GOODYEAR TIRE & RUBBER CO /OH/
Form 10-Q
October 28, 2016

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, 2016
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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Number of Shares of Common Stock, Without Par Value, Outstanding at September 30, 2016:	261,052,522

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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)	2016	2015	2016	2015
Net Sales	$3,847	$4,184	$11,417	$12,380
Cost of Goods Sold	2,736	3,000	8,250	9,093
Selling, Administrative and General Expense	599	633	1,807	1,889
Rationalizations (Note 2)	135	20	194	82
Interest Expense	90	105	285	322
Other (Income) Expense (Note 3)	(23)	(5)	3	(124)
Income before Income Taxes	310	431	878	1,118
United States and Foreign Taxes (Benefit) Expense (Note 4)	(10)	126	161	369
Net Income	320	305	717	749
Less: Minority Shareholders' Net Income	3	34	14	62
Goodyear Net Income	$317	$271	$703	$687
Goodyear Net Income — Per Share of Common Stock				
Basic	$1.21	$1.01	$2.66	$2.55
Weighted Average Shares Outstanding (Note 5)	262	269	264	270
Diluted	$1.19	$0.99	$2.62	$2.51
Weighted Average Shares Outstanding (Note 5)	266	274	268	274
Cash Dividends Declared Per Common Share	$0.17	$0.06	$0.31	$0.18

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)	2016	2015	2016	2015
Net Income	$ 320	$ 305	$ 717	$ 749
Other Comprehensive Income (Loss):				
Foreign currency translation, net of tax of $3 and $17 in 2016 (($18) and ($42) in 2015)	(12)	(100)	(5)	(205)
Reclassification adjustment for amounts recognized in income, net of tax of $0 and $0 in 2016 and 2015	—	1	—	2
Defined benefit plans:				
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of $8 and $24 in 2016 ($9 and $27 in 2015)	17	19	49	56
Decrease in net actuarial losses, net of tax of $0 and $0 in 2016 ($0 and $11 in 2015)	1	—	2	24
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures, net of tax of $0 and $0 in 2016 and 2015	—	—	15	2
Deferred derivative gains (losses), net of tax of $0 and $0 in 2016 ($1 and $3 in 2015)	(1)	6	(1)	16
Reclassification adjustment for amounts recognized in income, net of tax of $0 and $(1) in 2016 ($0 and ($2) in 2015)	—	(8)	(5)	(21)
Unrealized investment (losses) gains, net of tax of $0 and $0 in 2016 ($0 and $1 in 2015)	—	(4)	—	(3)
Other Comprehensive Income (Loss)	5	(86)	55	(129)
Comprehensive Income	325	219	772	620
Less: Comprehensive Income Attributable to Minority Shareholders	3	15	16	—
Goodyear Comprehensive Income	$ 322	$ 204	$ 756	$ 620

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, 2016	December 31, 2015
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 975	$ 1,476
Accounts Receivable, less Allowance — $110 ($105 in 2015)	2,649	2,033
Inventories:		
Raw Materials	464	419
Work in Process	143	138
Finished Products	2,147	1,907
	2,754	2,464
Prepaid Expenses and Other Current Assets	193	153
Total Current Assets	6,571	6,126
Goodwill	564	555
Intangible Assets	138	138
Deferred Income Taxes (Note 4)	2,129	2,141
Other Assets	702	654
Property, Plant and Equipment, less Accumulated Depreciation — $9,206 ($8,637 in 2015)	7,039	6,777
Total Assets	$ 17,143	$ 16,391
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	$ 2,600	$ 2,769
Compensation and Benefits (Notes 9 and 10)	625	666
Other Current Liabilities	993	886
Notes Payable and Overdrafts (Note 7)	179	49
Long Term Debt and Capital Leases due Within One Year (Note 7)	403	585
Total Current Liabilities	4,800	4,955
Long Term Debt and Capital Leases (Note 7)	5,446	5,074
Compensation and Benefits (Notes 9 and 10)	1,388	1,468
Deferred Income Taxes (Note 4)	89	91
Other Long Term Liabilities	716	661
Total Liabilities	12,439	12,249
Commitments and Contingent Liabilities (Note 11)		
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares — 261 million (267 million in 2015) after deducting 17 million treasury shares (11 million in 2015)	261	267
Capital Surplus	2,926	3,093
Retained Earnings	5,247	4,570
Accumulated Other Comprehensive Loss	(3,957)	(4,010)
Goodyear Shareholders' Equity	4,477	3,920
Minority Shareholders' Equity — Nonredeemable	227	222
Total Shareholders' Equity	4,704	4,142
Total Liabilities and Shareholders' Equity	$ 17,143	$ 16,391

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)	2016	2015
Cash Flows from Operating Activities:		
Net Income	$717	$749
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	536	522
Amortization and Write-Off of Debt Issuance Costs	24	6
Provision for Deferred Income Taxes	31	265
Net Pension Curtailments and Settlements	13	2
Net Rationalization Charges (Note 2)	194	82
Rationalization Payments	(68)	(105)
Net (Gains) Losses on Asset Sales (Note 3)	(28)	9
Pension Contributions and Direct Payments	(71)	(77)
Gain on Recognition of Deferred Royalty Income (Note 3)	—	(155)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(570)	(644)
Inventories	(236)	(97)
Accounts Payable — Trade	(144)	33
Compensation and Benefits	(68)	29
Other Current Liabilities	11	(29)
Other Assets and Liabilities	(104)	45
Total Cash Flows from Operating Activities	237	635
Cash Flows from Investing Activities:		
Capital Expenditures	(711)	(656)
Asset Dispositions (Note 3)	13	13
Decrease (Increase) in Restricted Cash	1	(11)
Short Term Securities Acquired	(46)	(50)
Short Term Securities Redeemed	34	25
Other Transactions	2	5
Total Cash Flows from Investing Activities	(707)	(674)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	219	72
Short Term Debt and Overdrafts Paid	(99)	(59)
Long Term Debt Incurred	4,129	1,265
Long Term Debt Paid	(4,025)	(1,469)
Common Stock Issued	9	33
Common Stock Repurchased (Note 12)	(200)	(82)
Common Stock Dividends Paid (Note 12)	(56)	(49)
Transactions with Minority Interests in Subsidiaries	(9)	(5)
Debt Related Costs and Other Transactions	(24)	(12)
Total Cash Flows from Financing Activities	(56)	(306)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	25	(102)
Net Change in Cash and Cash Equivalents	(501)	(447)
Cash and Cash Equivalents at Beginning of the Period	1,476	2,161

Less: Cash Held for Sale	—	(24)
Cash and Cash Equivalents at End of the Period	$975	$1,690

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 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, 2015 (the “2015 Form 10-K”).

Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results expected in subsequent quarters or for the year ending December 31, 2016.

