UNITED STATES
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, 2023

Commission File Number: 1-1927

THE GOODYEAR TIRE & RUBBER COMPANY

(Exact Name of Registrant as Specified in Its Charter)

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

(330) 796-2121

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Without Par Value	GT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

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

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

Yes ☐ No ☑

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

Number of Shares of Common Stock, Without Par Value, Outstanding at July 31, 2023:	283,477,317

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share amounts)	**2023**	**2022**	**2023**	**2022**
Net Sales (Note 2)	$ 4,867	$ 5,212	$ 9,808	$ 10,120
Cost of Goods Sold	4,123	4,172	8,316	8,138
Selling, Administrative and General Expense	708	717	1,372	1,405
Rationalizations (Note 3)	72	26	104	37
Interest Expense	138	110	265	214
Other (Income) Expense (Note 4)	36	(65)	61	(60)
Income (Loss) before Income Taxes	(210)	252	(310)	386
United States and Foreign Tax (Benefit) Expense (Note 5)	(2)	82	(3)	120
Net Income (Loss)	(208)	170	(307)	266
Less: Minority Shareholders’ Net Income	—	4	2	4
Goodyear Net Income (Loss)	**$ (208)**	**$ 166**	**$ (309)**	**$ 262**
Goodyear Net Income (Loss) — Per Share of Common Stock				
Basic	**$ (0.73)**	**$ 0.58**	**$ (1.08)**	**$ 0.92**
Weighted Average Shares Outstanding (Note 6)	285	284	285	284
Diluted	**$ (0.73)**	**$ 0.58**	**$ (1.08)**	**$ 0.91**
Weighted Average Shares Outstanding (Note 6)	285	286	285	286

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2023	2022	2023	2022
Net Income (Loss)	$ (208)	$ 170	$ (307)	$ 266
Other Comprehensive Income (Loss):				
Foreign currency translation, net of tax of $1 and $2 in 2023 (($6) and ($6) in 2022)	(4)	(187)	33	(184)
Defined benefit plans:				
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of $6 and $13 in 2023 ($7 and $15 in 2022)	20	24	41	48
Change in net actuarial losses, net of tax of $5 and $3 in 2023 (($2) and $3 in 2022)	13	(2)	11	14
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements and divestitures, net of tax of $8 and $8 in 2023 ($5 and $5 in 2022)	28	13	28	13
Deferred derivative gains (losses), net of tax of $0 and ($1) in 2023 ($0 and $0 in 2022)	(2)	3	(4)	1
Reclassification adjustment for amounts recognized in income, net of tax of $0 and $0 in 2023 ($0 and $0 in 2022)	—	—	—	(1)
Other Comprehensive Income (Loss)	**55**	**(149)**	**109**	**(109)**
Comprehensive Income (Loss)	**(153)**	**21**	**(198)**	**157**
Less: Comprehensive Income (Loss) Attributable to Minority Shareholders	(1)	(3)	4	(11)
Goodyear Comprehensive Income (Loss)	**$ (152)**	**$ 24**	**$ (202)**	**$ 168**

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

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

(In millions, except share data)	June 30, 2023	December 31, 2022
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 1,049	$ 1,227
Accounts Receivable, less Allowance — $104 ($112 in 2022)	3,033	2,610
Inventories:		
Raw Materials	918	1,191
Work in Process	231	187
Finished Products	3,211	3,193
	4,360	4,571
Prepaid Expenses and Other Current Assets	416	257
Total Current Assets	**8,858**	**8,665**
Goodwill	1,018	1,014
Intangible Assets	983	1,004
Deferred Income Taxes (Note 5)	1,517	1,443
Other Assets	1,161	1,035
Operating Lease Right-of-Use Assets	980	976
Property, Plant and Equipment, less Accumulated Depreciation — $11,857 ($11,377 in 2022)	8,297	8,294
Total Assets	**$ 22,814**	**$ 22,431**
Liabilities:		
Current Liabilities:		
Accounts Payable — Trade	$ 4,361	$ 4,803
Compensation and Benefits (Notes 10 and 11)	611	643
Other Current Liabilities	982	872
Notes Payable and Overdrafts (Note 8)	539	395
Operating Lease Liabilities due Within One Year	203	199
Long Term Debt and Finance Leases due Within One Year (Note 8)	244	228
Total Current Liabilities	**6,940**	**7,140**
Operating Lease Liabilities	821	821
Long Term Debt and Finance Leases (Note 8)	8,027	7,267
Compensation and Benefits (Notes 10 and 11)	985	998
Deferred Income Taxes (Note 5)	115	134
Other Long Term Liabilities	653	605
Total Liabilities	**17,541**	**16,965**
Commitments and Contingent Liabilities (Note 12)		
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares — 283 million in 2023 and 2022	283	283
Capital Surplus	3,124	3,117
Retained Earnings	5,466	5,775
Accumulated Other Comprehensive Loss (Note 14)	(3,768)	(3,875)
Goodyear Shareholders' Equity	**5,105**	**5,300**
Minority Shareholders' Equity — Nonredeemable	168	166
Total Shareholders' Equity	**5,273**	**5,466**
Total Liabilities and Shareholders' Equity	**$ 22,814**	**$ 22,431**

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

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

(In millions, except share data)	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Goodyear Shareholders' Equity	Minority Shareholders' Equity — Non-Redeemable	Total Shareholders' Equity
Balance at December 31, 2022								
(after deducting 41,391,555 common treasury shares)	**282,896,352**	**$ 283**	**$ 3,117**	**$ 5,775**	**$ (3,875)**	**$ 5,300**	**$ 166**	**$ 5,466**
Net income (loss)				(101)		(101)	2	(99)
Other comprehensive income (loss)					51	51	3	54
Total Comprehensive Income (Loss)						**(50)**	**5**	**(45)**
Stock-based compensation plans			4			4		4
Common stock issued from treasury	530,949		(1)			(1)		(1)
Balance at March 31, 2023								
(after deducting 40,860,606 common treasury shares)	**283,427,301**	**$ 283**	**$ 3,120**	**$ 5,674**	**$ (3,824)**	**$ 5,253**	**$ 171**	**$ 5,424**
Net income (loss)				(208)		(208)		(208)
Other comprehensive income (loss)					56	56	(1)	55
Total comprehensive income (loss)						**(152)**	**(1)**	**(153)**
Stock-based compensation plans			5			5		5
Dividends declared							(2)	(2)
Common stock issued from treasury	25,016		(1)			(1)		(1)
Balance at June 30, 2023								
(after deducting 40,835,590 common treasury shares)	**283,452,317**	**$ 283**	**$ 3,124**	**$ 5,466**	**$ (3,768)**	**$ 5,105**	**$ 168**	**$ 5,273**

There were no dividends declared or paid during the three and six months ended June 30, 2023.

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

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

(In millions, except share data)	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Goodyear Shareholders' Equity	Minority Shareholders' Equity — Non-Redeemable	Total Shareholders' Equity
Balance at December 31, 2021								
(after deducting 42,494,684 common treasury shares)	**281,793,223**	**$ 282**	**$ 3,107**	**$ 5,573**	**$ (3,963)**	**$ 4,999**	**$ 185**	**$ 5,184**
Net income				96		96		96
Other comprehensive income (loss)					48	48	(8)	40
Total Comprehensive Income (Loss)						**144**	**(8)**	**136**
Stock-based compensation plans			7			7		7
Common stock issued from treasury	635,149		(5)			(5)		(5)
Balance at March 31, 2022								
(after deducting 41,859,535 common treasury shares)	**282,428,372**	**$ 282**	**$ 3,109**	**$ 5,669**	**$ (3,915)**	**$ 5,145**	**$ 177**	**$ 5,322**
Net income				166		166	4	170
Other comprehensive loss					(142)	(142)	(7)	(149)
Total comprehensive income (loss)						**24**	**(3)**	**21**
Stock-based compensation plans			5			5		5
Dividends declared							(1)	(1)
Common stock issued from treasury	42,861							
Balance at June 30, 2022								
(after deducting 41,816,674 common treasury shares)	**282,471,233**	**$ 282**	**$ 3,114**	**$ 5,835**	**$ (4,057)**	**$ 5,174**	**$ 173**	**$ 5,347**

There were no dividends declared or paid during the three and six months ended June 30, 2022.

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, 2023	2022
Cash Flows from Operating Activities:		
Net Income (Loss)	**$ (307)**	**$ 266**
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:		
Depreciation and Amortization	506	481
Amortization and Write-Off of Debt Issuance Costs	7	8
Provision for Deferred Income Taxes (Note 5)	(108)	42
Net Pension Curtailments and Settlements	36	18
Net Rationalization Charges (Note 3)	104	37
Rationalization Payments	(50)	(59)
Net (Gains) Losses on Asset Sales (Note 4)	(62)	(98)
Operating Lease Expense	148	150
Operating Lease Payments	(139)	(139)
Pension Contributions and Direct Payments	(38)	(33)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(375)	(1,024)
Inventories	229	(890)
Accounts Payable — Trade	(404)	672
Compensation and Benefits	—	(44)
Other Current Liabilities	104	21
Other Assets and Liabilities	(85)	59
Total Cash Flows from Operating Activities	**(434)**	**(533)**
Cash Flows from Investing Activities:		
Capital Expenditures	(536)	(511)
Cash Proceeds from Sale and Leaseback Transactions (Note 4)	66	108
Asset Dispositions	3	24
Short Term Securities Acquired	(102)	(41)
Short Term Securities Redeemed	2	44
Notes Receivable	(65)	(24)
Other Transactions	(13)	(3)
Total Cash Flows from Investing Activities	**(645)**	**(403)**
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	583	723
Short Term Debt and Overdrafts Paid	(439)	(579)
Long Term Debt Incurred	4,758	5,312
Long Term Debt Paid	(4,020)	(4,327)
Common Stock Issued	(2)	(5)
Transactions with Minority Interests in Subsidiaries	(2)	(1)
Debt Related Costs and Other Transactions	(2)	9
Total Cash Flows from Financing Activities	**876**	**1,132**
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	4	(33)
Net Change in Cash, Cash Equivalents and Restricted Cash	**(199)**	**163**
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	1,311	1,164
Cash, Cash Equivalents and Restricted Cash at End of the Period	**$ 1,112**	**$ 1,327**

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

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

NOTE 1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by The Goodyear Tire & Rubber Company (the "Company," "Goodyear," "we," "us" or "our") in accordance with Securities and Exchange Commission ("SEC") rules and regulations and generally accepted accounting principles in the United States of America ("U.S. GAAP") and in the opinion of management contain all adjustments (including normal recurring adjustments) necessary to fairly state the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K").

Operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results expected in subsequent quarters or for the year ending December 31, 2023.

Recently Adopted Accounting Standards

Effective January 1, 2023, we adopted an accounting standards update which requires disclosure of the key terms of our material supplier finance programs, including a description of the payment terms and assets pledged as security or other forms of guarantees, if any, provided for the committed payment to the finance provider or intermediary. In addition, the standards update requires disclosure of the related obligations outstanding at each interim reporting period and where those obligations are presented on the balance sheet. The standards update also includes a prospective annual requirement to disclose a rollforward of the amount of the obligations during the annual reporting period. We will include the rollforward disclosure in our Annual Report on Form 10-K for the year ending December 31, 2024, as required.

We have entered into supplier finance programs with several financial institutions. Under these agreements, the financial institutions act as our paying agents with respect to accounts payable due to our suppliers. We agree to pay the financial institutions the stated amount of the confirmed invoices from the designated suppliers on the original maturity dates of the invoices. Invoice payment terms can be up to 120 days based on industry norms for the specific item purchased. We do not pay any fees to the financial institutions for these programs. There are no assets pledged as security or other forms of guarantees associated with these agreements. These agreements allow our suppliers to sell their receivables to the financial institutions at the sole discretion of the suppliers and the financial institutions on terms that are negotiated among them. We are not always notified when our suppliers sell receivables under these programs. Our obligations to our suppliers, including the amounts due and scheduled payment dates, are not impacted by our suppliers' decisions to sell their receivables under the programs. The amounts available under these programs were $921 million and $920 million at June 30, 2023 and December 31, 2022, respectively. The amounts confirmed to the financial institutions were $624 million and $710 million at June 30, 2023 and December 31, 2022, respectively, and are included in Accounts Payable — Trade in our Consolidated Balance Sheets. All activity related to these obligations is presented within operating activities on the Consolidated Statements of Cash Flows.

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 primarily carried at cost. All intercompany balances and transactions have been eliminated in consolidation.

Restricted Cash

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

	June 30,	
(In millions)	2023	2022
Cash and Cash Equivalents	$ 1,049	$ 1,248
Restricted Cash	63	79
Total Cash, Cash Equivalents and Restricted Cash	**$ 1,112**	**$ 1,327**

Restricted Cash primarily represents amounts required to be set aside in relation to accounts receivable factoring programs. The restrictions lapse when cash from factored accounts receivable is remitted to the purchaser of those receivables. At June 30, 2023, restricted cash was recorded in Prepaid Expenses and Other Current Assets in the Consolidated Balance Sheets. At June 30, 2022, $65 million and $14 million were recorded in Prepaid Expenses and Other Current Assets and Other Assets in the Consolidated Balance Sheets, respectively.

Reclassifications and Adjustments

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

NOTE 2. NET SALES

The following tables show disaggregated net sales from contracts with customers by major source:

	Three Months Ended June 30, 2023			
(In millions)	Americas	Europe, Middle East and Africa	Asia Pacific	Total
Tire unit sales	$ 2,434	$ 1,159	$ 554	$ 4,147
Other tire and related sales	211	144	22	377
Retail services and service related sales	173	38	9	220
Chemical sales	116	—	—	116
Other	5	—	2	7
Net Sales by reportable segment	**$ 2,939**	**$ 1,341**	**$ 587**	**$ 4,867**

	Three Months Ended June 30, 2022			
(In millions)	Americas	Europe, Middle East and Africa	Asia Pacific	Total
Tire unit sales	$ 2,626	$ 1,301	$ 536	$ 4,463
Other tire and related sales	194	164	19	377
Retail services and service related sales	166	32	12	210
Chemical sales	154	—	—	154
Other	7	—	1	8
Net Sales by reportable segment	**$ 3,147**	**$ 1,497**	**$ 568**	**$ 5,212**

	Six Months Ended June 30, 2023			
(In millions)	Americas	Europe, Middle East and Africa	Asia Pacific	Total
Tire unit sales	$ 4,812	$ 2,487	$ 1,103	$ 8,402
Other tire and related sales	396	283	43	722
Retail services and service related sales	334	63	19	416
Chemical sales	256	—	—	256
Other	8	—	4	12
Net Sales by reportable segment	**$ 5,806**	**$ 2,833**	**$ 1,169**	**$ 9,808**

	Six Months Ended June 30, 2022			
(In millions)	Americas	Europe, Middle East and Africa	Asia Pacific	Total
Tire unit sales	$ 5,059	$ 2,576	$ 1,069	$ 8,704
Other tire and related sales	365	281	41	687
Retail services and service related sales	306	66	23	395
Chemical sales	319	—	—	319
Other	13	—	2	15
Net Sales by reportable segment	**$ 6,062**	**$ 2,923**	**$ 1,135**	**$ 10,120**

Tire unit sales consist of consumer, commercial, farm and off-the-road tire sales, including the sale of new Company-branded tires through Company-owned retail channels. Other tire and related sales consist of aviation, race and motorcycle tire sales, retread sales and other tire related sales. Sales of tires in this category are not included in reported tire unit information. Retail services and service related sales consist of automotive services performed for customers through our Company-owned retail channels, and includes service related products. Chemical sales relate to the sale of synthetic rubber and other chemicals to third parties, and exclude intercompany sales. Other sales include items such as franchise fees and ancillary tire parts.

