FORD MOTOR CO
Form 10-Q
October 31, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

or

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

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

As of October 24, 2013, Ford had outstanding 3,873,584,594 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit Index begins on page
79

FORD MOTOR COMPANY
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended September 30, 2013


| | Table of Contents | Page |
|---|---|---|
| | Part I - Financial Information | |
| Item 1 | Financial Statements | 1 |
| | Consolidated Income Statement | 1 |
| | Consolidated Statement of Comprehensive Income | 1 |
| | Sector Income Statement | 2 |
| | Consolidated Balance Sheet | 3 |
| | Sector Balance Sheet | 4 |
| | Condensed Consolidated Statement of Cash Flows | 5 |
| | Condensed Sector Statement of Cash Flows | 6 |
| | Consolidated Statement of Equity | 7 |
| | Notes to the Financial Statements | 8 |
| | Report of Independent Registered Public Accounting Firm | 47 |
| Item 2 | Management's Discussion and Analysis of Financial Condition and Results of Operations | 48 |
| | Results of Operations | 48 |
| | Automotive Sector | 50 |
| | Financial Services Sector | 57 |
| | Liquidity and Capital Resources | 62 |
| | Outlook | 71 |
| | Critical Accounting Estimates | 75 |
| | Accounting Standards Issued But Not Yet Adopted | 75 |
| | Other Financial Information | 75 |
| Item 3 | Quantitative and Qualitative Disclosures About Market Risk | 75 |
| | Automotive Sector | 75 |
| | Financial Services Sector | 75 |
| Item 4 | Controls and Procedures | 76 |
| | Part II - Other Information | |
| Item 1 | Legal Proceedings | 77 |
| Item 2 | Unregistered Sales of Equity Securities and Use of Proceeds | 77 |
| Item 6 | Exhibits | 77 |
| | Signature | 78 |
| | Exhibit Index | 79 |

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, | | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Third Quarter | | First Nine Months | |
| | (unaudited) | | | |
| Revenues | | | | |
| Automotive | $33,857 | $30,247 | $103,794 | $92,100 |
| Financial Services | 2,119 | 1,925 | 6,087 | 5,728 |
| Total revenues | 35,976 | 32,172 | 109,881 | 97,828 |
| Costs and expenses | | | | |
| Automotive cost of sales | 30,030 | 26,650 | 92,559 | 81,454 |
| Selling, administrative, and other expenses | 3,436 | 2,919 | 10,096 | 8,780 |
| Financial Services interest expense | 762 | 764 | 2,173 | 2,388 |
| Financial Services provision for credit and insurance losses | 46 | 55 | 139 | 16 |
| Total costs and expenses | 34,274 | 30,388 | 104,967 | 92,638 |
| Automotive interest expense | 204 | 198 | 617 | 571 |
| Automotive interest income and other income/(loss), net (Note 15) | 200 | 427 | 686 | 675 |
| Financial Services other income/(loss), net (Note 15) | 100 | 104 | 270 | 260 |
| Equity in net income/(loss) of affiliated companies | 293 | 129 | 780 | 325 |
| Income before income taxes | 2,091 | 2,246 | 6,033 | 5,879 |
| Provision for/(Benefit from) income taxes (Note 17) | 818 | 613 | 1,914 | 1,810 |
| Net income | 1,273 | 1,633 | 4,119 | 4,069 |
| Less: Income/(Loss) attributable to noncontrolling interests | 1 | 2 | 3 | 2 |
| Net income attributable to Ford Motor Company | $1,272 | $1,631 | $4,116 | $4,067 |
| AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 19) | | | | |
| Basic income | $0.32 | $0.43 | $1.05 | $1.07 |
| Diluted income | $0.31 | $0.41 | $1.02 | $1.02 |
| Cash dividends declared | $0.10 | $0.05 | $0.30 | $0.10 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

| | For the periods ended September 30, | | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Third Quarter | | First Nine Months | |
| | (unaudited) | | | |

| | | | | |
|---|---|---|---|---|
| Net income | $1,273 | $1,633 | $4,119 | $4,069 |
| Other comprehensive income/(loss), net of tax (Note 14) | | | | |
| Foreign currency translation | 314 | 440 | (486) | 185 |
| Derivative instruments | (95) | 1 | 191 | (151) |
| Pension and other postretirement benefits | 109 | (54) | 1,640 | 159 |
| Total other comprehensive income/(loss), net of tax | 328 | 387 | 1,345 | 193 |
| Comprehensive income | 1,601 | 2,020 | 5,464 | 4,262 |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests | 1 | 2 | 3 | 2 |
| Comprehensive income attributable to Ford Motor Company | $1,600 | $2,018 | $5,461 | $4,260 |

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, | | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Third Quarter (unaudited) | | First Nine Months | |
| AUTOMOTIVE | | | | |
| Revenues | $33,857 | $30,247 | $103,794 | $92,100 |
| Costs and expenses | | | | |
| Cost of sales | 30,030 | 26,650 | 92,559 | 81,454 |
| Selling, administrative, and other expenses | 2,382 | 2,092 | 7,351 | 6,460 |
| Total costs and expenses | 32,412 | 28,742 | 99,910 | 87,914 |
| Interest expense | 204 | 198 | 617 | 571 |
| Interest income and other income/(loss), net (Note 15) | 200 | 427 | 686 | 675 |
| Equity in net income/(loss) of affiliated companies | 287 | 124 | 763 | 298 |
| Income before income taxes — Automotive | 1,728 | 1,858 | 4,716 | 4,588 |
| FINANCIAL SERVICES | | | | |
| Revenues | 2,119 | 1,925 | 6,087 | 5,728 |
| Costs and expenses | | | | |
| Interest expense | 762 | 764 | 2,173 | 2,388 |
| Depreciation on vehicles subject to operating leases | 833 | 645 | 2,207 | 1,824 |
| Operating and other expenses | 221 | 182 | 538 | 496 |
| Provision for credit and insurance losses | 46 | 55 | 139 | 16 |
| Total costs and expenses | 1,862 | 1,646 | 5,057 | 4,724 |
| Other income/(loss), net (Note 15) | 100 | 104 | 270 | 260 |
| Equity in net income/(loss) of affiliated companies | 6 | 5 | 17 | 27 |
| Income before income taxes — Financial Services | 363 | 388 | 1,317 | 1,291 |
| TOTAL COMPANY | | | | |
| Income before income taxes | 2,091 | 2,246 | 6,033 | 5,879 |
| Provision for/(Benefit from) income taxes (Note 17) | 818 | 613 | 1,914 | 1,810 |
| Net income | 1,273 | 1,633 | 4,119 | 4,069 |
| Less: Income/(Loss) attributable to noncontrolling interests | 1 | 2 | 3 | 2 |
| Net income attributable to Ford Motor Company | $1,272 | $1,631 | $4,116 | $4,067 |

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, 2013 (unaudited) | December 31, 2012 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $14,752 | $15,659 |
| Marketable securities | 22,890 | 20,284 |
| Finance receivables, net (Note 5) | 73,418 | 71,510 |
| Other receivables, net | 11,693 | 10,828 |
| Net investment in operating leases | 20,959 | 16,451 |
| Inventories (Note 7) | 8,799 | 7,362 |
| Equity in net assets of affiliated companies | 3,466 | 3,246 |
| Net property | 26,836 | 24,942 |
| Deferred income taxes | 13,023 | 15,185 |
| Net intangible assets | 86 | 87 |
| Assets held for sale (Note 18) | 98 | — |
| Other assets | 5,051 | 5,000 |
| Total assets | $201,071 | $190,554 |
| LIABILITIES | | |
| Payables | $21,640 | $19,308 |
| Accrued liabilities and deferred revenue (Note 9) | 47,333 | 49,407 |
| Debt (Note 11) | 110,622 | 105,058 |
| Deferred income taxes | 637 | 470 |
| Total liabilities | 180,232 | 174,243 |
| Redeemable noncontrolling interest (Note 13) | 329 | 322 |
| EQUITY | | |
| Capital stock | | |
| Common Stock, par value $.01 per share (3,911 million shares issued) | 39 | 39 |
| Class B Stock, par value $.01 per share (71 million shares issued) | 1 | 1 |
| Capital in excess of par value of stock | 21,378 | 20,976 |
| Retained earnings | 21,014 | 18,077 |
| Accumulated other comprehensive income/(loss) (Note 14) | (21,509) | (22,854) |
| Treasury stock | (456) | (292) |
| Total equity attributable to Ford Motor Company | 20,467 | 15,947 |
| Equity attributable to noncontrolling interests | 43 | 42 |
| Total equity | 20,510 | 15,989 |
| Total liabilities and equity | $201,071 | $190,554 |

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 8 for additional information on our VIEs.

| | September 30, 2013 | December 31, 2012 |
|---|---|---|

| | (unaudited) | |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $2,705 | $2,911 |
| Finance receivables, net | 43,106 | 47,515 |
| Net investment in operating leases | 6,963 | 6,308 |
| Other assets | 4 | 4 |
| LIABILITIES | | |
| Accrued liabilities and deferred revenue | 76 | 134 |
| Debt | 38,537 | 40,245 |

The accompanying notes are part of the financial statements.

ITEM 1. Financial Statements (Continued)

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

| | September 30, 2013 (unaudited) | December 31, 2012 |
|---|---|---|
| ASSETS | | |
| Automotive | | |
| Cash and cash equivalents | $5,660 | $6,247 |
| Marketable securities | 20,485 | 18,178 |
| Total cash and marketable securities | 26,145 | 24,425 |
| Receivables, less allowances of $126 and $115 | 6,141 | 5,361 |
| Inventories (Note 7) | 8,799 | 7,362 |
| Deferred income taxes | 2,943 | 3,488 |
| Net investment in operating leases | 1,834 | 1,415 |
| Other current assets | 878 | 1,124 |
| Current receivable from Financial Services | 222 | — |
| Total current assets | 46,962 | 43,175 |
| Equity in net assets of affiliated companies | 3,340 | 3,112 |
| Net property | 26,713 | 24,813 |
| Deferred income taxes | 11,583 | 13,325 |
| Net intangible assets | 86 | 87 |
| Other assets | 2,190 | 1,946 |
| Non-current receivable from Financial Services | 297 | — |
| Total Automotive assets | 91,171 | 86,458 |
| Financial Services | | |
| Cash and cash equivalents | 9,092 | 9,412 |
| Marketable securities | 2,405 | 2,106 |
| Finance receivables, net (Note 5) | 78,021 | 75,770 |
| Net investment in operating leases | 19,125 | 15,036 |
| Equity in net assets of affiliated companies | 126 | 134 |
| Assets held for sale (Note 18) | 98 | — |
| Other assets | 3,223 | 3,450 |
| Receivable from Automotive | — | 252 |
| Total Financial Services assets | 112,090 | 106,160 |
| Intersector elimination | (519) | (252) |
| Total assets | $202,742 | $192,366 |
| LIABILITIES | | |
| Automotive | | |
| Payables | $20,168 | $18,151 |
| Accrued liabilities and deferred revenue (Note 9) | 16,419 | 15,358 |
| Deferred income taxes | 207 | 81 |
| Debt payable within one year (Note 11) | 1,313 | 1,386 |
| Current payable to Financial Services | — | 252 |
| Total current liabilities | 38,107 | 35,228 |
| Long-term debt (Note 11) | 14,511 | 12,870 |
| Other liabilities (Note 9) | 26,880 | 30,549 |
| Deferred income taxes | 389 | 514 |
| Total Automotive liabilities | 79,887 | 79,161 |
| Financial Services | | |

