

FORD MOTOR CO
Form 10-Q
October 27, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2015

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 1-3950

Ford Motor Company
(Exact name of Registrant as specified in its charter)

Delaware 38-0549190
(State of incorporation) (I.R.S. Employer Identification No.)

One American Road, Dearborn, Michigan 48126
(Address of principal executive offices) (Zip Code)

313-322-3000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of October 20, 2015, Ford had outstanding 3,897,778,098 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit Index begins on page
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FORD MOTOR COMPANY
 QUARTERLY REPORT ON FORM 10-Q
 For the Quarter Ended September 30, 2015

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

(in millions, except per share amounts)

	For the periods ended September 30,			
	2015 Third Quarter (unaudited)	2014	2015 First Nine Months	2014
Revenues				
Automotive	\$35,818	\$32,779	\$102,723	\$102,020
Financial Services	2,326	2,141	6,584	6,187
Total revenues	38,144	34,920	109,307	108,207
Costs and expenses				
Automotive cost of sales	31,493	30,197	90,797	92,465
Selling, administrative, and other expenses	3,731	3,484	11,058	10,332
Financial Services interest expense	592	673	1,846	2,034
Financial Services provision for credit and insurance losses	120	74	299	217
Total costs and expenses	35,936	34,428	104,000	105,048
Automotive interest expense	206	204	561	619
Automotive interest income and other income/(loss), net (Note 14)	446	255	908	739
Financial Services other income/(loss), net (Note 14)	97	90	241	245
Equity in net income of affiliated companies	314	388	1,237	874
Income before income taxes	2,859	1,021	7,132	4,398
Provision for/(Benefit from) income taxes (Note 16)	950	188	2,412	1,261
Net income	1,909	833	4,720	3,137
Less: Income/(Loss) attributable to noncontrolling interests	—	(2	) 2	2
Net income attributable to Ford Motor Company	\$1,909	\$835	\$4,718	\$3,135
EARNINGS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 18)				
Basic income	\$0.48	\$0.22	\$1.19	\$0.80
Diluted income	0.48	0.21	1.18	0.78
Cash dividends declared	0.15	0.125	0.45	0.375

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the periods ended September 30,			
	2015 Third Quarter (unaudited)	2014	2015 First Nine Months	2014
Net income	\$1,909	\$833	\$4,720	\$3,137

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Other comprehensive income/(loss), net of tax (Note 13)

Foreign currency translation	(1,036) (550) (1,344) (468)
Derivative instruments	374	(48	) 208	(243)
Pension and other postretirement benefits	481	540	726	776	
Total other comprehensive income/(loss), net of tax	(181	) (58	) (410	) 65	
Comprehensive income	1,728	775	4,310	3,202	
Less: Comprehensive income/(loss) attributable to noncontrolling interests	1	(2	) 2	2	
Comprehensive income attributable to Ford Motor Company	\$ 1,727	\$ 777	\$ 4,308	\$ 3,200	

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
 SECTOR INCOME STATEMENT
 (in millions)

	For the periods ended September 30,			
	2015	2014	2015	2014
	Third Quarter		First Nine Months	
	(unaudited)			
AUTOMOTIVE				
Revenues	\$35,818	\$32,779	\$102,723	\$102,020
Costs and expenses				
Cost of sales	31,493	30,197	90,797	92,465
Selling, administrative, and other expenses	2,538	2,489	7,840	7,516
Total costs and expenses	34,031	32,686	98,637	99,981
Interest expense	206	204	561	619
Interest income and other income/(loss), net (Note 14)	446	255	908	739
Equity in net income of affiliated companies	306	382	1,213	853
Income before income taxes — Automotive	2,333	526	5,646	3,012
FINANCIAL SERVICES				
Revenues	2,326	2,141	6,584	6,187
Costs and expenses				
Interest expense	592	673	1,846	2,034
Depreciation on vehicles subject to operating leases	956	808	2,630	2,256
Operating and other expenses	237	187	588	560
Provision for credit and insurance losses	120	74	299	217
Total costs and expenses	1,905	1,742	5,363	5,067
Other income/(loss), net (Note 14)	97	90	241	245
Equity in net income of affiliated companies	8	6	24	21
Income before income taxes — Financial Services	526	495	1,486	1,386
TOTAL COMPANY				
Income before income taxes	2,859	1,021	7,132	4,398
Provision for/(Benefit from) income taxes (Note 16)	950	188	2,412	1,261
Net income	1,909	833	4,720	3,137
Less: Income/(Loss) attributable to noncontrolling interests	—	(2)	) 2	2
Net income attributable to Ford Motor Company	\$1,909	\$835	\$4,718	\$3,135