When we receive consideration from a customer prior to transferring goods or services under the terms of a sales contract, we record deferred revenue, which represents a contract liability. Deferred revenue included in Other Current Liabilities in the Consolidated Balance Sheets totaled $17 million and $19 million at June 30, 2023 and December 31, 2022, respectively. Deferred revenue included in Other Long Term Liabilities in the Consolidated Balance Sheets totaled $13 million and $15 million at June 30, 2023 and December 31, 2022, respectively. We recognize deferred revenue after we have transferred control of the goods or services to the customer and all revenue recognition criteria are met.

The following table presents the balance of deferred revenue related to contracts with customers, and changes during the six months ended June 30, 2023:

(In millions)	
Balance at December 31, 2022	**$ 34**
Revenue deferred during period	86
Revenue recognized during period	(90)
Impact of foreign currency translation	—
Balance at June 30, 2023	**$ 30**

NOTE 3. COSTS ASSOCIATED WITH RATIONALIZATION PROGRAMS

In order to maintain our global competitiveness, we have implemented rationalization actions over the past several years to reduce high-cost and excess manufacturing capacity and operating and administrative costs, and, more recently, related to the integration of Cooper Tire.

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

(In millions)	**Associate-Related Costs**	**Other Costs**	**Total**
Balance at December 31, 2022	**$ 115**	**$ 2**	**$ 117**
2023 Charges	82	28	110
Incurred, net of foreign currency translation of $3 million and $0 million, respectively	(32)	(15)	(47)
Reversed to the Statement of Operations	(6)	—	(6)
Balance at June 30, 2023	**$ 159**	**$ 15**	**$ 174**

During the second quarter of 2023, we approved a plan to permanently reduce production capacity at our Fulda, Germany tire manufacturing facility ("Fulda") by approximately 50% aligned with our goal to reduce our production cost per tire in Europe, Middle East and Africa ("EMEA"). The proposed plan includes approximately 550 job reductions at Fulda, consisting of 375 associates and 175 contracted positions. The plan remains subject to consultation with relevant employee representative bodies. We expect to substantially complete this rationalization plan by the end of 2024 and estimate total pre-tax charges associated with this action to be between $105 million and $115 million, of which $95 million to $105 million are expected to be cash charges primarily for associate-related and other exit costs, with the remainder representing non-cash charges primarily for accelerated depreciation and other asset-related charges. We accrued $62 million for this plan at June 30, 2023, primarily consisting of cash charges for associate-related exit costs. We expect to record approximately $10 million of pre-tax charges in the second half of 2023 and the majority of the remaining charges in 2024. The majority of the cash outflows associated with this plan are expected to occur in 2024.

During the second quarter of 2023, we also approved a plan to reduce costs associated with our global operations and technology organization, which includes approximately 20 net headcount reductions and is expected to be substantially completed by the end of the first quarter of 2024. Total pre-tax charges are expected to be approximately $6 million, primarily consisting of cash charges for associate-related exit costs, which was accrued at June 30, 2023. Relevant portions of the rationalization plan remain subject to consultation with employee representative bodies.

During the first quarter of 2023, we approved a plan designed to streamline our EMEA distribution network that will result in the eventual closure of our Philippsburg, Germany distribution center. The rationalization plan will lower our operating costs while maintaining or improving the existing service levels to our customers. Relevant portions of the rationalization plan remain subject to consultation with employee representative bodies. We have $17 million accrued for this plan at June 30, 2023, which is expected to be substantially paid during the first half of 2024.

During the first quarter of 2023, we also approved a plan in EMEA to reduce staffing levels and capacity at several manufacturing facilities commensurate with the decline in demand. We have $3 million accrued for this plan at June 30, 2023, which is expected to be substantially paid by the end of 2023.

The remainder of the accrual balance at June 30, 2023 is expected to be substantially utilized in the next 12 months and includes $37 million related to plans to reduce Selling, Administrative and General Expense ("SAG") headcount, $35 million related to the closure of Cooper Tire's Melksham, United Kingdom manufacturing facility ("Melksham"), $5 million related to the closed Amiens, France tire manufacturing facility, $3 million related to the integration of Cooper Tire, and various other plans to reduce headcount and improve operating efficiency.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2023	2022	2023	2022
Current Year Plans				
Associate Severance and Other Related Costs	$ 68	$ 22	$ 75	$ 22
Other Exit Costs	—	—	13	—
Current Year Plans - Net Charges	**$ 68**	**$ 22**	**$ 88**	**$ 22**
Prior Year Plans				
Associate Severance and Other Related Costs	$ (2)	$ —	$ 2	$ 4
Other Exit Costs	6	4	14	11
Prior Year Plans - Net Charges	**$ 4**	**$ 4**	**$ 16**	**$ 15**
Total Net Charges	**$ 72**	**$ 26**	**$ 104**	**$ 37**
Asset Write-offs (Recoveries) and Accelerated Depreciation, net	$ 11	$ —	$ 13	$ —

Substantially all of the new charges for the three and six months ended June 30, 2023 and 2022 relate to future cash outflows. Net current year plan charges for the three months ended June 30, 2023 relate to the plan to reduce production capacity at Fulda and the plan to reduce costs associated with our global operations and technology organization. Net current year plan charges for the six months ended June 30, 2023 also include the plan to streamline our EMEA distribution network and the plan to reduce manufacturing staffing levels and capacity in EMEA. Net current year plan charges for the three and six months ended June 30, 2022 are primarily due to the integration of Cooper Tire.

Net prior year plan charges for the three months ended June 30, 2023 include $4 million related to the closure of Melksham, $2 million related to the integration of Cooper Tire, $2 million related to a plan in South Africa, and reversals of $4 million for actions no longer needed for their originally intended purpose. Net prior year plan charges for the six months ended June 30, 2023 include $6 million related to the closure of Melksham, $4 million for various plans to reduce global SAG headcount, $4 million related to the integration of Cooper Tire, $3 million related to the permanent closure of our Gadsden, Alabama tire manufacturing facility ("Gadsden"), $2 million related to discontinued operations in Russia, and reversals of $6 million for actions no longer needed for their originally intended purpose. Net prior year plan charges for the three and six months ended June 30, 2022 included $4 million and $11 million, respectively, related to the permanent closure of Gadsden, $1 million and $6 million, respectively, related to the modernization of two of our tire manufacturing facilities in Germany, and reversals of $1 million and $2 million, respectively, for actions no longer needed for their originally intended purpose.

Asset write-offs (recoveries) and accelerated depreciation for the three months ended June 30, 2023 primarily relate to $7 million for the integration of Cooper Tire and $4 million for the closure of Melksham. Asset write-offs (recoveries) and accelerated depreciation for the six months ended June 30, 2023 primarily relate to $15 million for the integration of Cooper Tire and $8 million for the closure of Melksham, partially offset by $10 million of recoveries of previously written-off accounts receivable and other assets in Russia.

Ongoing rationalization plans had approximately $960 million in charges incurred prior to 2023 and approximately $60 million is expected to be incurred in future periods.

Approximately 700 associates will be released under plans initiated in 2023, of which approximately 50 were released through June 30, 2023. In the first six months of 2023, approximately 500 associates were released under plans initiated in prior years. Approximately 1,150 associates remain to be released under all ongoing rationalization plans.

NOTE 4. OTHER (INCOME) EXPENSE

(In millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Non-service related pension and other postretirement benefits cost	$ 64	$ 29	$ 93	$ 42
Financing fees and financial instruments expense	17	10	29	17
Net foreign currency exchange (gains) losses	29	(1)	41	1
General and product liability expense - discontinued products	1	2	3	3
Royalty income	(11)	(6)	(18)	(17)
Net (gains) losses on asset sales	(60)	(95)	(62)	(98)
Interest income	(18)	(6)	(34)	(11)
Miscellaneous (income) expense	14	2	9	3
	$ 36	**$ (65)**	**$ 61**	**$ (60)**

Non-service related pension and other postretirement benefits cost consists primarily of the interest cost, expected return on plan assets and amortization components of net periodic cost, as well as curtailments and settlements which are not related to rationalization plans. Pension expense for the three and six months ended June 30, 2023 includes the impact of higher interest rates as well as pension settlement charges of $36 million related to the termination of the Cooper Tire U.S. Salaried and Ireland defined benefit pension plans. Pension expense for the three and six months ended June 30, 2022 includes pension settlement charges of $18 million as a result of lump sum payments exceeding annual service and interest cost of the applicable plans. For further information, refer to Note to the Consolidated Financial Statements No. 10, Pension, Savings and Other Postretirement Benefit Plans.

Net foreign currency exchange losses for the three and six months ended June 30, 2023 include $17 million and $19 million, respectively, related to the Turkish lira and $11 million and $19 million, respectively, related to the Argentine peso.

Net gains on asset sales for the three and six months ended June 30, 2023 include a $59 million gain related to a sale and leaseback transaction for a warehouse in Americas. Cash proceeds, which were received during the second quarter of 2023, related to this transaction totaled $66 million. Leaseback terms for this location include a 5-year initial term with one 5-year renewal option. We have determined it is not probable that we will exercise the renewal option. This transaction resulted in the recognition of Operating Lease Right-of-Use Assets totaling $24 million. Net gains on asset sales for the three and six months ended June 30, 2022 include a $95 million gain related to a sale and leaseback transaction for certain consumer and commercial retail locations in Americas. Cash proceeds, which were received during the second quarter of 2022, related to this transaction totaled $108 million.

Interest income for the three and six months ended June 30, 2023 includes interest income in Argentina of $10 million and $18 million, respectively.

Miscellaneous (income) expense for the three and six months ended June 30, 2023 includes non-indemnified costs for product liability claims related to products manufactured by a formerly consolidated joint venture entity totaling $4 million and $15 million, respectively, and a $10 million loss related to the sale of a receivable in Argentina. Miscellaneous (income) expense for the six months ended June 30, 2023 also includes $11 million of income related to a favorable court decision setting aside a previous unfavorable verdict on intellectual property-related legal claims and $5 million of income related to the write-off of accumulated foreign currency translation in Russia.

Other (Income) Expense also includes financing fees and financial instruments expense, which consists of commitment fees and charges incurred in connection with financing transactions; general and product liability expense - discontinued products, which consists of charges for claims against us related primarily to asbestos personal injury claims, net of probable insurance recoveries; and royalty income.

NOTE 5. INCOME TAXES

For the second quarter of 2023, we recorded an income tax benefit of $2 million on a loss before income taxes of $210 million. For the first six months of 2023, we recorded an income tax benefit of $3 million on a loss before income taxes of $310 million. Income tax benefit for the three and six months ended June 30, 2023 includes net discrete tax expense of $2 million and $3 million, respectively.

For the second quarter of 2022, we recorded income tax expense of $82 million on income before income taxes of $252 million. For the first six months of 2022, we recorded income tax expense of $120 million on income before income taxes of $386 million. Income tax expense for the three and six months ended June 30, 2022 includes net discrete tax expense of $14 million and $18 million, respectively. Discrete tax expense for the second quarter of 2022 includes a charge of $14 million to write off deferred tax assets related to tax loss carryforwards in the UK. Discrete tax expense for the first six months of 2022 also includes a charge of $11 million to establish a full valuation allowance on our net deferred tax assets in Russia, partially offset by a net benefit of $7 million for various other items.

We record taxes based on overall estimated annual effective tax rates. The difference between our effective tax rate and the U.S. statutory rate of 21% for both the three and six months ended June 30, 2023 and three and six months ended June 30, 2022 primarily relates to losses in foreign jurisdictions in which no tax benefits are recorded and the discrete items noted above.

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 (such as tax loss carryforwards and tax credits) prior to their expiration. We also consider prudent tax planning strategies (including an assessment of their feasibility) to accelerate taxable income 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.

For 2023, we do not anticipate that the 15% corporate alternative minimum tax ("CAMT") under the Inflation Reduction Act of 2022 will apply to us due to the significant pandemic-driven losses we incurred in 2020. As allowed, we elected to not consider the estimated impact of potential future CAMT obligations for purposes of assessing valuation allowances on our deferred tax assets.

At June 30, 2023 and December 31, 2022, we had approximately $1.2 billion and $1.1 billion of U.S. federal, state and local net deferred tax assets, respectively, inclusive of valuation allowances totaling $26 million in each period primarily for state tax loss carryforwards with limited lives. Approximately $800 million of these U.S. net deferred tax assets have unlimited lives and approximately $400 million have limited lives and expire between 2023 and 2042.

At June 30, 2023 and December 31, 2022, our U.S. net deferred tax assets described above include approximately $240 million and $230 million, respectively, of foreign tax credits with limited lives. Our earnings and forecasts of future profitability, taking into consideration recent trends, along with three significant sources of foreign income, provide us sufficient positive evidence that we will be able to utilize these net foreign tax credits which expire through 2032. Our sources of foreign income are (1) 100% of our domestic profitability can be re-characterized as foreign source income under current U.S. tax law to the extent domestic losses have offset foreign source income in prior years, (2) annual net foreign source income, exclusive of dividends, primarily from royalties, and (3) tax planning strategies, including accelerating income on cross border transactions, including sales of inventory or raw materials to our subsidiaries, reducing U.S. interest expense by, for example, reducing intercompany loans through repatriating current year earnings of foreign subsidiaries, and other financing transactions, all of which would increase our domestic profitability.

We consider our current forecasts of future profitability in assessing our ability to realize our deferred tax assets, including our foreign tax credits. These forecasts include the impact of recent trends, including various macroeconomic factors such as the impact of higher raw material, transportation, labor and energy costs, on our profitability, as well as the impact of tax planning strategies. These macroeconomic factors possess a high degree of volatility and can significantly impact our profitability. As such, there is a risk that future earnings will not be sufficient to fully utilize our U.S. net deferred tax assets, including our foreign tax credits. However, we believe our forecasts of future profitability along with the three significant sources of foreign income described above provide us sufficient positive, objectively verifiable evidence to conclude that it is more likely than not that, at June 30, 2023, our U.S. net deferred tax assets, including our foreign tax credits, will be fully utilized.

At June 30, 2023 and December 31, 2022, we also had approximately $1.3 billion and $1.2 billion of foreign net deferred tax assets, respectively, and related valuation allowances of approximately $1.1 billion and $1.0 billion, respectively. 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 these net foreign deferred tax assets. Most notably, in Luxembourg, we maintain a valuation allowance of $940 million on all 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. We do not believe that sufficient positive evidence required to release valuation allowances having a significant impact on our financial position or results of operations will exist within the next twelve months.

For the six months ended June 30, 2023, changes to our unrecognized tax benefits did not, and for the full year of 2023 are not expected to, have a significant impact on our financial position or results of operations.

We are open to examination in the United States from 2021 onward and in Germany from 2018 onward. Generally, for our remaining tax jurisdictions, years from 2018 onward are still open to examination.

NOTE 6. EARNINGS PER SHARE

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

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

(In millions, except per share amounts)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Earnings (loss) per share — basic:				
Goodyear net income (loss)	$ (208)	$ 166	$ (309)	$ 262
Weighted average shares outstanding	285	284	285	284
Earnings (loss) per common share — basic	**$ (0.73)**	**$ 0.58**	**$ (1.08)**	**$ 0.92**
Earnings (loss) per share — diluted:				
Goodyear net income (loss)	$ (208)	$ 166	$ (309)	$ 262
Weighted average shares outstanding	285	284	285	284
Dilutive effect of stock options and other dilutive securities	—	2	—	2
Weighted average shares outstanding — diluted	285	286	285	286
Earnings (loss) per common share — diluted	**$ (0.73)**	**$ 0.58**	**$ (1.08)**	**$ 0.91**

Weighted average shares outstanding — diluted for the three and six months ended June 30, 2023 excludes the dilutive effect of approximately 2 million shares and 1 million shares, respectively, related primarily to options with exercise prices less than the average market price of our common shares (i.e., "in-the-money" options) and unvested restricted stock units, as their inclusion would have been anti-dilutive due to the Goodyear net loss. Additionally, weighted average shares outstanding — diluted for both the three and six months ended June 30, 2023 and the three and six months ended June 30, 2022 excludes approximately 2 million equivalent shares related to options with exercise prices greater than the average market price of our common shares (i.e., "underwater" options).

