible Employee, Participant, Beneficiary or other person.

Section 13.6. No Employment Contract or Commitment. The Plan is not, and shall not be deemed to constitute, a contract of employment between the Company, or any other Employer or other Subsidiary or Affiliate of the Company, and a Participant. Neither the Plan nor any action taken hereunder by the Company or any Participating Employer shall constitute a commitment or agreement to continue the Employment of any Participant or shall be held or construed to confer on a Participant any right to continued Employment with the Company or any Participating Employer or any other Subsidiary or Affiliate of the Company, or as a commitment to continue the rate of compensation of any Participant, or as affecting the right of the Company or any Participating

Employer to terminate the Employment of any Participant, Eligible Employee or any other employee at any time, with or without cause.

Section 13.7. Severability. In the event any provision of the Plan shall be held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan and the Plan shall be construed and enforced as if the illegal or invalid provision had been omitted, and the Company shall have the privilege and opportunity to correct and remedy questions of illegality or invalidity by amendment as provided in the Plan.

Section 13.8. Effect of IRS Determination. For Pre-2005 Benefits, if any Deferred Amount is found in a “determination” (within the meaning of Section 1313(a) of the Code) to have been includible in gross income by a Participant prior to the payment thereof as provided under the Plan, such Deferred Amount (as adjusted by Equivalents to the applicable Valuation Date) shall be immediately paid to such Participant notwithstanding such Participant’s election or any other provision of the Plan.

Section 13.9. Taxes and Withholding. All payments of Deferred Compensation in accordance with the Plan shall be subject to such withholding for taxes and deductions for payroll and other taxes (federal, state or local) as may be due thereon and the determination by the Committee as to the amounts withheld from such payments shall be binding upon each Participant and his or her Beneficiaries.

Section 13.10. No Rights to Assets Created. The obligations of the Company or any Participating Employer to make payments of Deferred Compensation under the Plan shall constitute a liability of the Company or a Participating Employer, as the case may be, to the Participant and his or her Beneficiaries. Such payments of Deferred Compensation shall be made from the general funds of the Company or the Participating Employer, as the case may be, or from the Trusts. Neither the Company nor any Participating Employer shall be required to establish or maintain the Trusts or any special or separate fund or trust or otherwise to segregate assets to assure that such payments shall be made, and neither a Participant nor his or her Beneficiaries shall have any interest in any particular asset of the Company or any Participating Employer or in the Trusts or any other trust by reason of the Company’s (or a Participating Employer’s) obligations hereunder. Nothing contained in the Plan shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Company or any Participating Employer and a Participant or his or her Beneficiaries.

Section 13.11. Precedent. Except as otherwise specifically provided, no action taken in accordance with the Plan by the Employers or the Committee shall be construed or relied upon as a precedent for similar action under similar circumstances.

Section 13.12. No Guarantees. No employer guarantees that any Reference Investment Fund will not result in a reduction of, or loss to, any Deferred Amount or Deferred Compensation or any Account. Neither the Company, nor any Participating Employer nor the Trustee guarantees the amount or payment of any Deferred Compensation or other amount payable to any Participant under the Plan.

Section 13.13. Expenses. The expenses of administration of the Plan, including the payment of the fees of the Trustee and the Recordkeeper, shall be paid by the Company.

Section 13.14. Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any person, firm or corporation any legal or equitable right as against the Company or any Participating Employer or their respective officers, directors or employees, except as expressly provided for in the Plan.

Section 13.15. Captions. The captions preceding the Articles, Sections and subsections hereof have been inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provisions thereof.

Section 13.16. Validity of the Plan. The validity of the Plan shall be determined, and the Plan shall be governed by and construed and interpreted, in accordance with the laws of the State of Ohio.

Section 13.17. Plan Binding on Parties. The Plan shall be binding upon the Employees, all Participants and Beneficiaries, and, as the case may be, the heirs, executors, administrators, successors and assigns of each of them. Obligations incurred by the Company or any Participating Employer shall be binding upon the Company or such Participating Employer, as the case may be, and shall inure to the benefit of the Participants or their Beneficiaries.

Section 13.18. Compliance with Section 409A of the Code. (a) It is intended that the Plan comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or Beneficiaries. This Plan shall be construed, administered, and governed in a manner that affects such intent, and the Committee shall not take any action that would be inconsistent with such intent.