Effective January 1, 2016, we combined our previous North America and Latin America strategic business units ("SBUs") into one Americas SBU. Accordingly, we have also combined the North America and Latin America reportable segments effective on that date to align with the new organizational structure and the basis used for reporting to our Chief Executive Officer. Prior periods have been restated to reflect this change.

Recently Adopted Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update with new guidance on employee share-based payment accounting. This update involves several aspects of the accounting for share-based payment transactions, including income tax effects, forfeitures and classifications on the statement of cash flows. The standards update is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted in an interim or annual period effective as of the beginning of the year of adoption; however, all amendments must be adopted at the same time. The new standard eliminates the accounting for excess tax benefits recognized in additional paid-in capital and tax deficiencies recognized either in the income tax provision or in additional paid-in capital, and instead requires all tax effects related to share-based payments to be recorded as a discrete adjustment through the income statement and recognized regardless of whether the benefit reduces taxes payable in the current period. We have elected early adoption of the standard in the third quarter of 2016 which will be applied using a modified retrospective approach. As a result of the adoption, a cumulative effect adjustment to increase retained earnings by $56 million as of January 1, 2016 has been reflected in the financial statements to include all tax benefits that were not previously recognized. Also, for the nine months ended September 30, 2016, we have recognized an income tax benefit of approximately $4 million in the quarterly period ended September 30, 2016. The treatment of forfeitures has not changed as we are electing to continue our current process of estimating the number of forfeitures. All tax related cash flows resulting from share-based payments will be reported as operating activities in the statement of cash flows.

Effective January 1, 2016, we adopted an accounting standards update providing new guidance on the presentation of debt issuance costs that requires costs incurred to issue debt to be presented on the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Debt issuance costs incurred in connection with line-of-credit arrangements will be presented as an asset. The new guidance also requires the amortization of such costs be reported in Interest Expense in the Statement of Operations. The adoption of this standards update resulted in reclassifications of $15 million from Prepaid Expenses and Other Current Assets and $33 million from Other Assets which decreased Long Term Debt and Capital Leases Due Within One Year by $2 million and Long Term Debt and Capital Leases by $46 million at December 31, 2015. The adoption of this standards update also resulted in a reclassification of $3 million and $11 million of expense from Other (Income) Expense to Interest Expense in the Statement of Operations for the three and nine months ended September 30, 2015, respectively.

Recently Issued Accounting Standards

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. We are currently assessing the impact of this standards update on our consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In August 2016, the FASB issued 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. The amendments in the standards update provide guidance on eight specific cash flow issues. The standards update is effective retrospectively for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted. We are currently assessing the impact of this standards update on our consolidated financial statements.

In March 2016, the FASB issued an accounting standards update with new guidance on the transition to the equity method of accounting. This update eliminates the requirement that an investor 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 standards update is effective prospectively for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. The adoption of this standards update is not expected to impact 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, almost 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 for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. It must be adopted using a modified retrospective approach, and 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 currently assessing the impact of this standards update on our consolidated financial statements.

In July 2015, the FASB issued 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 standards update is effective prospectively for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. We are currently assessing the impact of adopting this standards update on our consolidated financial statements.

In August 2014, the FASB issued an accounting standards update with new guidance on management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. Management must evaluate whether it is probable that known conditions or events, considered in the aggregate, would raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. If such conditions or events are identified, the standard requires management's mitigation plans to alleviate the doubt or a statement of the substantial doubt about the entity’s ability to continue as a going concern to be disclosed in the financial statements. The standards update is effective for the first annual period ending after December 15, 2016, with early adoption permitted. The adoption of this standards update is not expected to impact our consolidated financial statements.

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 accounting standards updates to address implementation issues and to clarify the guidance for identifying performance obligations, licenses and determining if a company is the principal or agent in a revenue arrangement. 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 application. We are currently evaluating our significant contracts and assessing any impact of adopting this standards update on our consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Principles of Consolidation

The consolidated financial statements include the accounts of all legal entities in which we hold a controlling financial interest. A controlling financial interest generally arises from our ownership of a majority of the voting shares of our subsidiaries. We would also hold a controlling financial interest in variable interest entities if we are considered to be the primary beneficiary. Investments in companies in which we do not own a majority interest and we have the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Investments in other companies are carried at cost. All intercompany balances and transactions have been eliminated in consolidation.

Effective December 31, 2015, we concluded that we did not meet the accounting criteria for control over our Venezuelan subsidiary and began reporting the results of our Venezuelan subsidiary using the cost method of accounting. We have determined the fair value of our investment in, and receivables from, our Venezuelan subsidiary to be insignificant based on our expectations of dividend payments and settlements of such receivables in future periods. Beginning January 1, 2016, our financial results do not include the operating results of our Venezuelan subsidiary although that subsidiary has continued operations. We will record income from sales of inventory and raw materials or from dividends or royalties to the extent cash is received from our Venezuelan subsidiary. Our exposure to future losses resulting from our Venezuelan subsidiary is limited to the extent that we decide to provide raw materials or finished goods to, or make future investments in, our Venezuelan subsidiary.

Dissolution of Global Alliance with Sumitomo Rubber Industries, Ltd. ("SRI")

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2. COSTS ASSOCIATED WITH RATIONALIZATION PROGRAMS
In order to maintain our global competitiveness, we have implemented rationalization actions over the past several years to reduce high-cost 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, 2015	$ 96	$ 7	$ 103
2016 Charges	183	13	196
Reversed to the Statements of Operations	(2)	—	(2)
Incurred, Net of Foreign Currency Translation of $3 million and $0 million, respectively	(52)	(14)	(66)
Balance at September 30, 2016	$ 225	$ 6	$ 231

On October 24, 2016, we announced a plan to close our tire manufacturing facility in Philippsburg, Germany. The plan 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. The plan, which remains subject to consultation with relevant employee representative bodies, would result in approximately 890 job reductions. We accrued $116 million in charges related to the plan in the third quarter of 2016, which are expected to be paid through 2018.
The remainder of the accrual balance at September 30, 2016 is expected to be substantially utilized within the next 12 months and includes $25 million related to manufacturing headcount reductions in certain countries in Europe, Middle East and Africa ("EMEA"), $20 million related to the plan to close our Wolverhampton, U.K. mixing and retreading facility and the plan to transfer consumer tire production from our manufacturing facility in Wittlich, Germany to other manufacturing facilities in EMEA, $19 million related to our global plan to reduce selling, administrative and general ("SAG") headcount and $16 million related to the closure of one of our manufacturing facilities in Amiens, France.
The following table shows net rationalization charges included in Income before Income Taxes:

(In millions)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Current Year Plans				
Associate Severance and Other Related Costs	$ 128	$ 11	$ 171	$ 46
Other Exit and Non-Cancelable Lease Costs	—	3	—	4
Current Year Plans - Net Charges	$ 128	$ 14	$ 171	$ 50
Prior Year Plans				
Associate Severance and Other Related Costs	$ —	$ 2	$ 10	$ 18
Benefit Plan Curtailment Loss (Gain)	1	—	—	(1)
Other Exit and Non-Cancelable Lease Costs	6	4	13	15
Prior Year Plans - Net Charges	7	6	23	32
Total Net Charges	$ 135	$ 20	$ 194	$ 82
Asset Write-off and Accelerated Depreciation Charges	$ 3	$ 3	$ 10	$ 5