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in millions)

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Cash and cash equivalents	\$ 14,686	\$ 10,757
Marketable securities	17,161	20,393
Finance receivables, net (Note 4)	85,208	81,111
Other receivables, net	13,373	11,708
Net investment in operating leases	26,907	23,217
Inventories (Note 6)	9,496	7,866
Equity in net assets of affiliated companies	3,505	3,357
Net property	30,137	30,126
Deferred income taxes	11,434	13,639
Other assets	7,524	6,353
Total assets	\$ 219,431	\$ 208,527
LIABILITIES		
Payables	\$ 22,386	\$ 20,035
Other liabilities and deferred revenue (Note 7)	42,513	43,577
Debt (Note 9)	126,425	119,171
Deferred income taxes	529	570
Total liabilities	191,853	183,353
Redeemable noncontrolling interest (Note 10)	94	342
EQUITY		
Capital stock		
Common Stock, par value \$.01 per share (3,960 million shares issued of 6 billion authorized)	40	39
Class B Stock, par value \$.01 per share (71 million shares issued of 530 million authorized)	1	1
Capital in excess of par value of stock	21,354	21,089
Retained earnings	27,489	24,556
Accumulated other comprehensive income/(loss) (Note 13)	(20,442)	(20,032)
Treasury stock	(977)	(848)
Total equity attributable to Ford Motor Company	27,465	24,805
Equity attributable to noncontrolling interests	19	27
Total equity	27,484	24,832
Total liabilities and equity	\$ 219,431	\$ 208,527

The following table includes assets to be used to settle liabilities of the consolidated variable interest entities (“VIEs”). These assets and liabilities are included in the consolidated balance sheet above. See Note 11 for additional information on our VIEs.

September 30, December 31,
2015 2014
(unaudited)

ASSETS

Cash and cash equivalents	\$2,443	\$2,094
Finance receivables, net	44,036	39,522
Net investment in operating leases	11,266	9,631
Other assets	64	27

LIABILITIES

Other liabilities and deferred revenue	\$30	\$22
Debt	41,712	37,156

The accompanying notes are part of the financial statements.

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
SECTOR BALANCE SHEET (in millions)

	September 30, 2015	December 31, 2014
	(unaudited)	
ASSETS		
Automotive		
Cash and cash equivalents	\$7,773	\$4,567
Marketable securities	14,404	17,135
Total cash and marketable securities	22,177	21,702
Receivables, less allowances of \$387 and \$455	5,827	5,789
Inventories (Note 6)	9,496	7,866
Deferred income taxes	2,885	2,039
Net investment in operating leases	2,397	1,699
Other current assets	1,588	1,347
Total current assets	44,370	40,442
Equity in net assets of affiliated companies	3,356	3,216
Net property	30,003	29,795
Deferred income taxes	11,453	13,331
Other assets	3,544	2,798
Non-current receivable from Financial Services	—	497
Total Automotive assets	92,726	90,079
Financial Services		
Cash and cash equivalents	6,913	6,190
Marketable securities	2,757	3,258
Finance receivables, net (Note 4)	91,968	86,141
Net investment in operating leases	24,510	21,518
Equity in net assets of affiliated companies	149	141
Other assets	3,476	3,613
Receivable from Automotive	853	527
Total Financial Services assets	130,626	121,388
Intersector elimination	(853	) (1,024
Total assets	\$222,499	\$210,443
LIABILITIES		
Automotive		
Payables	\$21,095	\$18,876
Other liabilities and deferred revenue (Note 7)	17,509	17,934
Deferred income taxes	263	270
Debt payable within one year (Note 9)	1,590	2,501
Current payable to Financial Services	555	527
Total current liabilities	41,012	40,108
Long-term debt (Note 9)	11,208	11,323
Other liabilities and deferred revenue (Note 7)	23,210	23,793
Deferred income taxes	388	367
Non-current payable to Financial Services	298	—
Total Automotive liabilities	76,116	75,591
Financial Services		
Payables	1,291	1,159
Debt (Note 9)	113,627	105,347
Deferred income taxes	2,946	1,849