| | | |
|---|---|---|
| Payables | 1,472 | 1,157 |
| Debt (Note 11) | 94,798 | 90,802 |
| Deferred income taxes | 1,712 | 1,687 |
| Other liabilities and deferred income (Note 9) | 4,034 | 3,500 |
| Payable to Automotive | 519 | — |
| Total Financial Services liabilities | 102,535 | 97,146 |
| Intersector elimination | (519) | (252) |
| Total liabilities | 181,903 | 176,055 |
| | | |
| Redeemable noncontrolling interest (Note 13) | 329 | 322 |
| | | |
| EQUITY | | |
| Capital stock | | |
| Common Stock, par value $.01 per share (3,911 million shares issued) | 39 | 39 |
| Class B Stock, par value $.01 per share (71 million shares issued) | 1 | 1 |
| Capital in excess of par value of stock | 21,378 | 20,976 |
| Retained earnings | 21,014 | 18,077 |
| Accumulated other comprehensive income/(loss) (Note 14) | (21,509) | (22,854) |
| Treasury stock | (456) | (292) |
| Total equity attributable to Ford Motor Company | 20,467 | 15,947 |
| Equity attributable to noncontrolling interests | 43 | 42 |
| Total equity | 20,510 | 15,989 |
| Total liabilities and equity | $202,742 | $192,366 |

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, | |
|---|---|---|
| | 2013 | 2012 |
| | First Nine Months (unaudited) | |
| Cash flows from operating activities of continuing operations | | |
| Net cash provided by/(used in) operating activities | $10,129 | $9,406 |
| Cash flows from investing activities of continuing operations | | |
| Capital expenditures | (4,659) | (3,603) |
| Acquisitions of retail and other finance receivables and operating leases | (33,926) | (29,034) |
| Collections of retail and other finance receivables and operating leases | 25,431 | 23,933 |
| Purchases of securities | (96,614) | (66,232) |
| Sales and maturities of securities | 94,064 | 63,119 |
| Cash change due to initial consolidation of businesses | 9 | 191 |
| Proceeds from sale of business | — | 65 |
| Settlements of derivatives | (247) | (681) |
| Proceeds from sales of retail finance receivables (Note 18) | 410 | — |
| Other | 212 | (381) |
| Net cash provided by/(used in) investing activities | (15,320) | (12,623) |
| Cash flows from financing activities of continuing operations | | |
| Cash dividends | (1,179) | (572) |
| Purchases of Common Stock | (164) | (92) |
| Changes in short-term debt | (3,227) | (2,111) |
| Proceeds from issuance of other debt | 28,946 | 25,272 |
| Principal payments on other debt | (20,288) | (23,041) |
| Other | 254 | 162 |
| Net cash provided by/(used in) financing activities | 4,342 | (382) |
| Effect of exchange rate changes on cash and cash equivalents | (58) | (10) |
| Net increase/(decrease) in cash and cash equivalents | $(907) | $(3,609) |
| Cash and cash equivalents at January 1 | $15,659 | $17,148 |
| Net increase/(decrease) in cash and cash equivalents | (907) | (3,609) |
| Cash and cash equivalents at September 30 | $14,752 | $13,539 |

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, | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | First Nine Months | | | |
| | Automotive | Financial Services | Automotive | Financial Services |
| | (unaudited) | | | |
| Cash flows from operating activities of continuing operations | | | | |
| Net cash provided by/(used in) operating activities | $6,378 | $4,928 | $4,113 | $3,624 |
| Cash flows from investing activities of continuing operations | | | | |
| Capital expenditures | (4,635) | (24) | (3,580) | (23) |
| Acquisitions of retail and other finance receivables and operating leases | — | (34,015) | — | (29,036) |
| Collections of retail and other finance receivables and operating leases | — | 25,431 | — | 23,933 |
| Net collections/(acquisitions) of wholesale receivables | — | (1,088) | — | 1,671 |
| Purchases of securities | (71,471) | (25,143) | (50,166) | (16,066) |
| Sales and maturities of securities | 69,246 | 24,818 | 47,534 | 15,786 |
| Cash change due to initial consolidation of businesses | 9 | — | 191 | — |
| Proceeds from sale of business | — | — | 54 | 11 |
| Settlements of derivatives | (274) | 27 | (634) | (47) |
| Proceeds from sales of retail finance receivables (Note 18) | — | 410 | — | — |
| Investing activity (to)/from Financial Services | 298 | — | 794 | — |
| Other | 194 | 18 | (279) | (102) |
| Net cash provided by/(used in) investing activities | (6,633) | (9,566) | (6,086) | (3,873) |
| Cash flows from financing activities of continuing operations | | | | |
| Cash dividends | (1,179) | — | (572) | — |
| Purchases of Common Stock | (164) | — | (92) | — |
| Changes in short-term debt | (120) | (3,107) | 26 | (2,137) |
| Proceeds from issuance of other debt | 2,175 | 26,771 | 1,502 | 23,770 |
| Principal payments on other debt | (1,230) | (19,058) | (647) | (22,595) |
| Financing activity to/(from) Automotive | — | (298) | — | (794) |
| Other | 264 | (10) | 16 | 146 |
| Net cash provided by/(used in) financing activities | (254) | 4,298 | 233 | (1,610) |
| Effect of exchange rate changes on cash and cash equivalents | (78) | 20 | (5) | (5) |
| Net increase/(decrease) in cash and cash equivalents | $(587) | $(320) | $(1,745) | $(1,864) |
| Cash and cash equivalents at January 1 | $6,247 | $9,412 | $7,965 | $9,183 |
| Net increase/(decrease) in cash and cash equivalents | (587) | (320) | (1,745) | (1,864) |
| Cash and cash equivalents at September 30 | $5,660 | $9,092 | $6,220 | $7,319 |

The accompanying notes are part of the financial statements.

6

ITEM 1. Financial Statements (Continued)

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

| | Equity/(Deficit) Attributable to Ford Motor Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Cap. in Excess of Par Value of Stock | Retained Earnings/ (Accumulated Deficit) | Accumulated Other Comprehensive Income/(Loss) (Note 14) | Treasury Stock | Total | Equity/ (Deficit) Attributable to Non-controlling Interests | Total Equity/ (Deficit) |
| Balance at December 31, 2012 | $40 | $20,976 | $18,077 | $ (22,854) | $(292) | $15,947 | $ 42 | $15,989 |
| Net income | — | — | 4,116 | — | — | 4,116 | 3 | 4,119 |
| Other comprehensive income/(loss), net of tax | — | — | — | 1,345 | — | 1,345 | — | 1,345 |
| Common stock issued (including share-based compensation impacts) | — | 402 | — | — | — | 402 | — | 402 |
| Treasury stock/other | — | — | — | — | (164) | (164) | (2) | (166) |
| Cash dividends declared | — | — | (1,179) | — | — | (1,179) | — | (1,179) |
| Balance at September 30, 2013 | $40 | $21,378 | $21,014 | $ (21,509) | $(456) | $20,467 | $ 43 | $20,510 |
| | | | | | | | | |
| Balance at December 31, 2011 | $38 | $20,905 | $12,985 | $ (18,734) | $(166) | $15,028 | $ 43 | $15,071 |
| Net income | — | — | 4,067 | — | — | 4,067 | 2 | 4,069 |
| Other comprehensive income/(loss), net of tax | — | — | — | 193 | — | 193 | — | 193 |
| Common stock issued (including share-based compensation impacts) | 1 | 26 | — | — | — | 27 | — | 27 |
| Treasury stock/other | — | — | — | — | (92) | (92) | — | (92) |
| Cash dividends declared | — | — | (382) | — | — | (382) | — | (382) |
| Balance at September 30, 2012 | $39 | $20,931 | $16,670 | $ (18,541) | $(258) | $18,841 | $ 45 | $18,886 |

The accompanying notes are part of the financial statements.

ITEM 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

Table of Contents


| Footnote | | Page |
|---|---|---|
| Note 1 | Presentation | 9 |
| Note 2 | Accounting Standards Issued But Not Yet Adopted | 12 |
| Note 3 | Fair Value Measurements | 13 |
| Note 4 | Restricted Cash | 18 |
| Note 5 | Finance Receivables | 19 |
| Note 6 | Allowance for Credit Losses | 24 |
| Note 7 | Inventories | 26 |
| Note 8 | Variable Interest Entities | 26 |
| Note 9 | Accrued Liabilities and Deferred Revenue | 29 |
| Note 10 | Retirement Benefits | 30 |
| Note 11 | Debt and Commitments | 32 |
| Note 12 | Derivative Financial Instruments and Hedging Activities | 33 |
| Note 13 | Redeemable Noncontrolling Interest | 37 |
| Note 14 | Accumulated Other Comprehensive Income/(Loss) | 38 |
| Note 15 | Other Income/(Loss) | 39 |
| Note 16 | Employee Separation Actions and Exit and Disposal Activities | 40 |
| Note 17 | Income Taxes | 40 |
| Note 18 | Dispositions, Changes in Investments in Affiliates, and Assets Held For Sale | 41 |
| Note 19 | Amounts Per Share Attributable to Ford Motor Company Common and Class B Stock | 42 |
| Note 20 | Segment Information | 43 |
| Note 21 | Commitments and Contingencies | 45 |

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 related 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, 2012 ("2012 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

Derivatives and Hedging - Inclusion of the Fed Funds Effective Swap Rate ("OIS rate") as a Benchmark Interest Rate for Hedge Accounting Purposes. On July 17, 2013, we adopted the new accounting standard that permits the use of the OIS rate as an acceptable U.S. benchmark interest rate for hedge accounting purposes and removes the restriction on using different benchmark rates for similar hedges. The adoption of this accounting standard did not impact our consolidated financial statements.

Balance Sheet - Offsetting. On January 1, 2013, we adopted the new accounting standard that requires disclosures about offsetting and related arrangements for derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions. See Note 3 and Note 12 for further disclosure regarding balance sheet offsetting.

Intangibles - Goodwill and Other. On January 1, 2013, we adopted the new accounting standard that provides the option to evaluate qualitative factors to determine whether a calculated impairment test for indefinite-lived intangible assets is necessary. The adoption of this accounting standard did not impact our consolidated financial statements.

Comprehensive Income - Reporting of Reclassification Adjustments. During 2012, we early adopted the new accounting standard that requires us to disclose significant amounts reclassified out of each component of Accumulated other comprehensive income/(loss) ("AOCI") and the affected income statement line item only if the item reclassified is required to be reclassified to net income in its entirety. See Note 14 for further disclosure regarding the significant amounts reclassified out of AOCI.