Substantially all of the new charges for the three and nine months ended September 30, 2016 related to future cash outflows. Net current year plan charges for the three months ended September 30, 2016 include charges of $116 million related to the announced plan to close our manufacturing facility in Philippsburg, Germany and $8 million related to a plan to reduce global SAG headcount. Net current year plan charges for the nine months ended September 30, 2016 include charges of $116 million related to the announced plan to close our manufacturing facility in Philippsburg, Germany, $26 million related to manufacturing headcount reductions in EMEA to improve operating efficiency and $20 million related to a plan to reduce global SAG headcount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 prior year plan charges for the three and nine months ended September 30, 2015 include charges of $2 million and $21 million, respectively, for associate severance and idle plant costs related to the closure of one of our manufacturing facilities in Amiens, France and our exit from the farm tire business in EMEA.

Net charges for the nine months ended September 30, 2016 included reversals of $2 million for actions no longer needed for their originally intended purposes. Ongoing rationalization plans had approximately $375 million in charges incurred prior to 2016 and approximately $67 million is expected to be incurred in future periods.

Approximately 1,200 associates will be released under new plans initiated in 2016. In the first nine months of 2016, approximately 500 associates were released under plans initiated in prior years. In total, approximately 1,400 associates remain to be released under all ongoing rationalization plans.

At September 30, 2016, approximately 800 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 Form10-Q.

Accelerated depreciation charges for the three and nine months ended September 30, 2016 and 2015 primarily related to the plan to close our Wolverhampton, U.K. mixing and retreading facility. Accelerated depreciation charges for all periods were recorded in cost of goods sold (“CGS”).

NOTE 3. OTHER (INCOME) EXPENSE

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Financing fees and financial instruments	$ 7	$ 11	$ 75	$ 34
Net (gains) losses on asset sales	(27)	10	(28)	9
Royalty income	(4)	(12)	(18)	(187)
General and product liability expense (income) — discontinued products	2	(43)	(14)	(34)
Interest income	(4)	(7)	(12)	(16)
Net foreign currency exchange (gains) losses	(1)	33	(4)	62
Miscellaneous expense	4	3	4	8
	$ (23)	$ (5)	$ 3	$ (124)

Financing fees and financial instruments consists of commitment fees and charges incurred in connection with financing transactions. Financing fees and financial instruments expense for the nine months ended September 30, 2016 includes a $44 million redemption premium related to the redemption of certain notes as further described in Note to the Consolidated Financial Statements No. 7, Financing Arrangements and Derivative Financial Instruments, in this Form 10-Q.

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

Royalty income includes licensing arrangements related to divested businesses as well as other licensing arrangements. Royalty income for the nine months ended September 30, 2015 includes a one-time pre-tax gain of $155 million on the recognition of deferred income resulting from the termination of a licensing agreement associated with the sale of our former Engineered Products business (“Veyance”). The licensing agreement was terminated following the acquisition of Veyance by Continental AG in January 2015.

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 nine months ended September 30, 2016 includes a benefit of $4 million for the recovery of past costs from one of our asbestos insurers and a benefit of $10 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods. General and product liability expense (income) — discontinued products for the three and nine months ended September 30, 2015 included a benefit of $25 million for the recovery of past costs from one of our

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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asbestos insurers and a benefit of $21 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods.
Also included in Other (Income) Expense is interest income, which primarily consists of amounts earned on cash deposits, and net foreign currency exchange (gains) and losses.

NOTE 4. INCOME TAXES

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. The income tax benefit for the three months ended September 30, 2016 included $118 million of various discrete tax adjustments, primarily comprised of a $163 million tax benefit resulting from changing our election for our 2009, 2010 and 2012 U.S. tax years from deducting foreign taxes to crediting foreign taxes, a $41 million tax charge related to establishing a valuation allowance in Americas and a $7 million tax charge related to the settlement of various tax years in EMEA. Income tax expense for the nine months ended September 30, 2016 was favorably impacted by $127 million of various discrete tax adjustments primarily related to the third quarter discrete tax items noted above and an additional $7 million tax benefit resulting from the release of a valuation allowance in Americas.
In the third quarter of 2015, we recorded tax expense of $126 million on income before income taxes of $431 million. For the first nine months of 2015, we recorded tax expense of $369 million on income before income taxes of $1,118 million. Income tax expense for the three months ended September 30, 2015 was favorably impacted by $8 million of various discrete tax adjustments primarily related to the settlement of an audit in EMEA.
We record taxes based on overall estimated annual effective tax rates. In 2016, the difference between our effective tax rate and the U.S. statutory rate was primarily attributable to the discrete items noted above.
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. However, it is reasonably possible that sufficient positive evidence required to release all, or a portion, of certain valuation allowances, primarily in EMEA, will exist during 2016. This may result in a reduction of the valuation allowance by up to $340 million.
At January 1, 2016, we had unrecognized tax benefits of $54 million that if recognized, would have a favorable impact on our tax expense of $40 million. We had accrued interest of $5 million as of January 1, 2016. If not favorably settled, $9 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 to have a significant impact on our financial position or results of operations.
Generally, years from 2011 onward are still open to examination by foreign taxing authorities. We are open to examination in Germany from 2011 onward and in the United States for 2015.

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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)	2016	2015	2016	2015
Earnings per share — basic:				
Goodyear net income available to common shareholders	$ 317	$ 271	$ 703	$ 687
Weighted average shares outstanding	262	269	264	270
Earnings per common share — basic	$ 1.21	$ 1.01	$ 2.66	$ 2.55
Earnings per share — diluted:				
Goodyear net income available to common shareholders	$ 317	$ 271	$ 703	$ 687
Weighted average shares outstanding	262	269	264	270
Dilutive effect of stock options and other dilutive securities	4	5	4	4
Weighted average shares outstanding — diluted	266	274	268	274
Earnings per common share — diluted	$ 1.19	$ 0.99	$ 2.62	$ 2.51

Weighted average shares outstanding - diluted 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.

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NOTE 6. BUSINESS SEGMENTS

Effective January 1, 2016, we combined our previous North America and Latin America SBUs into one Americas SBU. Accordingly, we have also combined the North America and Latin America reportable segments effective on this date to align with the new organizational structure and the basis used for reporting to our Chief Executive Officer. As a result, we now operate our business through three operating segments: Americas; EMEA; and Asia Pacific.

