

2017 ANNUAL REPORT



**GOODYEAR**

The Goodyear Tire & Rubber Company



Goodyear is one of the world's leading tire companies, with one of the most recognizable brand names and operations in most regions of the world. Together with its U.S. and international subsidiaries, Goodyear develops, manufactures, markets and distributes tires for most applications. It also manufactures and markets rubber-related chemicals for various applications. Goodyear is one of the world's largest operators of commercial truck service and tire retreading centers. In addition, it operates approximately 1,000 tire and auto service center outlets where it offers its products for retail sale and provides automotive repair and other services. Goodyear manufactures its products in 48 facilities in 22 countries. It has marketing operations in almost every country around the world.

## THE GOODYEAR TIRE & RUBBER COMPANY

200 Innovation Way  
Akron, Ohio 44316-0001  
[www.goodyear.com](http://www.goodyear.com)

# CONTENTS

To Our Shareholders	2
Management's Discussion and Analysis of Financial Condition and Results of Operations	6
Forward-Looking Information	33
Quantitative and Qualitative Disclosures about Market Risk	34
Consolidated Financial Statements	36
Notes to Consolidated Financial Statements	44
Management's Report on Internal Control Over Financial Reporting	108
Report of Independent Registered Public Accounting Firm	109
Supplementary Data (unaudited)	111
Selected Financial Data	113
Performance Graph	116
Directors and Officers	118
Facilities	119
Shareholder Information	120

*This Annual Report contains a number of forward-looking statements. For more information, please see pages 33-34.*

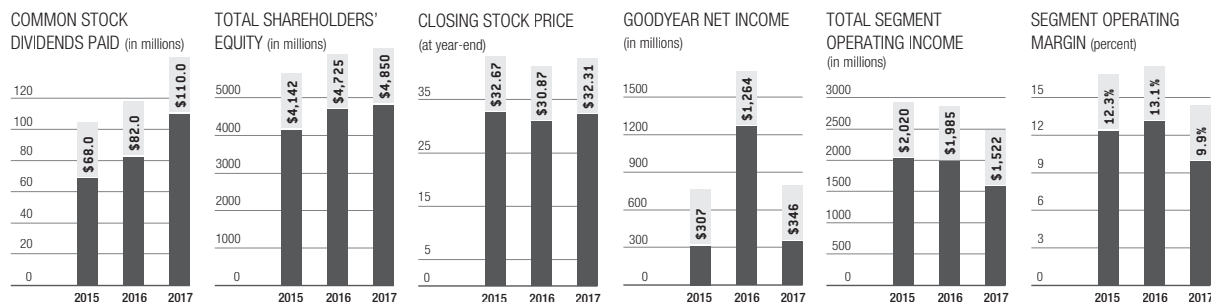
**ON THE COVER** Wingfoot Lake, Suffield, Ohio | For more than 60 years, Goodyear's iconic blimps have provided breathtaking aerial coverage of many of the most-watched sports, entertainment and news events. In 2018, Goodyear will launch the third of its all-new, state-of-the-art blimps. The new blimps feature faster speeds, quieter engines, advanced on-board avionics and increased passenger capacity compared to the now-retired fleet of 1970's-era GZ model blimps. The new blimps continue Goodyear's legacy as the world's leading builder and operator of lighter-than-air airships.

# FINANCIAL OVERVIEW

(in millions, except per share and associates)	YEAR ENDED DEC. 31 2017	YEAR ENDED DEC. 31 2016
Net Sales	\$ 15,377	\$ 15,158
Gross Profit	\$ 3,658	\$ 4,186
Goodyear Net Income	\$ 346	\$ 1,264
– Per Diluted Share	\$ 1.37	\$ 4.74
Weighted Average Shares Outstanding – Basic	249	263
– Diluted	253	266
Segment Operating Income	\$ 1,522	\$ 1,985
Segment Operating Margin	9.9%	13.1%
Gross Margin	23.8%	27.6%
Return on Sales	2.3%	8.3%
Capital Expenditures	\$ 881	\$ 996
Research and Development Expenditures	\$ 406	\$ 388
Tire Units Sold	159.2	166.1
Total Assets	\$ 17,064	\$ 16,511
Total Debt*	\$ 5,729	\$ 5,479
Goodyear Shareholders' Equity	\$ 4,603	\$ 4,507
Total Shareholders' Equity	\$ 4,850	\$ 4,725
Debt to Debt and Equity	54.2%	53.7%
Common Stock Dividends Paid	\$ 110	\$ 82
Number of Associates	64,000	66,000
Price Range of Common Stock: – High	\$ 37.20	\$ 33.36
– Low	\$ 28.81	\$ 24.31

\* Total debt includes Notes payable and overdrafts, Long term debt and capital leases due within one year, and Long term debt and capital leases.

## THREE-YEAR PERFORMANCE SUMMARY





# TO OUR SHAREHOLDERS

The Goodyear Tire & Rubber Company's results in 2017 reflected our unwavering commitment to our long-term strategy of pursuing growth in the tire industry's most attractive market segments while ensuring that we capture the value of our brands, our technology, and our services in the marketplace. During the year, our business was affected by a significant increase in raw material costs and weak demand in many of our key markets. Despite these transitory headwinds, I am optimistic about the positive long-term trends that are influencing our industry.

We believe our innovation, technology leadership and award-winning products are as strong as they have ever been and are the core of the global strength of the Goodyear brand.

For the full year, our segment operating income exceeded \$1.5 billion and we delivered \$1.2 billion in cash flow from operating activities. Sales increased from 2016 to \$15.4 billion. These results enabled us to continue rewarding our shareholders. Since reinstating our dividend in 2013, we have returned \$332 million to shareholders through dividends and \$1.3 billion through share repurchases.

Given where we see the market trajectory today, we have a high degree of confidence in our ability to deliver results in the future and will work to capitalize on all opportunities to capture upside to our plan. There is ample reason for our optimism, including:

- a relatively healthy automotive industry in North America and Europe;
- an on-going market shift to larger-rim-diameter tires;
- continued successful execution on key initiatives, including utilizing our leading distribution, technology, innovation, and brand capabilities to gain market share in 17-inch and larger rim size tires;
- and our sustained efforts to reduce costs and increase efficiency.

Growth in the global consumer tire industry is strongest in the premium segment, where Goodyear can distinguish itself from the competition. In the U.S. and EMEA consumer replacement markets, industry growth in the 17-inch-and-larger segment was 7 percent in 2017.

The trend towards larger, more complex tires has been driven by original equipment manufacturers. Consistent with our strategy, we will continue to target profitable fitments that have high loyalty rates and pull-through in the replacement market; these vehicles depend on the performance characteristics of Goodyear's premium, larger-rim-diameter tires. In 2017, we claimed original equipment positions on four of the five top-selling vehicles in the U.S. and our 2018 fitment launches will further support our OE leadership.

The strength of the Goodyear brand, our strategy of winning in the most profitable segments of the market, our aligned distribution network and innovating to meet the needs of our most demanding customers will be among the most important drivers of our growth in the years ahead.

## GLOBAL BUSINESSES

### AMERICAS

In 2017, our segment operating income in the Americas decreased from the previous year's levels, primarily because of higher raw material costs and the effect of lower volume. Our fourth-quarter performance ended the year with a recovery, highlighted by an 8 percent increase in consumer replacement shipments in the U.S.

Looking ahead, we expect moderate overall industry growth in the U.S. and robust demand in larger-rim-diameter consumer tires. We are well positioned to take advantage of this trend with new products that are being embraced by our customers and consumers. The launch of Assurance WeatherReady in late 2017 was a tremendous success — our most successful premium tire launch ever.

In 2018, we are introducing new products such as the Goodyear Assurance MaxLife, which includes technology to deliver more miles of all-season traction and will offer one of the best treadwear warranties in the business.

Also, we anticipate our positive momentum to continue in the U.S. commercial truck business. We expect double digit growth in our OE business and have won multiple new national fleet accounts that will help support our OE and replacement growth in 2018 and beyond.

Outside the U.S., we expect both the consumer OE and replacement industry in Latin America to grow in the low single digits in 2018. Our team in Brazil continues to focus on expanding its aligned dealer and distributor network and building capabilities to drive value with these important customers.



*Richard J. Kramer*  
*Goodyear Chairman, Chief Executive Officer & President*



## EMEA

In our Europe, Middle East and Africa business in 2017, we continued to take strategic actions to shift our resources, re-align our go-to-market approach and strengthen our value proposition. We reduced our exposure to declining, less-profitable market segments in EMEA, including the closure of our Philippsburg, Germany manufacturing facility. To strengthen our position in the competitive EMEA region, we are in the process of establishing a connected business model to make the tire buying process easier for customers and consumers. We believe this will help create a sustainable competitive advantage.

As is the case in the Americas, EMEA is growing in the larger-rim-size segments of the consumer business. We are seeing margin improvement and growth in replacement volumes, driven by our award-winning product offerings across the region.

In OE, we are increasing our presence on ultra-high-performance fitments with our most discriminating OEM customers, including Porsche, Maserati and Alfa Romeo. Our competitive advantage in this market is our ability to design and manufacture outstanding products that are recognized through tire labeling and magazine test scores. That remains a strong foundation of our business.

We expect over the long-term, EMEA's recalibration will strengthen and further differentiate our value proposition through our distribution and service network. We are looking forward to the continued execution of EMEA's strategic plan with a focus on returning the region to historical margin performance.

## ASIA PACIFIC

The most impressive performance of the past year came in our Asia Pacific business, which posted full-year segment operating income of \$342 million. In addition, it delivered record fourth-quarter segment operating income of \$117 million and its fourth-quarter volume was its best in any quarter in history.

In 2018, we will continue to build on our capabilities to capitalize on the long-term growth trends in the region, especially in key markets in China and India. We are strategically expanding our retail network and points of distribution to drive growth in those countries.

Asia Pacific is also launching two important products this year with its introduction of the Assurance TripleMax2 and the E-Max Comfort, targeted toward the middle and premium segments of the market. These will also fuel our growth.

We are energized by our growth plans in Asia Pacific. Our plan is supported by investments in assets and capability for 2018 and beyond. We remain focused on our strategy and execution for each of our key markets to build the foundation for continued growth in the region.

## NEW MOBILITY ECOSYSTEM

While the shift to larger-rim-diameter tires and increasing vehicle complexity are currently the biggest trends in the global tire industry, a much larger evolution has begun that will redefine personal transportation. Rapidly changing consumer attitudes and behavior are driving a shift from individual vehicle ownership to ride-sharing, as well as the adoption of connected, autonomous and electric vehicles. This shift in preference will create a “new mobility ecosystem” that takes advantage of technology, increases convenience, reduces cost and improves safety to give consumers more personalized transportation options than simply owning a vehicle.

Experts have differing opinions about when such features as consumer vehicle fleets and driverless cars will be pervasive, but the change is real. We believe the value of the technology and expertise we offer will increase our value in the marketplace.

We also believe that Goodyear is well positioned to take advantage of the opportunities created in a new mobility ecosystem. Our decades of experience helping commercial fleets and airlines around the world operate more efficiently provides the foundation to do the same with passenger fleets.

During 2017, we launched several innovative relationships to prepare us to win in a new transportation environment. For example:

- We began working with Tesloop — a shared mobility fleet of Tesla vehicles — on a tire equipped with a sensor to capture data and analytics;
- We acquired Ventech, a provider of an innovative commercial truck tire inspection and monitoring system to help fleets operate more efficiently;
- And we’ve started collaborating with Stratim, an app-based tire maintenance program that helps consumer fleets accurately predict when their tires need service or replacement.

These examples are just the beginning. We are committed to strengthening the value of our brand, our products and our aligned network of customers, both now and in a new mobility ecosystem. The groundwork is already laid to increase our competitive advantage in a changing world.

## OUR PEOPLE

Of course, Goodyear’s greatest advantage is our people. Our associates around the world together are the source of our innovation, the foundation of our confidence and the backbone of our strategy. Whether they are in our factories, in the field working with customers, or in one of our office locations, Goodyear associates are the DNA of our value proposition. They embody the spirit of Goodyear by collaborating with consumers, customers and each other to deliver the highest quality products, processes and programs.

As Goodyear begins its 120th year, I can confidently say that we are much more than a tire company. We are a team that works together to provide solutions that allow the world to keep moving forward. We are excited about the opportunities ahead and believe in our ability to make the most of them.

Thank you for your continued trust, confidence and support.

Respectfully submitted,



**Richard J. Kramer**

*Chairman, Chief Executive Officer & President*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

### **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 48 manufacturing facilities in 22 countries, including the United States. We operate our business through three operating segments representing our regional tire businesses: Americas; Europe, Middle East and Africa; and Asia Pacific.

### **Results of Operations**

In 2017, we experienced challenging global industry conditions, including higher raw material costs, increased competition and weak demand in many of our key markets. We experienced weakening demand for original equipment and consumer replacement tires in the United States and Europe despite favorable trends in miles driven, gasoline prices and unemployment.

In order to continue to drive growth in our business and address the challenging economic environment, we remain focused on our key strategies by:

- Developing great products and services that anticipate and respond to the needs of consumers;
- Building the value of our brand, helping our customers win in their markets, and becoming consumers' preferred choice; and
- Improving our manufacturing efficiency and creating an advantaged supply chain focused on reducing our total delivered costs, optimizing working capital levels and delivering best in industry customer service.

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.

During the third quarter of 2017, the United Steelworkers ratified a new five-year master collective bargaining agreement with us in the United States. The new contract, which expires in July 2022, provides increased stability by changing from a four-year to a five-year agreement, operational improvements that increase manufacturing flexibility, and health care changes to help manage costs.

On February 8, 2018, we announced our 2018-2020 capital allocation plan that provides for growth capital expenditures of \$700 million to \$900 million, debt repayments of \$400 million to \$600 million, restructuring payments of approximately \$400 million and, subject to our performance, common stock dividends and share repurchases of \$1.5 billion to \$2.0 billion. We also announced a 40% increase in the quarterly cash dividend on our common stock, from \$0.10 per share to \$0.14 per share, beginning with the December 1, 2017 payment date. Refer to "Liquidity and Capital Resources — Overview" for additional information.

Our 2017 results reflect a 4.2% decrease in tire unit shipments compared to 2016. In 2017, we realized approximately \$259 million of cost savings, including raw material cost saving measures of approximately \$107 million, which exceeded the impact of general inflation. Our raw material costs, including cost saving measures, increased by approximately 16% in 2017 compared to 2016.

Net sales were \$15,377 million in 2017, compared to \$15,158 million in 2016. Net sales increased in 2017 due to an increase in price and product mix, primarily driven by the impact of higher raw material costs on pricing, favorable foreign currency translation, primarily in EMEA and Americas, and higher sales in other tire-related businesses, driven by higher prices for third-party chemical sales in Americas. These increases were partially offset by lower tire unit volume, primarily in EMEA and Americas.

Goodyear net income in 2017 was \$346 million, or \$1.37 per diluted share, compared to \$1,264 million, or \$4.74 per diluted share, in 2016. The decrease in Goodyear net income in 2017 was driven by an increase in income tax expense, primarily due to the recognition of a net discrete tax charge of \$299 million in 2017 in connection with changes in U.S. income tax law compared to the recognition of discrete tax benefits of \$458 million in 2016,



primarily due to the release of certain valuation allowances, and lower segment operating income, primarily in Americas and EMEA. Refer to the Note to the Consolidated Financial Statements No. 6, Income Taxes. Partially offsetting these items were a decrease in rationalization charges and lower corporate selling, administrative and general expense (“SAG”), primarily due to lower incentive compensation.

Our total segment operating income for 2017 was \$1,522 million, compared to \$1,985 million in 2016. The \$463 million, or 23.3%, decrease in segment operating income was primarily due to the impact of higher raw material costs of \$618 million, which more than offset the effect of higher price and product mix of \$420 million, lower tire unit volume of \$166 million, and higher conversion costs of \$139 million, primarily due to increased under-absorbed overhead resulting from lower production volumes. These impacts were partially offset by lower SAG of \$75 million, driven by lower advertising costs, savings from rationalization plans and lower incentive compensation. Refer to “Results of Operations — Segment Information” for additional information.

### **Liquidity**

At December 31, 2017, we had \$1,043 million in Cash and cash equivalents as well as \$3,196 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 \$89 million from December 31, 2016 due primarily to capital expenditures of \$881 million, common stock repurchases of \$400 million, and dividends paid on our common stock of \$110 million. These uses of cash were partially offset by cash flows from operating activities of \$1,158 million and net borrowings of \$129 million. Refer to “Liquidity and Capital Resources” for additional information.

### **Outlook**

We expect that our full-year tire unit volume for 2018 will be up approximately 3.0% compared to 2017, and for unabsorbed fixed overhead costs to be approximately \$60 million lower in 2018 compared to 2017 due to the anticipated volume increases. We also expect cost savings to more than offset general inflation in 2018 by approximately \$130 million. Based on current spot rates, we expect foreign currency translation to positively affect segment operating income by approximately \$15 million in 2018 compared to 2017.

Based on current raw material spot prices, for the full year of 2018, we expect our raw material costs will be about flat compared to 2017, excluding raw material cost saving measures, and we expect a benefit of approximately \$25 million from price and product mix net of raw material costs. 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.

Given our significant deferred tax assets, we previously had not expected to pay cash taxes in the U.S. through 2020. With the change in the corporate income tax rate from 35% to 21% effective January 1, 2018 as a result of U.S. tax reform, we now do not expect to pay cash taxes in the U.S. through 2025.

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

## **RESULTS OF OPERATIONS — CONSOLIDATED**

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

### **2017 Compared to 2016**

Goodyear net income in 2017 was \$346 million, or \$1.37 per share, compared to \$1,264 million, or \$4.74 per share, in 2016. The decrease in Goodyear net income in 2017 was driven by an increase in income tax expense, primarily due to recognition of discrete tax charges in 2017 in connection with changes in U.S. income tax law

compared to the recognition of discrete tax benefits in 2016, primarily due to the release of certain valuation allowances, and lower segment operating income, primarily in Americas and EMEA. These items were partially offset by a decrease in rationalization charges and lower corporate SAG, primarily due to lower incentive compensation.

### Net Sales

Net sales in 2017 of \$15,377 million increased \$219 million, or 1.4%, compared to \$15,158 million in 2016 due to an increase in price and product mix of \$521 million, primarily driven by the impact of higher raw material costs on pricing, favorable foreign currency translation of \$178 million, primarily in EMEA and Americas, and higher sales in other tire-related businesses of \$89 million, driven by higher prices for third-party chemical sales in Americas. These increases were partially offset by lower tire unit volume of \$569 million, primarily in EMEA and Americas. Goodyear worldwide tire unit net sales were \$12,958 million and \$12,832 million in 2017 and 2016, respectively. Consumer and commercial net sales, which are included in worldwide tire unit net sales, were \$9,285 million and \$2,928 million, respectively, in 2017. Consumer and commercial net sales were \$9,414 million and \$2,806 million, respectively, in 2016.

The following table presents our tire unit sales for the periods indicated:

<i>(In millions of tires)</i>	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>% Change</b>
<b>Replacement Units</b>			
United States .....	38.3	39.2	(2.3)%
International .....	<u>75.2</u>	<u>78.1</u>	(3.7)%
<b>Total</b> .....	<u>113.5</u>	<u>117.3</u>	(3.3)%
<b>OE Units</b>			
United States .....	13.7	15.7	(12.7)%
International .....	<u>32.0</u>	<u>33.1</u>	(3.3)%
<b>Total</b> .....	<u>45.7</u>	<u>48.8</u>	(6.4)%
<b>Goodyear worldwide tire units</b> .....	<u>159.2</u>	<u>166.1</u>	(4.2)%

The decrease in worldwide tire unit sales of 6.9 million units, or 4.2%, compared to 2016, included a decrease of 3.8 million replacement tire units, or 3.3%, comprised primarily of decreases in EMEA and Americas. OE tire units decreased 3.1 million units, or 6.4%, comprised primarily of decreases in Americas and EMEA. The overall volume decreases in EMEA and Americas were primarily related to lower consumer tire sales, driven by increased competition and changes in OEM production. Consumer and commercial unit sales in 2017 were 145.9 million and 11.5 million, respectively. Consumer and commercial unit sales in 2016 were 153.0 million and 11.6 million, respectively.

### Cost of Goods Sold

Cost of goods sold (“CGS”) was \$11,719 million in 2017, increasing \$747 million, or 6.8%, from \$10,972 million in 2016. CGS was 76.2% of sales in 2017 compared to 72.4% of sales in 2016. CGS in 2017 increased due to higher raw material costs of \$618 million, foreign currency translation of \$141 million, primarily in EMEA and Americas, higher conversion costs of \$139 million, primarily due to increased under-absorbed overhead resulting from lower production volumes in Americas and EMEA, higher costs in other tire-related businesses of \$107 million, driven by an increase in raw material prices related to third-party chemical sales in Americas, and higher costs related to product mix of \$101 million. These increases were partially offset by lower volume of \$403 million, primarily in EMEA and Americas. CGS in 2017 also included pension expense of \$49 million which increased from \$44 million in 2016, primarily in Americas. Pension expense excluded

pension settlement charges in CGS of \$8 million (\$5 million after-tax and minority) and \$16 million in 2017 and 2016, respectively.

CGS in 2017 included accelerated depreciation and asset write-offs of \$40 million (\$28 million after-tax and minority), primarily related to our plan to close our manufacturing facility in Philippsburg, Germany. Accelerated depreciation was \$20 million (\$20 million after-tax and minority) in 2016, primarily related to our plan to close our manufacturing facility in Philippsburg, Germany and our plan to close our Wolverhampton, U.K. mixing and retreading facility.

### **Selling, Administrative and General Expense**

SAG was \$2,302 million in 2017, decreasing \$105 million, or 4.4%, from \$2,407 million in 2016. SAG was 15.0% of sales in 2017 compared to 15.9% of sales in 2016. The decrease in SAG was due to lower wages and benefits of \$105 million, primarily related to lower incentive compensation and savings from rationalization plans, and lower advertising costs of \$49 million. These decreases were partially offset by foreign currency translation of \$27 million, primarily in EMEA, and increases due to general inflation. SAG in 2017 included pension expense of \$37 million which increased compared to \$31 million in 2016, primarily in Americas. Pension expense excluded pension settlement charges in SAG of \$11 million (\$7 million after-tax and minority) and \$1 million in 2017 and 2016, respectively.

### **Rationalizations**

We recorded net rationalization charges of \$135 million (\$93 million after-tax and minority) in 2017. Net rationalization charges include charges of \$46 million related to plans to reduce manufacturing headcount in EMEA, \$35 million related to the closure of our tire manufacturing facility in Philippsburg, Germany, \$32 million related to global plans to reduce SAG headcount, and \$20 million related to SAG headcount reductions in EMEA.

We recorded net rationalization charges of \$210 million (\$198 million after-tax and minority) in 2016. Net rationalization charges included charges of \$116 million related to the plan to close our tire manufacturing facility in Philippsburg, Germany, \$34 million related to a global plan to reduce SAG headcount, and \$25 million related to manufacturing headcount reductions in EMEA.

Upon completion of the 2017 plans, we estimate that annual segment operating income will improve by approximately \$56 million (\$37 million SAG and \$19 million CGS), primarily related to our global plans to reduce SAG headcount. The savings realized in 2017 from rationalization plans totaled \$91 million (\$49 million CGS and \$42 million SAG).

For further information, refer to the Note to the Consolidated Financial Statements No. 2, Costs Associated with Rationalization Programs.

### **Interest Expense**

Interest expense was \$335 million in 2017, decreasing \$37 million from \$372 million in 2016. The decrease was due primarily to a decrease in the average interest rate to 5.58% in 2017 compared to 6.23% in 2016. This decrease was partially offset by higher average debt balances of \$6,001 million in 2017 compared to \$5,972 million in 2016. Interest expense in 2017 and 2016 included \$6 million (\$4 million after-tax and minority) and \$12 million (\$8 million after-tax and minority), respectively, of expense related to the write-off of deferred financing fees and unamortized discounts related to the redemption of various debt instruments.

### **Other (Income) Expense**

Other (Income) Expense in 2017 was expense of \$8 million, increasing \$18 million from income of \$10 million in 2016. The increase in Other (Income) Expense was primarily due to lower gains on general and product liability (income) expense—discontinued products of \$27 million and lower gains on asset sales of \$17 million. These increases were partially offset by lower financing fees and financial instruments expense of \$28 million.

General and product liability (income) expense—discontinued products in 2017 includes a benefit of \$5 million (\$3 million after-tax and minority) for the recovery of past costs from certain asbestos insurers, as compared to a benefit in 2016 of \$24 million (\$15 million after-tax and minority) for the recovery of past costs from certain asbestos insurers and a benefit of \$10 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods.

Net (gains) losses on asset sales was a gain of \$14 million (\$13 million after-tax and minority) in 2017 as compared to a gain of \$31 million (\$26 million after-tax and minority) in 2016. Net gains (losses) on asset sales in 2017 included a gain of \$6 million related to the sale of a former wire plant site in Luxembourg. Net gains (losses) on asset sales in 2016 included a gain of \$16 million related to the sale of the former wire plant site and a gain of \$9 million related to the sale of our interest in a supply chain logistics company.

Financing fees and financial instruments expense in 2017 includes a premium of \$25 million (\$15 million after-tax and minority) related to the redemption of our \$700 million 7% senior notes due 2022, as compared to premiums of \$53 million (\$37 million after-tax and minority) in 2016 related to the redemption of our \$900 million 6.5% senior notes due 2021 and our €250 million 6.75% senior notes due 2019.

Other (Income) Expense in 2017 included charges of \$14 million (\$11 million after-tax and minority) for hurricane related expenses.

For further information, refer to the Note to the Consolidated Financial Statements No. 4, Other (Income) Expense.

### **Income Taxes**

Income tax expense in 2017 was \$513 million on income before income taxes of \$878 million. In 2017, tax expense was unfavorably impacted by net discrete adjustments of \$294 million due primarily to a net tax charge of \$299 million related to the enactment of the Tax Cuts and Jobs Act (the “Tax Act”) on December 22, 2017 in the United States.

Effective January 1, 2018, the Tax Act establishes a corporate income tax rate of 21%, replacing the current 35% rate, and creates a territorial tax system rather than a worldwide system, which generally eliminates the U.S. federal income tax on dividends from foreign subsidiaries. The transition to the territorial system includes a one-time transition tax on certain of our foreign earnings previously untaxed in the United States. While our accounting for the Tax Act is not complete, we have made reasonable estimates for certain provisions and we have recorded a non-cash net charge to tax expense of \$299 million related to its enactment. This net charge includes a deferred tax charge of \$384 million primarily from revaluing our net U.S. deferred tax assets to reflect the new U.S. corporate tax rate. We believe this calculation is complete except for changes in estimates that can result from finalizing the filing of our 2017 U.S. income tax return, which are not anticipated to be material, and changes that may be a direct impact of other provisional amounts recorded due to the enactment of the Tax Act. The net charge also includes a provisional deferred tax benefit of \$162 million to reverse reserves maintained for the taxation of undistributed foreign earnings under prior law net of reserves established for foreign withholding taxes consistent with our revised indefinite reinvestment assertion, and a provisional deferred tax charge of \$77 million related to the one-time transition tax.

For 2016, the income tax benefit was \$77 million on income before income taxes of \$1,207 million. The net tax benefit in 2016 was driven by net discrete adjustments of \$458 million (\$459 million after minority interest), due primarily to a tax benefit of \$331 million from the December 31, 2016 release of the valuation allowances on certain subsidiaries in England, France, Luxembourg and New Zealand. The release of the valuation allowances on these subsidiaries is net of 2016 tax law changes that reduced deferred tax assets by \$23 million. The 2016 income tax benefit also included a \$163 million tax benefit resulting from changing our election for our 2009, 2010 and 2012 U.S. tax years from deducting foreign taxes to crediting foreign taxes. The 2016 income tax benefit was net of a \$39 million tax charge to establish a valuation allowance in the U.S. on deferred tax assets related to receivables from our deconsolidated Venezuelan operations.

At December 31, 2017, our valuation allowance on certain of our U.S. Federal, state and local deferred tax assets was \$88 million primarily related to our investment in our deconsolidated subsidiary in Venezuela, and our

valuation allowance on our foreign deferred tax assets was \$230 million. Based on positive evidence and future sources of income it is more likely than not that our foreign tax credits of approximately \$750 million will be fully utilized.

Our losses in various foreign taxing jurisdictions in recent periods represented sufficient negative evidence to require us to maintain a full valuation allowance against certain of our net deferred tax assets. Each reporting period we assess available positive and negative evidence and estimate if sufficient future taxable income will be generated to utilize these existing deferred tax assets. If recent positive evidence provided by the profitability in our Brazilian subsidiary continues, it will provide us the opportunity to apply greater significance to our forecasts in assessing the need for a valuation allowance. We believe it is reasonably possible that sufficient positive evidence required to release all, or a portion, of its valuation allowance will exist within the next twelve months. This may result in a reduction of the valuation allowance and one-time tax benefit of up to \$30 million.

For further information, refer to the Note to the Consolidated Financial Statements No. 6, Income Taxes.

### **Minority Shareholders' Net Income**

Minority shareholders' net income was \$19 million in 2017, compared to \$20 million in 2016.

### **2016 Compared to 2015**

Goodyear net income in 2016 was \$1,264 million, or \$4.74 per share, compared to \$307 million, or \$1.12 per share, in 2015. The increase in Goodyear net income in 2016 was primarily driven by recognition of a loss in 2015 related to the deconsolidation of our Venezuelan subsidiary, a decrease in income tax expense in 2016, primarily due to the recognition of various discrete tax benefits including the release of certain valuation allowances, and a decrease in pension curtailment/settlement expense. Partially offsetting these items were a reduction in royalty income of \$155 million that was recognized in 2015 due to the termination of a licensing agreement associated with the sale of our former Engineered Products business and an increase in rationalization charges in 2016, primarily related to our plan to close our manufacturing facility in Philippsburg, Germany.

### **Net Sales**

Net sales in 2016 of \$15,158 million decreased \$1,285 million, or 7.8%, compared to \$16,443 million in 2015 due primarily to lower sales of \$531 million as a result of the deconsolidation of our Venezuelan subsidiary, unfavorable foreign currency translation of \$258 million, primarily in EMEA and Americas, a decline in price and product mix of \$230 million, primarily in EMEA and Americas, driven by the impact of lower raw material costs on pricing, lower sales in other tire-related businesses of \$188 million, primarily related to motorcycle tire sales in Americas due to the dissolution of the global alliance with SRI, and lower tire unit volume of \$75 million. Consumer and commercial net sales in 2016 were \$9,414 million and \$2,806 million, respectively. Consumer and commercial net sales in 2015 were \$9,907 million and \$3,342 million, respectively.

The following table presents our tire unit sales for the periods indicated:

<i>(In millions of tires)</i>	<b>Year Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
<b>Replacement Units</b>			
United States .....	39.2	39.9	(1.8)%
International .....	<u>78.1</u>	<u>75.6</u>	3.3%
<b>Total</b> .....	<u>117.3</u>	<u>115.5</u>	1.6%
<b>OE Units</b>			
United States .....	15.7	16.2	(3.1)%
International .....	<u>33.1</u>	<u>34.5</u>	(4.1)%
<b>Total</b> .....	<u>48.8</u>	<u>50.7</u>	(3.7)%
<b>Goodyear worldwide tire units</b> .....	<u>166.1</u>	<u>166.2</u>	(0.1)%

The decrease in worldwide tire unit sales of 0.1 million units, or 0.1%, compared to 2015, included a decrease of 1.9 million OE tire units, or 3.7%, comprised primarily of decreases in Americas, partially offset by increases in Asia Pacific. Replacement tire units increased 1.8 million units, or 1.6%, comprised primarily of increases in Asia Pacific, partially offset by decreases in Americas. The volume increases in Asia Pacific were primarily related to replacement units in Japan due to the acquisition of NGY and growth in China and India in both OE and replacement. The volume decreases in Americas were primarily related to the deconsolidation of our Venezuelan subsidiary, lower consumer tire sales in the United States and Canada and the impact of the dissolution of the global alliance with SRI. Consumer and commercial unit sales in 2016 were 153.0 million and 11.6 million, respectively. Consumer and commercial unit sales in 2015 were 152.4 million and 12.4 million, respectively.

### **Cost of Goods Sold**

Cost of goods sold was \$10,972 million in 2016, decreasing \$1,192 million, or 9.8%, from \$12,164 million in 2015. CGS was 72.4% of sales in 2016 compared to 74.0% of sales in 2015. CGS in 2016 decreased due to lower costs of \$373 million as a result of the deconsolidation of our Venezuelan subsidiary, lower raw material costs of \$346 million, foreign currency translation of \$201 million, primarily in EMEA and Americas, lower costs in other tire-related businesses of \$127 million, primarily related to motorcycle tire sales in Americas due to the dissolution of the global alliance with SRI, and lower volume of \$51 million. CGS in 2016 included an out of period adjustment of \$24 million (\$15 million after-tax and minority) of expense related to the elimination of intracompany profit in Americas, primarily related to the years 2012 to 2015, with the majority attributable to 2012. CGS in 2016 also included pension expense of \$44 million which decreased from \$85 million in 2015 primarily due to the deconsolidation of our Venezuelan subsidiary and the change in calculating interest and service costs in the measurement of pension expense effective January 1, 2016. Pension expense excluded pension settlement charges in CGS of \$16 million (\$16 million after-tax and minority) and \$91 million in 2016 and 2015, respectively.