9

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. PRESENTATION (Continued)

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 in 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, 2013 | December 31, 2012 |
|---|---|---|
| Sector balance sheet presentation of deferred income tax assets | | |
| Automotive sector current deferred income tax assets | $2,943 | $3,488 |
| Automotive sector non-current deferred income tax assets | 11,583 | 13,325 |
| Financial Services sector deferred income tax assets (a) | 168 | 184 |
| Total | 14,694 | 16,997 |
| Reclassification for netting of deferred income taxes | (1,671) | (1,812) |
| Consolidated balance sheet presentation of deferred income tax assets | $13,023 | $15,185 |
| | | |
| Sector balance sheet presentation of deferred income tax liabilities | | |
| Automotive sector current deferred income tax liabilities | $207 | $81 |
| Automotive sector non-current deferred income tax liabilities | 389 | 514 |
| Financial Services sector deferred income tax liabilities | 1,712 | 1,687 |
| Total | 2,308 | 2,282 |
| Reclassification for netting of deferred income taxes | (1,671) | (1,812) |
| Consolidated balance sheet presentation of deferred income tax liabilities | $637 | $470 |

(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 1. PRESENTATION (Continued)

Sector to Consolidated Cash Flow. We present certain cash flows from wholesale receivables, finance receivables and the acquisition of intersector debt differently on our sector and consolidated statements of cash flows. The reconciliation between totals for the sector and consolidated cash flows for the periods ended September 30 was as follows (in millions):

| | First Nine Months | |
|---|---|---|
| | 2013 | 2012 |
| Automotive net cash provided by/(used in) operating activities | $6,378 | $4,113 |
| Financial Services net cash provided by/(used in) operating activities | 4,928 | 3,624 |
| Total sector net cash provided by/(used in) operating activities | 11,306 | 7,737 |
| Reclassifications from investing to operating cash flows | | |
| Wholesale receivables (a) | (1,088) | 1,671 |
| Finance receivables (b) | (89) | (2) |
| Consolidated net cash provided by/(used in) operating activities | $10,129 | $9,406 |
| | | |
| Automotive net cash provided by/(used in) investing activities | $(6,633) | $(6,086) |
| Financial Services net cash provided by/(used in) investing activities | (9,566) | (3,873) |
| Total sector net cash provided by/(used in) investing activities | (16,199) | (9,959) |
| Reclassifications from investing to operating cash flows | | |
| Wholesale receivables (a) | 1,088 | (1,671) |
| Finance receivables (b) | 89 | 2 |
| Reclassifications from investing to financing cash flows | | |
| Maturity of Financial Services sector debt held by Automotive sector (c) | — | (201) |
| Elimination of investing activity to/(from) Financial Services in consolidation | (298) | (794) |
| Consolidated net cash provided by/(used in) investing activities | $(15,320) | $(12,623) |
| | | |
| Automotive net cash provided by/(used in) financing activities | $(254) | $233 |
| Financial Services net cash provided by/(used in) financing activities | 4,298 | (1,610) |
| Total sector net cash provided by/(used in) financing activities | 4,044 | (1,377) |
| Reclassifications from investing to financing cash flows | | |
| Maturity of Financial Services sector debt held by Automotive sector (c) | — | 201 |
| Elimination of investing activity to/(from) Financial Services in consolidation | 298 | 794 |
| Consolidated net cash provided by/(used in) financing activities | $4,342 | $(382) |

In addition to the cash flow from vehicles sold by us, the cash flow from wholesale finance receivables (being reclassified from investing to operating) includes dealer financing by Ford Credit of used and non-Ford vehicles.

(a) One hundred percent of cash flows from these wholesale finance receivables have been reclassified for consolidated presentation as the portion of these cash flows from used and non-Ford vehicles is impracticable to separate.

(b) Includes cash flows of finance receivables purchased/collected by the Financial Services sector from certain divisions and subsidiaries of the Automotive sector.

(c) Cash inflows related to these transactions are reported as financing activities on the consolidated statement of cash flows and investing activities on the sector statement of cash flows.

11

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. PRESENTATION (Continued)

Venezuelan Operations

In February 2013, the Venezuelan government announced a devaluation of the bolivar, effective February 13, 2013. The devaluation, from an exchange rate of 4.3 bolivars to the U.S. dollar to an exchange rate of 6.3 bolivars to the U.S. dollar, resulted in a remeasurement loss of $186 million in the first quarter. For periods subsequent to the date of the devaluation, assets, liabilities, and results of operations from our Venezuelan subsidiary are remeasured at this new exchange rate, including $704 million of cash and cash equivalents at the end of the third quarter of 2013. At September 30, 2013, our investment in our Venezuelan subsidiary (which includes undistributed earnings) was $802 million. Also, at September 30, 2013, it had $283 million of U.S. dollar currency exchange requests pending with and in transit to the Commission for Administration of Foreign Exchange ("CADIVI"), including $274 million payable to other Ford consolidated affiliates.

The operating environment in Venezuela continues to be challenging, reflecting economic uncertainty and our limited ability to convert bolivars to U.S. dollars through CADIVI. Various restrictions on our ability to manage our operations, including restrictions on the distribution of foreign exchange by the authorities, have affected our Venezuelan operation's ability to pay obligations denominated in U.S. dollars and are constraining parts availability and our ability to maintain normal production, thereby restricting our ability to benefit from our investment in this operation.

NOTE 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

Income Taxes - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. In July 2013, the Financial Accounting Standards Board ("FASB") issued a new accounting standard that requires an unrecognized tax benefit to be presented as a decrease in a deferred tax asset where a net operating loss, a similar tax loss, or a tax credit carryforward exists and certain criteria are met. The new accounting standard is effective as of January 1, 2014 and is consistent with our present practice.

Foreign Currency Matters - Parent's Accounting for Cumulative Translation Adjustment. In March 2013, the FASB issued a new accounting standard that clarifies the applicable guidance for a parent company's accounting for the release of the cumulative translation adjustment into net income upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The new accounting standard is effective as of January 1, 2014 and is consistent with our present practice.

Liabilities - Obligations Resulting from Joint and Several Liability Arrangements. In February 2013, the FASB issued a new accounting standard that provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements. This new accounting standard is effective as of January 1, 2014 and we do not expect this standard to have a material impact on our consolidated financial statements or financial statement disclosures.

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 presented in our financial statements on a recurring basis at fair value, while other assets and liabilities are measured at fair value on a nonrecurring basis, such as when we have an asset impairment.

Fair Value Measurements

In measuring fair value, we use various valuation methodologies and prioritize the use of observable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

- Level 1 - inputs include quoted prices for identical instruments and are the most observable
- Level 2 - inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves
- Level 3 - inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

We review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

Valuation Methodologies

Cash and Cash Equivalents. Included in Cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of 90 days or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as Cash and cash equivalents. Time deposits, certificates of deposit, and money market accounts that meet the above criteria are reported at par value on our balance sheet and are excluded from the tables below.

Marketable Securities. Investments in securities with a maturity date greater than 90 days at the date of purchase and other securities for which there is more than an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal are classified as Marketable securities. We generally measure fair value using prices obtained from pricing services. Pricing methodologies and inputs to valuation models used by the pricing services depend on the security type (i.e., asset class). Where possible, fair values are generated using market inputs including quoted prices (the closing price in an exchange market), bid prices (the price at which a buyer stands ready to purchase), and other market information. For fixed income securities that are not actively traded, the pricing services use alternative methods to determine fair value for the securities, including quotes for similar fixed-income securities, matrix pricing, discounted cash flow using benchmark curves, or other factors. In certain cases, when market data are not available, we may use broker quotes to determine fair value.

An annual review is performed on the security prices received from our pricing services, which includes discussion and analysis of the inputs used by the pricing services to value our securities. We also compare the price of certain securities sold close to the quarter end to the price of the same security at the balance sheet date to ensure the reported

fair value is reasonable.

We have entered into repurchase agreements with certain counterparties where we are the transferee. These agreements allow us to offset our entire gross exposure in the event of default or breach of contract. The gross value of these assets and liabilities reflected on our balance sheet at September 30, 2013 and December 31, 2012 was $202 million and $51 million, respectively.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

Derivative Financial Instruments. Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We estimate the fair value of these instruments using industry-standard valuation models such as a discounted cash flow. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates, commodity prices, and the contractual terms of the derivative instruments. The discount rate used is the relevant interbank deposit rate (e.g., LIBOR) plus an adjustment for non-performance risk. The adjustment reflects the full credit default swap ("CDS") spread applied to a net exposure, by counterparty, considering the master netting agreements and posted collateral. We use our counterparty's CDS spread when we are in a net asset position and our own CDS spread when we are in a net liability position. In certain cases, market data are not available and we use broker quotes and models (e.g., Black-Scholes) to determine fair value. This includes situations where there is lack of liquidity for a particular currency or commodity or when the instrument is longer-dated.

Finance Receivables. We measure finance receivables at fair value for purposes of disclosure (see Note 5) using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to present value based on assumptions regarding credit losses, pre-payment speed, and applicable spreads to approximate current rates. Our assumptions regarding pre-payment speed and credit losses are based on historical performance. The fair value of finance receivables is categorized within Level 3 of the hierarchy.

On a nonrecurring basis, when retail contracts are greater than 120 days past due or deemed to be uncollectible, or if individual dealer loans are probable of foreclosure, we use the fair value of collateral, adjusted for estimated costs to sell, to determine the fair value of our receivables. The collateral for a retail receivable is the vehicle financed, and for dealer loans is real estate or other property.

The fair value of collateral for retail receivables is calculated based on the number of contracts multiplied by the loss severity and the probability of default ("POD") percentage, or the outstanding receivable balances multiplied by the average recovery value ("ARV") percentage to determine the fair value adjustment.

The nonrecurring fair value measurements for dealer loans are based on an assessment of the estimated fair value of collateral. The assessment is performed by reviewing various appraisals, which include total adjusted appraised value of land and improvements, alternate use appraised value, broker's opinion of value, and purchase offers. The fair value adjustment is determined by comparing the net carrying value of the dealer loan and the estimated fair value of collateral.

