GOODYEAR TIRE & RUBBER CO /OH/
Form 10-Q
July 30, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2009
Commission File Number: 1-1927
THE GOODYEAR TIRE & RUBBER COMPANY
(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

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

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

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

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

Number of Shares of Common Stock, Without Par Value, Outstanding at June 30, 2009:	241,893,622

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share amounts)	**2009**	**2008**	**2009**	**2008**
NET SALES	**$ 3,943**	**$ 5,239**	**$ 7,479**	**$ 10,181**
Cost of Goods Sold	3,353	4,196	6,572	8,157
Selling, Administrative and General Expense	614	735	1,147	1,370
Rationalizations (Note 2)	136	87	191	100
Interest Expense	79	76	143	165
Other (Income) and Expense (Note 3)	32	(22)	62	(28)
(Loss) Income before Income Taxes	(271)	167	(636)	417
United States and Foreign Taxes (Benefit) Expense	(18)	74	(35)	151
Net (Loss) Income	(253)	93	(601)	266
Less: Minority Shareholders Net (Loss) Income	(32)	18	(47)	44
Goodyear Net (Loss) Income	**$ (221)**	**$ 75**	**$ (554)**	**$ 222**
Goodyear Net (Loss) Income Per Share				
Basic	$ (0.92)	$ 0.31	$ (2.30)	$ 0.92
Weighted Average Shares Outstanding (Note 4)	241	241	241	240
Diluted	$ (0.92)	$ 0.31	$ (2.30)	$ 0.91
Weighted Average Shares Outstanding (Note 4)	241	243	241	244

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

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

(In millions)	**June 30, 2009**	**December 31, 2008**
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 2,366	$ 1,894
Accounts Receivable, less Allowance $99 ($93 in 2008)	2,549	2,517
Inventories:		
Raw Materials	434	714
Work in Process	134	119
Finished Products	2,341	2,759
	2,909	3,592
Prepaid Expenses and Other Current Assets	329	307
Total Current Assets	**8,153**	**8,310**
Goodwill	688	683
Intangible Assets	161	160
Deferred Income Tax	51	54
Other Assets	425	385
Property, Plant and Equipment less Accumulated Depreciation $8,334 ($8,310 in 2008)	5,601	5,634
Total Assets	**$ 15,079**	**$ 15,226**
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	$ 1,928	$ 2,529
Compensation and Benefits	651	625
Other Current Liabilities	800	778
Notes Payable and Overdrafts (Note 6)	275	265
Long Term Debt and Capital Leases due within one year (Note 6)	634	582
Total Current Liabilities	**4,288**	**4,779**
Long Term Debt and Capital Leases (Note 6)	4,940	4,132
Compensation and Benefits	3,480	3,487
Deferred and Other Noncurrent Income Taxes	210	193
Other Long Term Liabilities	797	763
Total Liabilities	**13,715**	**13,354**
Commitments and Contingent Liabilities (Note 9)		
Minority Shareholders Equity (Note 1)	572	619

Shareholders Equity:		
Goodyear Shareholders Equity:		
Preferred Stock, no par value:		
Authorized, 50 shares, unissued		
Common Stock, no par value:		
Authorized, 450 shares, Outstanding shares 242 (241 in 2008) after deducting 9 treasury shares (10 in 2008)	242	241
Capital Surplus	2,772	2,764
Retained Earnings	903	1,463
Accumulated Other Comprehensive Loss	(3,353)	(3,446)
Goodyear Shareholders Equity	**564**	**1,022**
Minority Shareholders Equity Nonredeemable	228	231
Total Shareholders Equity	**792**	**1,253**
Total Liabilities and Shareholders Equity	**$ 15,079**	**$ 15,226**

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2009**	**2008**	**2009**	**2008**
Net (Loss) Income	$ (253)	$ 93	$ (601)	$ 266
Other Comprehensive Income:				
Foreign currency translation	220	7	48	267
Defined benefit plans:				
Amortization of prior service cost and unrecognized gains and losses, and immediate recognition due to curtailments and settlements, included in total benefit cost	45	33	97	66
Less: Taxes	(12)	(2)	(18)	(3)
	33	31	79	63
Increase in net actuarial losses	(36)	(3)	(39)	(3)
Unrealized investment gain (loss)	5	(2)	(2)	(7)
Comprehensive (Loss) Income	**(31)**	**126**	**(515)**	**586**
Less: Comprehensive (Loss) Income Attributable to Minority Shareholders	5	16	(54)	118
Comprehensive (Loss) Income Attributable to Goodyear Shareholders	**$ (36)**	**$ 110**	**$ (461)**	**$ 468**

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

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

(In millions)	**Six Months Ended June 30, 2009**	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (Loss) Income	**$ (601)**	**$ 266**
Adjustments to reconcile net (loss) income to cash flows from operating activities:		
Depreciation and amortization	312	318
Amortization and write-off of debt issuance costs	7	19
Net rationalization charges (Note 2)	191	100
Net losses (gains) on asset sales (Note 3)	40	(37)
Pension contributions and direct payments	(201)	(162)
Rationalization payments	(153)	(28)
Changes in operating assets and liabilities, net of asset acquisitions and dispositions:		
Accounts receivable	29	(398)
Inventories	739	(684)
Accounts payable trade	(522)	360
Compensation and benefits	196	59
Prepaid expenses and other current assets	(29)	(36)
Other assets and liabilities	(1)	8
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**7**	**(215)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(372)	(476)
Asset dispositions (Note 3)	21	40
Asset acquisitions		(46)
Return of investment in The Reserve Primary Fund	40	
Other transactions	8	10
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	**(303)**	**(472)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short term debt and overdrafts incurred	85	60
Short term debt and overdrafts paid	(101)	(30)
Long term debt incurred	1,937	3
Long term debt paid	(1,143)	(787)
Debt issuance costs	(21)	
Common stock issued		5
Other transactions	(2)	4
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	**755**	**(745)**

Effect of exchange rate changes on cash and cash equivalents	13	38
Net Change in Cash and Cash Equivalents	**472**	**(1,394)**
Cash and Cash Equivalents at Beginning of the Period	1,894	3,463
Cash and Cash Equivalents at End of the Period	**$ 2,366**	**$ 2,069**

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

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

NOTE 1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by The Goodyear Tire & Rubber Company (Goodyear, we, us or our) in accordance with Securities and Exchange Commission rules and regulations and in the opinion of management contain all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2008, as retrospectively adjusted by our Current Report on Form 8-K filed on May 5, 2009 to reflect our adoption of recent standards related to accounting for convertible debt instruments and the presentation of noncontrolling interests in consolidated financial statements as discussed below (collectively, the 2008 Form 10-K). We have evaluated the impact of subsequent events on these interim consolidated financial statements through the time of filing this Quarterly Report on Form 10-Q on July 30, 2009.

We have adopted the new standard pertaining to accounting for convertible debt instruments that may be settled in cash upon conversion, effective January 1, 2009. This standard specifies that issuers of convertible debt instruments that may be settled in cash upon conversion should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate. In July 2004, we issued $350 million of 4% convertible senior notes due 2034, and subsequently exchanged $346 million of those notes for common stock and a cash payment in December 2007. The remaining notes were converted into common stock in May 2008. The adoption of this standard resulted in a $62 million reclassification in our consolidated statements of shareholders equity by decreasing retained earnings and increasing capital surplus. Prior period information presented in this Form 10-Q has been restated, where required.

We also have adopted the new standard pertaining to accounting and reporting for noncontrolling interests (i.e., minority interests) in a subsidiary, including changes in a parent s ownership interest in a subsidiary. The standard was effective January 1, 2009 and requires, among other things, that noncontrolling interests in subsidiaries be classified as shareholders equity. Prior period information presented in this Form 10-Q has been reclassified, where required.

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

Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results expected in subsequent quarters or for the year ending December 31, 2009.

Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current presentation in addition to the restatement for the standard noted above.