CGS in 2016 included accelerated depreciation of \$20 million (\$20 million after-tax and minority), primarily related to our plan to close our manufacturing facility in Philippsburg, Germany and our plan to close our Wolverhampton, U.K. mixing and retreading facility. Accelerated depreciation was \$8 million (\$7 million after-tax and minority) in 2015, primarily related to our plan to close our Wolverhampton, U.K. mixing and retreading facility.

### **Selling, Administrative and General Expense**

SAG was \$2,407 million in 2016, decreasing \$207 million, or 7.9%, from \$2,614 million in 2015. SAG was 15.9% of sales in both 2016 and 2015. The decrease in SAG was due to lower wages and benefits of \$66 million,

primarily related to lower incentive compensation and savings from rationalization plans, lower pension settlement charges of \$49 million related to a settlement that occurred in 2015, lower costs of \$39 million due to the deconsolidation of our Venezuelan subsidiary, foreign currency translation of \$27 million, primarily in EMEA, and lower advertising costs of \$12 million. SAG in 2016 included pension expense of \$31 million which decreased compared to \$50 million in 2015, primarily due to the change in calculating interest and service costs in the measurement of pension expense effective January 1, 2016. Pension expense excluded pension settlement charges in SAG of \$1 million (\$1 million after-tax and minority) and \$49 million in 2016 and 2015, respectively.

### **Rationalizations**

We recorded net rationalization charges of \$210 million in 2016 (\$198 million after-tax and minority). Net rationalization charges included charges of \$116 million related to the plan to close our tire manufacturing facility in Philippsburg, Germany, \$34 million related to a plan to reduce global SAG headcount, and \$25 million related to manufacturing headcount reductions in EMEA.

We recorded net rationalization charges of \$114 million in 2015 (\$85 million after-tax and minority). Net rationalization charges included charges of \$38 million related to the plan to close our Wolverhampton, U.K. mixing and retreading facility and a plan to transfer consumer tire production from our manufacturing facility in Wittlich, Germany to other manufacturing facilities in EMEA. We also initiated plans in 2015 for manufacturing and SAG headcount reductions in EMEA and Americas.

For further information, refer to the Note to the Consolidated Financial Statements No. 2, Costs Associated with Rationalization Programs.

### **Interest Expense**

Interest expense was \$372 million in 2016, decreasing \$66 million from \$438 million in 2015. The decrease was due primarily to lower average debt balances of \$5,972 million in 2016 compared to \$6,053 million in 2015, and a decrease in average interest rates to 6.23% in 2016 compared to 7.22% in 2015. Interest expense in 2016 and 2015 included \$12 million (\$8 million after-tax and minority) and \$16 million (\$10 million after-tax and minority), respectively, of expense related to the write-off of deferred financing fees and unamortized discounts related to the redemption of various debt instruments.

### **Other Income**

Other Income in 2016 was \$10 million, decreasing \$131 million from Other Income of \$141 million in 2015. The decrease in Other Income was due, in part, to 2016 royalty income of \$23 million, which decreased \$169 million from \$192 million of royalty income in 2015. Royalty income in 2015 included a one-time pre-tax gain of \$155 million (\$99 million after-tax and minority) on the recognition of deferred royalty income resulting from the termination of a licensing agreement associated with the sale of our former Engineered Products business.

Other Income in 2016 included net gains on asset sales of \$31 million (\$26 million after-tax and minority) compared to net gains on asset sales of \$71 million (\$60 million after-tax and minority) in 2015. Net gains on asset sales in 2016 included a gain of \$16 million related to the sale of a former wire plant site in Luxembourg and a gain of \$9 million related to the sale of our interest in a supply chain logistics company. Net gains on asset sales in 2015 included a net gain of \$48 million (\$38 million after-tax and minority) related to the dissolution of the global alliance with SRI and a gain of \$30 million (\$32 million after-tax and minority) on the sale of our investment in shares of SRI. Net gains on asset sales in 2015 also included losses of \$14 million in EMEA, primarily related to the sales of certain sub-Saharan Africa retail businesses.

Other Income included net foreign currency exchange gains of \$13 million in 2016, an improvement of \$90 million from net foreign currency exchange losses of \$77 million in 2015. Foreign currency exchange reflects net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, including \$34 million of losses in 2015 related to the devaluation of the Venezuelan bolivar fuerte against the U.S. dollar.

Other Income in 2016 included charges of \$53 million (\$37 million after-tax and minority) for premiums related to the redemption of various debt instruments and \$10 million (\$6 million after-tax and minority) for legal claims unrelated to operations. Other Income in 2016 also included gains of \$24 million (\$15 million after-tax and minority) for the recovery of past costs from several of our asbestos insurers. Other Income in 2015 included charges of \$4 million (\$4 million after-tax and minority) for labor claims related to a previously closed facility in Greece.

For further information, refer to the Note to the Consolidated Financial Statements No. 4, Other (Income) Expense.

### **Income Taxes**

Income tax benefit in 2016 was \$77 million on income before income taxes of \$1,207 million. For 2015, income tax expense was \$232 million on income before income taxes of \$608 million. The decrease in income taxes for 2016 compared to 2015 was primarily due to net discrete adjustments of \$458 million (\$459 million after minority interest), due primarily to a tax benefit of \$331 million from the December 31, 2016 release of the valuation allowances on certain subsidiaries in England, France, Luxembourg and New Zealand. The release of the valuation allowances on these subsidiaries is net of 2016 tax law changes that reduced deferred tax assets by \$23 million. As of each reporting date, management considers new evidence that could affect our view of realization of our deferred tax assets. As of December 31, 2016, these subsidiaries, on which we have previously maintained a full valuation allowance, were located in jurisdictions with unlimited carryforward periods for utilization of tax losses and have achieved earnings of a duration and magnitude that they were in a position of cumulative profits for the most recent three-year period. As a consequence of this profitability in recent periods and our future business plans forecasting sustainable profitability, we concluded that it was more likely than not that our deferred tax assets in these entities will be realized. The 2016 income tax benefit included a \$163 million tax benefit resulting from changing our election for our 2009, 2010 and 2012 U.S. tax years from deducting foreign taxes to crediting foreign taxes. Since making our initial election to deduct foreign taxes paid, as opposed to taking them as a credit, the profitability of our U.S. operations has significantly improved. In 2014, as a consequence of our U.S. operations being in a position of cumulative profits for the most recent three-year period, we released our U.S. valuation allowance on our deferred tax assets including our foreign tax credits. Our U.S. profitability has continued and the Company forecasts sufficient income of the appropriate character that will allow us to fully utilize these additional foreign tax credits before expiration. Based on these facts, we elected to claim a credit instead of deducting these foreign taxes in 2016. The 2016 income tax benefit included a \$39 million tax charge to establish a valuation allowance in the U.S. on deferred tax assets related to receivables from our deconsolidated Venezuelan operations. These receivables were written off in the fourth quarter of 2015 when Venezuela was deconsolidated and the Company, at that time, recorded deferred tax assets for a potential bad debt deduction in the U.S. During the third quarter of 2016, these receivables were contributed to Venezuela's capital, necessitating the need for a valuation allowance against these deferred tax assets due to uncertainty as to whether we will be able to generate sufficient future capital gains to fully realize the deduction that is now characterized as a potential capital loss. The 2016 income tax benefit also included a \$7 million tax benefit related to the release of a valuation allowance in Brazil due to the collection of a receivable that had previously been written off as uncollectible.

Income tax expense for 2015 included discrete net tax benefits of \$18 million (\$18 million after minority interest), due primarily to a \$9 million benefit from the conclusion of non-U.S. tax claims and an \$8 million benefit from the release of a valuation allowance related to U.S. state deferred tax assets.

In 2015, in addition to the items noted above, the difference between our effective tax rate and the U.S. statutory rate was primarily due to certain of our foreign subsidiaries continuing to maintain a full valuation allowance against their net deferred tax assets, the realization of \$55 million of U.S. tax credits primarily as a result of dividend inclusions from Brazil and U.S. legislation enacted in the fourth quarter of 2015 and \$69 million of tax benefits related to the deconsolidation of our Venezuelan subsidiary.

At December 31, 2016, our valuation allowance on certain of our U.S. Federal, state and local deferred tax assets was \$139 million primarily related to our investment in our deconsolidated subsidiary in Venezuela, and our



valuation allowance on our foreign deferred tax assets was \$187 million. As discussed above, during 2016 foreign tax credits increased due to a change in election.

For further information, refer to the Note to the Consolidated Financial Statements No. 6, Income Taxes.

### Minority Shareholders' Net Income

Minority shareholders' net income was \$20 million in 2016, compared to \$69 million in 2015. Minority shareholders' net income no longer includes the minority interests of Goodyear Dunlop Tires North America, Ltd. ("GDTNA") and Goodyear Dunlop Tires Europe B.V. ("GDTE") following the dissolution of the global alliance with SRI on October 1, 2015.

## RESULTS OF OPERATIONS — 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.

Total segment operating income was \$1,522 million in 2017, \$1,985 million in 2016 and \$2,020 million in 2015. Total segment operating margin (segment operating income divided by segment sales) in 2017 was 9.9%, compared to 13.1% in 2016 and 12.3% in 2015.

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 the Note to the Consolidated Financial Statements No. 8, Business Segments, for further information and for a reconciliation of total segment operating income to Income before Income Taxes.

### Americas

<i>(In millions)</i>	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Tire Units .....	70.9	74.1	79.1
Net Sales .....	\$8,212	\$8,172	\$9,370
Operating Income .....	825	1,151	1,266
Operating Margin .....	10.0%	14.1%	13.5%

### 2017 Compared to 2016

Americas unit sales in 2017 decreased 3.2 million units, or 4.4%, to 70.9 million units. OE tire volume decreased 1.7 million units, or 9.0%, primarily in consumer OE in the United States, driven by changes in OEM production. Replacement tire volume decreased 1.5 million units, or 2.8%, primarily in consumer replacement in the United States, Mexico and Canada. Declines in consumer replacement volumes in the United States were primarily driven by increased competition and lower volumes in 16 inch and below rim size tires.

Net sales in 2017 were \$8,212 million, increasing \$40 million, or 0.5%, compared to \$8,172 million in 2016. The increase in net sales was driven by improvements in price and product mix of \$168 million, primarily due to the

impact of higher raw material costs on pricing, higher sales in other tire-related businesses of \$104 million, primarily driven by an increase in price for third-party sales of chemical products, and favorable foreign currency translation of \$49 million, primarily in Brazil. These increases in net sales were partially offset by lower tire volume of \$281 million.

Operating income in 2017 was \$825 million, decreasing \$326 million, or 28.3%, from \$1,151 million in 2016. The decrease in operating income was due to increased raw material costs of \$266 million, which more than offset improvements in price and product mix of \$131 million, unfavorable conversion costs of \$108 million, primarily due to increased under-absorbed overhead resulting from lower production volumes, lower tire unit volume of \$79 million, and incremental start-up costs of \$28 million associated with our new plant in San Luis Potosi, Mexico. These decreases in operating income were partially offset by the impact of an out of period adjustment in 2016 of \$24 million of expense related to the elimination of intracompany profit, primarily related to the years 2012 to 2015, with the majority attributable to 2012, and lower SAG of \$16 million, primarily related to lower incentive compensation and lower advertising expense. SAG included incremental savings from rationalization plans of \$23 million. During the third quarter of 2017, several Company facilities were directly impacted by Hurricanes Harvey and Irma, which negatively impacted Americas operating income by about \$6 million in 2017.

Operating income in 2017 excluded rationalization charges of \$6 million and net gains on asset sales of \$4 million. Operating income in 2016 excluded rationalization charges of \$15 million, net gains on asset sales of \$4 million and accelerated depreciation and asset write-offs of \$1 million.

Americas' results are highly dependent upon the United States, which accounted for approximately 81% and 82% of Americas' net sales in 2017 and 2016, respectively. Results of operations in the United States are expected to continue to have a significant impact on Americas' future performance.

### ***2016 Compared to 2015***

Americas unit sales in 2016 decreased 5.0 million units, or 6.3%, to 74.1 million units. Americas unit volume decreased 1.4 million units due to the impact of the deconsolidation of our Venezuelan subsidiary and 0.9 million units due to the dissolution of the global alliance with SRI. OE tire volume decreased 2.6 million units, or 12.1%, primarily driven by the dissolution of the global alliance with SRI, continuing weakness in Brazil, lower sales in Canada and a decline in commercial tire volume in the United States. Replacement tire volume decreased 2.4 million units, or 4.1%, primarily due to the deconsolidation of our Venezuelan subsidiary and lower consumer sales in the United States and Canada. Declines in consumer volume related to sales of 16 inch and below rim size tires in the U.S. and Canada were partially offset by increases in volume related to sales of 17 inch and above rim size tires.

Net sales in 2016 were \$8,172 million, decreasing \$1,198 million, or 12.8%, compared to \$9,370 million in 2015. The decrease in net sales was due to the deconsolidation of our Venezuelan subsidiary of \$531 million, lower volume of \$317 million, lower sales in other tire-related businesses of \$169 million, primarily driven by a \$113 million decrease in motorcycle tire sales due to the dissolution of the global alliance with SRI and \$45 million related to our retail and retread businesses, unfavorable foreign currency translation of \$102 million, primarily in Argentina, Mexico and Brazil, and a decline in price and product mix of \$78 million, primarily driven by the impact of lower raw material costs on pricing.

Operating income in 2016 was \$1,151 million, decreasing \$115 million, or 9.1%, from \$1,266 million in 2015. The decrease in operating income was due to the deconsolidation of our Venezuelan subsidiary of \$119 million, lower volume of \$84 million, lower income in other tire-related businesses of \$57 million, primarily due to decreased motorcycle tire sales as a result of the dissolution of the global alliance with SRI and reduced margins in our commercial retail business, and unfavorable conversion costs of \$46 million primarily due to lower production volume and general inflation. Operating income was also negatively impacted by an out of period adjustment in the second quarter of 2016 of \$24 million of expense related to the elimination of intracompany profit, primarily related to the years 2012 to 2015, with the majority attributable to 2012, lower price and product mix of \$18 million and incremental start-up costs of \$14 million associated with our new plant being constructed

in San Luis Potosi, Mexico. These decreases in operating income were partially offset by lower raw material costs of \$189 million and lower SAG of \$70 million, primarily due to a decrease in wages and other benefits, including incentive compensation. Conversion costs and SAG included incremental savings from rationalization plans of \$1 million and \$19 million, respectively.

Operating income in 2016 excluded rationalization charges of \$15 million, net gains on asset sales of \$4 million and accelerated depreciation of \$1 million. Operating income in 2015 excluded net pension settlement charges of \$137 million, rationalization charges of \$15 million and net gains on asset sales of \$2 million.

## Europe, Middle East and Africa

<i>(In millions)</i>	Year Ended December 31,		
	2017	2016	2015
Tire Units .....	57.1	61.1	61.1
Net Sales .....	\$4,928	\$4,880	\$5,115
Operating Income .....	355	461	435
Operating Margin .....	7.2%	9.4%	8.5%

### 2017 Compared to 2016

Europe, Middle East and Africa unit sales in 2017 decreased 4.0 million units, or 6.5%, to 57.1 million units. Replacement tire volume decreased 2.4 million units, or 5.5%, primarily in our consumer business caused by decreased industry demand for 16 inch and below rim size tires and increased competition. OE tire volume decreased 1.6 million units, or 9.0%, primarily in our consumer business, driven by 16 inch and below rim size tires, as a result of the continuation of our OE selectivity strategy, increased competition and reduced OEM production due to certain customers managing inventory levels.

Net sales in 2017 were \$4,928 million, increasing \$48 million, or 1.0%, compared to \$4,880 million in 2016. Net sales increased due to improvements in price and product mix of \$244 million, due to our increased focus on 17 inch and above rim size tires and the impact of higher raw material costs on pricing, and favorable foreign currency translation of \$112 million, primarily related to strengthening of the euro. These increases were partially offset by the impact of lower tire unit volume of \$303 million.

Operating income in 2017 was \$355 million, decreasing \$106 million, or 23.0%, compared to \$461 million in 2016. Operating income decreased due to higher raw material costs of \$229 million, which more than offset improvements in price and product mix of \$176 million, lower sales volume of \$91 million and higher conversion costs of \$31 million, primarily related to under-absorbed overhead due to lower production levels. These decreases were partially offset by lower SAG of \$59 million, primarily driven by lower advertising costs and lower wages and benefits due to restructuring savings and lower incentive compensation, and favorable foreign currency translation of \$9 million, primarily related to the strengthening of the euro. SAG and conversion costs included savings from rationalization plans of \$19 million and \$49 million, respectively.

Operating income in 2017 excluded net rationalization charges of \$111 million, primarily related to programs initiated to streamline operations and reduce complexity across EMEA. Operating income in 2017 also excluded charges for accelerated depreciation and asset write-offs of \$40 million, related to the closure of our plant in Philippsburg, Germany, as well as gains on asset sales of \$10 million, driven by the sale of a former wire plant site in Luxembourg. Operating income in 2016 excluded net rationalization charges of \$184 million, which primarily related to the plan to close our tire manufacturing facility in Philippsburg, Germany and programs initiated to streamline operations and reduce complexity across EMEA. Operating income in 2016 also excluded charges for accelerated depreciation of \$19 million, primarily related to our plan to close our tire manufacturing facility in Philippsburg, Germany and the closure of our Wolverhampton, U.K. mixing and retreading facility, as well as gains on asset sales of \$17 million, primarily related to the sale of a former wire plant site in Luxembourg.

EMEA's results are highly dependent upon Germany, which accounted for approximately 38% of EMEA's net sales in 2017 and 2016. Results of operations in Germany are expected to continue to have a significant impact on EMEA's future performance.

### ***2016 Compared to 2015***

Europe, Middle East and Africa unit sales in 2016 were consistent with 2015 at 61.1 million units. OE tire volume was consistent with the prior year. Replacement tire volume was also consistent with the prior year as increases in sales of 17 inch and above rim size tires were offset by decreases in sales of 16 inch and below rim size tires that were driven by lower industry demand and increased competition.

Net sales in 2016 were \$4,880 million, decreasing \$235 million, or 4.6%, compared to \$5,115 million in 2015. Net sales decreased due primarily to unfavorable foreign currency translation of \$110 million, primarily related to devaluation of the British pound and the South African rand, unfavorable price and product mix of \$107 million, driven by the impact of lower raw material costs on pricing, and lower sales from other tire related business of \$19 million, primarily related to our retread business.

Operating income in 2016 was \$461 million, increasing \$26 million, or 6.0%, compared to \$435 million in 2015. Operating income increased primarily due to lower conversion costs of \$29 million related to higher production levels in the first half of the year and lower SAG of \$17 million, driven by lower incentive compensation and fees for professional services. The increase in operating income was partially offset by the effect of lower price and product mix of \$114 million, which more than offset a decline in raw material costs of \$110 million, unfavorable foreign currency translation of \$8 million and higher pension costs of \$6 million. SAG and conversion costs included incremental savings from rationalization plans of \$13 million and \$10 million, respectively, primarily related to the closure of our Wolverhampton, U.K. mixing and retreading facility and programs initiated to streamline operations and reduce complexity across EMEA.

Operating income in 2016 excluded net rationalization charges of \$184 million, which primarily related to the plan to close our tire manufacturing facility in Philippsburg, Germany and programs initiated to streamline operations and reduce complexity across EMEA. Operating income in 2016 also excluded charges for accelerated depreciation of \$19 million, primarily related to our plan to close our tire manufacturing facility in Philippsburg, Germany and the closure of our Wolverhampton, U.K. mixing and retreading facility, as well as gains on asset sales of \$17 million, primarily related to the sale of a former wire plant site in Luxembourg. Operating income in 2015 excluded net rationalization charges of \$95 million, primarily related to the closure of our Wolverhampton, U.K. mixing and retreading facility and one of our Amiens, France manufacturing facilities, and charges for accelerated depreciation of \$8 million. Operating income in 2015 also excluded net losses on asset sales of \$14 million, primarily related to the sales of certain sub-Saharan Africa retail businesses and charges of \$4 million related to labor claims with respect to a previously closed facility in Greece.

### **Asia Pacific**

<i>(In millions)</i>	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Tire Units .....	31.2	30.9	26.0
Net Sales .....	\$2,237	\$2,106	\$1,958
Operating Income .....	342	373	319
Operating Margin .....	15.3%	17.7%	16.3%

### ***2017 Compared to 2016***

Asia Pacific unit sales in 2017 increased 0.3 million units, or 0.7%, to 31.2 million units. Replacement tire volume increased 0.1 million units, or 0.5%, primarily due to growth in the consumer business, partially offset by lower volumes in the commercial business. OE tire volume increased 0.2 million units, or 1.1%, primarily due to growth in India, partially offset by lower volumes in China.

Net sales in 2017 were \$2,237 million, increasing \$131 million, or 6.2%, from \$2,106 million in 2016. Net sales increased by \$109 million due to improvements in price and product mix, primarily due to the impact of higher raw material costs on pricing, \$17 million due to favorable foreign currency translation, and \$15 million due to higher tire volume. These increases were partially offset by lower sales in other tire-related businesses of \$11 million, primarily in retail.

Operating income in 2017 was \$342 million, decreasing \$31 million, or 8.3%, from \$373 million in 2016. Operating income decreased due to higher raw material costs of \$123 million, which more than offset improvements in price and product mix of \$113 million, a decrease in incentives recognized for the expansion of our factory in China of \$13 million, and lower income in other tire-related businesses of \$9 million, primarily in retail. These decreases were partially offset by higher volume of \$4 million.

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

Asia Pacific's results are highly dependent upon China and Australia. China accounted for approximately 28% and 29% of Asia Pacific's net sales in 2017 and 2016, respectively. Australia accounted for approximately 27% of Asia Pacific's net sales in 2017 and 2016. Results of operations in China and Australia are expected to continue to have a significant impact on Asia Pacific's future performance.

### ***2016 Compared to 2015***

Asia Pacific unit sales in 2016 increased 4.9 million units, or 18.9%, to 30.9 million units. Replacement tire volume increased 4.2 million units, or 28.7%, primarily in the consumer business, due to the acquisition of a controlling interest in NGY in Japan, which increased tire volume by 3.2 million units, and growth in China and India. OE tire volume increased 0.7 million units, or 6.9%, primarily in the consumer business, which reflected growth in China and India.

Net sales in 2016 were \$2,106 million, increasing \$148 million, or 7.6%, from \$1,958 million in 2015. Net sales increased by \$239 million due to higher tire volume, including \$129 million related to the acquisition of a controlling interest in NGY. This increase was partially offset by unfavorable foreign currency translation of \$46 million, primarily related to the strong U.S. dollar against most Asian currencies except the Japanese yen, and lower price and product mix of \$45 million, driven primarily by the impact of lower raw material costs on pricing.

Operating income in 2016 was \$373 million, increasing \$54 million, or 16.9%, from \$319 million in 2015. Operating income increased due primarily to higher tire volume of \$62 million, lower raw material costs of \$47 million, which offset the effects of lower price and product mix of \$46 million, lower conversion costs of \$18 million, due to the favorable impact of higher production levels on absorbed overhead, and an increase of \$18 million related to incentives for the expansion of our factory in China. These increases were partially offset by higher SAG of \$31 million, primarily driven by the acquisition of a controlling interest in NGY, and unfavorable foreign currency translation of \$10 million.

Operating income in 2016 excluded net gains on asset sales of \$1 million and net rationalization charges of \$1 million. Operating income in 2015 excluded net gains on asset sales of \$5 million and net rationalization charges of \$4 million.

### **CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. On an ongoing basis, management reviews its estimates, based on currently available information. Changes in facts and circumstances may alter such estimates and affect our results of operations and financial position in future periods. Our critical accounting policies relate to:

- general and product liability and other litigation,

- workers' compensation,
- recoverability of goodwill,
- deferred tax asset valuation allowances and uncertain income tax positions, and
- pensions and other postretirement benefits.

*General and Product Liability and Other Litigation.* We have recorded liabilities totaling \$316 million, including related legal fees expected to be incurred, for potential product liability and other tort claims, including asbestos claims, at December 31, 2017. General and product liability and other litigation liabilities are recorded based on management's assessment that a loss arising from these matters is probable. If the loss can be reasonably estimated, we record the amount of the estimated loss. If the loss is estimated within a range and no point within the range is more probable than another, we record the minimum amount in the range. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Loss ranges are based upon the specific facts of each claim or class of claims and are determined after review by counsel. Court rulings on our cases or similar cases may impact our assessment of the probability and our estimate of the loss, which may have an impact on our reported results of operations, financial position and liquidity. We record receivables for insurance recoveries related to our litigation claims when it is probable that we will receive reimbursement from the insurer. Specifically, 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 Federal and state courts.

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 changed circumstances arising in the future may result in an increase in the recorded obligation, and that increase may be significant. We had recorded gross liabilities for both asserted and unasserted asbestos claims, inclusive of defense costs, totaling \$167 million at December 31, 2017.

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. 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. This determination is based on consultation with our outside legal counsel and taking into consideration agreements with certain of our insurance carriers, the financial viability and legal obligations of our insurance carriers and other relevant factors.

As of December 31, 2017, we recorded a receivable related to asbestos claims of \$113 million, and we expect that approximately 70% of asbestos claim related losses would be recoverable through insurance through the period covered by the estimated liability. Of this amount, \$15 million was included in Current Assets as part of Accounts Receivable at December 31, 2017. 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. Although we believe these amounts are collectible under primary and certain excess policies today, future disputes with insurers could result in significant charges to operations.

*Workers' Compensation.* We had recorded liabilities, on a discounted basis, of \$243 million for anticipated costs related to U.S. workers' compensation claims at December 31, 2017. 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. The liability is discounted using the risk-free rate of return.

For further information on general and product liability and other litigation, and workers' compensation, refer to the Note to the Consolidated Financial Statements No. 19, Commitments and Contingent Liabilities.

*Recoverability of Goodwill.* Goodwill is tested for impairment annually or more frequently if an indicator of impairment is present. Goodwill totaled \$595 million at December 31, 2017.

We test goodwill for impairment on at least an annual basis, with the option to perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. Under the qualitative assessment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not (defined as a likelihood of more than 50%) that its fair value is less than its carrying amount. If under the quantitative assessment the fair value of a reporting unit is less than its carrying amount, then the amount of the impairment loss, if any, must be measured.

At October 31, 2017, after considering changes to assumptions used in our most recent quantitative annual testing for each reporting unit, including the capital markets environment, economic conditions, tire industry competition and trends, changes in our results of operations, the magnitude of the excess of fair value over the carrying amount of each reporting unit as determined in our most recent quantitative annual testing, and other factors, we concluded that it was not more likely than not that the fair values of our reporting units were less than their respective carrying values and, therefore, did not perform a quantitative analysis.

*Deferred Tax Asset Valuation Allowances and Uncertain Income Tax Positions.* At December 31, 2017, we had valuation allowances aggregating \$318 million against certain of our U.S. Federal, state and local and foreign net deferred tax assets.

We record a reduction to the carrying amounts of deferred tax assets by recording a valuation allowance if, based on the available evidence, it is more likely than not such assets will not be realized. The valuation of deferred tax assets requires judgment in assessing future profitability and the tax consequences of events that have been recognized in either our financial statements or tax returns.

We consider both positive and negative evidence when measuring the need for a valuation allowance. The weight given to the evidence is commensurate with the extent to which it may be objectively verified. Current and cumulative financial reporting results are a source of objectively verifiable evidence. We give operating results during the most recent three-year period a significant weight in our analysis. We typically only consider forecasts of future profitability when positive cumulative operating results exist in the most recent three-year period. We perform scheduling exercises to determine if sufficient taxable income of the appropriate character exists in the periods required in order to realize our deferred tax assets with limited lives (tax loss carryforwards and tax credits) prior to their expiration. We consider tax planning strategies available to accelerate taxable amounts if required to utilize expiring deferred tax assets. A valuation allowance is not required to the extent that, in our judgment, positive evidence exists with a magnitude and duration sufficient to result in a conclusion that it is more likely than not that our deferred tax assets will be realized.

We recognize the effects of changes in tax rates and laws on deferred tax balances in the period in which legislation is enacted. We remeasure existing deferred tax assets and liabilities considering the tax rates at which they will be realized. We also consider the effects of enacted tax laws in our analysis of the need for valuation allowances. On December 22, 2017, the Tax Act was enacted in the United States, which establishes a corporate income tax rate of 21% effective January 1, 2018, replacing the current 35% rate, and creates a territorial tax system rather than a worldwide system. Certain impacts of the new legislation would generally require accounting to be completed in the period of enactment, however in response to the complexities of this new legislation, the SEC issued guidance to provide companies with relief. Specifically, when the initial accounting for items under the new legislation is incomplete, the guidance allows us to include provisional amounts when reasonable estimates can be made. The SEC has provided up to a one year window for companies to finalize the accounting for the impacts of this new legislation and we anticipate finalizing our accounting over the coming quarters. While our accounting for the Tax Act is not complete, we have made reasonable estimates for certain provisions and we have recorded a non-cash net charge to tax expense of \$299 million related to its enactment. This net charge includes a deferred tax charge of \$384 million primarily from revaluing our net U.S. deferred tax assets to reflect the new U.S. corporate tax rate. We believe this calculation is complete except for changes in estimates that can result from finalizing the filing of our 2017 U.S. income tax return, which are not anticipated

to be material, and changes that may be a direct impact of other provisional amounts recorded due to the enactment of the Tax Act. The net charge also includes a provisional deferred tax benefit of \$162 million to reverse reserves maintained for the taxation of undistributed foreign earnings under prior law net of reserves established for foreign withholding taxes consistent with our revised indefinite reinvestment assertion, and a provisional deferred tax charge of \$77 million related to the one-time transition tax.

Effective January 1, 2018, the Tax Act subjects a U.S. parent to current tax on its “global intangible low-taxed income” (“GILTI”). We do not anticipate incurring a GILTI liability, however, to the extent that we incur expense under the GILTI provisions we will treat it as a component of income tax expense in the period incurred.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations, including those for transfer pricing. 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, resulting in an increase in our effective tax rate in the period of resolution. To reduce our risk of an unfavorable transfer price settlement, the Company applies consistent transfer pricing policies and practices globally, supports pricing with economic studies and seeks advance pricing agreements and joint audits to the extent possible. 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. We report interest and penalties related to uncertain income tax positions as income taxes.

For additional information regarding uncertain income tax positions and valuation allowances, refer to the Note to the Consolidated Financial Statements No. 6, Income Taxes.

*Pensions and Other Postretirement Benefits.* We have recorded liabilities for pension and other postretirement benefits of \$656 million and \$282 million, respectively, at December 31, 2017. Our recorded liabilities and net periodic costs for pensions and other postretirement benefits are based on a number of assumptions, including:

- life expectancies,
- retirement rates,
- discount rates,
- long term rates of return on plan assets,
- inflation rates,
- future compensation levels,
- future health care costs, and
- maximum company-covered benefit costs.

Certain of these assumptions are determined with the assistance of independent actuaries. Assumptions about life expectancies, retirement rates, future compensation levels and future health care costs are based on past experience and anticipated future trends. The discount rate for our U.S. plans is based on a yield curve derived from a portfolio of corporate bonds from issuers rated AA or higher as of December 31 and is reviewed annually. Our expected benefit payment cash flows are discounted based on spot rates developed from the yield curve. The mortality assumption for our U.S. plans is based on actual historical experience, an assumed long term rate of



future improvement based on published actuarial tables, and current government regulations related to lump sum payment factors. The long term rate of return on U.S. plan assets is based on estimates of future long term rates of return similar to the target allocation of substantially all fixed income securities. Actual U.S. pension fund asset allocations are reviewed on a monthly basis and the pension fund is rebalanced to target ranges on an as-needed basis. These assumptions are reviewed regularly and revised when appropriate. Changes in one or more of them may affect the amount of our recorded liabilities and net periodic costs for these benefits. Other assumptions involving demographic factors such as retirement age and turnover are evaluated periodically and are updated to reflect our experience and expectations for the future. If the actual experience differs from expectations, our financial position, results of operations and liquidity in future periods may be affected.

The weighted average discount rate used in estimating the total liability for our U.S. pension and other postretirement benefit plans was 3.56% and 3.44%, respectively, at December 31, 2017, compared to 3.99% and 3.72%, respectively, at December 31, 2016. The decrease in the discount rate at December 31, 2017 was due primarily to lower yields on highly rated corporate bonds. Interest cost included in our U.S. net periodic pension cost was \$160 million in 2017, compared to \$164 million in 2016 and \$238 million in 2015. Interest cost included in our worldwide net periodic other postretirement benefits cost was \$13 million in 2017, compared to \$12 million in 2016 and \$15 million in 2015. 2017 and 2016 interest costs reflect the election to measure interest cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows for plans that utilize a yield curve approach.

The following table presents the sensitivity of our U.S. projected pension benefit obligation, accumulated other postretirement benefits obligation, and annual expense to the indicated increase/decrease in key assumptions:

<i>(Dollars in millions)</i>	<u>Change</u>	<u>+/- Change at December 31, 2017</u>	
		<u>PBO/ABO</u>	<u>Annual Expense</u>
<b>Pensions:</b>			
<i>Assumption:</i>			
Discount rate .....	+/- 0.5%	\$292	\$ 4
<b>Other Postretirement Benefits:</b>			
<i>Assumption:</i>			
Discount rate .....	+/- 0.5%	\$ 5	\$—
Health care cost trends — total cost .....	+/- 1.0%	1	—

Changes in general interest rates and corporate (AA or better) credit spreads impact our discount rate and thereby our U.S. pension benefit obligation. Our U.S. pension plans are invested in a portfolio of substantially all fixed income securities designed to offset the impact of future discount rate movements on liabilities for these plans. If corporate (AA or better) interest rates increase or decrease in parallel (i.e., across all maturities), the investment portfolio described above is designed to mitigate a substantial portion of the expected change in our U.S. pension benefit obligation. For example, if corporate (AA or better) interest rates increased or decreased by 0.50%, the actions described above would be expected to mitigate more than 85% of the expected change in our U.S. pension benefit obligation.