The prior year Americas operating income has been adjusted to reflect the elimination of intercompany profit between the former North America and Latin America SBUs, whereas the elimination had previously been reflected in Corporate CGS. In addition, certain start-up costs related to the construction of our new manufacturing facility in San Luis Potosi, Mexico were reclassified from Corporate Other (Income) Expense to Americas segment operating income to align with the new organizational structure beginning in 2016.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Sales:				
Americas	$2,070	$2,398	$6,111	$7,057
Europe, Middle East and Africa	1,236	1,328	3,748	3,924
Asia Pacific	541	458	1,558	1,399
Net Sales	$3,847	$4,184	$11,417	$12,380
Segment Operating Income:				
Americas	$305	$376	$856	$982
Europe, Middle East and Africa	152	154	380	335
Asia Pacific	99	72	270	223
Total Segment Operating Income	$556	$602	$1,506	$1,540
Less:				
Rationalizations	135	20	194	82
Interest expense	90	105	285	322
Other (income) expense (Note 3)	(23)	(5)	3	(124)
Asset write-offs and accelerated depreciation	3	3	10	5
Corporate incentive compensation plans	20	26	60	61
Pension curtailments/settlements	—	—	14	—
Intercompany profit elimination	2	(8)	7	6
Retained expenses of divested operations	2	2	12	6
Other	17	28	43	64
Income before Income Taxes	$310	$431	$878	$1,118

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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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Rationalizations:				
Americas	$ 6	$ 7	$ 10	$ 12
Europe, Middle East and Africa	126	12	179	66
Asia Pacific	—	1	1	4
Total Segment Rationalizations	$ 132	$ 20	$ 190	$ 82
Corporate	3	—	4	—
	$ 135	$ 20	$ 194	$ 82
Net (Gains) Losses on Asset Sales:				
Americas	$ —	$ (1)	$ —	$ (2)
Europe, Middle East and Africa	(18)	11	(18)	16
Asia Pacific	—	—	(1)	(6)
Total Segment Asset Sales	$ (18)	$ 10	$ (19)	$ 8
Corporate	(9)	—	(9)	1
	$ (27)	$ 10	$ (28)	$ 9
Asset Write-offs and Accelerated Depreciation:				
Americas	$1	$—	$1	$—
Europe, Middle East and Africa	$2	$3	$9	$5
Total Segment Asset Write-offs and Accelerated Depreciation	$3	$3	$10	$5

NOTE 7. FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

At September 30, 2016, we had total credit arrangements of $9,074 million, of which $3,005 million were unused. At that date, 40% of our debt was at variable interest rates averaging 5.66%.

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

At September 30, 2016, we had short term committed and uncommitted credit arrangements totaling $622 million of which $443 million were unused. These arrangements are available primarily to certain of our foreign subsidiaries through various banks at quoted market interest rates.

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The following table presents amounts due within one year:

(In millions)	September 30, 2016	December 31, 2015
Notes payable and overdrafts	$ 179	$ 49
Weighted average interest rate	10.92 %	9.42 %
Long term debt and capital leases due within one year		
Other domestic and foreign debt (including capital leases) [(1)]	$ 403	$ 587
Unamortized deferred financing fees	$ —	(2)
Total long term debt and capital leases due within one year	$ 403	$ 585
Weighted average interest rate	9.17 %	6.68 %
Total obligations due within one year	$ 582	$ 634

(1) The decrease in long term debt and capital leases due within one year was due primarily to the redemption of the €250 million 6.75% senior notes due 2019 in January 2016. The notes were classified as current at December 31, 2015 in connection with the irrevocable call for their redemption issued in December 2015.

Long Term Debt and Capital Leases and Financing Arrangements

At September 30, 2016, we had long term credit arrangements totaling $8,452 million, of which $2,562 million were unused.

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

(In millions)	September 30, 2016 Amount	September 30, 2016 Interest Rate	December 31, 2015 Amount	December 31, 2015 Interest Rate
Notes:				
6.75% Euro Notes due 2019	$—		$272	
8.75% due 2020	273		271	
6.5% due 2021	—		900	
7% due 2022	700		700	
5.125% due 2023	1,000		1,000	
3.75% Euro Notes due 2023	280		272	
5% due 2026	900		—	
7% due 2028	150		150	
Credit Facilities:				
$2.0 billion first lien revolving credit facility due 2021	310	1.72 %	—	—
Second lien term loan facility due 2019	598	3.86 %	598	3.75 %
€550 million revolving credit facility due 2020	140	1.75 %	—	—
Pan-European accounts receivable facility	266	1.02 %	125	1.35 %
Chinese credit facilities	361	4.65 %	465	5.22 %
Other foreign and domestic debt[(1)]	872	9.79 %	906	9.42 %
Unamortized deferred financing fees	(45)		(48)	
	5,805		5,611	
Capital lease obligations	44		48	
	5,849		5,659	
Less portion due within one year	(403)		(585)	
	$5,446		$5,074	

(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.

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NOTES

$900 million 5% Senior Notes due 2026

In May 2016, we issued $900 million in aggregate principal amount of 5% senior notes due 2026. These notes were sold at 100% of the principal amount and will mature on May 31, 2026. These notes are unsecured senior obligations and are guaranteed by our U.S. and Canadian subsidiaries that also guarantee our obligations under our U.S. senior secured credit facilities described below.

In June 2016, we used the proceeds from this offering, together with cash and cash equivalents, to redeem in full our $900 million 6.5% senior notes due 2021 including a $44 million redemption premium plus accrued and unpaid interest to the redemption date. We also recorded $9 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

On April 7, 2016, we amended and restated our $2.0 billion first lien revolving credit facility. Changes to the facility include extending the maturity to 2021 and reducing the interest rate for loans under the facility by 25 basis points to LIBOR plus 125 basis points, based on our current liquidity. In addition, the borrowing base was increased to include (i) the value of our principal trademarks and (ii) certain cash in an amount not to exceed $200 million.

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.

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, 2016, our borrowing base, and therefore our availability, under this facility was $205 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, 2016, we had $310 million of borrowings and $40 million of letters of credit issued under the revolving credit facility. At December 31, 2015, we had no borrowings and $315 million of letters of credit issued under the revolving credit facility.

During 2016, we began entering into bilateral letter of credit agreements. At September 30, 2016, we had $272 million in letters of credit issued under these new agreements.

Amended and Restated Second Lien Term Loan Facility due 2019

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. This facility may be increased by up to $300 million at our request, subject to the consent of the lenders making such additional term loans. The term loan bears interest at LIBOR plus 300 basis points, subject to a minimum LIBOR rate of 75 basis points.

At both September 30, 2016 and December 31, 2015, the amount outstanding under this facility was $598 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 GDTE, GDTG and Goodyear Dunlop Tires Operations S.A. Up to €150 million of swingline loans and €50 million in letters of credit are available for issuance under the all-borrower tranche. Amounts drawn under this facility will bear interest at LIBOR plus 175 basis points for loans denominated in U.S. dollars or pounds sterling and EURIBOR plus 175 basis points for loans denominated in euros.