NOTE 7. BUSINESS SEGMENTS

(In millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Sales:				
Americas	$ 2,939	$ 3,147	$ 5,806	$ 6,062
Europe, Middle East and Africa	1,341	1,497	2,833	2,923
Asia Pacific	587	568	1,169	1,135
Net Sales	**$ 4,867**	**$ 5,212**	**$ 9,808**	**$ 10,120**
Segment Operating Income:				
Americas	$ 103	$ 293	$ 182	$ 509
Europe, Middle East and Africa	(19)	52	(11)	111
Asia Pacific	40	19	78	47
Total Segment Operating Income	**$ 124**	**$ 364**	**$ 249**	**$ 667**
Less:				
Rationalizations (Note 3)	$ 72	$ 26	$ 104	$ 37
Interest expense	138	110	265	214
Other (income) expense (Note 4)	36	(65)	61	(60)
Asset write-offs (recoveries) and accelerated depreciation, net (Note 3)	11	—	13	—
Corporate incentive compensation plans	21	21	41	40
Retained expenses of divested operations	4	4	8	7
Other(1)	52	16	67	43
Income (Loss) before Income Taxes	**$ (210)**	**$ 252**	**$ (310)**	**$ 386**

(1) Other for the three and six months ended June 30, 2023 includes $14 million related to the insurance deductible for the severe weather event in Tupelo, Mississippi.

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Rationalizations, as described in Note to the Consolidated Financial Statements No. 3, Costs Associated with Rationalization Programs, net (gains) losses on asset sales, as described in Note to the Consolidated Financial Statements No. 4, Other (Income) Expense, and asset write-offs (recoveries) and accelerated depreciation were not charged to the strategic business units ("SBUs") for performance evaluation purposes but were attributable to the SBUs as follows:

(In millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Rationalizations:				
Americas	$ 3	$ 11	$ 8	$ 18
Europe, Middle East and Africa	64	9	88	14
Asia Pacific	—	1	3	—
Total Segment Rationalizations	**$ 67**	**$ 21**	**$ 99**	**$ 32**
Corporate	5	5	5	5
Total Rationalizations	**$ 72**	**$ 26**	**$ 104**	**$ 37**
Net (Gains) Losses on Asset Sales:				
Americas	$ (60)	$ (95)	$ (62)	$ (98)
Total Segment Net (Gains) Losses on Asset Sales	**$ (60)**	**$ (95)**	**$ (62)**	**$ (98)**
Asset Write-offs (Recoveries) and Accelerated Depreciation, net:				
Americas	$ 7	$ —	$ 15	$ —
Europe, Middle East and Africa	4	—	(2)	—
Total Segment Asset Write-offs (Recoveries) and Accelerated Depreciation, net	**$ 11**	**$ —**	**$ 13**	**$ —**

NOTE 8. FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

At June 30, 2023, we had total credit arrangements of $11,809 million, of which $3,133 million were unused. At that date, approximately 29% of our debt was at variable interest rates averaging 6.45%.

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

At June 30, 2023, we had short term committed and uncommitted credit arrangements totaling $861 million, of which $284 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:

(In millions)	June 30, 2023	December 31, 2022
Chinese credit facilities	$ 15	$ 26
Other foreign and domestic debt	524	369
Notes Payable and Overdrafts	**$ 539**	**$ 395**
Weighted average interest rate	6.15 %	5.75 %
Chinese credit facilities	$ 88	$ 136
Other foreign and domestic debt (including finance leases)	156	92
Long Term Debt and Finance Leases due Within One Year	**$ 244**	**$ 228**
Weighted average interest rate	4.19 %	3.88 %
Total obligations due within one year	**$ 783**	**$ 623**

Long Term Debt and Finance Leases and Financing Arrangements

At June 30, 2023, we had long term credit arrangements totaling $10,948 million, of which $2,849 million were unused.

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

	June 30, 2023		December 31, 2022	
(In millions)	Amount	Interest Rate	Amount	Interest Rate
Notes:				
9.5% due 2025	$ 801		$ 802	
5% due 2026	900		900	
4.875% due 2027	700		700	
7.625% due 2027	129		131	
7% due 2028	150		150	
2.75% Euro Notes due 2028	436		427	
5% due 2029	850		850	
5.25% due April 2031	550		550	
5.25% due July 2031	600		600	
5.625% due 2033	450		450	
Credit Facilities:				
First lien revolving credit facility due 2026	665	6.47 %	—	—
European revolving credit facility due 2028	512	4.79 %	374	3.39 %
Pan-European accounts receivable facility	238	5.34 %	267	3.77 %
Mexican credit facility	200	7.14 %	200	6.29 %
Chinese credit facilities	230	3.97 %	235	4.23 %
Other foreign and domestic debt(1)	647	7.33 %	650	6.58 %
	8,058		7,286	
Unamortized deferred financing fees	(41)		(46)	
	8,017		7,240	
Finance lease obligations(2)	254		255	
	8,271		7,495	
Less portion due within one year	(244)		(228)	
	$ 8,027		**$ 7,267**	

(1) Interest rates are weighted average interest rates primarily related to various foreign credit facilities with customary terms and conditions.

(2) Includes no non-cash financing additions during the six months ended June 30, 2023, and $20 million of non-cash financing additions during the twelve months ended December 31, 2022.

NOTES

At June 30, 2023, we had $5,566 million of outstanding notes, compared to $5,560 million at December 31, 2022.

CREDIT FACILITIES

$2.75 billion Amended and Restated First Lien Revolving Credit Facility due 2026

Our amended and restated first lien revolving credit facility is available in the form of loans or letters of credit. Up to $800 million in letters of credit and $50 million of swingline loans are available for issuance under the facility. 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.

Availability under the facility is subject to a borrowing base, which is based 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 in an amount not to exceed $400 million, (iii) the value of eligible machinery and equipment, and (iv) certain cash in an amount not to exceed $275 million. 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 $2.75 billion. As of June 30, 2023, our borrowing base was above the facility's stated amount of $2.75 billion.

The facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our business or financial condition since December 31, 2020. 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 $750 million, amounts drawn under the facility will bear interest, at our option, at (i) 125 basis points over SOFR or (ii) 25 basis points over an alternate 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) SOFR for a one month interest period plus 100 basis points). If Available Cash plus the availability under the facility is equal to or less than $750 million, then amounts drawn under the facility will bear interest, at our option, at (i) 150 basis points over SOFR or (ii) 50 basis points over an alternate base rate. Based on our current liquidity, amounts drawn under this facility bear interest at SOFR plus 125 basis points. Undrawn amounts under the facility will be subject to an annual commitment fee of 25 basis points.

At June 30, 2023, we had $665 million of borrowings and $3 million of letters of credit issued under the revolving credit facility. At December 31, 2022, we had no borrowings and $3 million of letters of credit issued under the revolving credit facility.

€800 million Amended and Restated Senior Secured European Revolving Credit Facility due 2028

Our amended and restated European revolving credit facility consists of (i) a €180 million German tranche that is available only to Goodyear Germany GmbH and (ii) a €620 million all-borrower tranche that is available to Goodyear Europe B.V. ("GEBV"), Goodyear Germany and Goodyear Operations S.A. Up to €175 million of swingline loans and €75 million in letters of credit are available for issuance under the all-borrower tranche. Subject to the consent of the lenders whose commitments are to be increased, we may request that the facility be increased by up to €200 million. Amounts drawn under this facility will bear interest at SOFR plus 150 basis points for loans denominated in U.S. dollars, EURIBOR plus 150 basis points for loans denominated in euros, and SONIA plus 150 basis points for loans denominated in pounds sterling. Undrawn amounts under the facility are subject to an annual commitment fee of 25 basis points.

GEBV and certain of its subsidiaries in the United Kingdom, Luxembourg, France and Germany provide guarantees to support the facility. The German guarantors secure the German tranche on a first-lien basis and the all-borrower tranche on a second-lien basis. GEBV 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. first lien revolving credit facility described above also provide unsecured guarantees in support of the facility.

The facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our business or financial condition since December 31, 2021. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

At June 30, 2023, there were $196 million (€180 million) of borrowings outstanding under the German tranche, $316 million (€290 million) of borrowings outstanding under the all-borrower tranche and no letters of credit outstanding under the European revolving credit facility. At December 31, 2022, there were no borrowings outstanding under the German tranche, $374 million (€350 million) of borrowings outstanding under the all-borrower tranche and no letters of credit outstanding under the European revolving credit facility.

Accounts Receivable Securitization Facilities (On-Balance Sheet)

GEBV and certain other of our European subsidiaries are parties to a pan-European accounts receivable securitization facility that expires in 2027. 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 current period ending October 18, 2023, the designated maximum amount of the facility is €300 million.

The facility involves an ongoing daily sale of substantially all of the trade accounts receivable of certain GEBV subsidiaries. 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) October 19, 2027, (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 first lien revolving credit facility; 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 18, 2023.

At June 30, 2023, the amounts available and utilized under this program totaled $238 million (€218 million). At December 31, 2022, the amounts available and utilized under this program totaled $267 million (€250 million). The program does not qualify for sale accounting, and accordingly, these amounts are included in Long Term Debt and Finance Leases.

For a description of the collateral securing the credit facilities described above as well as the covenants applicable to them, refer to Note to the Consolidated Financial Statements No. 16, Financing Arrangements and Derivative Financial Instruments, in our 2022 Form 10-K.

Accounts Receivable Factoring Facilities (Off-Balance Sheet)

We have sold certain of our trade receivables under off-balance sheet programs. For these programs, we have concluded that there is generally no risk of loss to us from non-payment of the sold receivables. At June 30, 2023, the gross amount of receivables sold was $683 million, compared to $744 million at December 31, 2022.

Other Foreign Credit Facilities

A Mexican subsidiary and a U.S. subsidiary have a revolving credit facility in Mexico. At June 30, 2023 and December 31, 2022, the amounts available and utilized under this facility were $200 million. The facility ultimately matures on November 22, 2024, has covenants relating to the Mexican and U.S. subsidiaries, and has customary representations and warranties and defaults relating to the Mexican and U.S. subsidiaries' ability to perform their respective obligations under the facility.

Our Chinese subsidiaries have several financing arrangements in China. These facilities contain covenants relating to these Chinese subsidiaries and have customary representations and warranties and defaults relating to these Chinese subsidiaries' ability to perform their respective obligations under these facilities. These facilities are also available for other off-balance sheet utilization, such as letters of credit and bank acceptances.

The following table presents the total amounts available and utilized under the Chinese financing arrangements:

(In millions)	June 30, 2023	December 31, 2022
Total available	**$ 819**	**$ 852**
Amounts utilized:		
Notes Payable and Overdrafts	$ 15	$ 26
Long Term Debt due Within One Year	88	136
Long Term Debt	142	99
Letters of credit, bank acceptances and other utilization	64	75
Total utilized	**$ 309**	**$ 336**
Maturities	8/23-8/25	1/23-8/25

Certain of these facilities can only be used to finance the expansion of one of our manufacturing facilities in China and, at June 30, 2023, the unused amount available under these facilities was $60 million, compared to $63 million at December 31, 2022.

DERIVATIVE FINANCIAL INSTRUMENTS

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

Foreign Currency Contracts

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

The following table presents the fair values for foreign currency hedge contracts that do not meet the criteria to be accounted for as cash flow hedging instruments:

(In millions)	June 30, 2023	December 31, 2022
Fair Values — Current asset (liability):		
Accounts receivable	$ 10	$ 4
Other current liabilities	(20)	(10)

At June 30, 2023 and December 31, 2022, these outstanding foreign currency derivatives had notional amounts of $1,365 million and $1,197 million, respectively, and were primarily related to intercompany loans. Other (Income) Expense included net transaction gains on derivatives of $6 million and $4 million for the three and six months ended June 30, 2023. Other (Income) Expense included net transaction gains on derivatives of $24 million and $34 million for the three and six months ended June 30, 2022, respectively. 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 hedge contracts that meet the criteria to be accounted for as cash flow hedging instruments:

(In millions)	June 30, 2023	December 31, 2022
Fair Values — Current asset (liability):		
Accounts receivable	$ 1	$ 1
Other current liabilities	(6)	(3)

At June 30, 2023 and December 31, 2022, these outstanding foreign currency derivatives had notional amounts of $75 million and $71 million, respectively, and primarily related to U.S. dollar denominated intercompany transactions. Based on our current forecasts, we believe that it is probable that the underlying hedge transactions will occur within an appropriate time frame in order to continue to qualify for cash flow hedge accounting treatment.

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 that meet the criteria to be accounted for as cash flow hedging instruments (before tax and minority):

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2023	2022	2023	2022
Amount of gains (losses) deferred to Accumulated Other Comprehensive Loss ("AOCL")	$ (2)	$ 3	$ (4)	$ 1
Reclassification adjustment for amounts recognized in Cost of Goods Sold ("CGS")	—	—	—	(1)

The estimated net amount of deferred losses at June 30, 2023 that are expected to be reclassified to earnings within the next twelve months is $4 million.

The counterparties to our foreign currency contracts were considered by us to be substantial and creditworthy financial institutions that were recognized market makers at the time we entered into those contracts. We seek to control our credit exposure to these counterparties by diversifying across multiple counterparties, by setting counterparty credit limits based on long term credit ratings and other indicators of counterparty credit risk such as credit default swap spreads, and by monitoring the financial strength of these counterparties on a regular basis. We also enter into master netting agreements with counterparties when possible. By controlling and monitoring exposure to counterparties in this manner, we believe that we effectively manage the risk of loss due to nonperformance by a counterparty. However, the inability of a counterparty to fulfill its contractual obligations to us could have a material adverse effect on our liquidity, financial position or results of operations in the period in which it occurs.

NOTE 9. FAIR VALUE MEASUREMENTS

The following table presents information about assets and liabilities recorded at fair value on the Consolidated Balance Sheets at June 30, 2023 and December 31, 2022:

(In millions)	Total Carrying Value in the Consolidated Balance Sheets 2023	Total Carrying Value in the Consolidated Balance Sheets 2022	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) 2023	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) 2022	Significant Other Observable Inputs (Level 2) 2023	Significant Other Observable Inputs (Level 2) 2022	Significant Unobservable Inputs (Level 3) 2023	Significant Unobservable Inputs (Level 3) 2022
Assets:								
Investments	$ 23	$ 8	$ 23	$ 8	$ —	$ —	$ —	$ —
Foreign Exchange Contracts	11	5	—	—	11	5	—	—
Total Assets at Fair Value	**$ 34**	**$ 13**	**$ 23**	**$ 8**	**$ 11**	**$ 5**	**$ —**	**$ —**
Liabilities:								
Foreign Exchange Contracts	$ 26	$ 13	$ —	$ —	$ 26	$ 13	$ —	$ —
Total Liabilities at Fair Value	**$ 26**	**$ 13**	**$ —**	**$ —**	**$ 26**	**$ 13**	**$ —**	**$ —**

The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding finance leases, at June 30, 2023 and December 31, 2022:

(In millions)	June 30, 2023	December 31, 2022
Fixed Rate Debt:(1)		
Carrying amount — liability	$ 5,768	$ 5,766
Fair value — liability	5,395	5,198
Variable Rate Debt:(1)		
Carrying amount — liability	$ 2,249	$ 1,474
Fair value — liability	2,191	1,437

(1) Excludes Notes Payable and Overdrafts of $539 million and $395 million at June 30, 2023 and December 31, 2022, respectively, of which $190 million and $217 million, respectively, are at fixed rates and $349 million and $178 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 fair values of $5,151 million and $4,946 million at June 30, 2023 and December 31, 2022, respectively, were estimated using quoted Level 1 market prices. The carrying value of the remaining debt was based upon internal estimates of fair value derived from market prices for similar debt.