At December 31, 2017, our net actuarial loss included in AOCL related to global pension plans was \$3,272 million, \$2,603 million of which related to our U.S. pension plans. The net actuarial loss included in AOCL related to our U.S. pension plans is a result of declines in U.S. discount rates and plan asset losses that occurred prior to 2015, plus the impact of prior increases in estimated life expectancies. For purposes of determining our 2017 U.S. pension total benefits cost, we recognized \$140 million of the net actuarial losses in 2017. We will recognize approximately \$114 million of net actuarial losses in 2018 U.S. net periodic pension cost. If our future experience is consistent with our assumptions as of December 31, 2017, actuarial loss recognition over the next few years will remain at an amount near that to be recognized in 2018 before it begins to gradually decline. In addition, if annual lump sum payments from a pension plan exceed annual service and interest cost for that plan, accelerated recognition of net actuarial losses will be required through a settlement in total benefits cost.

The actual rate of return on our U.S. pension fund was 8.7%, 6.9% and (2.1%) in 2017, 2016 and 2015, respectively, as compared to the expected rate of 5.08%, 5.33% and 5.00% in 2017, 2016 and 2015, respectively. We use the fair value of our pension assets in the calculation of pension expense for all of our U.S. pension plans.

The weighted average amortization period for our U.S. pension plans is approximately 18 years.

Net periodic pension costs were recorded in CGS, as part of the cost of inventory sold during the period, or SAG in our Consolidated Statements of Operations, based on the specific roles (i.e., manufacturing vs. non-manufacturing) of employee groups covered by each of our pension plans. In 2017, 2016 and 2015, approximately 60% and 40% of net periodic pension costs are included in CGS and SAG, respectively. Effective January 1, 2018, non-service related net periodic pension costs will be recorded in Other (Income) Expense in line with the accounting standards update issued by the FASB to improve the financial statement presentation of pension and post retirement benefits cost. Refer to the Note to the Consolidated Financial Statements No. 1, Accounting Policies.

Globally we expect our 2018 net periodic pension cost to be approximately \$100 million to \$125 million, compared to \$88 million in 2017. The increase is primarily due to the impact of lower discount rates for our U.S. pension plans.

We experienced a decrease in our U.S. discount rate at the end of 2017 and a large portion of the net actuarial loss included in AOCL of \$47 million for our worldwide other postretirement benefit plans as of December 31, 2017 is a result of the overall decline in U.S. discount rates over time. For purposes of determining 2017 worldwide net periodic other postretirement benefits cost, we recognized \$6 million of net actuarial losses in 2017. We will recognize approximately \$5 million of net actuarial losses in 2018. If our future experience is consistent with our assumptions as of December 31, 2017, actuarial loss recognition over the next few years will remain at an amount near that to be recognized in 2018 before it begins to gradually decline.

For further information on pensions and other postretirement benefits, refer to the Note to the Consolidated Financial Statements No. 17, Pension, Other Postretirement Benefits and Savings Plans.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **OVERVIEW**

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.

On February 8, 2018, we announced our 2018-2020 capital allocation plan that is intended to increase shareholder value by investing in high-return growth capital projects, strengthening our balance sheet and providing for direct returns to shareholders. The capital allocation plan provides for:

- Growth capital expenditures of \$700 million to \$900 million.
- Debt repayments of \$400 million to \$600 million, which advances our objective of achieving an investment grade credit rating.
- Restructuring payments of approximately \$400 million.
- Common stock dividends and share repurchases of \$1.5 billion to \$2.0 billion, subject to our performance.

We announced a 40% increase in the quarterly cash dividend on our common stock, from \$0.10 per share to \$0.14 per share, beginning with the December 1, 2017 payment date.

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.

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.

For further information on the other strategic initiatives we pursued in 2017, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview.”

At December 31, 2017, we had \$1,043 million of Cash and Cash Equivalents, compared to \$1,132 million at December 31, 2016. The decrease in cash and cash equivalents of \$89 million was primarily due to cash used for investing activities of \$879 million, primarily related to capital expenditures of \$881 million; cash used for financing activities of \$415 million, primarily related to common stock repurchases of \$400 million and common stock dividends of \$110 million, partially offset by net borrowings of \$129 million. These uses of cash were partially offset by cash flows from operating activities of \$1,158 million, which included net income of \$365 million and non-cash depreciation and amortization of \$781 million.

At December 31, 2017 and 2016 we had \$3,196 million and \$2,970 million, respectively, of unused availability under our various credit agreements. The table below provides unused availability by our significant credit facilities as of December 31:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>
First lien revolving credit facility .....	\$1,667	\$1,506
European revolving credit facility .....	659	579
Chinese credit facilities .....	217	252
Mexican credit facilities .....	—	52
Other domestic and international debt .....	298	267
Notes payable and overdrafts .....	355	314
	<u>\$3,196</u>	<u>\$2,970</u>

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 condition or results of operations in the period in which it occurs.

We expect our 2018 cash flow needs to include capital expenditures of approximately \$1.0 billion. We also expect interest expense to range between \$335 million and \$360 million, restructuring payments to be approximately \$200 million, dividends on our common stock to be approximately \$135 million, and contributions to our funded non-U.S. pension plans to be approximately \$25 million to \$50 million. We expect working capital to be a use of cash of approximately \$100 million in 2018. 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 2018 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, which are subject to such requirements or limitations, to be integral to our liquidity or our ability to service our debt and operational requirements. At December 31, 2017, approximately \$807 million of net assets, including \$103 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.

### **Cash Position**

At December 31, 2017, significant concentrations of cash and cash equivalents held by our international subsidiaries included the following amounts:

- \$355 million or 34% in Europe, Middle East and Africa, primarily Belgium (\$310 million or 27% at December 31, 2016),
- \$344 million or 33% in Asia Pacific, primarily India, China and Australia (\$427 million or 38% at December 31, 2016), and
- \$169 million or 16% in Americas, primarily Canada and Brazil (\$203 million or 18% at December 31, 2016).

### **Operating Activities**

Net cash provided by operating activities was \$1,158 million in 2017, compared to \$1,557 million in 2016 and \$1,728 million in 2015. Net cash provided by operating activities in 2017 decreased \$399 million compared to 2016 primarily due to a \$463 million decrease in segment operating income.

Cash used for working capital in 2017 was \$106 million compared to \$117 million in 2016. Cash used for working capital in 2017 reflects the impacts of higher raw materials on our costs and pricing, driving year-over-year increases in cash used for accounts receivable of \$358 million and cash provided by accounts payable of \$241 million, as the balances of each remaining on our year-end balance sheet are higher compared to the prior year. Cash used for inventory decreased \$128 million during 2017 as the impacts of higher raw materials were more than offset by the impact of reduced production levels.

The decrease in cash provided by operating activities in 2016 versus 2015 was primarily due to an increased use of cash for working capital of \$75 million and lower segment operating income of \$35 million.

The increased use of cash for working capital in 2016 was due to an increase in cash used for accounts payable of \$234 million, primarily due to the timing of payments and 2015 payables that were paid in 2016 which reflected higher average raw material prices, and inventories of \$83 million, driven by an increase in year-end inventory units for finished goods in 2016. These uses of cash were partially offset by positive year-over-year cash flow from accounts receivable of \$242 million, primarily due to increased factoring activity in 2016.

### **Investing Activities**

Net cash used in investing activities was \$879 million in 2017, compared to \$979 million in 2016 and \$1,256 million in 2015. Capital expenditures were \$881 million in 2017, compared to \$996 million in 2016 and \$983 million in 2015. Beyond expenditures required to sustain our facilities, capital expenditures in 2017

primarily related to the construction, expansion and modernization of manufacturing capacity in the United States, Mexico, China and India. Capital expenditures in 2016 primarily related to the construction, expansion and modernization of manufacturing capacity in the United States, Brazil, China and Mexico. Capital expenditures in 2015 primarily related to the construction, expansion and modernization of manufacturing capacity in the United States, Brazil, China, Germany and Mexico. Proceeds from asset sales were \$12 million in 2017. Proceeds from asset sales were \$35 million in 2016, primarily related to the sale of a former wire plant site in Luxembourg and the sale of our interest in a supply chain logistics company. Proceeds from asset sales were \$62 million in 2015, primarily related to the sale of our investment in shares of SRI.

### **Financing Activities**

Net cash used in financing activities was \$415 million in 2017, compared to net cash used of \$876 million in 2016 and net cash used of \$1,026 million in 2015. Financing activities in 2017 included net borrowings of \$129 million. Financing activities in 2016 included net debt repayments of \$256 million. Financing activities in 2015 included net debt repayments of \$477 million and a payment related to the dissolution of the global alliance with SRI of \$271 million. In 2017, we paid dividends on our common stock of \$110 million and repurchased \$400 million of our common stock, as compared to dividend payments of \$82 million and common stock share repurchases of \$500 million in 2016. In 2015, dividend payments were \$68 million and common stock share repurchases were \$180 million.

### **Credit Sources**

In aggregate, we had total credit arrangements of \$8,963 million available at December 31, 2017, of which \$3,196 million were unused, compared to \$8,491 million available at December 31, 2016, of which \$2,970 million were unused. At December 31, 2017, we had long term credit arrangements totaling \$8,346 million, of which \$2,841 million were unused, compared to \$7,932 million and \$2,656 million, respectively, at December 31, 2016. At December 31, 2017, we had short term committed and uncommitted credit arrangements totaling \$617 million, of which \$355 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 December 31, 2017, we had \$3,325 million of outstanding notes, compared to \$3,287 million at December 31, 2016.

### \$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 December 31, 2017, our borrowing base, and therefore our availability, under the facility was \$296 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 December 31, 2017, we had no 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 December 31, 2017, we had \$368 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). 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 December 31, 2017 and 2016, the amounts outstanding under this facility were \$400 million and \$399 million, respectively.

#### €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 December 31, 2017 and 2016, we had no borrowings and no letters of credit issued under the European revolving credit facility.

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 €30 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 was €320 million. Effective October 16, 2017, the designated maximum amount of the facility was reduced to €275 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, 2018.

At December 31, 2017, the amounts available and utilized under this program totaled \$224 million (€187 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.

#### 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 December 31, 2017 and 2016, the gross amount of receivables sold was \$572 million and \$502 million, respectively.

#### 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 program. Agreements for such supplier financing programs totaled up to \$500 million at December 31, 2017 and 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, refer to the Note to the Consolidated Financial Statements No. 15, Financing Arrangements and Derivative Financial Instruments.

#### 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 any period of four consecutive fiscal quarters. As of December 31, 2017, our availability under this facility of \$1,667 million plus our Available Cash of \$208 million totaled \$1,875 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 December 31, 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.

As of December 31, 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 that 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.

During 2017, 2016 and 2015 we paid cash dividends of \$110 million, \$82 million and \$68 million, respectively, on our common stock. On January 16, 2018, the Company's Board of Directors (or a duly authorized committee thereof) declared cash dividends of \$0.14 per share of our common stock, or approximately \$34 million in the aggregate. The cash dividend will be paid on March 1, 2018 to stockholders of record as of the close of business on February 1, 2018. 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 \$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 2017, we repurchased 12,755,547 shares at an average price, including commissions, of \$31.37 per share, or \$400 million in the aggregate. Since 2013, we repurchased 43,969,657 shares at an average price, including commissions, of \$29.87 per share, or \$1,313 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.

## COMMITMENTS AND CONTINGENT LIABILITIES

### Contractual Obligations

The following table presents our contractual obligations and commitments to make future payments as of December 31, 2017:

<i>(In millions)</i>	<u>Total</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Beyond 2022</u>
Debt Obligations <sup>(1)</sup> .....	\$ 5,737	\$ 646	\$1,124	\$ 624	\$ 13	\$ 90	\$3,240
Capital Lease Obligations <sup>(2)</sup> .....	40	7	4	3	15	1	10
Interest Payments <sup>(3)</sup> .....	1,733	302	240	219	176	173	623
Operating Leases <sup>(4)</sup> .....	1,046	265	202	156	110	63	250
Pension Benefits <sup>(5)</sup> .....	300	75	75	50	50	50	N/A
Other Postretirement Benefits <sup>(6)</sup> .....	192	21	21	20	20	19	91
Workers' Compensation <sup>(7)</sup> .....	311	45	32	25	20	17	172
Binding Commitments <sup>(8)</sup> .....	3,100	1,355	717	264	246	107	411
Uncertain Income Tax Positions <sup>(9)</sup> .....	6	1	4	1	—	—	—
	<u>\$12,465</u>	<u>\$2,717</u>	<u>\$2,419</u>	<u>\$1,362</u>	<u>\$650</u>	<u>\$520</u>	<u>\$4,797</u>

(1) Debt obligations include Notes Payable and Overdrafts, and excludes the impact of deferred financing fees and unamortized discounts.

(2) The minimum lease payments for capital lease obligations are \$67 million.

(3) These amounts represent future interest payments related to our existing debt obligations and capital leases based on fixed and variable interest rates specified in the associated debt and lease agreements. The amounts provided relate only to existing debt obligations and do not assume the refinancing or replacement of such debt or future changes in variable interest rates.

(4) Operating lease obligations have not been reduced by minimum sublease rentals of \$12 million, \$8 million, \$6 million, \$3 million, \$2 million and \$7 million in each of the periods above, respectively, for a total of \$38 million. Payments, net of minimum sublease rentals, total \$1,008 million. The present value of the net operating lease payments is \$847 million. The operating leases relate to, among other things, real estate, vehicles, data processing equipment and miscellaneous other assets. No asset is leased from any related party.

- (5) The obligation related to pension benefits is actuarially determined and is reflective of obligations as of December 31, 2017. Although subject to change, the amounts set forth in the table represent the mid-point of the range of our expected contributions for funded U.S. and non-U.S. pension plans, plus expected cash funding of direct participant payments to our U.S. and non-U.S. pension plans.

We made significant contributions to fully fund our U.S. pension plans in 2013 and 2014. We have no minimum funding requirements for our funded U.S. pension plans under current ERISA law or the provisions of our USW collective bargaining agreement, which requires us to maintain an annual ERISA funded status for the hourly U.S. pension plan of at least 97%.

Future U.S. pension contributions will be affected by our ability to offset changes in future interest rates with asset returns from our fixed income portfolio, and any changes to ERISA law. For further information on the U.S. pension investment strategy, refer to the Note to the Consolidated Financial Statements No. 17, Pension, Other Postretirement Benefits and Savings Plans.

Future non-U.S. contributions are affected by factors such as:

- future interest rate levels,
  - the amount and timing of asset returns, and
  - how contributions in excess of the minimum requirements could impact the amount and timing of future contributions.
- (6) The payments presented above are expected payments for the next 10 years. The payments for other postretirement benefits reflect the estimated benefit payments of the plans using the provisions currently in effect. Under the relevant summary plan descriptions or plan documents we have the right to modify or terminate the plans. The obligation related to other postretirement benefits is actuarially determined on an annual basis.
- (7) The payments for workers' compensation obligations are based upon recent historical payment patterns on claims. The present value of anticipated claims payments for workers' compensation is \$243 million.
- (8) Binding commitments are for raw materials, capital expenditures, utilities, and various other types of contracts. The obligations to purchase raw materials include supply contracts at both fixed and variable prices. Those with variable prices are based on index rates for those commodities at December 31, 2017.
- (9) These amounts primarily represent expected payments with interest for uncertain tax positions as of December 31, 2017. We have reflected them in the period in which we believe they will be ultimately settled based upon our experience with these matters.

Additional other long term liabilities include items such as general and product liabilities, environmental liabilities and miscellaneous other long term liabilities. These other liabilities are not contractual obligations by nature. We cannot, with any degree of reliability, determine the years in which these liabilities might ultimately be settled. Accordingly, these other long term liabilities are not included in the above table.

In addition, pursuant to certain long term agreements, 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. These contingent contractual obligations, the amounts of which cannot be estimated, are not included in the table above.

We do not engage in the trading of commodity contracts or any related derivative contracts. We generally purchase raw materials and energy through short term, intermediate and long term supply contracts at fixed prices or at formula prices related to market prices or negotiated prices. We may, however, from time to time, enter into contracts to hedge our energy costs.

## **Off-Balance Sheet Arrangements**

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has:

- made guarantees,
- retained or held a contingent interest in transferred assets,
- undertaken an obligation under certain derivative instruments, or
- undertaken any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging or research and development arrangements with the company.

We have entered into certain arrangements under which we have provided guarantees that are off-balance sheet arrangements. Those guarantees totaled approximately \$82 million at December 31, 2017. For further information about our guarantees, refer to the Note to the Consolidated Financial Statements No. 19, Commitments and Contingent Liabilities.

We concluded that effective as of December 31, 2015, we no longer met the accounting criteria for control of our Venezuelan subsidiary, and its assets and liabilities are no longer reported in the Consolidated Balance Sheet as of December 31, 2015. Subsequent to its deconsolidation, we maintained a variable interest in our Venezuelan subsidiary. Our exposure to future losses resulting from our Venezuelan subsidiary is limited to the extent that we decide to provide raw materials or finished goods to, or make future investments in, our Venezuelan subsidiary. For further information, refer to the Note to the Consolidated Financial Statements No. 1, Accounting Policies.

## **FORWARD-LOOKING INFORMATION — SAFE HARBOR STATEMENT**

Certain information in this Annual Report (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 Annual Report. 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.

## **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 materials 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 carefully monitor our fixed and floating rate debt mix. Within defined limitations, we manage the mix using refinancing. At December 31, 2017, 34% of our debt was at variable interest rates averaging 4.42% compared to 33% at an average rate of 6.34% at December 31, 2016.

The following table presents information about long term fixed rate debt, excluding capital leases, at December 31:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>
Carrying amount — liability .....	\$3,616	\$3,514
Fair value — liability .....	3,786	3,669
Pro forma fair value — liability .....	3,908	3,781

The pro forma information assumes a 100 basis point decrease in market interest rates at December 31 of each year, 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 will enter into foreign currency contracts in order to manage the impact of changes in foreign exchange rates on our consolidated results of operations and future foreign currency-denominated cash flows. These contracts reduce exposure to currency movements affecting existing foreign currency-denominated assets, liabilities, firm commitments and forecasted transactions resulting primarily from trade purchases and sales, equipment acquisitions, intercompany loans and royalty agreements. Contracts hedging short term trade receivables and payables normally have no hedging designation.

The following table presents foreign currency derivative information at December 31:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>
Fair value — asset (liability) .....	\$(15)	\$23
Pro forma decrease in fair value .....	(166)	(131)
Contract maturities .....	1/18 - 12/19	1/17 - 11/18

The pro forma decrease in fair value assumes a 10% adverse change in underlying foreign exchange rates at December 31 of each year, and reflects the estimated change in the fair value of positions 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 Sheets at December 31 as follows:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>
Current asset (liability):		
Accounts receivable .....	\$ 4	\$ 39
Other current liabilities .....	(17)	(18)
Long term asset (liability):		
Other assets .....	\$ —	\$ 2
Other long term liabilities .....	(2)	—

For further information on foreign currency contracts, refer to the Note to the Consolidated Financial Statements No. 15, Financing Arrangements and Derivative Financial Instruments.

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.

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31,		
	2017	2016	2015
<i>(In millions, except per share amounts)</i>			
<b>Net Sales</b> .....	\$15,377	\$15,158	\$16,443
Cost of Goods Sold .....	11,719	10,972	12,164
Selling, Administrative and General Expense .....	2,302	2,407	2,614
Rationalizations (Note 2) .....	135	210	114
Interest Expense (Note 3) .....	335	372	438
Loss on Deconsolidation of Venezuelan Subsidiary (Note 1) .....	—	—	646
Other (Income) Expense (Note 4) .....	8	(10)	(141)
<b>Income before Income Taxes</b> .....	878	1,207	608
United States and Foreign Tax Expense (Benefit) (Note 6) .....	513	(77)	232
<b>Net Income</b> .....	365	1,284	376
Less: Minority Shareholders' Net Income .....	19	20	69
<b>Goodyear Net Income</b> .....	<u>\$ 346</u>	<u>\$ 1,264</u>	<u>\$ 307</u>
<b>Goodyear Net Income — Per Share of Common Stock</b>			
Basic .....	<u>\$ 1.39</u>	<u>\$ 4.81</u>	<u>\$ 1.14</u>
Weighted Average Shares Outstanding (Note 7) .....	249	263	269
Diluted .....	<u>\$ 1.37</u>	<u>\$ 4.74</u>	<u>\$ 1.12</u>
Weighted Average Shares Outstanding (Note 7) .....	253	266	273
Cash Dividends Declared Per Common Share .....	<u>\$ 0.44</u>	<u>\$ 0.31</u>	<u>\$ 0.25</u>

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

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

<i>(In millions)</i>	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net Income .....	\$ 365	\$1,284	\$ 376
Other Comprehensive Income (Loss):			
Foreign currency translation net of tax of \$39 in 2017 ((\$2) in 2016, (\$52) in 2015) .....	257	(221)	(315)
Reclassification adjustment for amounts recognized in income net of tax of \$0 in all periods .....	—	—	16
Defined benefit plans:			
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost net of tax of \$40 in 2017 (\$33 in 2016, \$34 in 2015) .....	77	63	69
Increase in net actuarial losses net of tax of (\$37) in 2017 ((\$53) in 2016, (\$19) in 2015) .....	(100)	(62)	(68)
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements and divestitures net of tax of \$14 in 2017 (\$0 in 2016, \$67 in 2015) .....	27	17	259
Prior service credit (cost) from plan amendments net of tax of (\$2) in 2017 (\$0 in 2016, \$0 in 2015) .....	(4)	—	—
Deferred derivative gains (losses) net of tax of (\$8) in 2017 (\$4 in 2016, \$3 in 2015) .....	(20)	8	17
Reclassification adjustment for amounts recognized in income net of tax \$1 in 2017 ((\$1) in 2016, (\$3) in 2015) .....	1	(5)	(25)
Unrealized investment gains (losses) net of tax of \$0 in 2017 (\$0 in 2016, (\$2) in 2015) .....	—	—	(4)
Reclassification adjustment for amounts recognized in income net of tax \$0 in 2017 (\$0 in 2016, \$2 in 2015) .....	—	—	(32)
Deconsolidation of Venezuelan subsidiary net of tax of \$0 (Note 1) .....	—	—	248
<b>Other Comprehensive Income (Loss)</b> .....	<b>238</b>	<b>(200)</b>	<b>165</b>
<b>Comprehensive Income</b> .....	<b>603</b>	<b>1,084</b>	<b>541</b>
Less: Comprehensive Income Attributable to Minority Shareholders .....	35	8	6
<b>Goodyear Comprehensive Income</b> .....	<b>\$ 568</b>	<b>\$1,076</b>	<b>\$ 535</b>

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

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<i>(In millions, except share data)</i>		
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents (Note 1) .....	\$ 1,043	\$ 1,132
Accounts Receivable (Note 9) .....	2,025	1,769
Inventories (Note 10) .....	2,787	2,627
Prepaid Expenses and Other Current Assets .....	224	190
<b>Total Current Assets</b> .....	<b>6,079</b>	<b>5,718</b>
Goodwill (Note 11) .....	595	535
Intangible Assets (Note 11) .....	139	136
Deferred Income Taxes (Note 6) .....	2,008	2,414
Other Assets (Note 12) .....	792	668
Property, Plant and Equipment (Note 13) .....	7,451	7,040
<b>Total Assets</b> .....	<b>\$17,064</b>	<b>\$16,511</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable-Trade .....	\$ 2,807	\$ 2,589
Compensation and Benefits (Notes 17 and 18) .....	539	584
Other Current Liabilities .....	1,026	963
Notes Payable and Overdrafts (Note 15) .....	262	245
Long Term Debt and Capital Leases due Within One Year (Note 15) .....	391	436
<b>Total Current Liabilities</b> .....	<b>5,025</b>	<b>4,817</b>
Long Term Debt and Capital Leases (Note 15) .....	5,076	4,798
Compensation and Benefits (Notes 17 and 18) .....	1,515	1,460
Deferred Income Taxes (Note 6) .....	100	85
Other Long Term Liabilities .....	498	626
<b>Total Liabilities</b> .....	<b>12,214</b>	<b>11,786</b>
Commitments and Contingent Liabilities (Note 19)		
<b>Shareholders' Equity</b>		
<b>Goodyear Shareholders' Equity</b>		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares — 240 million (252 million in 2016) ..	240	252
Capital Surplus .....	2,295	2,645
Retained Earnings .....	6,044	5,808
Accumulated Other Comprehensive Loss (Note 21) .....	(3,976)	(4,198)
<b>Goodyear Shareholders' Equity</b> .....	<b>4,603</b>	<b>4,507</b>
Minority Shareholders' Equity — Nonredeemable .....	247	218
<b>Total Shareholders' Equity</b> .....	<b>4,850</b>	<b>4,725</b>
<b>Total Liabilities and Shareholders' Equity</b> .....	<b>\$17,064</b>	<b>\$16,511</b>

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



**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

<i>(Dollars in millions)</i>	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Goodyear Shareholders' Equity	Minority Shareholders' Equity — Non- Redeemable	Total Shareholders' Equity
	Shares	Amount						
<b>Balance at December 31, 2014</b>								
(after deducting 8,979,927 common treasury shares) .....	269,483,500	\$269	\$3,141	\$4,331	\$(4,131)	\$3,610	\$235	\$3,845
Comprehensive income (loss):								
Net income .....				307		307	22	329
Foreign currency translation (net of tax of (\$52)) .....					(251)	(251)	(26)	(277)
Reclassification adjustment for amounts recognized in income (net of tax of \$0) .....					16	16		16
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost (net of tax of \$34) .....					66	66		66
Increase in net actuarial losses (net of tax of (\$19)) .....					(68)	(68)		(68)
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements and divestitures (net of tax of \$67) ..					259	259		259
Deferred derivative gains (net of tax of \$3) .....					15	15		15
Reclassification adjustments for amounts recognized in income (net of tax of (\$3)) .....					(21)	(21)		(21)
Unrealized investment gains (losses) (net of tax of (\$2)) .....					(4)	(4)		(4)
Reclassification adjustments for amounts recognized in income (net of tax of \$2) .....					(32)	(32)		(32)
Deconsolidation of Venezuelan subsidiary (net of tax of \$0) (Notes 1 and 21) .....					248	248		248
<b>Other comprehensive income (loss) .....</b>						228	(26)	202
<b>Total comprehensive income (loss) .....</b>						535	(4)	531
Purchase of subsidiary shares from minority interest (Note 5) .....			60		(107)	(47)		(47)
Dividends declared to minority shareholders .....							(9)	(9)
Stock-based compensation plans (Note 18) .....			19			19		19
Repurchase of common stock (Note 20) .....	(5,647,429)	(5)	(175)			(180)		(180)
Dividends declared (Note 20) .....				(68)		(68)		(68)
Common stock issued from treasury .....	3,181,911	3	48			51		51
<b>Balance at December 31, 2015</b>								
(after deducting 11,445,445 common treasury shares) .....	<u>267,017,982</u>	<u>\$267</u>	<u>\$3,093</u>	<u>\$4,570</u>	<u>\$(4,010)</u>	<u>\$3,920</u>	<u>\$222</u>	<u>\$4,142</u>

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

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY — (Continued)**

<i>(Dollars in millions)</i>	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Goodyear Shareholders' Equity	Minority Shareholders' Equity — Non- Redeemable	Total Shareholders' Equity
	Shares	Amount						
<b>Balance at December 31, 2015</b>								
(after deducting 11,445,445 common treasury shares) . . . . .	267,017,982	\$267	\$3,093	\$4,570	\$(4,010)	\$3,920	\$222	\$4,142
Comprehensive income (loss):								
Net income . . . . .				1,264		1,264	20	1,284
Foreign currency translation (net of tax of (\$2)) . . . . .					(209)	(209)	(12)	(221)
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost (net of tax of \$33) . . . . .					63	63		63
Increase in net actuarial losses (net of tax of (\$53)) . . . . .					(62)	(62)		(62)
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements and divestitures (net of tax of \$0) . . . . .					17	17		17
Deferred derivative gains (net of tax of \$4) . . . . .					8	8		8
Reclassification adjustment for amounts recognized in income (net of tax of (\$1)) . . . . .					(5)	(5)		(5)
<b>Other comprehensive income (loss) . . . . .</b>						<u>(188)</u>	<u>(12)</u>	<u>(200)</u>
<b>Total comprehensive income (loss) . . . . .</b>						1,076	8	1,084
Adoption of new accounting standard (Note 1) . . . . .				56		56		56
Dividends declared to minority shareholders . . . . .							(12)	(12)
Stock-based compensation plans (Note 18) . . . . .			24			24		24
Repurchase of common stock (Note 20) . . . . .	(16,706,392)	(17)	(483)			(500)		(500)
Dividends declared (Note 20) . . . . .				(82)		(82)		(82)
Common stock issued from treasury . . . . .	<u>1,284,944</u>	<u>2</u>	<u>11</u>			<u>13</u>		<u>13</u>
<b>Balance at December 31, 2016</b>								
(after deducting 26,866,893 common treasury shares) . . . . .	<u>251,596,534</u>	<u>\$252</u>	<u>\$2,645</u>	<u>\$5,808</u>	<u>\$(4,198)</u>	<u>\$4,507</u>	<u>\$218</u>	<u>\$4,725</u>

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

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY — (Continued)**

<i>(Dollars in millions)</i>	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Goodyear Shareholders' Equity	Minority Shareholders' Equity — Non- Redeemable	Total Shareholders' Equity
	Shares	Amount						
<b>Balance at December 31, 2016</b>								
(after deducting 26,866,893 common treasury shares) . . . . .	251,596,534	\$252	\$2,645	\$5,808	\$(4,198)	\$4,507	\$218	\$4,725
Comprehensive income (loss):								
Net income . . . . .				346		346	19	365
Foreign currency translation (net of tax of \$39) . . . . .					240	240	17	257
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost (net of tax of \$40) . . . . .					77	77		77
Increase in net actuarial losses (net of tax of (\$37)) . . . . .					(99)	(99)	(1)	(100)
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements and divestitures (net of tax of \$14) . . . . .					27	27		27
Prior service cost from plan amendments (net of tax of (\$2)) . . . . .					(4)	(4)		(4)
Deferred derivative losses (net of tax of (\$8)) . . . . .					(20)	(20)		(20)
Reclassification adjustment for amounts recognized in income (net of tax of \$1) . . . . .					1	1		1
<b>Other comprehensive income (loss)</b> . . . . .						<u>222</u>	<u>16</u>	<u>238</u>
<b>Total comprehensive income (loss)</b> . . . . .						568	35	603
Dividends declared to minority shareholders . . . . .							(6)	(6)
Stock-based compensation plans (Note 18) . . . . .			24			24		24
Repurchase of common stock (Note 20) . . . . .	(12,755,547)	(13)	(387)			(400)		(400)
Dividends declared (Note 20) . . . . .				(110)		(110)		(110)
Common stock issued from treasury . . . . .	<u>1,313,615</u>	<u>1</u>	<u>13</u>			<u>14</u>		<u>14</u>
<b>Balance at December 31, 2017</b>								
(after deducting 38,308,825 common treasury shares) . . . . .	<u>240,154,602</u>	<u>\$240</u>	<u>\$2,295</u>	<u>\$6,044</u>	<u>\$(3,976)</u>	<u>\$4,603</u>	<u>\$247</u>	<u>\$4,850</u>

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

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY — (Continued)**

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

<i>(In millions)</i>	<u>2015</u>
<b>Balance at beginning of year</b> .....	\$ 582
Comprehensive income (loss):	
Net income (loss) .....	47
Foreign currency translation (net of tax of \$0) .....	(38)
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost (net of tax of \$0) .....	3
Deferred derivative gains (losses) (net of tax of \$0) .....	2
Reclassification adjustment for amounts recognized in income (net of tax of \$0) .....	<u>(4)</u>
Other comprehensive income (loss) .....	<u>(37)</u>
Total comprehensive income (loss) .....	10
Dividends declared to minority shareholders .....	—
Dissolution of global alliance (Note 5) .....	<u>(592)</u>
<b>Balance at end of year</b> .....	<u>\$ —</u>

Due to the dissolution of the global alliance with Sumitomo Rubber Industries, Ltd. ("SRI") on October 1, 2015, we no longer have Minority Equity presented outside of Shareholders' Equity, thus no amounts are presented above for 2016 or 2017.