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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, 2016, there were $140 million (€125 million) of borrowings outstanding under the German tranche and there were no borrowings outstanding under the all-borrower tranche. At December 31, 2015, there were no borrowings outstanding under the European revolving credit facility. There were no letters of credit issued at September 30, 2016 and December 31, 2015.

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, 2015 to October 15, 2016, the designated maximum amount of the facility was €340 million. Effective October 16, 2016, the designated maximum amount of the facility was reduced to €320 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, 2017.

At September 30, 2016, the amounts available and utilized under this program totaled $266 million (€238 million). At December 31, 2015, the amounts available and utilized under this program totaled $276 million (€254 million) and $125 million (€115 million), respectively. 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. For the period January 1, 2016 to June 30, 2016, the designated maximum amount of the facility was 70 million Australian dollars. Effective July 1, 2016, the designated maximum amount of the facility was reduced to 60 million Australian dollars. At September 30, 2016, the amounts available and utilized under this program were $32 million (AUD42 million) and $14 million (AUD18 million), respectively. At December 31, 2015, the amounts available and utilized under this program were $34 million (AUD47 million) and $19 million (AUD26 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.

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 2015 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, 2016, the gross amount of receivables sold was $260 million, compared to $299 million at December 31, 2015.

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Other Foreign Credit Facilities

A Chinese subsidiary has several financing arrangements in China. At September 30, 2016, these non-revolving credit facilities had total unused availability of $244 million and can only be used to finance the expansion of our manufacturing facility in China. At September 30, 2016 and December 31, 2015, the amounts outstanding under these facilities were $361 million and $465 million, respectively. The facilities ultimately mature in 2024 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, 2016 and December 31, 2015, restricted cash related to funds obtained under these credit facilities was $13 million and $11 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, 2016	December 31, 2015
Fair Values — asset (liability):		
Accounts receivable	$ 7	$ 10
Other current liabilities	(14)	(10)

At September 30, 2016 and December 31, 2015, these outstanding foreign currency derivatives had notional amounts of $1,474 million and $1,094 million, respectively, and were primarily related to intercompany loans. Other (Income) Expense included net transaction losses on derivatives of $15 million and $33 million for the three and nine months ended September 30, 2016, respectively, and net transaction gains on derivatives of $16 million and $46 million for the three and nine months ended September 30, 2015, respectively.

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

(In millions)	September 30, 2016	December 31, 2015
Fair Values — asset (liability):		
Accounts receivable	$ 3	$ 5
Other current liabilities	(2)	(1)

At September 30, 2016 and December 31, 2015, these outstanding foreign currency derivatives had notional amounts of $144 million and $168 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions) (Income) Expense	2016	2015	2016	2015
Amounts deferred to Accumulated Other Comprehensive Loss ("AOCL")	$ —	$ (7)	$ 1	$ (19)
Amount of deferred (gain) loss reclassified from AOCL into CGS	—	(7)	(6)	(23)
Amounts excluded from effectiveness testing	(1)	—	(1)	1

There is no estimated net amount of deferred gains at September 30, 2016 that are expected to be reclassified to earnings within the next twelve months.

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, 2016 and December 31, 2015:

	Total Carrying Value in the Consolidated Balance Sheet		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
(In millions)	2016	2015	2016	2015	2016	2015	2016	2015
Assets:								
Investments	$ 9	$ 7	$ 9	$ 7	$ —	$ —	$ —	$ —
Foreign Exchange Contracts	10	15	—	—	10	15	—	—
Total Assets at Fair Value	$ 19	$ 22	$ 9	$ 7	$ 10	$ 15	$ —	$ —
Liabilities:								
Foreign Exchange Contracts	$ 16	$ 11	$ —	$ —	$ 16	$ 11	$ —	$ —
Total Liabilities at Fair Value	$ 16	$ 11	$ —	$ —	$ 16	$ 11	$ —	$ —

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The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding capital leases, at September 30, 2016 and December 31, 2015. Long term debt with a fair value of $4,058 million and $4,291 million at September 30, 2016 and December 31, 2015, respectively, was estimated using quoted Level 1 market prices. The carrying value of the remaining long term debt approximates fair value since the terms of the financing arrangements are similar to terms that could be obtained under current lending market conditions.

(In millions)	September 30, 2016	December 31, 2015
Fixed Rate Debt:		
Carrying amount — liability	$ 3,540	$ 3,844
Fair value — liability	3,737	4,018
Variable Rate Debt:		
Carrying amount — liability	$ 2,265	$ 1,767
Fair value — liability	2,255	1,765

NOTE 9. PENSION, SAVINGS AND OTHER POSTRETIREMENT BENEFIT PLANS

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

Defined benefit pension cost follows:

	U.S. Three Months Ended September 30,		U.S. Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Service cost — benefits earned during the period	$ 1	$ 1	$ 3	$ 3
Interest cost on projected benefit obligation	41	61	123	182
Expected return on plan assets	(64)	(75)	(191)	(225)
Amortization of net losses	28	27	82	81
Net periodic pension cost	$ 6	$ 14	$ 17	$ 41

	Non-U.S. Three Months Ended September 30,		Non-U.S. Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Service cost — benefits earned during the period	$ 7	$ 11	$ 22	$ 33
Interest cost on projected benefit obligation	20	28	61	85
Expected return on plan assets	(21)	(26)	(67)	(79)
Amortization of net losses	7	9	21	28
Net periodic pension cost	13	22	37	67
Net curtailments/settlements/termination benefits	—	—	13	1
Total defined benefit pension cost	$ 13	$ 22	$ 50	$ 68

Effective January 1, 2016, we changed the method of estimating the service and interest components of net periodic cost for pension and other postretirement benefits for plans that utilize a yield curve approach. We elected to utilize a full yield curve approach in the measurement of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows, as opposed to using a single weighted average discount rate. We believe this approach provides a more precise measurement of service and interest costs by aligning the timing of projected benefit cash flows to the corresponding spot rates on the yield curve.

This change is expected to reduce our 2016 annual net periodic pension cost by approximately $60 million to $70 million compared to the previous method and does not affect the measurement of our plan benefit obligations. We have accounted for this change as a change in accounting estimate.

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During the second quarter of 2016, annuities were purchased from existing plan assets to settle $41 million in obligations of one of our U.K. pension plans which resulted in a settlement charge of $14 million.

We expect to contribute approximately $50 million to $75 million to our funded non-U.S. pension plans in 2016. For the three and nine months ended September 30, 2016, we contributed $14 million and $45 million, respectively, to our non-U.S. plans.

The expense recognized for our contributions to defined contribution savings plans for the three months ended September 30, 2016 and 2015 was $30 million in both periods, and $93 million and $94 million, respectively, for the nine months ended September 30, 2016 and 2015.

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 credit for the three months ended September 30, 2016 and 2015 was $(4) million and $(5) million, respectively, and $(17) million and $(15) million for the nine months ended September 30, 2016 and 2015, respectively.

