GOODYEAR TIRE & RUBBER CO /OH/
Form 10-Q
July 28, 2011

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, 2011
Commission File Number: 1-1927
THE GOODYEAR TIRE & RUBBER COMPANY
(Exact Name of Registrant as Specified in Its Charter)

Ohio	**34-0253240**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1144 East Market Street, Akron, Ohio	**44316-0001**
(Address of Principal Executive Offices)	(Zip Code)

(330) 796-2121
(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No o

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

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

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

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

Number of Shares of Common Stock, Without Par Value, Outstanding at June 30, 2011:	244,361,075

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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 June 30,		Six Months Ended June 30,	
(In millions, except per share amounts)	**2011**	**2010**	**2011**	**2010**
NET SALES	**$ 5,620**	**$ 4,528**	**$ 11,022**	**$ 8,798**
Cost of Goods Sold	4,572	3,686	9,033	7,142
Selling, Administrative and General Expense	753	670	1,421	1,275
Rationalizations (Note 2)	46	6	55	8
Interest Expense	81	77	155	151
Other Expense (Note 3)	48	7	52	111
Income before Income Taxes	120	82	306	111
United States and Foreign Taxes	64	43	126	96
Net Income	56	39	180	15
Less: Minority Shareholders Net Income	9	11	30	34
Goodyear Net Income (Loss)	47	28	150	(19)
Less: Preferred Stock Dividends	7		7	
Goodyear Net Income (Loss) available to Common Shareholders	**$ 40**	**$ 28**	**$ 143**	**$ (19)**
Goodyear Net Income (Loss) available to Common Shareholders Per Share of Common Stock				
Basic	**$ 0.16**	**$ 0.11**	**$ 0.58**	**$ (0.08)**
Weighted Average Shares Outstanding (Note 6)	244	242	244	242
Diluted	**$ 0.16**	**$ 0.11**	**$ 0.57**	**$ (0.08)**
Weighted Average Shares Outstanding (Note 6)	247	244	262	242

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

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

(In millions, except share data)	**June 30, 2011**	**December 31, 2010**
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 1,804	$ 2,005
Accounts Receivable, less Allowance $112 ($106 in 2010)	3,539	2,736
Inventories:		
Raw Materials	969	706
Work in Process	207	168
Finished Products	2,856	2,103
	4,032	2,977
Prepaid Expenses and Other Current Assets	401	327
Total Current Assets	**9,776**	**8,045**
Goodwill	720	683
Intangible Assets	161	161
Deferred Income Taxes	48	58
Other Assets	489	518
Property, Plant and Equipment Less Accumulated Depreciation $8,974 ($8,807 in 2010)	6,448	6,165
Total Assets	**$ 17,642**	**$ 15,630**
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	$ 3,515	$ 3,107
Compensation and Benefits (Note 11)	789	756
Other Current Liabilities	1,097	1,018
Notes Payable and Overdrafts (Note 8)	261	238
Long Term Debt and Capital Leases due Within One Year (Note 8)	257	188
Total Current Liabilities	**5,919**	**5,307**
Long Term Debt and Capital Leases (Note 8)	4,786	4,319
Compensation and Benefits (Note 11)	3,384	3,415
Deferred and Other Noncurrent Income Taxes	269	242
Other Long Term Liabilities	887	842
Total Liabilities	**15,245**	**14,125**
Commitments and Contingent Liabilities (Note 12)		
Minority Shareholders Equity (Note 1)	638	584

Shareholders Equity:		
Goodyear Shareholders Equity:		
Preferred Stock, no par value:		
Authorized, 50 million shares, Outstanding shares 10 million (0 in 2010), liquidation preference $50 per share	500	
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares 244 million (243 million in 2010) after deducting 7 million treasury shares (8 million in 2010)	244	243
Capital Surplus	2,801	2,805
Retained Earnings	1,009	866
Accumulated Other Comprehensive Loss	(3,079)	(3,270)
Goodyear Shareholders Equity	**1,475**	**644**
Minority Shareholders Equity Nonredeemable	284	277
Total Shareholders Equity	**1,759**	**921**
Total Liabilities and Shareholders Equity	**$ 17,642**	**$ 15,630**

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

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

(In millions)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
Net Income	$ 56	$ 39	$ 180	$ 15
Other Comprehensive Income (Loss):				
Foreign currency translation, net of tax of $(1) and $0 in 2011 ($1 and $1 in 2010)	53	(197)	147	(251)
Defined benefit plans:				
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of $(1) and $2 in 2011 ($2 and $5 in 2010)	43	41	83	82
Decrease (increase) in net actuarial losses, net of tax of $1 and $1 in 2011 ($0 and $0 in 2010)	1	(12)	4	(13)
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures, net of tax of $1 and $1 in 2011 ($0 and $0 in 2010)	13		13	1
Deferred derivative loss, net of tax of $0 and $0 in 2011 ($0 and $0 in 2010)	(5)	1	(14)	
Reclassification adjustment for amounts recognized in income, net of tax of $0 and $0 in 2011 ($0 and $0 in 2010)	2		2	
Unrealized investment gains (losses), net of tax of $0 and $0 in 2011 ($0 and $0 in 2010)	6		5	1
Comprehensive Income (Loss)	169	(128)	420	(165)
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	20	(55)	79	(66)
Comprehensive Income (Loss) Attributable to Goodyear Shareholders	**$ 149**	**$ (73)**	**$ 341**	**$ (99)**

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

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

(In millions)	Six Months Ended June 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	**$ 180**	**$ 15**
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	374	321
Amortization and write-off of debt issuance costs	24	10
Net rationalization charges (Note 2)	55	8
Net (gains) losses on asset sales (Note 3)	(13)	(24)
Pension contributions and direct payments	(106)	(127)
Rationalization payments	(26)	(31)
Venezuela currency devaluation (Note 3)		110
Changes in operating assets and liabilities, net of asset acquisitions and dispositions:		
Accounts receivable	(701)	(428)
Inventories	(960)	(592)
Accounts payable trade	405	502
Compensation and benefits	166	213
Other current liabilities	(28)	67
Other assets and liabilities	(39)	139
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**(669)**	**183**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(532)	(358)
Asset dispositions (Note 3)	100	18
Increase in restricted cash (Note 8)	(51)	(37)
Return of investment in The Reserve Primary Fund		24
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	**(483)**	**(353)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short term debt and overdrafts incurred	64	28
Short term debt and overdrafts paid	(54)	(49)
Long term debt incurred	1,890	251
Long term debt paid	(1,432)	(64)
Proceeds from issuance of preferred stock	485	
Common stock issued	7	1
Dividends paid to minority shareholders	(14)	(2)
Debt related costs and other transactions	(19)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	**927**	**165**

Effect of exchange rate changes on cash and cash equivalents (Note 3)	24	(234)
Net Change in Cash and Cash Equivalents	**(201)**	**(239)**
Cash and Cash Equivalents at Beginning of the Period	2,005	1,922
Cash and Cash Equivalents at End of the Period	**$ 1,804**	**$ 1,683**

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

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

NOTE 1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by The Goodyear Tire & Rubber Company (the Company, Goodyear, we, us or our) in accordance with Securities and Exchange Commission rul regulations and in the opinion of management contain all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2010 (the 2010 Form 10-K).

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

Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results expected in subsequent quarters or for the year ending December 31, 2011.