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

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(In millions)</i>	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Cash Flows from Operating Activities:</b>			
<b>Net Income</b> .....	\$ 365	\$ 1,284	\$ 376
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:			
Depreciation and Amortization .....	781	727	698
Amortization and Write-Off of Debt Issuance Costs .....	21	29	23
Provision for Deferred Income Taxes .....	385	(229)	79
Loss on Deconsolidation of Venezuelan Subsidiary (Note 1) .....	—	—	646
Net Pension Curtailments and Settlements (Note 17) .....	19	17	139
Net Rationalization Charges (Note 2) .....	135	210	114
Rationalization Payments .....	(154)	(86)	(144)
Net Gains on Asset Sales (Note 4) .....	(14)	(31)	(71)
Pension Contributions and Direct Payments .....	(90)	(89)	(103)
Gain on Recognition of Deferred Royalty Revenue (Note 4) .....	—	—	(155)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:			
Accounts Receivable .....	(147)	211	(31)
Inventories .....	(44)	(172)	(89)
Accounts Payable — Trade .....	85	(156)	78
Compensation and Benefits .....	(65)	(50)	66
Other Current Liabilities .....	(76)	(56)	(28)
Other Assets and Liabilities .....	(43)	(52)	130
<b>Total Cash Flows from Operating Activities</b> .....	1,158	1,557	1,728
<b>Cash Flows from Investing Activities:</b>			
Capital Expenditures .....	(881)	(996)	(983)
Asset Dispositions (Note 4) .....	12	35	62
Decrease in Cash Due to Deconsolidation of Venezuelan Subsidiary (Note 1) .....	—	—	(320)
Short Term Securities Acquired .....	(83)	(72)	(77)
Short Term Securities Redeemed .....	83	60	69
Other Transactions .....	(10)	(6)	(7)
<b>Total Cash Flows from Investing Activities</b> .....	(879)	(979)	(1,256)
<b>Cash Flows from Financing Activities:</b>			
Short Term Debt and Overdrafts Incurred .....	1,054	417	103
Short Term Debt and Overdrafts Paid .....	(1,046)	(228)	(84)
Long Term Debt Incurred .....	6,463	4,988	2,819
Long Term Debt Paid .....	(6,342)	(5,433)	(3,315)
Common Stock Issued (Note 18) .....	14	13	53
Common Stock Repurchased (Note 20) .....	(400)	(500)	(180)
Common Stock Dividends Paid (Note 20) .....	(110)	(82)	(68)
Transactions with Minority Interests in Subsidiaries .....	(7)	(11)	(9)
Debt Related Costs and Other Transactions .....	(41)	(40)	(74)
Dissolution of Global Alliance (Note 5) .....	—	—	(271)
<b>Total Cash Flows from Financing Activities</b> .....	(415)	(876)	(1,026)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash .....	57	(15)	(125)
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b> .....	(79)	(313)	(679)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year .....	1,189	1,502	2,181
<b>Cash, Cash Equivalents and Restricted Cash at End of the Year</b> .....	\$ 1,110	\$ 1,189	\$ 1,502

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

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Accounting Policies**

A summary of the significant accounting policies used in the preparation of the accompanying consolidated financial statements follows:

***Basis of Presentation***

**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 and \$41 million were reclassified from Operating Activities to Financing Activities in the statement of cash flows for the years ended December 31, 2016 and 2015, respectively. The other seven specific cash flow issues were either not applicable to Goodyear or the treatment has not materially 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.

**Recently Issued Accounting Standards**

In August 2017, the Financial Accounting Standards Board (“FASB”) issued an accounting standards update with new guidance intended to reduce complexity in hedge accounting and make hedge results easier to understand. This includes simplifying how hedge results are presented and disclosed in the financial statements, expanding the types of hedge strategies allowed and providing relief around the documentation and assessment requirements. The standards update is effective using a modified retrospective approach, with the presentation and disclosure guidance required prospectively, for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. We are currently assessing the impact of this standards update on our consolidated financial statements.

In May 2017, the 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

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

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 will not have a material impact on 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 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 alignment with the financial statement presentation provisions of the new standards update, beginning in 2018 only service related costs of approximately \$35 million per year, including approximately \$5 million per year of corporate related costs, will remain in SAG and CGS. As such, \$62 million and \$35 million of non-service related costs, including \$28 million and \$24 million of corporate related costs, will be reclassified from SAG and CGS to Other (Income) Expense for 2017 and 2016, respectively. Further, we expect approximately \$90 million of non-service related costs, including approximately \$15 million of corporate related costs and excluding any potential settlement/curtailment charges, to be classified in Other (Income) Expense for 2018. The provision of the new standards update to allow only service costs to be capitalized is not expected to have a significant impact on our consolidated financial statements.

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. In 2018, the FASB issued an amendment that provided an optional transition practical expedient regarding land easements. The standards update is effective using a modified retrospective approach for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. The standard 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 have

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

completed aggregating our worldwide lease contracts, are in the process of evaluating these lease contracts and are in the early stages of implementing a new lease accounting system to support the accounting and disclosure requirements of this standards update. The adoption of this standards update is expected to have a material impact on our financial statements as the Company has significant operating lease commitments that are off-balance sheet in accordance with current U.S. GAAP.

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. The standard permits the use of either a retrospective or modified retrospective approach. We will use the modified retrospective approach. The adoption of this standards update will not have a material impact on our consolidated financial statements, however it will require new disclosures, which we are in the process of finalizing.

### *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.

### *Deconsolidation of Venezuelan Subsidiary*

Our wholly-owned subsidiary, C.A. Goodyear de Venezuela, manufactures, markets and distributes consumer and commercial tires throughout Venezuela. Conditions in Venezuela, including currency exchange control regulations and continued reductions in access to U.S. dollars through official currency exchange mechanisms, have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar fuerte and the U.S. dollar, and have restricted the ability of our Venezuelan subsidiary to pay dividends and royalties and to settle liabilities. These currency exchange regulations, combined with other government regulations such as price and profit margin controls and strict labor laws, have significantly limited our ability to make and execute operational decisions at our Venezuelan subsidiary. This lack of currency exchangeability, combined with these other operating restrictions, have significantly limited our Venezuelan subsidiary's ability to maintain normal production and control over its operations. We expect these conditions to continue for the foreseeable future.

As a result of these conditions, we concluded that effective as of December 31, 2015, we did not meet the accounting criteria for control over our Venezuelan subsidiary and began reporting the results of our Venezuelan subsidiary using the cost method of accounting. This change resulted in a pre-tax charge of \$646 million in the fourth quarter of 2015. We have determined the fair value of our investment in, and receivables from, our Venezuelan subsidiary to be insignificant based on our expectations of dividend payments and settlements of such receivables in future periods.

Reporting periods beginning after December 31, 2015 do not include the operating results of our Venezuelan subsidiary. We now record income from sales of inventory and raw materials or from dividends or royalties to the extent cash is received from our Venezuelan subsidiary. Our exposure to future losses resulting from our Venezuelan subsidiary is limited to the extent that we decide to provide raw materials or finished goods to, or make future investments in, our Venezuelan subsidiary.



## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates, including those related to:

- recoverability of intangibles and other long-lived assets,
- deferred tax asset valuation allowances and uncertain income tax positions,
- workers' compensation,
- general and product liabilities and other litigation,
- pension and other postretirement benefits, and
- various other operating allowances and accruals, based on currently available information.

Changes in facts and circumstances may alter such estimates and affect results of operations and financial position in future periods.

### *Revenue Recognition and Accounts Receivable Valuation*

Revenues are recognized when finished products are shipped to unaffiliated customers, both title and the risks and rewards of ownership are transferred or services have been rendered and accepted, and collectability is reasonably assured. A provision for sales returns, discounts and allowances is recorded at the time of sale. Appropriate provisions are made for uncollectible accounts based on historical loss experience, portfolio duration, economic conditions and credit risk. The adequacy of the allowances are assessed quarterly.

### *Shipping and Handling Costs*

Costs incurred for transportation of products to customers are recorded as a component of CGS.

### *Research and Development Costs*

Research and development costs include, among other things, materials, equipment, compensation and contract services. These costs are expensed as incurred and included as a component of CGS. Research and development expenditures were \$406 million, \$388 million and \$382 million in 2017, 2016 and 2015, respectively.

### *Warranty*

Warranties are provided on the sale of certain of our products and services and an accrual for estimated future claims is recorded at the time revenue is recognized. Tire replacement under most of the warranties we offer is on a prorated basis. Warranty reserves are based on past claims experience, sales history and other considerations. Refer to Note 19.

### *Environmental Cleanup Matters*

We expense environmental costs related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. We determine our liability on a site by site basis and record a liability at the time when it is probable and can be reasonably estimated. Our estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. Our estimated liability is not discounted or reduced for possible recoveries from insurance carriers. Refer to Note 19.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

### *Legal Costs*

We record a liability for estimated legal and defense costs related to pending general and product liability claims, environmental matters and workers' compensation claims. Refer to Note 19.

### *Advertising Costs*

Costs incurred for producing and communicating advertising are generally expensed when incurred as a component of SAG. Costs incurred under our cooperative advertising programs with dealers and franchisees are generally recorded as reductions of sales as related revenues are recognized. Advertising costs, including costs for our cooperative advertising programs with dealers and franchisees, were \$320 million, \$355 million and \$385 million in 2017, 2016 and 2015, respectively.

### *Rationalizations*

We record costs for rationalization actions implemented to reduce excess and high-cost manufacturing capacity and operating and administrative costs. Associate-related costs include severance, supplemental unemployment compensation and benefits, medical benefits, pension curtailments, postretirement benefits, and other termination benefits. For ongoing benefit arrangements, a liability is recognized when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated. For one-time benefit arrangements, a liability is incurred and must be accrued at the date the plan is communicated to employees, unless they will be retained beyond a minimum retention period. In this case, the liability is calculated at the date the plan is communicated to employees and is accrued ratably over the future service period. Other costs generally include non-cancelable lease costs, contract terminations, and relocation costs. A liability for these costs is recognized in the period in which the liability is incurred. Rationalization charges related to accelerated depreciation and asset impairments are recorded in CGS or SAG. Refer to Note 2.

### *Income Taxes*

Income taxes are recognized during the year in which transactions enter into the determination of financial statement income, with deferred taxes being provided for temporary differences between carrying values of assets and liabilities for financial reporting purposes and such carrying values as measured under applicable tax laws. The effect on deferred tax assets or liabilities of a change in the tax law or tax rate is recognized in the period the change is enacted. Valuation allowances are recorded to reduce net deferred tax assets to the amount that is more likely than not to be realized. The calculation of our tax liabilities also involves considering uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain income tax positions based on our estimate of whether it is more likely than not that additional taxes will be required and we report related interest and penalties as income taxes.

The Tax Cuts and Jobs Act, which was enacted on December 22, 2017, subjects a U.S. parent to current tax on its "global intangible low-taxed income," or GILTI. We do not anticipate incurring a GILTI liability, however, to the extent that we incur expense under the GILTI provisions we will treat it as a component of income tax expense in the period incurred. Refer to Note 6.

### *Cash and Cash Equivalents / Consolidated Statements of Cash Flows*

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less. Substantially all of our cash and short-term investment securities are held with investment graded-rated counterparties. At December 31, 2017, our cash investments with any single counterparty did not exceed \$218 million.

Cash flows associated with derivative financial instruments designated as hedges of identifiable transactions or events are classified in the same category as the cash flows from the related hedged items. Cash flows associated with derivative financial instruments not designated as hedges are classified as operating activities. Bank

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

overdrafts, if any, are recorded within Notes Payable and Overdrafts. Cash flows associated with bank overdrafts are classified as financing activities.

Customer prepayments for products and government grants received that are related to operations are reported as operating activities. Government grants received that are solely related to capital expenditures are reported as investing activities. The Consolidated Statements of Cash Flows are presented net of capital leases of \$5 million, \$3 million and \$3 million originating in the years ended December 31, 2017, 2016 and 2015, respectively. Cash flows from investing activities in 2017 exclude \$265 million of accrued capital expenditures remaining unpaid at December 31, 2017, and include payment for \$264 million of capital expenditures that were accrued and unpaid at December 31, 2016. Cash flows from investing activities in 2016 exclude \$264 million of accrued capital expenditures remaining unpaid at December 31, 2016, and include payment for \$254 million of capital expenditures that were accrued and unpaid at December 31, 2015.

### ***Restricted Cash***

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

<i>(In millions)</i>	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cash and Cash Equivalents .....	\$1,043	\$1,132	\$1,476
Restricted Cash .....	67	57	26
Total Cash, Cash Equivalents and Restricted Cash .....	<b>\$1,110</b>	<b>\$1,189</b>	<b>\$1,502</b>

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 is remitted to the purchaser of those receivables or when funds are used for plant expansion expenditures, respectively.

### ***Restricted Net Assets***

In certain countries where we operate, transfers of funds into or out of such countries by way of dividends, loans or advances are generally or periodically subject to various governmental regulations. In addition, certain of our credit agreements and other debt instruments limit the ability of foreign subsidiaries to make cash distributions. At December 31, 2017, approximately \$807 million of net assets were subject to such regulations or limitations.

### ***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out or the average cost method. Costs include direct material, direct labor and applicable manufacturing and engineering overhead. We allocate fixed manufacturing overheads based on normal production capacity and recognize abnormal manufacturing costs as period costs. We determine a provision for excess and obsolete inventory based on management's review of inventories on hand compared to estimated future usage and sales. Refer to Note 10.

### ***Goodwill and Other Intangible Assets***

Goodwill is recorded when the cost of acquired businesses exceeds the fair value of the identifiable net assets acquired. Goodwill and intangible assets with indefinite useful lives are not amortized but are assessed for impairment annually with the option to perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of the

## **THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**

reporting unit or indefinite-lived intangible to its carrying amount. Under the qualitative assessment, an entity is not required to calculate the fair value unless the entity determines that it is more likely than not that the fair value is less than the carrying amount. If under the quantitative assessment the fair value is less than the carrying amount, then the amount of the impairment loss, if any, must be measured.

In addition to annual testing, impairment testing is conducted when events occur or circumstances change that would more likely than not reduce the fair value of the asset below its carrying amount. Goodwill and intangible assets with indefinite useful lives would be written down to fair value if considered impaired. Intangible assets with finite useful lives are amortized to their estimated residual values over such finite lives, and reviewed for impairment whenever events or circumstances warrant such a review. Refer to Note 11.

### ***Investments***

Investments in marketable securities are stated at fair value. Fair value is determined using quoted market prices at the end of the reporting period and, when appropriate, exchange rates at that date. Unrealized gains and losses on marketable securities classified as available-for-sale are recorded in AOCL, net of tax. We regularly review our investments to determine whether a decline in fair value below the cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the security is written down to fair value and the amount of the write-down is included in the Consolidated Statements of Operations. Refer to Notes 16 and 21.

### ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method. Additions and improvements that substantially extend the useful life of property, plant and equipment, and interest costs incurred during the construction period of major projects are capitalized. Government grants to us that are solely related to capital expenditures are recorded as reductions of the cost of the associated assets. Repair and maintenance costs are expensed as incurred. Property, plant and equipment are depreciated to their estimated residual values over their estimated useful lives, and reviewed for impairment whenever events or circumstances warrant such a review. Depreciation expense for property, plant and equipment was \$779 million, \$726 million and \$697 million in 2017, 2016 and 2015, respectively. Refer to Notes 3 and 13.

### ***Foreign Currency Translation***

The functional currency for most subsidiaries outside the United States is the local currency. Financial statements of these subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for revenues, expenses, gains and losses. The U.S. dollar is used as the functional currency in countries with a history of high inflation and in countries that predominantly sell into the U.S. dollar export market. For all operations, gains or losses from remeasuring foreign currency transactions into the functional currency are included in Other (Income) Expense. Translation adjustments are recorded in AOCL. Income taxes are generally not provided for foreign currency translation adjustments.

### ***Derivative Financial Instruments and Hedging Activities***

To qualify for hedge accounting, hedging instruments must be designated as hedges and meet defined correlation and effectiveness criteria. These criteria require that the anticipated cash flows and/or changes in fair value of the hedging instrument substantially offset those of the position being hedged.

Derivative contracts are reported at fair value on the Consolidated Balance Sheets as Accounts Receivable, Other Assets, Other Current Liabilities or Other Long Term Liabilities. Deferred gains and losses on contracts designated as cash flow hedges are recorded net of tax in AOCL. Ineffectiveness in hedging relationships is recorded in Other (Income) Expense in the current period.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

*Interest Rate Contracts* — Gains and losses on contracts designated as cash flow hedges are initially deferred and recorded in AOCL. Amounts are transferred from AOCL and recognized in income as Interest Expense in the same period that the hedged item is recognized in income. Gains and losses on contracts designated as fair value hedges are recognized in income in the current period as Interest Expense. Gains and losses on contracts with no hedging designation are recorded in the current period in Other (Income) Expense.

*Foreign Currency Contracts* — Gains and losses on contracts designated as cash flow hedges are initially deferred and recorded in AOCL. Amounts are transferred from AOCL and recognized in income in the same period and on the same line that the hedged item is recognized in income. Gains and losses on contracts designated as fair value hedges, excluding premiums and discounts, are recorded in Other (Income) Expense in the current period. Gains and losses on contracts with no hedging designation are also recorded in Other (Income) Expense in the current period. We do not include premiums or discounts on forward currency contracts in our assessment of hedge effectiveness. Premiums and discounts on contracts designated as hedges are recognized in Other (Income) Expense over the life of the contract.

*Net Investment Hedging* — Nonderivative instruments denominated in foreign currencies are used from time to time to hedge net investments in foreign subsidiaries. Gains and losses on these instruments are deferred and recorded in AOCL as Foreign Currency Translation Adjustments. These gains and losses are only recognized in income upon the complete or partial sale of the related investment or the complete liquidation of the investment.

*Termination of Contracts* — Gains and losses (including deferred gains and losses in AOCL) are recognized in Other (Income) Expense when contracts are terminated concurrently with the termination of the hedged position. To the extent that such position remains outstanding, gains and losses are amortized to Interest Expense or to Other (Income) Expense over the remaining life of that position. Gains and losses on contracts that we temporarily continue to hold after the early termination of a hedged position, or that otherwise no longer qualify for hedge accounting, are recognized in Other (Income) Expense. Refer to Note 15.

### ***Stock-Based Compensation***

We measure compensation cost arising from the grant of stock-based awards to employees at fair value and recognize such cost in income over the period during which the service is provided, usually the vesting period. We recognize compensation expense using the straight-line approach.

Stock-based awards to employees include grants of performance share units, restricted stock units and stock options. We measure the fair value of grants of performance share units and restricted stock 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.

We estimate the fair value of stock options using the Black-Scholes valuation model. Assumptions used to estimate compensation expense are determined as follows:

- Expected term represents the period of time that options granted are expected to be outstanding based on our historical experience of option exercises;
- Expected volatility is measured using the weighted average of historical daily changes in the market price of our common stock over the expected term of the award and implied volatility calculated for our exchange traded options with an expiration date greater than one year;
- Risk-free interest rate is equivalent to the implied yield on zero-coupon U.S. Treasury bonds with a remaining maturity equal to the expected term of the awards; and
- Forfeitures are based substantially on the history of cancellations of similar awards granted in prior years.

Refer to Note 18.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

### *Earnings Per Share of Common Stock*

Basic earnings per share are computed based on the weighted average number of common shares outstanding. Diluted earnings per share primarily reflects the dilutive impact of outstanding stock options and other stock based awards. All earnings per share amounts in these notes to the consolidated financial statements are diluted, unless otherwise noted. Refer to Note 7.

### *Fair Value Measurements*

#### *Valuation Hierarchy*

Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date.

- Level 1 — Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 — Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

#### *Investments*

Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics or inputs other than quoted prices that are observable for the security, and would be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities would be classified within Level 3 of the valuation hierarchy.

#### *Derivative Financial Instruments*

Exchange-traded derivative financial instruments that are valued using quoted prices would be classified within Level 1 of the valuation hierarchy. Derivative financial instruments valued using internally-developed models that use as their basis readily observable market parameters are classified within Level 2 of the valuation hierarchy. Derivative financial instruments that are valued based upon models with significant unobservable market parameters, and that are normally traded less actively, would be classified within Level 3 of the valuation hierarchy. Refer to Notes 15 and 16.

### *Reclassifications and Adjustments*

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current presentation. Additionally, in the second quarter of 2016, we recorded an out of period adjustment of \$24 million of expense related to the elimination of intracompany profit in Americas. The adjustment primarily relates to the years, and interim periods therein, of 2012 to 2015, with the majority attributable to 2012. The adjustment did not have a material effect on any of the periods impacted.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

### 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 excess and high-cost manufacturing capacity and to reduce associate costs.

The following table presents the roll-forward of the liability balance between periods:

<i>(In millions)</i>	<b>Associate-related Costs</b>	<b>Other Costs</b>	<b>Total</b>
<b>Balance at December 31, 2014</b> .....	\$ 117	\$ 2	\$ 119
2015 charges <sup>(1)</sup> .....	86	30	116
Incurred, Net of Foreign Currency Translation of \$(12) million and \$0 million, respectively <sup>(2)</sup> .....	(106)	(25)	(131)
Reversed to the Statement of Operations .....	(1)	—	(1)
<b>Balance at December 31, 2015</b> .....	\$ 96	\$ 7	\$ 103
2016 charges <sup>(1)</sup> .....	202	16	218
Incurred, Net of Foreign Currency Translation of \$(13) million and \$0 million, respectively <sup>(2)</sup> .....	(75)	(18)	(93)
Reversed to the Statement of Operations .....	(9)	—	(9)
<b>Balance at December 31, 2016</b> .....	\$ 214	\$ 5	\$ 219
2017 charges <sup>(1)</sup> .....	103	32	135
Incurred, Net of Foreign Currency Translation of \$25 million and \$1 million, respectively .....	(94)	(34)	(128)
Reversed to the Statement of Operations .....	(13)	—	(13)
<b>Balance at December 31, 2017</b> .....	<b>\$ 210</b>	<b>\$ 3</b>	<b>\$ 213</b>

(1) Charges of \$135 million, \$218 million and \$116 million in 2017, 2016 and 2015, respectively, exclude \$13 million, \$1 million and \$(1) million of benefit plan curtailments and settlements recorded in Rationalizations in the Statement of Operations.

(2) Incurred in 2016 and 2015 of \$93 million and \$131 million, respectively, excludes \$6 million and \$25 million, respectively, of rationalization payments, primarily for labor claims relating to a previously closed facility in Greece.

Rationalization actions accrued at December 31, 2017 include \$90 million related to the closure of our tire manufacturing facility in Philippsburg, Germany, which was 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 remainder of the accrual balance at December 31, 2017 includes \$53 million related to plans to reduce manufacturing headcount in Europe, Middle East and Africa (“EMEA”), \$29 million related to global plans to reduce SAG headcount, and \$13 million related to a SAG headcount reduction plan in EMEA.

The accrual balance at December 31, 2017 is expected to be substantially utilized in the next 12 months.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The net rationalization charges included in Income before Income Taxes are as follows:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Current Year Plans</b>			
Associate Severance and Other Related Costs .....	\$ 81	\$188	\$ 66
Other Exit and Non-Cancelable Lease Costs .....	<u>2</u>	<u>1</u>	<u>7</u>
Current Year Plans — Net Charges .....	\$ 83	\$189	\$ 73
<b>Prior Year Plans</b>			
Associate Severance and Other Related Costs .....	\$ 9	\$ 5	\$ 19
Benefit Plan Curtailments and Settlements .....	13	1	(1)
Other Exit and Non-Cancelable Lease Costs .....	<u>30</u>	<u>15</u>	<u>23</u>
Prior Year Plans — Net Charges .....	<u>52</u>	<u>21</u>	<u>41</u>
Total Net Charges .....	<u>\$135</u>	<u>\$210</u>	<u>\$114</u>
Asset Write-off and Accelerated Depreciation Charges .....	<u>\$ 40</u>	<u>\$ 20</u>	<u>\$ 8</u>

Substantially all of the new charges in 2017 related to future cash outflows. Net current year plan charges at December 31, 2017 include charges of \$30 million related to reductions in manufacturing headcount in EMEA, \$25 million related to a global plan to reduce SAG headcount, \$20 million related to SAG headcount reductions in EMEA, and \$8 million related to a plan to improve operating efficiency in EMEA.

Net prior year plan charges recognized in the year ended December 31, 2017 include charges of \$35 million related to the closure of our tire manufacturing facility in Philippsburg, Germany, \$8 million related to manufacturing headcount reductions in EMEA, and \$7 million related to a separate global plan to reduce SAG headcount.

Net charges for the year ended December 31, 2017 included reversals of \$13 million for actions no longer needed for their originally intended purposes. Ongoing rationalization plans had approximately \$730 million in charges through 2017 and approximately \$35 million is expected to be incurred in future periods.

Approximately 600 associates will be released under new plans initiated in 2017, of which approximately 200 were released through December 31, 2017. In 2017, approximately 1,300 associates were released under plans initiated in prior years, primarily related to the closure of our tire manufacturing facility in Philippsburg, Germany. Approximately 700 associates remain to be released under all ongoing rationalization plans.

At December 31, 2017, approximately 840 former associates of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims against us. Refer to Note 19.

Asset write-off and accelerated depreciation charges in 2017 primarily related to the closure of our tire manufacturing facility in Philippsburg, Germany. Asset write-off and accelerated depreciation charges for all periods were recorded in CGS.

Rationalization activities initiated in 2016 consisted primarily of charges of \$116 million related to the plan to close our tire manufacturing facility in Philippsburg, Germany, \$34 million related to a global plan to reduce SAG headcount, and \$25 million related to manufacturing headcount reductions in EMEA. Net prior year plan charges recognized in the year ended December 31, 2016 include charges of \$12 million related to the closure of one of our manufacturing facilities in Amiens, France.

Accelerated depreciation charges in 2016 primarily related to the closure of our Wolverhampton, U.K. mixing and retreading facility and the plan to close our tire manufacturing facility in Philippsburg, Germany.

Rationalization activities initiated in 2015 consisted primarily of charges of \$38 million related to the plan to close our Wolverhampton, U.K. mixing and retreading facility and a plan to transfer consumer tire production



## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

from our manufacturing facility in Wittlich, Germany to other manufacturing facilities in EMEA. Additional charges for the year ended December 31, 2015 primarily related to plans to reduce manufacturing and SAG headcount in EMEA and Americas. Net prior year plan charges recognized in the year ended December 31, 2015 include charges of \$33 million related to the closure of one of our manufacturing facilities in Amiens, France and our exit from the farm tire business in EMEA.

Accelerated depreciation charges in 2015 primarily related to the plan to close our Wolverhampton, U.K. mixing and retreading facility.

### Note 3. Interest Expense

Interest expense includes interest and the amortization of deferred financing fees and debt discounts, less amounts capitalized, as follows:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Interest expense before capitalization . . . . .	\$358	\$398	\$457
Capitalized interest . . . . .	(23)	(26)	(19)
	<u>\$335</u>	<u>\$372</u>	<u>\$438</u>

Cash payments for interest, net of amounts capitalized, were \$314 million, \$351 million and \$445 million in 2017, 2016 and 2015, respectively.

### Note 4. Other (Income) Expense

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Financing fees and financial instruments . . . . .	\$ 55	\$ 83	\$ 85
Royalty income . . . . .	(32)	(23)	(192)
Net (gains) losses on asset sales . . . . .	(14)	(31)	(71)
Interest income . . . . .	(13)	(15)	(22)
Net foreign currency exchange (gains) losses . . . . .	(7)	(13)	77
General and product liability (income) expense — discontinued products . . .	—	(27)	(25)
Miscellaneous . . . . .	19	16	7
	<u>\$ 8</u>	<u>\$(10)</u>	<u>\$(141)</u>

Financing fees and financial instruments expense consists of commitment fees and charges incurred in connection with financing transactions. Financing fees and financial instruments expense in 2017 includes a premium of \$25 million related to the redemption of our \$700 million 7% senior notes due 2022 in May 2017. Financing fees and financial instruments expense in 2016 included premiums of \$53 million 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. Financing fees and financial instruments expense in 2015 included a premium of \$41 million related to the redemption of our \$1,000 million 8.25% senior notes due 2020 in December 2015.

Royalty income is derived primarily from licensing arrangements related to divested businesses as well as other licensing arrangements. Royalty income in 2015 included a one-time pre-tax gain of \$155 million on the recognition of deferred income resulting from the termination of a licensing agreement associated with the sale of our former Engineered Products business (“Veyance”). The licensing agreement was terminated following the acquisition of Veyance by Continental AG in January 2015.

Net (gains) losses on asset sales in 2017 include a gain of \$6 million related to the sale of a former wire plant site in Luxembourg. Net (gains) losses on asset sales in 2016 included a gain of \$16 million related to the sale of the

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

former wire plant site and a gain of \$9 million related to the sale of our interest in a supply chain logistics company. Net (gains) losses on asset sales in 2015 included a gain of \$48 million related to the dissolution of the global alliance with SRI and a gain of \$30 million on the sale of our investment in shares of SRI. Refer to Note 5. Net gains on asset sales in 2015 also included losses of \$14 million in EMEA, primarily related to the sales of certain sub-Saharan Africa retail businesses.

Interest income consists primarily of amounts earned on cash deposits.

Foreign currency exchange in all periods reflects net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, including \$34 million of losses in 2015 resulting from the devaluation of the Venezuelan bolivar fuerte against the U.S. dollar.

General and product liability (income) expense — discontinued products includes charges for claims against us related primarily to asbestos personal injury claims, net of probable insurance recoveries. General and product liability (income) expense — discontinued products in 2017 includes a benefit of \$5 million for the recovery of past costs from certain asbestos insurers.

General and product liability (income) expense — discontinued products in 2016 included a benefit of \$24 million for the recovery of past costs from certain asbestos insurers and a benefit of \$10 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods. General and product liability (income) expense — discontinued products in 2015 included a benefit of \$25 million for the recovery of past costs from one of our asbestos insurers and a benefit of \$21 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods. The 2015 benefits were partially offset by an \$8 million increase in the net asbestos liability based on updated assumptions for defense and indemnity costs in future periods based on historical cost data and trends.

Miscellaneous expense in 2017 includes \$14 million related to expenses incurred by the Company as a direct result of hurricanes Harvey and Irma during 2017.

### **Note 5. Dissolution of Global Alliance with Sumitomo Rubber Industries**

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

Prior to the dissolution, the Company owned 75% and SRI owned 25% of two companies, Goodyear Dunlop Tires Europe B.V. (“GDTE”) and Goodyear Dunlop Tires North America, Ltd. (“GDTNA”). GDTE owns and operates substantially all of the Company’s tire businesses in Europe. GDTNA had rights to the Dunlop brand and operated certain related businesses in the United States, Canada and Mexico. In Japan, the Company owned 25% and SRI owned 75% of two companies, one, Nippon Goodyear Ltd. (“NGY”), for the sale of Goodyear-brand passenger and truck tires for replacement in Japan and the other, Dunlop Goodyear Tires Ltd. (“DGT”), for the sale of Goodyear-brand and Dunlop-brand tires to vehicle manufacturers in Japan.

Pursuant to the Framework Agreement, the Company sold to SRI its 75% interest in GDTNA for \$125 million, 25% interest in DGT for \$14 million and Huntsville, Alabama test track used by GDTNA for \$6 million. Accordingly, the Company no longer has any remaining ownership interests in GDTNA, DGT or the Huntsville, Alabama test track. With the sale of GDTNA, SRI obtained full ownership of the Dunlop motorcycle tire business in the United States, Canada and Mexico, and the rights to sell Dunlop-brand tires to Japanese vehicle manufacturers in the United States, Canada and Mexico. The Company retained exclusive rights to sell Dunlop-brand tires in both the consumer and commercial replacement markets of the United States, Canada and Mexico as well as to non-Japanese vehicle manufacturers in those countries.

The Company also acquired SRI’s 75% interest in NGY for \$29 million and 25% interest in GDTE for \$387 million. Accordingly, the Company now has full ownership interests in NGY and GDTE. In addition, SRI obtained exclusive rights to sell Dunlop-brand tires in those countries that were previously non-exclusive under the global alliance, including Russia, Turkey and certain countries in Africa.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

We paid SRI a net amount of \$271 million upon closing of the transactions described above. In addition, we delivered a promissory note to GDTNA in an initial principal amount of \$56 million, with a maturity date three years following the date of dissolution and at an interest rate of LIBOR plus 0.1%, that represented SRI's 25% interest in a GDTNA loan receivable from the Company.

The contractual net consideration paid of \$271 million, discussed above, represented an amount agreed to by the Company and SRI as a result of arm's length negotiations for the dissolution of the global alliance. In order to appropriately account for the various components of the dissolution transaction within its consolidated financial statements, the Company independently estimated the fair value of each component of the dissolution transaction as of the October 1, 2015 closing date using commonly used fair value measurement techniques, such as discounted cash flow methods and market approaches based on comparable companies, in order to determine the fair value of consideration for each component and the gain or loss on the dissolution transaction.

The Framework Agreement also provided that we and SRI would conduct an orderly sale of the SRI common stock held by us and the Goodyear common stock held by SRI. As of December 31, 2015, the Company sold all of its common stock in SRI resulting in total proceeds of \$47 million and a pre-tax gain of \$30 million that was recorded within Other (Income) Expense.

In addition to the gain recognized on the sale of SRI common stock, the Company recognized a pre-tax gain of \$48 million on the transactions described above that was recorded in Other (Income) Expense. The net gain on the transaction, after taxes, was \$38 million. The net pre-tax gain on the dissolution transaction of \$48 million is comprised of the following:

<i>(In millions)</i>	
Pre-tax gain on sale of a controlling interest in GDTNA .....	\$ 23
Pre-tax gain on sale of a non-controlling investment in DGT .....	42
Pre-tax gain on sale of non-exclusive rights .....	19
Transaction costs and other .....	(8)
Net product liability claims .....	<u>(28)</u>
	<u>\$ 48</u>

Pursuant to the Framework Agreement, the Company will defend product liability claims related to GDTNA's historical operations. We recorded a net liability of \$28 million reflecting the estimated cost of the Company's obligation to defend those product liability claims net of the amount recorded for the indemnification of those claims provided by SRI to the Company under the Framework Agreement.