Recently Issued Accounting Standards

In May 2009 the Financial Accounting Standards Board (FASB) issued a new standard pertaining to subsequent events that defined the period after the balance sheet date during which a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements and the circumstances under which a company shall recognize events or transactions occurring after the balance sheet date in its financial statements. This standard also requires a company to disclose the date through which subsequent events have been evaluated for recognition or disclosure in the financial statements. We have reflected the recognition and disclosure requirements of this standard in this Form 10-Q.

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THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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In June 2009 the FASB issued a new standard pertaining to the consolidation of variable interest entities to require an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This standard also requires an ongoing reassessment of the primary beneficiary of the variable interest entity and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This standard is effective for fiscal years beginning after November 15, 2009. We are currently assessing the impact of adopting this standard on our consolidated financial statements.

In June 2009 the FASB issued a new standard pertaining to accounting for transfers of financial assets which removes the concept of a qualifying special-purpose entity from accounting for transfers and servicing of financial assets and extinguishment of liabilities. This standard also clarifies the requirements for transfers of financial assets that are eligible for sale accounting. This standard is effective for fiscal years beginning after November 15, 2009. We are currently assessing the impact of adopting this standard on our consolidated financial statements.

NOTE 2. COSTS ASSOCIATED WITH RATIONALIZATION PROGRAMS

We have implemented rationalization actions over the past several years in order to maintain our global competitiveness and more recently to respond to the global economic slowdown that began in 2008 by reducing manufacturing capacity and associate headcount.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2009**	**2008**	**2009**	**2008**
New charges	$ 141	$ 87	$ 198	$ 101
Reversals	(5)		(7)	(1)
	$ 136	**$ 87**	**$ 191**	**$ 100**

The following table shows the reconciliation of our liability between periods:

(In millions)	**Associate-Related Costs**	**Other Than Associate-Related Costs**	**Total**
Balance at December 31, 2008	**$ 118**	**$ 18**	**$ 136**
First quarter charges	51	6	57
Incurred	(77)	(4)	(81)
Reversed to the statement of operations	(2)		(2)
Balance at March 31, 2009	**$ 90**	**$ 20**	**$ 110**
Second quarter charges	136	5	141
Incurred	(77)	(6)	(83)
Reversed to the statement of operations	(5)		(5)
Balance at June 30, 2009	**$ 144**	**$ 19**	**$ 163**

The rationalization actions taken in 2009 were initiated to reduce our cost structure as a result of lower sales demand due to the global economic slowdown. North American Tire initiated manufacturing headcount reductions at several facilities, including Union City, Tennessee, Danville, Virginia and Topeka, Kansas, to respond to lower production demand. Additional salaried headcount reductions were initiated at our corporate offices in Akron, Ohio, North

American Tire and throughout Europe, Middle East and Africa Tire (EMEA). We also initiated the discontinuation of consumer tire production at one of our facilities in Amiens, France. Finally, Latin American Tire initiated manufacturing headcount reductions at each of its two facilities in Brazil.

During the second quarter of 2009, $136 million of net charges were recorded. New charges of $141 million represent $132 million for plans initiated in 2009 and $9 million for plans initiated in 2008 and prior years. New charges for the 2009 plans were primarily for associate severance costs. These amounts include $129 million related to future cash outflows and $3 million for non-cash pension settlements and curtailments. New charges for the 2008 and prior year plans include $5 million related to associate severance costs and $4 million primarily for other exit costs and non-cancelable lease

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costs, substantially all of which will result in future cash outflows. The second quarter of 2009 includes the reversal of $5 million of reserves for actions no longer needed for their originally-intended purposes.

For the first six months of 2009, $191 million of net charges were recorded. New charges of $198 million were comprised of $176 million for plans initiated in 2009 and $22 million for plans initiated in 2008 and prior years. New charges for the 2009 plans were primarily for associate severance costs. These amounts include $170 million related to future cash outflows and $6 million for non-cash pension settlements and curtailments. The first six months of 2009 includes the reversal of $7 million of reserves for actions no longer needed for their originally-intended purposes. Approximately 3,900 associates will be released under 2009 plans, of which 1,600 were released by June 30, 2009. The $22 million of new charges for 2008 and prior year plans consist of $13 million of associate-related costs and $9 million primarily for other exit costs and non-cancelable lease costs. These amounts include $19 million related to future cash outflows and $3 million for other non-cash exit costs, including $2 million for pension settlements and curtailments.

The accrual balance of $163 million at June 30, 2009 includes approximately $19 million related to long-term non-cancelable lease costs and approximately $144 million of associate-related costs that are expected to be substantially utilized within the next twelve months.

Asset write-offs and accelerated depreciation charges of $12 million and $22 million were recorded as cost of goods sold (CGS) in the three and six months ended June 30, 2009, respectively, and primarily related to the closure of our Somerton, Australia tire manufacturing facility and the discontinuation of a line of tires at one of our plants in North America. Accelerated depreciation charges of $4 million were recorded as CGS in the three and six months ended June 30, 2008 related to the closure of our Somerton, Australia tire manufacturing facility.

During the second quarter of 2008, $87 million of new charges were recorded which represent $76 million for plans initiated in 2008 and $11 million for plans initiated in 2007 and prior years. New charges for the 2008, 2007 and prior year plans primarily were for associate severance costs and were related to future cash outflows.

For the first six months of 2008, $100 million of net charges were recorded. New charges of $101 million were comprised of $78 million for plans initiated in 2008 and $23 million for plans initiated in 2007 and prior years. New charges for the 2008 plans primarily were for associate severance costs and related to future cash outflows. The $23 million of new charges for 2007 and prior year plans consist of $12 million of associate-related costs and $11 million primarily for other exit costs and non-cancelable lease costs. These amounts include $19 million related to future cash outflows and $4 million for other non-cash exit costs. The first six months of 2008 include the reversal of $1 million of reserves for actions no longer needed for their originally-intended purposes.

Approximately 3,800 associates will be released under programs initiated in 2008 and 2007, of which approximately 3,200 were released by June 30, 2009, including 1,300 in the first six months of 2009.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3. OTHER (INCOME) AND EXPENSE

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2009**	**2008**	**2009**	**2008**
Net losses (gains) on asset sales	$ 41	$ (4)	$ 40	$ (37)
Interest income	(3)	(18)	(7)	(47)
Royalty income	(8)	(7)	(15)	(16)
Financing fees and financial instruments	10	9	21	62
Foreign currency exchange	(17)	(6)	7	2
General & product liability discontinued products (Note 9)	3	1	8	6
Miscellaneous	6	3	8	2
	$ 32	**$ (22)**	**$ 62**	**$ (28)**

Other (Income) and Expense was $32 million of expense in the second quarter of 2009, compared to $22 million of income in the second quarter of 2008. Net losses on asset sales were $41 million in the second quarter of 2009 compared to gains on asset sales of $4 million in the second quarter of 2008, related primarily to the sale of certain properties in Akron, Ohio in 2009 and the sale of properties in Germany in 2008. Interest income decreased by $15 million due primarily to lower average cash balances and lower interest rates in 2009 compared to the prior year.

Foreign currency exchange reflects the impact of currency movements affecting various monetary exposures, such as those associated with trade receivables and payables, equipment acquisitions and intercompany loans, in addition to the effects of foreign currency contracts that we may enter into from time to time. During the second quarter of 2009, we recorded net foreign currency exchange gains of $17 million primarily as a result of the strengthening Brazilian real against the U.S. dollar. During the second quarter of 2008, we recorded $6 million of net foreign currency exchange gains primarily as a result of the weakening Chilean peso against the U.S. dollar and euro, partially offset by the strengthening Turkish lira against both the U.S. dollar and euro, and the strengthening of the Brazilian real against the U.S. dollar.

Other (Income) and Expense was $62 million of expense in the first six months of 2009, compared to $28 million of income in the first six months of 2008. Net losses on asset sales were $40 million in the first six months of 2009 compared to gains on asset sales of $37 million in the first six months of 2008, related primarily to the sale of certain properties in Akron, Ohio in 2009 and the sale of properties in Germany, Morocco, Argentina and New Zealand in 2008. Interest income decreased by $40 million due primarily to lower average cash balances and interest rates in 2009 compared to the prior year. Financing fees decreased by $41 million due primarily to $43 million of charges in 2008 related to the redemption of $650 million of senior secured notes due 2011, of which $33 million related to cash premiums paid on the redemption and $10 million related to the write-off of deferred financing fees and unamortized discount.