Debt. We measure debt at fair value for purposes of disclosure (see Note 11) using quoted prices for our own debt with approximately the same remaining maturities, where possible. Where quoted prices are not available, we estimate fair value using discounted cash flows and market-based expectations for interest rates, credit risk, and the contractual terms of the debt instruments. For certain short-term debt with an original maturity date of one year or less, we assume that book value is a reasonable approximation of the debt's fair value. The fair value of debt is categorized within Level 2 of the hierarchy.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

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

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

| | September 30, 2013 | | | | December 31, 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Automotive Sector | | | | | | | | |
| Assets | | | | | | | | |
| Cash equivalents – financial instruments | | | | | | | | |
| U.S. government | $16 | $— | $— | $16 | $— | $— | $— | $— |
| U.S. government-sponsored enterprises | — | 5 | — | 5 | — | 718 | — | 718 |
| Non-U.S. government | — | 72 | — | 72 | — | 139 | — | 139 |
| Non-U.S. government agencies (a) | — | 20 | — | 20 | — | 365 | — | 365 |
| Corporate debt | — | — | — | — | — | — | — | — |
| Total cash equivalents – financial instruments (b) | 16 | 97 | — | 113 | — | 1,222 | — | 1,222 |
| Marketable securities | | | | | | | | |
| U.S. government | 4,924 | — | — | 4,924 | 4,493 | — | — | 4,493 |
| U.S. government-sponsored enterprises | — | 5,895 | — | 5,895 | — | 5,459 | — | 5,459 |
| Non-U.S. government agencies (a) | — | 5,830 | — | 5,830 | — | 4,794 | — | 4,794 |
| Corporate debt | — | 2,316 | — | 2,316 | — | 1,871 | — | 1,871 |
| Mortgage-backed and other asset-backed | — | 296 | — | 296 | — | 25 | — | 25 |
| Equities | 295 | — | — | 295 | 142 | — | — | 142 |
| Non-U.S. government | — | 911 | — | 911 | — | 1,367 | — | 1,367 |
| Other liquid investments (c) | — | 18 | — | 18 | — | 27 | — | 27 |
| Total marketable securities | 5,219 | 15,266 | — | 20,485 | 4,635 | 13,543 | — | 18,178 |
| Derivative financial instruments | | | | | | | | |
| Foreign currency exchange contracts | — | 442 | — | 442 | — | 218 | — | 218 |
| Commodity contracts | — | 20 | 3 | 23 | — | 19 | 4 | 23 |
| Total derivative financial instruments (d) | — | 462 | 3 | 465 | — | 237 | 4 | 241 |
| Total assets at fair value | $5,235 | $15,825 | $3 | $21,063 | $4,635 | $15,002 | $4 | $19,641 |
| Liabilities | | | | | | | | |
| Derivative financial instruments | | | | | | | | |
| Foreign currency exchange contracts | $— | $390 | $— | $390 | $— | $486 | $— | $486 |
| Commodity contracts | — | 20 | 2 | 22 | — | 112 | 12 | 124 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total derivative financial instruments (d) | — | 410 | 2 | 412 | — | 598 | 12 | 610 |
| Total liabilities at fair value | $— | $410 | $2 | $412 | $— | $598 | $12 | $610 |

(a) Includes notes issued by non-U.S. government agencies, as well as notes issued by supranational institutions.

(b) Excludes time deposits, certificates of deposit, money market accounts, and other cash equivalents reported at par value on our balance sheet totaling $2.5 billion and $3 billion at September 30, 2013 and December 31, 2012, respectively, for the Automotive sector. In addition to these cash equivalents, our Automotive sector also had cash on hand totaling $3.1 billion and $2 billion at September 30, 2013 and December 31, 2012, respectively.

(c) Includes certificates of deposit and time deposits subject to changes in value.

(d) 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 3. FAIR VALUE MEASUREMENTS (Continued)

| | September 30, 2013 | | | | December 31, 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial Services Sector | | | | | | | | |
| Assets | | | | | | | | |
| Cash equivalents – financial instruments | | | | | | | | |
| U.S. government | $— | $— | $— | $— | $200 | $— | $— | $200 |
| U.S. government-sponsored enterprises | — | — | — | — | — | 20 | — | 20 |
| Non-U.S. government | — | 66 | — | 66 | — | 103 | — | 103 |
| Corporate debt | — | — | — | — | — | 1 | — | 1 |
| Total cash equivalents – financial instruments (a) | — | 66 | — | 66 | 200 | 124 | — | 324 |
| Marketable securities | | | | | | | | |
| U.S. government | 611 | — | — | 611 | 620 | — | — | 620 |
| U.S. government-sponsored enterprises | — | 457 | — | 457 | — | 12 | — | 12 |
| Non-U.S. government agencies | — | 4 | — | 4 | — | 95 | — | 95 |
| Corporate debt | — | 1,228 | — | 1,228 | — | 1,155 | — | 1,155 |
| Mortgage-backed and other asset-backed | — | 46 | — | 46 | — | 67 | — | 67 |
| Non-U.S. government | — | 59 | — | 59 | — | 142 | — | 142 |
| Other liquid investments (b) | — | — | — | — | — | 15 | — | 15 |
| Total marketable securities | 611 | 1,794 | — | 2,405 | 620 | 1,486 | — | 2,106 |
| Derivative financial instruments | | | | | | | | |
| Interest rate contracts | — | 853 | — | 853 | — | 1,291 | — | 1,291 |
| Foreign currency exchange contracts | — | 12 | — | 12 | — | 9 | — | 9 |
| Cross-currency interest rate swap contracts | — | — | — | — | — | — | — | — |
| Total derivative financial instruments (c) | — | 865 | — | 865 | — | 1,300 | — | 1,300 |
| Total assets at fair value | $611 | $2,725 | $— | $3,336 | $820 | $2,910 | $— | $3,730 |
| Liabilities | | | | | | | | |
| Derivative financial instruments | | | | | | | | |
| Interest rate contracts | $— | $319 | $— | $319 | $— | $256 | $— | $256 |
| Foreign currency exchange contracts | — | 65 | — | 65 | — | 8 | — | 8 |
| Cross-currency interest rate swap contracts | — | 171 | — | 171 | — | 117 | — | 117 |
| Total derivative financial instruments (c) | — | 555 | — | 555 | — | 381 | — | 381 |
| Total liabilities at fair value | $— | $555 | $— | $555 | $— | $381 | $— | $381 |

(a)

Excludes time deposits, certificates of deposit, and money market accounts reported at par value on our balance sheet totaling $4.5 billion and $6.5 billion at September 30, 2013 and December 31, 2012, respectively. In addition to these cash equivalents, we also had cash on hand totaling $4.5 billion and $2.6 billion at September 30, 2013 and December 31, 2012, respectively.

(b) Includes certificates of deposit and time deposits subject to changes in value.

(c) 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 3. FAIR VALUE MEASUREMENTS (Continued)

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

The following table summarizes the items measured at fair value subsequent to initial recognition on a nonrecurring basis, all of which are Level 3 (in millions):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Financial Services Sector | | |
| North America | | |
| Retail receivables | $36 | $52 |
| Dealer loans | — | 2 |
| Total North America | 36 | 54 |
| International | | |
| Retail receivables | 23 | 26 |
| Total International | 23 | 26 |
| Total Financial Services sector | $59 | $80 |

Nonrecurring Fair Value Changes

The following table summarizes the total change in value of items for which a nonrecurring fair value adjustment has been included in our income statement for the periods ended September 30, related to items still held on our balance sheet at those dates (in millions):

| | Total Gains/(Losses) | | | |
|---|---|---|---|---|
| | Third Quarter | | First Nine Months | |
| | 2013 | 2012 | 2013 | 2012 |
| Financial Services Sector | | | | |
| North America | | | | |
| Retail receivables | $(6) | $(6) | $(17) | $(14) |
| Dealer loans | — | — | — | — |
| Total North America | (6) | (6) | (17) | (14) |
| International | | | | |
| Retail receivables | (2) | (6) | (7) | (11) |
| Total International | (2) | (6) | (7) | (11) |
| Total Financial Services sector | $(8) | $(12) | $(24) | $(25) |

Fair value changes related to retail and dealer loan finance receivables that have been written down based on the fair value of collateral adjusted for estimated costs to sell are recorded in Financial Services provision for credit and insurance losses.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The following table summarizes significant unobservable inputs and the variability of those inputs to alternate methodologies (in millions):

| | | | September 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | Valuation Technique | Unobservable Input | Fair Value | Fair Value Range | Fair Value | Fair Value Range |
| Automotive Sector | | | | | | |
| Recurring basis | | | | | | |
| Net commodity contracts | Income Approach | Forward commodity prices for certain commodity types. A lower forward price will result in a lower fair value. | $1 | $0 - $1 | $(8) | $(7) - $(8) |
| Financial Services Sector | | | | | | |
| Nonrecurring basis | | | | | | |
| Retail receivables | | | | | | |
| North America | Income Approach | POD percentage | $36 | $23 - $36 | $52 | $38 - $52 |
| International | Income Approach | ARV percentage | $23 | $23 - $24 | $26 | $25 - $27 |
| Dealer loans | Income Approach | Estimated fair value | $— | $— | $2 | $1 - $3 |

NOTE 4. RESTRICTED CASH

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in Other assets on our balance sheet.

Our Automotive sector restricted cash balances primarily include various escrow agreements related to legal, insurance, customs, and environmental matters. The December 31, 2012 balance included cash collateral required to be held against loans from the European Investment Bank (“EIB”). Our Financial Services sector restricted cash balances primarily include cash held to meet certain local governmental and regulatory reserve requirements and cash held under the terms of certain contractual agreements.

Restricted cash does not include required minimum balances or cash securing debt issued through securitization transactions.

Restricted cash balances were as follows (in millions):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Automotive sector | $16 | $172 |
| Financial Services sector | 164 | 172 |
| Total Company | $180 | $344 |

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES

Finance receivable balances were as follows (in millions):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Automotive sector (a) | $160 | $519 |
| Financial Services sector | 78,021 | 75,770 |
| Reclassification of receivables purchased by Financial Services sector from Automotive sector to Other receivables, net | (4,763) | (4,779) |
| Finance receivables, net | $73,418 | $71,510 |

(a) Finance receivables are reported on our sector balance sheet in Receivables, less allowances and Other assets.

Automotive Sector

Our Automotive sector notes receivable consist primarily of amounts loaned to our unconsolidated affiliates and suppliers. Performance of this group of receivables is evaluated based on payment activity and the financial stability of the debtor. Notes receivable initially are recorded at fair value and subsequently measured at amortized cost.

Financial Services Sector

Our Financial Services sector finance receivables primarily relate to Ford Credit, but also include the Other Financial Services segment and certain intersector eliminations.

Our Financial Services sector segments the North America and International portfolio of finance receivables into “consumer” and “non-consumer” receivables. Generally, receivables are secured by the vehicles, inventory, or other property being financed.

Consumer Segment. Receivables in this portfolio segment include products offered to individuals and businesses that finance the acquisition of Ford and Lincoln vehicles from dealers for personal or commercial use. Retail financing includes retail installment contracts for new and used vehicles and direct financing leases with retail customers, government entities, daily rental companies, and fleet customers.

Non-Consumer Segment. Receivables in this portfolio segment include products offered to automotive dealers. The products include:

- Dealer financing – wholesale loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing, and loans to dealers to finance working capital and improvements to dealership facilities, finance the purchase of dealership real estate, and other dealer program financing. Wholesale is approximately 94% of our dealer financing
- Other financing – purchased receivables primarily related to the sale of parts and accessories to dealers

Finance receivables are recorded at the time of origination or purchase at fair value and are subsequently reported at amortized cost, net of any allowance for credit losses. Amortized cost is the outstanding principal adjusted for any charge-offs, unamortized deferred fees or costs, and unearned interest supplements.