Prior to October 1, 2015, GDTE's assets and liabilities were included in our consolidated balance sheets and GDTE's results of operations were included in our consolidated statements of operations, which also reflected SRI's minority interest in GDTE. Subsequent to October 1, 2015, we continue to include GDTE in our consolidated balance sheets and consolidated statements of operations; however, there is no minority interest impact to our results of operations related to GDTE. Additionally, prior to October 1, 2015, we accounted for NGY under the equity method as we did not have a controlling financial interest in NGY. Subsequent to October 1, 2015, we have a controlling interest in NGY and, accordingly, NGY's assets and liabilities are included in our consolidated balance sheet as of December 31, 2015, and NGY's results of operations are included in our consolidated statements of operations. The effects of the acquisition of NGY were not material to our consolidated balance sheet or results of operations as of and for the year ended December 31, 2015.

For the year ended December 31, 2015, the Company had classified the closing payment of \$271 million as cash flows from financing activities as the acquisition of the minority shareholder's equity in GDTE represents the predominant use of these proceeds.

The Company and SRI entered into various supply agreements, licenses, transition services agreements, releases and other ancillary agreements in connection with the Framework Agreement to give effect to the dissolution

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

and/or to set forth arrangements between the Company and SRI following the dissolution. The Company and SRI also each agreed to indemnify the other for certain losses arising out of breaches of representations and warranties, covenants and other specified matters, including product liability matters. The Company recorded an indemnification asset of \$32 million for SRI's obligation to reimburse the Company for certain product liability claims related to periods prior to the dissolution, subject to certain caps and restrictions. At December 31, 2017, a total indemnification asset of \$35 million is recorded within Accounts Receivable of \$5 million and Other Assets of \$30 million. The range of possible outcomes for the indemnification receivable is not material to the Company's financial statements.

As a result of the sale of GDTNA and the acquisition of the minority interest in GDTE in 2015, we recognized a net decrease in AOCL of \$77 million, comprised of a reduction of \$184 million for GDTNA accumulated pension-related losses that were recognized in the net gain on sale for the transaction, partially offset by an increase of \$107 million primarily for GDTE pension-related losses that were reclassified from minority shareholders' equity into AOCL. We also recognized an increase in our capital surplus of \$60 million related to our acquisition of the minority interest in GDTE.

### Note 6. Income Taxes

The components of Income before Income Taxes follow:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
U.S. ....	\$394	\$ 595	\$284
Foreign .....	484	612	324
	<u>\$878</u>	<u>\$1,207</u>	<u>\$608</u>

A reconciliation of income taxes at the U.S. statutory rate to United States and Foreign Tax (Benefit) Expense follows:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
U.S. Federal income tax expense at the statutory rate of 35% .....	\$ 307	\$ 422	\$213
Deferred tax impact of enacted tax rate and law changes .....	389	(2)	(2)
Provision for undistributed foreign earnings, net .....	(162)	—	—
Transition tax (repatriation) .....	77	—	—
Adjustment for foreign income taxed at different rates .....	(55)	(51)	(39)
U.S. credits (R&D, foreign tax credits) and benefits offset to OCI .....	(23)	(163)	(72)
Domestic production activities deduction .....	(16)	(3)	—
State income taxes, net of U.S. Federal benefit .....	9	16	10
Net foreign losses (income) with no tax due to valuation allowances .....	(7)	8	(19)
Net establishment (resolution) of uncertain tax positions .....	(6)	3	(13)
Net establishment (release) of U.S. valuation allowance .....	5	39	(8)
Net establishment (release) of foreign valuation allowances .....	1	(354)	4
Deconsolidation of Venezuelan subsidiary .....	—	—	157
Other .....	(6)	8	1
<b>United States and Foreign Tax (Benefit) Expense .....</b>	<b><u>\$ 513</u></b>	<b><u>\$ (77)</u></b>	<b><u>\$232</u></b>

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The components of United States and Foreign Tax (Benefit) Expense by taxing jurisdiction, follow:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Current:</b>			
Federal .....	\$ (22)	\$ (25)	\$ —
Foreign .....	147	175	154
State .....	<u>3</u>	<u>2</u>	<u>(1)</u>
	128	152	153
<b>Deferred:</b>			
Federal .....	408	77	74
Foreign .....	(8)	(328)	5
State .....	<u>(15)</u>	<u>22</u>	<u>—</u>
	<u>385</u>	<u>(229)</u>	<u>79</u>
<b>United States and Foreign Tax (Benefit) Expense .....</b>	<u><u>\$513</u></u>	<u><u>\$ (77)</u></u>	<u><u>\$232</u></u>

In 2017, income tax expense of \$513 million was unfavorably impacted by net discrete adjustments of \$294 million, due to a net non-cash charge of \$299 million related to the enactment of the Tax Cuts and Jobs Act (the “Tax Act”) in the United States, and \$5 million, net benefit, of other miscellaneous discrete tax items.

Effective January 1, 2018, the Tax Act establishes a corporate income tax rate of 21%, replacing the current 35% rate, and creates a territorial tax system rather than a worldwide system, which generally eliminates the U.S. federal income tax on dividends from foreign subsidiaries. The transition to the territorial system includes a one-time transition tax on certain of our foreign earnings previously untaxed in the United States. Certain impacts of the new legislation would generally require accounting to be completed in the period of enactment, however, in response to the complexities of this new legislation, the Securities and Exchange Commission (“SEC”) issued guidance to provide companies with relief. Specifically, when the initial accounting for items under the new legislation is incomplete, the guidance allows us to include provisional amounts when reasonable estimates can be made. The SEC has provided up to a one-year measurement period for companies to finalize the accounting for the impacts of this new legislation and we anticipate finalizing our accounting over the coming quarters. While our accounting for the Tax Act is not complete, we have made reasonable estimates for certain provisions and we have recorded a non-cash net charge to tax expense of \$299 million related to its enactment. This net charge includes a deferred tax charge of \$384 million primarily from revaluing our net U.S. deferred tax assets to reflect the new U.S. corporate tax rate. We believe this calculation is complete except for changes in estimates that can result from finalizing the filing of our 2017 U.S. income tax return, which are not anticipated to be material, and changes that may be a direct impact of other provisional amounts recorded due to the enactment of the Tax Act. The net charge also includes a provisional deferred tax benefit of \$162 million to reverse reserves maintained for the taxation of undistributed foreign earnings under prior law net of reserves established for foreign withholding taxes consistent with our revised indefinite reinvestment assertion, and a provisional deferred tax charge of \$77 million related to the one-time transition tax. In general, the one-time transition tax imposed by the Tax Act results in the taxation of our accumulated foreign earnings and profits (“E&P”) at a 15.5% rate on liquid assets and 8% on the remaining unremitted foreign E&P, both net of foreign tax credits. At this time, we have not yet gathered, prepared and analyzed the necessary information with respect to 2017 in sufficient detail to complete the complex calculations necessary to finalize the amount of our transition tax. We also anticipate that further guidance may become available in this and other areas. We believe that our preliminary calculations result in a reasonable estimate of the transition tax and related foreign tax credit and, as such, have included those amounts in our year-end income tax provision. As the analysis of accumulated foreign E&P and related foreign taxes paid are completed on an entity by entity basis and we finalize the amount

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

held in cash or other specified assets, we will update our provisional estimate of the transition tax and related foreign tax credit.

In 2016, the income tax benefit of \$77 million was favorably impacted by net discrete adjustments of \$458 million, due primarily to a tax benefit of \$331 million from the December 31, 2016 release of the valuation allowance on certain subsidiaries in England, France, Luxembourg and New Zealand. As of December 31, 2016, these subsidiaries on which we have maintained a full valuation allowance have achieved earnings of a duration and magnitude that they were in a position of cumulative profits for the most recent three-year period. As a consequence of this profitability in recent periods and our future business plans forecasting sustainable profitability, we concluded that it was more likely than not that our deferred tax assets in these entities will be realized. The 2016 income tax benefit also included a \$163 million tax benefit resulting from changing our election for our 2009, 2010 and 2012 U.S. tax years from deducting foreign taxes to crediting foreign taxes, a \$39 million tax charge related to establishing a valuation allowance in the United States on deferred tax assets related to receivables from our deconsolidated Venezuelan operations which were contributed to its capital, and a \$7 million tax benefit related to the release of a valuation allowance in Brazil due to the collection of a receivable that had previously been written off as uncollectible.

In 2015, income tax expense of \$232 million included net discrete tax benefits of \$18 million unrelated to current year income, due primarily to a \$9 million benefit from the conclusion of non-U.S. tax claims and an \$8 million benefit from the release of a valuation allowance related to certain state deferred tax assets. Our tax expense for 2015 also included a U.S. tax benefit of \$69 million related to the pre-tax loss of \$646 million on the deconsolidation of our Venezuelan subsidiary (refer to Note 1), and a current year benefit of \$10 million related to recently enacted U.S. legislation extending the research and development credit.

Temporary differences and carryforwards giving rise to deferred tax assets and liabilities at December 31 follow:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>
Tax loss carryforwards and credits .....	\$1,515	\$1,503
Capitalized research and development expenditures .....	402	666
Accrued expenses deductible as paid .....	297	456
Postretirement benefits and pensions .....	223	294
Rationalizations and other provisions .....	36	36
Vacation and sick pay .....	24	37
Investment and receivables related to Venezuelan deconsolidation .....	80	134
Alternative minimum tax credit carryforwards .....	—	43
Other .....	<u>85</u>	<u>106</u>
	2,662	3,275
Valuation allowance .....	<u>(318)</u>	<u>(326)</u>
<b>Total deferred tax assets</b> .....	2,344	2,949
Property basis differences .....	(414)	(482)
Tax on undistributed earnings of subsidiaries .....	<u>(22)</u>	<u>(138)</u>
<b>Total net deferred tax assets</b> .....	<u>\$1,908</u>	<u>\$2,329</u>

At December 31, 2017, we had \$605 million of tax assets for net operating loss, capital loss and tax credit carryforwards related to certain foreign subsidiaries. These carryforwards are primarily from countries with unlimited carryforward periods, but include \$53 million of tax credits in various European countries that are subject to expiration from 2018 to 2027. A valuation allowance totaling \$230 million has been recorded against these and other deferred tax assets where recovery of the asset or carryforward is uncertain. In addition, we had

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

\$816 million of Federal and \$94 million of state tax assets for net operating loss and tax credit carryforwards. The Federal carryforwards consist of \$749 million of foreign tax credits that are subject to expiration from 2018 to 2025 and \$67 million of tax assets related to research and development credits and other Federal credits that are subject to expiration from 2030 to 2037. The state carryforwards are subject to expiration from 2018 to 2035. A valuation allowance of \$88 million has been recorded against Federal and state deferred tax assets where recovery is uncertain.

At December 31, 2017, we had unrecognized tax benefits of \$52 million that if recognized, would have a favorable impact on our tax expense of \$37 million. We had accrued interest of \$2 million as of December 31, 2017. If not favorably settled, \$5 million of the unrecognized tax benefits and all of the accrued interest would require the use of our cash. We do not expect changes during 2018 to our unrecognized tax benefits to have a significant impact on our financial position or results of operations.

### Reconciliation of Unrecognized Tax Benefits

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Balance at January 1</b> .....	\$63	\$54	\$ 81
Increases related to prior year tax positions .....	2	19	10
Decreases related to prior year tax positions .....	(2)	(8)	(10)
Settlements .....	(8)	(8)	(14)
Foreign currency impact .....	—	6	(15)
Increases related to current year tax positions .....	—	1	2
Lapse of statute of limitations .....	<u>(3)</u>	<u>(1)</u>	<u>—</u>
<b>Balance at December 31</b> .....	<u>\$52</u>	<u>\$63</u>	<u>\$ 54</u>

We are open to examination in the United States for 2017 and in Germany from 2013 onward. Generally, for our remaining tax jurisdictions, years from 2012 onward are still open to examination.

Prior to the enactment of the Tax Act, our assertion regarding the potential U.S. Federal taxation of certain undistributed earnings of certain foreign subsidiaries required a reserve of \$181 million which was established to account for potential strategies which may have been implemented to utilize certain U.S. tax attributes. With the enactment of the Tax Act, including a transition to the territorial system and a one-time transition tax on our foreign earnings previously untaxed in the United States, the reserve for the U.S. tax related to our prior assertion was no longer required and therefore released. As of December 31, 2017, we have changed our assertion and have established a reserve of \$19 million related to foreign withholding taxes (net of foreign tax credits) that we would incur should we repatriate certain earnings.

We have undistributed earnings of foreign subsidiaries of approximately \$1 billion where no provision for foreign withholding tax is required because such earnings have been or will be reinvested in property, plant and equipment and working capital. A withholding tax charge of approximately \$74 million (net of foreign tax credits) would be required if these earnings were to be distributed.

Net cash payments for income taxes were \$144 million, \$153 million and \$113 million in 2017, 2016 and 2015, respectively.

### Note 7. 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.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

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

<i>(In millions, except per share amounts)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Earnings per share — basic:			
Goodyear net income . . . . .	<u>\$ 346</u>	<u>\$1,264</u>	<u>\$ 307</u>
Weighted average shares outstanding . . . . .	<u>249</u>	<u>263</u>	<u>269</u>
Earnings per common share — basic . . . . .	<u>\$1.39</u>	<u>\$ 4.81</u>	<u>\$1.14</u>
Earnings per share — diluted:			
Goodyear net income . . . . .	<u>\$ 346</u>	<u>\$1,264</u>	<u>\$ 307</u>
Weighted average shares outstanding . . . . .	249	263	269
Dilutive effect of stock options and other dilutive securities . . . . .	<u>4</u>	<u>3</u>	<u>4</u>
Weighted average shares outstanding — diluted . . . . .	<u>253</u>	<u>266</u>	<u>273</u>
Earnings per common share — diluted . . . . .	<u>\$1.37</u>	<u>\$ 4.74</u>	<u>\$1.12</u>

Weighted average shares outstanding — diluted for 2017 and 2016 excludes approximately 1 million equivalent shares related to options with exercise prices greater than the average market price of our common stock (i.e., “underwater” options). There were no shares related to options with exercise prices greater than the average market price of our common stock for 2015.

### **Note 8. Business Segments**

Segment information reflects our strategic business units (“SBUs”), which are organized to meet customer requirements and global competition. For the year ended December 31, 2017, we operated our business through three operating segments representing our regional tire businesses: Americas; Europe, Middle East and Africa; and Asia Pacific. Segment information is reported on the basis used for reporting to our Chief Executive Officer. Each of the three regional business segments is involved in the development, manufacture, distribution and sale of tires. Certain of the business segments also provide related products and services, which include retreads and automotive and commercial truck maintenance and repair services. Each segment also exports tires to other segments.

Americas manufactures and sells tires for automobiles, trucks, buses, earthmoving, mining and industrial equipment, aircraft, and for various other applications. Americas also provides related products and services including retreaded tires, tread rubber, automotive and commercial truck maintenance and repair services, as well as sells chemical and natural rubber products to our other business segments and to unaffiliated customers. Americas’ 2015 segment sales and operating income include the results of our Venezuelan subsidiary, which was deconsolidated on December 31, 2015. Refer to Note 1. Americas’ segment sales and operating income subsequent to the deconsolidation exclude the results of our Venezuelan subsidiary.

Europe, Middle East and Africa manufactures and sells tires for automobiles, trucks, buses, aircraft, motorcycles, and earthmoving, mining and industrial equipment throughout Europe, the Middle East and Africa. EMEA also sells retreaded aviation tires, retreading and related services for commercial truck and earthmoving, mining and industrial equipment, and automotive maintenance and repair services.

Asia Pacific manufactures and sells tires for automobiles, trucks, aircraft, farm, and earthmoving, mining and industrial equipment throughout the Asia Pacific region. Asia Pacific also provides related products and services including retreaded truck and aviation tires, tread rubber, and automotive maintenance and repair services.



## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The following table presents segment sales and operating income, and the reconciliation of segment operating income to Income before Income Taxes:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Sales</b>			
Americas . . . . .	\$ 8,212	\$ 8,172	\$ 9,370
Europe, Middle East and Africa . . . . .	4,928	4,880	5,115
Asia Pacific . . . . .	<u>2,237</u>	<u>2,106</u>	<u>1,958</u>
<b>Net Sales</b> . . . . .	<u>\$15,377</u>	<u>\$15,158</u>	<u>\$16,443</u>
<b>Segment Operating Income</b>			
Americas . . . . .	\$ 825	\$ 1,151	\$ 1,266
Europe, Middle East and Africa . . . . .	355	461	435
Asia Pacific . . . . .	<u>342</u>	<u>373</u>	<u>319</u>
<b>Total Segment Operating Income</b> . . . . .	1,522	1,985	2,020
Less:			
Rationalizations . . . . .	135	210	114
Interest expense . . . . .	335	372	438
Other (income) expense <sup>(1)</sup> . . . . .	8	(10)	(141)
Asset write-offs and accelerated depreciation . . . . .	40	20	8
Corporate incentive compensation plans . . . . .	33	76	103
Pension curtailments/settlements <sup>(2)</sup> . . . . .	19	16	137
Intercompany profit elimination . . . . .	2	2	3
Loss on deconsolidation of Venezuelan subsidiary . . . . .	—	—	646
Retained expenses of divested operations . . . . .	13	18	14
Other <sup>(3)</sup> . . . . .	<u>59</u>	<u>74</u>	<u>90</u>
<b>Income before Income Taxes</b> . . . . .	<u>\$ 878</u>	<u>\$ 1,207</u>	<u>\$ 608</u>

(1) Refer to Note 4.

(2) Substantially all of the pension and curtailment settlement charges noted above relate to our SBUs; however, such costs were not included in segment operating income for purposes of management's assessment of SBU operating performance.

(3) Primarily represents unallocated corporate costs. Also includes the elimination of \$32 million, \$24 million and \$25 million for the years ended December 31, 2017, 2016 and 2015, respectively, of royalty income attributable to the strategic business units.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The following table presents segment assets at December 31:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>			
Americas .....	\$ 6,923	\$ 6,701	\$ 6,275
Europe, Middle East and Africa .....	4,995	4,385	4,377
Asia Pacific .....	<u>2,681</u>	<u>2,515</u>	<u>2,559</u>
<b>Total Segment Assets</b> .....	14,599	13,601	13,211
Corporate <sup>(1)</sup> .....	<u>2,465</u>	<u>2,910</u>	<u>3,180</u>
	<u>\$17,064</u>	<u>\$16,511</u>	<u>\$16,391</u>

(1) Corporate includes substantially all of our U.S. net deferred tax assets.

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-offs 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, asset sales, pension curtailments/settlements and certain other items.

The following table presents geographic information. Net sales by country were determined based on the location of the selling subsidiary. Long-lived assets consisted of property, plant and equipment. Besides Germany, management did not consider the net sales of any other individual countries outside the United States to be significant to the consolidated financial statements. For long-lived assets only, China and Germany were considered to be significant.

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Sales</b>			
United States .....	\$ 6,678	\$ 6,724	\$ 7,338
Germany .....	1,874	1,853	1,905
Other international .....	<u>6,825</u>	<u>6,581</u>	<u>7,200</u>
	<u>\$15,377</u>	<u>\$15,158</u>	<u>\$16,443</u>
<b>Long-Lived Assets</b>			
United States .....	\$ 2,750	\$ 2,651	\$ 2,468
China .....	766	716	766
Germany .....	727	717	778
Other international .....	<u>3,208</u>	<u>2,956</u>	<u>2,765</u>
	<u>\$ 7,451</u>	<u>\$ 7,040</u>	<u>\$ 6,777</u>

At December 31, 2017, significant concentrations of cash and cash equivalents held by our international subsidiaries included the following amounts:

- \$355 million or 34% in Europe, Middle East and Africa, primarily Belgium (\$310 million or 27% at December 31, 2016),
- \$344 million or 33% in Asia Pacific, primarily India, China and Australia (\$427 million or 38% at December 31, 2016), and

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

- \$169 million or 16% in Americas, primarily Canada and Brazil (\$203 million or 18% at December 31, 2016).

Rationalizations, as described in Note 2, Costs Associated with Rationalization Programs, Net (gains) losses on asset sales, as described in Note 4, Other (Income) Expense, 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>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Rationalizations</b>			
Americas .....	\$ 6	\$ 15	\$ 15
Europe, Middle East and Africa .....	111	184	95
Asia Pacific .....	<u>2</u>	<u>1</u>	<u>4</u>
<b>Total Segment Rationalizations</b> .....	119	200	114
Corporate .....	<u>16</u>	<u>10</u>	<u>—</u>
	<u>\$135</u>	<u>\$210</u>	<u>\$114</u>
<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net (Gains) Losses on Asset Sales</b>			
Americas .....	\$ (4)	\$ (4)	\$ (2)
Europe, Middle East and Africa .....	(10)	(17)	14
Asia Pacific .....	<u>—</u>	<u>(1)</u>	<u>(5)</u>
<b>Total Segment Asset Sales</b> .....	(14)	(22)	7
Corporate <sup>(1)</sup> .....	<u>—</u>	<u>(9)</u>	<u>(78)</u>
	<u>\$(14)</u>	<u>\$(31)</u>	<u>\$(71)</u>

- (1) Corporate gain on asset sales in 2015 included a \$48 million gain on the dissolution of our global alliance with SRI and a \$30 million gain on the sale of our investment in shares of SRI. Refer to Note 5.

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Asset Write-offs and Accelerated Depreciation</b>			
Americas .....	\$—	\$ 1	\$—
Europe, Middle East and Africa .....	40	19	8
Asia Pacific .....	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Segment Asset Write-offs and Accelerated Depreciation</b> .....	<u>\$40</u>	<u>\$20</u>	<u>\$ 8</u>

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The following tables present segment capital expenditures and depreciation and amortization:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Capital Expenditures</b>			
Americas .....	\$525	\$618	\$618
Europe, Middle East and Africa .....	159	191	223
Asia Pacific .....	<u>164</u>	<u>137</u>	<u>124</u>
<b>Total Segment Capital Expenditures</b> .....	848	946	965
Corporate .....	<u>33</u>	<u>50</u>	<u>18</u>
	<u>\$881</u>	<u>\$996</u>	<u>\$983</u>
<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Depreciation and Amortization</b>			
Americas .....	\$398	\$366	\$364
Europe, Middle East and Africa .....	191	192	186
Asia Pacific .....	<u>124</u>	<u>120</u>	<u>114</u>
<b>Total Segment Depreciation and Amortization</b> .....	713	678	664
Corporate .....	<u>68</u>	<u>49</u>	<u>34</u>
	<u>\$781</u>	<u>\$727</u>	<u>\$698</u>

The following table presents segment equity in the net income of investees accounted for by the equity method:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Equity in (Income)</b>			
Americas .....	\$ (5)	\$—	\$ (3)
Europe, Middle East and Africa .....	—	(1)	(1)
Asia Pacific <sup>(1)</sup> .....	<u>—</u>	<u>—</u>	<u>(12)</u>
<b>Total Segment Equity in (Income)</b> .....	<u>\$ (5)</u>	<u>\$ (1)</u>	<u>\$ (16)</u>

(1) Substantially all of the Asia Pacific segment equity in income related to 25% interests in NGY and DGT which ceased to be recognized effective October 1, 2015 following the dissolution of the global alliance with SRI. Refer to Note 5.

### Note 9. Accounts Receivable

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>
Accounts receivable .....	\$2,141	\$1,870
Allowance for doubtful accounts .....	<u>(116)</u>	<u>(101)</u>
	<u>\$2,025</u>	<u>\$1,769</u>

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

### Note 10. Inventories

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>
Raw materials .....	\$ 466	\$ 436
Work in process .....	142	131
Finished goods .....	<u>2,179</u>	<u>2,060</u>
	<u>\$2,787</u>	<u>\$2,627</u>

### Note 11. Goodwill and Intangible Assets

The following table presents the net carrying amount of goodwill allocated by reporting unit, and changes during 2017:

<i>(In millions)</i>	<u>Balance at December 31, 2016</u>	<u>Acquisitions</u>	<u>Divestitures</u>	<u>Translation</u>	<u>Balance at December 31, 2017</u>
Americas .....	\$ 91	\$—	\$—	\$—	\$ 91
Europe, Middle East and Africa .....	383	1	—	53	437
Asia Pacific .....	<u>61</u>	<u>1</u>	<u>—</u>	<u>5</u>	<u>67</u>
	<u>\$535</u>	<u>\$ 2</u>	<u>\$—</u>	<u>\$58</u>	<u>\$595</u>

The following table presents the net carrying amount of goodwill allocated by reporting unit, and changes during 2016:

<i>(In millions)</i>	<u>Balance at December 31, 2015</u>	<u>Acquisitions</u>	<u>Divestitures</u>	<u>Translation</u>	<u>Balance at December 31, 2016</u>
Americas .....	\$ 91	\$—	\$—	\$ —	\$ 91
Europe, Middle East and Africa .....	401	—	—	(18)	383
Asia Pacific .....	<u>63</u>	<u>—</u>	<u>—</u>	<u>(2)</u>	<u>61</u>
	<u>\$555</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(20)</u>	<u>\$535</u>

The following table presents information about intangible assets:

	<u>2017</u>			<u>2016</u>		
<i>(In millions)</i>	<u>Gross Carrying Amount <sup>(1)</sup></u>	<u>Accumulated Amortization <sup>(1)</sup></u>	<u>Net Carrying Amount</u>	<u>Gross Carrying Amount <sup>(1)</sup></u>	<u>Accumulated Amortization <sup>(1)</sup></u>	<u>Net Carrying Amount</u>
Intangible assets with indefinite lives .....	\$124	\$ (6)	\$118	\$128	\$ (6)	\$122
Trademarks and patents .....	26	(21)	5	24	(20)	4
Other intangible assets .....	<u>24</u>	<u>(8)</u>	<u>16</u>	<u>19</u>	<u>(9)</u>	<u>10</u>
	<u>\$174</u>	<u>\$(35)</u>	<u>\$139</u>	<u>\$171</u>	<u>\$(35)</u>	<u>\$136</u>

(1) Includes impact of foreign currency translation.

Intangible assets primarily comprise the rights to use the Dunlop brand name and related trademarks and certain other brand names and trademarks.

Amortization expense for intangible assets totaled \$1 million in 2017, 2016 and 2015, respectively. We estimate that annual amortization expense related to intangible assets will be approximately \$2 million in 2018 through 2022, and the weighted average remaining amortization period is approximately 21 years.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Our annual impairment analyses for 2017, 2016 and 2015 indicated no impairment of goodwill or intangible assets with indefinite lives. In addition, there were no events or circumstances that indicated the impairment tests should be re-performed for goodwill or for intangible assets with indefinite lives for any reporting unit at December 31, 2017.

### Note 12. Other Assets and Investments

Dividends received from our consolidated subsidiaries were \$558 million, \$66 million and \$46 million in 2017, 2016 and 2015, respectively. Dividends received in 2017 were primarily from a subsidiary in Luxembourg and paid to the United States. Dividends received from our affiliates accounted for using the equity method were \$5 million, \$4 million and \$24 million in 2017, 2016 and 2015, respectively.

### Note 13. Property, Plant and Equipment

<i>(In millions)</i>	2017			2016		
	Owned	Capital Leases	Total	Owned	Capital Leases	Total
Property, plant and equipment, at cost:						
Land .....	\$ 433	\$ —	\$ 433	\$ 397	\$ —	\$ 397
Buildings .....	2,589	30	2,619	2,288	35	2,323
Machinery and equipment .....	13,403	46	13,449	12,232	46	12,278
Construction in progress .....	721	—	721	887	—	887
	17,146	76	17,222	15,804	81	15,885
Accumulated depreciation .....	(10,047)	(31)	(10,078)	(9,102)	(23)	(9,125)
	7,099	45	7,144	6,702	58	6,760
Spare parts .....	307	—	307	280	—	280
	\$ 7,406	\$ 45	\$ 7,451	\$ 6,982	\$ 58	\$ 7,040

The range of useful lives of property used in arriving at the annual amount of depreciation are as follows: buildings and improvements, 3 to 45 years; machinery and equipment, 3 to 40 years.

### Note 14. Leased Assets

Net rental expense comprised the following:

<i>(In millions)</i>	2017	2016	2015
Gross rental expense .....	\$332	\$332	\$324
Sublease rental income .....	(17)	(27)	(33)
	\$315	\$305	\$291

We enter into leases primarily for our wholesale distribution facilities, administrative offices, retail stores, vehicles and data processing equipment under varying terms and conditions. Many of the leases require us to pay taxes assessed against leased property and the cost of insurance and maintenance. A portion of our retail distribution network is sublet to independent dealers.

While substantially all subleases and some operating leases are cancelable for periods beyond 2018, management expects that in the normal course of its business nearly all of its independent dealer distribution network will be actively operated. As leases and subleases for existing locations expire, we would normally expect to evaluate such leases and either renew the leases or substitute another more favorable retail location.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The following table presents minimum future lease payments:

<i>(In millions)</i>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 and Beyond</u>	<u>Total</u>
<b>Capital Leases</b>							
Minimum lease payments .....	\$ 10	\$ 7	\$ 6	\$ 18	\$ 2	\$ 24	\$ 67
Imputed interest .....	(3)	(3)	(3)	(3)	(1)	(14)	(27)
Present value .....	<u>\$ 7</u>	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ 15</u>	<u>\$ 1</u>	<u>\$ 10</u>	<u>\$ 40</u>
<b>Operating Leases</b>							
Minimum lease payments .....	\$265	\$202	\$156	\$110	\$63	\$250	\$1,046
Minimum sublease rentals .....	(12)	(8)	(6)	(3)	(2)	(7)	(38)
	<u>\$253</u>	<u>\$194</u>	<u>\$150</u>	<u>\$107</u>	<u>\$61</u>	<u>\$243</u>	<u>\$1,008</u>
Imputed interest .....							(161)
Present value .....							<u>\$ 847</u>

### Note 15. Financing Arrangements and Derivative Financial Instruments

At December 31, 2017, we had total credit arrangements of \$8,963 million, of which \$3,196 million were unused. At that date, 34% of our debt was at variable interest rates averaging 4.42%.

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

At December 31, 2017, we had short term committed and uncommitted credit arrangements totaling \$617 million, of which \$355 million were unused. These arrangements are available primarily to certain of our foreign subsidiaries through various banks at quoted market interest rates.

The following table presents amounts due within one year:

<i>(In millions)</i>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Notes payable and overdrafts:</b> .....	<u>\$ 262</u>	<u>\$ 245</u>
Weighted average interest rate .....	5.00%	6.18%
<b>Long term debt and capital leases due within one year:</b>		
Chinese credit facilities .....	\$ 113	\$ 146
Other domestic and foreign debt (including capital leases) .....	<u>278</u>	<u>290</u>
<b>Total long term debt and capital leases due within one year</b> .....	<u>\$ 391</u>	<u>\$ 436</u>
Weighted average interest rate .....	6.86%	9.39%
<b>Total obligations due within one year</b> .....	<u>\$ 653</u>	<u>\$ 681</u>

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

### Long Term Debt and Capital Leases and Financing Arrangements

At December 31, 2017, we had long term credit arrangements totaling \$8,346 million, of which \$2,841 million were unused.

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

<i>(In millions)</i>	December 31, 2017		December 31, 2016	
	Amount	Interest Rate	Amount	Interest Rate
Notes:				
8.75% due 2020 .....	\$ 275		\$ 273	
7% due 2022 .....	—		700	
5.125% due 2023 .....	1,000		1,000	
3.75% Euro Notes due 2023 .....	300		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 ...	—	—	85	1.98%
Second lien term loan facility due 2019 .....	400	3.50%	399	3.75%
€550 million revolving credit facility due 2020 .....	—	—	—	—
Pan-European accounts receivable facility .....	224	0.90%	198	0.98%
Mexican credit facilities .....	340	3.14%	138	2.78%
Chinese credit facilities .....	212	4.87%	315	4.68%
Other foreign and domestic debt <sup>(1)</sup> .....	967	6.02%	813	10.23%
	5,468		5,235	
Unamortized deferred financing fees .....	(41)		(42)	
	5,427		5,193	
Capital lease obligations .....	40		41	
	5,467		5,234	
Less portion due within one year .....	(391)		(436)	
	<b>\$5,076</b>		<b>\$4,798</b>	

(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.

### NOTES

#### \$282 million 8.75% Senior Notes due 2020

At December 31, 2017, \$282 million aggregate principal amount of 8.75% notes due 2020 were outstanding. These notes had an effective yield of 9.20% at issuance. These notes are unsecured senior obligations, are guaranteed by our U.S. and Canadian subsidiaries that also guarantee our obligations under our U.S. senior secured credit facilities described below, and will mature on August 15, 2020.

We have the option to redeem these notes, in whole or in part, at any time at a redemption price equal to the greater of 100% of the principal amount of these notes or the sum of the present values of the remaining



## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

scheduled payments on these notes, discounted using a defined treasury rate plus 50 basis points, plus in either case 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 secured debt, (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 redeemed 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.