During the first six months of 2009, we recorded net foreign currency exchange losses of $7 million primarily as a result of the effects of changing exchange rates for various currencies against the euro and U.S. dollar. Net foreign currency exchange losses were partially offset by the strengthening Brazilian real and euro against the U.S. dollar. During the first six months of 2008, we recorded $2 million of net foreign currency exchange losses primarily as a result of the strengthening Mexican peso and Brazilian real, both against the U.S. dollar, partially offset by the weakening of the Turkish lira against both the U.S. dollar and euro.

NOTE 4. 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 are calculated to reflect the potential dilution that could occur if securities or other contracts were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the number of incremental weighted average shares used in computing diluted per share amounts:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2009**	**2008**	**2009**	**2008**
Average shares outstanding basic	241	241	241	240
Stock options and other dilutive securities		2		4
Average shares outstanding diluted	241	243	241	244

Weighted average shares outstanding diluted for the three and six months ended June 30, 2009, excluded the effects of approximately 4 million equivalent shares related to options with exercise prices less than the average market price of our common shares (i.e., in-the-money options), as their inclusion would have been anti-dilutive due to the Goodyear net loss.

Additionally, weighted average shares outstanding diluted excluded approximately 13 million equivalent shares for the three and six months ended June 30, 2009, and excluded approximately 9 million equivalent shares for the three and six months ended June 30, 2008, related to options with exercise prices greater than the average market price of our common shares (i.e. underwater options).

NOTE 5. FAIR VALUE MEASUREMENTS

The following table presents information about assets and liabilities recorded at fair value at June 30, 2009 on the Consolidated Balance Sheet:

(In millions)	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)
Assets:				
Investments	$ 32	$ 32	$	$
Derivative Financial Instruments	14		14	
Total Assets at Fair Value	$ 46	$ 32	$ 14	$
Liabilities:				
Derivative Financial Instruments	$ 32	$	$ 27	$ 5
Total Liabilities at Fair Value	$ 32	$	$ 27	$ 5

Derivative financial instrument valuations classified as Level 3 include our interest rate basis swap discussed in Note 6 and an embedded currency derivative in long-dated operating leases at June 30, 2009. The valuation of the basis swap is calculated using a net present value of future cash flows based on available market rates at June 30, 2009. The valuation of the embedded currency derivative is based on an extrapolation of forward rates to the assumed expiration of the leases. Other (Income) and Expense in the three and six months ended June 30, 2009 included a gain of $1 million and a loss of $2 million, respectively, resulting primarily from the change in fair value of the embedded derivative, and a gain of $2 million and $7 million, respectively, related to the interest rate basis swap. Other (Income) and Expense in the three and six months ended June 30, 2008 included a gain of $2 million and $4 million, respectively, resulting from the change in the fair value of the embedded currency derivative.

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

The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding capital leases, at June 30, 2009 and December 31, 2008. The fair value was estimated using quoted market prices or discounted future cash flows.

(In millions)	**June 30, 2009**	**December 31, 2008**
Fixed Rate Debt:		
Carrying amount liability	$2,407	$ 1,514
Fair value liability	2,392	1,207
Variable Rate Debt:		
Carrying amount liability	$3,147	$ 3,164
Fair value liability	2,903	2,531

NOTE 6. FINANCING ARRANGEMENTS

At June 30, 2009, we had total credit arrangements of $8,055 million, of which $1,724 million were unused, compared to $7,127 million and $1,671 million, respectively, at December 31, 2008.

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

At June 30, 2009, we had short term committed and uncommitted credit arrangements totaling $505 million, of which $230 million were unused, compared to $481 million and $216 million, respectively, at December 31, 2008. These arrangements are available primarily to certain of our international subsidiaries through various banks at quoted market interest rates. There are no commitment fees associated with these arrangements.

The following table presents amounts due within one year:

(In millions)	**June 30, 2009**	**December 31, 2008**
Notes payable and overdrafts	**$ 275**	**$ 265**
Weighted average interest rate	5.77%	6.33%
Long term debt and capital leases due within one year:		
Floating rate notes due 2009	$ 499	$ 498
Other domestic and international debt (including capital leases)	135	84
	$ 634	**$ 582**
Weighted average interest rate	4.74%	6.28%
Total obligations due within one year	**$ 909**	**$ 847**

Long Term Debt and Capital Leases and Financing Arrangements

At June 30, 2009, we had long term credit arrangements totaling $7,550 million, of which $1,494 million were unused, compared to $6,646 million and $1,455 million, respectively, at December 31, 2008.

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

	June 30, 2009		**December 31, 2008**	
(In millions)	**Amount**	**Interest Rate**	**Amount**	**Interest Rate**
Notes:				
Floating rate notes due 2009	$ 499	5.01%	$ 498	6.29%
7 6/7% due 2011	650	7 6/7%	650	7 6/7%
8.625% due 2011	325	8.625%	325	8.625%
9% due 2015	260	9%	260	9%
10.5% due 2016	959	10.5%		
7% due 2028	149	7%	149	7%
Credit Facilities:				
505 million revolving credit facility due 2012			182	4.75%
$1.5 billion first lien revolving credit facility due 2013	800	1.57%	700	1.73%
$1.2 billion second lien term loan facility due 2014	1,200	2.07%	1,200	2.22%
Pan-European accounts receivable facility due 2015	435	3.43%	483	5.81%
Other domestic and international debt[(1)]	277	6.14%	231	7.54%
	5,554		4,678	
Capital lease obligations	20		36	
	5,574		4,714	
Less portion due within one year	(634)		(582)	
	$ 4,940		**$ 4,132**	

(1) Interest rate for both June 30, 2009 and December 31, 2008, is the weighted average interest rate.

NOTES

$1.0 Billion Senior Notes due 2016

On May 11, 2009, we issued $1.0 billion aggregate principal amount of 10.5% senior notes due 2016. The senior notes were sold at 95.846% of the principal amount and will mature on May 15, 2016. The senior notes are our unsecured senior obligations and are guaranteed by our U.S. and Canadian subsidiaries that also guarantee our obligations under our senior secured credit facilities.

We have the option to redeem the senior notes, in whole or in part, at any time on or after May 15, 2012 at a redemption price of 107.875%, 105.250%, 102.625% and 100.000% during the 12-month period commencing on May 15, 2012, 2013, 2014 and 2015, respectively, plus accrued and unpaid interest to the redemption date. Prior to May 15, 2012, we may redeem the senior notes, in whole or in part, at a price equal to 100% of the principal amount plus a make-whole premium. In addition, prior to May 15, 2012, we may redeem up to 35% of the senior notes from the net cash proceeds of certain equity offerings at a redemption price equal to 110.5% of the principal amount plus accrued and unpaid interest to the redemption date.

The terms of the indenture for the senior notes, among other things, limits our ability and the ability of certain of our subsidiaries to (i) incur additional debt or issue redeemable preferred stock, (ii) pay dividends, 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 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 the senior notes are assigned an investment grade rating by Moody s and Standard & Poor s (S&P) and no default has occurred or is continuing, certain covenants will be suspended.

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CREDIT FACILITIES

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

This facility is available in the form of loans or letters of credit, with letter of credit availability limited to $800 million. Subject to the consent of the lenders whose commitments are to be increased, we may request that the facility be increased by up to $250 million. Our obligations under the facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries. Our obligations under the facility and our subsidiaries obligations under the related guarantees are secured by first priority security interests in a variety of collateral.

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

At June 30, 2009, we had $800 million outstanding and $486 million of letters of credit issued under the revolving credit facility. At December 31, 2008, we had $700 million outstanding and $497 million of letters of credit issued under the revolving credit facility.