NOTE 10. PENSION, SAVINGS AND OTHER POSTRETIREMENT BENEFIT PLANS

We provide employees with defined benefit pension or defined contribution savings plans. Defined benefit pension cost follows:

(In millions)	U.S. Three Months Ended June 30, 2023	U.S. Three Months Ended June 30, 2022	U.S. Six Months Ended June 30, 2023	U.S. Six Months Ended June 30, 2022
Service cost	$ 2	$ 4	$ 4	$ 7
Interest cost	52	29	101	60
Expected return on plan assets	(60)	(53)	(118)	(105)
Amortization of net losses	24	25	49	51
Net periodic pension cost	**$ 18**	**$ 5**	**$ 36**	**$ 13**
Net curtailments/settlements/termination benefits	33	18	33	18
Total defined benefit pension cost	**$ 51**	**$ 23**	**$ 69**	**$ 31**

(In millions)	Non-U.S. Three Months Ended June 30, 2023	2022	Non-U.S. Six Months Ended June 30, 2023	2022
Service cost	$ 4	$ 6	$ 9	$ 12
Interest cost	27	16	54	32
Expected return on plan assets	(23)	(17)	(46)	(35)
Amortization of prior service cost	1	1	1	1
Amortization of net losses	4	5	9	11
Net periodic pension cost	**$ 13**	**$ 11**	**$ 27**	**$ 21**
Net curtailments/settlements/termination benefits	3	—	3	—
Total defined benefit pension cost	**$ 16**	**$ 11**	**$ 30**	**$ 21**

Service cost is recorded in CGS or SAG. Other components of net periodic pension cost are recorded in Other (Income) Expense. Net curtailments, settlements and termination benefits, if any, are recorded in Other (Income) Expense or Rationalizations if related to a rationalization plan.

During the second quarter of 2023, we settled all plan benefits of the Cooper Tire U.S. Salaried defined benefit pension plan, with lump sum payments to electing participants and the purchase of a group annuity contract. After settlement, we currently estimate that excess plan assets of approximately $18 million will be used to fund future obligations associated with our U.S. Salaried defined contribution savings plan. During the second quarter of 2023, we also settled all plan benefits of the Ireland defined benefit pension plan. In the second quarter and first six months of 2023, pension settlement charges of $36 million were recorded in Other (Income) Expense in conjunction with the termination of these plans.

In the second quarter and first six months of 2022, pension settlement charges of $18 million were recorded in Other (Income) Expense. The settlement charges resulted from total lump sum payments exceeding annual service and interest cost of the applicable plans.

Effective May 1, 2023, our Canadian salaried pension plan was frozen to future accruals for participants who met defined age and service criteria, and replaced with employer contributions to a defined contribution savings plan.

We also provide certain U.S. employees and employees at certain non-U.S. subsidiaries with health care benefits or life insurance benefits upon retirement. Other postretirement benefits expense for the three months ended June 30, 2023 and 2022 was $2 million and $4 million, respectively, and for the six months ended June 30, 2023 and 2022 was $4 million and $8 million, respectively.

We expect to contribute $25 million to $50 million to our funded non-U.S. pension plans in 2023. For the three and six months ended June 30, 2023, we contributed $11 million and $22 million, respectively, to our non-U.S. plans.

The expense recognized for our contributions to defined contribution savings plans for the three months ended June 30, 2023 and 2022 was $32 million and $31 million, respectively, and for the six months ended June 30, 2023 and 2022 was $67 million and $66 million, respectively.

NOTE 11. STOCK COMPENSATION PLANS

Our Board of Directors granted 1.1 million restricted stock units and 0.4 million performance share units during the six months ended June 30, 2023 under our stock compensation plans. We measure the fair value of grants of restricted stock units and performance share units based primarily on the closing market price of a share of our common stock on the date of the grant, modified as appropriate to take into account the features of such grants. The weighted average fair value per share was $11.25 for restricted stock units and $11.48 for performance share units granted during the six months ended June 30, 2023.

We recognized stock-based compensation expense of $11 million and $16 million during the three and six months ended June 30, 2023, respectively. At June 30, 2023, unearned compensation cost related to the unvested portion of all stock-based awards was approximately $25 million and is expected to be recognized over the remaining vesting period of the respective grants, through the first quarter of 2026. We recognized stock-based compensation expense of $8 million and $13 million during the three and six months ended June 30, 2022, respectively.

NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

Environmental Matters

We have recorded liabilities totaling $79 million and $80 million at June 30, 2023 and December 31, 2022, 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, $23 million and $20 million were included in Other Current Liabilities at June 30, 2023 and December 31, 2022, 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 $188 million and $187 million for anticipated costs related to workers' compensation at June 30, 2023 and December 31, 2022, respectively. Of these amounts, $33 million and $37 million were included in Current Liabilities as part of Compensation and Benefits at June 30, 2023 and December 31, 2022, respectively. The costs include an estimate of expected settlements on pending claims, defense costs and a provision for claims incurred but not reported. These estimates are based on our assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and current cost trends. The amount of our ultimate liability in respect of these matters may differ from these estimates. We periodically, and at least annually, update our loss development factors based on actuarial analyses. At June 30, 2023 and December 31, 2022, the liability was discounted using a risk-free rate of return. At June 30, 2023, we estimate that it is reasonably possible that the liability could exceed our recorded amounts by approximately $25 million.

General and Product Liability and Other Litigation

We have recorded liabilities for both asserted and unasserted claims totaling $442 million and $412 million, including related legal fees expected to be incurred, for potential product liability and other tort claims, including asbestos claims, at June 30, 2023 and December 31, 2022, respectively. Of these amounts, $49 million and $39 million were included in Other Current Liabilities at June 30, 2023 and December 31, 2022, respectively. The amounts recorded were estimated based on an assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and, where available, recent and current trends. Based upon that assessment, at June 30, 2023, 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 $1 million and within Other Assets of $20 million for Sumitomo Rubber Industries, Ltd.'s ("SRI") obligation to indemnify us for certain product liability claims related to products manufactured by a formerly consolidated joint venture entity, subject to certain caps and restrictions.

Asbestos. We are a defendant in numerous lawsuits alleging various asbestos-related personal injuries purported to result from alleged exposure to asbestos in certain products manufactured by us or present in certain of our facilities. Typically, these lawsuits have been brought against multiple defendants in state and federal courts. To date, we have disposed of approximately 158,200 claims by defending, obtaining the dismissal thereof, or entering into a settlement. The sum of our accrued asbestos-related liability and gross payments to date, including legal costs, by us and our insurers totaled approximately $578 million through June 30, 2023 and $570 million through December 31, 2022.

A summary of recent approximate asbestos claims activity follows. Because claims are often filed and disposed of by settlement or dismissal in large numbers, the amount and timing of filings, settlements and dismissals and the number of open claims during a particular period can fluctuate significantly.

(Dollars in millions)	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Pending claims, beginning of period	**37,200**	**38,200**
New claims filed	400	900
Claims settled/dismissed	(600)	(1,900)
Pending claims, end of period	**37,000**	**37,200**
Payments[1]	$ 9	$ 16

(1) Represents cash payments made during the period by us and our insurers for 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 $124 million and $125 million at June 30, 2023 and December 31, 2022, respectively. In determining the estimate of our asbestos liability, we evaluated claims over the next ten-year period. Due to the difficulties in making these estimates, analysis based on new data and/or a change in circumstances arising in the future may result in an increase in the recorded obligation, and that increase could be significant.

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

We recorded an insurance receivable related to asbestos claims of $69 million and $70 million at June 30, 2023 and December 31, 2022, respectively. We expect that approximately 55% of asbestos claim related losses would be recoverable through insurance during the ten-year period covered by the estimated liability. Of these amounts, $11 million was included in Current Assets as part of Accounts Receivable at both June 30, 2023 and December 31, 2022. The recorded receivable consists of an amount we expect to collect under coverage-in-place agreements with certain primary and excess insurance carriers as well as an amount we believe is probable of recovery from certain of our other excess insurance carriers.

We believe that, at December 31, 2022, we had approximately $530 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. In addition, we had coverage under certain primary policies for indemnity and defense costs for asbestos products claims under remaining aggregate limits pursuant to a coverage-in-place agreement, as well as coverage for indemnity and defense costs for asbestos premises claims pursuant to coverage-in-place agreements.

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

Other Actions

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

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

Income Tax Matters

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

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

Binding Commitments and Guarantees

We have off-balance sheet financial guarantees and other commitments totaling $32 million at both June 30, 2023 and December 31, 2022. We issue guarantees to financial institutions or other entities on behalf of certain of our affiliates, lessors or customers. We generally do not require collateral in connection with the issuance of these guarantees.

In 2015, as a result of the dissolution of the global alliance with SRI, we issued a guarantee of $46 million to an insurance company related to SRI's obligation to pay certain outstanding workers' compensation claims of a formerly consolidated joint venture entity. As of June 30, 2023, this guarantee amount has been reduced to $17 million. We have concluded the probability of our performance to be remote and, therefore, have not recorded a liability for this guarantee. While there is no fixed duration of this guarantee, we expect the amount of this guarantee to continue to decrease over time as the formerly consolidated joint venture entity pays its outstanding claims.

If our performance under these guarantees is triggered by non-payment or another specified event, we would be obligated to make payment to the financial institution or the other entity, and would typically have recourse to the affiliate, lessor, customer or SRI, as applicable. We are unable to estimate the extent to which our lessors', customers' or SRI's assets would be adequate to recover any payments made by us under the related guarantees.

We have an agreement to provide a revolving loan commitment to TireHub of up to $100 million. At June 30, 2023 and December 31, 2022, $82 million and $17 million was drawn on this commitment, respectively.

NOTE 13. CAPITAL STOCK

Common Stock Repurchases

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 the first six months of 2023, we did not repurchase any shares from employees.

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NOTE 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables present changes in AOCL, by component, for the six months ended June 30, 2023 and 2022, after tax and minority interest.

(In millions) Income (Loss)	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) from Securities	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Total
Balance at December 31, 2022	**$ (1,663)**	**$ 1**	**$ (2,215)**	**$ 2**	**$ (3,875)**
Other comprehensive income (loss) before reclassifications	31	—	11	(4)	38
Amounts reclassified from accumulated other comprehensive loss	—	—	69	—	69
Balance at June 30, 2023	**$ (1,632)**	**$ 1**	**$ (2,135)**	**$ (2)**	**$ (3,768)**

(In millions) Income (Loss)	Foreign Currency Translation Adjustment	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Total
Balance at December 31, 2021	**$ (1,402)**	**$ (2,565)**	**$ 4**	**$ (3,963)**
Other comprehensive income (loss) before reclassifications	(169)	14	1	(154)
Amounts reclassified from accumulated other comprehensive loss	—	61	(1)	60
Balance at June 30, 2022	**$ (1,571)**	**$ (2,490)**	**$ 4**	**$ (4,057)**

The following table presents reclassifications out of AOCL:

(In millions) (Income) Expense	Three Months Ended June 30,		Six Months Ended June 30,		
Component of AOCL	**2023**	**2022**	**2023**	**2022**	**Affected Line Item in the Consolidated Statements of Operations**
	Amount Reclassified from AOCL		**Amount Reclassified from AOCL**		
Amortization of prior service cost and unrecognized gains and losses	$ 26	$ 31	$ 54	$ 63	Other (Income) Expense
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements and divestitures	36	18	36	18	Other (Income) Expense / Rationalizations
Unrecognized net actuarial losses and prior service costs, before tax	62	49	90	81	
Tax effect	(14)	(12)	(21)	(20)	United States and Foreign Taxes
Net of tax	$ 48	$ 37	$ 69	$ 61	Goodyear Net Income (Loss)
Deferred derivative (gains) losses, before tax	$ —	$ —	$ —	$ (1)	Cost of Goods Sold
Tax effect	—	—	—	—	United States and Foreign Taxes
Net of tax	$ —	$ —	$ —	$ (1)	Goodyear Net Income (Loss)
Total reclassifications	**$ 48**	**$ 37**	**$ 69**	**$ 60**	Goodyear Net Income (Loss)

The following table presents the details of comprehensive income (loss) attributable to minority shareholders:

(In millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net Income (Loss) Attributable to Minority Shareholders	$ —	$ 4	$ 2	$ 4
Other Comprehensive Income (Loss):				
Foreign currency translation	(1)	(7)	2	(15)
Comprehensive Income (Loss) Attributable to Minority Shareholders	**$ (1)**	**$ (3)**	**$ 4**	**$ (11)**

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

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

The Goodyear Tire & Rubber Company (the "Company," "Goodyear," "we," "us" or "our") 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 57 manufacturing facilities in 23 countries, including the United States. We operate our business through three operating segments representing our regional tire businesses: Americas; Europe, Middle East and Africa (“EMEA”); and Asia Pacific.

On May 31, 2023, we approved a plan to permanently reduce production capacity at our Fulda, Germany tire manufacturing facility (“Fulda”) by approximately 50% aligned with our goal to reduce our production cost per tire in EMEA. The proposed plan includes approximately 550 job reductions at Fulda, consisting of 375 associates and 175 contracted positions. The plan remains subject to consultation with relevant employee representative bodies. We expect to substantially complete this rationalization plan by the end of 2024 and estimate total pre-tax charges associated with this action to be between $105 million and $115 million, of which $95 million to $105 million are expected to be cash charges primarily for associate-related and other exit costs, with the remainder representing non-cash charges primarily for accelerated depreciation and other asset-related charges. We accrued $62 million for this plan at June 30, 2023, primarily consisting of cash charges for associate-related exit costs. We expect to record approximately $10 million of pre-tax charges in the second half of 2023 and the majority of the remaining charges in 2024. The majority of the cash outflows associated with this plan are expected to occur in 2024.

Results of Operations

During the second quarter and first six months of 2023, our operating results reflected a difficult macroeconomic environment, including the impact of the ongoing effects of inflation and increases in interest rates on the global economy. These conditions and uncertainties about the future have affected demand for our products globally, particularly with respect to consumer and commercial replacement in Americas and EMEA. We saw improvement in demand from our OE customers, which continue to recover from supply constraints that have reduced their production. However, demand from our OE customers remains lower than what we experienced before the COVID-19 pandemic. In China, consumer demand continued to recover throughout the second quarter and first six months of 2023 following an increase in the spread of COVID-19 during the fourth quarter of 2022. Our other global businesses have largely recovered from the direct impacts of the COVID-19 pandemic.

Supply chain disruptions and other factors have led to continuing inflationary cost pressures on our results, including higher costs for certain raw materials, higher transportation costs and higher energy costs. Energy costs continue to be more pronounced in Europe driven by the indirect impacts of the conflict in Ukraine. We also continue to experience increased labor-related costs and manufacturing inefficiencies associated with the ongoing tight labor supply, particularly in the U.S. Price and product mix continues to offset the increase in raw material costs as well as a majority of other inflationary costs affecting our results.