(b) Although the Committee shall use its best efforts to avoid the imposition of taxation, interest and penalties under Section 409A of the Code, the tax treatment of deferrals under this Plan is not warranted or guaranteed. Neither the Company, the other members of the Affiliated Group, the Board, nor the Committee (nor its designee) shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant, Beneficiary or other taxpayer as a result of the Plan.

(c) Any reference in this Plan to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance promulgated with respect to such Section 409A by the U.S. Department of Treasury or the Internal Revenue Service. For purposes of the Plan, the phrase “permitted by Section 409A of the Code,” or words or phrases of similar import, shall mean that the event or circumstance shall only be permitted to the extent it would not cause an amount deferred or payable under the Plan to be includible in the gross income of a Participant or Beneficiary under Section 409(A)(a)(1) of the Code.

* * *

Executed at Akron, Ohio, this 19th day of April, 2017.

The Goodyear Tire & Rubber Company

By: /s/ John T. Lucas
John T. Lucas
Senior Vice President, Global Human Resources

ATTEST:

/s/ Daniel T. Young
Daniel T. Young
Assistant Secretary

**ANNEX I
TO
THE GOODYEAR TIRE & RUBBER COMPANY
DEFERRED COMPENSATION PLAN FOR EXECUTIVES**

The Reference Investment Funds are as follows:

1. Money Market Fund. The Benchmark Fixed Income - Government Select Portfolio.
2. Bond Fund. The Benchmark Short-Intermediate Bond Portfolio.
3. Equity Index Fund. The Benchmark Equity Index Portfolio.
4. Balanced Fund. The Benchmark Balance Portfolio.
5. Growth Fund. The Twentieth Century Ultra Investment Fund.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)	Six Months Ended June 30,	Year Ended December 31,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
EARNINGS						
Pre-tax income before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees	\$ 428	\$ 1,206	\$ 592	\$ 658	\$ 782	\$ 406
Add:						
Amortization of previously capitalized interest	7	13	12	11	10	8
Distributed income of equity investees	—	25	24	24	21	11
Total additions	7	38	36	35	31	19
Deduct:						
Capitalized interest	12	26	19	24	39	22
Minority interest in pre-tax income of consolidated subsidiaries with no fixed charges	2	8	8	14	26	20
Total deductions	14	34	27	38	65	42
TOTAL EARNINGS	\$ 421	\$ 1,210	\$ 601	\$ 655	\$ 748	\$ 383
FIXED CHARGES						
Interest expense	\$ 179	\$ 391	\$ 438	\$ 439	\$ 407	\$ 385
Debt extinguishment costs included in interest expense	(6)	(12)	(17)	—	—	(15)
Capitalized interest	12	26	19	24	39	22
Interest portion of rental expense ⁽¹⁾	48	100	97	114	119	121
TOTAL FIXED CHARGES	\$ 233	\$ 505	\$ 537	\$ 577	\$ 565	\$ 513
TOTAL EARNINGS BEFORE FIXED CHARGES	\$ 654	\$ 1,715	\$ 1,138	\$ 1,232	\$ 1,313	\$ 896
RATIO OF EARNINGS TO FIXED CHARGES	2.81	3.40	2.12	2.14	2.32	1.75

(1) Interest portion of rental expense is estimated to equal 1/3 of such expense, which is considered a reasonable approximation of the interest factor.

CERTIFICATION

I, Richard J. Kramer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Goodyear Tire & Rubber Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017

/s/ R ICHARD J. K RAMER

Richard J. Kramer
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Laura K. Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Goodyear Tire & Rubber Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017

/s/ L AURA K. T HOMPSON

Laura K. Thompson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of The Goodyear Tire & Rubber Company, an Ohio corporation (the "Company"), hereby certifies with respect to the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission (the "10-Q Report") that to his or her knowledge:

- (1) the 10-Q Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 28, 2017

/s/ R ICHARD J. K RAMER

Richard J. Kramer
Chairman of the Board, President and Chief Executive Officer
The Goodyear Tire & Rubber Company

Dated: July 28, 2017

/s/ L AURA K. T HOMPSON

Laura K. Thompson
Executive Vice President and Chief Financial Officer
The Goodyear Tire & Rubber Company