19

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

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

| | September 30, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | North America | International | Total Finance Receivables | North America | International | Total Finance Receivables |
| Consumer | | | | | | |
| Retail financing, gross | $40,476 | $ 10,327 | $ 50,803 | $39,504 | $ 10,460 | $ 49,964 |
| Less: Unearned interest supplements | (1,231) | (251) | (1,482) | (1,264) | (287) | (1,551) |
| Consumer finance receivables | $39,245 | $ 10,076 | $ 49,321 | $38,240 | $ 10,173 | $ 48,413 |
| Non-Consumer | | | | | | |
| Dealer financing | $20,326 | $ 7,608 | $ 27,934 | $19,429 | $ 7,242 | $ 26,671 |
| Other | 759 | 356 | 1,115 | 689 | 386 | 1,075 |
| Non-Consumer finance receivables | 21,085 | 7,964 | 29,049 | 20,118 | 7,628 | 27,746 |
| Total recorded investment | $60,330 | $ 18,040 | $ 78,370 | $58,358 | $ 17,801 | $ 76,159 |
| Recorded investment in finance receivables | $60,330 | $ 18,040 | $ 78,370 | $58,358 | $ 17,801 | $ 76,159 |
| Less: Allowance for credit losses | (275) | (74) | (349) | (309) | (80) | (389) |
| Finance receivables, net | $60,055 | $ 17,966 | $ 78,021 | $58,049 | $ 17,721 | $ 75,770 |
| Net finance receivables subject to fair value (a) | | | $ 76,388 | | | $ 73,618 |
| Fair value | | | 77,927 | | | 75,618 |

(a) At September 30, 2013 and December 31, 2012, excludes $1.6 billion and $2.2 billion, respectively, of certain receivables (primarily direct financing leases) that are not subject to fair value disclosure requirements. All finance receivables are categorized within Level 3 of the fair value hierarchy. See Note 3 for additional information.

Excluded from Financial Services sector finance receivables at September 30, 2013 and December 31, 2012, was $176 million and $183 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, 2013 and December 31, 2012 were North America consumer receivables of $21 billion and $23 billion and non-consumer receivables of $17.1 billion and $17.1 billion, respectively, and International consumer receivables of $4.9 billion and $6.6 billion and non-consumer receivables of $5 billion and $4.5 billion, respectively, that secure certain debt obligations. 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 of our Financial Services sector or the claims of our other creditors. We hold 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 Notes 8 and 11).

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

Aging. For all classes of finance receivables, we define "past due" as any payment, including principal and interest, that has not been collected and is at least 31 days past the contractual due date. Recorded investment of consumer accounts greater than 90 days past due and still accruing interest was $15 million and $13 million at September 30, 2013 and December 31, 2012, respectively. The recorded investment of non-consumer accounts greater than 90 days past due and still accruing interest was $5 million at September 30, 2013 and $5 million at December 31, 2012.

The aging analysis of our Financial Services sector finance receivables balances was as follows (in millions):

| | September 30, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | North America | International | Total | North America | International | Total |
| Consumer | | | | | | |
| 31-60 days past due | $631 | $38 | $669 | $783 | $50 | $833 |
| 61-90 days past due | 76 | 17 | 93 | 97 | 18 | 115 |
| 91-120 days past due | 20 | 9 | 29 | 21 | 9 | 30 |
| Greater than 120 days past due | 36 | 27 | 63 | 52 | 29 | 81 |
| Total past due | 763 | 91 | 854 | 953 | 106 | 1,059 |
| Current | 38,482 | 9,985 | 48,467 | 37,287 | 10,067 | 47,354 |
| Consumer finance receivables | $39,245 | $10,076 | $49,321 | $38,240 | $10,173 | $48,413 |
| | | | | | | |
| Non-Consumer | | | | | | |
| Total past due | $28 | $39 | $67 | $29 | $11 | $40 |
| Current | 21,057 | 7,925 | 28,982 | 20,089 | 7,617 | 27,706 |
| Non-Consumer finance receivables | 21,085 | 7,964 | 29,049 | 20,118 | 7,628 | 27,746 |
| Total recorded investment | $60,330 | $18,040 | $78,370 | $58,358 | $17,801 | $76,159 |

Consumer Credit Quality. When originating all classes of consumer receivables, we use a proprietary scoring system that measures the credit quality of the receivables using several factors, such as credit bureau information, consumer credit risk scores (e.g., FICO score), and contract characteristics. In addition to our proprietary scoring system, we consider other individual consumer factors, such as employment history, financial stability, and capacity to pay.

Subsequent to origination, we review the credit quality of our retail financing receivables based on customer payment activity. As each customer develops a payment history, we use an internally-developed behavioral scoring model to assist in determining the best collection strategies which allows us to focus collection activity on higher-risk accounts. These models are used to refine our risk-based staffing model to ensure collection resources are aligned with portfolio risk. Based on data from this scoring model, contracts are categorized by collection risk. Our collection models evaluate several factors, including origination characteristics, updated credit bureau data, and payment patterns.

Credit quality ratings for our consumer receivables are based on aging (as described in 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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

Non-Consumer Credit Quality. We extend credit to dealers primarily in the form of lines of credit to purchase new Ford and Lincoln vehicles as well as used vehicles. Payment is required when the dealer has sold the vehicle. Each non-consumer lending request is evaluated by taking into consideration the borrower's financial condition and the underlying collateral securing the loan. We use a proprietary model to assign each dealer a risk rating. This model uses historical dealer performance data to identify key factors about a dealer that we consider most significant in predicting a dealer's ability to meet its financial obligations. We also consider numerous other financial and qualitative factors including capitalization and leverage, liquidity and cash flow, profitability, and credit history with ourselves and other creditors. A dealer's risk rating does not reflect any guarantees or a dealer owner's net worth.

Dealers are assigned to one of four groups according to their risk rating 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

We suspend credit lines and extend no further funding to dealers classified in Group IV.

We regularly review our model to confirm the continued business significance and statistical predictability of the factors and update the model to incorporate new factors or other information that improves its statistical predictability. In addition, we regularly audit dealer inventory and dealer sales records to verify that the dealer is in possession of the financed vehicles and is promptly paying each receivable following the sale of the financed vehicle. The frequency of on-site vehicle inventory audits depends on the dealer's risk rating. Under our policies, on-site vehicle inventory audits of low-risk dealers are conducted only as circumstances warrant in North America and at least annually internationally, and audits of higher risk dealers are conducted with increased frequency based on risk ratings worldwide. We perform a credit review of each dealer at least annually and adjust the dealer's risk rating, if necessary.

The credit quality of non-consumer receivables is evaluated based on our internal dealer risk rating analysis. A dealer has the same risk rating for its entire dealer financing regardless of the type of financing.

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

| | September 30, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | North America | International | Total | North America | International | Total |
| Dealer Financing | | | | | | |
| Group I | $17,006 | $4,913 | $21,919 | $16,526 | $4,551 | $21,077 |
| Group II | 2,970 | 2,059 | 5,029 | 2,608 | 1,405 | 4,013 |
| Group III | 349 | 603 | 952 | 277 | 1,279 | 1,556 |
| Group IV | 1 | 33 | 34 | 18 | 7 | 25 |
| Total recorded investment | $20,326 | $7,608 | $27,934 | $19,429 | $7,242 | $26,671 |

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, 2013 and December 31, 2012 was $424 million, or 0.9% of consumer receivables, and $422 million, or 0.9% of consumer receivables, respectively. The recorded investment of non-consumer receivables that were impaired at September 30, 2013 and December 31, 2012 was $58 million, or 0.2% of non-consumer receivables, and $47 million, or 0.2% of non-consumer receivables, respectively. Impaired finance receivables are evaluated both collectively and specifically. See Note 6 for additional information related to the development of our allowance for credit losses.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

Non-Accrual Receivables. The accrual of revenue is discontinued at the earlier of the time a receivable is determined to be uncollectible, at bankruptcy status notification, or greater than 120 days past due. Accounts may be restored to accrual status only when a customer settles all past-due deficiency balances and future payments are reasonably assured. For receivables in non-accrual status, subsequent financing revenue is recognized only to the extent a payment is received. Payments generally are applied first to outstanding interest and then to the unpaid principal balance.

The recorded investment of consumer receivables in non-accrual status was $249 million or 0.5% of our consumer receivables at September 30, 2013, and $304 million or 0.6% of our consumer receivables at December 31, 2012. The recorded investment of non-consumer receivables in non-accrual status was $34 million or 0.1% of our non-consumer receivables at September 30, 2013, and $29 million or 0.1% of our non-consumer receivables at December 31, 2012.

Troubled Debt Restructurings. A restructuring of debt constitutes a TDR if we grant a concession to a customer or borrower for economic or legal reasons related to the debtor's financial difficulties that we otherwise would not consider. Consumer and non-consumer contracts that have a modified interest rate below market rate or that were modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code, except non-consumer loans that are current with minimal risk of loss, are considered to be TDRs. We do not grant concessions on the principal balance of our loans. If a contract is modified in reorganization proceeding, all payment requirements of the reorganization plan need to be met before remaining balances are forgiven. The outstanding recorded investment at time of modification for consumer receivables that are considered to be TDRs was $171 million or 0.3% and $185 million or 0.4% of our consumer receivables during the period ended September 30, 2013 and 2012, respectively. The annualized subsequent default rate of TDRs that were previously modified in TDRs within the last twelve months and resulted in repossession for consumer contracts was 6.0% and 5.7% of TDRs at September 30, 2013 and 2012, respectively. There were no non-consumer loans involved in TDRs during the period ended September 30, 2013, and the outstanding recorded investment of non-consumer loans involved in TDRs was de minimis during the period ended September 30, 2012.

Finance receivables involved in TDRs are specifically assessed for impairment. An impairment charge is recorded as part of the provision to the allowance for credit losses for the amount that the recorded investment of the receivable exceeds its estimated fair value. Estimated fair value is based on either the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate, or, for loans where foreclosure is probable, the fair value of the collateral adjusted for estimated costs to sell. The allowance for credit losses related to all active consumer TDRs was $22 million and $18 million at September 30, 2013 and 2012, respectively. The allowance for credit losses related to all active non-consumer TDRs was de minimis at September 30, 2013 and 2012.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. ALLOWANCE FOR CREDIT LOSSES

Financial Services Sector

Following is an analysis of the allowance for credit losses related to finance receivables and net investment in operating leases for the periods ended September 30 (in millions):

| | Third Quarter 2013 | | | | |
|---|---|---|---|---|---|
| | Finance Receivables | | | Net Investment in Operating Leases | Total Allowance |
| | Consumer | Non-Consumer | Total | | |
| Allowance for credit losses | | | | | |
| Beginning balance | $324 | $ 31 | $355 | $23 | $378 |
| Charge-offs | (71) | (3) | (74) | (17) | (91) |
| Recoveries | 32 | 1 | 33 | 11 | 44 |
| Provision for credit losses | 32 | (1) | 31 | 1 | 32 |
| Other (a) | 3 | 1 | 4 | 1 | 5 |
| Ending balance | $320 | $ 29 | $349 | $19 | $368 |

| | First Nine Months 2013 | | | | |
|---|---|---|---|---|---|
| | Finance Receivables | | | Net Investment in Operating Leases | Total Allowance |
| | Consumer | Non-Consumer | Total | | |
| Allowance for credit losses | | | | | |
| Beginning balance | $360 | $ 29 | $389 | $23 | $412 |
| Charge-offs | (212) | (13) | (225) | (47) | (272) |
| Recoveries | 109 | 4 | 113 | 35 | 148 |
| Provision for credit losses | 65 | 8 | 73 | 8 | 81 |
| Other (a) | (2) | 1 | (1) | — | (1) |
| Ending balance | $320 | $ 29 | $349 | $19 | $368 |
| | | | | | |
| Analysis of ending balance of allowance for credit losses | | | | | |
| Collective impairment allowance | $298 | $ 27 | $325 | $19 | $344 |
| Specific impairment allowance | 22 | 2 | 24 | — | 24 |
| Ending balance | $320 | $ 29 | $349 | $19 | $368 |
| | | | | | |
| Analysis of ending balance of finance receivables and net investment in operating leases | | | | | |
| Collectively evaluated for impairment | $48,897 | $ 28,991 | $77,888 | $19,144 | |
| Specifically evaluated for impairment | 424 | 58 | 482 | — | |
| Recorded investment (b) | $49,321 | $ 29,049 | $78,370 | $19,144 | |
| | | | | | |
| | $49,001 | $ 29,020 | $78,021 | $19,125 | |

Ending balance, net of allowance for credit losses

_____

(a) Represents amounts related to translation adjustments.