### \$1.0 billion 5.125% Senior Notes due 2023

At December 31, 2017, \$1.0 billion aggregate principal amount of 5.125% senior notes due 2023 were outstanding. These notes were sold at 100% of the principal amount and will mature on November 15, 2023. 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 on or after November 15, 2018 at a redemption price of 102.563%, 101.281% and 100% during the 12-month periods commencing on November 15, 2018, 2019 and 2020 and thereafter, respectively, plus accrued and unpaid interest to the redemption date. Prior to November 15, 2018, 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 November 15, 2018, 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 105.125% 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 (i) incur additional debt or issue redeemable preferred stock, (ii) pay dividends, repurchase shares or make certain other restricted payments or investments, (iii) incur liens, (iv) sell assets, (v) incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us, (vi) enter into affiliate transactions, (vii) engage in sale and leaseback transactions, and (viii) consolidate, merge, sell or otherwise dispose of all or substantially all of our 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 and Poor's and no default has occurred and is continuing, certain covenants will be suspended and we may elect to suspend the subsidiary guarantees. The indenture has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

### €250 million 3.75% Senior Notes due 2023 of GDTE

At December 31, 2017, €250 million aggregate principal amount of GDTE's 3.75% senior notes due 2023 were outstanding. These notes were sold at 100% of the principal amount and will mature on December 15, 2023. 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 U.S. 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 December 15, 2018 at a redemption price of 101.875%, 100.938% and 100% during the 12-month periods commencing on December 15, 2018, 2019 and 2020 and thereafter, respectively, plus accrued and unpaid interest to the redemption date. Prior to December 15, 2018, we may redeem these notes, in whole or in part, at a redemption price equal to 100% of

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

the principal amount plus a make-whole premium and accrued and unpaid interest to the redemption date. In addition, prior to December 15, 2018, 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 103.75% of the principal amount plus accrued and unpaid interest to the redemption date.

The indenture for these notes includes covenants that are substantially similar to those contained in the indenture governing our 5.125% senior notes due 2023, described above.

### \$900 million 5% Senior Notes due 2026

At December 31, 2017, \$900 million aggregate principal amount of 5% senior notes due 2026 were outstanding. These notes were sold at 100% of the principal amount and will mature on May 31, 2026. 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 on or after May 31, 2021 at a redemption price of 102.5%, 101.667%, 100.833% and 100% during the 12-month periods commencing on May 31, 2021, 2022, 2023 and 2024 and thereafter, respectively, plus accrued and unpaid interest to the redemption date. Prior to May 31, 2021, 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 May 31, 2019 we may redeem up to 35% of the original aggregate principal amount of these notes from net cash proceeds of certain equity offerings at a redemption price equal to 105% of the principal amount plus accrued and unpaid interest to the redemption date.

The indenture for these notes includes covenants that are substantially similar to those contained in the indenture governing our 5.125% senior notes due 2023, described above.

### \$700 million 4.875% Senior Notes due 2027

At December 31, 2017, \$700 million aggregate principal amount of 4.875% senior notes due 2027 were outstanding. 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.

### \$150 million 7% Senior Notes due 2028

At December 31, 2017, \$150 million aggregate principal amount of 7% notes due 2028 were outstanding. These notes are unsecured senior obligations and will mature on March 15, 2028.

We have the option to redeem these notes, in whole or in part, at any time at a redemption price equal to the greater of 100% of the principal amount thereof or the sum of the present values of the remaining scheduled payments thereon, discounted using a defined treasury rate plus 15 basis points, plus in either case accrued and unpaid interest to the redemption date.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

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 secured debt, (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.

### 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. Amounts drawn under this facility bear interest at LIBOR plus 125 basis points, based on our current liquidity as described below.

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 collateral that includes, subject to certain exceptions:

- U.S. and Canadian accounts receivable and inventory;
- certain of our U.S. manufacturing facilities;
- equity interests in our U.S. subsidiaries and up to 65% of the equity interests in our directly owned foreign subsidiaries; and
- substantially all other tangible and intangible assets, including equipment, contract rights and intellectual property.

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, after adjusting for customary factors that are subject to modification from time to time by the administrative agent or the majority lenders at their discretion (not to be exercised unreasonably), (ii) the value of our principal trademarks, and (iii) certain cash in an amount not to exceed \$200 million. Modifications are based on the results of periodic collateral and borrowing base evaluations and appraisals. To the extent that our eligible accounts receivable, 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 December 31, 2017, our borrowing base, and therefore our availability, under this facility was \$296 million below the facility's stated amount of \$2.0 billion.

The facility, which matures on April 7, 2021, contains certain covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to (i) incur additional debt or issue redeemable preferred stock, (ii) pay dividends, repurchase shares or make certain other restricted payments or investments, (iii) incur liens, (iv) sell assets, (v) incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us, (vi) enter into affiliate transactions, (vii) engage in sale and leaseback transactions, and (viii) consolidate, merge, sell or otherwise dispose of all or substantially all of our assets. These covenants are subject to significant exceptions and qualifications. In addition, in the event that the availability under the facility plus the aggregate amount of our Available Cash is less than \$200 million, we will not be permitted to allow our ratio of EBITDA to Consolidated Interest Expense to be less than 2.0 to 1.0 for any period of four consecutive fiscal quarters. "Available Cash," "EBITDA" and "Consolidated Interest Expense" have the meanings given them in the facility.

The facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our business or financial condition since

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

December 31, 2015. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

If Available Cash (as defined in the facility) plus the availability under the facility is greater than \$1.0 billion, amounts drawn under the facility will bear interest, at our option, at (i) 125 basis points over LIBOR or (ii) 25 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), and undrawn amounts under the facility will be subject to an annual commitment fee of 30 basis points. If Available Cash plus the availability under the facility is equal to or less than \$1.0 billion, then amounts drawn under the facility will bear interest, at our option, at (i) 150 basis points over LIBOR or (ii) 50 basis points over an alternative base rate, and undrawn amounts under the facility will be subject to an annual commitment fee of 25 basis points.

At December 31, 2017, we had no 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). 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.

The facility, which matures on April 30, 2019, contains covenants, representations, warranties and defaults similar to those in the \$2.0 billion first lien revolving credit facility. In addition, if our Pro Forma Senior Secured Leverage Ratio (the ratio of Consolidated Net Secured Indebtedness to EBITDA) for any period of four consecutive fiscal quarters is greater than 3.0 to 1.0, before we may 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 term loan facility. "Pro Forma Senior Secured Leverage Ratio," "Consolidated Net Secured Indebtedness" and "EBITDA" have the meanings given them in the facility.

The amounts outstanding under this facility were \$400 million and \$399 million at December 31, 2017 and 2016, respectively.

### €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 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. 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

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

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

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

The facility, which matures on May 12, 2020, contains covenants similar to those in our first lien revolving credit facility, with additional limitations applicable to GDTE and its subsidiaries. In addition, under the facility, GDTE's ratio of Consolidated Net J.V. Indebtedness to Consolidated European J.V. EBITDA for a period of four consecutive fiscal quarters is not permitted to be greater than 3.0 to 1.0 at the end of any fiscal quarter. "Consolidated Net J.V. Indebtedness" and "Consolidated European J.V. EBITDA" have the meanings given them in the facility.

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

At December 31, 2017 and 2016, we had no borrowings and no letters of credit issued under the European revolving credit 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 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 €30 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 was €320 million. For the period beginning October 16, 2017 to October 15, 2018, the designated maximum amount of the facility is €275 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, 2018.

At December 31, 2017, the amounts available and utilized under this program totaled \$224 million (€187 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.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

### 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 December 31, 2017 and 2016, the gross amount of receivables sold was \$572 million and \$502 million, respectively.

### Other Foreign Credit Facilities

A Mexican subsidiary and a U.S. subsidiary have several financing arrangements in Mexico. At December 31, 2017, the amounts available and utilized under these facilities were \$340 million. At December 31, 2016, the amounts available and utilized under these facilities were \$190 million and \$138 million, respectively. The facilities ultimately mature in 2020. The facilities contain covenants relating to the Mexican and U.S. subsidiary and have customary representations and warranties and default provisions relating to the Mexican and U.S. subsidiary's ability to perform its respective obligations under the applicable facilities.

A Chinese subsidiary has several financing arrangements in China. At December 31, 2017, these non-revolving credit facilities had total unused availability of \$217 million and can only be used to finance the expansion of our manufacturing facility in China. At December 31, 2017 and 2016, the amounts outstanding under these facilities were \$212 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 December 31, 2017 and 2016, restricted cash related to funds obtained under these credit facilities was \$7 million and \$8 million, respectively.

### Debt Maturities

The annual aggregate maturities of our debt (excluding the impact of deferred financing fees and unamortized discounts) and capital leases for the five years subsequent to December 31, 2017 are presented below. Maturities of debt credit agreements have been reported on the basis that the commitments to lend under these agreements will be terminated effective at the end of their current terms.

<i>(In millions)</i>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
U.S. ....	\$ 60	\$ 541	\$483	\$—	\$—
Foreign .....	593	587	144	28	91
	<u>\$653</u>	<u>\$1,128</u>	<u>\$627</u>	<u>\$28</u>	<u>\$91</u>

## 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 GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

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

<i>(In millions)</i>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Fair Values — Current asset (liability):		
Accounts receivable . . . . .	\$ 3	\$ 30
Other current liabilities . . . . .	(9)	(18)

At December 31, 2017 and 2016, these outstanding foreign currency derivatives had notional amounts of \$1,409 million and \$1,812 million, respectively, and were primarily related to intercompany loans. Other (Income) Expense included net transaction loss of \$57 million and gain of \$4 million in 2017 and 2016, respectively, on foreign currency derivatives. These amounts were substantially offset in Other (Income) Expense by the effect of changing exchange rates on the underlying currency exposures.

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

<i>(In millions)</i>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Fair Values — Current asset (liability):		
Accounts receivable . . . . .	\$ 1	\$ 9
Other current liabilities . . . . .	(8)	—
Fair Values — Long term asset (liability):		
Other assets . . . . .	\$—	\$ 2
Other long term liabilities . . . . .	(2)	—

At December 31, 2017 and 2016, these outstanding foreign currency derivatives had notional amounts of \$250 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 the classification of changes in fair values of foreign currency contracts designated as cash flow hedging instruments (before tax and minority):

<i>(In millions) (Income) Expense</i>	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Amounts deferred to AOCL . . . . .	\$28	\$(12)
Amount of deferred loss (gain) reclassified from AOCL into CGS . . . . .	2	(6)
Amounts excluded from effectiveness testing . . . . .	(2)	(1)

The estimated net amount of the deferred losses at December 31, 2017 that is expected to be reclassified to earnings within the next twelve months is \$9 million.

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

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

exposure to counterparties in this manner, we believe that we effectively manage the risk of loss due to nonperformance by a counterparty. However, the inability of a counterparty to fulfill its contractual obligations to us could have a material adverse effect on our liquidity, financial position or results of operations in the period in which it occurs.

### Note 16. Fair Value Measurements

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

<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
<b>Assets:</b>								
Investments .....	\$11	\$ 9	\$11	\$ 9	\$—	\$—	\$—	\$—
Foreign Exchange Contracts .....	4	41	—	—	4	41	—	—
Total Assets at Fair Value .....	<u>\$15</u>	<u>\$50</u>	<u>\$11</u>	<u>\$ 9</u>	<u>\$ 4</u>	<u>\$41</u>	<u>\$—</u>	<u>\$—</u>
<b>Liabilities:</b>								
Foreign Exchange Contracts .....	\$19	\$18	\$—	\$—	\$19	\$18	\$—	\$—
Total Liabilities at Fair Value .....	<u>\$19</u>	<u>\$18</u>	<u>\$—</u>	<u>\$—</u>	<u>\$19</u>	<u>\$18</u>	<u>\$—</u>	<u>\$—</u>

The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding capital leases, at December 31:

<i>(In millions)</i>	December 31, 2017	December 31, 2016
<b>Fixed Rate Debt <sup>(1)</sup>:</b>		
Carrying amount — liability .....	\$3,616	\$3,514
Fair value — liability .....	3,786	3,669
<b>Variable Rate Debt <sup>(1)</sup>:</b>		
Carrying amount — liability .....	\$1,811	\$1,679
Fair value — liability .....	1,811	1,678

(1) Excludes notes payable and overdrafts of \$262 million and \$245 million at December 31, 2017 and 2016, respectively, of which \$110 million and \$123 million, respectively, are at fixed rates and \$152 million and \$122 million, respectively, are at variable rates. The carrying value of notes payable and overdrafts approximates fair value due to the short term nature of the facilities.

Long term debt with a fair value of \$3,857 million and \$3,804 million at December 31, 2017 and 2016, respectively, was estimated using quoted Level 1 market prices. The carrying value of the remaining long term debt approximates fair value since the terms of the financing arrangements are similar to terms that could be obtained under current lending market conditions.

### Note 17. Pension, Other Postretirement Benefits and Savings Plans

We provide employees with defined benefit pension or defined contribution savings plans. Our hourly U.S. pension plans are frozen and provide benefits based on length of service. The principal salaried U.S. pension plans are frozen and provide benefits based on final five-year average earnings formulas. Salaried employees



## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

who made voluntary contributions to these plans receive higher benefits. 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. Substantial portions of the health care benefits for U.S. salaried retirees are not insured and are funded from operations.

During 2017, we recognized settlement charges of \$32 million, primarily related to our frozen salaried U.S. pension plan. The settlement charges resulted from total lump sum benefit payments exceeding annual interest cost. Of the total settlement charges, \$13 million was included in rationalization charges for employees who terminated service as a result of ongoing rationalization plans.

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.

During 2015, we offered lump sum payments over a limited time to certain former employees in our U.S. pension plans. Payments of \$190 million related to this offer were made from existing plan assets in the fourth quarter of 2015. As a result, total lump sum payments from these plans exceeded annual service and interest cost in 2015, and we recognized a pre-tax corporate pension settlement charge of \$137 million in the fourth quarter of 2015.

Total benefits cost and amounts recognized in other comprehensive (income) loss follows:

<i>(In millions)</i>	Pension Plans						Other Postretirement Benefits		
	U.S.			Non-U.S.			2017	2016	2015
	2017	2016	2015	2017	2016	2015			
<b>Benefits cost:</b>									
Service cost .....	\$ 4	\$ 5	\$ 4	\$ 31	\$ 29	\$ 43	\$ 4	\$ 3	\$ 3
Interest cost .....	160	164	238	71	80	113	13	12	15
Expected return on plan assets .....	(241)	(255)	(295)	(80)	(88)	(107)	(1)	—	—
Amortization of prior service cost (credit) .....	—	—	—	—	—	1	(29)	(45)	(45)
Amortization of net losses .....	111	109	106	32	27	32	6	5	7
<b>Net periodic cost</b> .....	34	23	53	54	48	82	(7)	(25)	(20)
Curtailments/settlements/termination benefits .....	29	—	137	3	16	2	—	2	—
<b>Total benefits cost</b> .....	\$ 63	\$ 23	\$ 190	\$ 57	\$ 64	\$ 84	\$ (7)	\$ (23)	\$ (20)
<b>Recognized in other comprehensive (income) loss before tax and minority:</b>									
Prior service (credit) cost from plan amendments .....	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ —	\$ 3	\$ —	\$ —
Increase (decrease) in net actuarial losses .....	128	81	150	25	35	(45)	(15)	(1)	(19)
Amortization of prior service (cost) credit in net periodic cost .....	—	—	—	—	—	(1)	29	45	45
Amortization of net losses in net periodic cost .....	(111)	(109)	(106)	(29)	(27)	(34)	(6)	(5)	(7)
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures .....	(29)	—	(386)	(12)	(17)	(5)	—	—	4
Deconsolidation of Venezuelan subsidiary (Note 1) ...	—	—	—	—	—	(62)	—	—	—
<b>Total recognized in other comprehensive loss (income) before tax and minority</b> .....	(12)	(28)	(342)	(13)	(9)	(147)	11	39	23
<b>Total recognized in total benefits cost and other comprehensive loss (income) before tax and minority</b> .....	\$ 51	\$ (5)	\$ (152)	\$ 44	\$ 55	\$ (63)	\$ 4	\$ 16	\$ 3

We use the fair value of pension assets in the calculation of pension expense for all plans.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Total benefits (credit) cost for our other postretirement benefits was \$(17) million, \$(31) million and \$(28) million for our U.S. plans in 2017, 2016 and 2015, respectively, and \$10 million, \$8 million and \$8 million for our non-U.S. plans in 2017, 2016 and 2015, respectively.

The estimated net actuarial loss for the defined benefit pension plans that will be amortized from AOCL into benefits cost in 2018 is \$114 million for our U.S. plans and \$30 million for our non-U.S. plans.

The estimated prior service credit and net actuarial loss for the other postretirement benefit plans that will be amortized from AOCL into benefits cost in 2018 are a benefit of \$8 million and expense of \$5 million, respectively.

The Medicare Prescription Drug Improvement and Modernization Act provides plan sponsors a federal subsidy for certain qualifying prescription drug benefits covered under the sponsor's postretirement health care plans. Our other postretirement benefits cost is presented net of this subsidy, which is approximately \$1 million annually.

The change in benefit obligation and plan assets for 2017 and 2016 and the amounts recognized in our Consolidated Balance Sheet at December 31, 2017 and 2016 are as follows:

<i>(In millions)</i>	Pension Plans				Other Postretirement Benefits	
	U.S.		Non-U.S.		2017	2016
	2017	2016	2017	2016		
<b>Change in benefit obligation:</b>						
Beginning balance	\$(5,285)	\$(5,338)	\$(2,863)	\$(2,808)	\$(294)	\$(291)
Newly adopted plans	—	—	—	(2)	—	—
Service cost — benefits earned	(4)	(5)	(31)	(29)	(4)	(3)
Interest cost	(160)	(164)	(71)	(80)	(13)	(12)
Plan amendments	—	—	(3)	—	(3)	—
Actuarial gain (loss)	(303)	(171)	(29)	(384)	15	—
Participant contributions	—	—	(2)	(2)	(14)	(13)
Curtailments/settlements/termination benefits	55	1	21	52	—	(2)
Foreign currency translation	—	—	(280)	262	(9)	(10)
Benefit payments	366	392	149	128	36	37
<b>Ending balance</b>	<b>\$(5,331)</b>	<b>\$(5,285)</b>	<b>\$(3,109)</b>	<b>\$(2,863)</b>	<b>\$(286)</b>	<b>\$(294)</b>
<b>Change in plan assets:</b>						
Beginning balance	\$ 4,972	\$ 5,011	\$ 2,507	\$ 2,493	\$ 4	\$ 3
Newly adopted plans	—	—	—	1	—	—
Actual return on plan assets	417	345	146	393	—	1
Company contributions to plan assets	—	—	56	56	2	2
Cash funding of direct participant payments	10	9	24	24	20	22
Participant contributions	—	—	2	2	14	13
Settlements	(55)	(1)	(11)	(51)	—	—
Foreign currency translation	—	—	231	(283)	—	—
Benefit payments	(366)	(392)	(149)	(128)	(36)	(37)
<b>Ending balance</b>	<b>\$ 4,978</b>	<b>\$ 4,972</b>	<b>\$ 2,806</b>	<b>\$ 2,507</b>	<b>\$ 4</b>	<b>\$ 4</b>
<b>Funded status at end of year</b>	<b>\$ (353)</b>	<b>\$ (313)</b>	<b>\$ (303)</b>	<b>\$ (356)</b>	<b>\$(282)</b>	<b>\$(290)</b>

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Other postretirement benefits funded status was \$(132) million and \$(143) million for our U.S. plans at December 31, 2017 and 2016, respectively, and \$(150) million and \$(147) million for our non-U.S. plans at December 31, 2017 and 2016, respectively.

The funded status recognized in the Consolidated Balance Sheets consists of:

<i>(In millions)</i>	Pension Plans				Other Postretirement Benefits	
	U.S.		Non-U.S.		2017	2016
	2017	2016	2017	2016		
Noncurrent assets .....	\$ —	\$ —	\$ 349	\$ 231	\$ —	\$ —
Current liabilities .....	(16)	(12)	(21)	(19)	(20)	(21)
Noncurrent liabilities .....	(337)	(301)	(631)	(568)	(262)	(269)
<b>Net amount recognized</b> .....	<u><u>\$ (353)</u></u>	<u><u>\$ (313)</u></u>	<u><u>\$ (303)</u></u>	<u><u>\$ (356)</u></u>	<u><u>\$ (282)</u></u>	<u><u>\$ (290)</u></u>

The amounts recognized in AOCL, net of tax, consist of:

<i>(In millions)</i>	Pension Plans				Other Postretirement Benefits	
	U.S.		Non-U.S.		2017	2016
	2017	2016	2017	2016		
Prior service (credit) cost .....	\$ (4)	\$ (4)	\$ 4	\$ 1	\$(27)	\$(59)
Net actuarial loss .....	2,603	2,615	669	685	47	68
<b>Gross amount recognized</b> .....	2,599	2,611	673	686	20	9
Deferred income taxes .....	(103)	(118)	(109)	(115)	(26)	(20)
Minority shareholders' equity .....	—	—	(1)	—	—	—
<b>Net amount recognized</b> .....	<u><u>\$2,496</u></u>	<u><u>\$2,493</u></u>	<u><u>\$ 563</u></u>	<u><u>\$ 571</u></u>	<u><u>\$ (6)</u></u>	<u><u>\$(11)</u></u>

The following table presents significant weighted average assumptions used to determine benefit obligations at December 31:

	Pension Plans		Other Postretirement Benefits	
	2017	2016	2017	2016
	Discount rate:			
— U.S. ....	3.56%	3.99%	3.44%	3.72%
— Non-U.S. ....	2.53	2.72	4.92	5.12
Rate of compensation increase:				
— U.S. ....	N/A	N/A	N/A	N/A
— Non-U.S. ....	2.91	3.18	N/A	N/A

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The following table presents significant weighted average assumptions used to determine benefits cost for the years ended December 31:

	Pension Plans			Other Postretirement Benefits		
	2017	2016	2015	2017	2016	2015
Discount rate for determining interest cost:						
— U.S. . . . . .	3.18%	3.23%	3.89%	3.02%	2.98%	3.59%
— Non-U.S. . . . . .	2.70	3.37	3.31	5.98	6.31	4.89
Expected long term return on plan assets:						
— U.S. . . . . .	5.08	5.33	5.00	N/A	N/A	N/A
— Non-U.S. . . . . .	3.12	3.81	4.12	N/A	N/A	N/A
Rate of compensation increase:						
— U.S. . . . . .	N/A	N/A	N/A	N/A	N/A	N/A
— Non-U.S. . . . . .	3.18	2.63	2.88	N/A	N/A	N/A

Effective January 1, 2016, we changed the method used to measure the service and interest components of net periodic cost for pension and other postretirement benefits for plans that utilize a yield curve approach. We elected to utilize a full yield curve approach in the measurement of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. We believe this approach provides a more precise measurement of service and interest costs by aligning the timing of projected benefit cash flows to the corresponding spot rates on the yield curve. This change did not affect the measurement of our plan benefit obligations and reduced our 2016 net periodic pension cost by approximately \$65 million. We have accounted for this change as a change in accounting estimate.

For 2017, a weighted average discount rate of 3.18% was used to determine interest cost for the U.S. pension plans. This rate was derived from spot rates along a yield curve developed from a portfolio of bonds from issuers rated AA or higher by established rating agencies as of December 31, 2016, applied to our expected benefit payment cash flows. For our non-U.S. locations, a weighted average discount rate of 2.70% was used. This rate was developed based on the nature of the liabilities and local environments, using available bond indices, yield curves, projected cash flows, and long term inflation.

For 2017, an assumed weighted average long term rate of return of 5.08% was used for the U.S. pension plans. In developing the long term rate of return, we evaluated input from our pension fund consultant on asset class return expectations, including determining the appropriate rate of return for our plans, which are primarily invested in fixed income securities. For our non-U.S. locations, an assumed weighted average long term rate of return of 3.12% was used. Input from local pension fund consultants concerning asset class return expectations and long term inflation form the basis of this assumption.

The U.S. pension plan mortality assumption is based on our actual historical experience and expected future mortality improvements based on published actuarial tables. For our non-U.S. locations, mortality assumptions are based on published actuarial tables which include projections of future mortality improvements.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The following table presents estimated future benefit payments from the plans as of December 31, 2017. Benefit payments for other postretirement benefits are presented net of retiree contributions and Medicare Part D Subsidy Receipts:

<i>(In millions)</i>	<u>Pension Plans</u>		<u>Other</u>
	<u>U.S.</u>	<u>Non-U.S.</u>	<u>Postretirement</u> <u>Benefits</u>
2018 .....	\$ 426	\$125	\$21
2019 .....	405	122	21
2020 .....	387	124	20
2021 .....	382	126	20
2022 .....	366	132	19
2023-2027 .....	1,735	708	91

The following table presents selected information on our pension plans:

<i>(In millions)</i>	<u>U.S.</u>		<u>Non-U.S.</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
All plans:				
Accumulated benefit obligation .....	\$5,320	\$5,275	\$3,017	\$2,792
Plans not fully-funded:				
Projected benefit obligation .....	\$5,329	\$5,282	\$ 945	\$ 911
Accumulated benefit obligation .....	5,318	5,273	887	862
Fair value of plan assets .....	4,976	4,970	302	327

Certain non-U.S. subsidiaries maintain unfunded pension plans consistent with local practices and requirements. At December 31, 2017, these plans accounted for \$227 million of our accumulated pension benefit obligation, \$251 million of our projected pension benefit obligation, and \$59 million of our AOCL adjustment. At December 31, 2016, these plans accounted for \$219 million of our accumulated pension benefit obligation, \$239 million of our projected pension benefit obligation, and \$65 million of our AOCL adjustment.

We expect to contribute approximately \$25 million to \$50 million to our funded non-U.S. pension plans in 2018.

Assumed health care cost trend rates at December 31 follow:

	<u>2017</u>	<u>2016</u>
Health care cost trend rate assumed for the next year .....	6.5%	6.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) .....	5.0	5.0
Year that the rate reaches the ultimate trend rate .....	2025	2025

A 1% change in the assumed health care cost trend would have increased (decreased) the accumulated other postretirement benefits obligation at December 31, 2017 and the aggregate service and interest cost for the year then ended as follows:

<i>(In millions)</i>	<u>1% Increase</u>	<u>1% Decrease</u>
Accumulated other postretirement benefits obligation .....	\$15	\$(12)
Aggregate service and interest cost .....	1	(1)

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Our pension plan weighted average investment allocation at December 31, by asset category, follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Cash and short term securities .....	2%	3%	1%	1%
Equity securities .....	6	6	9	9
Debt securities .....	92	91	85	78
Alternatives .....	—	—	5	12
Total .....	100%	100%	100%	100%

Our pension investment policy recognizes the long term nature of pension liabilities, the benefits of diversification across asset classes and the effects of inflation. The portfolio for plans that are fully funded is designed to offset the future impact of discount rate movements on the funded status for those plans. The diversified portfolio for plans that are not fully funded is designed to maximize returns consistent with levels of liquidity and investment risk that are prudent and reasonable. All assets are managed externally according to target asset allocation guidelines we have established. Manager guidelines prohibit the use of any type of investment derivative without our prior approval. Portfolio risk is controlled by having managers comply with guidelines, establishing the maximum size of any single holding in their portfolios and by using managers with different investment styles. We periodically undertake asset and liability modeling studies to determine the appropriateness of the investments.

The portfolio of our U.S. pension plan assets includes holdings of global high quality and high yield fixed income securities, short term interest bearing deposits, and private equities. The target asset allocation of our U.S. pension plans is 94% in duration-matched fixed income securities and 6% in equity securities. Actual U.S. pension fund asset allocations are reviewed on a periodic basis and the pension funds are rebalanced to target ranges on an as needed basis.

The portfolios of our non-U.S. pension plans include holdings of U.S. and non-U.S. equities, global high quality and high yield fixed income securities, hedge funds, currency derivatives, insurance contracts, repurchase agreements, and short term interest bearing deposits. The weighted average target asset allocation of the non-U.S. pension funds is approximately 10% equities and 90% fixed income.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The fair values of our pension plan assets at December 31, 2017, by asset category are as follows:

	U.S.				Non-U.S.			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<i>(In millions)</i>								
<b>Cash and Short Term Securities</b> . . . .	\$ 55	\$39	\$ 16	\$—	\$ 20	\$ 19	\$ 1	\$ —
<b>Equity Securities</b>								
Common and Preferred Stock:								
Non-U.S. Companies . . . . .	—	—	—	—	24	24	—	—
Commingled Funds . . . . .	—	—	—	—	148	17	—	131
Mutual Funds . . . . .	—	—	—	—	5	5	—	—
<b>Debt Securities</b>								
Corporate Bonds . . . . .	2,699	—	2,698	1	156	14	142	—
Government Bonds . . . . .	1,033	—	1,033	—	2,358	73	2,285	—
Repurchase Agreements . . . . .	—	—	—	—	(763)	—	(763)	—
Asset Backed Securities . . . . .	58	—	58	—	47	4	43	—
Commingled Funds . . . . .	—	—	—	—	10	—	10	—
Mutual Funds . . . . .	—	—	—	—	7	7	—	—
<b>Alternatives</b>								
Real Estate . . . . .	—	—	—	—	4	—	—	4
Insurance Contracts . . . . .	2	—	—	2	18	—	—	18
Other Investments . . . . .	—	—	—	—	10	—	7	3
<b>Total Investments in the Fair     Value Hierarchy</b> . . . . .	<u>3,847</u>	<u>\$39</u>	<u>\$3,805</u>	<u>\$ 3</u>	<u>2,044</u>	<u>\$163</u>	<u>\$1,725</u>	<u>\$156</u>
<b>Investments Measured at Net Asset Value, as Practical Expedient:</b>								
<b>Equity Securities</b>								
Commingled Funds . . . . .	54				66			
Mutual Funds . . . . .	—				18			
Partnership Interests . . . . .	238				—			
<b>Debt Securities</b>								
Mutual Funds . . . . .	111				7			
Commingled Funds . . . . .	682				579			
<b>Short Term Securities</b>								
Commingled Funds . . . . .	67				6			
<b>Alternatives</b>								
Commingled Funds . . . . .	—				95			
<b>Total Investments</b> . . . . .	<u>4,999</u>				<u>2,815</u>			
Other . . . . .	(21)				(9)			
<b>Total Plan Assets</b> . . . . .	<u>\$4,978</u>				<u>\$2,806</u>			

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The fair values of our pension plan assets at December 31, 2016, by asset category are as follows:

	U.S.				Non-U.S.			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<i>(In millions)</i>								
<b>Cash and Short Term Securities</b> . . . .	\$ 62	\$58	\$ 4	\$—	\$ 24	\$ 23	\$ 1	\$ —
<b>Equity Securities</b>								
Common and Preferred Stock:								
Non-U.S. Companies . . . . .	—	—	—	—	20	20	—	—
Commingled Funds . . . . .	—	—	—	—	134	16	—	118
Mutual Funds . . . . .	—	—	—	—	3	3	—	—
<b>Debt Securities</b>								
Corporate Bonds . . . . .	2,707	—	2,707	—	154	13	141	—
Government Bonds . . . . .	968	—	968	—	2,148	68	2,080	—
Repurchase Agreements . . . . .	—	—	—	—	(777)	—	(777)	—
Asset Backed Securities . . . . .	63	—	63	—	30	2	28	—
Commingled Funds . . . . .	—	—	—	—	9	—	9	—
Mutual Funds . . . . .	—	—	—	—	5	5	—	—
<b>Alternatives</b>								
Real Estate . . . . .	—	—	—	—	62	—	1	61
Insurance Contracts . . . . .	2	—	—	2	14	—	—	14
Other Investments . . . . .	1	—	1	—	10	2	5	3
<b>Total Investments in the Fair         Value Hierarchy</b> . . . . .	<u>3,803</u>	<u>\$58</u>	<u>\$3,743</u>	<u>\$ 2</u>	<u>1,836</u>	<u>\$152</u>	<u>\$1,488</u>	<u>\$196</u>
<b>Investments Measured at Net Asset Value, as Practical Expedient:</b>								
<b>Equity Securities</b>								
Commingled Funds . . . . .	38				59			
Mutual Funds . . . . .	—				21			
Partnership Interests . . . . .	263				—			
<b>Debt Securities</b>								
Mutual Funds . . . . .	123				5			
Commingled Funds . . . . .	697				471			
<b>Short Term Securities</b>								
Commingled Funds . . . . .	87				2			
<b>Alternatives</b>								
Commingled Funds . . . . .	—				154			
Real Estate . . . . .	—				59			
<b>Total Investments</b> . . . . .	<u>5,011</u>				<u>2,607</u>			
Other . . . . .	(39)				(100)			
<b>Total Plan Assets</b> . . . . .	<u>\$4,972</u>				<u>\$2,507</u>			



## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

At December 31, 2017 and 2016, the Plans did not directly hold any of our common stock.