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Other liabilities and deferred income (Note 7)	1,794	1,850
Payable to Automotive	—	497
Total Financial Services liabilities	119,658	110,702
Intersector elimination	(853	) (1,024
Total liabilities	194,921	185,269
Redeemable noncontrolling interest (Note 10)	94	342
EQUITY		
Capital stock		
Common Stock, par value \$.01 per share (3,960 million shares issued of 6 billion authorized)	40	39
Class B Stock, par value \$.01 per share (71 million shares issued of 530 million authorized)	1	1
Capital in excess of par value of stock	21,354	21,089
Retained earnings	27,489	24,556
Accumulated other comprehensive income/(loss) (Note 13)	(20,442	) (20,032
Treasury stock	(977	) (848
Total equity attributable to Ford Motor Company	27,465	24,805
Equity attributable to noncontrolling interests	19	27
Total equity	27,484	24,832
Total liabilities and equity	\$222,499	\$210,443

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 (in millions)

	For the periods ended September 30,	
	2015	2014
	First Nine Months (unaudited)	
Cash flows from operating activities		
Net cash provided by/(used in) operating activities	\$ 14,078	\$ 12,339
Cash flows from investing activities		
Capital spending	(5,358	) (5,309
Acquisitions of finance receivables and operating leases	(43,762	) (39,368
Collections of finance receivables and operating leases	28,632	27,607
Purchases of marketable securities	(29,493	) (37,788
Sales and maturities of marketable securities	32,874	39,153
Settlements of derivatives	26	(46
Other	417	157
Net cash provided by/(used in) investing activities	(16,664	) (15,594
Cash flows from financing activities		
Cash dividends	(1,785	) (1,470
Purchases of Common Stock	(129	) (1,964
Net changes in short-term debt	844	(2,792
Proceeds from issuance of other debt	35,876	31,107
Principal payments on other debt	(27,366	) (22,504
Other	(303	) 36
Net cash provided by/(used in) financing activities	7,137	2,413
Effect of exchange rate changes on cash and cash equivalents	(622	) (306
Net increase/(decrease) in cash and cash equivalents	\$ 3,929	\$ (1,148
Cash and cash equivalents at January 1	\$ 10,757	\$ 14,468
Net increase/(decrease) in cash and cash equivalents	3,929	(1,148
Cash and cash equivalents at September 30	\$ 14,686	\$ 13,320

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
 CONDENSED SECTOR STATEMENT OF CASH FLOWS
 (in millions)

	For the periods ended September 30,			
	2015		2014	
	First Nine Months		First Nine Months	
	Automotive	Financial	Automotive	Financial
	Services		Services	
	(unaudited)			
Cash flows from operating activities				
Net cash provided by/(used in) operating activities (a)	\$8,749	\$4,297	\$6,733	\$3,878
Cash flows from investing activities				
Capital spending	(5,324)	(34)	(5,236)	(73)
Acquisitions of finance receivables and operating leases (excluding wholesale and other)	—	(43,762)	—	(39,368)
Collections of finance receivables and operating leases (excluding wholesale and other)	—	28,632	—	27,607
Net change in wholesale and other receivables (b)	—	(1,552)	—	(729)
Purchases of marketable securities	(21,748)	(7,745)	(26,836)	(10,952)
Sales and maturities of marketable securities	24,636	8,238	30,061	9,092
Settlements of derivatives	(90)	116	115	(161)
Other	362	55	55	102
Investing activity (to)/from Financial Services (c)	2	—	178	—
Interest supplements and residual value support from Automotive (a)	—	2,584	—	2,457
Net cash provided by/(used in) investing activities	(2,162)	(13,468)	(1,663)	(12,025)
Cash flows from financing activities				
Cash dividends	(1,785)	—	(1,470)	—
Purchases of Common Stock	(129)	—	(1,964)	—
Net changes in short-term debt	385	459	22	(2,814)
Proceeds from issuance of other debt	615	35,261	156	30,951
Principal payments on other debt	(1,945)	(25,421)	(829)	(21,675)
Other	(219)	(84)	122	(86)
Financing activity to/(from) Automotive (c)	—	(2)	—	(178)
Net cash provided by/(used in) financing activities	(3,078)	10,213	(3,963)	6,198
Effect of exchange rate changes on cash and cash equivalents	(303)	(319)	(86)	(220)
Net increase/(decrease) in cash and cash equivalents	\$3,206	\$723	\$1,021	\$(2,169)
Cash and cash equivalents at January 1	\$4,567	\$6,190	\$4,959	\$9,509
Net increase/(decrease) in cash and cash equivalents	3,206	723	1,021	(2,169)
Cash and cash equivalents at September 30	\$7,773	\$6,913	\$5,980	\$7,340

(a) Operating activities include outflows of \$2,584 million and \$2,457 million for the periods ended September 30, 2015 and 2014, respectively, of interest supplements and residual value support to Financial Services. Interest supplements and residual value support from Automotive to Financial Services are eliminated in the condensed consolidated statement of cash flows.