(b) Represents finance receivables and net investment in operating leases before allowance for credit losses.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. ALLOWANCE FOR CREDIT LOSSES (Continued)

| | Third Quarter 2012 | | | | |
|---|---|---|---|---|---|
| | Finance Receivables | | | Net Investment in Operating Leases | Total Allowance |
| | Consumer | Non-Consumer | Total | | |
| Allowance for credit losses | | | | | |
| Beginning balance | $365 | $ 19 | $384 | $26 | $410 |
| Charge-offs | (78) | (1) | (79) | (11) | (90) |
| Recoveries | 41 | 3 | 44 | 11 | 55 |
| Provision for credit losses | 45 | (2) | 43 | (1) | 42 |
| Other (a) | 3 | (1) | 2 | 1 | 3 |
| Ending balance | $376 | $ 18 | $394 | $26 | $420 |

| | First Nine Months 2012 | | | | |
|---|---|---|---|---|---|
| | Finance Receivables | | | Net Investment in Operating Leases | Total Allowance |
| | Consumer | Non-Consumer | Total | | |
| Allowance for credit losses | | | | | |
| Beginning balance | $457 | $ 44 | $501 | $40 | $541 |
| Charge-offs | (230) | (8) | (238) | (35) | (273) |
| Recoveries | 135 | 10 | 145 | 39 | 184 |
| Provision for credit losses | 13 | (28) | (15) | (18) | (33) |
| Other (a) | 1 | — | 1 | — | 1 |
| Ending balance | $376 | $ 18 | $394 | $26 | $420 |
| | | | | | |
| Analysis of ending balance of allowance for credit losses | | | | | |
| Collective impairment allowance | $358 | $ 16 | $374 | $26 | $400 |
| Specific impairment allowance | 18 | 2 | 20 | — | 20 |
| Ending balance | $376 | $ 18 | $394 | $26 | $420 |
| | | | | | |
| Analysis of ending balance of finance receivables and net investment in operating leases | | | | | |
| Collectively evaluated for impairment | $47,796 | $ 24,724 | $72,520 | $14,315 | |
| Specifically evaluated for impairment | 411 | 61 | 472 | — | |
| Recorded investment (b) | $48,207 | $ 24,785 | $72,992 | $14,315 | |
| | | | | | |
| Ending balance, net of allowance for credit losses | $47,831 | $ 24,767 | $72,598 | $14,289 | |

(a) Represents amounts related to translation adjustments.

(b) Represents finance receivables and net investment in operating leases before allowance for credit losses.

25

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. 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 approximately 24% and 18% of total inventories at September 30, 2013 and December 31, 2012, 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, 2013 | December 31, 2012 |
|---|---|---|
| Raw materials, work-in-process, and supplies | $4,191 | $3,697 |
| Finished products | 5,591 | 4,614 |
| Total inventories under FIFO | 9,782 | 8,311 |
| Less: LIFO adjustment | (983) | (949) |
| Total inventories | $8,799 | $7,362 |

NOTE 8. VARIABLE INTEREST ENTITIES

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

We have the power to direct the activities of an entity when our management has the ability to make key operating decisions, such as decisions regarding capital or product investment or manufacturing production schedules. We have the power to direct the activities of our special purpose entities when we have the ability to exercise discretion in the servicing of financial assets, issue additional debt, exercise a unilateral call option, add assets to revolving structures, or control investment decisions.

Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against our general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs.

Automotive Sector

VIEs of Which We are Not the Primary Beneficiary

Getrag Ford Transmissions GmbH ("GFT") is a joint venture that constitutes a significant VIE of which we are not the primary beneficiary as we do not have the power to direct its economically-significant activities. As a result, GFT was not consolidated. GFT is a 50/50 joint venture with Getrag Deutsche Venture GmbH and Co. KG. Ford and its related parties purchase a majority of the joint venture's output.

We also have suppliers that are VIEs of which we are not the primary beneficiary. Although we have provided financial support, we do not have any key decision making power related to their businesses.

Our maximum exposure to loss from VIEs of which we are not the primary beneficiary was as follows (in millions):

| | September 30, 2013 | December 31, 2012 | Change in Maximum Exposure |
|---|---|---|---|
| Investments | $262 | $242 | $20 |
| Supplier arrangements | 7 | 5 | 2 |
| Total maximum exposure | $269 | $247 | $22 |

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. VARIABLE INTEREST ENTITIES (Continued)

Financial Services Sector

VIEs of Which We are the Primary Beneficiary

Our Financial Services sector uses special purpose entities to issue asset-backed securities in transactions to public and private investors, bank conduits, and government-sponsored entities or others who obtain funding from government programs. We have deemed most of these special purpose entities to be VIEs. The asset-backed securities are backed by finance receivables and interests in net investments in operating leases. The assets continue to be consolidated by us. We retain interests in our securitization VIEs, including subordinated securities issued by the VIEs, rights to cash held for the benefit of the securitization investors, and rights 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.

The transactions create and pass along risks to the variable interest holders, depending on the assets securing the debt and the specific terms of the transactions. We aggregate and analyze the asset-backed securitization transactions based on the risk profile of the product and the type of funding structure, including:

- Retail - consumer credit risk and pre-payment risk
- Wholesale - dealer credit risk
- Net investments in operating lease - vehicle residual value risk, consumer credit risk, and pre-payment risk

As a residual interest holder, we are exposed to the underlying residual and credit risk of the collateral, and are exposed to interest rate risk in some transactions. The amount of risk absorbed by our residual interests generally is represented by and limited to the amount of overcollaterization of the assets securing the debt and any cash reserves.

We have no obligation to repurchase or replace any securitized asset that subsequently becomes delinquent in payment or otherwise is in default, except when representations and warranties about the eligibility of the securitized assets are breached, or when certain changes are made to the underlying asset contracts. Securitization investors have no recourse to us or our other assets and have no right to require us to repurchase the investments. We generally have no obligation to provide liquidity or contribute cash or additional assets to the VIEs and do not guarantee any asset-backed securities. We may be required to support the performance of certain securitization transactions, however, by increasing cash reserves.

Although not contractually required, we regularly support our wholesale securitization programs by repurchasing receivables of a dealer from a VIE when the dealer’s performance is at risk, which transfers the corresponding risk of loss from the VIE to us. In order to continue to fund the wholesale receivables, we also may contribute additional cash or wholesale receivables if the collateral falls below required levels. The balances of cash related to these contributions were $0 at September 30, 2013 and $0 at December 31, 2012, respectively, and ranged from $0 to $84 million during the first nine months of 2013. In addition, while not contractually required, we may purchase the commercial paper issued by Ford Credit’s FCAR Owner Trust asset-backed commercial paper program (“FCAR”).

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. VARIABLE INTEREST ENTITIES (Continued)

The following table includes assets to be used to settle the liabilities of the consolidated VIEs. We may retain debt issued by consolidated VIEs and this debt is excluded from the table below. We hold the right to the excess cash flows from the assets that are not needed to pay liabilities of the consolidated VIEs. The assets and debt reflected on our consolidated balance sheet were as follows (in billions):

| | September 30, 2013 | | |
|---|---|---|---|
| | Cash and Cash Equivalents | Finance Receivables, Net and Net Investment in Operating Leases | Debt |
| Finance receivables | | | |
| Retail | $1.9 | $22.0 | $19.6 |
| Wholesale | 0.4 | 21.1 | 14.3 |
| Total finance receivables | 2.3 | 43.1 | 33.9 |
| Net investment in operating leases | 0.4 | 7.0 | 4.6 |
| Total | $2.7 | $50.1 | $38.5 |

| | December 31, 2012 | | |
|---|---|---|---|
| | Cash and Cash Equivalents | Finance Receivables, Net and Net Investment in Operating Leases | Debt |
| Finance receivables | | | |
| Retail | $2.2 | $27.0 | $23.2 |
| Wholesale | 0.3 | 20.5 | 12.8 |
| Total finance receivables | 2.5 | 47.5 | 36.0 |
| Net investment in operating leases | 0.4 | 6.3 | 4.2 |
| Total (a) | $2.9 | $53.8 | $40.2 |

(a) Certain notes issued by the VIEs to affiliated companies served as collateral for accessing the European Central Bank open market operations program. This external funding of $145 million at December 31, 2012 was not reflected as debt of the VIEs and is excluded from the table above, but was included in our consolidated debt. The finance receivables backing this external funding are included in the table above.

Interest expense on securitization debt related to consolidated VIEs was $138 million and $172 million for the third quarter of 2013 and 2012, respectively, and $434 million and $600 million for the first nine months of 2013 and 2012, respectively.

VIEs that are exposed to interest rate or currency risk have reduced their risks by entering into derivative transactions. In certain instances, we have entered into offsetting derivative transactions with the VIE to protect the VIE from the risks that are not mitigated through the derivative transactions between the VIE and its external counterparty. In other instances, we have entered into derivative transactions with the counterparty to protect the counterparty from risks absorbed through derivative transactions with the VIEs. See Note 12 for additional information regarding the

accounting for derivatives.

Our exposures based on the fair value of derivative instruments with external counterparties related to consolidated VIEs that support our securitization transactions were as follows (in millions):

| | September 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Derivative Asset | Derivative Liability | Derivative Asset | Derivative Liability |
| Derivatives of the VIEs | $4 | $76 | $4 | $134 |
| Derivatives related to the VIEs | 30 | 28 | 74 | 63 |
| Total exposures related to the VIEs | $34 | $104 | $78 | $197 |

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. VARIABLE INTEREST ENTITIES (Continued)

Derivative expense/(income) related to consolidated VIEs that support Ford Credit's securitization programs for the periods ended September 30 was as follows (in millions):

| | Third Quarter | | First Nine Months | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| VIEs | $73 | $58 | $(20) | $209 |
| Related to the VIEs | (2) | 8 | 8 | (7) |
| Total derivative expense/(income) related to the VIEs | $71 | $66 | $(12) | $202 |

VIEs of Which We are Not the Primary Beneficiary

We have an investment in Forso Nordic AB, a joint venture determined to be a VIE of which we are not the primary beneficiary. The joint venture provides retail and dealer financing in its local markets and is financed by external debt and additional subordinated debt provided by the joint venture partner. The operating agreement indicates that the power to direct economically significant activities is shared with the joint venture partner, and the obligation to absorb losses or right to receive benefits resides primarily with the joint venture partner. Our investment in the joint venture is accounted for as an equity method investment and is included in Equity in net assets of affiliated companies. Our maximum exposure to any potential losses associated with this VIE is limited to our equity investment, and amounted to $69 million and $71 million at September 30, 2013 and December 31, 2012, respectively.