Recently Issued Accounting Standards

In May 2011 the Financial Accounting Standards Board (FASB) issued an accounting standards update with new guidance on fair value measurement and disclosure requirements. The standards update does not extend the use of fair value accounting beyond that currently required under U.S. GAAP, but instead provides guidance on the application of fair value accounting where it is already required or permitted by other standards. The standards update also requires additional disclosures related to transfers of financial instruments within the fair value hierarchy and quantitative and qualitative disclosures related to significant unobservable inputs. The standards update is effective for fiscal years beginning after December 15, 2011. We are currently assessing the impact of adopting this standard on our consolidated financial statements.

In June 2011 the FASB issued an accounting standards update with new guidance on the presentation of other comprehensive income. The standards update eliminates the option of presenting other comprehensive income and its components in the statement of shareholders equity. The standards update now requires an entity to either present components of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. The standard will require us to change the presentation of other comprehensive income in our Form 10-K effective for fiscal years beginning after December 15, 2011.

Reclassifications

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

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

NOTE 2. COSTS ASSOCIATED WITH RATIONALIZATION PROGRAMS

In order to maintain our global competitiveness, we have implemented rationalization actions over the past several years to reduce high-cost manufacturing capacity and to reduce associate headcount. The net rationalization charges included in Income before Income Taxes are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2011**	**2010**	**2011**	**2010**
New charges	$ 46	$ 17	$ 57	$ 27
Reversals		(11)	(2)	(19)
	$ 46	**$ 6**	**$ 55**	**$ 8**

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

(In millions)	**Associate-Related Costs**	**Other Costs**	**Total**
Balance at December 31, 2010	$ 212	$ 18	$ 230
2011 Charges	41	16	57
Incurred	(10)	(18)	(28)
Reversed to the statement of operations	(1)	(1)	(2)
Foreign currency translation	10	1	11
Balance at June 30, 2011	**$ 252**	**$ 16**	**$ 268**

During the second quarter of 2011, net rationalization charges of $46 million were recorded. New charges of $46 million were comprised of $11 million for plans initiated in 2011, consisting of $10 million of associate severance costs and $1 million for other exit and non-cancelable lease costs, and $35 million for plans initiated primarily in 2010, consisting of $29 million of associate severance costs and $6 million of other exit and non-cancelable lease costs, mainly due to the July 2011 closure of our Union City, Tennessee manufacturing facility. Substantially all of the new charges relate to future cash outflows.

During the first six months of 2011, net rationalization charges of $55 million were recorded. New charges of $57 million were comprised of $12 million for plans initiated in 2011, consisting of $11 million of associate severance costs and $1 million for other exit and non-cancelable lease costs, and $45 million for plans initiated primarily in 2010, consisting of $30 million of associate severance costs and $15 million of other exit and non-cancelable lease costs, mainly due to the July 2011 closure of our Union City, Tennessee manufacturing facility. Substantially all of the new charges relate to future cash outflows. The net charges in the first six months of 2011 also included the reversal of $2 million of charges for actions no longer needed for their originally intended purposes. Approximately 500 associates will be released under 2011 plans.

In the first six months of 2011, $10 million was incurred for associate severance payments and $18 million was incurred for non-cancellable lease and other exit costs.

The accrual balance of $268 million at June 30, 2011 consists of $252 million for associate severance costs that are expected to be substantially utilized within the next 12 months and $16 million primarily for long term non-cancelable lease and other exit costs. At June 30, 2011, $112 million and $118 million, respectively, of the accrual balance relates to plans associated with the closure of our Union City, Tennessee manufacturing facility and the announced

discontinuation of consumer tire production at one of our facilities in Amiens, France.

Asset write-offs and accelerated depreciation charges of $25 million and $34 million were recorded in cost of goods sold (CGS) in the three and six months ended June 30, 2011, respectively, and were related primarily to property and equipment in our Union City, Tennessee manufacturing facility.

In the second quarter of 2010, net rationalization charges of $6 million were recorded. New charges of $17 million were comprised of $6 million for plans initiated in 2010 for associate severance costs and $11 million for plans initiated primarily in 2009, consisting of $2 million for associate severance costs and $9 million for other exit and non-cancelable lease costs. Substantially all of these charges related to future cash outflows. The net charges in the second quarter of 2010 also included the reversal of $11 million of charges for actions no longer needed for their originally intended purposes.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
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(Unaudited)

For the first six months of 2010, net rationalization charges of $8 million were recorded. New charges of $27 million were comprised of $10 million for plans initiated in 2010, consisting of $8 million for associate severance and pension costs and $2 million for other exit and non-cancelable lease costs, and $17 million for plans initiated primarily in 2009, consisting of $3 million for associate severance costs and $14 million for other exit and non-cancelable lease costs. Substantially all of these charges related to future cash outflows. The net charges in the first six months of 2010 also included the reversal of $19 million of charges for actions no longer needed for their originally intended purposes.

Asset write-offs and accelerated depreciation charges of $6 million and $9 million were recorded in CGS in the three and six months ended June 30, 2010, respectively, and were related primarily to the closure of our Taiwan facility.

Less than 100 associates were released under programs initiated in 2011 and 400 associates were released under programs initiated in 2010 as of June 30, 2011.

NOTE 3. OTHER EXPENSE

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions) (Income) Expense	2011	2010	2011	2010
Net foreign currency exchange losses	$ 6	$ 12	$ 9	$ 121
Financing fees and financial instruments	63	7	72	20
General and product liability discontinued products (Note 11)	3	7	8	11
Net (gains) losses on asset sales	(11)	(8)	(13)	(24)
Royalty income	(11)	(9)	(20)	(15)
Interest income	(3)	(2)	(6)	(5)
Miscellaneous	1		2	3
	$ 48	**$ 7**	**$ 52**	**$ 111**

Net foreign currency exchange losses in the second quarter of 2011 were $6 million, compared to $12 million in the second quarter of 2010. Foreign currency exchange losses in the first six months of 2011 were $9 million, compared to $121 million in the first six months of 2010. Losses in 2010 included a loss of $110 million resulting from the January 8, 2010 devaluation of the Venezuelan bolivar fuerte against the U.S. dollar and the establishment of a two-tier exchange rate structure. Foreign currency exchange in all periods also reflected net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide.

Effective January 1, 2010, Venezuela s economy was considered to be highly inflationary under U.S. generally accepted accounting principles since it experienced a rate of general inflation in excess of 100% over the latest three year period, based upon the blended Consumer Price Index and National Consumer Price Index. Accordingly, the U.S. dollar was determined to be the functional currency of our Venezuelan subsidiary. All gains and losses resulting from the remeasurement of its financial statements since January 1, 2010 were determined using official exchange rates.

On January 8, 2010, Venezuela established a two-tier exchange rate structure for essential and non-essential goods. For essential goods the official exchange rate was 2.6 bolivares fuertes to the U.S. dollar and for non-essential goods the official exchange rate was 4.3 bolivares fuertes to the U.S. dollar. On January 1, 2011, the two-tier exchange rate structure was eliminated. For our unsettled amounts at December 31, 2010 and going forward, the official exchange rate of 4.3 bolivares fuertes to the U.S. dollar will be used for substantially all goods.