In addition, on April 1, 2023, a severe storm in the U.S. significantly damaged and caused the temporary shut-down of our tire manufacturing facility and adjacent warehouse in Tupelo, Mississippi (“Tupelo”). The damage to Tupelo was significant; however, we were able to restart production earlier than expected and ramp-up during the second quarter of 2023. We neared full production by the end of July. We maintain third-party insurance coverage for property damage, repair expenses and business interruption, subject to a $15 million deductible which was reached in the second quarter of 2023. We estimate the negative impact of the Tupelo storm on sales in Americas for both the three and six months ended June 30, 2023 was $77 million. We estimate that the negative impact on our earnings for both the three and six months ended June 30, 2023 was $64 million ($52 million after-tax and minority) ($50 million impact on Americas segment operating income and $14 million of corporate other expense for an insurance deductible). While we expect to be reimbursed for a significant portion of our business interruption impacts by our third-party insurance coverage, consistent with past practice, we will record a receivable related to business interruption once the claim is substantially complete.

During the second quarter and first six months of 2023, in order to address softening industry demand and prevent the buildup of excess inventory, we reduced production at many of our tire manufacturing facilities, resulting in a reduction of 3.9 million units and 7.6 million units, respectively (excluding in each case the impact of the Tupelo storm), compared to production in the second quarter and first six months of 2022, primarily in Americas and EMEA. Decisions to change production levels in the future will be based on an evaluation of market demand signals and inventory and supply levels, as well as the availability of sufficient qualified labor.

Our results for the second quarter of 2023 include a 10.7% decrease in tire unit shipments compared to 2022, primarily due to lower replacement tire volume in EMEA and Americas. In the second quarter of 2023, we incurred approximately $153 million of additional costs related to inflation and other cost pressures, primarily higher transportation and energy costs.

Net sales in the second quarter of 2023 were $4,867 million, compared to $5,212 million in the second quarter of 2022. Net sales decreased in the second quarter of 2023 primarily due to lower tire volume, primarily in EMEA and Americas, unfavorable foreign currency translation, driven by the strengthening of the U.S. dollar, and the negative impact of the Tupelo storm on sales. These decreases were partially offset by global improvements in price and product mix.

In the second quarter of 2023, Goodyear net loss was $208 million, or $0.73 per share, compared to Goodyear net income of $166 million, or $0.58 per share, in the second quarter of 2022. The change in Goodyear net income (loss) was primarily due to lower segment operating income, an increase in Other Expense, higher rationalization charges and higher interest expense. These decreases were partially offset by lower U.S. and Foreign Tax Expense driven by the pre-tax loss.

Total segment operating income for the second quarter of 2023 was $124 million, compared to $364 million in the second quarter of 2022. The $240 million decrease was primarily due to increased conversion costs of $188 million driven by inflation, the effect of decreased tire production on fixed cost absorption and higher energy costs, lower tire volume of $94 million, primarily in EMEA and Americas, a $50 million negative impact due to the Tupelo storm, higher transportation and imported tire costs of $27 million, and unfavorable foreign currency translation of $14 million driven by the strengthening of the U.S. dollar. These decreases were partially offset by global improvements in price and product mix of $219 million, which more than offset higher raw material costs of $98 million. Refer to “Results of Operations — Segment Information” for additional information.

Net sales in the first six months of 2023 were $9,808 million, compared to $10,120 million in the first six months of 2022. Net sales decreased in 2023 primarily due to lower tire volume, primarily in Americas and EMEA, unfavorable foreign currency translation, driven by the strengthening of the U.S. dollar, and the negative impact of the Tupelo storm on sales. These decreases were partially offset by global improvements in price and product mix and higher sales in other tire-related businesses, driven by growth in EMEA’s Fleet Solutions, higher global aviation sales and higher retail sales in Americas, partially offset by a decrease in third-party chemical sales in Americas.

In the first six months of 2023, Goodyear net loss was $309 million, or $1.08 per share, compared to Goodyear net income of $262 million, or $0.91 per share, in the first six months of 2022. The change in Goodyear net income (loss) was primarily due to lower segment operating income, an increase in Other Expense, higher rationalization charges and higher interest expense. These decreases were partially offset by lower U.S. and Foreign Tax Expense driven by the pre-tax loss.

Total segment operating income for the first six months of 2023 was $249 million, compared to $667 million in the first six months of 2022. The $418 million decrease was primarily due to increased conversion costs of $357 million driven by inflation, the effect of decreased tire production on fixed cost absorption and higher energy costs, lower tire volume of $167 million, primarily in Americas and EMEA, higher transportation and imported tire costs of $112 million, a $50 million negative impact due to the Tupelo storm, and unfavorable foreign currency translation of $21 million driven by the strengthening of the U.S. dollar. These decreases were partially offset by global improvements in price and product mix of $637 million, which more than offset higher raw material costs of $402 million, and lower research and development costs of $19 million. Refer to "Results of Operations — Segment Information" for additional information.

Liquidity

At June 30, 2023, we had $1,049 million of cash and cash equivalents as well as $3,133 million of unused availability under our various credit agreements, compared to $1,227 million and $4,035 million, respectively, at December 31, 2022. The decrease in cash and cash equivalents of $178 million was primarily due to net cash used for operating activities of $434 million, capital expenditures of $536 million, short-term securities acquired of $102 million, and loans to TireHub, LLC ("TireHub") of $65 million, partially offset by net borrowings of $882 million and cash proceeds from the sale and leaseback transaction in Americas of $66 million. Net cash used for operating activities reflects cash used for working capital of $550 million and the Company's net loss for the period of $307 million, which includes non-cash charges for depreciation and amortization of $506 million. Refer to "Liquidity and Capital Resources" for additional information.

Outlook

Looking ahead to the third quarter of 2023, we expect that our industry will continue to face uncertain macroeconomic conditions as a result of the ongoing effects of inflation, which have led to higher interest rates in the U.S. and Europe. While we expect improving year-over-year sales volume trends in the second half given the relatively low sales volume we experienced in the second half of 2022, replacement demand will continue to be impacted negatively through at least the third quarter by tire dealer and distributor channel destocking and weak industry conditions in many of our markets. We expect our replacement tire volume will be lower by approximately 3% to 4% when compared to the third quarter of 2022. We expect our OE tire volume will be approximately the same as the third quarter of 2022.

We expect our raw material costs to be lower by approximately $125 million in the third quarter of 2023 compared to the third quarter of 2022, including the impact of the stronger U.S. dollar and higher transportation and supplier costs. We anticipate price and product mix, when netted with the lower raw material costs, will be a benefit of approximately $100 million in the third quarter of 2023. Natural and synthetic rubber prices and other commodity prices historically have been volatile, and our raw material costs could change based on future cost fluctuations and changes in foreign exchange rates. We continue 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 to minimize the impact of higher raw material costs.

Additionally, we expect inflationary cost pressures to persist in the second half of the year, particularly with respect to transportation, labor and energy costs. We expect the negative impact on segment operating income from non-raw material inflation in the third quarter of 2023 will be approximately $80 million compared with the third quarter of 2022, net of manufacturing cost savings or inefficiencies.

We continue to focus on actions to offset costs other than raw materials through cost savings initiatives, including rationalization actions, further pricing actions and improvements in product mix. We also anticipate our third quarter 2023 results will be negatively impacted by lower production volume of 3.9 million units during the second quarter of 2023, excluding Tupelo, when compared with the second quarter of 2022. Similarly, we plan to reduce our production levels in the third quarter of 2023, which will negatively impact our fourth quarter of 2023 results by approximately $15 million.

For the full year of 2023, we continue to expect working capital to be a source of operating cash flows of approximately $100 million. We also continue to anticipate our capital expenditures will be approximately $1.0 billion. Our capital expenditures in 2023 will be focused on projects to modernize certain of our manufacturing facilities and expand others to address anticipated future demand, in addition to capital expenditures to sustain our facilities. We anticipate our cash flows will include rationalization payments of approximately $100 million, as we continue to address our cost structure.

Refer to "Item 1A. Risk Factors" in the 2022 Form 10-K for a discussion of the factors that may impact our business, results of operations, financial condition or liquidity and "Forward-Looking Information — Safe Harbor Statement" in this Quarterly Report on Form 10-Q for a discussion of our use of forward-looking statements.

RESULTS OF OPERATIONS

CONSOLIDATED

Three Months Ended June 30, 2023 and 2022

Net sales in the second quarter of 2023 were $4,867 million, decreasing $345 million, or 6.6%, from $5,212 million in the second quarter of 2022. Goodyear net loss was $208 million, or $0.73 per share, in the second quarter of 2023, compared to Goodyear net income of $166 million, or $0.58 per share, in the second quarter of 2022.

Net sales decreased in the second quarter of 2023 primarily due to lower tire volume of $386 million, representing lower tire volume in EMEA and Americas, partially offset by higher tire volume in Asia Pacific, unfavorable foreign currency translation of $98 million, driven by the strengthening of the U.S. dollar, and the unfavorable impact of the Tupelo storm of $77 million. These decreases were partially offset by global improvements in price and product mix of $224 million.

Worldwide tire unit sales in the second quarter of 2023 were 40.8 million units, decreasing 4.8 million units, or 10.7%, from 45.6 million units in the second quarter of 2022. Replacement tire volume decreased 5.4 million units, or 15.1%, driven by lower tire volume in EMEA and Americas that was partially offset by tire volume growth in Asia Pacific. OE tire volume increased by 0.6 million units, or 5.4%, driven by EMEA and Asia Pacific, reflecting the impact of new consumer fitments and continued recovery in OE production.

CGS in the second quarter of 2023 was $4,123 million, decreasing $49 million, or 1.2%, from $4,172 million in the second quarter of 2022. CGS decreased primarily due to lower tire volume of $292 million, primarily in EMEA and Americas, foreign currency translation of $72 million, driven by the strengthening of the U.S. dollar, and lower research and development costs of $14 million. These decreases were partially offset by increased conversion costs of $188 million driven by inflation, the effect of decreased tire production on fixed cost absorption and higher energy costs, higher raw material costs of $98 million, higher transportation and imported tire costs of $27 million, $12 million ($10 million after-tax and minority) of accelerated depreciation and asset write-offs, primarily related to the integration of Cooper Tire & Rubber Company ("Cooper Tire") and the closure of Cooper Tire's Melksham, United Kingdom tire manufacturing facility ("Melksham"), and higher costs related to product mix of $5 million, primarily in Americas. CGS in the second quarter of 2023 included a $5 million ($4 million after-tax and minority) benefit related to the reversal of a portion of the estimated cleanup costs associated with the permanent closure of our Gadsden, Alabama tire manufacturing facility (“Gadsden”).

CGS in the second quarter of 2023 and 2022 included pension expense of $4 million and $6 million, respectively. CGS was 84.7% of sales in the second quarter of 2023, compared to 80.0% in the second quarter of 2022.

Selling, Administrative and General Expense ("SAG") in the second quarter of 2023 was $708 million, decreasing $9 million, or 1.3%, from $717 million in the second quarter of 2022. SAG decreased primarily due to lower advertising costs of $14 million and foreign currency translation of $12 million, driven by the strengthening of the U.S. dollar. These decreases were partially offset by the impact of inflation.

SAG in the second quarter of 2023 and 2022 included pension expense of $2 million and $4 million, respectively. SAG in the second quarter of 2023 included $12 million of incremental savings from rationalization plans, compared to $1 million in 2022. SAG was 14.5% of sales in the second quarter of 2023, compared to 13.8% in the second quarter of 2022.

We recorded net rationalization charges of $72 million ($58 million after-tax and minority) in the second quarter of 2023 and $26 million ($20 million after-tax and minority) in the second quarter of 2022. Net rationalization charges in the second quarter of 2023 primarily related to the proposed plan to reduce production capacity at Fulda and the plan to reduce global operations and technology costs. Net rationalization charges in the second quarter of 2022 primarily related to a plan to reduce duplicative global SAG headcount and close redundant warehouse locations in Americas as part of the integration of Cooper Tire. For further information, refer to Note to the Consolidated Financial Statements No. 3, Costs Associated with Rationalization Programs.

Interest expense in the second quarter of 2023 was $138 million, increasing $28 million, or 25.5%, from $110 million in the second quarter of 2022. The average interest rate was 6.19% in the second quarter of 2023 compared to 5.25% in the second quarter of 2022. The average debt balance was $8,911 million in the second quarter of 2023 compared to $8,387 million in the second quarter of 2022.

Other (Income) Expense in the second quarter of 2023 was $36 million of expense, compared to $65 million of income in the second quarter of 2022. The change in Other (Income) Expense was primarily due to net gains on asset and other sales in 2023 of $51 million ($37 million after-tax and minority), primarily related to the sale and leaseback transaction of a warehouse in Americas, compared to a gain of $95 million ($71 million after-tax and minority) in 2022, primarily related to the sale and leaseback transaction of certain consumer and commercial retail locations in Americas, a $30 million net increase in foreign currency exchange losses driven by the weakening of the Turkish lira and Argentine peso, pension settlement charges of $36 million ($28 million after-tax and minority) in 2023 compared to pension settlement charges of $18 million ($13 million after-tax and minority) in 2022, and $4 million ($2 million after-tax and minority) of expense in 2023 for non-indemnified costs for product liability claims related to products manufactured by a formerly consolidated joint venture entity.

For the second quarter of 2023, we recorded an income tax benefit of $2 million on a loss before income taxes of $210 million. Income tax benefit for the three months ended June 30, 2023 was unfavorably impacted by net discrete tax expense of $2 million ($2 million after minority interest).

In the second quarter of 2022, we recorded income tax expense of $82 million on income before income taxes of $252 million. Income tax expense for the three months ended June 30, 2022 includes net discrete tax expense of $14 million ($14 million after minority interest), primarily related to the write off of deferred tax assets for tax loss carryforwards in the UK.

Minority shareholders' net income in the second quarter of 2023 was breakeven, compared to $4 million in the second quarter of 2022.

Six Months Ended June 30, 2023 and 2022

Net sales in the first six months of 2023 were $9,808 million, decreasing $312 million, or 3.1%, from $10,120 million in the first six months of 2022. Goodyear net loss was $309 million, or $1.08 per share, in the first six months of 2023, compared to Goodyear net income of $262 million, or $0.91 per share, in the first six months of 2022.

Net sales decreased in the first six months of 2023 primarily due to lower tire volume of $693 million, representing lower tire volume in Americas and EMEA, partially offset by higher tire volume in Asia Pacific, unfavorable foreign currency translation of $264 million, driven by the strengthening of the U.S. dollar, and the unfavorable impact of the Tupelo storm of $77 million. These decreases were partially offset by global improvements in price and product mix of $701 million and higher sales in other tire-related businesses of $18 million, primarily driven by growth in EMEA's Fleet Solutions, higher global aviation sales and increased retail sales in Americas, partially offset by a decrease in third-party chemical sales in Americas.

Worldwide tire unit sales in the first six months of 2023 were 82.6 million units, decreasing 8.0 million units, or 8.9%, from 90.6 million units in the first six months of 2022. Replacement tire volume decreased globally by 9.4 million units, or 13.2%, driven by reduced industry demand. OE tire volume increased globally by 1.4 million units, or 6.8%, reflecting the impact of new consumer fitments and continued recovery in OE production.

CGS in the first six months of 2023 was $8,316 million, increasing $178 million, or 2.2%, from $8,138 million in the first six months of 2022. CGS increased primarily due to higher raw material costs of $402 million, increased conversion costs of $357 million driven by inflation, the effect of decreased tire production on fixed cost absorption and higher energy costs, higher transportation and imported tire costs of $112 million, higher costs related to product mix of $64 million, primarily in EMEA and Americas, and $23 million ($20 million after-tax and minority) of accelerated depreciation and asset write-offs, primarily related to the integration of Cooper Tire and the closure of Melksham. These increases were partially offset by lower tire volume of $526 million, foreign currency translation of $213 million, driven by the strengthening of the U.S. dollar, and lower research and development costs of $21 million. CGS in the first six months of 2023 was favorably impacted by a $5 million ($4 million after-tax and minority) reversal of a portion of the estimated cleanup costs associated with the permanent closure of Gadsden and a successful legal claim of $3 million ($3 million after-tax and minority) related to a 2005 warehouse fire in Spain.