NOTE 9. ACCRUED LIABILITIES AND DEFERRED REVENUE

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

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Automotive Sector | | |
| Current | | |
| Dealer and dealers' customer allowances and claims | $7,377 | $6,779 |
| Deferred revenue | 3,232 | 2,796 |
| Employee benefit plans | 1,660 | 1,504 |
| Accrued interest | 239 | 277 |
| Other postretirement employee benefits ("OPEB") | 406 | 409 |
| Pension (a) | 399 | 387 |
| Other | 3,106 | 3,206 |
| Total Automotive accrued liabilities and deferred revenue | 16,419 | 15,358 |
| Non-current | | |
| Pension (a) | 13,792 | 18,400 |
| OPEB | 6,296 | 6,398 |
| Dealer and dealers' customer allowances and claims | 2,007 | 2,036 |
| Deferred revenue | 2,503 | 2,044 |
| Employee benefit plans | 732 | 767 |
| Other | 1,550 | 904 |
| Total Automotive other liabilities | 26,880 | 30,549 |
| Total Automotive sector | 43,299 | 45,907 |
| Financial Services Sector | 4,034 | 3,500 |

| | | |
|---|---|---|
| Total Company | $47,333 | $49,407 |

(a) Balances at September 30, 2013 reflect net pension liabilities at December 31, 2012, updated for year-to-date service and interest cost, expected return on assets, separation expense, actual benefit payments, and cash contributions. Except in the case of the U.S. salaried pension plan remeasurement discussed in Note 10, the discount rate and rate of expected return assumptions are unchanged from year-end 2012.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT BENEFITS

We provide pension benefits and OPEB, such as health care and life insurance, to employees in many of our operations around the world.

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 | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Service cost | $140 | $130 | $119 | $92 | $16 | $17 |
| Interest cost | 479 | 552 | 280 | 293 | 63 | 72 |
| Expected return on assets | (685) | (718) | (339) | (332) | — | — |
| Amortization of | | | | | | |
| Prior service costs/(credits) | 44 | 55 | 16 | 18 | (71) | (137) |
| (Gains)/Losses | 136 | 106 | 170 | 102 | 39 | 33 |
| Separation programs/other | 1 | (1) | 69 | 9 | 2 | — |
| (Gains)/Losses from curtailments and settlements | 145 | — | — | — | (2) | — |
| Net expense/(income) | $260 | $124 | $315 | $182 | $47 | $(15) |

| | First Nine Months | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | | | | |
| | U.S. Plans | | Non-U.S. Plans | | Worldwide OPEB | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Service cost | $443 | $390 | $360 | $278 | $48 | $51 |
| Interest cost | 1,434 | 1,656 | 847 | 889 | 192 | 216 |
| Expected return on assets | (2,133) | (2,154) | (1,029) | (1,001) | — | — |
| Amortization of | | | | | | |
| Prior service costs/(credits) | 131 | 165 | 49 | 54 | (213) | (409) |
| (Gains)/Losses | 526 | 318 | 513 | 308 | 119 | 97 |
| Separation programs/other | 5 | 4 | 220 | 54 | 2 | 1 |
| (Gains)/Losses from curtailments and settlements | 439 | — | — | — | (2) | (10) |
| Net expense/(income) | $845 | $379 | $960 | $582 | $146 | $(54) |

U.S. Salaried Retiree Lump-Sum Program

In April 2012, we announced a program to offer voluntary lump-sum pension payout options to eligible salaried U.S. retirees and former salaried employees that, if accepted, would settle our obligation to them. The program provides participants with a one-time choice of electing to receive a lump-sum settlement of their remaining pension benefit. In 2012, as part of this voluntary lump-sum program, the Company settled $1.2 billion of its pension obligations for U.S. salaried retirees and recorded a $250 million settlement loss.

As the program continues in 2013, the Company settled additional U.S. salaried retiree pension obligations of $1.5 billion in the second quarter and $745 million in the third quarter, with an equal amount paid from plan assets. As

a result of these settlements, the U.S. salaried pension plan was remeasured as of June 30, 2013 and September 30, 2013.

The remeasurement at September 30, 2013 reflected an increase in the discount rate for our U.S. salaried pension plan of 90 basis points from year-end 2012 and, as a result, the weighted average discount rate used to determine the benefit obligation for all U.S. plans at September 30, 2013 was 4.18%, and the weighted average expected long-term rate of return on assets was 7.16%.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT BENEFITS (Continued)

Settlement losses of $145 million and $439 million in the third quarter and first nine months of 2013, respectively, have been recorded in Automotive cost of sales and Selling, administrative, and other expenses and are shown in the table above. The settlement losses reflect the accelerated recognition of unamortized losses in the salaried plan proportionate to the obligation that was settled.

Europe Business Restructuring - Pension Impacts

In October 2012, we announced a plan to restructure our European manufacturing operations as discussed in Note 16. In the third quarter and first nine months of 2013, we recognized pension-related employee separation costs of $48 million and $180 million, respectively (of an estimated total pension-related cost of $200 million), which are recorded in Automotive cost of sales and Selling, administrative, and other expenses and are included in the table above.

Pension Plan Contributions

We expect to contribute about $5 billion to our worldwide funded pension plans in 2013 (including discretionary contributions of about $3.4 billion, largely to our U.S. plans). In the first nine months of 2013, we contributed $3.9 billion to our worldwide funded pension plans (including $2.7 billion in discretionary contributions to our U.S. plans), and made about $300 million of benefit payments to participants in unfunded plans. We expect to contribute from Automotive cash and cash equivalents an additional $1.1 billion to our worldwide funded plans in 2013 (including discretionary contributions of about $700 million), and to make about $100 million in additional benefit payments to participants in unfunded plans, for a total of about $5.4 billion this year.

Based on current assumptions and regulations, we do not expect to have a legal requirement to fund our major U.S. pension plans in 2013.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. DEBT AND COMMITMENTS

The carrying value of our debt was as follows (in millions):

| Automotive Sector | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Debt payable within one year | | |
| Short-term | $580 | $484 |
| Long-term payable within one year | | |
| U.S. Department of Energy ("DOE") Advanced Technology Vehicles Manufacturing ("ATVM") Incentive Program | 591 | 591 |
| Other debt | 142 | 311 |
| Total debt payable within one year | 1,313 | 1,386 |
| Long-term debt payable after one year | | |
| Public unsecured debt securities (a) | 6,797 | 5,420 |
| Unamortized (discount)/premium | (149) | (100) |
| Convertible notes | 908 | 908 |
| Unamortized (discount)/premium | (119) | (142) |
| DOE ATVM Incentive Program | 4,571 | 5,014 |
| EIB Credit Facilities (b) | 1,268 | 729 |
| Other debt | 1,231 | 1,048 |
| Unamortized (discount)/premium | 4 | (7) |
| Total long-term debt payable after one year | 14,511 | 12,870 |
| Total Automotive sector | $15,824 | $14,256 |
| Fair value of Automotive sector debt (c) | $17,542 | $14,867 |
| Financial Services Sector | | |
| Short-term debt | | |
| Asset-backed commercial paper | $4,036 | $5,752 |
| Other asset-backed short-term debt | 1,320 | 3,762 |
| Floating rate demand notes | 5,352 | 4,890 |
| Commercial paper | 2,067 | 1,686 |
| Other short-term debt | 1,871 | 1,655 |
| Total short-term debt | 14,646 | 17,745 |
| Long-term debt | | |
| Unsecured debt | | |
| Notes payable within one year | 5,743 | 5,830 |
| Notes payable after one year | 36,697 | 32,503 |
| Asset-backed debt | | |
| Notes payable within one year | 16,729 | 13,801 |
| Notes payable after one year | 20,831 | 20,266 |
| Unamortized (discount)/premium | (107) | (134) |
| Fair value adjustments (d) | 259 | 791 |
| Total long-term debt | 80,152 | 73,057 |
| Total Financial Services sector | $94,798 | $90,802 |
| Fair value of Financial Services sector debt (c) | $98,018 | $94,578 |
| Total Company | $110,622 | $105,058 |

(a) Public unsecured debt securities at September 30, 2013 increased by about $1.4 billion from December 31, 2012, primarily reflecting the issuance of $2 billion of 4.75% Notes due January 15, 2043, offset partially by the redemption of about $600 million of 7.50% Notes due June 10, 2043.

(b) Includes EIB Credit Facilities debt due to the consolidation of Ford Romania, SA ("Ford Romania") on January 1, 2013. See Note 18 for additional information.

(c) The fair value of debt includes $374 million and $484 million of Automotive sector short-term debt and $9.3 billion and $8.4 billion of Financial Services sector short-term debt at September 30, 2013 and December 31, 2012, respectively, carried at cost which approximates fair value. All debt is categorized within Level 2 of the fair value hierarchy. See Note 3 for additional information.

(d) Adjustments related to designated fair value hedges of unsecured debt.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, our operations are exposed to global market risks, including the effect of changes in foreign currency exchange rates, certain commodity prices, and interest rates. To manage these risks, we enter into various derivatives contracts:

- Foreign currency exchange contracts, including forwards and options, that are used to manage foreign exchange exposure;
- Commodity contracts, including forwards and options, that are used to manage commodity price risk;
- Interest rate contracts including swaps, caps, and floors that are used to manage the effects of interest rate fluctuations; and
- Cross-currency interest rate swap contracts that are used to manage foreign currency and interest rate exposures on foreign-denominated debt.

Our derivatives are over-the-counter customized derivative transactions and are not exchange-traded. We review our hedging program, derivative positions, and overall risk management strategy on a regular basis.

Derivative Financial Instruments and Hedge Accounting. All derivatives are recognized on the balance sheet at fair value. We do not net our derivative position by counterparty for purposes of balance sheet presentation and disclosure. We do, however, consider our net position for determining fair value.

We have elected to apply hedge accounting to certain derivatives. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period.

Some derivatives do not qualify for hedge accounting; for others, we elect not to apply hedge accounting. Regardless, we only enter into transactions that we believe will be highly effective at offsetting the underlying economic risk.

Cash Flow Hedges. Our Automotive sector has designated certain forward contracts as cash flow hedges of forecasted transactions with exposure to foreign currency exchange risk.

The effective portion of changes in the fair value of cash flow hedges is deferred in Accumulated other comprehensive income/(loss) and is recognized in Automotive cost of sales when the hedged item affects earnings. The ineffective portion is reported in Automotive cost of sales in the period of measurement. Our policy is to de-designate cash flow hedges prior to the time forecasted transactions are recognized as assets or liabilities on the balance sheet and report subsequent changes in fair value through Automotive cost of sales. If it becomes probable that the originally-forecasted transaction will not occur, the related amount included in Accumulated other comprehensive income/(loss) is reclassified and recognized in earnings. The majority of our cash flow hedges mature in 2 years or less.

