GOODYEAR TIRE & RUBBER CO /OH/
Form 10-Q
October 27, 2017

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 September 30, 2017
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)
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o	Emerging growth company o

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. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ
Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

Number of Shares of Common Stock, Without Par Value, Outstanding at September 30, 2017:	246,327,106

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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 September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2017	2016	2017	2016
Net Sales	$3,921	$3,847	$11,306	$11,417
Cost of Goods Sold	3,069	2,736	8,626	8,250
Selling, Administrative and General Expense	556	599	1,718	1,807
Rationalizations (Note 2)	46	135	102	194
Interest Expense	84	90	260	285
Other (Income) Expense (Note 3)	4	(23)	9	3
Income before Income Taxes	162	310	591	878
United States and Foreign Taxes (Benefit) Expense (Note 4)	30	(10)	136	161
Net Income	132	320	455	717
Less: Minority Shareholders’ Net Income	3	3	13	14
Goodyear Net Income	$129	$317	$442	$703
Goodyear Net Income — Per Share of Common Stock				
Basic	$0.52	$1.21	$1.76	$2.66
Weighted Average Shares Outstanding (Note 5)	250	262	251	264
Diluted	$0.50	$1.19	$1.73	$2.62
Weighted Average Shares Outstanding (Note 5)	254	266	255	268
Cash Dividends Declared Per Common Share (Note 12)	$0.10	$0.17	$0.30	$0.31

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 September 30,		Nine Months Ended September 30,	
(In millions)	2017	2016	2017	2016
Net Income	$132	$320	$455	$717
Other Comprehensive Income (Loss):				
Foreign currency translation, net of tax of $25 and $44 in 2017 ($3 and $17 in 2016)	35	(12)	169	(5)
Defined benefit plans:				
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of $10 and $31 in 2017 ($8 and $24 in 2016)	18	17	57	49
(Increase)/Decrease in net actuarial losses, net of tax of ($16) and ($15) in 2017 ($0 and $0 in 2016)	(26)	1	(23)	2
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures, net of tax of $9 and $9 in 2017 ($0 and $0 in 2016)	15	—	15	15
Deferred derivative losses, net of tax of ($2) and ($9) in 2017 ($0 and $0 in 2016)	(5)	(1)	(19)	(1)
Reclassification adjustment for amounts recognized in income, net of tax of $0 and ($1) in 2017 ($0 and ($1) in 2016)	1	—	(2)	(5)
Other Comprehensive Income	38	5	197	55
Comprehensive Income	170	325	652	772
Less: Comprehensive Income Attributable to Minority Shareholders	4	3	27	16
Goodyear Comprehensive Income	$166	$322	$625	$756

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

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

(In millions)	September 30, 2017	December 31, 2016
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 822	$ 1,132
Accounts Receivable, less Allowance — $119 ($101 in 2016)	2,672	1,769
Inventories:		
Raw Materials	463	436
Work in Process	145	131
Finished Products	2,383	2,060
	2,991	2,627
Prepaid Expenses and Other Current Assets	242	190
Total Current Assets	6,727	5,718
Goodwill	587	535
Intangible Assets	137	136
Deferred Income Taxes (Note 4)	2,356	2,414
Other Assets	714	668
Property, Plant and Equipment, less Accumulated Depreciation — $9,945 ($9,125 in 2016)	7,331	7,040
Total Assets	$ 17,852	$ 16,511
Liabilities:		
Current Liabilities:		
Accounts Payable — Trade	$ 2,624	$ 2,589
Compensation and Benefits (Notes 9 and 10)	582	584
Other Current Liabilities	1,062	963
Notes Payable and Overdrafts (Note 7)	276	245
Long Term Debt and Capital Leases due Within One Year (Note 7)	378	436
Total Current Liabilities	4,922	4,817
Long Term Debt and Capital Leases (Note 7)	5,737	4,798
Compensation and Benefits (Notes 9 and 10)	1,459	1,460
Deferred Income Taxes (Note 4)	91	85
Other Long Term Liabilities	522	626
Total Liabilities	12,731	11,786
Commitments and Contingent Liabilities (Note 11)		
Shareholders’ Equity:		
Goodyear Shareholders’ Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares — 246 and 252 million in 2017 and 2016 after deducting 32 and 26 million treasury shares in 2017 and 2016	246	252
Capital Surplus	2,476	2,645
Retained Earnings	6,175	5,808
Accumulated Other Comprehensive Loss	(4,015)	(4,198)
Goodyear Shareholders’ Equity	4,882	4,507
Minority Shareholders’ Equity — Nonredeemable	239	218
Total Shareholders’ Equity	5,121	4,725
Total Liabilities and Shareholders’ Equity	$ 17,852	$ 16,511