CGS in the first six months of 2023 and 2022 included pension expense of $8 million and $11 million, respectively. CGS was 84.8% of sales in the first six months of 2023, compared to 80.4% in the first six months of 2022.

SAG in the first six months of 2023 was $1,372 million, decreasing $33 million, or 2.3%, from $1,405 million in the first six months of 2022. SAG decreased primarily due to foreign currency translation of $30 million driven by the strengthening of the U.S. dollar, lower advertising costs of $18 million, recoveries of previously written-off accounts receivable and other assets in Russia of $10 million ($10 million after-tax and minority) and lower legal reserves of $8 million. These decreases were partially offset by the impact of inflation.

SAG in the first six months of 2023 and 2022 included pension expense of $5 million and $8 million, respectively. SAG in the first six months of 2023 included $22 million of incremental savings from rationalization plans, compared to $2 million in 2022. SAG was 14.0% of sales in the first six months of 2023, compared to 13.9% in the first six months of 2022.

We recorded net rationalization charges of $104 million ($84 million after-tax and minority) in the first six months of 2023 and $37 million ($29 million after-tax and minority) in the first six months of 2022. Net rationalization charges in the first six months of 2023 primarily related to the proposed plan to reduce production capacity at Fulda, the plan to streamline our EMEA distribution network and the plan to reduce global operations and technology costs. Net rationalization charges in the first six months of 2022 primarily related to the plan to reduce duplicative global SAG headcount and close redundant warehouse locations in Americas as part of the integration of Cooper Tire. For further information, refer to Note to the Consolidated Financial Statements No. 3, Costs Associated with Rationalization Programs.

Interest expense in the first six months of 2023 was $265 million, increasing $51 million, or 23.8%, from $214 million in the first six months of 2022. The average interest rate was 6.11% in the first six months of 2023 compared to 5.26% in the first six months of 2022. The average debt balance was $8,681 million in the first six months of 2023 compared to $8,135 million in the first six months of 2022.

Other (Income) Expense in the first six months of 2023 was $61 million of expense, compared to $60 million of income in the first six months of 2022. The change in Other (Income) Expense was primarily due to an increase in non-service related pension and other postretirement benefits cost of $51 million due to higher interest rates and pension settlement charges of $36 million ($28 after-tax and minority) in 2023 compared to pension settlement charges of $18 million ($13 million after-tax and minority) in 2022. Additionally, the change in Other (Income) Expense reflects net gains on asset and other sales in 2023 of $52 million ($37 million after-tax and minority), primarily related to the sale and leaseback transaction of a warehouse in Americas, compared to a gain of $98 million ($75 million after-tax and minority) in 2022, primarily related to the sale and leaseback transaction of certain consumer and commercial retail locations in Americas, a $40 million net increase in foreign currency exchange losses driven by the weakening of the Turkish lira and Argentine peso, and $15 million ($11 million after-tax and minority) of expense for non-indemnified costs for product liability claims related to products manufactured by a formerly consolidated joint venture entity. These increases were partially offset by an increase in interest income of $23 million in Argentina, $11 million ($8 million after-tax and minority) of income related to a favorable court decision setting aside a previous unfavorable verdict on intellectual property-related legal claims, and $5 million ($5 million after-tax and minority) of income related to the write-off of accumulated foreign currency translation in Russia.

For the first six months of 2023, we recorded an income tax benefit of $3 million on a loss before income taxes of $310 million. Income tax benefit for the six months ended June 30, 2023 was unfavorably impacted by net discrete tax expense of $3 million ($2 million after minority interest).

In the first six months of 2022, we recorded income tax expense of $120 million on income before income taxes of $386 million. Income tax expense for the six months ended June 30, 2022 includes net discrete tax expense of $18 million ($18 million after minority interest), including charges of $14 million to write off deferred tax assets related to tax loss carryforwards in the UK and $11 million to establish a full valuation allowance on our net deferred tax assets in Russia, partially offset by a net benefit of $7 million for various other items.

We record taxes based on overall estimated annual effective tax rates. The difference between our effective tax rate and the U.S. statutory rate of 21% for both the six months ended June 30, 2023 and 2022 primarily relates to losses in foreign jurisdictions in which no tax benefits are recorded and the discrete items noted above.

For 2023, we do not anticipate that the 15% corporate alternative minimum tax ("CAMT") under the Inflation Reduction Act of 2022 will apply to us due to the significant pandemic-driven losses we incurred in 2020. As allowed, we elected to not consider the estimated impact of potential future CAMT obligations for purposes of assessing valuation allowances on our deferred tax assets.

At June 30, 2023 and December 31, 2022, we had approximately $1.2 billion and $1.1 billion of U.S. federal, state and local net deferred tax assets, respectively, inclusive of valuation allowances totaling $26 million in each period primarily for state tax loss carryforwards with limited lives. Approximately $800 million of these U.S. net deferred tax assets have unlimited lives and approximately $400 million have limited lives and expire between 2023 and 2042.

At June 30, 2023 and December 31, 2022, our U.S. net deferred tax assets described above include approximately $240 million and $230 million, respectively, of foreign tax credits with limited lives. Our earnings and forecasts of future profitability, taking into consideration recent trends, along with three significant sources of foreign income, provide us sufficient positive evidence that we will be able to utilize these net foreign tax credits which expire through 2032. Our sources of foreign income are (1) 100% of our domestic profitability can be re-characterized as foreign source income under current U.S. tax law to the extent domestic losses have offset foreign source income in prior years, (2) annual net foreign source income, exclusive of dividends, primarily from royalties, and (3) tax planning strategies, including accelerating income on cross border transactions, including sales of inventory or raw materials to our subsidiaries, reducing U.S. interest expense by, for example, reducing intercompany loans through repatriating current year earnings of foreign subsidiaries, and other financing transactions, all of which would increase our domestic profitability.

We consider our current forecasts of future profitability in assessing our ability to realize our deferred tax assets, including our foreign tax credits. These forecasts include the impact of recent trends, including various macroeconomic factors such as the impact of higher raw material, transportation, labor and energy costs, on our profitability, as well as the impact of tax planning strategies. These macroeconomic factors possess a high degree of volatility and can significantly impact our profitability. As such, there is a risk that future earnings will not be sufficient to fully utilize our U.S. net deferred tax assets, including our foreign tax credits. However, we believe our forecasts of future profitability along with the three significant sources of foreign income described above provide us sufficient positive, objectively verifiable evidence to conclude that it is more likely than not that, at June 30, 2023, our U.S. net deferred tax assets, including our foreign tax credits, will be fully utilized.

At June 30, 2023 and December 31, 2022, we also had approximately $1.3 billion and $1.2 billion of foreign net deferred tax assets, respectively, and related valuation allowances of approximately $1.1 billion and $1.0 billion, respectively. 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 these net foreign deferred tax assets. Most notably, in Luxembourg, we maintain a valuation allowance of $940 million on all 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. We do not believe that sufficient positive evidence required to release valuation allowances having a significant impact on our financial position or results of operations will exist within the next twelve months.

For further information regarding income taxes and the realizability of our deferred tax assets, including our foreign tax credits, refer to Note to the Consolidated Financial Statements No. 5, Income Taxes.

Minority shareholders' net income in the first six months of 2023 was $2 million, compared to $4 million in the first six months of 2022.

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 for the second quarter of 2023 was $124 million, a decrease of $240 million, or 65.9%, from $364 million in the second quarter of 2022. Total segment operating margin in the second quarter of 2023 was 2.5%, compared to 7.0% in the second quarter of 2022. Total segment operating income for the first six months of 2023 was $249 million, a decrease of $418 million, or 62.7%, from $667 million in the first six months of 2022. Total segment operating margin in the first six months of 2023 was 2.5%, compared to 6.6% in the first six months of 2022.

Management believes that total segment operating income is useful because it represents the aggregate value of income created by our SBUs and excludes items not directly related to the SBUs for performance evaluation purposes. Total segment operating income is the sum of the individual SBUs' segment operating income. Refer to Note to the Consolidated Financial Statements No. 7, Business Segments, for further information and for a reconciliation of total segment operating income to Income (Loss) before Income Taxes.

Americas

	Three Months Ended June 30,				Six Months Ended June 30,			
(In millions)	2023	2022	Change	Percent Change	2023	2022	Change	Percent Change
Tire Units	20.8	23.3	(2.5)	(10.9)%	41.3	45.5	(4.2)	(9.3)%
Net Sales	$ 2,939	$ 3,147	$ (208)	(6.6)%	$ 5,806	$ 6,062	$ (256)	(4.2)%
Operating Income	103	293	(190)	(64.8)%	182	509	(327)	(64.2)%
Operating Margin	3.5 %	9.3 %			3.1 %	8.4 %		

Three Months Ended June 30, 2023 and 2022

Americas unit sales in the second quarter of 2023 decreased 2.5 million units, or 10.9%, to 20.8 million units. Replacement tire volume decreased 2.5 million units, or 12.8%, primarily due to a decrease in our consumer business, driven by reduced industry demand and the impact of a severe storm at our Tupelo facility. OE tire volume was flat compared to the second quarter of 2022.

Net sales in the second quarter of 2023 were $2,939 million, decreasing $208 million, or 6.6%, from $3,147 million in the second quarter of 2022. The decrease in net sales was primarily due to lower tire volume of $175 million, the unfavorable impact of the Tupelo storm of $77 million, unfavorable foreign currency translation of $18 million, primarily related to weakening of the Brazilian real and Canadian dollar, partially offset by strengthening of the Mexican peso, and decreased sales in other tire-related businesses of $17 million, primarily due to lower third-party chemical sales, partially offset by higher aviation and retail sales. These decreases were partially offset by improvements in price and product mix of $79 million, driven by price increases.

Operating income in the second quarter of 2023 was $103 million, decreasing $190 million, or 64.8%, from $293 million in the second quarter of 2022. The decrease in operating income was due to higher conversion costs of $103 million, driven by the effect of decreased tire production on fixed cost absorption and inflation, $50 million as a result of the Tupelo storm, lower tire volume of $43 million, and higher transportation and imported tire costs of $13 million. These decreases were partially offset by improvements in price and product mix of $27 million, which more than offset higher raw material costs of $23 million, higher earnings in other tire-related businesses of $13 million, primarily due to higher aviation sales, and lower SAG of $9 million. Operating income for 2023 includes incremental SAG savings from rationalization plans of $7 million.

Operating income in the second quarter of 2023 excluded accelerated depreciation and asset write-offs of $7 million, net rationalization charges of $3 million and net gains on asset sales of $60 million, primarily related to the sale and leaseback transaction for a warehouse in the United States. Operating income in the second quarter of 2022 excluded net rationalization charges of $11 million and net gains on asset sales of $95 million, primarily related to the sale and leaseback transaction for certain consumer and commercial retail locations in the United States.

Six Months Ended June 30, 2023 and 2022

Americas unit sales in the first six months of 2023 decreased 4.2 million units, or 9.3%, to 41.3 million units. Replacement tire volume decreased 4.3 million units, or 11.4%, primarily due to a decrease in our consumer business, driven by reduced industry demand and the impact of the severe weather event at our Tupelo facility. OE tire volume increased 0.1 million units, or 1.9%.

Net sales in the first six months of 2023 were $5,806 million, decreasing $256 million, or 4.2%, from $6,062 million in the first six months of 2022. The decrease in net sales was primarily due to lower tire volume of $358 million, the unfavorable impact of the Tupelo storm of $77 million, and unfavorable foreign currency translation of $17 million, primarily related to weakening of the Canadian dollar and Brazilian real, partially offset by strengthening of the Mexican peso. These decreases were partially offset by improvements in price and product mix of $208 million, driven by price increases.

Operating income in the first six months of 2023 was $182 million, decreasing $327 million, or 64.2%, from $509 million in the first six months of 2022. The decrease in operating income was due to higher conversion costs of $192 million, driven by the effect of decreased tire production on fixed cost absorption and inflation, lower tire volume of $87 million, higher transportation and imported tire costs of $84 million, and $50 million as a result of the Tupelo storm. These decreases were partially offset by improvements in price and product mix of $176 million, which more than offset higher raw material costs of $129 million, lower SAG of $13 million, and higher earnings in other tire-related businesses of $11 million, primarily driven by higher aviation sales. Operating income for 2023 includes incremental SAG savings from rationalization plans of $14 million.

Operating income in the first six months of 2023 excluded accelerated depreciation and asset write-offs of $15 million, net rationalization charges of $8 million and net gains on asset sales of $62 million, primarily related to the warehouse sale and leaseback transaction. Operating income in the first six months of 2022 excluded net rationalization charges of $18 million and net gains on asset sales of $98 million, primarily related to the retail sale and leaseback transaction.

Europe, Middle East and Africa

	Three Months Ended June 30,				Six Months Ended June 30,			
(In millions)	2023	2022	Change	Percent Change	2023	2022	Change	Percent Change
Tire Units	11.8	14.5	(2.7)	(19.1)%	25.0	29.0	(4.0)	(14.1)%
Net Sales	$ 1,341	$ 1,497	$ (156)	(10.4)%	$ 2,833	$ 2,923	$ (90)	(3.1)%
Operating Income (Loss)	(19)	52	(71)	(136.5)%	(11)	111	(122)	(109.9)%
Operating Margin	(1.4)%	3.5 %			(0.4)%	3.8 %		

Three Months Ended June 30, 2023 and 2022

EMEA unit sales in the second quarter of 2023 decreased 2.7 million units, or 19.1%, to 11.8 million units. Replacement tire volume decreased 3.0 million units, or 26.7%, primarily in our consumer business, reflecting the impacts of continued industry declines. OE tire volume increased 0.3 million units, or 9.2%, reflecting continued recovery in OE production.

Net sales in the second quarter of 2023 were $1,341 million, decreasing $156 million, or 10.4%, from $1,497 million in the second quarter of 2022. The decrease in net sales was primarily due to lower tire volume of $243 million and unfavorable foreign currency translation of $45 million, driven by a weaker Turkish lira, South African rand and British pound, partially offset by a stronger euro. These decreases were partially offset by improvements in price and product mix of $127 million, driven by price increases.

Operating loss in the second quarter of 2023 was $19 million, decreasing $71 million, from operating income of $52 million in the second quarter of 2022. The change in operating income (loss) was primarily due to higher conversion costs of $79 million, driven by higher energy costs, inflation and the effect of decreased tire production on fixed cost absorption, lower tire volume of $56 million, higher transportation costs of $12 million, unfavorable foreign currency translation of $8 million, and lower earnings in other tire-related businesses of $6 million, primarily due to lower motorcycle tire sales. These decreases were partially offset by improvements in price and product mix of $152 million, which more than offset higher raw material costs of $57 million. SAG for the second quarter of 2023 includes incremental savings from rationalization plans of $4 million.

Operating loss in the second quarter of 2023 excluded net rationalization charges of $64 million and accelerated depreciation of $4 million. Operating income in the second quarter of 2022 excluded net rationalization charges of $9 million.

Six Months Ended June 30, 2023 and 2022

EMEA unit sales in the first six months of 2023 decreased 4.0 million units, or 14.1%, to 25.0 million units. Replacement tire volume decreased 4.9 million units, or 21.4%, primarily in our consumer business, reflecting the impacts of continued industry declines. OE tire volume increased 0.9 million units, or 13.9%, reflecting continued recovery in OE production.