The $110 million foreign currency exchange loss in the first quarter of 2010 primarily consisted of a $157 million remeasurement loss on bolivar-denominated net monetary assets and liabilities, including deferred taxes, at the time of

the January 2010 devaluation. The loss was primarily related to cash deposits in Venezuela that were remeasured at the official exchange rate of 4.3 bolivares fuertes applicable to non-essential goods, and was partially offset by a $47 million subsidy receivable related to U.S. dollar-denominated payables that were expected to be settled at the official subsidy exchange rate of 2.6 bolivares fuertes applicable to essential goods. Since we expected these payables to be settled at the subsidy essential goods rate, we established a subsidy receivable to reflect the expected benefit to be received in the form of the difference

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

between the essential and non-essential goods exchange rates. Throughout 2010, we periodically assessed our ability to realize the benefit of the subsidy receivable and a substantial portion of purchases by our Venezuelan subsidiary had qualified and settled at the official exchange rate for essential goods. As a result of the elimination of the official subsidy exchange rate for essential goods, we recorded a foreign exchange loss of $24 million in the fourth quarter of 2010 related to the reversal of the subsidy receivable at December 31, 2010.

Financing fees increased by $56 million due primarily to $53 million of charges in the second quarter of 2011 related to the redemption of $350 million in aggregate principal amount of our outstanding 10.5% senior notes due 2016, of which $37 million related to cash premiums paid on the redemption and $16 million related to the write-off of deferred financing fees and unamortized discount.

General and product liability discontinued products includes charges for claims against us related primarily to asbestos personal injury claims, net of probable insurance recoveries. We recorded $6 million and $5 million of expense related to asbestos claims in the second quarter of 2011 and 2010, respectively. In addition, we recorded $3 million of income related to probable insurance recoveries and a $2 million decrease in probable insurance recoveries in the second quarter of 2011 and 2010, respectively. We recorded $11 million and $12 million of expense related to asbestos claims in the first six months of 2011 and 2010, respectively. In addition, we recorded $5 million and $1 million of income related to probable insurance recoveries in the first six months of 2011 and 2010, respectively.

Net gains on asset sales were $11 million in the second quarter of 2011, compared to net gains on asset sales of $8 million in the second quarter of 2010. Net gains on asset sales were $13 million in the first six months of 2011, compared to net gains on asset sales of $24 million in the first six months of 2010. Net gains on asset sales in 2011 included second quarter gains on the sale of the farm tire business in Latin American Tire and the recognition of a deferred gain from the sale of property in North American Tire. Net gains on asset sales in 2010 included a first quarter gain on the sale of land in Thailand and a second quarter gain on the recognition of a deferred gain from the sale of property in Latin American Tire.

Royalty income is derived primarily from licensing arrangements related to divested businesses. Interest income consisted primarily of amounts earned on cash deposits.

NOTE 4. SALE OF FARM TIRE AND WIRE BUSINESSES

On December 13, 2010, we entered into agreements with Titan Tire Corporation, a subsidiary of Titan International Inc., to sell our European and Latin American farm tire businesses, including licensing agreements that will allow Titan to manufacture and sell Goodyear-brand farm tires in Europe, Latin America and North America. The Latin American portion of the transaction was completed on April 1, 2011. Proceeds from the sale were $99 million, before withholding taxes of $5 million and subject to post-closing adjustments. We recorded a pre-tax gain of $6 million on the sale in the second quarter of 2011. The European portion of the transaction, which has not yet been completed, is subject to the exercise of a put option by us following completion of a social plan related to the previously announced discontinuation of consumer tire production at one of our facilities in Amiens, France and required consultation with various works councils. The put option expires on November 30, 2011. The purchase price for the European portion of the transaction is now expected to be 12.3 million (approximately $18 million) in cash, subject to post-closing adjustments.

The assets and liabilities of the Latin American farm tire business were classified as held-for-sale at December 31, 2010. The carrying amount of the net assets at that date totaled $33 million, and included $44 million of property, plant and equipment, $16 million of inventories, $14 million of deferred income, $10 million of compensation and benefit liabilities, and $5 million of deferred income taxes. Due to uncertainty surrounding the timing of the completion of the Amiens social plan, the European business was classified as held-and-used at June 30, 2011 and at December 31, 2010. The long-lived assets of the European business did not have identifiable cash flows that were largely independent of other assets and liabilities and, accordingly, were tested for impairment at the reporting unit level. No impairment was indicated as a result of that testing. Additionally, the remaining useful life and estimated

residual value of the long-lived assets were reviewed and no modifications were indicated as a result of that review.

On June 8, 2011, we entered into agreements with Hyosung Corporation to sell our steel tire cord (wire) manufacturing business. The transaction consisted primarily of inventories and manufacturing equipment at our facilities in Asheboro, North Carolina and Colmar-Berg, Luxembourg, and a licensing agreement allowing Hyosung to use certain of our patents and know-how associated with the acquired business. In addition, we entered into an agreement under which Hyosung will supply us with finished wire products. The transaction was completed on July 1, 2011. Proceeds from the sale

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
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(Unaudited)

were $50 million, subject to post-closing adjustments. We expect to record a small gain on the sale in the third quarter of 2011. The assets and liabilities of the wire business totaled $24 million at June 30, 2011 and were classified as held-for-sale at that date.

NOTE 5. INCOME TAXES

In the second quarter of 2011, we recorded tax expense of $64 million on income before income taxes of $120 million. For the first six months of 2011, we recorded tax expense of $126 million on income before income taxes of $306 million. Income tax expense for the first six months of 2011 was unfavorably impacted by $18 million due primarily to the settlement of prior tax years and to increased tax reserves as a result of negative tax court rulings in a foreign jurisdiction. In the second quarter of 2010, we recorded tax expense of $43 million on income before income taxes of $82 million. For the first six months of 2010, we recorded tax expense of $96 million on income before income taxes of $111 million. Income tax expense for the first six months of 2010 was favorably impacted by $4 million due to various discrete items.

We continue to maintain a full valuation allowance against our net Federal and state deferred tax assets, however this did not have a significant impact on the consolidated effective tax rate for the first six months of 2011 due to the near break-even income before income taxes in the U.S. For the first six months of 2010, the difference between our effective tax rate and the U.S statutory rate was primarily attributable to maintaining a full valuation allowance against our net Federal and state deferred tax assets.

At January 1, 2011, we had unrecognized tax benefits of $87 million that, if recognized, would have a favorable impact on our tax expense of $81 million. We had accrued interest of $13 million as of January 1, 2011. If not favorably settled, $23 million of the unrecognized tax benefits and $13 million of the accrued interest would require the use of our cash. It is reasonably possible that our unrecognized tax benefits may change during the next 12 months. However, we do not expect changes during the next 12 months to have a significant impact on our financial position or results of operations.

Generally, years beginning after 2004 are still open to examination by foreign taxing authorities, and in Germany, we are open to examination from 2006 onward. In the United States, we are open to examination from 2010 onward.