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

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

	Nine Months Ended September 30,	
(In millions)	2017	2016
Cash Flows from Operating Activities:		
Net Income	$455	$717
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	586	536
Amortization and Write-Off of Debt Issuance Costs	17	24
Provision for Deferred Income Taxes	33	31
Net Pension Curtailments and Settlements	13	13
Net Rationalization Charges (Note 2)	102	194
Rationalization Payments	(96)	(68)
Net (Gains) Losses on Asset Sales (Note 3)	(14)	(28)
Pension Contributions and Direct Payments	(67)	(71)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(807)	(570)
Inventories	(254)	(236)
Accounts Payable — Trade	5	(144)
Compensation and Benefits	(27)	(68)
Other Current Liabilities	(51)	11
Other Assets and Liabilities	(49)	(51)
Total Cash Flows from Operating Activities	(154)	290
Cash Flows from Investing Activities:		
Capital Expenditures	(683)	(711)
Asset Dispositions (Note 3)	9	13
Short Term Securities Acquired	(51)	(46)
Short Term Securities Redeemed	51	34
Other Transactions	(1)	2
Total Cash Flows from Investing Activities	(675)	(708)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	544	219
Short Term Debt and Overdrafts Paid	(523)	(99)
Long Term Debt Incurred	4,972	4,129
Long Term Debt Paid	(4,193)	(4,025)
Common Stock Issued	12	9
Common Stock Repurchased (Note 12)	(205)	(200)
Common Stock Dividends Paid (Note 12)	(75)	(56)
Transactions with Minority Interests in Subsidiaries	(6)	(9)
Debt Related Costs and Other Transactions	(69)	(77)
Total Cash Flows from Financing Activities	457	(109)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	51	25
Net Change in Cash, Cash Equivalents and Restricted Cash	(321)	(502)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	1,189	1,502
Cash, Cash Equivalents and Restricted Cash at End of the Period	$868	$1,000

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

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

NOTE 1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by The Goodyear Tire & Rubber Company (the “Company,” “Goodyear,” “we,” “us” or “our”) in accordance with Securities and Exchange Commission rules a regulations and generally accepted accounting principles in the United States of America ("US GAAP") and in the opinion of management contain all adjustments (including normal recurring adjustments) necessary to fairly state the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016 (the “2016 Form 10-K”).

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

Recently Adopted Accounting Standards

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

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

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

Effective January 1, 2017, we early adopted an accounting standards update with new guidance on the presentation of restricted cash in the statement of cash flows. The standards update requires that the reconciliation of the beginning and end of period cash amounts shown in the statement of cash flows include restricted cash. When restricted cash is presented separately from cash and cash equivalents on the balance sheet, a reconciliation is required between the amounts presented on the statement of cash flows and the balance sheet. Also, the new guidance requires the disclosure of information about the nature of the restrictions. The restricted cash balances as of September 30, 2017, December 31, 2016, and September 30, 2016 were $46 million, $57 million and $25 million, respectively.

Recently Issued Accounting Standards

In August 2017, the Financial Accounting Standards Board ("FASB") issued an accounting standards update with new guidance intended to reduce complexity in hedge accounting and make hedge results easier to understand. This includes simplifying how hedge results are presented and disclosed in the financial statements, expanding the types of hedge strategies allowed and providing relief around the documentation and assessment requirements. The standards

update is effective using a modified retrospective approach, with the presentation and disclosure guidance required prospectively, for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. We are currently assessing the impact of this standards update on our consolidated financial statements.
In May 2017, the FASB issued an accounting standards update with new guidance to clarify when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires the application of modification accounting if the value, vesting conditions or classification of the award changes. The standards update is effective prospectively for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted. The adoption of this standards update is not expected to impact our consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In March 2017, the FASB issued an accounting standards update intended to improve the financial statement presentation of pension and postretirement benefits cost. The standards update requires employers that offer defined benefit pension or other postretirement benefit plans to report service cost in the same income statement line as compensation costs and to report non-service related costs separately from service cost outside a sub-total of income from operations, if one is presented. Currently, the Company records both service and non-service related costs in selling, administrative and general expense ("SAG") and cost of goods sold ("CGS"), as appropriate. Under the new standard, non-service related costs, which are expected to total approximately $70 million for full-year 2017, will be recorded in Other (Income) Expense. In addition, the new guidance allows only service cost to be capitalized. The standards update is effective retrospectively for the financial statement presentation of benefits cost and prospectively for the capitalization of service cost for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted.