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

Our obligations under this facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries and are secured by second priority security interests in the same collateral securing the $1.5 billion first lien revolving credit facility. At June 30, 2009 and December 31, 2008, this facility was fully drawn.

505 Million Amended and Restated Senior Secured European and German Revolving Credit Facilities due 2012

Our amended and restated 505 million European revolving credit facilities consist of a 155 million German revolving credit facility, which is only available to certain of our German subsidiaries of Goodyear Dunlop Tires Europe B.V. (GDTE) (collectively, German borrowers), and a 350 million European revolving credit facility, which is available to the same German borrowers and to GDTE and certain of its other subsidiaries with a 125 million sublimit for non-German borrowers and a 50 million letter of credit sublimit. Goodyear and its subsidiaries that guarantee our U.S. facilities provide unsecured guarantees to support the European revolving credit facilities and GDTE and certain of its subsidiaries in the United Kingdom, Luxembourg, France and Germany also provide guarantees. GDTE s obligations under the facilities and the obligations of its subsidiaries under the related guarantees are secured by first priority security interests in a variety of collateral. As of June 30, 2009 and December 31, 2008, there were no borrowings under the German revolving credit facility. Under the European revolving credit facility, there were no borrowings as of June 30, 2009 and there were $182 million (130 million) of borrowings (including $84 million (60 million) of borrowings by the non-German borrowers) as of December 31, 2008. Letters of credit issued under the European revolving credit facility totaled $16 million (11 million) as of June 30, 2009 and December 31, 2008.

These facilities 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 financial condition since December 31, 2006.

International Accounts Receivable Securitization Facilities (On-Balance Sheet)

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

The facility involves an ongoing daily sale of substantially all of the trade accounts receivable of certain GDTE subsidiaries to a bankruptcy-remote French company controlled by one of the liquidity banks in the facility. These subsidiaries retain servicing responsibilities. As of June 30, 2009 and December 31, 2008, the amount available and fully utilized under this program totaled $435 million (310 million) and $483 million (346 million), respectively. The program did not qualify for sale accounting, and accordingly, these amounts are included in Long-term debt and capital leases.

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In addition to the pan-European accounts receivable securitization facility discussed above, subsidiaries in Australia have accounts receivable programs totaling $62 million and $61 million at June 30, 2009 and December 31, 2008, respectively. These amounts are included in Notes payable and overdrafts.

For a description of the collateral securing the facilities described above as well as the covenants applicable to them, please refer to Note to the Consolidated Financial Statements No. 12, Financing Arrangements and Derivative Financial Instruments, in our 2008 Form 10-K.

Other Foreign Credit Facilities

Our facilities in China provide for availability of up to 3.6 billion renminbi (approximately $530 million at June 30, 2009 and $535 million at December 31, 2008) and can only be used to finance the relocation and expansion of our manufacturing facilities in China. There were no borrowings outstanding on these facilities at June 30, 2009 or December 31, 2008.

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. Our policy prohibits holding or issuing derivative financial instruments for trading purposes.

Interest Rate Contracts

We manage our fixed and floating rate debt mix, within defined limitations, using refinancings and unleveraged interest rate swaps. We will enter into fixed and floating interest rate swaps to hedge against the effects of adverse changes in interest rates on our consolidated results of operations and future cash outflows for interest. Fixed rate swaps are used to reduce our risk of increased interest costs during periods of rising interest rates, and are normally designated as cash flow hedges. Floating rate swaps are used to convert the fixed rates of long term borrowings into short term variable rates, and are normally designated as fair value hedges. We use interest rate swap contracts to separate interest rate risk management from the debt funding decision. At June 30, 2009, 57% of our debt was at variable interest rates averaging 2.97% compared to 68% at an average rate of 3.83% at December 31, 2008. The decrease in the average variable interest rate was driven by decreases in the underlying market rates associated with our variable rate debt.

We may also enter into interest rate contracts that change the basis of our floating interest rate exposure. There was one contract outstanding at June 30, 2009, under which we pay six-month LIBOR and receive one-month LIBOR plus a premium. This contract applies to $1.2 billion of notional principal, has a contractual life of twelve months and matures in October 2009. During the second quarter of 2009, the weighted average interest rates paid and received were 2.12% and 0.87%, respectively. During the first six months of 2009, the weighted average interest rates paid and received were 2.80% and 0.89%, respectively. The contract was not designated as a hedging instrument and accordingly, fair value gains and losses on the contract are recorded in Other (Income) and Expense. The fair value of the contract was $3 million and $10 million at June 30, 2009 and December 31, 2008, respectively, and was included in Other Current Liabilities.

Foreign Currency Contracts

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

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The following table presents foreign currency derivatives information:

	June 30, 2009		**December 31, 2008**	
(In millions)	Fair Value	Contract Amount	Fair Value	Contract Amount
Buy currency:				
U.S. dollar	$ 605	$ 604	$ 576	$ 586
Japanese yen	93	94	96	97
Australian dollar	54	51	34	39
British pound	23	23	104	104
Euro	22	23	9	8
All other	19	18	32	33
	$ 816	**$ 813**	**$ 851**	**$ 867**
Contract maturity	7/09	3/10	1/09	6/09
Sell currency:				
Euro	$ 434	$ 429	$ 32	$ 33
Brazilian real	94	76	155	148
Canadian dollar	90	97	21	20
South African rand	31	30	5	5
U.S. dollar	23	22	24	24
Czech koruna	17	17	8	8
All other	16	16	18	18
	$ 705	**$ 687**	**$ 263**	**$ 256**
Contract maturity	7/09	10/19	1/09	10/19

There were no foreign currency forward contracts designated as hedging instruments at June 30, 2009. The following table presents amounts included in the Consolidated Balance Sheets for foreign currency derivatives:

(In millions)	**June 30, 2009**	**December 31, 2008**
Accounts Receivable	$ 14	$ 3
Other Assets		1
Other Current Liabilities	27	27
Other Long Term Liabilities	2	

Net transaction losses on foreign currency derivatives totaled $49 million and $58 million in the three and six months ended June 30, 2009, respectively, and are reported in Other (Income) and Expense. These losses were substantially offset by the effect of changing exchange rates on the underlying currency exposures. Refer to Note 3.

We were not a party to any foreign currency option contracts at June 30, 2009 and December 31, 2008.

There are no credit risk-related contingent features in our interest rate and foreign exchange contracts, and the contracts contained no provisions under which we have posted, or would be required to post, collateral. The counterparties to our interest rate and foreign exchange contracts were substantial and creditworthy multinational commercial banks or other financial institutions that are recognized market makers. We control our credit exposure by diversifying across multiple counterparties and by setting counterparty credit limits based on long term credit ratings and other indicators of counterparty credit risk such as credit default swap spreads. We also enter into master netting agreements with counterparties when possible. Based on our analysis, we consider the risk of counterparty nonperformance associated with these contracts to be remote. However, the inability of a counterparty to fulfill its obligations when due could have a material effect on our consolidated financial position, results of operations or liquidity in the period in which it occurs.

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NOTE 7. STOCK COMPENSATION PLANS

Our Board of Directors granted 2.8 million stock options and 0.2 million performance share units during the first quarter of 2009 under our 2008 Performance Plan. The 2008 Performance Plan will expire on April 8, 2018. The weighted average exercise price per share and weighted average fair value per share of these stock options was $4.81 and $3.49, respectively. The expected term was estimated using the simplified method, as historical data was not sufficient to provide a reasonable estimate. We estimated the fair values using the following assumptions in our Black-Scholes model:

Expected term: 6.25 years
Interest rate: 2.30%
Volatility: 83.6%
Dividend yield: Nil

We recognized stock-based compensation expense of $11 million ($10 million after-tax) and $14 million ($13 million after-tax) during the three and six months ended June 30, 2009, respectively. As of June 30, 2009, unearned compensation cost related to the unvested portion of all stock-based awards was approximately $31 million and is expected to be recognized over the remaining vesting period of the respective grants, through June 30, 2013. During the three and six months ended June 30, 2008, we recognized stock-based compensation expense of $1 million ($3 million after-tax) and $8 million ($10 million after-tax), respectively.