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

NOTE 6. EARNINGS (LOSS) PER SHARE

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share amounts)	**2011**	**2010**	**2011**	**2010**
Earnings per share basic:				
Goodyear net income (loss)	$ 47	$ 28	$ 150	$ (19)
Less: Preferred stock dividends	7		7	
Goodyear net income (loss) available to common shareholders	$ 40	$ 28	$ 143	$ (19)
Weighted average shares outstanding	244	242	244	242
Earnings per common share basic	$ 0.16	$ 0.11	$ 0.58	$ (0.08)
Earnings per share diluted:				
Goodyear net income (loss)	$ 47	$ 28	$ 150	$ (19)
Less: Preferred stock dividends	7			
Goodyear net income (loss) available to common shareholders	$ 40	$ 28	$ 150	$ (19)
Weighted average shares outstanding	244	242	244	242
Dilutive effect of mandatory convertible preferred stock			15	
Dilutive effect of stock options and other dilutive securities	3	2	3	
Weighted average shares outstanding diluted	247	244	262	242
Earnings per common share diluted	$ 0.16	$ 0.11	$ 0.57	$ (0.08)

Weighted average shares outstanding diluted excludes the effect of approximately 30 million equivalent shares for the three months ended June 30, 2011 related to the mandatory convertible preferred stock as their inclusion would have been anti-dilutive. In addition, Goodyear net income used to compute earnings per common share diluted for the three months ended June 30, 2011 is reduced by $7 million of preferred stock dividends since the inclusion of the related shares of preferred stock would have been anti-dilutive. Additionally, weighted average shares outstanding diluted

excludes approximately 6 million and 7 million equivalent shares for the three and six months ended June 30, 2011, respectively, related to options with exercise prices greater than the average market price of our common shares (i.e. underwater options).

Weighted average shares outstanding diluted excludes approximately 5 million equivalent shares for the six months ended June 30, 2010 related to options with exercise prices less than the average market price of our common shares (i.e., in-the-money options), as their inclusion would have been anti-dilutive due to the Goodyear net loss. Additionally, weighted average shares outstanding diluted excludes approximately 12 million and 11 million equivalent shares for the three and six months ended June 30, 2010, respectively, 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 7. BUSINESS SEGMENTS

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2011**	**2010**	**2011**	**2010**
Sales:				
North American Tire	$ 2,411	$ 2,049	$ 4,718	$ 3,828
Europe, Middle East and Africa Tire	1,943	1,455	3,902	2,984
Latin American Tire	640	529	1,225	1,007
Asia Pacific Tire	626	495	1,177	979
Net Sales	**$ 5,620**	**$ 4,528**	**$ 11,022**	**$ 8,798**
Segment Operating Income:				
North American Tire	$ 137	$ 16	$ 177	$ 2
Europe, Middle East and Africa Tire	126	73	279	182
Latin American Tire	54	66	121	142
Asia Pacific Tire	65	64	132	133
Total Segment Operating Income	**382**	**219**	**709**	**459**
Rationalizations	(46)	(6)	(55)	(8)
Interest expense	(81)	(77)	(155)	(151)
Other expense	(48)	(7)	(52)	(111)
Asset write-offs and accelerated depreciation	(25)	(6)	(34)	(9)
Corporate incentive compensation plans	(21)	(20)	(35)	(27)
Pension curtailments/settlements	(11)		(11)	
Intercompany profit elimination	(2)	7	(11)	(2)
Other	(28)	(28)	(50)	(40)
Income before Income Taxes	**$ 120**	**$ 82**	**$ 306**	**$ 111**

Rationalizations, as described in Note 2, Costs Associated with Rationalization Programs, net gains on asset sales, as described in Note 3, Other Expense, and asset write-offs and accelerated depreciation are not charged (credited) to the strategic business units (SBUs) for performance evaluation purposes, but were attributable to the SBUs as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2011**	**2010**	**2011**	**2010**
Rationalizations:				
North American Tire	$ 34	$ (1)	$ 40	$ 5
Europe, Middle East and Africa Tire	6	(1)	7	(7)
Latin American Tire		1		3
Asia Pacific Tire	6	7	8	8
Total Segment Rationalizations	**46**	**6**	**55**	**9**
Corporate				(1)

	$ 46	**$ 6**	**$ 55**	**$ 8**
Net Gains on Asset Sales:				
North American Tire	$ (5)	$ (1)	$ (5)	$ (1)
Europe, Middle East and Africa Tire	(1)		(2)	(1)
Latin American Tire	(3)	(7)	(4)	(7)
Asia Pacific Tire				(15)
Total Segment Asset Sales	**(9)**	**(8)**	**(11)**	**(24)**
Corporate	(2)		(2)	
	$ (11)	**$ (8)**	**$ (13)**	**$ (24)**

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	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2011**	**2010**	**2011**	**2010**
Asset Write-offs and Accelerated Depreciation:				
North American Tire	$ 24	$	$ 32	$ 1
Europe, Middle East and Africa Tire		1		1
Asia Pacific Tire	1	5	2	7
Total Segment Asset Write-offs and Accelerated Depreciation	**$ 25**	**$ 6**	**$ 34**	**$ 9**

NOTE 8. FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

At June 30, 2011, we had total credit arrangements of $8,105 million, of which $2,398 million were unused. At that date, 44% of our debt was at variable interest rates averaging 4.15%.

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

At June 30, 2011, we had short term committed and uncommitted credit arrangements totaling $638 million, of which $377 million were unused. These arrangements are available primarily to certain of our international subsidiaries through various banks at quoted market interest rates. There are no commitment fees associated with these arrangements.

The following table presents amounts due within one year:

(In millions)	**June 30, 2011**	**December 31, 2010**
Notes payable and overdrafts	**$ 261**	**$ 238**
Weighted average interest rate	5.32%	4.56%
Long term debt and capital leases due within one year:		
Other domestic and international debt (including capital leases)	**$ 257**	**$ 188**
Weighted average interest rate	10.03%	8.77%
Total obligations due within one year	**$ 518**	**$ 426**

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Long Term Debt and Capital Leases and Financing Arrangements

At June 30, 2011, we had long term credit arrangements totaling $7,467 million, of which $2,021 million were unused.

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

	June 30, 2011		December 31, 2010	
(In millions)	Amount	Interest Rate	Amount	Interest Rate
Notes:				
10.5% due 2016	$ 629		$ 966	
6.75% Euro Notes due 2019	362			
8.25% due 2020	994		993	
8.75% due 2020	264		263	
7% due 2028	149		149	
Credit Facilities:				
$1.5 billion first lien revolving credit facility due 2013				
$1.2 billion second lien term loan facility due 2014	1,200	1.94%	1,200	1.96%
400 million revolving credit facility due 2016	138	3.82%		
Pan-European accounts receivable facility due 2015	463	3.99%	319	3.73%
Chinese credit facilities	329	5.74%	153	5.45%
Other domestic and international debt[1]	496	9.88%	446	9.04%
	5,024		4,489	
Capital lease obligations	19		18	
	5,043		4,507	
Less portion due within one year	(257)		(188)	
	$ 4,786		**$ 4,319**	

(1) Interest rates are weighted average interest rates.

NOTES

250 Million 6.75% Senior Notes due 2019 of Goodyear Dunlop Tires Europe B.V. (GDTE)

On April 20, 2011, GDTE issued 250 million aggregate principal amount of 6.75% senior notes due 2019. These notes were sold at 100% of the principal amount and will mature on April 15, 2019. These notes are unsecured senior obligations of GDTE and are guaranteed, on an unsecured senior basis, by the Company and our U.S. and Canadian subsidiaries that also guarantee our obligations under our senior secured credit facilities described below.

We have the option to redeem these notes, in whole or in part, at any time on or after April 15, 2015 at a redemption price of 103.375%, 101.688% and 100% during the 12-month periods commencing on April 15, 2015, 2016 and 2017 and thereafter, respectively, plus accrued and unpaid interest to the redemption date. Prior to April 15, 2015, we may redeem these notes, in whole or in part, at a redemption price equal to 100% of the principal amount plus a make-whole premium and accrued and unpaid interest to the redemption date. In addition, prior to April 15, 2014, we may redeem up to 35% of the original aggregate principal amount of these notes from the net cash proceeds

of certain equity offerings at a redemption price equal to 106.75% of the principal amount plus accrued and unpaid interest to the redemption date.