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

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

In February 2016, the FASB issued an accounting standards update with new guidance intended to increase transparency and comparability among organizations relating to leases. Lessees will be required to recognize a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term. The FASB retained a dual model for lease classification, requiring leases to be classified as finance or operating leases to determine recognition in the statements of operations and cash flows; however, substantially all leases will be required to be recognized on the balance sheet. Lessor accounting is largely unchanged from the current accounting model. The standards update will also require quantitative and qualitative disclosures regarding key information about leasing arrangements. The standards update is effective using the modified retrospective approach for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. The standard provides for certain practical expedients. The transition will require application at the beginning of the earliest comparative period presented at the time of adoption. We are substantially complete with aggregating our worldwide lease contracts, are in the process of evaluating these lease contracts and are in the early stages of implementing a new lease accounting system to support the accounting and disclosure requirements of this standards update. The adoption of this standards update is expected to have a material impact on our financial statements as the Company has significant operating lease commitments that are off-balance sheet in accordance with current US GAAP.

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

Principles of Consolidation

The consolidated financial statements include the accounts of all legal entities in which we hold a controlling financial interest. A controlling financial interest generally arises from our ownership of a majority of the voting shares of our subsidiaries. We would also hold a controlling financial interest in variable interest entities if we are considered to be the primary beneficiary. Investments in companies in which we do not own a majority interest and we have the ability to exercise significant influence

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

over operating and financial policies are accounted for using the equity method. Investments in other companies are carried at cost. All intercompany balances and transactions have been eliminated in consolidation.

Restricted Cash

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

(In millions)	September 30,	
	2017	2016
Cash and Cash Equivalents	$822	$975
Restricted Cash	46	25
Total Cash, Cash Equivalents and Restricted Cash	$868	$1,000

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

Reclassifications and Adjustments

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

NOTE 2. COSTS ASSOCIATED WITH RATIONALIZATION PROGRAMS

In order to maintain our global competitiveness, we have implemented rationalization actions over the past several years to reduce high-cost and excess manufacturing capacity and associate headcount.

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

(In millions)	Associate-Related Costs	Other Exit and Non-cancelable Lease Costs	Total
Balance at December 31, 2016	$ 214	$ 5	$219
2017 Charges [(1)]	70	25	95
Incurred, including net Foreign Currency Translation of $23 million and $0 million, respectively	(47)	(26)	(73)
Reversed to the Statements of Operations	(7)	—	(7)
Balance at September 30, 2017	$ 230	$ 4	$234

(1) Charges of $95 million exclude $14 million of benefit plan curtailments and settlements recorded in Rationalizations in the Statement of Operations.

Rationalization actions accrued at September 30, 2017 include $118 million related to the closure of our tire manufacturing facility in Philippsburg, Germany. The closure is in furtherance of our strategy to capture the growing demand for premium, large-rim diameter tires in part by reducing excess capacity in declining, less profitable segments of the tire market. Approximately $65 million of the accrued charges related to the closure are expected to be paid during the fourth quarter of 2017 with the remainder paid in 2018.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

(In millions)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Current Year Plans				
Associate Severance and Other Related Costs	$ 26	$ 128	$ 51	$ 171
Other Exit and Non-Cancelable Lease Costs	—	—	1	—
Current Year Plans - Net Charges	$ 26	$ 128	$ 52	$ 171
Prior Year Plans				
Associate Severance and Other Related Costs	$ (5)	$ —	$ 12	$ 10
Benefit Plan Curtailments and Settlements	13	1	14	—
Other Exit and Non-Cancelable Lease Costs	12	6	24	13
Prior Year Plans - Net Charges	20	7	50	23
Total Net Charges	$ 46	$ 135	$ 102	$ 194
Asset Write-off and Accelerated Depreciation Charges	$ 10	$ 3	$ 39	$ 10