NOTE 8. PENSION, SAVINGS AND OTHER POSTRETIREMENT BENEFIT PLANS

We provide employees with defined benefit pension or defined contribution savings plans. In addition, we provide substantially all domestic employees and employees at certain non-U.S. subsidiaries with health care benefits or life insurance benefits upon retirement.

Pension cost follows:

	U.S. Three Months Ended June 30,		U.S. Six Months Ended June 30,	
(In millions)	**2009**	**2008**	**2009**	**2008**
Service cost benefits earned during the period	$ 8	$ 18	$ 17	$ 36
Interest cost on projected benefit obligation	78	79	158	158
Expected return on plan assets	(58)	(93)	(118)	(186)
Amortization of: - prior service cost	9	9	17	18
- net losses	39	11	78	22
Net periodic pension cost	**76**	**24**	**152**	**48**
Curtailments/settlements		1		1
Total pension cost	**$ 76**	**$ 25**	**$ 152**	**$ 49**

	Non-U.S. Three Months Ended June 30,		Non-U.S. Six Months Ended June 30,	
(In millions)	**2009**	**2008**	**2009**	**2008**
Service cost benefits earned during the period	$ 7	$ 10	$ 13	$ 19
Interest cost on projected benefit obligation	36	42	68	85
Expected return on plan assets	(29)	(38)	(55)	(75)

Amortization of: - prior service cost		1				1		1
- net losses		7		14		14		27
Net periodic pension cost		**22**		**28**		**41**		**57**
Curtailments/settlements		2		1		7		1
Total pension cost	**$**	**24**	**$**	**29**	**$**	**48**	**$**	**58**

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We expect to contribute approximately $325 million to $375 million to our funded U.S. and non-U.S. pension plans in 2009. For the three and six months ended June 30, 2009, we contributed $40 million and $83 million, respectively, to our non-U.S. plans and for the three and six months ended June 30, 2009, we contributed $45 million and $85 million, respectively, to our U.S. 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. The expenses recognized for our contributions to these plans for the three months ended June 30, 2009 and 2008 were $20 million and $9 million, respectively, and $39 million and $18 million for the six months ended June 30, 2009 and 2008, respectively.

As announced in 2007, we froze our U.S. salaried pension plans effective December 31, 2008 and implemented improvements to our U.S. defined contribution savings plan effective January 1, 2009. The service cost component of total pension cost for the U.S. salaried pension plans recognized in the three months and six months ended June 30, 2008 was $8 million and $16 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 postretirement benefit costs are presented net of this subsidy.

Postretirement benefit cost follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(In millions)	**2009**	**2008**	**2009**	**2008**
Service cost benefits earned during the period	$ 1	$ 3	$ 2	$ 6
Interest cost on projected benefit obligation	9	26	17	52
Amortization of: - prior service credit	(9)	(3)	(19)	(6)
- net losses	1	2	3	4
Net periodic postretirement benefit cost	**$ 2**	**$ 28**	**$ 3**	**$ 56**

Effective August 22, 2008, health care benefits for current and future domestic retirees who were represented by the United Steelworkers (USW) became the responsibility of an independent Voluntary Employees Beneficiary Association (VEBA), which resulted in the settlement of the OPEB obligation for the affected plans in the 2008 third quarter. Postretirement benefit cost for these plans recognized in the three months and six months ended June 30, 2008 was $25 million and $50 million, respectively.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

At June 30, 2009, we had binding commitments for raw materials and investments in land, buildings and equipment of approximately $772 million, and off-balance-sheet financial guarantees written and other commitments totaling $40 million. In addition, we have other contractual commitments, the amounts of which cannot be estimated, pursuant to certain long-term agreements under which we shall purchase minimum amounts of various raw materials at agreed upon base prices that are subject to periodic adjustments for changes in raw material costs and market price adjustments, or in quantities that are subject to periodic adjustments for changes in our production levels.

Environmental Matters

We have recorded liabilities totaling $44 million and $40 million at June 30, 2009 and December 31, 2008, 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, $6 million and $8 million were included in Other Current Liabilities at June 30, 2009 and December 31, 2008. 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.

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Workers Compensation

We have recorded liabilities, on a discounted basis, totaling $306 million and $288 million for anticipated costs related to workers compensation at June 30, 2009 and December 31, 2008, respectively. Of these amounts, $76 million and $75 million were included in Current Liabilities as part of Compensation and Benefits at June 30, 2009 and December 31, 2008, 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.

General and Product Liability and Other Litigation

We have recorded liabilities totaling $296 million and $291 million, including related legal fees expected to be incurred, for potential product liability and other tort claims presently asserted against us at June 30, 2009 and December 31, 2008, respectively. Of these amounts, $76 million and $86 million were included in Other Current Liabilities at June 30, 2009 and December 31, 2008, respectively. The amounts recorded were estimated on the basis of 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. We have recorded insurance receivables for potential product liability and other tort claims of $68 million at June 30, 2009 and $65 million at December 31, 2008. Of these amounts, $9 million and $10 million were included in Current Assets as part of Accounts Receivable at June 30, 2009 and December 31, 2008, respectively.

Asbestos. We are a defendant in numerous lawsuits alleging various asbestos-related personal injuries purported to result from alleged exposure to certain asbestos products manufactured by us or present in certain of our facilities. Typically, these lawsuits have been brought against multiple defendants in state and Federal courts. To date, we have disposed of approximately 75,200 claims by defending and obtaining the dismissal thereof or by entering into a settlement.

A summary of approximate asbestos claims activity in recent periods 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 from period to period.

(Dollars in millions)	**Six Months Ended June 30, 2009**	**Year Ended December 31, 2008**
Pending claims, beginning of period	99,000	117,400
New claims filed	800	4,600
Claims settled/dismissed	(3,200)	(23,000)
Pending claims, end of period	96,600	99,000
Payments (1)	$ 10	$ 23

(1) Represents amount spent by us and our insurers on asbestos litigation

defense and
claim
resolution.

We engaged an independent asbestos valuation firm, Bates White, LLC (Bates), to review our existing reserves for pending claims, provide a reasonable estimate of the liability associated with unasserted asbestos claims, and estimate our receivables from probable insurance recoveries.

The sum of our accrued asbestos-related liability and gross payments to date, including legal costs, totaled approximately $339 million through June 30, 2009 and $325 million through December 31, 2008. We had recorded gross liabilities for both asserted and unasserted claims, inclusive of defense costs, totaling $136 million and $132 million at June 30, 2009 and December 31, 2008, respectively. The portion of the liability associated with unasserted asbestos claims and related defense costs was $73 million and $71 million at June 30, 2009 and December 31, 2008, respectively. Our liability with respect to asserted claims and related defense costs was $63 million at June 30, 2009 and $61 million at December 31, 2008. At June 30, 2009, we estimate that it is reasonably possible that our liabilities, net of our estimate for probable insurance recoveries, could exceed our recorded amounts by $10 million.

Based upon a model employed by Bates, as of June 30, 2009, (i) we recorded a receivable related to asbestos claims of $68 million, compared to $65 million at December 31, 2008, and (ii) we expect that approximately 50% of asbestos claim related losses would be recoverable up to our accessible policy limits through the period covered by the estimated liability. Of these amounts, $9 million and $10 million were included in Current Assets as part of Accounts Receivable at June 30, 2009 and December 31, 2008, respectively. The receivable recorded consists of an amount we expect to collect under coverage-in-place agreements with certain primary carriers as well as an amount we believe is probable of recovery from certain of our excess coverage insurance carriers.

We believe that at June 30, 2009, we had at least $180 million in aggregate limits of excess level policies potentially applicable to indemnity payments for asbestos products claims, in addition to limits of available primary insurance policies. Some of these excess policies provide for payment of defense costs in addition to indemnity limits. A portion of the availability of the excess level policies is included in the $68 million insurance receivable recorded at June 30, 2009. We also had approximately $15 million in aggregate limits for products claims, as well as coverage for premise claims on a per occurrence basis and defense costs available with our primary insurance carriers through coverage-in-place agreements at June 30, 2009.