NOTE 10. STOCK COMPENSATION PLANS

Our Board of Directors granted 0.7 million stock options, 0.3 million restricted stock units and 0.2 million performance share units during the nine months ended September 30, 2016 under our stock compensation plans. The weighted average exercise price per share and weighted average fair value per share of the stock option grants during the nine months ended September 30, 2016 were $29.88 and $11.91, respectively. We estimated the fair value of the stock options using the following assumptions in our Black-Scholes model:

Expected term: 7.2 years
Interest rate: 1.45%
Volatility: 40.78%
Dividend yield: 0.94%

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 $29.78 for restricted stock units and $30.95 for performance share units granted during the nine months ended September 30, 2016.

We recognized stock-based compensation expense of $7 million and $18 million during the three and nine months ended September 30, 2016, respectively. At September 30, 2016, unearned compensation cost related to the unvested portion of all stock-based awards was approximately $36 million and is expected to be recognized over the remaining vesting period of the respective grants, through March 2021. We recognized stock-based compensation expense of $5 million and $15 million during the three and nine months ended September 30, 2015, respectively.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Environmental Matters

We have recorded liabilities totaling $53 million and $50 million at September 30, 2016 and December 31, 2015, 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, $15 million and $12 million were included in Other Current Liabilities at September 30, 2016 and December 31, 2015, 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.

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Workers' Compensation
We have recorded liabilities, on a discounted basis, totaling $259 million and $264 million for anticipated costs related to workers' compensation at September 30, 2016 and December 31, 2015, respectively. Of these amounts, $50 million and $54 million was included in Current Liabilities as part of Compensation and Benefits at September 30, 2016 and December 31, 2015, 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 September 30, 2016 and December 31, 2015, the liability was discounted using a risk-free rate of return. At September 30, 2016, we estimate that it is reasonably possible that the liability could exceed our recorded amounts by approximately $30 million.
General and Product Liability and Other Litigation
We have recorded liabilities totaling $326 million and $315 million, including related legal fees expected to be incurred, for potential product liability and other tort claims, including asbestos claims, at September 30, 2016 and December 31, 2015, respectively. Of these amounts, $54 million and $45 million was included in Other Current Liabilities at September 30, 2016 and December 31, 2015, 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 September 30, 2016, 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 $6 million and within Other Assets of $30 million for SRI's obligation to indemnify us for certain product liability claims related to products manufactured by GDTNA during the existence of the global alliance with SRI, subject to certain caps.
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 122,200 claims by defending and obtaining the dismissal thereof or by entering into a settlement. The sum of our accrued asbestos-related liability and gross payments to date, including legal costs, by us and our insurers totaled approximately $513 million through September 30, 2016 and $497 million through December 31, 2015.
A summary of recent approximate asbestos claims activity follows. Because claims are often filed and disposed of by dismissal or settlement in large numbers, the amount and timing of settlements and the number of open claims during a particular period can fluctuate significantly.

(Dollars in millions)	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Pending claims, beginning of period	67,400	73,800
New claims filed	1,500	1,900
Claims settled/dismissed	(4,400)	(8,300)
Pending claims, end of period	64,500	67,400
Payments [1]	$ 16	$ 19

(1)

Represents cash payments made during the period by us and our insurers on asbestos litigation defense and claim resolution.

We periodically, and at least annually, review our existing reserves for pending claims, including a reasonable estimate of the liability associated with unasserted asbestos claims, and estimate our receivables from probable insurance recoveries. We recorded gross liabilities for both asserted and unasserted claims, inclusive of defense costs, totaling $171 million at both September 30, 2016 and December 31, 2015. The recorded liability represents our estimated liability over the next ten years, which represents the period over which the liability can be reasonably estimated. Due to the difficulties in making these estimates, analysis based on new data and/or a change in circumstances arising in the future could result in an increase in the recorded obligation in an amount that cannot be reasonably estimated, and that increase could be significant.

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

We recorded a receivable related to asbestos claims of $129 million and $117 million at September 30, 2016 and December 31, 2015, respectively. The increase in the receivable balance at September 30, 2016 is primarily related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods which positively impacted the receivable by $10 million. We expect that approximately 75% of asbestos claim related losses would be recoverable through insurance during the ten-year period covered by the estimated liability. Of these amounts, $12 million was included in Current Assets as part of Accounts Receivable at September 30, 2016 and December 31, 2015. 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, 2015, we had approximately $410 million in excess level policy limits applicable to indemnity and defense costs for asbestos products claims under coverage-in-place agreements. We also had additional unsettled excess level policy limits potentially applicable to such costs. We also 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. Depending upon the nature of these characteristics, as well as the resolution of certain legal issues, some portion of the insurance may not be accessible by us.

Amiens Labor Claims

Approximately 800 former employees of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims totaling €117 million ($131 million) against Goodyear Dunlop Tires France. We intend to vigorously defend ourselves against these claims, and any additional claims that may be asserted against us, and cannot estimate the amounts, if any, that we may ultimately pay in respect of such claims.

Other Actions

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

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

Income Tax Matters

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the 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

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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.

Guarantees

We have off-balance sheet financial guarantees and other commitments totaling approximately $40 million and $49 million at September 30, 2016 and December 31, 2015, respectively. We issue guarantees to financial institutions or other entities on behalf of certain of our affiliates, lessors or customers. Normally there is no separate premium received by us as consideration for the issuance of guarantees. In 2015, as a result of the dissolution of the global alliance with SRI, we issued a guarantee of approximately $46 million to an insurance company related to SRI's obligation to pay GDTNA's outstanding workers' compensation claims arising during the existence of the global alliance. As of September 30, 2016, this guarantee amount has been reduced to $38 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 GDTNA 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. Except for the workers' compensation guarantee described above, the guarantees expire at various times through 2020. We are unable to estimate the extent to which our affiliates’, lessors’, customers’, or SRI's assets would be adequate to recover any payments made by us under the related guarantees.

NOTE 12. CAPITAL STOCK

Dividends

In the first nine months of 2016, we paid cash dividends of $56 million on our common stock, which included cash dividends of $0.07 per share that were declared on July 12, 2016 and paid on September 1, 2016. On September 7, 2016, the Board of Directors (or a duly authorized committee thereof) declared cash dividends of $0.10 per share of common stock, which represents an increase of $0.03 per share, or approximately $26 million in the aggregate. The dividend will be paid on December 1, 2016 to stockholders of record as of the close of business on November 1, 2016. Future quarterly dividends are subject to Board approval.

Common Stock Repurchases

On September 18, 2013, the Board of Directors authorized $100 million for use in our common stock repurchase program. On May 27, 2014, the Board of Directors approved an increase in that authorization to $450 million. On February 4, 2016, the Board of Directors approved a further increase in that authorization to $1.1 billion. This program expires on December 31, 2018. We intend to repurchase shares of common stock in open market transactions in order to offset new shares issued under equity compensation programs and to provide for additional shareholder returns. During the third quarter of 2016, we repurchased 1,734,404 shares at an average price, including commissions, of $28.83 per share, or $50 million in the aggregate. During the first nine months of 2016, we repurchased 6,897,034 shares at an average price, including commissions, of $29.00 per share, or $200 million in the aggregate. Since 2013, we repurchased 21,404,752 shares at an average price, including commissions, of $28.66 per share, or $613 million in the aggregate.