Substantially all of the new charges for the three and nine months ended September 30, 2017 and 2016 related to future cash outflows. Net current year plan charges for the three and nine months ended September 30, 2017 include charges of $25 million related to a global plan to reduce SAG headcount. Net current year plan charges for the nine months ended September 30, 2017 also include charges of $20 million related to SAG headcount reductions in certain countries in EMEA and $7 million related to a plan to improve operating efficiency in EMEA. Net current year plan charges for the three and nine months ended September 30, 2016 primarily related to the closure of our tire manufacturing facility in Philippsburg, Germany, manufacturing headcount reductions in EMEA to improve operating efficiency and a separate plan to reduce SAG headcount globally.

Net prior year plan charges for the three months ended September 30, 2017 include $9 million related to the closure of our tire manufacturing facility in Philippsburg, Germany and $9 million related to a separate global plan to reduce SAG headcount. Net prior year plan charges for the nine months ended September 30, 2017 include $29 million related to the closure of our tire manufacturing facility in Philippsburg, Germany, $9 million related to a separate global plan to reduce SAG headcount and $9 million related to manufacturing headcount reductions in certain countries in EMEA. Net prior year plan charges for the three and nine months ended September 30, 2016 include charges of $2 million and $11 million, respectively, for associate severance and idle plant costs related to the closure of one of our manufacturing facilities in Amiens, France.

Net charges for the three and nine months ended September 30, 2017 included reversals of $5 million and $7 million, respectively, for actions no longer needed for their originally intended purposes. Ongoing rationalization plans had approximately $595 million in charges incurred prior to 2017 and approximately $45 million is expected to be incurred in future periods.

Approximately 400 associates will be released under new plans initiated in 2017, of which approximately 100 were released through September 30, 2017. In the first nine months of 2017, approximately 1,100 associates were released under plans initiated in prior years, primarily related to the closure of our tire manufacturing facility in Philippsburg, Germany. Approximately 750 associates remain to be released under all ongoing rationalization plans.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3. OTHER (INCOME) EXPENSE

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2017	2016	2017	2016
Financing fees and financial instruments	$ 8	$ 7	$ 48	$ 75
Royalty income	(10)	(4)	(26)	(18)
Net (gains) losses on asset sales	(1)	(27)	(14)	(28)
Interest income	(3)	(4)	(10)	(12)
Net foreign currency exchange (gains) losses	(1)	(1)	(4)	(4)
General and product liability expense (income) - discontinued products	(3)	2	—	(14)
Miscellaneous expense	14	4	15	4
	$ 4	$ (23)	$ 9	$ 3

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

Net (gains) losses on asset sales for the nine months ended September 30, 2017 include a gain of $6 million related to the sale of a former wire plant site in Luxembourg. Net (gains) losses on asset sales for the three and nine months ended September 30, 2016 include a $16 million gain related to the sale of the former wire plant site and a $9 million gain related to the sale of our interest in a supply chain logistics company.

General and product liability expense (income) - discontinued products consists of charges for claims against us related primarily to asbestos personal injury claims, net of probable insurance recoveries. General and product liability expense (income) - discontinued products for the three and nine months ended September 30, 2017 includes a benefit of $5 million for the recovery of past costs from certain asbestos insurers. General and product liability expense (income) - discontinued products for the nine months ended September 30, 2016 includes a benefit of $4 million for the recovery of past costs from certain asbestos insurers and a benefit of $10 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods.

Miscellaneous expense for the three and nine months ended September 30, 2017 includes $12 million related to expenses incurred by the Company as a direct result of hurricanes Harvey and Irma during the third quarter of 2017.

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

NOTE 4. INCOME TAXES

In the third quarter of 2017, we recorded tax expense of $30 million on income before income taxes of $162 million. For the first nine months of 2017, we recorded tax expense of $136 million on income before income taxes of $591 million. Income tax expense for the three and nine months ended September 30, 2017 was favorably impacted by $12 million and $23 million of various discrete tax adjustments, respectively. In the third quarter of 2016, we recorded a net tax benefit of $10 million on income before income taxes of $310 million. For the first nine months of 2016, we recorded tax expense of $161 million on income before income taxes of $878 million. Income tax benefit and expense for the three and nine months ended September 30, 2016 was favorably impacted by $118 million and $127 million of various discrete tax adjustments, respectively, primarily comprised of a tax benefit resulting from changing our election for our 2009, 2010 and 2012 U.S. tax years from deducting foreign taxes to crediting foreign taxes.