- (b) Reclassified to operating activities in the condensed consolidated statement of cash flows.
- (c) Eliminated in the condensed consolidated statement of cash flows.

The accompanying notes are part of the financial statements.

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
(in millions, unaudited)

	Equity Attributable to Ford Motor Company						Equity Attributable to Non-controlling Interests	Total Equity
	Capital Stock	Cap. in Excess of Par Value of Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss) (Note 13)	Treasury Stock	Total		
Balance at December 31, 2014	\$40	\$21,089	\$24,556	\$ (20,032)	\$ (848)	\$24,805	\$ 27	\$24,832
Net income	—	—	4,718	—	—	4,718	2	4,720
Other comprehensive income/(loss), net of tax	—	—	—	(410)	—	(410)	—	(410)
Common stock issued (including share-based compensation impacts)	1	265	—	—	—	266	—	266
Treasury stock/other	—	—	—	—	(129)	(129)	(4)	(133)
Cash dividends declared	—	—	(1,785)	—	—	(1,785)	(6)	(1,791)
Balance at September 30, 2015	\$41	\$21,354	\$27,489	\$ (20,442)	\$ (977)	\$27,465	\$ 19	\$27,484
Balance at December 31, 2013	\$40	\$21,422	\$23,386	\$ (18,230)	\$ (506)	\$26,112	\$ 33	\$26,145
Net income	—	—	3,135	—	—	3,135	2	3,137
Other comprehensive income/(loss), net of tax	—	—	—	65	—	65	—	65
Common stock issued (including share-based compensation impacts)	—	258	—	—	—	258	—	258
Treasury stock/other	—	—	—	—	(1,964)	(1,964)	(4)	(1,968)
Cash dividends declared	—	—	(1,470)	—	—	(1,470)	(2)	(1,472)
Balance at September 30, 2014	\$40	\$21,680	\$25,051	\$ (18,165)	\$ (2,470)	\$26,136	\$ 29	\$26,165

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. PRESENTATION

Our financial statements are presented in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. We show certain of our financial statements on both a consolidated and a sector basis for our Automotive and Financial Services sectors. Intercompany items have been eliminated in both the consolidated and sector balance sheets. Where the presentation of these intercompany eliminations or consolidated adjustments differs between the consolidated and sector financial statements, reconciliations of certain line items are explained below in this Note or in the related financial statements and footnotes.

In the opinion of management, these unaudited financial statements reflect a fair statement of the results of operations and financial condition of Ford Motor Company, its consolidated subsidiaries, and consolidated VIEs of which we are the primary beneficiary for the periods and at the dates presented. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. Reference should be made to the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2014 (“2014 Form 10-K Report”). For purposes of this report, “Ford,” the “Company,” “we,” “our,” “us” or similar references mean Ford Motor Company, our consolidated subsidiaries, and our consolidated VIEs of which we are the primary beneficiary, unless the context requires otherwise.

We reclassified certain prior year amounts in our consolidated financial statements to conform to current year presentation.

Adoption of New Accounting Standards

Accounting Standards Update (“ASU”) 2014-11, Transfers and Servicing - Repurchase-to-Maturity Transactions, Repurchase Financings and Disclosures. On January 1, 2015, we adopted the new accounting standard that changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements. The new standard also requires additional disclosures for certain transfers of financial assets with agreements that both entitle and obligate the transferor to repurchase the transferred assets from the transferee. The adoption of this accounting standard did not impact our financial statements or financial statement disclosures.

Reconciliations between Consolidated and Sector Financial Statements

Sector to Consolidated Deferred Tax Assets and Liabilities. The difference between the total assets and total liabilities as presented on our sector balance sheet and consolidated balance sheet is the result of netting deferred income tax assets and liabilities. The reconciliation between the totals for the sector and consolidated balance sheets was as follows (in millions):

	September 30, 2015	December 31, 2014
Sector balance sheet presentation of deferred income tax assets		
Automotive sector current deferred income tax assets	\$2,885	\$2,039
Automotive sector non-current deferred income tax assets	11,453	13,331
Financial Services sector deferred income tax assets (a)	164	185
Total	14,502	15,555
Reclassification for netting of deferred income taxes	(3,068	) (1,916
Consolidated balance sheet presentation of deferred income tax assets	\$11,434	\$13,639