In addition, we may repurchase shares delivered to us by employees as payment for the exercise price of stock options and the withholding taxes due upon the exercise of the stock options or the vesting or payment of stock awards. During the first nine months of 2016, we did not repurchase any shares from employees.

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NOTE 13. CHANGES IN SHAREHOLDERS' EQUITY
The following tables present the changes in shareholders' equity for the nine months ended September 30, 2016 and 2015:

(In millions)	September 30, 2016 Goodyear Shareholders' Equity	Minority Shareholders' Equity – Nonredeemable	Total Shareholders' Equity	September 30, 2015 Goodyear Shareholders' Equity	Minority Shareholders' Equity – Nonredeemable	Total Shareholders' Equity
Balance at beginning of period	$3,920	$ 222	$ 4,142	$3,610	$ 235	$ 3,845
Comprehensive income (loss):						
Net income	703	14	717	687	19	706
Foreign currency translation, net of tax of $17 in 2016 (($42) in 2015)	(7)	2	(5)	(140)	(27)	(167)
Reclassification adjustment for amounts recognized in income, net of tax of $0 in 2016 and 2015	—	—	—	2	—	2
Amortization of prior service cost and unrecognized gains (losses) included in total benefit cost, net of tax of $24 in 2016 ($27 in 2015)	49	—	49	53	—	53
Decrease in net actuarial losses, net of tax of $0 in 2016 ($11 in 2015)	2	—	2	22	—	22
Immediate recognition of prior service cost and unrecognized gains (losses) due to curtailments, settlements, and divestitures, net of tax of $0 in 2016 ($0 in 2015)	15	—	15	2	—	2
Deferred derivative gains (losses), net of tax of $0 in 2016 ($3 in 2015)	(1)	—	(1)	14	—	14
Reclassification adjustment for amounts recognized in income, net of tax of ($1) in 2016 (($2) in 2015)	(5)	—	(5)	(17)	—	(17)
Unrealized investment (losses) gains, net of tax of $0 in 2016 ($1 in 2015)	—	—	—	(3)	—	(3)
Other comprehensive income (loss)	53	2	55	(67)	(27)	(94)
Total comprehensive income (loss)	756	16	772	620	(8)	612
Adoption of new accounting standard (Note 1)	56	—	56	—	—	—
Dividends declared to minority shareholders	—	(11)	(11)	—	(8)	(8)
Stock-based compensation plans (Note 10)	18	—	18	15	—	15
Repurchase of common stock (Note 12)	(200)	—	(200)	(82)	—	(82)
Dividends declared (Note 12)	(82)	—	(82)	(49)	—	(49)
Common stock issued from treasury	9	—	9	29	—	29
Balance at end of period	$4,477	$ 227	$ 4,704	$4,143	$ 219	$ 4,362

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

(In millions)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Balance at beginning of period	$ 569	$ 582
Comprehensive income (loss):		
Net income	27	43
Foreign currency translation, net of tax of $0 and $0 in 2015	(6)	(38)
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of $0 and $0 in 2015	1	3
Decrease (increase) in net actuarial losses, net of tax of $0 and $0 in 2015	—	2
Deferred derivative gains (losses), net of tax of $0 and $0 in 2015	1	2
Reclassification adjustment for amounts recognized in income, net of tax of $0 and $0 in 2015	(2)	(4)
Other comprehensive (loss) income	(6)	(35)
Total comprehensive income (loss)	21	8
Balance at end of period	$ 590	$ 590

Due to the dissolution of the global alliance with SRI on October 1, 2015, we no longer have Minority Equity outside of Shareholders' Equity.

NOTE 14. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents changes in Accumulated Other Comprehensive Loss (AOCL), by component, for the nine months ended September 30, 2016 and 2015:

(In millions) Income (Loss)	Foreign Currency Translation Adjustment	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Unrealized Investment Gains	Total
Balance at December 31, 2015	$ (946)	$ (3,071)	$ 7	$ —	$ (4,010)
Other comprehensive income (loss) before reclassifications	(7)	2	(1)	—	(6)
Amounts reclassified from accumulated other comprehensive loss	—	64	(5)	—	59
Balance at September 30, 2016	$ (953)	$ (3,005)	$ 1	$ —	$ (3,957)

	Foreign Currency Translation Adjustment	Unrecognized Net Actuarial Losses and Prior Service Costs	Deferred Derivative Gains (Losses)	Unrealized Investment Gains	Total
Balance at December 31, 2014	$ (894)	$ (3,285)	$ 12	$ 36	$ (4,131)
Other comprehensive income (loss) before reclassifications	(140)	22	14	(3)	(107)

Amounts reclassified from accumulated other comprehensive loss	2	55	(17)	—	40
Balance at September 30, 2015	$ (1,032)	$ (3,208)	$ 9	$ 33	$(4,198)

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The following table presents reclassifications out of Accumulated Other Comprehensive Loss:

(In millions) (Income) Expense	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	
Component of AOCL	Amount Reclassified from AOCL		Amount Reclassified from AOCL		Affected Line Item in the Consolidated Statements of Operations
Foreign Currency Translation Adjustment, before tax	$ —	$ 1	$ —	$ 2	Other (Income) Expense
Tax effect	—	—	—	—	United States and Foreign Taxes
Minority interest	—	—	—	—	Minority Shareholders' Net Income
Net of tax	$ —	$ 1	$ —	$ 2	Goodyear Net Income
Amortization of prior service cost and unrecognized gains and losses	$ 25	$ 28	$ 73	$ 83	Total Benefit Cost
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures	—	—	15	2	Total Benefit Cost
Unrecognized Net Actuarial Losses and Prior Service Costs, before tax	$ 25	$ 28	$ 88	$ 85	
Tax effect	(8)	(9)	(24)	(27)	United States and Foreign Taxes
Minority interest	—	(1)	—	(3)	Minority Shareholders' Net Income
Net of tax	$ 17	$ 18	$ 64	$ 55	Goodyear Net Income
Deferred Derivative (Gains) Losses, before tax	$ —	$ (8)	$ (6)	$ (23)	Cost of Goods Sold
Tax effect	—	—	1	2	United States and Foreign Taxes
Minority interest	—	2	—	4	Minority Shareholders' Net Income
Net of tax	$ —	$ (6)	$ (5)	$ (17)	Goodyear Net Income
Total reclassifications	$ 17	$ 13	$ 59	$ 40	Goodyear Net Income

Amortization of prior service cost and unrecognized gains and losses and immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures are included in the computation of total benefit cost. For further information, refer to Note to the Consolidated Financial Statements No. 9, Pension, Savings and Other Postretirement Benefit Plans, in this Form 10-Q and No. 17, Pension, Other Postretirement Benefits and Savings Plans, in our 2015 Form 10-K.