Other Actions. We are currently a party to various claims and legal proceedings in addition to those noted above. If management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on our financial position or overall trends in results of operations. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or an injunction prohibiting us from selling one or more products. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations in the period in which the ruling occurs, or future periods.

Tax Matters

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

USW Negotiations

Our master collective bargaining agreement with the USW, which covers about 10,300 employees in the United States, will expire on August 15, 2009, following an extension of the original July 18, 2009 expiration date. We are in the process of negotiating a new agreement with the USW. If we are unable to reach an agreement with the USW regarding the terms of a new collective bargaining agreement, we may be subject to work interruptions or stoppages that could result in a significant disruption of, or inefficiencies in, our North American manufacturing operations, which could have a material adverse effect on our business, financial position, results of operations and liquidity.

Guarantees

We are a party to various agreements under which we have undertaken obligations resulting from the issuance of certain guarantees. Guarantees have been issued on behalf of certain of our affiliates and customers. Normally there is no separate premium received by us as consideration for the issuance of guarantees. Our performance under these guarantees would normally be triggered by the occurrence of one or more events as provided in the specific agreements. Collateral and recourse provisions available to us under these agreements were not significant.

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NOTE 10. BUSINESS SEGMENTS

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2009**	**2008**	**2009**	**2008**
Sales:				
North American Tire	$ 1,687	$ 2,130	$ 3,231	$ 4,127
Europe, Middle East and Africa Tire	1,393	2,024	2,661	3,974
Latin American Tire	437	572	820	1,102
Asia Pacific Tire	426	513	767	978
Net Sales	**$ 3,943**	**$ 5,239**	**$ 7,479**	**$ 10,181**
Segment Operating (Loss) Income:				
North American Tire	$ (91)	$ 24	$ (280)	$ 56
Europe, Middle East and Africa Tire	(15)	151	(65)	323
Latin American Tire	73	103	121	217
Asia Pacific Tire	57	52	72	101
Total Segment Operating (Loss) Income	**24**	330	(152)	697
Rationalizations	(136)	(87)	(191)	(100)
Interest expense	(79)	(76)	(143)	(165)
Other income and (expense)	(32)	22	(62)	28
Asset write-offs and accelerated depreciation	(12)	(4)	(22)	(4)
Corporate incentive compensation plans	(20)	(11)	(14)	(15)
Intercompany profit elimination	(3)	(4)	(29)	(13)
Other	(13)	(3)	(23)	(11)
(Loss) Income before Income Taxes	$ (271)	$ 167	$ (636)	$ 417

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2009**	**2008**	**2009**	**2008**
Rationalizations:				
North American Tire	$ 61	$ 2	$ 89	$ 11
Europe, Middle East and Africa Tire	66	12	80	17
Latin American Tire	7	1	14	
Asia Pacific Tire	2	72	6	72
Total Segment Rationalizations	136	87	189	100
Corporate			2	

	$ 136	$ 87	$ 191	$ 100
Asset Sales loss / (gain):				
North American Tire	$	$ (1)	$	$ (1)
Europe, Middle East and Africa Tire	4	(3)	3	(21)
Latin American Tire	(1)		(1)	(5)
Asia Pacific Tire	(5)		(5)	(10)
Total Segment Asset Sales loss / (gain)	(2)	(4)	(3)	(37)
Corporate	43		43	
	$ 41	$ (4)	$ 40	$ (37)

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	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2009**	**2008**	**2009**	**2008**
Asset write-offs and accelerated depreciation:				
North American Tire	$ 9	$	$ 11	$
Europe, Middle East and Africa Tire	1		1	
Asia Pacific Tire	2	4	10	4
Total Segment Asset write-offs and accelerated depreciation	$ 12	$ 4	$ 22	$ 4

NOTE 11. INCOME TAXES

For the first six months of 2009 we recorded a tax benefit of $35 million on a loss before income taxes of $636 million. The income tax benefit was impacted favorably by a second quarter benefit of $18 million related primarily to the settlement of our 1997 through 2003 Competent Authority claim between the United States and Canada and by $10 million during the first quarter primarily due to an enacted tax law change. The difference between our effective tax rate and the U.S. statutory rate was primarily attributable to continuing to maintain a full valuation allowance against our net Federal and state deferred tax assets. For the first six months of 2008, we recorded tax expense of $151 million on income before income taxes of $417 million.

Our losses in various taxing jurisdictions in recent periods represented sufficient negative evidence to require us to maintain a full valuation allowance against our net deferred tax assets. However, in certain foreign locations it is reasonably possible that sufficient positive evidence required to release all, or a portion, of these valuation allowances within the next 12 months will exist, resulting in one-time tax benefits of up to $35 million.

At January 1, 2009, we had unrecognized tax benefits of $143 million that if recognized, would have a favorable impact on our tax expense of $135 million. We report interest and penalties as income taxes and have accrued interest of $11 million as of January 1, 2009. In the second quarter, our Competent Authority claim between the United States and Canada for the years 1997 through 2003 was settled reducing our unrecognized tax benefits by $38 million. It is reasonably possible that the total amount of unrecognized tax benefits will also change for other reasons in the next 12 months. However, we do not expect those changes to have a significant impact on our financial position or results of operations.

Generally, years beginning after 2003 are still open to examination by foreign taxing authorities, including in Germany and other major taxing jurisdictions. In the United States, we are open to examination from 2008 onward.

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

NOTE 12. CHANGES IN SHAREHOLDERS EQUITY

The following tables present the changes in Shareholders Equity for the six months ended June 30, 2009 and 2008.

	Six Months Ended June 30, 2009			**Six Months Ended June 30, 2008**		
(In millions)	**Goodyear Shareholders Equity**	**Minority Shareholders Equity - Nonredeemable**	**Total Shareholders Equity**	**Goodyear Shareholders Equity**	**Minority Shareholders Equity - Nonredeemable**	**Total Shareholders Equity**
Balance at beginning of period	**$ 1,022**	**$ 231**	**$ 1,253**	**$ 2,850**	**$ 300**	**$ 3,150**
Comprehensive (loss) income:						
Net (loss) income	(554)	4	(550)	222	18	240
Foreign currency translation (net of tax of $0)	56	(5)	51	197	18	215
Amortization of prior service cost and unrecognized gains and losses, and immediate recognition due to curtailments and settlements, included in total benefit cost (net of tax of $17 in 2009 and $2 in 2008)	77		77	59		59
Increase in net actuarial losses (net of tax of $0)	(38)		(38)	(3)		(3)
Unrealized investment loss (net of tax of $0)	(2)		(2)	(7)		(7)
Other comprehensive (loss) income	**93**	**(5)**	**88**	**246**	**18**	**264**
Total comprehensive (loss) income	**(461)**	**(1)**	**(462)**	**468**	**36**	**504**
Transactions between Goodyear and Minority Shareholders		(2)	(2)		(20)	(20)
Issuance of shares for conversion of debt				4		4
Common stock issued from treasury:						
Stock-based compensation plans (Note 7)				6		6
Other	3		3	25		25

Balance at end of period	**$ 564**	**$ 228**	**$ 792**	**$ 3,353**	**$ 316**	**$ 3,669**

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

(In millions)	**Three Months Ended June 30, 2009**	**Three Months Ended June 30, 2008**	**Six Months Ended June 30, 2009**	**Six Months Ended June 30, 2008**
Balance at beginning of period	**$ 576**	**$ 779**	**$ 619**	**$ 703**
Comprehensive income (loss):				
Net (loss) income	(32)	8	(51)	26
Foreign currency translation, net of tax of $0	22	(4)	(3)	52
Amortization of prior service cost and unrecognized gains and losses included in net periodic benefit cost, net of tax of $0 and $1 in 2009 ($1 in 2008)	1	2	2	4
Increase in net actuarial losses	(1)		(1)	
Total comprehensive income (loss)	(10)	6	(53)	82
Other	6		6	
Balance at end of period	**$ 572**	**$ 785**	**$ 572**	**$ 785**

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

NOTE 13. CONSOLIDATING FINANCIAL INFORMATION

Certain of our subsidiaries have guaranteed Goodyear s obligations under the $260 million outstanding principal amount of 9% senior notes due 2015, the $825 million outstanding principal amount of senior notes (consisting of $325 million outstanding principal amount of 8.625% senior notes due 2011 and $500 million outstanding principal amount of senior floating rate notes due 2009), and the $1.0 billion outstanding principal amount of 10.5% senior notes due 2016 (collectively, the notes). The following presents the condensed consolidating financial information separately for:

(i) The Goodyear Tire & Rubber Company (the Parent Company), the issuer of the guaranteed obligations;
(ii) Guarantor subsidiaries, on a combined basis, as specified in the indentures related to Goodyear s obligations under the notes;
(iii) Non-guarantor subsidiaries, on a combined basis;
(iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among the Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate the investments in our subsidiaries, and (c) record consolidating entries; and
(v) The Goodyear Tire & Rubber Company and Subsidiaries on a consolidated basis.