Sector balance sheet presentation of deferred income tax liabilities			
Automotive sector current deferred income tax liabilities	\$263		\$270
Automotive sector non-current deferred income tax liabilities	388		367
Financial Services sector deferred income tax liabilities	2,946		1,849
Total	3,597		2,486
Reclassification for netting of deferred income taxes	(3,068	)	(1,916
Consolidated balance sheet presentation of deferred income tax liabilities	\$529		\$570

(a) Financial Services deferred income tax assets are included in Financial Services Other assets on our sector balance sheet.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

ASU 2014-09, Revenue - Revenue from Contracts with Customers. In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard that requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The new standard supersedes virtually all present U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards, as well as additional disclosures. The FASB issued ASU 2015-14 to defer the original effective date from January 1, 2017 to January 1, 2018, while allowing for early adoption as of January 1, 2017. The new accounting standard is expected to have an impact to our income statement, balance sheet, and financial statement disclosures and we are reviewing our arrangements to evaluate the impact and method of adoption.

The FASB also issued the following standards, none of which are expected to have a material impact to our financial statements or financial statement disclosures.

Standard	Effective Date (a)
2015-16 Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments	January 1, 2016
2015-09 Insurance - Disclosures about Short-Duration Contracts	January 1, 2016
2015-07 Fair Value Measurement - Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)	January 1, 2016
2015-05 Internal-Use Software - Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement	January 1, 2016
2015-03 Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs	January 1, 2016
2015-02 Consolidation - Amendments to the Consolidation Analysis	January 1, 2016
2015-01 Extraordinary and Unusual Items - Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items	January 1, 2016
2014-16 Derivatives and Hedging - Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity	January 1, 2016
2014-13 Consolidation - Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity	January 1, 2016
2014-12 Stock Compensation - Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period	January 1, 2016
2014-15 Going Concern - Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern	December 31, 2016
2015-11 Inventory - Simplifying the Measurement of Inventory	January 1, 2017

(a) Early adoption for each of the standards is permitted.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS

Cash equivalents, marketable securities, and derivative financial instruments are remeasured and presented on our financial statements on a recurring basis at fair value, while other assets and liabilities are measured at fair value on a nonrecurring basis.

There have been no changes to the types of inputs used or the valuation techniques since year end.

Input Hierarchy of Items Measured at Fair Value on a Recurring Basis

The following table categorizes the fair values of items measured at fair value on a recurring basis on our balance sheet (in millions):

	September 30, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Automotive Sector								
Assets								
Cash equivalents – financial instruments								
U.S. government and agencies	\$—	\$—	\$—	\$—	\$—	\$64	\$—	\$64
Non-U.S. government and agencies	—	422	—	422	—	122	—	122
Corporate debt	—	70	—	70	—	20	—	20
Total cash equivalents (a)	—	492	—	492	—	206	—	206
Marketable securities								
U.S. government and agencies	609	3,434	—	4,043	969	5,789	—	6,758
Non-U.S. government and agencies	—	6,220	—	6,220	—	7,004	—	7,004
Corporate debt	—	3,568	—	3,568	—	2,738	—	2,738
Equities	217	—	—	217	322	—	—	322
Other marketable securities	—	356	—	356	—	313	—	313
Total marketable securities	826	13,578	—	14,404	1,291	15,844	—	17,135
Derivative financial instruments (b)	—	754	—	754	—	517	—	517
Total assets at fair value	\$826	\$14,824	\$—	\$15,650	\$1,291	\$16,567	\$—	\$17,858
Liabilities								
Derivative financial instruments (b)	\$—	\$650	\$1	\$651	\$—	\$710	\$3	\$713
Total liabilities at fair value	\$—	\$650	\$1	\$651	\$—	\$710	\$3	\$713
Financial Services Sector								
Assets								
Cash equivalents – financial instruments								
Non-U.S. government and agencies	\$—	\$307	\$—	\$307	\$—	\$341	\$—	\$341
Corporate debt	—	20	—	20	—	10	—	10

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Total cash equivalents (a)	—	327	—	327	—	351	—	351
Marketable securities								
U.S. government and agencies	105	319	—	424	17	1,251	—	1,268
Non-U.S. government and agencies	—	700	—	700	—	405	—	405
Corporate debt	—	1,613	—	1,613	—	1,555	—	1,555
Other marketable securities	—	20	—	20	—	30	—	30
Total marketable securities	105	2,652	—	2,757	17	3,241	—	3,258
Derivative financial instruments (b)	—	1,168	—	1,168	—	859	—	859
Total assets at fair value	\$ 105	\$ 4,147	\$—	\$ 4,252	\$ 17	\$ 4,451	\$—	\$ 4,468
Liabilities								
Derivative financial instruments (b)	\$—	\$ 280	\$—	\$ 280	\$—	\$ 167	\$—	\$ 167
Total liabilities at fair value	\$—	\$ 280	\$—	\$ 280	\$—	\$ 167	\$—	\$ 167