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

Our losses in various foreign taxing jurisdictions in recent periods represented sufficient negative evidence to require us to maintain a full valuation allowance against certain of our net foreign deferred tax assets. Each reporting period we assess available positive

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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and negative evidence and estimate if sufficient future taxable income will be generated to utilize these existing deferred tax assets. We do not believe that sufficient positive evidence required to release all or a significant portion of these valuation allowances will exist within the next twelve months.

At January 1, 2017, we had unrecognized tax benefits of $63 million that if recognized, would have a favorable impact on our tax expense of $47 million. We had accrued interest of $4 million as of January 1, 2017. If not favorably settled, $12 million of the unrecognized tax benefits and all of the accrued interest would require the use of our cash. We do not expect any changes to our unrecognized tax benefits during 2017 to have a significant impact on our financial position or results of operations.

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

NOTE 5. EARNINGS PER SHARE

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2017	2016	2017	2016
Earnings per share — basic:				
Goodyear net income	$ 129	$ 317	$ 442	$ 703
Weighted average shares outstanding	250	262	251	264
Earnings per common share — basic	$ 0.52	$ 1.21	$ 1.76	$ 2.66
Earnings per share — diluted:				
Goodyear net income	$ 129	$ 317	$ 442	$ 703
Weighted average shares outstanding	250	262	251	264
Dilutive effect of stock options and other dilutive securities	4	4	4	4
Weighted average shares outstanding — diluted	254	266	255	268
Earnings per common share — diluted	$ 0.50	$ 1.19	$ 1.73	$ 2.62

Weighted average shares outstanding - diluted for the three and nine months ended September 30, 2017 and for the nine months ended September 30, 2016 exclude approximately 1 million equivalent shares related to options with exercise prices greater than the average market price of our common shares (i.e., "underwater" options). There were no equivalent shares related to options with exercise prices greater than the average market price of our common shares for the three months ended September 30, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6. BUSINESS SEGMENTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2017	2016	2017	2016
Sales:				
Americas	$2,041	$2,070	$6,028	$6,111
Europe, Middle East and Africa	1,311	1,236	3,664	3,748
Asia Pacific	569	541	1,614	1,558
Net Sales	$3,921	$3,847	$11,306	$11,417
Segment Operating Income:				
Americas	$189	$305	$616	$856
Europe, Middle East and Africa	87	152	262	380
Asia Pacific	81	99	225	270
Total Segment Operating Income	$357	$556	$1,103	$1,506
Less:				
Rationalizations	$46	$135	$102	$194
Interest expense	84	90	260	285
Other (income) expense (Note 3)	4	(23)	9	3
Asset write-offs and accelerated depreciation	10	3	39	10
Corporate incentive compensation plans	—	20	27	60
Pension curtailments/settlements	13	—	13	14
Intercompany profit elimination	21	2	16	7
Retained expenses of divested operations	3	2	9	12
Other	14	17	37	43
Income before Income Taxes	$162	$310	$591	$878

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

(In millions)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Rationalizations:				
Americas	$ 4	$ 6	$ 6	$ 10
Europe, Middle East and Africa	25	126	78	179
Asia Pacific	1	—	2	1
Total Segment Rationalizations	$ 30	$ 132	$ 86	$ 190
Corporate	16	3	16	4
Total Rationalizations	$ 46	$ 135	$ 102	$ 194
Net (Gains) Losses on Asset Sales:				
Americas	$ (1)	$ —	$ (4)	$ —
Europe, Middle East and Africa	—	(18)	(10)	(18)
Asia Pacific	—	—	—	(1)
Total Segment Asset Sales	$ (1)	$ (18)	$ (14)	$ (19)
Corporate	—	(9)	—	(9)
Total Net (Gains) Losses on Asset Sales	$ (1)	$ (27)	$ (14)	$ (28)
Asset Write-offs and Accelerated Depreciation:				
Americas	$ —	$ 1	$ —	$ 1
Europe, Middle East and Africa	10	2	39	9
Total Segment Asset Write-offs and Accelerated Depreciation	$ 10	$ 3	$ 39	$ 10

NOTE 7. FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

At September 30, 2017, we had total credit arrangements of $8,851 million, of which $2,420 million were unused. At that date, 41% of our debt was at variable interest rates averaging 4.08%.