Each guarantor subsidiary is 100% owned by the Parent Company at the date of each balance sheet presented. The notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation. Intercompany cash advances and loans made primarily for the purpose of short-term operating needs are included in cash flows from operating activities. Intercompany transactions reported as investing or financing activities include the sale of the capital stock of various subsidiaries and other capital transactions between members of the consolidated group.

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

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

	Consolidating Balance Sheet June 30, 2009				
(In millions)	**Parent Company**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Consolidating Entries and Eliminations**	**Consolidated**
Assets:					
Current Assets:					
Cash and cash equivalents	$ 1,162	$ 36	$ 1,168	$	$ 2,366
Accounts receivable	737	172	1,640		2,549
Accounts receivable from affiliates	130	753		(883)	
Inventories	1,252	243	1,479	(65)	2,909
Prepaid expenses and other current assets	91	8	223	7	329
Total Current Assets	**3,372**	**1,212**	**4,510**	**(941)**	**8,153**
Goodwill		24	481	183	688
Intangible Assets	110	5	50	(4)	161
Deferred Income Taxes		1	51	(1)	51
Other Assets	212	63	150		425
Investments in Subsidiaries	3,937	587	4,074	(8,598)	
Property, Plant and Equipment	2,067	171	3,348	15	5,601
Total Assets	**$ 9,698**	**$ 2,063**	**$ 12,664**	**$ (9,346)**	**$ 15,079**
Liabilities:					
Current Liabilities:					
Accounts payable-trade	$ 538	$ 70	$ 1,320	$	$ 1,928
Accounts payable to affiliates			883	(883)	
Compensation and benefits	343	28	280		651
Other current liabilities	325	30	446	(1)	800
Notes payable and overdrafts			275		275
Long term debt and capital leases due within one year	500		134		634
Total Current Liabilities	**1,706**	**128**	**3,338**	**(884)**	**4,288**
Long Term Debt and Capital Leases	4,345		595		4,940
Compensation and Benefits	2,445	150	885		3,480
Deferred and Other Noncurrent Income Taxes	25	3	178	4	210
Other Long Term Liabilities	613	32	152		797
Total Liabilities	**9,134**	**313**	**5,148**	**(880)**	**13,715**
Commitments and Contingent Liabilities					

Minority Shareholders Equity			352	220	572
Shareholders Equity:					
Goodyear Shareholders Equity:					
Preferred Stock					
Common Stock	242	440	4,912	(5,352)	242
Capital Surplus	2,772	5	803	(808)	2,772
Retained Earnings	903	1,594	2,403	(3,997)	903
Accumulated Other Comprehensive Loss	(3,353)	(289)	(1,182)	1,471	(3,353)
Goodyear Shareholders Equity	**564**	**1,750**	**6,936**	**(8,686)**	**564**
Minority Shareholders Equity Nonredeemable			228		228
Total Shareholders Equity	**564**	**1,750**	**7,164**	**(8,686)**	**792**
Total Liabilities and Shareholders Equity	**$ 9,698**	**$ 2,063**	**$ 12,664**	**$ (9,346)**	**$ 15,079**

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

	Consolidating Balance Sheet December 31, 2008				
(In millions)	**Parent Company**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Consolidating Entries and Eliminations**	**Consolidated**
Assets:					
Current Assets:					
Cash and cash equivalents	$ 822	$ 40	$ 1,032	$	$ 1,894
Accounts receivable	733	189	1,595		2,517
Accounts receivable from affiliates		836		(836)	
Inventories	1,584	254	1,796	(42)	3,592
Prepaid expenses and other current assets	130	3	165	9	307
Total Current Assets	**3,269**	**1,322**	**4,588**	**(869)**	**8,310**
Goodwill		24	471	188	683
Intangible Assets	110	7	49	(6)	160
Deferred Income Taxes		15	54	(15)	54
Other Assets	203	45	137		385
Investments in Subsidiaries	4,216	632	3,881	(8,729)	
Property, Plant and Equipment	2,167	178	3,279	10	5,634
Total Assets	**$ 9,965**	**$ 2,223**	**$ 12,459**	**$ (9,421)**	**$ 15,226**
Liabilities:					
Current Liabilities:					
Accounts payable-trade	$ 657	$ 71	$ 1,801	$	$ 2,529
Accounts payable to affiliates	714		122	(836)	
Compensation and benefits	363	29	233		625
Other current liabilities	310	27	443	(2)	778
Notes payable and overdrafts			265		265
Long term debt and capital leases due within one year	501		81		582
Total Current Liabilities	**2,545**	**127**	**2,945**	**(838)**	**4,779**
Long Term Debt and Capital Leases	3,300		832		4,132
Compensation and Benefits	2,450	161	876		3,487
Deferred and Other Noncurrent Income Taxes	38	17	149	(11)	193
Other Long Term Liabilities	610	32	121		763
Total Liabilities	**8,943**	**337**	**4,923**	**(849)**	**13,354**
Commitments and Contingent Liabilities					

Minority Shareholders Equity			399	220	619
Shareholders Equity:					
Goodyear Shareholders Equity:					
Preferred Stock					
Common Stock	241	440	4,875	(5,315)	241
Capital Surplus	2,764	5	777	(782)	2,764
Retained Earnings	1,463	1,715	2,503	(4,218)	1,463
Accumulated Other Comprehensive Loss	(3,446)	(274)	(1,249)	1,523	(3,446)
Goodyear Shareholders Equity	**1,022**	**1,886**	**6,906**	**(8,792)**	**1,022**
Minority Shareholders Equity Nonredeemable			231		231
Total Shareholders Equity	**1,022**	**1,886**	**7,137**	**(8,792)**	**1,253**
Total Liabilities and Shareholders Equity	**$ 9,965**	**$ 2,223**	**$ 12,459**	**$ (9,421)**	**$ 15,226**

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

Consolidating Statement of Operations
Three Months Ended June 30, 2009

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
NET SALES	**$ 1,671**	**$ 420**	**$ 3,576**	**$ (1,724)**	**$ 3,943**
Cost of Goods Sold	1,536	417	3,175	(1,775)	3,353
Selling, Administrative and General Expense	232	41	343	(2)	614
Rationalizations	61	1	74		136
Interest Expense	63	5	47	(36)	79
Other (Income) and Expense	(120)	3	(26)	175	32
(Loss) Income before Income Taxes and Equity in Earnings of Subsidiaries	(101)	(47)	(37)	(86)	(271)
United States and Foreign Taxes	(5)	(19)	4	2	(18)
Equity in Earnings of Subsidiaries	(125)	(15)		140	
Net (Loss) Income	(221)	(43)	(41)	52	(253)
Minority Shareholders Net (Loss) Income			(32)		(32)
Goodyear Net (Loss) Income	**$ (221)**	**$ (43)**	**$ (9)**	**$ 52**	**$ (221)**