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NOTE 15. CONSOLIDATING FINANCIAL INFORMATION

Certain of our subsidiaries have guaranteed our obligations under the $282 million outstanding principal amount of 8.75% notes due 2020, the $700 million outstanding principal amount of 7% senior notes due 2022, the $1.0 billion outstanding principal amount of 5.125% senior notes due 2023 and the $900 million outstanding principal amount of 5% senior notes due 2026 (collectively, the "notes"). The following presents the condensed consolidating financial information separately for:

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

Each guarantor subsidiary is 100% owned by the Parent Company at the date of each balance sheet presented. The notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation. Changes in intercompany receivables and payables related to operations, such as intercompany sales or service charges, are included in cash flows from operating activities. Intercompany transactions reported as investing or financing activities include the sale of the capital stock of various subsidiaries, loans and other capital transactions between members of the consolidated group. In 2015, the Parent Company acquired the common shares of a non-guarantor subsidiary from another non-guarantor subsidiary at a cost of $145 million. The transaction was settled by the cancellation of intercompany balances between the Parent Company and the transferring non-guarantor subsidiary. In addition, in 2015 the Parent Company capitalized approximately $90 million of intercompany receivables from a non-guarantor subsidiary with a corresponding increase in equity of the subsidiary.

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

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	Condensed Consolidating Balance Sheet September 30, 2016				
(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets:					
Current Assets:					
Cash and Cash Equivalents	$100	$ 62	$ 813	$ —	$ 975
Accounts Receivable, net	791	197	1,661	—	2,649
Accounts Receivable From Affiliates	—	446	—	(446)	—
Inventories	1,383	149	1,269	(47)	2,754
Prepaid Expenses and Other Current Assets	52	4	139	(2)	193
Total Current Assets	2,326	858	3,882	(495)	6,571
Goodwill	—	24	415	125	564
Intangible Assets	118	—	20	—	138
Deferred Income Taxes	2,031	20	78	—	2,129
Other Assets	229	88	379	6	702
Investments in Subsidiaries	4,388	472	—	(4,860)	—
Property, Plant and Equipment, net	2,386	274	4,405	(26)	7,039
Total Assets	$11,478	$ 1,736	$ 9,179	$ (5,250)	$ 17,143
Liabilities:					
Current Liabilities:					
Accounts Payable-Trade	$853	$ 139	$ 1,608	$ —	$ 2,600
Accounts Payable to Affiliates	244	—	202	(446)	—
Compensation and Benefits	333	29	263	—	625
Other Current Liabilities	361	20	619	(7)	993
Notes Payable and Overdrafts	—	—	179	—	179
Long Term Debt and Capital Leases Due Within One Year	6	—	397	—	403
Total Current Liabilities	1,797	188	3,268	(453)	4,800
Long Term Debt and Capital Leases	4,107	—	1,339	—	5,446
Compensation and Benefits	629	94	665	—	1,388
Deferred Income Taxes	—	1	88	—	89
Other Long Term Liabilities	468	10	238	—	716
Total Liabilities	7,001	293	5,598	(453)	12,439
Commitments and Contingent Liabilities					
Shareholders’ Equity:					
Goodyear Shareholders’ Equity:					
Common Stock	261	—	—	—	261
Other Equity	4,216	1,443	3,354	(4,797)	4,216
Goodyear Shareholders’ Equity	4,477	1,443	3,354	(4,797)	4,477
Minority Shareholders’ Equity — Nonredeemable	—	—	227	—	227
Total Shareholders’ Equity	4,477	1,443	3,581	(4,797)	4,704
Total Liabilities and Shareholders’ Equity	$11,478	$ 1,736	$ 9,179	$ (5,250)	$ 17,143

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(In millions)	Condensed Consolidating Balance Sheet December 31, 2015				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets:					
Current Assets:					
Cash and Cash Equivalents	$354	$ 70	$ 1,052	$ —	$ 1,476
Accounts Receivable, net	814	136	1,083	—	2,033
Accounts Receivable From Affiliates	—	609	—	(609)	—
Inventories	1,199	157	1,152	(44)	2,464
Prepaid Expenses and Other Current Assets	42	3	105	3	153
Total Current Assets	2,409	975	3,392	(650)	6,126
Goodwill	—	24	407	124	555
Intangible Assets	118	—	20	—	138
Deferred Income Taxes	2,049	19	73	—	2,141
Other Assets	216	81	350	7	654
Investments in Subsidiaries	4,088	383	—	(4,471)	—
Property, Plant and Equipment, net	2,377	216	4,213	(29)	6,777
Total Assets	$11,257	$ 1,698	$ 8,455	$ (5,019)	$ 16,391
Liabilities:					
Current Liabilities:					
Accounts Payable-Trade	$1,002	$ 189	$ 1,578	$ —	$ 2,769
Accounts Payable to Affiliates	540	—	69	(609)	—
Compensation and Benefits	411	29	226	—	666
Other Current Liabilities	328	16	547	(5)	886
Notes Payable and Overdrafts	—	—	49	—	49
Long Term Debt and Capital Leases Due Within One Year	6	—	579	—	585
Total Current Liabilities	2,287	234	3,048	(614)	4,955
Long Term Debt and Capital Leases	3,796	—	1,278	—	5,074
Compensation and Benefits	725	97	646	—	1,468
Deferred Income Taxes	—	1	92	(2)	91
Other Long Term Liabilities	529	15	119	(2)	661
Total Liabilities	7,337	347	5,183	(618)	12,249
Commitments and Contingent Liabilities					
Shareholders' Equity:					
Goodyear Shareholders' Equity:					
Common Stock	267	—	—	—	267
Other Equity	3,653	1,351	3,050	(4,401)	3,653
Goodyear Shareholders' Equity	3,920	1,351	3,050	(4,401)	3,920
Minority Shareholders' Equity — Nonredeemable	—	—	222	—	222
Total Shareholders' Equity	3,920	1,351	3,272	(4,401)	4,142
Total Liabilities and Shareholders' Equity	$11,257	$ 1,698	$ 8,455	$ (5,019)	$ 16,391

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(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
	Consolidating Statements of Operations Three Months Ended September 30, 2016				
Net Sales	$1,773	$ 462	$ 2,319	$ (707)	$ 3,847
Cost of Goods Sold	1,305	411	1,737	(717)	2,736
Selling, Administrative and General Expense	238	39	322	—	599
Rationalizations	7	—	128	—	135
Interest Expense	64	2	24	—	90
Other (Income) Expense	(24)	—	(7)	8	(23)
Income (Loss) before Income Taxes and Equity in Earnings of Subsidiaries	183	10	115	2	310
United States and Foreign Taxes	(55)	3	41	1	(10)
Equity in Earnings of Subsidiaries	79	10	—	(89	