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

At September 30, 2017, we had short term committed and uncommitted credit arrangements totaling $627 million, of which $351 million were unused. These arrangements are available primarily to certain of our foreign subsidiaries through various banks at quoted market interest rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents amounts due within one year:

(In millions)	September 30, 2017	December 31, 2016
Notes payable and overdrafts	$ 276	$ 245
Weighted average interest rate	5.98 %	6.18 %
Chinese credit facilities	$ 125	$ 146
Other domestic and foreign debt (including capital leases)	253	290
Long term debt and capital leases due within one year	$ 378	$ 436
Weighted average interest rate	6.98 %	9.39 %
Total obligations due within one year	$ 654	$ 681

Long Term Debt and Capital Leases and Financing Arrangements

At September 30, 2017, we had long term credit arrangements totaling $8,224 million, of which $2,069 million were unused.

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

	September 30, 2017		December 31, 2016	
(In millions)	Amount	Interest Rate	Amount	Interest Rate
Notes:				
8.75% due 2020	$275		$273	
7% due 2022	—		700	
5.125% due 2023	1,000		1,000	
3.75% Euro Notes due 2023	296		264	
5% due 2026	900		900	
4.875% due 2027	700		—	
7% due 2028	150		150	
Credit Facilities:				
$2.0 billion first lien revolving credit facility due 2021	375	2.45 %	85	1.98 %
Second lien term loan facility due 2019	399	3.24 %	399	3.75 %
€550 million revolving credit facility due 2020	390	1.75 %	—	—
Pan-European accounts receivable facility	241	0.89 %	198	0.98 %
Chinese credit facilities	247	4.81 %	315	4.68 %
Other foreign and domestic debt[(1)]	1,145	6.08 %	951	9.14 %
	6,118		5,235	
Unamortized deferred financing fees	(43)		(42)	
	6,075		5,193	
Capital lease obligations	40		41	
	6,115		5,234	
Less portion due within one year	(378)		(436)	
	$5,737		$4,798	

(1) Interest rates are weighted average interest rates related to various foreign credit facilities with customary terms and conditions and domestic debt related to our Global and Americas Headquarters.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTES
$700 million 4.875% Senior Notes due 2027
In March 2017, we issued $700 million in aggregate principal amount of 4.875% senior notes due 2027. These notes were sold at 100% of the principal amount and will mature on March 15, 2027. These notes are unsecured senior obligations and are guaranteed by our U.S. and Canadian subsidiaries that also guarantee our obligations under our U.S. senior secured credit facilities described below.
$700 million 7% Senior Notes due 2022
In May 2017, we used the proceeds from the $700 million 4.875% senior notes due 2027, together with cash and cash equivalents, to redeem in full our $700 million 7% senior notes due 2022, which included the payment of a $25 million redemption premium plus accrued and unpaid interest to the redemption date. We also recorded $6 million of expense for the write-off of deferred financing fees as a result of the redemption.
CREDIT FACILITIES
$2.0 billion Amended and Restated First Lien Revolving Credit Facility due 2021
Our amended and restated first lien revolving credit facility is available in the form of loans or letters of credit, with letter of credit availability limited to $800 million. Subject to the consent of the lenders whose commitments are to be increased, we may request that the facility be increased by up to $250 million. Our obligations under the facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries. Our obligations under the facility and our subsidiaries' obligations under the related guarantees are secured by first priority security interests in a variety of collateral. Based on our current liquidity, amounts drawn under this facility bear interest at LIBOR plus 125 basis points, and undrawn amounts under the facility will be subject to an annual commitment fee of 30 basis points.
Availability under the facility is subject to a borrowing base, which is based primarily on (i) eligible accounts receivable and inventory of The Goodyear Tire & Rubber Company and certain of its U.S. and Canadian subsidiaries, (ii) the value of our principal trademarks, and (iii) certain cash in an amount not to exceed $200 million. To the extent that our eligible accounts receivable and inventory and other components of the borrowing base decline in value, our borrowing base will decrease and the availability under the facility may decrease below $2.0 billion. As of September 30, 2017, our borrowing base, and therefore our availability, under this facility was $266 million below the facility's stated amount of $2.0 billion.
The facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our business or financial condition since December 31, 2015. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.
At September 30, 2017, we had $375 million of borrowings and $37 million of letters of credit issued under the revolving credit facility. At December 31, 2016, we had $85 million of borrowings and $40 million of letters of credit issued under the revolving credit facility.
Amended and Restated Second Lien Term Loan Facility due 2019
In March 2017, we amended our second lien term loan facility. As a result of the amendment, the term loan now bears interest, at our option, at (i) 200 basis points over LIBOR or (ii) 100 basis points over an alternative base rate (the higher of (a) the prime rate, (b) the federal funds effective rate or the overnight bank funding rate plus 50 basis points or (c) LIBOR plus 100 basis points). In addition, if the Total Leverage Ratio is equal to or less than 1.25 to 1.00, we have the option to further reduce the spreads described above by 25 basis points. "Total Leverage Ratio" has the meaning given it in the facility.
Our obligations under our second lien term loan facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries and are secured by second priority security interests in the same collateral securing the $2.0 billion first lien revolving credit facility.
At September 30, 2017 and December 31, 2016, the amounts outstanding under this facility were $399 million.