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. Investments that are measured at NAV as a practical expedient to estimate fair value are not classified in the fair value hierarchy. Under the practical expedient approach, the NAV is based on the fair value of the underlying investments held by each fund less its liabilities. This practical expedient would not be used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to total plan assets. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

- *Cash and Short Term Securities:* Cash and cash equivalents consist of U.S. and foreign currencies. Foreign currencies are reported in U.S. dollars based on currency exchange rates readily available in active markets. Short term securities held in commingled funds are valued at the NAV of units held at year end, as determined by the investment manager.
- *Equity Securities:* Common and preferred stock are valued at the closing price reported on the active market on which the individual securities are traded. Commingled funds are valued at the NAV of units held at year end, as determined by a pricing vendor or the fund family. Mutual funds are valued at the NAV of shares held at year end, as determined by the closing price reported on the active market on which the individual securities are traded, or a pricing vendor or the fund family if an active market is not available. Partnership interests are priced based on valuations using the partnership's available financial statements coinciding with our year end and the plan's percent ownership, adjusted for any cash transactions which occurred between the date of those financial statements and our year end.
- *Debt Securities:* Corporate and government bonds, including asset backed securities, are valued at the closing price reported on the active market on which the individual securities are traded, or based on institutional bid evaluations using proprietary models if an active market is not available. Repurchase agreements are valued at the contract price plus accrued interest. These secured borrowings are collateralized by government bonds held by the non-U.S. plans and have maturities less than one year. Commingled funds are valued at the NAV of units held at year end, as determined by a pricing vendor or the fund family. Mutual funds are valued at the NAV of shares held at year end, as determined by the closing price reported on the active market on which the individual securities are traded, or a pricing vendor or the fund family if an active market is not available.
- *Alternatives:* Commingled funds are invested in hedge funds and currency derivatives, which are valued based on the NAV as determined by the fund manager using the most recent financial information available. Participation in real estate funds are valued based on institutional bid evaluations or the NAV as determined by the fund manager using the most recent financial information available. Other investments include derivative financial instruments, which are primarily valued using independent pricing sources which utilize industry standard derivative valuation models, and directed insurance contracts, which are valued as reported by the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The following table sets forth a summary of changes in fair value of the pension plan investments classified as Level 3 for the year ended December 31, 2017:

<i>(In millions)</i>	Non-U.S.			
	Insurance Contracts	Real Estate	Equity Securities— Commingled Funds	Other
Balance, beginning of year	\$ 14	\$ 61	\$118	\$ 3
Realized gains (losses)	—	4	2	—
Unrealized (losses) gains relating to instruments still held at the reporting date	—	1	18	—
Purchases, sales, issuances and settlements (net)	2	(65)	(18)	—
Foreign currency translation	2	3	11	—
Balance, end of year	\$ 18	\$ 4	\$131	\$ 3

The following table sets forth a summary of changes in fair value of the pension plan investments classified as Level 3 for the year ended December 31, 2016:

<i>(In millions)</i>	Non-U.S.			
	Insurance Contracts	Real Estate	Equity Securities— Commingled Funds	Other
Balance, beginning of year	\$ 56	\$ 72	\$ —	\$ 9
Realized gains (losses)	3	1	—	—
Purchases, sales, issuances and settlements (net)	(42)	—	132	—
Transfers from Level 3	—	—	—	(7)
Foreign currency translation	(3)	(12)	(14)	1
Balance, end of year	\$ 14	\$ 61	\$118	\$ 3

Other postretirement benefits plan assets at December 31, 2017 and 2016, which relate to a non-U.S. plan, are invested primarily in mutual funds, which are traded on an active market, and are considered a Level 1 investment.

### ***Savings Plans***

Substantially all employees in the U.S. and employees of certain non-U.S. locations are eligible to participate in a defined contribution savings plan. Expenses recognized for contributions to these plans were \$111 million, \$122 million and \$125 million for 2017, 2016 and 2015, respectively.

### **Note 18. Stock Compensation Plans**

Our stock compensation plans (collectively, the “Plans”) permit the grant of stock options, stock appreciation rights (“SARs”), performance share units, restricted stock, restricted stock units and other stock-based awards to employees and directors. Our current stock compensation plan, the 2017 Performance Plan, was adopted on April 10, 2017 and expires on April 9, 2027. A total of 18,000,000 shares of our common stock may be issued in respect of grants made under the 2017 Performance Plan. Any shares of common stock that are subject to awards of stock options or SARs will be counted as one share for each share granted for purposes of the aggregate share limit and any shares of common stock that are subject to any other awards will be counted as 2 shares for each share granted for purposes of the aggregate share limit. In addition, shares of common stock that are subject to

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

awards issued under the 2017 Performance Plan or certain prior stock compensation plans that expire according to their terms or are forfeited, terminated, canceled or surrendered or are settled, or can be paid, only in cash, or are surrendered in payment of taxes associated with such awards (other than stock options or SARs) will be available for issuance pursuant to a new award under the 2017 Performance Plan. Shares issued under our stock compensation plans are usually issued from shares of our common stock held in treasury.

### *Stock Options*

Grants of stock options and SARs (collectively referred to as “options”) under the Plans generally have a graded vesting period of four years whereby one-fourth of the awards vest on each of the first four anniversaries of the grant date, an exercise price equal to the fair market value of one share of our common stock on the date of grant (calculated as the average of the high and low price or the closing market price on that date depending on the terms of the related Plan) and a contractual term of ten years. The exercise of tandem SARs cancels an equivalent number of stock options and, conversely, the exercise of stock options cancels an equivalent number of tandem SARs. Option grants are cancelled on, or 90 days following, termination of employment unless termination is due to retirement, death or disability under certain circumstances, in which case, all outstanding options vest fully and remain outstanding for a term set forth in the related grant agreement.

The following table summarizes the activity related to options during 2017:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value (In millions)</u>
Outstanding at January 1 . . . .	7,173,048	\$18.21		
Options granted . . . . .	722,440	35.16		
Options exercised . . . . .	(1,142,039)	18.13		\$18
Options expired . . . . .	(107,080)	26.14		
Options cancelled . . . . .	<u>(49,271)</u>	23.72		
Outstanding at December 31 . . . . .	<u>6,597,098</u>	19.91	5.3	84
Vested and expected to vest at December 31 . . . . .	<u>6,411,897</u>	19.59	5.2	85
Exercisable at December 31 . . . . .	<u>4,913,448</u>	16.01	4.3	80
Available for grant at December 31 . . . . .	<u>17,764,947</u>			

In addition, the aggregate intrinsic value of options exercised in 2016 and 2015 was \$14 million and \$40 million, respectively.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

Significant option groups outstanding at December 31, 2017 and related weighted average exercise price and remaining contractual term information follows:

<u>Grant Date</u>	<u>Options Outstanding</u>	<u>Options Exercisable</u>	<u>Exercise Price</u>	<u>Remaining Contractual Term (Years)</u>
2/27/2017 .....	685,669	—	\$35.26	9.2
2/22/2016 .....	669,719	180,041	29.90	8.2
2/23/2015 .....	607,101	315,735	27.16	7.2
2/24/2014 .....	415,862	312,824	26.44	6.2
2/28/2013 .....	1,064,424	1,064,424	12.98	5.2
2/27/2012 .....	838,311	838,311	12.94	4.2
2/22/2011 .....	609,805	609,805	13.91	3.1
2/23/2010 .....	435,696	435,696	12.74	2.1
2/26/2009 .....	330,916	330,916	4.81	1.2
2/21/2008 .....	149,241	149,241	26.74	0.1
All Other .....	790,354	676,455	(1)	(1)
	<u>6,597,098</u>	<u>4,913,448</u>		

(1) Options in the “All other” category had exercise prices ranging from \$6.22 to \$36.25. The weighted average exercise price for options outstanding and exercisable in that category was \$19.50 and \$17.97, respectively, while the remaining weighted average contractual term was 5.0 and 4.5, respectively.

Weighted average grant date fair values of stock options and the assumptions used in estimating those fair values are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Weighted average grant date fair value .....	\$12.05	\$11.92	\$11.51
Black-Scholes model assumptions <sup>(1)</sup> :			
Expected term (years) .....	7.20	7.20	7.30
Interest rate .....	2.13%	1.45%	1.83%
Volatility .....	33.63%	40.78%	42.00%
Dividend yield .....	1.13%	0.94%	0.88%

(1) We review the assumptions used in our Black-Scholes model in conjunction with estimating the grant date fair value of the annual grants of options by our Board of Directors.

### ***Performance Share Units***

Performance share units granted under the Plans are earned over a three-year period beginning January 1 of the year of grant. Total units earned for grants made in 2017, 2016 and 2015, may vary between 0% and 200% of the units granted based on the attainment of performance targets during the related three-year period and continued service. The performance targets are established by the Board of Directors. All of the units earned will be settled through the issuance of an equivalent number of shares of our common stock and are equity classified.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The following table summarizes the activity related to performance share units during 2017:

	Units	Weighted Average Grant Date Fair Value
Unvested at January 1 .....	369,303	\$29.68
Units granted .....	164,996	36.78
Units vested .....	(184,961)	28.44
Units forfeited .....	<u>(7,031)</u>	31.72
Unvested at December 31 .....	<u>342,307</u>	33.73

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.

### ***Restricted Stock Units***

Restricted stock units granted under the Plans typically vest over a three-year period beginning on the date of grant. Restricted stock units will be settled through the issuance of an equivalent number of shares of our common stock and are equity classified.

The following table summarizes the activity related to restricted stock units during 2017:

	Units	Weighted Average Grant Date Fair Value
Unvested at January 1 .....	826,459	\$28.14
Units granted .....	323,277	33.58
Units vested and settled .....	(196,361)	26.94
Units forfeited .....	<u>(96,977)</u>	30.93
Unvested at December 31 .....	<u>856,398</u>	30.15

We measure the fair value of grants of restricted stock units based on the closing market price of a share of our common stock on the date of the grant.

### ***Other Information***

Stock-based compensation expense, cash payments made to settle SARs and cash received from the exercise of stock options follows:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Stock-based compensation expense recognized .....	\$22	\$23	\$19
Tax benefit .....	<u>(6)</u>	<u>(8)</u>	<u>(7)</u>
After-tax stock-based compensation expense .....	<u>\$16</u>	<u>\$15</u>	<u>\$12</u>
Cash payments to settle SARs .....	\$ 1	\$ 1	\$ 2
Cash received from stock option exercises .....	\$19	\$17	\$53

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

As of December 31, 2017, unearned compensation cost related to the unvested portion of all stock-based awards was approximately \$28 million and is expected to be recognized over the remaining vesting period of the respective grants, through the first quarter of 2022.

### **Note 19. Commitments and Contingent Liabilities**

#### ***Environmental Matters***

We have recorded liabilities totaling \$46 million and \$55 million at December 31, 2017 and 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, \$10 million and \$21 million were included in Other Current Liabilities at December 31, 2017 and 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 \$243 million and \$248 million for anticipated costs related to workers' compensation at December 31, 2017 and 2016, respectively. Of these amounts, \$45 million and \$48 million were included in Current Liabilities as part of Compensation and Benefits at December 31, 2017 and 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 December 31, 2017 and 2016, the liability was discounted using a risk-free rate of return. At December 31, 2017, we estimate that it is reasonably possible that the liability could exceed our recorded amounts by approximately \$30 million.

#### ***General and Product Liability and Other Litigation***

We have recorded liabilities totaling \$316 million, including related legal fees expected to be incurred, for potential product liability and other tort claims, including asbestos claims, at both December 31, 2017 and 2016. Of these amounts, \$55 million and \$49 million were included in Other Current Liabilities at December 31, 2017 and 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 December 31, 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 \$30 million for SRI's obligation to indemnify us for certain product liability claims related to products manufactured by GDTNA during the existence of the global alliance with SRI, subject to certain caps and restrictions.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

**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 134,700 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, by us and our insurers totaled approximately \$529 million and \$517 million through December 31, 2017 and 2016, respectively.

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>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pending claims, beginning of year .....	64,400	67,400	73,800
New claims filed during the year .....	1,900	1,900	1,900
Claims settled/dismissed during the year .....	<u>(12,000)</u>	<u>(4,900)</u>	<u>(8,300)</u>
Pending claims, end of year .....	<u>54,300</u>	<u>64,400</u>	<u>67,400</u>
Payments <sup>(1)</sup> .....	<u>\$ 16</u>	<u>\$ 20</u>	<u>\$ 19</u>

(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 recorded gross liabilities for both asserted and unasserted claims, inclusive of defense costs, totaling \$167 million and \$171 million at December 31, 2017 and 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 changed circumstances arising in the future may result in an increase in the recorded obligation, and that increase may 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 \$113 million and \$123 million at December 31, 2017 and 2016, respectively. We expect that approximately 70% of asbestos claim related losses would be recoverable through insurance during the period covered by the estimated liability. Of these amounts, \$15 million and \$12 million were included in Current Assets as part of Accounts Receivable at December 31, 2017 and 2016, respectively. The recorded receivable consists of an amount we expect to collect under coverage-in-place agreements with certain primary carriers and excess insurance carriers as well as an amount we believe is probable of recovery from certain of our other excess insurance carriers.

We believe that, at December 31, 2017, we had approximately \$440 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 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.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

We believe that our reserve for asbestos claims, and the receivable for recoveries from insurance carriers recorded in respect of these claims, reflects reasonable and probable estimates of these amounts. The estimate of the assets and liabilities related to pending and expected future asbestos claims and insurance recoveries is subject to numerous uncertainties, including, but not limited to, changes in:

- the litigation environment,
- Federal and state law governing the compensation of asbestos claimants,
- recoverability of receivables due to potential insolvency of carriers,
- our approach to defending and resolving claims, and
- the level of payments made to claimants from other sources, including other defendants and 524(g) trusts.

As a result, 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 840 former employees of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims totaling €118 million (\$142 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



## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

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, 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.

### *Binding Commitments and Guarantees*

At December 31, 2017, we had binding commitments for raw materials, capital expenditures, utilities and various other types of contracts. Total commitments on contracts that extend beyond 2018 are expected to total approximately \$2,500 million. 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.

We have off-balance sheet financial guarantees and other commitments totaling approximately \$82 million and \$40 million at December 31, 2017 and 2016, respectively. We issue guarantees to financial institutions or other entities on behalf of certain of our affiliates, lessors or customers. Normally there is no separate premium received by us as consideration for the issuance of guarantees.

In 2017, we issued a guarantee of approximately \$47 million in connection with an indirect tax assessment in EMEA. We have concluded our performance under this guarantee is not probable and, therefore, have not recorded a liability for this guarantee. 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 GDTNA's outstanding workers' compensation claims arising during the existence of the global alliance. As of December 31, 2017, this guarantee has been reduced to \$33 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 decrease over time as GDTNA pays its outstanding claims.

If performance under our 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.

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

### *Indemnifications*

At December 31, 2017, we were a party to various agreements under which we had assumed obligations to indemnify the counterparties from certain potential claims and losses. These agreements typically involve standard commercial activities undertaken by us in the normal course of business; the sale of assets by us; the formation or dissolution of joint venture businesses to which we had contributed assets in exchange for ownership interests; and other financial transactions. Indemnifications provided by us pursuant to these agreements relate to various matters including, among other things, environmental, tax and shareholder matters; intellectual property rights; government regulations; employment-related matters; and dealer, supplier and other commercial matters.

Certain indemnifications expire from time to time, and certain other indemnifications are not subject to an expiration date. In addition, our potential liability under certain indemnifications is subject to maximum caps, while other indemnifications are not subject to caps. Although we have been subject to indemnification claims in the past, we cannot reasonably estimate the number, type and size of indemnification claims that may arise in the future. Due to these and other uncertainties associated with the indemnifications, our maximum exposure to loss under these agreements cannot be estimated.

We have determined that there are no indemnifications or guarantees other than liabilities for which amounts are already recorded or reserved in our consolidated financial statements under which it is probable that we have incurred a liability.

### *Warranty*

We recorded \$17 million and \$19 million for potential claims under warranties offered by us at December 31, 2017 and 2016, respectively, the majority of which is recorded in Other Current Liabilities.

The following table presents changes in the warranty reserve during 2017 and 2016:

<i>(In millions)</i>	<u>2017</u>	<u>2016</u>
<b>Balance at January 1</b> .....	\$ 19	\$ 17
Payments made during the period .....	(27)	(29)
Expense recorded during the period .....	24	31
Translation adjustment .....	<u>1</u>	<u>—</u>
<b>Balance at December 31</b> .....	<u>\$ 17</u>	<u>\$ 19</u>

### **Note 20. Capital Stock**

#### *Dividends*

During 2017, 2016 and 2015 we paid cash dividends of \$110 million, \$82 million and \$68 million, respectively, on our common stock. On January 16, 2018, the Company's Board of Directors (or a duly authorized committee thereof) declared cash dividends of \$0.14 per share on our common stock, or approximately \$34 million in the aggregate. The cash dividend will be paid on March 1, 2018 to stockholders of record as of the close of business on February 1, 2018. 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 \$2.1 billion. This program expires on December 31, 2019. We intend to repurchase shares of common stock in

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

open market transactions in order to offset new shares issued under equity compensation programs and to provide for additional shareholder returns. During 2017, we repurchased 12,755,547 shares at an average price, including commissions, of \$31.37 per share, or \$400 million in the aggregate. Since 2013, we repurchased 43,969,657 shares at an average price, including commissions, of \$29.87 per share, or \$1,313 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 stock options or the vesting or payment of stock awards. During 2017, we did not repurchase any shares from employees.

### Note 21. Reclassifications out of Accumulated Other Comprehensive Loss

The following table presents changes in Accumulated Other Comprehensive Loss (AOCL) by component, for the years ended December 31, 2017, 2016 and 2015:

<i>(In millions)</i>	Foreign Currency Translation Adjustment	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Unrealized Investment Gains	Total
Balance at December 31, 2014 . . . . .	\$ (894)	\$(3,285)	\$ 12	\$ 36	\$(4,131)
Other comprehensive income (loss) before reclassifications . . . . .	(251)	(68)	15	(4)	(308)
Amounts reclassified from accumulated other comprehensive loss . . . . .	16	325	(21)	(32)	288
Purchase of subsidiary shares from minority interest . . . . .	(3)	(105)	1	—	(107)
Deconsolidation of Venezuelan subsidiary (Note 1) . . . . .	186	62	—	—	248
Balance at December 31, 2015 . . . . .	\$ (946)	\$(3,071)	\$ 7	\$ —	\$(4,010)
Other comprehensive income (loss) before reclassifications . . . . .	(209)	(62)	8	—	(263)
Amounts reclassified from accumulated other comprehensive loss . . . . .	—	80	(5)	—	75
Balance at December 31, 2016 . . . . .	\$(1,155)	\$(3,053)	\$ 10	\$ —	\$(4,198)
Other comprehensive income (loss) before reclassifications . . . . .	240	(103)	(20)	—	117
Amounts reclassified from accumulated other comprehensive loss . . . . .	—	104	1	—	105
Balance at December 31, 2017 . . . . .	<u>\$ (915)</u>	<u>\$(3,052)</u>	<u>\$ (9)</u>	<u>\$ —</u>	<u>\$(3,976)</u>

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

The following table presents reclassifications out of AOCL for the years ended December 31, 2017, 2016 and 2015:

<i>(In millions)</i>	Year Ended December 31,			Affected Line Item in the Consolidated Statements of Operations
	2017	2016	2015	
<b>Component of AOCL</b>	Amount Reclassified from AOCL			
Foreign Currency Translation Adjustment, before tax . . . . .	\$ —	\$ —	\$ 16	Other (Income) Expense
Deconsolidation of Venezuelan subsidiary (Note 1) . . . . .	—	—	186	Loss on Deconsolidation of Venezuelan Subsidiary
Tax effect . . . . .	—	—	—	United States and Foreign Taxes
Minority interest . . . . .	—	—	—	Minority Shareholders' Net Income
Net of tax . . . . .	\$ —	\$ —	\$ 202	Goodyear Net Income
Amortization of prior service cost and unrecognized gains and losses . . . . .	\$117	\$ 96	\$ 103	Total Benefit Cost
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments and settlements . . . . .	41	17	142	Total Benefit Cost
Immediate recognition of prior service cost and unrecognized gains and losses due to divestitures . . . . .	—	—	184	Other (Income) Expense
Deconsolidation of Venezuelan subsidiary (Note 1) . . . . .	—	—	62	Loss on Deconsolidation of Venezuelan Subsidiary
Unrecognized Net Actuarial Losses and Prior Service Costs, before tax . . . . .	\$158	\$113	\$ 491	
Tax effect . . . . .	(54)	(33)	(101)	United States and Foreign Taxes
Minority interest . . . . .	—	—	(3)	Minority Shareholders' Net Income
Net of tax . . . . .	\$104	\$ 80	\$ 387	Goodyear Net Income
Deferred Derivative Losses (Gains), before tax . . . . .	\$ 2	\$ (6)	\$ (28)	Cost of Goods Sold
Tax effect . . . . .	(1)	1	3	United States and Foreign Taxes
Minority interest . . . . .	—	—	4	Minority Shareholders' Net Income
Net of tax . . . . .	\$ 1	\$ (5)	\$ (21)	Goodyear Net Income
Unrealized Investment Gains, before tax . . . . .	\$ —	\$ —	\$ (30)	Other (Income) Expense
Tax effect . . . . .	—	—	(2)	United States and Foreign Taxes
Minority interest . . . . .	—	—	—	Minority Shareholders' Net Income
Net of tax . . . . .	\$ —	\$ —	\$ (32)	Goodyear Net Income
<b>Total reclassifications . . . . .</b>	<b>\$105</b>	<b>\$ 75</b>	<b>\$ 536</b>	Goodyear Net Income

## THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES

### Note 22. 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 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. 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 \$17 million and \$1 million for Guarantor Subsidiaries, with corresponding offsetting adjustments presented on the same line items in the Consolidating Entries and Eliminations column, for the year ended December 31, 2016 and December 31, 2015, respectively. The change did not impact the Non-Guarantor Subsidiaries presentation in the previously issued consolidating financial statements.

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

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**

**Condensed Consolidating Balance Sheet**

December 31, 2017

<i>(In millions)</i>	<u>Parent Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Entries and Eliminations</u>	<u>Consolidated</u>
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 176	\$ 32	\$ 835	\$ —	\$ 1,043
Accounts Receivable	649	116	1,260	—	2,025
Accounts Receivable From Affiliates	—	254	71	(325)	—
Inventories	1,444	43	1,329	(29)	2,787
Prepaid Expenses and Other Current Assets	59	3	157	5	224
<b>Total Current Assets</b>	<b>2,328</b>	<b>448</b>	<b>3,652</b>	<b>(349)</b>	<b>6,079</b>
Goodwill	24	1	444	126	595
Intangible Assets	119	—	20	—	139
Deferred Income Taxes	1,549	35	424	—	2,008
Other Assets	221	51	518	2	792
Investments in Subsidiaries	4,424	503	—	(4,927)	—
Property, Plant and Equipment	2,491	420	4,569	(29)	7,451
<b>Total Assets</b>	<b>\$11,156</b>	<b>\$1,458</b>	<b>\$9,627</b>	<b>\$(5,177)</b>	<b>\$17,064</b>
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
Accounts Payable-Trade	\$ 927	\$ 115	\$1,765	\$ —	\$ 2,807
Accounts Payable to Affiliates	325	—	—	(325)	—
Compensation and Benefits	322	15	202	—	539
Other Current Liabilities	323	2	701	—	1,026
Notes Payable and Overdrafts	—	—	262	—	262
Long Term Debt and Capital Leases Due Within One Year	60	—	331	—	391
<b>Total Current Liabilities</b>	<b>1,957</b>	<b>132</b>	<b>3,261</b>	<b>(325)</b>	<b>5,025</b>
Long Term Debt and Capital Leases	3,544	152	1,380	—	5,076
Compensation and Benefits	682	109	724	—	1,515
Deferred Income Taxes	—	1	99	—	100
Other Long Term Liabilities	370	8	120	—	498
<b>Total Liabilities</b>	<b>6,553</b>	<b>402</b>	<b>5,584</b>	<b>(325)</b>	<b>12,214</b>
Commitments and Contingent Liabilities					
<b>Shareholders' Equity:</b>					
<b>Goodyear Shareholders' Equity:</b>					
Common Stock	240	—	—	—	240
Other Equity	4,363	1,056	3,796	(4,852)	4,363
<b>Goodyear Shareholders' Equity</b>	<b>4,603</b>	<b>1,056</b>	<b>3,796</b>	<b>(4,852)</b>	<b>4,603</b>
Minority Shareholders' Equity — Nonredeemable	—	—	247	—	247
<b>Total Shareholders' Equity</b>	<b>4,603</b>	<b>1,056</b>	<b>4,043</b>	<b>(4,852)</b>	<b>4,850</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$11,156</b>	<b>\$1,458</b>	<b>\$9,627</b>	<b>\$(5,177)</b>	<b>\$17,064</b>

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**

**Condensed Consolidating Balance Sheet**  
December 31, 2016

<i>(In millions)</i>	<u>Parent Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Entries and Eliminations</u>	<u>Consolidated</u>
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 188	\$ 55	\$ 889	\$ —	\$ 1,132
Accounts Receivable	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
<b>Total Current Assets</b>	<u>2,277</u>	<u>466</u>	<u>3,541</u>	<u>(566)</u>	<u>5,718</u>
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	2,481	308	4,279	(28)	7,040
<b>Total Assets</b>	<u>\$11,477</u>	<u>\$1,399</u>	<u>\$8,989</u>	<u>\$(5,354)</u>	<u>\$16,511</u>
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
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
<b>Total Current Liabilities</b>	<u>2,178</u>	<u>157</u>	<u>3,032</u>	<u>(550)</u>	<u>4,817</u>
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
<b>Total Liabilities</b>	<u>6,970</u>	<u>268</u>	<u>5,097</u>	<u>(549)</u>	<u>11,786</u>
Commitments and Contingent Liabilities					
<b>Shareholders' Equity:</b>					
<b>Goodyear Shareholders' Equity:</b>					
Common Stock	252	—	—	—	252
Other Equity	4,255	1,131	3,674	(4,805)	4,255
<b>Goodyear Shareholders' Equity</b>	<u>4,507</u>	<u>1,131</u>	<u>3,674</u>	<u>(4,805)</u>	<u>4,507</u>
Minority Shareholders' Equity — Nonredeemable	—	—	218	—	218
<b>Total Shareholders' Equity</b>	<u>4,507</u>	<u>1,131</u>	<u>3,892</u>	<u>(4,805)</u>	<u>4,725</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$11,477</u>	<u>\$1,399</u>	<u>\$8,989</u>	<u>\$(5,354)</u>	<u>\$16,511</u>

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**

**Consolidating Statements of Operations Year Ended  
December 31, 2017**

<i>(In millions)</i>	<u>Parent Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Entries and Eliminations</u>	<u>Consolidated</u>
<b>Net Sales</b> .....	\$7,378	\$1,186	\$9,499	\$(2,686)	\$15,377
Cost of Goods Sold .....	5,794	1,135	7,546	(2,756)	11,719
Selling, Administrative and General Expense .....	991	37	1,274	—	2,302
Rationalizations .....	20	1	114	—	135
Interest Expense .....	254	10	122	(51)	335
Other (Income) Expense .....	(91)	(1)	(30)	130	8
<b>Income (Loss) before Income Taxes and Equity in</b>					
<b>Earnings of Subsidiaries</b> .....	410	4	473	(9)	878
United States and Foreign Tax (Benefit) Expense .....	417	(2)	101	(3)	513
Equity in Earnings (Loss) of Subsidiaries .....	353	39	—	(392)	—
<b>Net Income (Loss)</b> .....	346	45	372	(398)	365
Less: Minority Shareholders' Net Income .....	—	—	19	—	19
<b>Goodyear Net Income (Loss)</b> .....	<u>\$ 346</u>	<u>\$ 45</u>	<u>\$ 353</u>	<u>\$ (398)</u>	<u>\$ 346</u>
<b>Comprehensive Income (Loss)</b> .....	\$ 568	\$ 62	\$ 656	\$ (683)	\$ 603
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders .....	—	—	35	—	35
<b>Goodyear Comprehensive Income (Loss)</b> .....	<u>\$ 568</u>	<u>\$ 62</u>	<u>\$ 621</u>	<u>\$ (683)</u>	<u>\$ 568</u>



**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**

**Consolidating Statements of Operations Year Ended  
December 31, 2016**

<i>(In millions)</i>	<u>Parent Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Entries and Eliminations</u>	<u>Consolidated</u>
<b>Net Sales</b> .....	\$7,418	\$1,265	\$9,121	\$(2,646)	\$15,158
Cost of Goods Sold .....	5,498	1,218	6,971	(2,715)	10,972
Selling, Administrative and General Expense .....	1,068	38	1,302	(1)	2,407
Rationalizations .....	20	—	190	—	210
Interest Expense .....	276	12	129	(45)	372
Other (Income) Expense .....	(46)	1	(52)	87	(10)
<b>Income (Loss) before Income Taxes and Equity in</b>					
<b>Earnings of Subsidiaries</b> .....	602	(4)	581	28	1,207
United States and Foreign Tax (Benefit) Expense .....	104	(7)	(180)	6	(77)
Equity in Earnings (Loss) of Subsidiaries .....	766	122	—	(888)	—
<b>Net Income (Loss)</b> .....	1,264	125	761	(866)	1,284
Less: Minority Shareholders' Net Income .....	—	—	20	—	20
<b>Goodyear Net Income (Loss)</b> .....	<u>\$1,264</u>	<u>\$ 125</u>	<u>\$ 741</u>	<u>\$ (866)</u>	<u>\$ 1,264</u>
<b>Comprehensive Income (Loss)</b> .....	\$1,076	\$ 55	\$ 585	\$ (632)	\$ 1,084
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders .....	—	—	8	—	8
<b>Goodyear Comprehensive Income (Loss)</b> .....	<u>\$1,076</u>	<u>\$ 55</u>	<u>\$ 577</u>	<u>\$ (632)</u>	<u>\$ 1,076</u>

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**

**Consolidating Statements of Operations Year Ended  
December 31, 2015**

<i>(In millions)</i>	<u>Parent Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Entries and Eliminations</u>	<u>Consolidated</u>
<b>Net Sales</b> .....	\$8,044	\$1,558	\$10,308	\$(3,467)	\$16,443
Cost of Goods Sold .....	6,186	1,458	8,090	(3,570)	12,164
Selling, Administrative and General Expense .....	1,168	57	1,392	(3)	2,614
Rationalizations .....	13	—	101	—	114
Interest Expense .....	339	22	135	(58)	438
Loss on Deconsolidation of Venezuelan Subsidiary ...	374	—	272	—	646
Other (Income) Expense .....	<u>(455)</u>	<u>(13)</u>	<u>173</u>	<u>154</u>	<u>(141)</u>
<b>Income (Loss) before Income Taxes and Equity in</b>					
<b>Earnings of Subsidiaries</b> .....	419	34	145	10	608
United States and Foreign Tax (Benefit) Expense ....	104	10	112	6	232
Equity in Earnings (Loss) of Subsidiaries .....	<u>(8)</u>	<u>19</u>	<u>—</u>	<u>(11)</u>	<u>—</u>
<b>Net Income (Loss)</b> .....	307	43	33	(7)	376
Less: Minority Shareholders' Net Income .....	<u>—</u>	<u>—</u>	<u>69</u>	<u>—</u>	<u>69</u>
<b>Goodyear Net Income (Loss)</b> .....	<u>\$ 307</u>	<u>\$ 43</u>	<u>\$ (36)</u>	<u>\$ (7)</u>	<u>\$ 307</u>
<b>Comprehensive Income (Loss)</b> .....	\$ 535	\$ 55	\$ 46	\$ (95)	\$ 541
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders .....	<u>—</u>	<u>—</u>	<u>32</u>	<u>(26)</u>	<u>6</u>
<b>Goodyear Comprehensive Income (Loss)</b> .....	<u>\$ 535</u>	<u>\$ 55</u>	<u>\$ 14</u>	<u>\$ (69)</u>	<u>\$ 535</u>

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**

**Condensed Consolidating Statement of Cash Flows**  
Year Ended December 31, 2017

(In millions)

	<u>Parent Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Entries and Eliminations</u>	<u>Consolidated</u>
<b>Cash Flows from Operating Activities:</b>					
<b>Total Cash Flows from Operating Activities</b> ..	\$ 1,192	\$ 67	\$ 577	\$(678)	\$ 1,158
<b>Cash Flows from Investing Activities:</b>					
Capital Expenditures .....	(305)	(136)	(442)	2	(881)
Asset Dispositions .....	1	1	10	—	12
Short Term Securities Acquired .....	—	—	(83)	—	(83)
Short Term Securities Redeemed .....	—	—	83	—	83
Capital Contributions Received and Loans Incurred .....	(79)	—	(292)	371	—
Capital Redemptions and Loans Paid .....	76	—	563	(639)	—
Other Transactions .....	(3)	—	(7)	—	(10)
<b>Total Cash Flows from Investing Activities</b> ...	(310)	(135)	(168)	(266)	(879)
<b>Cash Flows from Financing Activities:</b>					
Short Term Debt and Overdrafts Incurred .....	420	—	634	—	1,054
Short Term Debt and Overdrafts Paid .....	(420)	—	(626)	—	(1,046)
Long Term Debt Incurred .....	3,062	204	3,197	—	6,463
Long Term Debt Paid .....	(3,151)	(52)	(3,139)	—	(6,342)
Common Stock Issued .....	14	—	—	—	14
Common Stock Repurchased .....	(400)	—	—	—	(400)
Common Stock Dividends Paid .....	(110)	—	—	—	(110)
Capital Contributions Received and Loans Incurred .....	292	66	13	(371)	—
Capital Redemptions and Loans Paid .....	(563)	(48)	(28)	639	—
Intercompany Dividends Paid .....	—	(128)	(548)	676	—
Transactions with Minority Interests in Subsidiaries .....	—	—	(7)	—	(7)
Debt Related Costs and Other Transactions .....	(35)	—	(6)	—	(41)
<b>Total Cash Flows from Financing Activities</b> ...	(891)	42	(510)	944	(415)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash .....	—	3	54	—	57
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b> .....	(9)	(23)	(47)	—	(79)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year .....	210	55	924	—	1,189
<b>Cash, Cash Equivalents and Restricted Cash at End of the Year</b> .....	<u>\$ 201</u>	<u>\$ 32</u>	<u>\$ 877</u>	<u>\$ —</u>	<u>\$ 1,110</u>