Net sales in the first six months of 2023 were $2,833 million, decreasing $90 million, or 3.1%, from $2,923 million in the first six months of 2022. The decrease in net sales was primarily due to lower tire volume of $355 million, unfavorable foreign currency translation of $173 million, driven by a weaker Turkish lira, euro, South African rand and British pound. These decreases were partially offset by improvements in price and product mix of $410 million, driven by price increases, and higher sales in other tire-related businesses of $27 million, primarily due to growth in Fleet Solutions and higher aviation sales, partially offset by a decrease in retail sales.

Operating loss in the first six months of 2023 was $11 million, decreasing $122 million, from operating income of $111 million in the first six months of 2022. The change in operating income (loss) was primarily due to higher conversion costs of $157 million, driven by higher energy costs, inflation and the effect of decreased tire production on fixed cost absorption, lower tire volume of $82 million, higher transportation costs of $27 million and higher SAG of $15 million, primarily due to inflation. These decreases were partially offset by improvements in price and product mix of $375 million, which more than offset higher raw material costs of $220 million, and lower research and development costs of $7 million. SAG for the first six months of 2023 includes incremental savings from rationalization plans of $8 million.

Operating loss in the first six months of 2023 excluded net rationalization charges of $88 million, recoveries of previously written-off accounts receivable and other assets of $10 million in Russia and accelerated depreciation of $8 million. Operating income in the first six months of 2022 excluded net rationalization charges of $14 million.

Asia Pacific

	Three Months Ended June 30,				Six Months Ended June 30,			
(In millions)	2023	2022	Change	Percent Change	2023	2022	Change	Percent Change
Tire Units	8.2	7.8	0.4	5.8 %	16.3	16.1	0.2	1.7 %
Net Sales	$ 587	$ 568	$ 19	3.3 %	$ 1,169	$ 1,135	$ 34	3.0 %
Operating Income	40	19	21	110.5 %	78	47	31	66.0 %
Operating Margin	6.8 %	3.3 %			6.7 %	4.1 %		

Three Months Ended June 30, 2023 and 2022

Asia Pacific unit sales in the second quarter of 2023 increased 0.4 million units, or 5.8%, to 8.2 million units. Replacement tire volume increased 0.1 million units, or 3.6%, primarily in our consumer business, driven by industry recovery in China, partially offset by decreased demand in most of our other markets. OE tire volume increased 0.3 million units, or 9.2%, driven by new consumer fitments.

Net sales in the second quarter of 2023 were $587 million, increasing $19 million, or 3.3%, from $568 million in the second quarter of 2022. Net sales increased primarily due to higher tire volume of $32 million, improvements in price and product mix of $18 million, driven by price increases, and higher sales in other tire-related businesses of $4 million, primarily due to higher aviation sales. These increases were partially offset by unfavorable foreign currency translation of $35 million, primarily related to the strengthening of the U.S. dollar.

Operating income in the second quarter of 2023 was $40 million, increasing $21 million, or 110.5%, from $19 million in the second quarter of 2022. The increase in operating income was primarily due to improvements in price and product mix of $40 million, which more than offset higher raw material costs of $18 million, and higher tire volume of $5 million. These increases were partially offset by higher conversion costs of $6 million.

Operating income in the second quarter of 2022 excluded net rationalization charges of $1 million.

Six Months Ended June 30, 2023 and 2022

Asia Pacific unit sales in the first six months of 2023 increased 0.2 million units, or 1.7%, to 16.3 million units. Replacement tire volume decreased 0.2 million units, or 0.9%, driven by decreased demand in most of our markets, partially offset by industry recovery in China. OE tire volume increased 0.4 million units, or 5.8%, driven by new consumer fitments.

Net sales in the first six months of 2023 were $1,169 million, increasing $34 million, or 3.0%, from $1,135 million in the first six months of 2022. Net sales increased primarily due to improvements in price and product mix of $83 million, driven by price increases and favorable product mix reflecting increased customer demand for our 17-inch and above rim size tires, higher tire volume of $20 million, and higher sales in other tire-related businesses of $3 million. These increases were partially offset by unfavorable foreign currency translation of $74 million, primarily related to the strengthening of the U.S. dollar.

Operating income in the first six months of 2023 was $78 million, increasing $31 million, or 66.0%, from $47 million in the first six months of 2022. The increase in operating income was primarily due to improvements in price and product mix of $86 million, which more than offset higher raw material costs of $53 million, and higher tire volume of $2 million. These increases were partially offset by higher conversion costs of $8 million.

Operating income in the first six months of 2023 excluded net rationalization charges of $3 million.

LIQUIDITY AND CAPITAL RESOURCES

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

At June 30, 2023, we had $1,049 million in cash and cash equivalents, compared to $1,227 million at December 31, 2022. For the six months ended June 30, 2023, net cash used for operating activities was $434 million, reflecting cash used for working capital of $550 million and the Company's net loss for the period of $307 million, which included non-cash charges for depreciation and amortization of $506 million. Net cash used for investing activities was $645 million, primarily representing capital expenditures of $536 million, short-term securities acquired of $102 million and loans to TireHub of $65 million, partially offset by cash proceeds from the sale and leaseback transaction in Americas of $66 million. Net cash provided by financing activities was $876 million, primarily due to net borrowings.

At June 30, 2023, we had $3,133 million of unused availability under our various credit agreements, compared to $4,035 million at December 31, 2022. The table below presents unused availability under our credit facilities at those dates:

(In millions)	June 30, 2023	December 31, 2022
First lien revolving credit facility	$ 2,082	$ 2,747
European revolving credit facility	360	480
Chinese credit facilities	510	516
Other foreign and domestic debt	181	292
	$ 3,133	**$ 4,035**

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 2023 full-year cash flow needs to include capital expenditures of approximately $1.0 billion. We also expect interest expense to be approximately $540 million; rationalization payments to be approximately $100 million; income tax payments to be approximately $200 million, excluding one-time items; and contributions to our funded pension plans to be $25 million to $50 million. We expect working capital to be a source of operating cash flows for the full year of 2023 of approximately $100 million.

We are continuing to actively monitor our liquidity and intend to operate our business in a way that allows us to address our cash flow needs with our existing cash and available credit if they cannot be funded by cash generated from operating or other financing activities. We believe that our liquidity position is adequate to fund our operating and investing needs and debt maturities for the next twelve months and to provide us with the ability 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, South Africa, Serbia and Argentina, 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, South African, Serbian and Argentinian 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 June 30, 2023, approximately $950 million of net assets, including approximately $215 million of cash and cash equivalents, were subject to such requirements. The requirements we must comply with to transfer funds out of China, South Africa, Serbia and Argentina have not adversely impacted our ability to make transfers out of those countries.

Operating Activities

Net cash used for operating activities was $434 million in the first six months of 2023, compared to net cash used for operating activities of $533 million in the first six months of 2022. The $99 million improvement in net cash used for operating activities was primarily due to a decrease in cash used for working capital of $692 million, partially offset by a change in net income (loss) of $573 million.

The net improvement in cash used for working capital reflects an increase in cash provided by Inventory of $1,119 million and a decrease in cash used for Accounts Receivable of $649 million, partially offset by an increase in cash used for Accounts Payable — Trade of $1,076 million. These changes were driven by the impact of reduced production in the fourth quarter of 2022 and the first six months of 2023 to address softening industry demand and prevent the buildup of excess inventory, as well as the impact of lower sales volume.

Investing Activities

Net cash used by investing activities was $645 million in the first six months of 2023, compared to $403 million in the first six months of 2022. Capital expenditures were $536 million in the first six months of 2023, compared to $511 million in the first six months of 2022. Investing activities in the first six months of 2023 also included cash proceeds from a sale and leaseback transaction of $66 million compared to $108 million of cash proceeds from a sale and leaseback transaction in the first six months of 2022, net loans to TireHub of $65 million in the first six months of 2023 compared to $25 million in the first six months of 2022, and a year-over-year increase of $103 million in net short-term securities acquired and redeemed. Beyond expenditures required to sustain our facilities, capital expenditures in 2023 and 2022 primarily related to the modernization and expansion of tire manufacturing facilities around the world.

Financing Activities

Net cash provided by financing activities was $876 million in the first six months of 2023, compared to net cash provided by financing activities of $1,132 million in the first six months of 2022. Financing activities in the first six months of 2023 included net borrowings of $882 million. Financing activities in the first six months of 2022 included net borrowings of $1,129 million.

Credit Sources

In aggregate, we had total credit arrangements of $11,809 million available at June 30, 2023, of which $3,133 million were unused, compared to $11,806 million available at December 31, 2022, of which $4,035 million were unused. At June 30, 2023, we had long term credit arrangements totaling $10,948 million, of which $2,849 million were unused, compared to $10,925 million and $3,566 million, respectively, at December 31, 2022. At June 30, 2023, we had short term committed and uncommitted credit arrangements totaling $861 million, of which $284 million were unused, compared to $881 million and $469 million, respectively, at December 31, 2022. The continued availability of the short term uncommitted arrangements is at the discretion of the relevant lender and may be terminated at any time.

Outstanding Notes

At June 30, 2023, we had $5,566 million of outstanding notes compared to $5,560 million at December 31, 2022.

$2.75 billion Amended and Restated First Lien Revolving Credit Facility due 2026

Our amended and restated first lien revolving credit facility is available in the form of loans or letters of credit. Up to $800 million in letters of credit and $50 million of swingline loans are available for issuance under the facility. Subject to the consent of the lenders whose commitments are to be increased, we may request that the facility be increased by up to $250 million.

Our obligations under the facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries. Our obligations under the facility and our subsidiaries' obligations under the related guarantees are secured by first priority security interests in a variety of collateral. Based on our current liquidity, amounts drawn under this facility bear interest at SOFR plus 125 basis points.

Availability under the facility is subject to a borrowing base, which is based 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 in an amount not to exceed $400 million, (iii) the value of eligible machinery and equipment, and (iv) certain cash in an amount not to exceed $275 million. 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 $2.75 billion. In addition, if the amount of outstanding borrowings and letters of credit under the facility exceeds the borrowing base, we would be required to prepay borrowings and/or cash collateralize letters of credit sufficient to eliminate the excess. As of June 30, 2023, our borrowing base was above the facility's stated amount of $2.75 billion.

At June 30, 2023, we had $665 million of borrowings and $3 million of letters of credit issued under the revolving credit facility. At December 31, 2022, we had no borrowings and $3 million of letters of credit issued under the revolving credit facility.

€800 million Amended and Restated Senior Secured European Revolving Credit Facility due 2028

Our amended and restated European revolving credit facility consists of (i) a €180 million German tranche that is available only to Goodyear Germany GmbH and (ii) a €620 million all-borrower tranche that is available to Goodyear Europe B.V. ("GEBV"), Goodyear Germany and Goodyear Operations S.A. Up to €175 million of swingline loans and €75 million in letters of credit are available for issuance under the all-borrower tranche. Subject to the consent of the lenders whose commitments are to be increased, we may request that the facility be increased by up to €200 million. Amounts drawn under this facility will bear interest at SOFR plus 150 basis points for loans denominated in U.S. dollars, EURIBOR plus 150 basis points for loans denominated in euros, and SONIA plus 150 basis points for loans denominated in pounds sterling. Undrawn amounts under the facility are subject to an annual commitment fee of 25 basis points.

At June 30, 2023, there were $196 million (€180 million) of borrowings outstanding under the German tranche, $316 million (€290 million) of borrowings outstanding under the all-borrower tranche and no letters of credit outstanding under the European revolving credit facility. At December 31, 2022, there were no borrowings outstanding under the German tranche, $374 million (€350 million) of borrowings outstanding under the all-borrower tranche and no letters of credit outstanding under the European revolving credit facility.

Both 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, 2020 under the first lien facility and December 31, 2021 under the European facility.

Accounts Receivable Securitization Facilities (On-Balance Sheet)

GEBV and certain other of our European subsidiaries are parties to a pan-European accounts receivable securitization facility that expires in 2027. 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 current period ending October 18, 2023, the designated maximum amount of the facility is €300 million.

The facility involves an ongoing daily sale of substantially all of the trade accounts receivable of certain GEBV subsidiaries. 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) October 19, 2027, (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 first lien revolving credit facility; 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 18, 2023.

At June 30, 2023, the amounts available and utilized under this program totaled $238 million (€218 million). At December 31, 2022, the amounts available and utilized under this program totaled $267 million (€250 million). The program does not qualify for sale accounting, and accordingly, these amounts are included in Long Term Debt and Finance 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 June 30, 2023, the gross amount of receivables sold was $683 million, compared to $744 million at December 31, 2022.

Letters of Credit

At June 30, 2023, we had $212 million in letters of credit issued under bilateral letter of credit agreements and other foreign credit facilities. The majority of these letter of credit agreements are in lieu of security deposits.

Supplier Financing

We have entered into supplier finance programs with several financial institutions. Under these agreements, the financial institutions act as our paying agents with respect to accounts payable due to our suppliers. We agree to pay the financial institutions the stated amount of the confirmed invoices from the designated suppliers on the original maturity dates of the invoices. Invoice payment terms can be up to 120 days based on industry norms for the specific item purchased. We do not pay any fees to the financial institutions for these programs. There are no assets pledged as security or other forms of guarantees associated with these agreements. These agreements allow our suppliers to sell their receivables to the financial institutions at the sole discretion of the suppliers and the financial institutions on terms that are negotiated among them. We are not always notified when our suppliers sell receivables under these programs. Our obligations to our suppliers, including the amounts due and scheduled payment dates, are not impacted by our suppliers' decisions to sell their receivables under the programs. The amount available under these programs was $921 million and $920 million at June 30, 2023 and December 31, 2022, respectively. The amounts confirmed to the financial institutions were $624 million and $710 million at June 30, 2023 and December 31, 2022, respectively, and are included in Accounts Payable — Trade in our Consolidated Balance Sheets. All activity related to these obligations is presented within operating activities on the Consolidated Statements of Cash Flows.

Further Information

For a further description of the terms of our outstanding notes, first lien revolving credit facility, European revolving credit facility and pan-European accounts receivable securitization facility, refer to Note to the Consolidated Financial Statements No. 16, Financing Arrangements and Derivative Financial Instruments, in our 2022 Form 10-K and Note to the Consolidated Financial Statements No. 8, Financing Arrangements and Derivative Financial Instruments, in this Form 10-Q.

Covenant Compliance

Our first lien revolving credit facility 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 lien revolving credit facility and the indentures governing our notes also have customary defaults, including cross-defaults to material indebtedness of Goodyear and its subsidiaries.

We have an additional financial covenant in our first lien revolving credit facility that is currently not applicable. We become subject to that financial covenant 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 $275 million. If this were to occur, our ratio of EBITDA to Consolidated Interest Expense may not be less than 2.0 to 1.0 for the most recent period of four consecutive fiscal quarters. As of June 30, 2023, our unused availability under this facility of $2,082 million, plus our Available Cash of $137 million, totaled $2,219 million, which is in excess of $275 million.

In addition, our European revolving credit facility contains non-financial covenants similar to the non-financial covenants in our first lien revolving credit facility that are described above and a financial covenant applicable only to GEBV and its subsidiaries. This financial covenant provides that we are not permitted to allow GEBV's ratio of Consolidated Net GEBV Indebtedness to Consolidated GEBV 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 GEBV Indebtedness is determined net of the sum of cash and cash equivalents in excess of $100 million held by GEBV 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 GEBV Indebtedness also excludes loans from other consolidated Goodyear entities. This financial covenant is also included in our pan-European accounts receivable securitization facility. At June 30, 2023, we were in compliance with this financial covenant.

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

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

At June 30, 2023, 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 GEBV Indebtedness" and "Consolidated GEBV EBITDA" have the meanings given them in the respective credit facilities.

Potential Future Financings

In addition to the financing activities described above, we may seek to undertake additional financing actions which could include restructuring bank debt or capital markets transactions, possibly including the issuance of additional debt or equity. Given the inherent uncertainty of market conditions, access to the capital markets cannot be assured.