Three Months Ended June 30, 2008

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
NET SALES	**$ 2,034**	**$ 482**	**$ 5,493**	**$ (2,770)**	**$ 5,239**
Cost of Goods Sold	1,800	414	4,795	(2,813)	4,196
Selling, Administrative and General Expense	241	47	449	(2)	735
Rationalizations	1	2	84		87
Interest Expense	57	6	63	(50)	76
Other (Income) and Expense	(63)	(1)	(46)	88	(22)
	(2)	14	148	7	167

(Loss) Income before Income Taxes and Equity in Earnings of Subsidiaries					
United States and Foreign Taxes	9	(1)	65	1	74
Equity in Earnings of Subsidiaries	86	7		(93)	
Net (Loss) Income	75	22	83	(87)	93
Minority Shareholders Net (Loss) Income			18		18
Goodyear Net (Loss) Income	**$ 75**	**$ 22**	**$ 65**	**$ (87)**	**$ 75**

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

Consolidating Statement of Operations
Six Months Ended June 30, 2009

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
NET SALES	**$ 3,225**	**$ 811**	**$ 7,013**	**$ (3,570)**	**$ 7,479**
Cost of Goods Sold	3,051	793	6,336	(3,608)	6,572
Selling, Administrative and General Expense	435	79	636	(3)	1,147
Rationalizations	89	3	99		191
Interest Expense	110	10	93	(70)	143
Other (Income) and Expense	(137)	4	(33)	228	62
(Loss) Income before Income Taxes and Equity in Earnings of Subsidiaries	(323)	(78)	(118)	(117)	(636)
United States and Foreign Taxes	(22)	(16)	2	1	(35)
Equity in Earnings of Subsidiaries	(253)	(45)		298	
Net (Loss) Income	(554)	(107)	(120)	180	(601)
Minority Shareholders Net (Loss) Income			(47)		(47)
Goodyear Net (Loss) Income	**$ (554)**	**$ (107)**	**$ (73)**	**$ 180**	**$ (554)**

Six Months Ended June 30, 2008

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
NET SALES	**$ 3,977**	**$ 948**	**$ 10,499**	**$ (5,243)**	**$ 10,181**
Cost of Goods Sold	3,518	818	9,133	(5,312)	8,157
Selling, Administrative and General Expense	447	93	832	(2)	1,370
Rationalizations	8	3	89		100
Interest Expense	136	12	135	(118)	165
Other (Income) and Expense	(95)	(3)	(128)	198	(28)
	(37)	25	438	(9)	417

(Loss) Income before Income Taxes and Equity in Earnings of Subsidiaries					
United States and Foreign Taxes	16	3	133	(1)	151
Equity in Earnings of Subsidiaries	275	25		(300)	
Net (Loss) Income	222	47	305	(308)	266
Minority Shareholders Net (Loss) Income			44		44
Goodyear Net (Loss) Income	**$ 222**	**$ 47**	**$ 261**	**$ (308)**	**$ 222**

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

	Condensed Consolidating Statement of Cash Flows Six Months Ended June 30, 2009				
(In millions)	**Parent Company**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Consolidating Entries and Eliminations**	**Consolidated**
Cash Flows from Operating Activities:					
Total Cash Flows from Operating Activities	**$ (716)**	**$ 12**	**$ 745**	**$ (34)**	**$ 7**
Cash Flows from Investing Activities:					
Capital expenditures	(168)	(3)	(199)	(2)	(372)
Asset dispositions	151		2	(132)	21
Asset acquisitions			(132)	132	
Capital contributions			(62)	62	
Return of investment in The Reserve Primary Fund	40				40
Other transactions	1		7		8
Total Cash Flows from Investing Activities	**24**	**(3)**	**(384)**	**60**	**(303)**
Cash Flows from Financing Activities:					
Short term debt and overdrafts incurred		1	84		85
Short term debt and overdrafts paid	(5)		(96)		(101)
Long term debt incurred	1,359		578		1,937
Long term debt paid	(301)		(842)		(1,143)
Capital contributions			62	(62)	
Debt issuance costs	(21)				(21)
Dividends paid		(14)	(24)	36	(2)
Total Cash Flows from Financing Activities	**1,032**	**(13)**	**(238)**	**(26)**	**755**
Effect of exchange rate changes on cash and cash equivalents			13		13
Net Change in Cash and Cash Equivalents	**340**	**(4)**	**136**		**472**
	822	40	1,032		1,894

Cash and Cash Equivalents at Beginning of the Period									
Cash and Cash Equivalents at End of the Period	**$ 1,162**	**$**	**36**	**$**	**1,168**	**$**		**$**	**2,366**

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

Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2008

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Cash Flows from Operating Activities:					
Total Cash Flows from Operating Activities	**$ (872)**	**$ 49**	**$ 779**	**$ (171)**	**$ (215)**
Cash Flows from Investing Activities:					
Capital expenditures	(220)	(13)	(243)		(476)
Asset dispositions			40		40
Asset acquisitions			(46)		(46)
Capital contributions			(33)	33	
Capital redemptions	380			(380)	
Other transactions	5		5		10
Total Cash Flows from Investing Activities	**165**	**(13)**	**(277)**	**(347)**	**(472)**
Cash Flows from Financing Activities:					
Short term debt and overdrafts incurred		1	59		60
Short term debt and overdrafts paid	(29)		(1)		(30)
Long term debt incurred			3		3
Long term debt paid	(751)		(36)		(787)
Common stock issued	5				5
Capital contributions			33	(33)	
Capital redemptions			(380)	380	
Dividends paid			(173)	171	(2)
Other transactions			6		6
Total Cash Flows from Financing Activities	**(775)**	**1**	**(489)**	**518**	**(745)**
Effect of exchange rate changes on cash and cash equivalents		(2)	40		38
Net Change in Cash and Cash Equivalents	**(1,482)**	**35**	**53**		**(1,394)**

Cash and Cash Equivalents at Beginning of the Period	2,516	25	922		3,463
Cash and Cash Equivalents at End of the Period	**$ 1,034**	**$ 60**	**$ 975**	**$**	**$ 2,069**

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

(All per share amounts are diluted)

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 61 manufacturing facilities in 25 countries, including the United States. We operate our business through four operating segments representing our regional tire businesses: North American Tire; Europe, Middle East and Africa Tire (EMEA); Latin American Tire; and Asia Pacific Tire.

We continued to experience difficult industry conditions during the second quarter of 2009 due to the global economic slowdown. These industry conditions were characterized by weakness in the demand for replacement tires, particularly in the commercial markets, lower motor vehicle sales and production, and recessionary economic conditions in many parts of the world. However, we began to see some positive signs of economic stabilization and recovery, although still fragile at this stage and varied around the globe.

In the second quarter of 2009, Goodyear net loss was $221 million compared to Goodyear net income of $75 million in the second quarter of 2008. Net sales in the second quarter of 2009 decreased to $3,943 million from $5,239 million in the comparable period of 2008. Net sales were unfavorably impacted by decreased tire volume, foreign currency translation and a decrease in other tire-related businesses, primarily in North American Tire s third party sales of chemical products. In the second quarter of 2009, our total segment operating income was $24 million compared to $330 million in the second quarter of 2008. The decline in segment operating income was due primarily to decreased tire volume and significant under-absorbed fixed overhead costs. Increases in raw material costs of $119 million were offset by price and mix improvements of $127 million. See Results of Operations Segment Information for additional information.

In the first six months of 2009, Goodyear net loss was $554 million compared to Goodyear net income of $222 million in the first six months of 2008. Net sales in the first six months of 2009 decreased to $7,479 million from $10,181 million in the comparable period of 2008. Net sales were unfavorably impacted by decreased tire volume, foreign currency translation and a decrease in other tire-related businesses, primarily in North American Tire s third party sales of chemical products. In the first six months of 2009, our total segment operating loss was $152 million compared to segment operating income of $697 million in the first six months of 2008. The decline in segment operating income was due primarily to increases in raw material costs of $450 million offset in part by price and mix improvements of $289 million, decreased tire volume and significant under-absorbed fixed overhead costs.

We had several key achievements during the second quarter of 2009:

- Our net sales and segment operating income, while decreasing compared to the second quarter of 2008, increased compared to the first quarter of 2009;