Excludes time deposits, certificates of deposit, money market accounts, and other cash equivalents reported at par value on our balance sheet totaling \$6.2 billion and \$3.3 billion for Automotive sector and \$4.9 billion and \$3.8 billion for Financial Services sector at September 30, 2015 and December 31, 2014, respectively. In addition to these cash equivalents, we also had cash on hand totaling \$1.1 billion and \$1.1 billion for Automotive sector and \$1.7 billion and \$2 billion for Financial Services sector at September 30, 2015 and December 31, 2014, respectively.

(b) See Note 12 for additional information regarding derivative financial instruments.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES

Our Financial Services sector, primarily Ford Credit, segments finance receivables into “consumer” and “non-consumer” portfolios. The receivables are generally secured by the vehicles, inventory, or other property being financed.

Finance receivables, net were as follows (in millions):

	September 30, 2015	December 31, 2014
Consumer		
Retail financing, gross	\$61,241	\$55,856
Unearned interest supplements	(2,117)	(1,760)
Consumer finance receivables	59,124	54,096
Non-Consumer		
Dealer financing	32,151	31,340
Other financing	1,049	1,026
Non-Consumer finance receivables	33,200	32,366
Total recorded investment	\$92,324	\$86,462
Recorded investment in finance receivables	\$92,324	\$86,462
Allowance for credit losses	(356)	(321)
Finance receivables, net (a)	\$91,968	\$86,141
Net finance receivables subject to fair value (b)	\$90,163	\$84,468
Fair value	91,848	85,941

On the consolidated balance sheet at September 30, 2015 and December 31, 2014, \$6.8 billion and \$5 billion, (a) respectively, are reclassified to Other receivables, net, resulting in Finance receivables, net of \$85.2 billion and \$81.1 billion, respectively.

(b) At September 30, 2015 and December 31, 2014, excludes \$1.8 billion and \$1.7 billion, respectively, of certain receivables (primarily direct financing leases) that are not subject to fair value disclosure requirements.

Excluded from finance receivables at September 30, 2015 and December 31, 2014, was \$184 million and \$191 million, respectively, of accrued uncollected interest, which we report in Other assets on the balance sheet.

Included in the recorded investment in finance receivables at September 30, 2015 and December 31, 2014 were consumer receivables of \$27.7 billion and \$24.4 billion, respectively, and non-consumer receivables of \$23.1 billion and \$21.8 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be reported in our consolidated financial statements. The receivables are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay the other obligations or the claims of Ford Credit’s other creditors. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions (see Note 11 for additional information).

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES (Continued)

Aging

For all finance receivables, we define “past due” as any payment, including principal and interest, that is at least 31 days past the contractual due date. The recorded investment of consumer receivables greater than 90 days past due and still accruing interest was \$15 million and \$17 million at September 30, 2015 and December 31, 2014, respectively. The recorded investment of non-consumer receivables greater than 90 days past due and still accruing interest was \$3 million at September 30, 2015 and December 31, 2014.

The aging analysis of our finance receivables balances were as follows (in millions):

	September 30, 2015	December 31, 2014
Consumer		
31-60 days past due	\$597	\$718
61-90 days past due	94	97
91-120 days past due	25	29
Greater than 120 days past due	39	52
Total past due	755	896
Current	58,369	53,200
Consumer finance receivables	59,124	54,096
Non-Consumer		
Total past due	127	117
Current	33,073	32,249
Non-Consumer finance receivables	33,200	32,366
Total recorded investment	\$92,324	\$86,462

Credit Quality

Consumer Portfolio. Credit quality ratings for consumer receivables are based on aging. Refer to the aging table above.