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**

**Condensed Consolidating Statement of Cash Flows**  
Year Ended December 31, 2016

<i>(In millions)</i>	<u>Parent Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Entries and Eliminations</u>	<u>Consolidated</u>
<b>Cash Flows from Operating Activities:</b>					
<b>Total Cash Flows from Operating Activities</b> ..	\$ 609	\$ 135	\$ 885	\$ (72)	\$ 1,557
<b>Cash Flows from Investing Activities:</b>					
Capital Expenditures .....	(370)	(107)	(525)	6	(996)
Asset Dispositions .....	11	—	24	—	35
Short Term Securities Acquired .....	—	—	(72)	—	(72)
Short Term Securities Redeemed .....	—	—	60	—	60
Capital Contributions Received and Loans Incurred .....	(257)	—	(576)	833	—
Capital Redemptions and Loans Paid .....	163	—	148	(311)	—
Other Transactions .....	—	—	(6)	—	(6)
<b>Total Cash Flows from Investing Activities</b> ...	(453)	(107)	(947)	528	(979)
<b>Cash Flows from Financing Activities:</b>					
Short Term Debt and Overdrafts Incurred .....	—	—	417	—	417
Short Term Debt and Overdrafts Paid .....	—	—	(228)	—	(228)
Long Term Debt Incurred .....	2,896	—	2,092	—	4,988
Long Term Debt Paid .....	(3,016)	—	(2,417)	—	(5,433)
Common Stock Issued .....	13	—	—	—	13
Common Stock Repurchased .....	(500)	—	—	—	(500)
Common Stock Dividends Paid .....	(82)	—	—	—	(82)
Capital Contributions Received and Loans Incurred .....	576	59	198	(833)	—
Capital Redemptions and Loans Paid .....	(148)	(80)	(83)	311	—
Intercompany Dividends Paid .....	—	(19)	(47)	66	—
Transactions with Minority Interests in Subsidiaries .....	—	—	(11)	—	(11)
Debt Related Costs and Other Transactions .....	(46)	—	6	—	(40)
<b>Total Cash Flows from Financing Activities</b> ...	(307)	(40)	(73)	(456)	(876)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash .....	—	—	(15)	—	(15)
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b> .....	(151)	(12)	(150)	—	(313)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year .....	361	67	1,074	—	1,502
<b>Cash, Cash Equivalents and Restricted Cash at End of the Year</b> .....	<u>\$ 210</u>	<u>\$ 55</u>	<u>\$ 924</u>	<u>\$ —</u>	<u>\$ 1,189</u>

**THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES**

**Condensed Consolidating Statement of Cash Flows**  
Year Ended December 31, 2015

<i>(In millions)</i>	<u>Parent Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Entries and Eliminations</u>	<u>Consolidated</u>
<b>Cash Flows from Operating Activities:</b>					
<b>Total Cash Flows from Operating Activities</b> . . .	\$ 1,043	\$ 126	\$ 612	\$ (53)	\$ 1,728
<b>Cash Flows from Investing Activities:</b>					
Capital Expenditures . . . . .	(322)	(112)	(558)	9	(983)
Asset Dispositions . . . . .	48	—	14	—	62
Decrease in Cash Due to Deconsolidation of Venezuelan Subsidiary . . . . .	—	—	(320)	—	(320)
Short Term Securities Acquired . . . . .	—	—	(77)	—	(77)
Short Term Securities Redeemed . . . . .	—	—	69	—	69
Capital Contributions Received and Loans Incurred . . . . .	(70)	—	(90)	160	—
Capital Redemptions and Loans Paid . . . . .	122	—	125	(247)	—
Other Transactions . . . . .	—	—	(7)	—	(7)
<b>Total Cash Flows from Investing Activities</b> . . .	(222)	(112)	(844)	(78)	(1,256)
<b>Cash Flows from Financing Activities:</b>					
Short Term Debt and Overdrafts Incurred . . . . .	39	—	118	(54)	103
Short Term Debt and Overdrafts Paid . . . . .	(15)	—	(123)	54	(84)
Long Term Debt Incurred . . . . .	1,736	—	1,083	—	2,819
Long Term Debt Paid . . . . .	(2,341)	—	(974)	—	(3,315)
Common Stock Issued . . . . .	53	—	—	—	53
Common Stock Repurchased . . . . .	(180)	—	—	—	(180)
Common Stock Dividends Paid . . . . .	(68)	—	—	—	(68)
Capital Contributions Received and Loans Incurred . . . . .	90	12	58	(160)	—
Capital Redemptions and Loans Paid . . . . .	(125)	(15)	(107)	247	—
Intercompany Dividends Paid . . . . .	—	(17)	(27)	44	—
Transactions with Minority Interests in Subsidiaries . . . . .	—	—	(9)	—	(9)
Debt Related Costs and Other Transactions . . . . .	(59)	—	(15)	—	(74)
Dissolution of Global Alliance . . . . .	(271)	—	—	—	(271)
<b>Total Cash Flows from Financing Activities</b> . . .	(1,141)	(20)	4	131	(1,026)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash . . . . .	—	(13)	(112)	—	(125)
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b> . . . . .	(320)	(19)	(340)	—	(679)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year . . . . .	681	86	1,414	—	2,181
<b>Cash, Cash Equivalents and Restricted Cash at End of the Year</b> . . . . .	\$ 361	\$ 67	\$ 1,074	\$ —	\$ 1,502

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined under Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934, as amended.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with appropriate authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the Company's internal control over financial reporting as of December 31, 2017 using the framework specified in *Internal Control — Integrated Framework (2013)*, published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is presented in this Annual Report.

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of The Goodyear Tire & Rubber Company

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the consolidated financial statements, including the related notes and financial statement schedule, of The Goodyear Tire & Rubber Company and its subsidiaries as listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the COSO.

### ***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

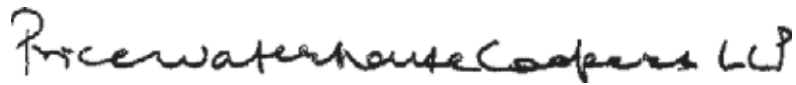
Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP  
Cleveland, Ohio  
February 8, 2018

We have served as the Company's auditor since 1898.



## Supplementary Data

(Unaudited)

### Quarterly Data and Market Price Information

<i>(In millions, except per share amounts)</i>	Quarter				Year
	First	Second	Third	Fourth	
<b>2017</b>					
Net Sales .....	\$ 3,699	\$ 3,686	\$ 3,921	\$ 4,071	\$15,377
Gross Profit .....	934	894	852	978	3,658
Net Income (Loss) .....	169	154	132	(90)	365
Less: Minority Shareholders' Net Income .....	3	7	3	6	19
Goodyear Net Income (Loss) .....	\$ 166	\$ 147	\$ 129	\$ (96)	\$ 346
Goodyear Net Income (Loss) — Per Share of Common Stock: *					
— Basic .....	\$ 0.66	\$ 0.58	\$ 0.52	\$ (0.39)	\$ 1.39
— Diluted .....	\$ 0.65	\$ 0.58	\$ 0.50	\$ (0.39)	\$ 1.37
Weighted Average Shares Outstanding — Basic .....	252	252	250	244	249
— Diluted .....	256	256	254	244	253
Dividends Declared per Share of Common Stock .....	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.14	\$ 0.44
Price Range of Common Stock: High .....	\$ 37.20	\$ 36.74	\$ 36.52	\$ 34.52	\$ 37.20
Low .....	30.10	31.33	29.45	28.81	28.81
Selected Balance Sheet Items at Quarter-End:					
Total Assets .....	\$17,194	\$17,646	\$17,852	\$17,064	
Total Debt and Capital Leases .....	5,933	6,076	6,391	5,729	
Goodyear Shareholders' Equity .....	4,733	4,909	4,882	4,603	
Total Shareholders' Equity .....	4,960	5,145	5,121	4,850	

\* Due to the anti-dilutive impact of potentially dilutive securities, as well as weighted average shares changing throughout the year, the quarterly earnings per share amounts do not add to the full year.

All numbers presented below are after-tax and minority.

The first quarter of 2017 included rationalization charges of \$20 million and charges of \$5 million related to accelerated depreciation and asset write-offs. The first quarter of 2017 also included discrete tax benefits of \$2 million.

The second quarter of 2017 included rationalization charges of \$20 million, debt repayment charges of \$19 million, and charges of \$16 million related to accelerated depreciation and asset write-offs. The second quarter of 2017 also included net gains on asset sales of \$12 million and discrete tax benefits of \$13 million.

The third quarter of 2017 included rationalization charges of \$31 million, charges of \$15 million for hurricane related expenses, pension settlement charges of \$8 million, and charges of \$7 million related to accelerated depreciation and asset write-offs. The third quarter of 2017 also included discrete tax benefits of \$10 million and a benefit of \$3 million related to the recovery of past costs from certain of our asbestos insurers.

The fourth quarter of 2017 included discrete tax charges of \$315 million primarily related to changes in U.S. tax law, rationalization charges of \$22 million, pension settlement charges of \$3 million, and charges of \$1 million related to accelerated depreciation and asset write-offs.

(In millions, except per share amounts)	Quarter				Year
	First	Second	Third	Fourth	
<b>2016</b>					
Net Sales . . . . .	\$ 3,691	\$ 3,879	\$ 3,847	\$ 3,741	\$15,158
Gross Profit . . . . .	990	1,066	1,111	1,019	4,186
Net Income . . . . .	189	208	320	567	1,284
Less: Minority Shareholders' Net Income . . . . .	5	6	3	6	20
Goodyear Net Income . . . . .	<u>\$ 184</u>	<u>\$ 202</u>	<u>\$ 317</u>	<u>\$ 561</u>	<u>\$ 1,264</u>
Goodyear Net Income—Per Share of Common Stock: *					
— Basic . . . . .	<u>\$ 0.69</u>	<u>\$ 0.76</u>	<u>\$ 1.21</u>	<u>\$ 2.17</u>	<u>\$ 4.81</u>
— Diluted . . . . .	<u>\$ 0.68</u>	<u>\$ 0.75</u>	<u>\$ 1.19</u>	<u>\$ 2.14</u>	<u>\$ 4.74</u>
Dividends Declared per Share of Common Stock . . . . .	0.07	0.07	0.17	—	0.31
Weighted Average Shares Outstanding — Basic . . . . .	267	264	262	258	263
— Diluted . . . . .	271	268	266	262	266
Price Range of Common Stock: High . . . . .	\$ 33.33	\$ 32.92	\$ 32.85	\$ 33.36	\$ 33.36
Low . . . . .	26.07	24.40	24.31	26.82	24.31
Selected Balance Sheet Items at Quarter-End:					
Total Assets . . . . .	\$16,777	\$16,860	\$17,143	\$16,511	
Total Debt and Capital Leases . . . . .	6,075	6,236	6,028	5,479	
Goodyear Shareholders' Equity . . . . .	4,104	4,182	4,477	4,507	
Total Shareholders' Equity . . . . .	4,332	4,408	4,704	4,725	

\* Due to the anti-dilutive impact of potentially dilutive securities, as well as weighted average shares changing throughout the year, the quarterly earnings per share amounts do not add to the full year.

All numbers presented below are after-tax and minority.

The first quarter of 2016 included debt repayment charges of \$12 million, rationalization charges of \$10 million and charges of \$2 million related to accelerated depreciation. The first quarter of 2016 also included discrete tax benefits of \$11 million, a benefit of \$2 million related to the recovery of past costs from one of our asbestos insurers, and net gains on asset sales of \$1 million.

The second quarter of 2016 included rationalization charges of \$44 million, debt repayment charges of \$34 million, charges of \$15 million related to an out of period adjustment in Americas related to the elimination of intracompany profit, pension settlement charges of \$14 million, charges of \$5 million related to accelerated depreciation, and charges of \$3 million related to discrete tax items. The second quarter of 2016 also included a benefit of \$3 million related to the recovery of past costs from one of our asbestos insurers.

The third quarter of 2016 included discrete tax benefits of \$118 million and net gains on asset sales of \$24 million. The third quarter of 2016 also included rationalization charges of \$133 million and charges of \$2 million related to accelerated depreciation.

The fourth quarter of 2016 included discrete tax benefits of \$332 million primarily related to the reversal of certain valuation allowances, a benefit of \$10 million related to the recovery of past costs from certain of our asbestos insurers, and net gains on asset sales of \$2 million. The fourth quarter of 2016 also included rationalization charges of \$12 million, charges of \$11 million related to accelerated depreciation, a charge of \$6 million related to legal claims unrelated to operations, and pension settlement charges of \$3 million.

## SELECTED FINANCIAL DATA.

<i>(In millions, except per share amounts)</i>	Year Ended December 31, <sup>(1)</sup>				
	2017 <sup>(2)</sup>	2016 <sup>(3)</sup>	2015 <sup>(4)</sup>	2014 <sup>(5)</sup>	2013 <sup>(6)</sup>
Net Sales	\$15,377	\$15,158	\$16,443	\$18,138	\$19,540
Net Income	365	1,284	376	2,521	675
Less: Minority Shareholders' Net Income	19	20	69	69	46
Goodyear Net Income	\$ 346	\$ 1,264	\$ 307	\$ 2,452	\$ 629
Less: Preferred Stock Dividends	—	—	—	7	29
Goodyear Net Income available to Common Shareholders	\$ 346	\$ 1,264	\$ 307	\$ 2,445	\$ 600
Goodyear Net Income available to Common Shareholders — Per Share of Common Stock:					
Basic	\$ 1.39	\$ 4.81	\$ 1.14	\$ 9.13	\$ 2.44
Diluted	\$ 1.37	\$ 4.74	\$ 1.12	\$ 8.78	\$ 2.28
Cash Dividends Declared per Common Share	\$ 0.44	\$ 0.31	\$ 0.25	\$ 0.22	\$ 0.05
Total Assets	\$17,064	\$16,511	\$16,391	\$18,000	\$17,385
Long Term Debt and Capital Leases Due Within One Year	391	436	585	148	73
Long Term Debt and Capital Leases	5,076	4,798	5,074	6,172	6,110
Goodyear Shareholders' Equity	4,603	4,507	3,920	3,610	1,606
Total Shareholders' Equity	4,850	4,725	4,142	3,845	1,868

- (1) Refer to “Basis of Presentation” and “Principles of Consolidation” in the Note to the Consolidated Financial Statements No. 1, Accounting Policies.
- (2) Goodyear net income in 2017 included net charges after-tax and minority of \$460 million resulting from discrete income tax items; rationalization charges, including accelerated depreciation and asset write-offs; charges related to the early repayment of debt; negative impacts related to hurricanes in the U.S.; and settlement charges related to pension plans. Goodyear net income in 2017 also included net gains after-tax and minority of \$16 million resulting from net gains on asset sales; and insurance recoveries for claims related to discontinued products.
- (3) Goodyear net income in 2016 included net gains after-tax and minority of \$499 million resulting from discrete income tax items; net gains on asset sales; and insurance recoveries for claims related to discontinued products. Goodyear net income in 2016 also included net charges after-tax and minority of \$301 million due to rationalization charges, including accelerated depreciation and asset write-offs; charges related to the early repayment of debt; settlement charges related to pension plans in EMEA; an out of period adjustment in Americas related to the elimination of intracompany profit; and legal claims unrelated to operations.
- (4) Goodyear net income in 2015 included net charges after-tax and minority of \$794 million due to the loss on the deconsolidation of our Venezuelan subsidiary; rationalization charges, including accelerated depreciation and asset write-offs; settlement charges related to pension plans in Americas; charges related to the early repayment of debt; and charges related to labor claims with respect to a previously closed facility in Greece. Goodyear net income in 2015 also included net gains after-tax and minority of \$195 million resulting from royalty income related to the termination of a licensing agreement; the gain on the dissolution of the global alliance with Sumitomo Rubber Industries, Ltd. (“SRI”); the gain on the sale of our investment in SRI’s shares; discrete income tax items; insurance recoveries for claims related to discontinued products; and the settlement of certain indirect tax claims in Americas.

- (5) Goodyear net income in 2014 included net charges after-tax and minority of \$323 million due to changes in the exchange rate of the Venezuelan bolivar fuerte against the U.S. dollar; rationalization charges, including accelerated depreciation and asset write-offs; curtailment and settlement losses related to pension plans in the U.S. and the U.K.; charges related to labor claims with respect to a previously closed facility in Greece; charges related to a government investigation in Africa; and the settlement of certain indirect tax claims in Americas. Goodyear net income in 2014 also included net gains after-tax and minority of \$1,985 million resulting from discrete income tax items, including the release of substantially all of the valuation allowance on our net deferred U.S. tax assets; and net gains on asset sales.
- (6) Goodyear net income in 2013 included net charges after-tax and minority of \$156 million due to the devaluation of the Venezuelan bolivar fuerte against the U.S. dollar; rationalization charges, including accelerated depreciation and asset write-offs; and charges related to labor claims with respect to a previously closed facility in Greece. Goodyear net income in 2013 also included net gains after-tax and minority of \$60 million resulting from certain foreign government tax incentives, tax law changes and interest earned on favorable tax judgments; insurance recoveries for a flood in Thailand; and net gains on asset sales.

## GENERAL INFORMATION REGARDING OUR SEGMENTS

Our principal business is the development, manufacture, distribution and sale of tires and related products and services worldwide. We manufacture and market numerous lines of rubber tires for:

- automobiles
- trucks
- buses
- aircraft
- motorcycles
- earthmoving and mining equipment
- farm implements
- industrial equipment, and
- various other applications.

In each case, our tires are offered for sale to vehicle manufacturers for mounting as original equipment (“OE”) and for replacement worldwide. We manufacture and sell tires under the Goodyear, Dunlop, Kelly, Debica, Sava and Fulda brands and various other Goodyear owned “house” brands, and the private-label brands of certain customers. In certain geographic areas we also:

- retread truck, aviation and off-the-road (“OTR”) tires,
- manufacture and sell tread rubber and other tire retreading materials,
- sell chemical products, and/or
- provide automotive and commercial repair services and miscellaneous other products and services.

Our principal products are new tires for most applications. Approximately 87% of our sales in 2017, 2016 and 2015 were for new tires. Sales of chemical products and natural rubber to unaffiliated customers were 3% in 2017 and 2016 and 2% in 2015 of our consolidated sales (6%, 5% and 4% of Americas total sales in 2017, 2016 and 2015, respectively). The percentages of each segment’s sales attributable to new tires during the periods indicated were:

<u>Sales of New Tires By</u>	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Americas . . . . .	81%	82%	84%
Europe, Middle East and Africa . . . . .	94	94	94
Asia Pacific . . . . .	90	89	89

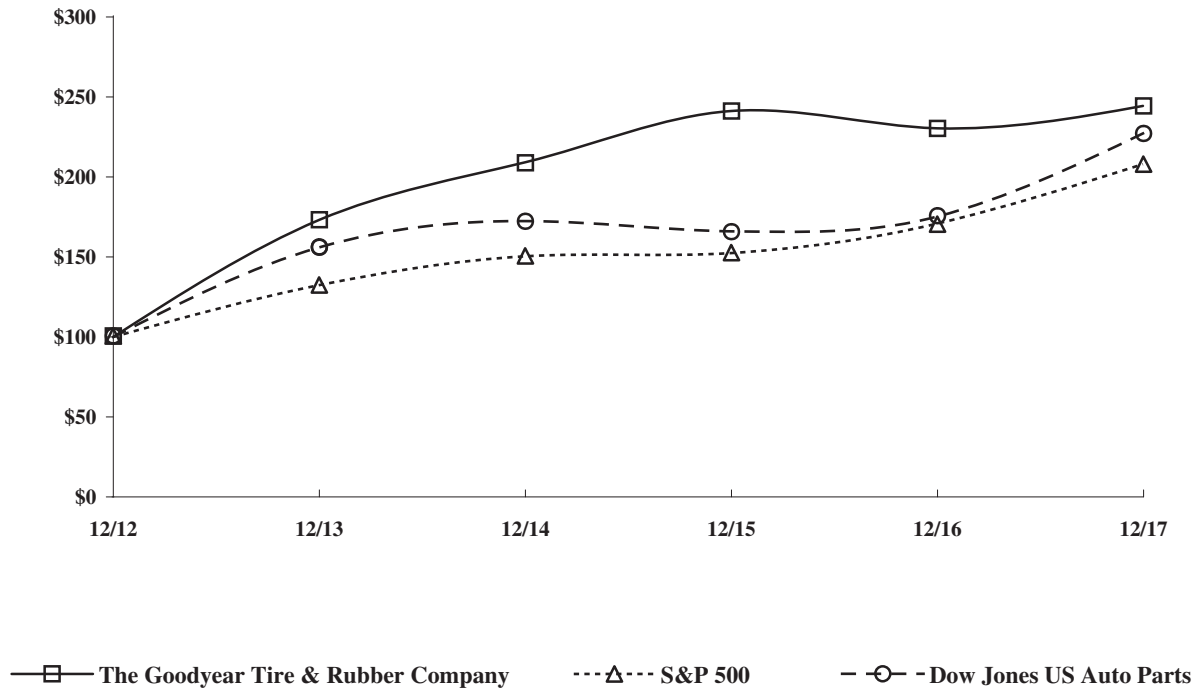
Each segment exports tires to other segments. The financial results of each segment exclude sales of tires exported to other segments, but include operating income derived from such transactions.

Goodyear does not include motorcycle, aviation, race or all-terrain vehicle tires in reported tire unit sales.

## PERFORMANCE GRAPH

The graph below compares the cumulative total shareholder returns of Goodyear Common Stock, the Standard & Poor’s 500 Composite Stock Index (the “S&P 500”) and the Dow Jones US Auto Parts Index (the “Dow Auto Parts”) at each December 31 during the period beginning December 31, 2012 and ending December 31, 2017. The graph assumes the investment of \$100 on December 31, 2012 in Goodyear Common Stock, in the S&P 500 and in the Dow Auto Parts. Total shareholder return was calculated on the basis that in each case all dividends were reinvested.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\* Among The Goodyear Tire & Rubber Company, the S&P 500 Index and the Dow Jones US Auto Parts Index



\* \$100 invested on 12/31/12 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

INTENTIONALLY LEFT BLANK



# DIRECTORS AND OFFICERS

## BOARD OF DIRECTORS

**William J. Conaty, 72**

Retired Senior Vice President,  
Human Resources  
General Electric Company  
*Elected 2011 2, 5*

**James A. Firestone, 63**

Retired Executive Vice President  
and President,  
Corporate Strategy and Asia Operations  
Xerox Corporation  
*Elected 2007 1, 4, 6*

**Werner Geissler, 64**

Retired Vice Chairman, Global Operations  
The Procter & Gamble Company  
*Elected 2011 1, 3, 6*

**Peter S. Hellman, 68**

Retired President  
Nordson Corporation  
*Elected 2010 1, 4, 6*

**Laurette T. Koellner, 63**

Retired President  
Boeing International  
*Elected 2015 1, 4*

**Richard J. Kramer, 54**

Chairman of the Board,  
Chief Executive Officer and President  
The Goodyear Tire & Rubber Company  
*Elected 2010 6*

**W. Alan McCollough, 68**

Retired Chairman and  
Chief Executive Officer  
Circuit City Stores, Inc.  
*Elected 2007 2, 5, 6*

**John E. McGlade, 64**

Retired Chairman, President and  
Chief Executive Officer  
Air Products and Chemicals, Inc.  
*Elected 2012 2, 5, 6*

**Michael J. Morell, 59**

Retired Deputy Director  
Central Intelligence Agency  
*Elected 2014 1, 3*

**Roderick A. Palmore, 66**

Retired Executive Vice President,  
General Counsel, Chief Compliance and  
Risk Management Officer and Secretary  
General Mills, Inc.  
*Elected 2012 4, 5, 6*

**Stephanie A. Streeter, 60**

Former Chief Executive Officer  
Libbey Inc.  
*Elected 2008 2, 5*

**Thomas H. Weidemeyer, 70**

Retired Senior Vice President and  
Chief Operating Officer  
United Parcel Service,  
and President, UPS Airlines  
*Elected 2004 3, 4*

**Michael R. Wessel, 58**

President  
The Wessel Group Inc.  
*Elected 2005 3*

*1 Audit Committee 2 Compensation Committee  
3 Committee on Corporate Responsibility and Compliance  
4 Finance Committee 5 Governance Committee  
6 Executive Committee*

## CORPORATE OFFICERS

**Richard J. Kramer, 54\***

Chairman of the Board, Chief Executive  
Officer and President  
*18 years of service, officer since 2000*

**Laura K. Thompson, 53**

Executive Vice President and  
Chief Financial Officer  
*34 years of service, officer since 2008*

**David L. Bialosky, 60**

Senior Vice President,  
General Counsel and Secretary  
*Eight years of service, officer since 2009*

**Paul Fitzhenry, 58**

Senior Vice President,  
Global Communications  
*Five years of service, officer since 2012*

**Christopher P. Helsel, 52**

Vice President and Chief Technology Officer,  
*21 years of service, officer since 2018*

**Richard Kellam, 56**

Senior Vice President,  
Sales and Marketing Excellence;  
Vice President, Emerging Markets  
*Three years of service, officer since 2014*

**John T. Lucas, 58**

Senior Vice President,  
Global Human Resources  
*Three years of service, officer since 2015*

**Joseph Zekoski, 67**

Senior Vice President, Global Operations  
and Technology  
*38 years of service, officer since 2015*

**Peter R. Rapin, 63**

Vice President and Treasurer  
*Three years of service, officer since 2015*

**Evan M. Scocos, 46**

Vice President and Contoller  
*13 years of service, officer since 2016*

**Daniel T. Young, 50**

Assistant Secretary and Senior Legal Counsel  
*10 years of service, officer since 2016*

## BUSINESS UNIT OFFICERS

**Christopher R. Delaney, 56**

President, Europe, Middle East and Africa  
*Two years of service, officer since 2016*

**Stephen R. McClellan, 52**

President, Americas  
*30 years of service, officer since 2008*

**Ryan G. Patterson, 43**

President, Asia Pacific  
*15 years of service, officer since 2017*

**Scott A. Honnold, 53**

Vice President, Finance, North America  
*10 years of service, officer since 2010*

**Daniel L. Smytka, 54**

Chief Operating Officer,  
Europe, Middle East and Africa;  
President, Consumer PBU Europe  
*Nine years of service, officer since 2010*



# FACILITIES

## AMERICAS

### United States

Akron, Ohio

*Global Headquarters, Americas Headquarters, Innovation Center, Tire Proving Grounds, Airship Operations, Chemicals, Racing Tires, Tire Test Lab*

Bayport, Texas *Chemicals*

Beaumont, Texas *Synthetic Rubber*

Carson, California *Airship Operations*

Danville, Virginia *Aircraft Tires, Commercial Tires*

Fayetteville, North Carolina *Consumer Tires*

Gadsden, Alabama *Consumer Tires*

Hebron, Ohio *Development Center*

Houston, Texas *Synthetic Rubber*

Kingman, Arizona *Aircraft Tire Retreading*

Lawton, Oklahoma *Consumer Tires*

Niagara Falls, New York *Chemicals*

Pompano Beach, Florida *Airship Operations*

San Angelo, Texas *Tire Proving Grounds*

Social Circle, Georgia *Tread Rubber*

Statesville, North Carolina *Tire Molds*

Stockbridge, Georgia *Aircraft Tire Retreading*

Sunnyvale, California *Innovation Lab*

Topeka, Kansas *Commercial Tires, OTR Tires*

### Brazil

Americana *Tire Proving Grounds, Consumer Tires, Commercial Tires, OTR Tires*

Santa Barbara *Retread Materials*

Sao Paulo *Aircraft Tire Retreading*

### Canada

Medicine Hat, Alberta *Consumer Tires*

Napanee, Ontario *Consumer Tires*

Valleyfield, Quebec *Mixing Center*

### Chile

Santiago *Consumer Tires*

### Colombia

Cali *Commercial Tires, OTR Tires*

### Mexico

San Luis Potosi *Consumer Tires*

### Peru

Lima *Consumer Tires, Commercial Tires*

### Venezuela

Valencia *Consumer Tires, Commercial Tires*

## EUROPE, MIDDLE EAST and AFRICA

### Belgium

Brussels *Europe, Middle East and Africa Headquarters*

### Finland

Ivalo (Saariselka) *Tire Proving Grounds*

### France

Amiens *Consumer Tires*

Mireval *Tire Proving Grounds*

Montlucon *Consumer Tires, Motorcycle Tires, Racing Tires*

Riom *Retreading*

### Germany

Furstenwalde *Consumer Tires*

Fulda *Consumer Tires*

Hanau *Development Center, Consumer Tires, Tire Test Lab*

Riesa *Consumer Tires*

Wittlich *Tire Proving Grounds, Commercial Tires, Retreading*

### Luxembourg

Colmar-Berg *Innovation Center, Tire Proving Grounds, Commercial Tires, Regional Calendering Center, OTR Tires, Tire Molds, Tire Test Lab*

### Netherlands

Tilburg *Aircraft Tire Retreading*

### Poland

Debica *Consumer Tires, Commercial Tires*

### Slovenia

Kranj *Consumer Tires, Commercial Tires*

### South Africa

Uitenhage *Consumer Tires, OTR Tires*

### Turkey

Adapazari *Consumer Tires*

Izmit *Commercial Tires*

## ASIA PACIFIC

### China

Pulandian *Development Center, Consumer Tires, Commercial Tires*

Shanghai *Asia Pacific Headquarters*

### India

Aurangabad *Consumer Tires*

Ballabgarh *Commercial Tires, Agricultural Tires*

### Indonesia

Bogor *Consumer Tires, Commercial Tires, Agricultural Tires, OTR Tires*

### Japan

Tatsuno *OTR Tires*

### Malaysia

Kuala Lumpur *Consumer Tires, Commercial Tires, Agricultural Tires, OTR Tires*

### Singapore

Singapore *Natural Rubber Purchasing*

### Thailand

Bangkok *Consumer Tires, Aircraft Tires, Aircraft Tire Retreading, Test Fleet Center*



# SHAREHOLDER INFORMATION

## CORPORATE OFFICES

The Goodyear Tire & Rubber Company  
200 Innovation Way  
Akron, Ohio 44316-0001  
(330) 796-2121  
www.goodyear.com

## GOODYEAR COMMON STOCK

The principal market for Goodyear common stock is the Nasdaq Global Select Market (symbol GT).

On February 15, 2018, there were 13,687 shareholders of record of Goodyear common stock. The closing price of Goodyear common stock on the Nasdaq Global Select Market on February 15, 2018, was \$29.96. Under Goodyear's primary credit facilities, we are permitted to pay dividends on Goodyear common stock as long as no default will have occurred and be continuing, additional indebtedness can be incurred under the credit facilities following the payment, and certain financial tests are satisfied. On October 11, 2017, we announced an increase in the quarterly cash dividend on our common stock to \$0.14 per share from \$0.10 per share, beginning on December 1, 2017.

## ANNUAL MEETING

**4:30 p.m., Monday, April 9, 2018**

Hilton Akron-Fairlawn  
3180 W. Market Street  
Akron, Ohio 44333

Please direct meeting inquiries to:  
Office of the Secretary, Dept. 822  
The Goodyear Tire & Rubber Company  
200 Innovation Way  
Akron, Ohio 44316-0001

## SHAREHOLDER INQUIRIES

Transfer Agent and Registrar:  
Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078  
(800) 317-4445  
www.computershare.com

Inquiries concerning the issuance or transfer of stock certificates or share account information should be directed to Computershare. Provide Social Security number, account number and Goodyear's ID, GTR.

Hearing-impaired shareholders can communicate directly with Computershare via a TDD by calling (800) 952-9245. Other shareholder inquiries should be directed to:

Investor Relations, Dept. 635  
The Goodyear Tire & Rubber Company  
200 Innovation Way  
Akron, Ohio 44316-0001  
(330) 796-3751

E-mail: [goodyear.investor.relations@goodyear.com](mailto:goodyear.investor.relations@goodyear.com)

## FORM 10-K AND OTHER REPORTS

Paper copies of Goodyear's Annual Report on Form 10-K are available upon request. Quarterly reports on Form 10-Q are also available on request.

Copies of any of the above or Goodyear's Proxy Statement may be obtained without charge from:

Investor Relations, Dept. 635  
The Goodyear Tire & Rubber Company  
200 Innovation Way  
Akron, Ohio 44316-0001  
(330) 796-3751

Copies of these reports may also be obtained from the company's Investor Website <http://investor.goodyear.com>.

Goodyear has included as Exhibits 31.1, 31.2 and 32.1 to its Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission, certificates of Goodyear's Chief Executive Officer and Chief Financial Officer with respect to the Form 10-K.

## CD COPY

A CD copy of the 2017 Annual Report is available for visually impaired shareholders by contacting Goodyear Investor Relations at (330) 796-3751.

## COMPUTERSHARE INVESTMENT PLAN

Computershare sponsors and administers a direct stock purchase and dividend reinvestment plan for current shareholders and new investors in Goodyear common stock. A brochure explaining the program may be obtained by contacting:

Computershare  
P.O. Box 30170  
College Station, TX 77842-3170  
(800) 317-4445  
[www.computershare.com/investor](http://www.computershare.com/investor)

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP  
200 Public Square, 18th Floor  
Cleveland, Ohio 44114-2301

## OTHER INFORMATION

Persons seeking information about Goodyear's corporate responsibility initiatives can access the company's Corporate Responsibility Website at: [www.goodyear.com/responsibility](http://www.goodyear.com/responsibility).

Persons seeking general information about Goodyear or its products can access the company's Corporate Website at: [www.goodyear.com/corporate](http://www.goodyear.com/corporate).

Media representatives seeking information about Goodyear or contact information for spokespersons can access the company's Media Website at: [www.goodyearnewsroom.com](http://www.goodyearnewsroom.com).





[www.goodyear.com](http://www.goodyear.com)