The terms of the indenture for these notes, among other things, limit the ability of the Company and certain of its subsidiaries, including GDTE, to incur additional debt or issue redeemable preferred stock, pay dividends or make certain other restricted payments or investments, incur liens, sell assets, incur restrictions on the ability of the Company s subsidiaries to pay dividends to the Company, enter into affiliate transactions, engage in sale and leaseback transactions, and consolidate, merge, sell or otherwise dispose of all or substantially all of their assets. These covenants are subject to significant exceptions and qualifications. For example, if these notes are assigned an investment grade rating by Moody s and Standard & Poor s and no default has occurred or is continuing, certain covenants will be suspended. The indenture has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

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Partial Redemption of 10.5% Senior Notes due 2016

On May 27, 2011, we redeemed $350 million in aggregate principal amount of our outstanding 10.5% senior notes due 2016 at an aggregate redemption price of $387 million, including a $37 million prepayment premium, plus accrued and unpaid interest to the redemption date. We also recorded $16 million of expense for the write-off of unamortized discounts and deferred financing fees as a result of the redemption.

CREDIT FACILITIES

$1.5 Billion Amended and Restated First Lien Revolving Credit Facility due 2013

This 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.

This facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our financial condition since December 31, 2006. This facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

At June 30, 2011, we had no borrowings and $415 million of letters of credit issued under the revolving credit facility. At December 31, 2010, we had no borrowings and $474 million of letters of credit issued under the revolving credit facility.

$1.2 Billion Amended and Restated Second Lien Term Loan Facility due 2014

Our obligations under this 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 $1.5 billion first lien revolving credit facility. At June 30, 2011 and December 31, 2010, this facility was fully drawn.

This facility has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

400 Million Amended and Restated Senior Secured European Revolving Credit Facility due 2016

On April 20, 2011, we amended and restated our existing 505 million European revolving credit facility. Significant changes to that facility include the extension of the maturity to 2016, the reduction of the available commitments thereunder from 505 million to 400 million and a decrease of the commitment fee by 12.5 basis points to 50 basis points. Loans will bear interest at LIBOR plus 250 basis points for loans denominated in U.S. dollars or pounds sterling and EURIBOR plus 250 basis points for loans denominated in euros.

The facility consists of (i) a 100 million German tranche that is available only to Goodyear Dunlop Tires Germany GmbH (the German borrower) and (ii) a 300 million all-borrower tranche that is available to GDTE, the German borrower and certain of GDTE s other subsidiaries. Up to 50 million in letters of credit are available for issuance under the all-borrower tranche.

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

the capital stock of the principal subsidiaries of GDTE; and

a substantial portion of the tangible and intangible assets of GDTE and GDTE s subsidiaries in the United Kingdom, Luxembourg, France and Germany, including certain accounts receivable, inventory, real property, equipment, contract rights and cash accounts, but excluding certain accounts receivable and cash accounts in subsidiaries that are or may become parties to securitization programs.

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

The facility, which matures on April 20, 2016, contains covenants similar to those in our first lien revolving credit facility, with additional limitations applicable to GDTE and its subsidiaries. In addition, under the facility, GDTE s ratio of Consolidated Net J.V. Indebtedness to Consolidated European J.V. EBITDA for a period of four consecutive fiscal quarters is not permitted to be greater than 3.0 to 1.0 at the end of any fiscal quarter. Consolidated Net J.V. Indebtedness is determined net of the sum of (1) cash and cash equivalents in excess of $100 million held by GDTE and its subsidiaries, (2) cash and cash equivalents in excess of $150 million held by the Company and its U.S. subsidiaries and (3) availability under our first lien revolving credit facility if available borrowings under our first lien revolving credit facility plus Available Cash (as defined thereunder) is equal to or greater than $150 million and the conditions to borrowing thereunder are met. Consolidated Net J.V. Indebtedness also excludes loans from other consolidated Goodyear entities. Consolidated Net J.V. Indebtedness and Consolidated European J.V. EBITDA have the meanings given them in the facility.

The facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our financial condition since December 31, 2010. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

At June 30, 2011, there were no borrowings outstanding under the German tranche and $138 million (95 million) was outstanding under the all-borrower tranche. At December 31, 2010, there were no borrowings under the revolving credit facility. Letters of credit issued under the all-borrower tranche totaled $7 million (5 million) at June 30, 2011 and $12 million (9 million) at December 31, 2010.

International Accounts Receivable Securitization Facilities (On-Balance Sheet)

GDTE and certain of its subsidiaries are parties to a pan-European accounts receivable securitization facility that provides up to 450 million of funding and expires in 2015. Utilization under this facility is based on current available receivable balances. The facility is subject to customary annual renewal of back-up liquidity commitments.

The facility involves an ongoing daily sale of substantially all of the trade accounts receivable of certain GDTE subsidiaries to a bankruptcy-remote French company controlled by one of the liquidity banks in the facility. These subsidiaries retain servicing responsibilities. At June 30, 2011 and December 31, 2010, the amount available, and fully utilized under this program, totaled $463 million (320 million) and $319 million (238 million), respectively. The program did 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 totaling $83 million and $72 million at June 30, 2011 and December 31, 2010, 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 Notes payable and overdrafts.

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For a description of the collateral securing the facilities described above as well as the covenants applicable to them, refer to the Note to the Consolidated Financial Statements No. 12, Financing Arrangements and Derivative Financial Instruments, in our 2010 Form 10-K.

Other Foreign Credit Facilities

Our Chinese subsidiary has two financing agreements in China. At June 30, 2011, these non-revolving credit facilities had total unused availability of 1.5 billion renminbi ($231 million) and can only be used to finance the relocation and expansion of our manufacturing facilities in China. The facilities contain covenants relating to our Chinese subsidiary and have customary representations and warranties and defaults relating to our Chinese subsidiary s ability to perform its obligations under the facilities. One of the facilities (with 1.1 billion renminbi of unused availability at June 30, 2011) matures in 2016 and principal amortization begins in 2013. There were $194 million and $99 million of borrowings outstanding under this facility at June 30, 2011 and December 31, 2010, respectively. The other facility (with 0.4 billion renminbi of unused availability at June 30, 2011) matures in 2018 and principal amortization begins in 2015. There were $135 million and $54 million of borrowings outstanding under this facility at June 30, 2011 and December 31, 2010, respectively. Restricted cash of $33 million and $8 million was related to funds obtained under these credit facilities at June 30, 2011 and December 31, 2010, respectively.

OTHER DOMESTIC DEBT

Global and North American Tire Headquarters

On April 13, 2011, we entered into agreements for the construction of a new Global and North American Tire Headquarters facility in Akron, Ohio. We concurrently entered into an agreement to occupy the facility under a 27-year lease, including the two-year construction period. Due to our continuing involvement with the financing during construction, we will record a non-cash increase to fixed assets and financing liabilities on our Consolidated Balance Sheet as costs are incurred during the construction period. The total cost of the project is expected to be $160 million, of which approximately $60 million will be funded by government financing and incentives. The total financing liability is expected to approximate $100 million, of which $6 million has been recorded in Long term debt and capital leases at June 30, 2011.