Consumer receivables credit quality ratings are as follows:

Pass – current to 60 days past due

- Special Mention – 61 to 120 days past due and in intensified collection status
- Substandard – greater than 120 days past due and for which the uncollectible portion of the receivables has already been charged off, as measured using the fair value of collateral

Non-Consumer Portfolio. Dealers are assigned to one of four groups according to risk ratings as follows:

- Group I – strong to superior financial metrics
- Group II – fair to favorable financial metrics
- Group III – marginal to weak financial metrics
- Group IV – poor financial metrics, including dealers classified as uncollectible

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES (Continued)

The credit quality analysis of our dealer financing receivables was as follows (in millions):

	September 30, 2015	December 31, 2014
Dealer Financing		
Group I	\$24,206	\$23,125
Group II	6,379	6,350
Group III	1,458	1,783
Group IV	108	82
Total recorded investment	\$32,151	\$31,340

Impaired Receivables

Impaired consumer receivables include accounts that have been rewritten or modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code that are considered to be troubled debt restructurings (“TDRs”), as well as all accounts greater than 120 days past due. Impaired non-consumer receivables represent accounts with dealers that have weak or poor financial metrics or dealer financing that has been modified in TDRs. The recorded investment of consumer receivables that were impaired at September 30, 2015 and December 31, 2014 was \$375 million, or 0.6% of consumer receivables, and \$415 million, or 0.8% of consumer receivables, respectively. The recorded investment of non-consumer receivables that were impaired at September 30, 2015 and December 31, 2014 was \$129 million, or 0.4% of non-consumer receivables, and \$105 million, or 0.3% of non-consumer receivables, respectively. Impaired finance receivables are evaluated both collectively and specifically.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCIAL SERVICES SECTOR ALLOWANCE FOR CREDIT LOSSES

An analysis of the allowance for credit losses related to finance receivables for the periods ended September 30 was as follows (in millions):

	Third Quarter 2015			First Nine Months 2015			
	Consumer	Non-Consumer	Total	Consumer	Non-Consumer	Total	
Allowance for credit losses							
Beginning balance	\$322	\$ 13	\$335	\$305	\$ 16	\$321	
Charge-offs	(85) (2) (87) (235) (3) (238)
Recoveries	29	1	30	90	4	94	
Provision for credit losses	80	2	82	190	(2	) 188
Other (a)	(4) —	(4) (8) (1) (9)
Ending balance (b)	\$342	\$ 14	\$356	\$342	\$ 14	\$356	

Analysis of ending balance of allowance for credit losses

Collective impairment allowance	\$323	\$ 12	\$335
Specific impairment allowance	19	2	21
Ending balance (b)	342	14	356

Analysis of ending balance of finance receivables

Collectively evaluated for impairment	58,749	33,071	91,820
Specifically evaluated for impairment	375	129	504
Recorded investment	59,124	33,200	92,324
Ending balance, net of allowance for credit losses	\$58,782	\$ 33,186	\$91,968

(a) Primarily represents amounts related to translation adjustments.

(b) Total allowance, including reserves for operating leases, was \$403 million.

	Third Quarter 2014			First Nine Months 2014			
	Consumer	Non-Consumer	Total	Consumer	Non-Consumer	Total	
Allowance for credit losses							
Beginning balance	\$303	\$ 24	\$327	\$327	\$ 30	\$357	
Charge-offs	(67) (2) (69) (200) (7) (207)
Recoveries	33	2	35	101	8	109	
Provision for credit losses	42	(3	) 39	82	(10	) 72
Other (a)	(6) (1) (7) (5) (1) (6)
Ending balance (b)	\$305	\$ 20	\$325	\$305	\$ 20	\$325	

Analysis of ending balance of allowance for credit losses

Collective impairment allowance	\$283	\$ 19	\$302
	22	1	23

Specific impairment allowance			
Ending balance (b)	305	20	325
Analysis of ending balance of finance receivables			
Collectively evaluated for impairment	53,150	31,176	84,326
Specifically evaluated for impairment	421	115	536
Recorded investment	53,571	31,291	84,862
Ending balance, net of allowance for credit losses	\$53,266	\$ 31,271	\$84,537

(a) Primarily represents amounts related to translation adjustments.

(b) Total allowance, including reserves for operating leases, was \$356 million.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. INVENTORIES

All inventories are stated at the lower of cost or market. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out (“LIFO”) basis. LIFO was used for 32% and 28% of total inventories at September 30, 2015 and December 31, 2014, respectively. Cost of other inventories is determined by costing methods that approximate a first-in, first-out (“FIFO”) basis.