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

Our amended and restated €550 million European revolving credit facility consists of (i) a €125 million German tranche that is available only to Goodyear Dunlop Tires Germany GmbH ("GDTG") and (ii) a €425 million all-borrower tranche that is available to Goodyear Dunlop Tires Europe B.V. ("GDTE"), GDTG and Goodyear Dunlop Tires Operations S.A. Up to €150 million of swingline loans and €50 million in letters of credit are available for issuance under the all-borrower tranche. Amounts drawn under

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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this facility will bear interest at LIBOR plus 175 basis points for loans denominated in U.S. dollars or pounds sterling and EURIBOR plus 175 basis points for loans denominated in euros, and undrawn amounts under the facility will be subject to an annual commitment fee of 30 basis points.

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

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

At September 30, 2017, there were $148 million (€125 million) of borrowings outstanding under the German tranche and there were $242 million (€205 million) of borrowings outstanding under the all-borrower tranche. At December 31, 2016, there were no borrowings outstanding under the European revolving credit facility. There were no letters of credit issued at September 30, 2017 and December 31, 2016.

Accounts Receivable Securitization Facilities (On-Balance Sheet)

GDTE and certain other of our European subsidiaries are parties to a pan-European accounts receivable securitization facility that expires in 2019. The terms of the facility provide the flexibility to designate annually the maximum amount of funding available under the facility in an amount of not less than €45 million and not more than €450 million. For the period beginning October 16, 2016 to October 15, 2017, the designated maximum amount of the facility was €320 million. Effective October 16, 2017, the designated maximum amount of the facility was reduced to €275 million.

The facility involves an ongoing daily sale of substantially all of the trade accounts receivable of certain GDTE subsidiaries to a bankruptcy-remote French company controlled by one of the liquidity banks in the facility. These subsidiaries retain servicing responsibilities. Utilization under this facility is based on eligible receivable balances.

The funding commitments under the facility will expire upon the earliest to occur of: (a) September 25, 2019, (b) the non-renewal and expiration (without substitution) of all of the back-up liquidity commitments, (c) the early termination of the facility according to its terms (generally upon an Early Amortisation Event (as defined in the facility), which includes, among other things, events similar to the events of default under our senior secured credit facilities; certain tax law changes; or certain changes to law, regulation or accounting standards), or (d) our request for early termination of the facility. The facility's current back-up liquidity commitments will expire on October 15, 2018.

At September 30, 2017, the amounts available and utilized under this program totaled $241 million (€204 million). At December 31, 2016, the amounts available and utilized under this program totaled $198 million (€188 million). The program does not qualify for sale accounting, and accordingly, these amounts are included in Long Term Debt and Capital Leases.