Our future liquidity requirements will 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 Repurchases

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.

We do not currently pay a quarterly dividend on our common stock.

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 the first six months of 2023, we did not repurchase any shares from employees.

The restrictions imposed by our credit facilities and indentures are not expected to significantly affect our ability to pay dividends or repurchase our capital stock in the future.

Asset Dispositions

The restrictions on asset sales and sale and leaseback transactions imposed by our material indebtedness have not affected our ability to divest non-core businesses or assets, and those divestitures have not affected our ability to comply with those restrictions.

Supplemental Guarantor Financial Information

Certain of our subsidiaries, which are listed on Exhibit 22.1 to this Quarterly Report on Form 10-Q and are generally holding or operating companies, have guaranteed our obligations under the $800 million outstanding principal amount of 9.5% senior notes due 2025, the $900 million outstanding principal amount of 5% senior notes due 2026, the $700 million outstanding principal amount of 4.875% senior notes due 2027, the $850 million outstanding principal amount of 5% senior notes due 2029, the $550 million outstanding principal amount of 5.25% senior notes due April 2031, the $600 million outstanding principal amount of 5.25% senior notes due July 2031 and the $450 million outstanding principal amount of 5.625% senior notes due 2033 (collectively, the “Notes”).

The Notes have been issued by The Goodyear Tire & Rubber Company (the “Parent Company”) and are its senior unsecured obligations. The Notes rank equally in right of payment with all of our existing and future senior unsecured obligations and senior to any of our future subordinated indebtedness. The Notes are effectively subordinated to our existing and future secured indebtedness to the extent of the assets securing that indebtedness. The Notes are fully and unconditionally guaranteed on a joint and several basis by each of our wholly-owned U.S. and Canadian subsidiaries that also guarantee our obligations under our first lien revolving credit facility (such guarantees, the “Guarantees”; and, such guaranteeing subsidiaries, the “Subsidiary Guarantors”). The Guarantees are senior unsecured obligations of the Subsidiary Guarantors and rank equally in right of payment with all existing and future senior unsecured obligations of our Subsidiary Guarantors. The Guarantees are effectively subordinated to existing and future secured indebtedness of the Subsidiary Guarantors to the extent of the assets securing that indebtedness.

The Notes are structurally subordinated to all of the existing and future debt and other liabilities, including trade payables, of our subsidiaries that do not guarantee the Notes (the “Non-Guarantor Subsidiaries”). The Non-Guarantor Subsidiaries will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make funds available to pay those amounts. Certain Non-Guarantor Subsidiaries are limited in their ability to remit funds to us 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 Subsidiary Guarantors, as primary obligors and not merely as sureties, jointly and severally irrevocably and unconditionally guarantee on a senior unsecured basis the performance and full and punctual payment when due of all obligations of the Parent Company under the Notes and the related indentures, whether for payment of principal of or interest on the Notes, expenses, indemnification or otherwise. The Guarantees of the Subsidiary Guarantors are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

Although the Guarantees provide the holders of Notes with a direct unsecured claim against the assets of the Subsidiary Guarantors, under U.S. federal bankruptcy law and comparable provisions of U.S. state fraudulent transfer laws, in certain circumstances a court could cancel a Guarantee and order the return of any payments made thereunder to the Subsidiary Guarantor or to a fund for the benefit of its creditors.

A court might take these actions if it found, among other things, that when the Subsidiary Guarantors incurred the debt evidenced by their Guarantee (i) they received less than reasonably equivalent value or fair consideration for the incurrence of the debt and (ii) any one of the following conditions was satisfied:

- the Subsidiary Guarantor was insolvent or rendered insolvent by reason of the incurrence;
- the Subsidiary Guarantor was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or

- the Subsidiary Guarantor intended to incur, or believed (or reasonably should have believed) that it would incur, debts beyond its ability to pay as those debts matured.

In applying the above factors, a court would likely find that a Subsidiary Guarantor did not receive fair consideration or reasonably equivalent value for its Guarantee, except to the extent that it benefited directly or indirectly from the issuance of the Notes. The determination of whether a guarantor was or was not rendered “insolvent” when it entered into its guarantee will vary depending on the law of the jurisdiction being applied. Generally, an entity would be considered insolvent if the sum of its debts (including contingent or unliquidated debts) is greater than all of its assets at a fair valuation or if the present fair salable value of its assets is less than the amount that will be required to pay its probable liability on its existing debts, including contingent or unliquidated debts, as they mature.

Under Canadian federal bankruptcy and insolvency laws and comparable provincial laws on preferences, fraudulent conveyances or other challengeable or voidable transactions, the Guarantees could be challenged as a preference, fraudulent conveyance, transfer at undervalue or other challengeable or voidable transaction. The test to be applied varies among the different pieces of legislation, but as a general matter these types of challenges may arise in circumstances where:

- such action was intended to defeat, hinder, delay, defraud or prejudice creditors or others;
- such action was taken within a specified period of time prior to the commencement of proceedings under Canadian bankruptcy, insolvency or restructuring legislation in respect of a Subsidiary Guarantor, the consideration received by the Subsidiary Guarantor was conspicuously less than the fair market value of the consideration given, and the Subsidiary Guarantor was insolvent or rendered insolvent by such action and (in some circumstances, or) such action was intended to defraud, defeat or delay a creditor;
- such action was taken within a specified period of time prior to the commencement of proceedings under Canadian bankruptcy, insolvency or restructuring legislation in respect of a Subsidiary Guarantor and such action was taken, or is deemed to have been taken, with a view to giving a creditor a preference over other creditors or, in some circumstances, had the effect of giving a creditor a preference over other creditors; or
- a Subsidiary Guarantor is found to have acted in a manner that was oppressive, unfairly prejudicial to or unfairly disregarded the interests of any shareholder, creditor, director, officer or other interested party.

In addition, in certain insolvency proceedings a Canadian court may subordinate claims in respect of the Guarantees to other claims against a Subsidiary Guarantor under the principle of equitable subordination if the court determines that (1) the holder of Notes engaged in some type of inequitable or improper conduct, (2) the inequitable or improper conduct resulted in injury to other creditors or conferred an unfair advantage upon the holder of Notes and (3) equitable subordination is not inconsistent with the provisions of the relevant solvency statute.

If a court canceled a Guarantee, the holders of Notes would no longer have a claim against that Subsidiary Guarantor or its assets.

Each Guarantee is limited, by its terms, to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Guarantee, as it relates to that Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Each Subsidiary Guarantor is a consolidated subsidiary of the Parent Company at the date of each balance sheet presented. The following tables present summarized financial information for the Parent Company and the Subsidiary Guarantors on a combined basis after elimination of (i) intercompany transactions and balances among the Parent Company and the Subsidiary Guarantors and (ii) equity in earnings from and investments in any Non-Guarantor Subsidiary.

	Summarized Balance Sheets	
(In millions)	June 30, 2023	December 31, 2022
Total Current Assets(1)	$ 5,799	$ 5,657
Total Non-Current Assets	8,573	8,463
Total Current Liabilities	$ 2,913	$ 3,124
Total Non-Current Liabilities	9,173	8,594

(1) Includes receivables due from Non-Guarantor Subsidiaries of $1,580 million and $1,499 million as of June 30, 2023 and December 31, 2022, respectively.

(In millions)	Summarized Statements of Operations Six Months Ended June 30, 2023	Year Ended December 31, 2022
Net Sales	$ 5,388	$ 11,909
Cost of Goods Sold	4,709	9,769
Selling, Administrative and General Expense	746	1,511
Rationalizations	13	35
Interest Expense	234	358
Other (Income) Expense	77	(118)
Income (Loss) before Income Taxes(2)	$ (391)	$ 354
Net Income (Loss)	$ (340)	$ 300
Goodyear Net Income (Loss)	$ (340)	$ 300

(2) Includes income from intercompany transactions with Non-Guarantor Subsidiaries of $290 million for the six months ended June 30, 2023, primarily from royalties, intercompany product sales, dividends and interest, and $577 million for the year ended December 31, 2022, primarily from royalties, dividends, interest and intercompany product sales.

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FORWARD-LOOKING INFORMATION — SAFE HARBOR STATEMENT

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

- a prolonged economic downturn or economic uncertainty could adversely impact our business and results of operations;
- raw material cost increases may materially adversely affect our operating results and financial condition;
- we are experiencing inflationary cost pressures, including with respect to wages, benefits, transportation and energy costs, that may materially adversely affect our operating results and financial condition;
- delays or disruptions in our supply chain or in the provision of services, including utilities, to us could result in increased costs or disruptions in our operations;
- changes to tariffs, trade agreements or trade restrictions may materially adversely affect our operating results;
- 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;
- if we experience a labor strike, work stoppage, labor shortage or other similar event at the Company or its joint ventures, our business, results of operations, financial condition and liquidity could be materially adversely affected;
- financial difficulties, work stoppages, labor shortages, 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;
- 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;
- 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 first lien revolving credit facility, could materially adversely affect 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;

- environmental issues, including climate change, or legal, regulatory or market measures to address environmental issues, may negatively affect our business and operations and cause us to incur significant costs;
- 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;
- we may not be able to protect our intellectual property rights adequately;
- 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, including the current conflict between Russia and Ukraine, acts of terror, political unrest, public health concerns, labor disputes or natural disasters.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

Commodity Price Risk

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

Interest Rate Risk

We continuously monitor our fixed and floating rate debt mix. Within defined limitations, we manage the mix using refinancing. At June 30, 2023, approximately 29% of our debt was at variable interest rates averaging 6.45%.

The following table presents information about long term fixed rate debt, excluding finance leases, at June 30, 2023:

(In millions)		
Carrying amount — liability	$	5,768
Fair value — liability		5,395
Pro forma fair value — liability		5,602

The pro forma information assumes a 100 basis point decrease in market interest rates at June 30, 2023, and reflects the estimated fair value of fixed rate debt outstanding at that date under that assumption. The sensitivity of our fixed rate debt to changes in interest rates was determined using current market pricing models.

Foreign Currency Exchange Risk

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

The following table presents net foreign currency contract information at June 30, 2023:

(In millions)		
Fair value — asset (liability)	$	(15)
Pro forma decrease in fair value		(125)
Contract maturities		7/23-6/24

The pro forma decrease in fair value assumes a 10% adverse change in underlying foreign exchange rates at June 30, 2023, and reflects the estimated change in the fair value of contracts outstanding at that date under that assumption. The sensitivity of our foreign currency positions to changes in exchange rates was determined using current market pricing models.

Fair values are recognized on the Consolidated Balance Sheet at June 30, 2023 as follows:

(In millions)		
Current asset (liability):		
Accounts receivable	$	11
Other current liabilities		(26)

For further information on foreign currency contracts, refer to Note to the Consolidated Financial Statements No. 8, 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.

ITEM 4. CONTROLS AND PROCEDURES.

Management's Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of June 30, 2023 (the end of the period covered by this Quarterly Report on Form 10-Q).

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Asbestos Litigation

As reported in our Form 10-K for the year ended December 31, 2022, we were one of numerous defendants in legal proceedings in certain state and federal courts involving approximately 37,200 claimants relating to their alleged exposure to materials containing asbestos in products allegedly manufactured by us or asbestos materials present in our facilities. During the first six months of 2023, approximately 400 claims were filed against us and approximately 600 were settled or dismissed. The amounts expended on asbestos defense and claim resolution by us and our insurers during the first six months of 2023 was $9 million. At June 30, 2023, there were approximately 37,000 asbestos claims pending against us. The plaintiffs are seeking unspecified actual and punitive damages and other relief. Refer to Note to the Consolidated Financial Statements No. 12, Commitments and Contingent Liabilities, for additional information on asbestos litigation.

Reference is made to Item 3 of Part I of our 2022 Form 10-K and to Item I of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 for additional discussion of legal proceedings.

ITEM 1A. RISK FACTORS.

Refer to “Item 1A. Risk Factors” in our 2022 Form 10-K for a discussion of our risk factors.

ITEM 5. OTHER INFORMATION.

During the quarterly period ended June 30, 2023, none of our directors or officers informed us of the adoption, modification or termination of a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

ITEM 6. EXHIBITS.

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

Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2023
INDEX OF EXHIBITS

Exhibit Table Item No.	Description of Exhibit	Exhibit Number
10	**Material Contracts**	
(a)	Cooperation Agreement between The Goodyear Tire & Rubber Company, Elliott Investment Management L.P., Elliott Associates, L.P., and Elliott International, L.P., dated July 25, 2023 (incorporated by reference, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 25, 2023, File No. 1-1927).	
22	**Subsidiary Guarantors of Guaranteed Securities**	
(a)	List of Subsidiary Guarantors.	22.1
31	**Rule 13a-14(a) Certifications**	
(a)	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.	31.1
(b)	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.	31.2
32	**Section 1350 Certifications**	
(a)	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.	32.1
101	**Interactive Data Files**	
	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	101.INS
	Inline XBRL Taxonomy Extension Schema Document.	101.SCH
	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	101.CAL
	Inline XBRL Taxonomy Extension Definition Linkbase Document.	101.DEF
	Inline XBRL Taxonomy Extension Label Linkbase Document.	101.LAB
	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	101.PRE
104	**Cover Page Interactive Data File**	
	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL (included as Exhibit 101).	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE GOODYEAR TIRE & RUBBER COMPANY
(Registrant)

Date:	August 3, 2023	By	/s/ MARGARET V. SNYDER
			Margaret V. Snyder, Vice President and Controller (Signing on behalf of the Registrant as a duly authorized officer of the Registrant and signing as the Principal Accounting Officer of the Registrant.)

EXHIBIT 22.1

LIST OF SUBSIDIARY GUARANTORS

The following subsidiaries of The Goodyear Tire & Rubber Company (the "Parent Company") were, as of June 30, 2023, guarantors of the Company's 9.5% senior notes due 2025, 5% senior notes due 2026, 4.875% senior notes due 2027, 5% senior notes due 2029, 5.25% senior notes due April 2031, 5.25% senior notes due July 2031 and 5.625% senior notes due 2033:

NAME OF SUBSIDIARY	PLACE OF INCORPORATION OR ORGANIZATION
Celeron Corporation	Delaware
Cooper International Holding Corporation	Delaware
Cooper Tire & Rubber Company LLC	Delaware
Cooper Tire & Rubber Company Vietnam Holding, LLC	Delaware
Cooper Tire Holding Company	Ohio
Divested Companies Holding Company	Delaware
Divested Litchfield Park Properties, Inc.	Arizona
Goodyear Canada Inc.	Ontario, Canada
Goodyear Export Inc.	Delaware
Goodyear Farms, Inc.	Arizona
Goodyear International Corporation	Delaware
Goodyear Western Hemisphere Corporation	Delaware
Max-Trac Tire Co., Inc.	Ohio
Raben Tire Co., LLC	Indiana
T&WA, Inc.	Kentucky
Wingfoot Brands LLC	Delaware

EXHIBIT 31.1

CERTIFICATION

I, Richard J. Kramer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Goodyear Tire & Rubber Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2023

/s/ RICHARD J. KRAMER

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

EXHIBIT 31.2

CERTIFICATION

I, Christina L. Zamarro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Goodyear Tire & Rubber Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2023

/s/ CHRISTINA L. ZAMARRO

Christina L. Zamarro
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, each of the undersigned officers of The Goodyear Tire & Rubber Company, an Ohio corporation (the “Company”), hereby certifies with respect to the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2023, as filed with the Securities and Exchange Commission (the “10-Q Report”) that to their knowledge:

(1) the 10-Q Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2023

/s/ RICHARD J. KRAMER

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

Dated: August 3, 2023

/s/ CHRISTINA L. ZAMARRO

Christina L. Zamarro
Executive Vice President and Chief Financial Officer
The Goodyear Tire & Rubber Company