Inventories were as follows (in millions):

	September 30, 2015	December 31, 2014
Raw materials, work-in-process, and supplies	\$4,280	\$3,822
Finished products	6,222	5,022
Total inventories under FIFO	10,502	8,844
LIFO adjustment	(1,006	) (978
Total inventories	\$9,496	\$7,866

NOTE 7. OTHER LIABILITIES AND DEFERRED REVENUE

Other liabilities and deferred revenue were as follows (in millions):

	September 30, 2015	December 31, 2014
Automotive Sector		
Current		
Dealer and dealers’ customer allowances and claims	\$7,496	\$7,846
Deferred revenue	4,906	3,923
Employee benefit plans	1,348	1,994
Accrued interest	195	222
Other postretirement employee benefits (“OPEB”)	376	397
Pension (a)	307	374
Other	2,881	3,178
Total Automotive other liabilities and deferred revenue	17,509	17,934
Non-current		
Pension (a)	9,209	9,721
OPEB	5,708	5,991
Dealer and dealers’ customer allowances and claims	3,042	2,852
Deferred revenue	2,874	2,686
Employee benefit plans	1,109	1,149
Other	1,268	1,394
Total Automotive other liabilities and deferred revenue	23,210	23,793
Total Automotive sector	40,719	41,727
Financial Services Sector	1,794	1,850
Total Company	\$42,513	\$43,577

(a) Balances at September 30, 2015 reflect net pension liabilities at December 31, 2014, updated for service and interest cost, expected return on assets, separation expense, actual benefit payments, cash contributions, and an adjustment recorded in the first quarter of 2015 (see Note 8 for additional information). The discount rate and rate

of expected return assumptions are unchanged from year-end 2014.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. RETIREMENT BENEFITS

In the first quarter of 2015, we recorded a \$782 million adjustment to correct for an understatement in the year-end 2014 valuation of our U.S. pension benefit obligation. The adjustment reduced Other assets by \$301 million and increased Other liabilities and deferred revenue by \$481 million. The resulting after-tax adjustment to Other comprehensive income was a loss of \$508 million. The adjustments were not material to current or prior period financial statements.

Defined Benefit Plans - Expense

The pre-tax expense for our defined benefit pension and OPEB plans for the periods ended September 30 was as follows (in millions):

	Third Quarter					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2015	2014	2015	2014	2015	2014
Service cost	\$147	\$127	\$133	\$118	\$15	\$13
Interest cost	454	498	236	302	59	68
Expected return on assets	(689)	) (678)	) (346)	) (383)) —) —
Amortization of:						
Prior service costs/(credits)	38	38	13	15	(51)	) (58)
(Gains)/Losses	116	52	200	149	36	24
Separation programs/other	6	8	11	15	(1)	) 1
Recognition of (gains)/losses due to:						
Curtailments	—	—	—	—	—	—
Settlements	—	—	9	—	—	—
Total expense/(income)	\$72	\$45	\$256	\$216	\$58	\$48
	First Nine Months					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2015	2014	2015	2014	2015	2014
Service cost	\$440	\$380	\$401	\$356	\$45	\$40
Interest cost	1,363	1,494	707	904	178	202
Expected return on assets	(2,066)	) (2,034)	) (1,038)	) (1,145)) —) —
Amortization of:						
Prior service costs/(credits)	116	116	36	42	(154)	) (172)
(Gains)/Losses	348	155	604	445	107	73
Separation programs/other	7	9	30	54	1	1
Recognition of (gains)/losses due to:						
Curtailments	—	—	—	—	—	—
Settlements	—	—	9	14	—	—
Total expense/(income)	\$208	\$120	\$749	\$670	\$177	\$144

Pension Plan Contributions

In 2015, we expect to contribute \$1.1 billion from Automotive cash and cash equivalents to our worldwide funded pension plans (most of which are mandatory contributions), and to make about \$400 million of benefit payments to participants in unfunded plans, for a total of \$1.5 billion. In the first nine months of 2015, we contributed about \$900 million to our worldwide funded pension plans and made about \$300 million of benefit payments to participants in unfunded plans.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. DEBT

The carrying value of debt was \$126.4 billion and \$119.2 billion at September 30, 2015 and December 31, 2014, respectively. The carrying value of Automotive sector and Financial Services sector debt was as follows (in millions):

Automotive Sector	September 30, 2015	December 31, 2014
Debt payable within one year		
Short-term	\$ 709	\$ 373
Long-term payable within one year		
U.S. Department of Energy (“DOE”) Advanced Technology Vehicles Manufacturing (“ATVM”) Incentive Program	591	591
European Investment Bank (“EIB”) loans	—	1,187
Other debt	290	350
Total debt payable within one year	1,590	2,501
Long-term debt payable after one year		
Public unsecured debt securities	6,594	6,634
DOE ATVM Incentive Program	3,390	3,833
Other debt	1,675	1,000