In addition to the pan-European accounts receivable securitization facility discussed above, subsidiaries in Australia have an accounts receivable securitization program that provides flexibility to designate semi-annually the maximum amount of funding available under the facility in an amount of not less than 60 million Australian dollars and not more than 85 million Australian dollars. From July 1, 2016 to December 31, 2017, the designated maximum amount of the facility is 60 million Australian dollars. At September 30, 2017, the amounts available and utilized under this program were $31 million (AUD 39 million) and $29 million (AUD 37 million), respectively. At December 31, 2016, the amounts available and utilized under this program were $28 million (AUD 39 million) and $12 million (AUD 16 million), respectively. The receivables sold under this program also serve as collateral for the related facility. We retain the risk of loss related to these receivables in the event of non-payment. These amounts are included in Long

Term Debt and Capital Leases due Within One Year.

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

Accounts Receivable Factoring Facilities (Off-Balance Sheet)

We have sold certain of our trade receivables under off-balance sheet programs. For these programs, we have concluded that there is generally no risk of loss to us from non-payment of the sold receivables. At September 30, 2017, the gross amount of receivables sold was $495 million, compared to $502 million at December 31, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Other Foreign Credit Facilities

A Chinese subsidiary has several financing arrangements in China. At September 30, 2017, these non-revolving credit facilities had total unused availability of $218 million and can only be used to finance the expansion of our manufacturing facility in China. At September 30, 2017 and December 31, 2016, the amounts outstanding under these facilities were $247 million and $315 million, respectively. The facilities ultimately mature in 2025 and principal amortization began in 2015. The facilities contain covenants relating to the Chinese subsidiary and have customary representations and warranties and defaults relating to the Chinese subsidiary’s ability to perform its obligations under the facilities. At September 30, 2017 and December 31, 2016, restricted cash related to funds obtained under these credit facilities was $14 million and $8 million, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

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

Foreign Currency Contracts

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

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

(In millions)	September 30, 2017	December 31, 2016
Fair Values — Current asset (liability):		
Accounts receivable	$ 6	$ 30
Other current liabilities	(8)	(18)

At September 30, 2017 and December 31, 2016, these outstanding foreign currency derivatives had notional amounts of $1,121 million and $1,812 million, respectively, and were primarily related to intercompany loans. Other (Income) Expense included net transaction losses on derivatives of $10 million and $55 million for the three and nine months ended September 30, 2017, respectively, and net transaction losses on derivatives of $15 million and $33 million for the three and nine months ended September 30, 2016, 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 contracts designated as cash flow hedging instruments:

(In millions)	September 30, 2017	December 31, 2016
Fair Values — Current asset (liability):		
Accounts receivable	$ —	$ 9
Other current liabilities	(10)	—
Fair Values — Long term asset (liability):		
Other assets	$ —	$ 2
Other long term liabilities	(2)	—

At September 30, 2017 and December 31, 2016, these outstanding foreign currency derivatives had notional amounts of $261 million and $293 million, respectively, and primarily related to U.S. dollar denominated intercompany transactions.

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

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

(In millions) (Income) Expense	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Amounts deferred to Accumulated Other Comprehensive Loss ("AOCL")	$ 7	$ 1	$ 28	$ 1
Amount of deferred (gain) loss reclassified from AOCL into CGS	1	—	(3)	(6)
Amounts excluded from effectiveness testing	(1)	(1)	(2)	(1)

The estimated net amount of deferred losses at September 30, 2017 that are expected to be reclassified to earnings within the next twelve months is $14 million.

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

NOTE 8. FAIR VALUE MEASUREMENTS

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

(In millions)	Total Carrying Value in the Consolidated Balance Sheet 2017	2016	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) 2017	2016	Significant Other Observable Inputs (Level 2) 2017	2016	Significant Unobservable Inputs (Level 3) 2017	2016
Assets:								
Investments	$ 10	$ 9	$ 10	$ 9	$ —	$ —	$ —	$ —
Foreign Exchange Contracts	6	41	—	—	6	41	—	—
Total Assets at Fair Value	$ 16	$ 50	$ 10	$ 9	$ 6	$ 41	$ —	$ —
Liabilities:								
Foreign Exchange Contracts	$ 20	$ 18	$ —	$ —	$ 20	$ 18	$ —	$ —
Total Liabilities at Fair Value	$ 20	$ 18	$ —	$ —	$ 20	$ 18	$ —	$ —

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

(In millions)	September 30, 2017	December 31, 2016
Fixed Rate Debt:		
Carrying amount — liability	$ 3,580	$ 3,514
Fair value — liability	3,779	3,669

Variable Rate Debt:	
Carrying amount — liability	$ 2,495