DERIVATIVE FINANCIAL INSTRUMENTS

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

Foreign Currency Contracts

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

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

(In millions)	**June 30, 2011**	**December 31, 2010**
Fair Values asset (liability):		
Accounts receivable	$ 12	$ 25
Other assets	1	1
Other current liabilities	(14)	(15)

At June 30, 2011 and December 31, 2010, these outstanding foreign currency derivatives had notional amounts of $1,393 million and $1,324 million, respectively, and were primarily related to intercompany loans. Other Expense included net transaction losses of $4 million and $39 million for the three and six months ended June 30, 2011, respectively, compared to net transaction gains of $64 million and $97 million for the three and six months ended June 30, 2010, respectively, on foreign currency derivatives. These amounts were substantially offset in Other Expense by the effect of changing exchange rates on the underlying currency exposures.

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

(In millions)	**June 30, 2011**	**December 31, 2010**
Fair Values asset (liability):		
Other current liabilities	$ (9)	$ (2)

At June 30, 2011 and December 31, 2010, these outstanding foreign currency derivatives had notional amounts of $231 million and $75 million, respectively, and primarily related to intercompany transactions. Amounts deferred to Accumulated Other Comprehensive Loss (AOCL) included losses of $5 million and $14 million for the three and six months ended June 30, 2011, respectively, and a deferred gain of $1 million for the three months ended June 30, 2010. There were no amounts deferred to AOCL for the six months ended June 30, 2010. For the three and six months ended June 30, 2011 deferred losses of $2 million were reclassified from AOCL into CGS. There were no deferred losses reclassified from AOCL into CGS in the three and six months ended June 30, 2010. The estimated net amount of the deferred losses on June 30, 2011 that is expected to be reclassified to earnings within the next twelve months is $15 million.

The counterparties to our foreign currency contracts were substantial and creditworthy multinational commercial banks or other financial institutions that are recognized market makers. We control our credit exposure by diversifying across multiple counterparties and by setting counterparty credit limits based on long term credit ratings and other indicators of counterparty credit risk such as credit default swap spreads. We also enter into master netting agreements with counterparties when possible. Based on our analysis, we consider the risk of counterparty nonperformance associated with these contracts to be remote. However, the inability of a counterparty to fulfill its obligations when due could have a material adverse effect on our consolidated financial position, results of operations or liquidity in the period in which it occurs.

NOTE 9. FAIR VALUE MEASUREMENTS

The following table presents information about assets and liabilities recorded at fair value on the Consolidated Balance Sheet at June 30, 2011 and December 31, 2010:

	Total Carrying	**Quoted Prices in**	**Significant**

	Value in the Consolidated Balance Sheet		Active Markets for Identical Assets/Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)		Unobservable Inputs (Level 3)	
(In millions)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Assets:								
Investments	$ 44	$ 38	$ 44	$ 38	$	$	$	$
Foreign Exchange Contracts	13	26			11	25	2	1
Total Assets at Fair Value	$ 57	$ 64	$ 44	$ 38	$ 11	$ 25	$ 2	$ 1
Liabilities:								
Foreign Exchange Contracts	$ 23	$ 17	$	$	$ 23	$ 17	$	$
Total Liabilities at Fair Value	$ 23	$ 17	$	$	$ 23	$ 17	$	$

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Derivative financial instrument valuations classified as Level 3 included embedded currency derivatives in long-dated operating leases. The valuation of the embedded currency derivatives is based on an extrapolation of forward rates to the assumed expiration of the leases. Realized and unrealized gains and losses related to the embedded currency derivatives are included in Other Expense.

The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding capital leases, at June 30, 2011 and December 31, 2010. The fair value was estimated using quoted market prices or discounted future cash flows.

(In millions)	June 30, 2011	December 31, 2010
Fixed Rate Debt:		
Carrying amount liability	$ 2,873	$ 2,691
Fair value liability	3,018	2,791
Variable Rate Debt:		
Carrying amount liability	$ 2,151	$ 1,798
Fair value liability	2,085	1,770

NOTE 10. PENSION, SAVINGS AND OTHER POSTRETIREMENT BENEFIT PLANS

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

Defined benefit pension cost follows:

	U.S. Three Months Ended June 30,		U.S. Six Months Ended June 30,	
(In millions)	2011	2010	2011	2010
Service cost benefits earned during the period	$ 10	$ 10	$ 21	$ 20
Interest cost on projected benefit obligation	70	73	141	148
Expected return on plan assets	(76)	(70)	(153)	(140)
Amortization of: prior service cost	6	7	12	15
net losses	33	33	67	66
Net periodic pension cost	43	53	88	109
Curtailments/settlements/termination benefits	11		11	
Total defined benefit pension cost	**$ 54**	**$ 53**	**$ 99**	**$ 109**

	Non-U.S. Three Months Ended June 30,		Non-U.S. Six Months Ended June 30,	
(In millions)	2011	2010	2011	2010
Service cost benefits earned during the period	$ 8	$ 6	$ 16	$ 13
Interest cost on projected benefit obligation	38	35	76	72
Expected return on plan assets	(33)	(30)	(66)	(62)
Amortization of: prior service cost	1	1	1	1

net losses		9		8		19		17
Net periodic pension cost		**23**		**20**		**46**		**41**
Curtailments/settlements/termination benefits		1						1
Total defined benefit pension cost	**$**	**24**	**$**	**20**	**$**	**46**	**$**	**42**

During the second quarter of 2011, we recognized a settlement charge of $11 million related to one of our U.S. pension plans. This settlement charge resulted from total lump sum payments through June 30, 2011 exceeding estimated annual service and interest cost for the plan.

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We expect to contribute approximately $250 million to $300 million to our funded U.S. and non-U.S. pension plans in 2011. For the three and six months ended June 30, 2011, we contributed $10 million and $18 million, respectively, to our non-U.S. plans and for the three and six months ended June 30, 2011, we contributed $51 million to our U.S. plans.

The expense recognized for our contributions to defined contribution savings plans was $25 million and $21 million for the three months ended June 30, 2011 and 2010, respectively, and $51 million and $46 million for the six months ended June 30, 2011 and 2010, respectively.

We provide certain U.S. employees and employees at certain non-U.S. subsidiaries with health care benefits or life insurance benefits upon retirement. Postretirement benefit cost for the three months ended June 30, 2011 and 2010 was $2 million and $9 million, which includes a $7 million adjustment in 2010 for participant data related to prior periods, respectively, and $5 million and $11 million for the six months ended June 30, 2011 and 2010, respectively.

NOTE 11. STOCK COMPENSATION PLANS

Our Board of Directors granted 1.5 million stock options and 0.1 million performance share units during the six months ended June 30, 2011 under our 2008 Performance Plan. The 2008 Performance Plan will expire on April 8, 2018. 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, 2011 were $13.97 and $6.95, respectively. We estimated the fair value of the stock options using the following assumptions in our Black-Scholes model:

Expected term: 6.25 years
Interest rate: 2.45%
Volatility: 48.50%
Dividend yield: Nil

We measure the fair value of grants of 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 $15.58 for grants made during the six months ended June 30, 2011.

We recognized stock-based compensation expense of $6 million and $12 million during the three and six months ended June 30, 2011, respectively. At June 30, 2011, unearned compensation cost related to the unvested portion of all stock-based awards was approximately $31 million and is expected to be recognized over the remaining vesting period of the respective grants, through June 30, 2015. We recognized stock-based compensation expense of $4 million and $7 million during the three and six months ended June 30, 2010, respectively.

NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

At June 30, 2011, we had binding commitments for raw materials, capital expenditures, utilities, and various other types of contracts. Total commitments on contracts that extend beyond June 30, 2012 are expected to total approximately $2.4 billion. In addition, we have other contractual commitments, the amounts of which cannot be estimated, pursuant to certain long-term agreements under which we will purchase varying amounts of certain raw materials and finished goods at agreed upon base prices that may be subject to periodic adjustments for changes in raw material costs and market price adjustments, or in quantities that may be subject to periodic adjustments for changes in our or our suppliers production levels.

Environmental Matters

We have recorded liabilities totaling $47 million and $44 million at June 30, 2011 and December 31, 2010, respectively, for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by us. Of these amounts, $11 million and $12 million were included in Other Current Liabilities at June 30, 2011 and December 31, 2010, 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.

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Workers Compensation

We have recorded liabilities, on a discounted basis, totaling $307 million and $291 million for anticipated costs related to workers compensation at June 30, 2011 and December 31, 2010, respectively. Of these amounts, $70 million and $71 million were included in Current Liabilities as part of Compensation and Benefits at June 30, 2011 and December 31, 2010, 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, 2011 and December 31, 2010, the liability was discounted using a risk-free rate of return.

General and Product Liability and Other Litigation

We have recorded liabilities totaling $303 million and $328 million, including related legal fees expected to be incurred, for potential product liability and other tort claims presently asserted against us at June 30, 2011 and December 31, 2010, respectively. Of these amounts, $50 million and $91 million were included in Other Current Liabilities at June 30, 2011 and December 31, 2010, 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. The amount of our ultimate liability in respect of these matters may differ from these estimates. The decrease in the liability from December 31, 2010 was due primarily to payment in 2011 of an unfavorable judgment from 2010.

Asbestos. We are a defendant in numerous lawsuits alleging various asbestos-related personal injuries purported to result from alleged exposure to certain asbestos 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 92,700 claims by defending and obtaining the dismissal thereof or by entering into a settlement. The sum of our accrued asbestos-related liability and gross payments to date, including legal costs, totaled approximately $374 million through June 30, 2011 and $365 million through December 31, 2010.

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. The passage of tort reform laws and creation of deferred dockets for non-malignancy claims in several states has contributed to a decline in the number of claims filed in recent years.

(Dollars in millions)	Six Months Ended June 30, 2011	Year Ended December 31, 2010
Pending claims, beginning of period	83,700	90,200
New claims filed	1,000	1,700
Claims settled/dismissed	(2,000)	(8,200)
Pending claims, end of period	82,700	83,700
Payments (1)	$ 9	$ 26

(1) Represents amount spent by us and our insurers on asbestos litigation defense and claim resolution.

We periodically, and at least annually, review our existing reserves for pending claims, including a reasonable estimate of the liability associated with unasserted asbestos claims, and estimate our receivables from probable insurance recoveries. We had recorded gross liabilities for both asserted and unasserted claims, inclusive of defense costs, totaling $128 million and $126 million at June 30, 2011 and December 31, 2010, respectively. At June 30, 2011, we estimate that it is reasonably possible that our gross liabilities, net of our estimate for probable insurance recoveries, could exceed our recorded amounts by approximately $10 million.

We recorded a receivable related to asbestos claims of $68 million and $67 million as of June 30, 2011 and December 31, 2010, respectively. We expect that approximately 50% of asbestos claim related losses would be recoverable through insurance through the period covered by the estimated liability. Of these amounts, $9 million and $8 million were included in Current Assets as part of Accounts Receivable at June 30, 2011 and December 31, 2010, respectively. The recorded receivable consists of an amount we expect to collect under coverage-in-place agreements with certain primary carriers as well as an amount we believe is probable of recovery from certain of our excess coverage insurance carriers.

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We believe that, at June 30, 2011, we had approximately $170 million in aggregate limits of excess level policies potentially applicable to indemnity payments for asbestos products claims, in addition to limits of available primary insurance policies. Some of these excess policies provide for payment of defense costs in addition to indemnity limits. A portion of the availability of the excess level policies is included in the $68 million insurance receivable recorded at June 30, 2011. We also had approximately $14 million in aggregate limits for products claims, as well as coverage for premise claims on a per occurrence basis, and defense costs available with our primary insurance carriers through coverage-in-place agreements at June 30, 2011.

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.

Other Actions. We are currently a party to various claims 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. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or an injunction prohibiting us from selling one or more products. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which the ruling 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 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 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, or we are required to pay amounts in excess of our liabilities, our effective tax rate in a given period could be materially affected. An unfavorable tax settlement would require use of our cash, and result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the period of resolution.

Guarantees

We have off-balance sheet financial guarantees written and other commitments totaling approximately $133 million at June 30, 2011, compared to $26 million at December 31, 2010. The increase primarily relates to our obligations in connection with the financing of the construction of our new Global and North American Tire Headquarters facility. In addition, we will from time to time issue guarantees to financial institutions or other entities on behalf of certain of our affiliates, lessors or customers. Normally there is no separate premium received by us as consideration for the issuance of guarantees. We also generally do not require collateral in connection with the issuance of these guarantees. If our performance under these guarantees is triggered by non-payment or another specified event, we would be obligated to make payment to the financial institution or the other entity, and would typically have recourse to the

assets of the affiliate, lessor or customer. The guarantees expire at various times through 2023. We are unable to estimate the extent to which our affiliates , lessors or customers assets would be adequate to recover any payments made by us under the related guarantees.

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NOTE 13. MANDATORY CONVERTIBLE PREFERRED STOCK

On March 31, 2011, we issued 10,000,000 shares of our 5.875% mandatory convertible preferred stock, without par value and with an initial liquidation preference of $50.00 per share, at a price of $50.00 per share. Quarterly dividends on each share of the mandatory convertible preferred stock will accrue at a rate of 5.875% per year on the initial liquidation preference of $50.00 per share. Dividends will accrue and accumulate from the date of issuance and, to the extent that we are legally permitted to pay a dividend and the board of directors declares a dividend payable, we will pay dividends in cash on January 1, April 1, July 1 and October 1 of each year, commencing on July 1, 2011 and ending on April 1, 2014. The mandatory convertible preferred stock ranks senior to our common stock with respect to distribution rights in the event of any liquidation, winding-up or dissolution of the Company.

Unless converted earlier, each share of the mandatory convertible preferred stock will automatically convert on April 1, 2014 into between 2.7454 and 3.4317 shares of common stock, depending on the market value of our common stock for the 20 consecutive trading day period ending on the third trading day prior to April 1, 2014, subject to customary anti-dilution adjustments. At any time prior to April 1, 2014, holders may elect to convert shares of the mandatory convertible preferred stock at the minimum conversion rate of 2.7454 shares of common stock, subject to customary anti-dilution adjustments. If certain fundamental changes involving the Company occur, holders of the mandatory convertible preferred stock may convert their shares into a number of shares of common stock at the fundamental change conversion rate described in our Amended Articles of Incorporation. If the Company at any time has not paid the equivalent of six full quarterly dividends on the mandatory convertible preferred stock, the Company may, at its option, cause all, but not less than all, outstanding shares of the mandatory convertible preferred stock to be automatically converted into a number of shares of our common stock based on the fundamental change conversion rate.

Upon conversion, we will pay converting holders all accrued and unpaid dividends, whether or not previously declared, on the converted shares and, in the case of a conversion upon a fundamental change or a conversion following nonpayment of dividends, the present value of the remaining dividend payments on the converted shares. Except as required by law or as specifically set forth in our Amended Articles of Incorporation, the holders of the mandatory convertible preferred stock have no voting rights.

So long as any of the mandatory convertible preferred stock is outstanding, no dividend, except a dividend payable in shares of our common stock, or other shares ranking junior to the mandatory convertible preferred stock, may be paid or declared or any distribution be made on shares of the common stock unless all accrued and unpaid dividends on the then outstanding mandatory convertible preferred stock payable on all dividend payment dates occurring on or prior to the date of such action have been declared and paid or funds sufficient therefor set apart.

On June 3, 2011, the Company s Board of Directors declared cash dividends of $0.7425 per share of mandatory convertible preferred stock or $7 million in the aggregate. The dividend was paid on July 1, 2011, to stockholders of record as of the close of business of June 15, 2011.

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NOTE 14. CHANGES IN SHAREHOLDERS EQUITY

The following tables present the changes in shareholders equity for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30, 2011			Six Months Ended June 30, 2010		
(In millions)	Goodyear Shareholders Equity	Minority Shareholders Equity Nonredeemable	Total Shareholders Equity	Goodyear Shareholders Equity	Minority Shareholders Equity Nonredeemable	Total Shareholders Equity
Balance at beginning of period	**$ 644**	**$ 277**	**$ 921**	**$ 735**	**$ 251**	**$ 986**
Comprehensive income (loss):						
Net income (loss)	150	19	169	(19)	13	(6)
Foreign currency translation (net of tax of $0 in 2011 and $1 in 2010)	98	6	104	(149)	(13)	(162)
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost (net of tax of $2 in 2011 and $5 in 2010)	81		81	80		80
Decrease (increase) in net actuarial losses (net of tax of $1 in 2011 and $0 in 2010)	3		3	(13)		(13)
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures (net of tax of $1 in 2011 and $0 in 2010)	13		13	1		1
Deferred derivative loss (net of tax of $0 in 2011 and $0 in 2010)	(11)		(11)			
Reclassification adjustment for amounts recognized in income (net of tax of $0 in 2011 and $0 in 2010)	2		2			
Unrealized investment gains (net of tax of $0 in	5		5	1		1

2011 and $0 in 2010)						
Other comprehensive income (loss)	**191**	**6**	**197**	**(80)**	**(13)**	**(93)**
Total comprehensive income (loss)	**341**	**25**	**366**	**(99)**		**(99)**
Dividends declared to minority shareholders		(19)	(19)		(2)	(2)
Stock-based compensation plans (Note 11)	6		6	10		10
Preferred stock issued, net of expenses	484		484			
Preferred stock dividends declared	(7)		(7)			
Common stock issued from treasury	7		7	1		1
Other		1	1			
Balance at end of period	**$ 1,475**	**$ 284**	**$ 1,759**	**$ 647**	**$ 249**	**$ 896**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2011**	**2010**	**2011**	**2010**
Balance at beginning of period	**$ 628**	**$ 573**	**$ 584**	**$ 593**
Comprehensive income (loss):				
Net income	1	5	11	21
Foreign currency translation, net of tax of $0 and $0 in 2011 ($0 and $0 in 2010)	8	(52)	43	(89)
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of $0 and $0 in 2011 ($0 and $0 in 2010)	1	1	2	2
Decrease in net actuarial losses, net of tax of $0 and $0 in 2011 ($0 and $0 in 2010)	1		1	
Deferred derivative loss, net of tax of $0 and $0 in 2011 ($0 and $0 in 2010)	(1)		(3)	
Total comprehensive income (loss)	10	(46)	54	(66)
Balance at end of period	**$ 638**	**$ 527**	**$ 638**	**$ 527**

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NOTE 15. CONSOLIDATING FINANCIAL INFORMATION

Certain of our subsidiaries have guaranteed our obligations under the $650 million outstanding principal amount of 10.5% senior notes due 2016, the $1.0 billion outstanding principal amount of 8.25% senior notes due 2020, and the $282 million outstanding principal amount of 8.75% notes due 2020 (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 or among 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. 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. Intercompany cash advances and loans made primarily for the purpose of short-term operating needs are included in cash flows from operating activities. Intercompany transactions reported as investing or financing activities include the sale of the capital stock of various subsidiaries and other capital transactions between members of the consolidated group.

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

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Consolidating Balance Sheet
June 30, 2011

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets:					
Current Assets:					
Cash and Cash Equivalents	$ 569	$ 39	$ 1,196	$	$ 1,804
Accounts Receivable	1,008	239	2,292		3,539
Accounts Receivable From Affiliates		492	114	(606)	
Inventories	1,700	214	2,222	(104)	4,032
Prepaid Expenses and Other Current Assets	71	5	311	14	401
Total Current Assets	**3,348**	**989**	**6,135**	**(696)**	**9,776**
Goodwill		24	505	191	720
Intangible Assets	109	1	51		161
Deferred Income Taxes		1	48	(1)	48
Other Assets	233	49	207		489
Investments in Subsidiaries	4,075	341	4,324	(8,740)	
Property, Plant and Equipment	2,089	172	4,157	30	6,448
Total Assets	**$ 9,854**	**$ 1,577**	**$ 15,427**	**$ (9,216)**	**$ 17,642**
Liabilities:					
Current Liabilities:					
Accounts Payable-Trade	$ 875	$ 194	$ 2,446	$	$ 3,515
Accounts Payable to Affiliates	606			(606)	
Compensation and Benefits	396	34	359		789
Other Current Liabilities	349	38	714	(4)	1,097
Notes Payable and Overdrafts			261		261
Long Term Debt and Capital Leases Due Within One Year	1		256		257
Total Current Liabilities	**2,227**	**266**	**4,036**	**(610)**	**5,919**
Long Term Debt and Capital Leases	3,243		1,543		4,786
Compensation and Benefits	2,232	204	948		3,384
Deferred and Other Noncurrent Income Taxes	31	3	229	6	269
Other Long Term Liabilities	646	34	207		887
Total Liabilities	**8,379**	**507**	**6,963**	**(604)**	**15,245**

Commitments and Contingent Liabilities					
Minority Shareholders Equity			411	227	638
Shareholders Equity:					
Goodyear Shareholders Equity:					
Preferred Stock	500				500
Common Stock	244	333	5,022	(5,355)	244
Capital Surplus	2,801	35	1,025	(1,060)	2,801
Retained Earnings	1,009	1,168	2,761	(3,929)	1,009
Accumulated Other Comprehensive Loss	(3,079)	(466)	(1,039)	1,505	(3,079)
Goodyear Shareholders Equity	**1,475**	**1,070**	**7,769**	**(8,839)**	**1,475**
Minority Shareholders Equity Nonredeemable			284		284
Total Shareholders Equity	**1,475**	**1,070**	**8,053**	**(8,839)**	**1,759**
Total Liabilities and Shareholders Equity	**$ 9,854**	**$ 1,577**	**$ 15,427**	**$ (9,216)**	**$ 17,642**

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	Consolidating Balance Sheet December 31, 2010				
(In millions)	**Parent Company**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Consolidating Entries and Eliminations**	**Consolidated**
Assets					