Fair Value Hedges. Our Financial Services sector uses derivatives to reduce the risk of changes in the fair value of debt. We have designated certain receive-fixed, pay-float interest rate swaps as fair value hedges of fixed-rate debt. The risk being hedged is the risk of changes in the fair value of the hedged debt attributable to changes in the benchmark interest rate. If the hedge relationship is deemed to be highly effective, we record the changes in the fair value of the hedged debt related to the risk being hedged in Financial Services debt with the offset in Financial Services other income/(loss), net. The change in fair value of the related derivative (excluding accrued interest) also is

recorded in Financial Services other income/(loss), net. Net interest settlements and accruals on fair value hedges are excluded from the assessment of hedge effectiveness and are reported in Interest expense. The cash flows associated with fair value hedges are reported in Net cash provided by/(used in) operating activities on our statement of cash flows.

When a fair value hedge is de-designated, or when the derivative is terminated before maturity, the fair value adjustment to the hedged debt continues to be reported as part of the carrying value of the debt and is amortized over its remaining life.

Derivatives Not Designated as Hedging Instruments. Our Automotive sector reports changes in the fair value of derivatives not designated as hedging instruments through Automotive cost of sales. Cash flows associated with non-designated or de-designated derivatives are reported in Net cash provided by/(used in) investing activities in our statements of cash flows.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Our Financial Services sector reports net interest settlements and accruals and changes in the fair value of interest rate swaps not designated as hedging instruments in Financial Services other income/(loss), net. Foreign currency revaluation on accrued interest along with gains and losses on foreign exchange contracts and cross currency interest rate swaps are reported in Financial Services operating and other expenses. Cash flows associated with non-designated or de-designated derivatives are reported in Net cash provided by/(used in) investing activities in our statements of cash flows.

Normal Purchases and Normal Sales Classification. We have elected to apply the normal purchases and normal sales classification for physical supply contracts that are entered into for the purpose of procuring commodities to be used in production over a reasonable period in the normal course of our business.

Income Effect of Derivative Financial Instruments

The following table summarizes by hedge designation the pre-tax gains/(losses) recorded in Other comprehensive income/(loss) ("OCI"), reclassified from Accumulated other comprehensive income/(loss) to income and/or recognized directly in income for the periods ended September 30 (in millions):

| | Third Quarter 2013 | | | First Nine Months 2013 | | |
|---|---|---|---|---|---|---|
| | Gain/(Loss) Recorded in OCI | Gain/(Loss) Reclassified from AOCI to Income | Gain/(Loss) Recognized in Income | Gain/(Loss) Recorded in OCI | Gain/(Loss) Reclassified from AOCI to Income | Gain/(Loss) Recognized in Income |
| Automotive Sector | | | | | | |
| Cash flow hedges | | | | | | |
| Foreign currency exchange contracts | $(126) | $23 | $— | $169 | $(102) | $(3) |
| Derivatives not designated as hedging instruments | | | | | | |
| Foreign currency exchange contracts | | | $(24) | | | $21 |
| Commodity contracts | | | 8 | | | (67) |
| Total | | | $(16) | | | $(46) |
| | | | | | | |
| Financial Services Sector | | | | | | |
| Fair value hedges | | | | | | |
| Interest rate contracts | | | | | | |
| Net interest settlements and accruals excluded from the assessment of hedge effectiveness | | | $63 | | | $186 |
| Ineffectiveness (a) | | | (3) | | | (33) |
| Total | | | $60 | | | $153 |
| Derivatives not designated as hedging instruments | | | | | | |
| Interest rate contracts | | | $(19) | | | $(25) |
| Foreign currency exchange contracts | | | (55) | | | 37 |
| Cross-currency interest rate swap contracts | | | (131) | | | (37) |

| | | |
|---|---|---|
| Total | $ (205) | $ (25) |

(a) For the third quarter and first nine months of 2013, hedge ineffectiveness reflects change in fair value on derivatives of $67 million gain and $501 million loss, respectively, and change in value on hedged debt attributable to the change in benchmark interest rate of $70 million loss and $468 million gain, respectively.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

| | Third Quarter 2012 | | | First Nine Months 2012 | | |
|---|---|---|---|---|---|---|
| | Gain/(Loss) Recorded in OCI | Gain/(Loss) Reclassified from AOCI to Income | Gain/(Loss) Recognized in Income | Gain/(Loss) Recorded in OCI | Gain/(Loss) Reclassified from AOCI to Income | Gain/(Loss) Recognized in Income |
| Automotive Sector | | | | | | |
| Cash flow hedges | | | | | | |
| Foreign currency exchange contracts | $(131) | $(129) | $(2) | $(500) | $(279) | $(2) |
| Derivatives not designated as hedging instruments | | | | | | |
| Foreign currency exchange contracts | | | $(75) | | | $(110) |
| Commodity contracts | | | 96 | | | (19) |
| Other – warrants | | | — | | | (4) |
| Total | | | $21 | | | $(133) |
| | | | | | | |
| Financial Services Sector | | | | | | |
| Fair value hedges | | | | | | |
| Interest rate contracts | | | | | | |
| Net interest settlements and accruals excluded from the assessment of hedge effectiveness | | | $44 | | | $126 |
| Ineffectiveness (a) | | | 6 | | | 8 |
| Total | | | $50 | | | $134 |
| Derivatives not designated as hedging instruments | | | | | | |
| Interest rate contracts | | | $(8) | | | $(12) |
| Foreign currency exchange contracts | | | (16) | | | (70) |
| Cross-currency interest rate swap contracts | | | (61) | | | (109) |
| Other | | | — | | | (81) |
| Total | | | $(85) | | | $(272) |

(a) For the third quarter and first nine months of 2012, hedge ineffectiveness reflects change in fair value on derivatives of $118 million gain and $276 million gain, respectively, and change in value on hedged debt attributable to the change in benchmark interest rate of $112 million loss and $268 million loss, respectively.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Balance Sheet Effect of Derivative Financial Instruments

The following table summarizes the notional amount and estimated fair value of our derivative financial instruments (in millions):

| | September 30, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Notional | Fair Value of Assets | Fair Value of Liabilities | Notional | Fair Value of Assets | Fair Value of Liabilities |
| Automotive Sector | | | | | | |
| Cash flow hedges | | | | | | |
| Foreign currency exchange contracts | $17,818 | $301 | $175 | $17,663 | $150 | $357 |
| Derivatives not designated as hedging instruments | | | | | | |
| Foreign currency exchange contracts | 11,242 | 141 | 215 | 9,225 | 68 | 129 |
| Commodity contracts | 2,411 | 23 | 22 | 1,854 | 23 | 124 |
| Total derivatives not designated as hedging instruments | 13,653 | 164 | 237 | 11,079 | 91 | 253 |
| Total Automotive sector derivative financial instruments | $31,471 | $465 | $412 | $28,742 | $241 | $610 |
| Financial Services Sector | | | | | | |
| Fair value hedges | | | | | | |
| Interest rate contracts | $19,334 | $467 | $172 | $16,754 | $787 | $8 |
| Derivatives not designated as hedging instruments | | | | | | |
| Interest rate contracts | 67,768 | 386 | 147 | 68,919 | 504 | 248 |
| Foreign currency exchange contracts | 2,942 | 12 | 65 | 2,378 | 9 | 8 |
| Cross-currency interest rate swap contracts | 3,252 | — | 171 | 3,006 | — | 117 |
| Total derivatives not designated as hedging instruments | 73,962 | 398 | 383 | 74,303 | 513 | 373 |
| Total Financial Services sector derivative financial instruments | $93,296 | $865 | $555 | $91,057 | $1,300 | $381 |

The notional amounts of the derivative financial instruments do not represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. Notional amounts are presented on a gross basis with no netting of offsetting exposure positions. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates, or commodity volumes and prices.

On our consolidated balance sheet, derivative assets are reported in Other assets for Automotive and Financial Services sectors, and derivative liabilities are reported in Payables for our Automotive sector and in Accrued liabilities and deferred revenue for our Financial Services sector.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Counterparty Risk and Collateral

The use of derivatives exposes us to the risk that a counterparty may default on a derivative contract. We establish exposure limits for each counterparty to minimize this risk and provide counterparty diversification. Substantially all of our derivative exposures are with counterparties that have an investment grade rating. The aggregate fair value of our derivative instruments in asset positions on September 30, 2013 was $1.3 billion, representing the maximum loss that we would recognize at that date if all counterparties failed to perform as contracted. We enter into master agreements with counterparties that may allow for netting of exposures in the event of default or termination of the counterparty agreement due to breach of contract.

The gross and net amounts of derivative assets and liabilities were as follows (in millions):

| | September 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Fair Value of Assets | Fair Value of Liabilities | Fair Value of Assets | Fair Value of Liabilities |
| Automotive Sector | | | | |
| Gross derivative amounts recognized in the balance sheet | $465 | $412 | $241 | $610 |
| Gross derivative amounts not offset in the balance sheet that are eligible for offsetting | (342) | (342) | (218) | (218) |
| Net amount | $123 | $70 | $23 | $392 |
| | | | | |
| Financial Services Sector | | | | |
| Gross derivative amounts recognized in the balance sheet | $865 | $555 | $1,300 | $381 |
| Gross derivative amounts not offset in the balance sheet that are eligible for offsetting | (346) | (346) | (222) | (222) |
| Net amount | $519 | $209 | $1,078 | $159 |

We may receive or pledge cash collateral with certain counterparties based on our net position with regard to foreign currency and commodity derivative contracts, which is reported in Other receivables, net or Payables in our consolidated balance sheet. As of September 30, 2013 and December 31, 2012, we did not receive or pledge any cash collateral.

We include an adjustment for non-performance risk in the measurement of fair value of derivative instruments. Our adjustment for non-performance risk is relative to a measure based on an unadjusted inter-bank deposit rate (e.g., LIBOR). For our Automotive sector, at September 30, 2013 and December 31, 2012, our adjustment decreased derivative assets by $1 million and $1 million, respectively, and decreased derivative liabilities by $1 million and $1 million, respectively. For our Financial Services sector, at September 30, 2013 and December 31, 2012, our adjustment increased derivative assets by $4 million and decreased derivative assets by $14 million, respectively, and decreased derivative liabilities by $20 million and $5 million, respectively. See Note 3 for more detail on valuation methodologies.

NOTE 13. REDEEMABLE NONCONTROLLING INTEREST

AutoAlliance International, Inc. (“AAI”) is a 50/50 joint venture between Ford and Mazda Motor Corporation (“Mazda”) that operates an automobile assembly plant in Flat Rock, Michigan. On September 1, 2012, we granted to Mazda a put

option to sell and received a call option to purchase from Mazda the 50% equity interest in AAI that is held by Mazda ("the Option"). The Option is exercisable at a price of $339 million and is recorded as a redeemable noncontrolling interest in the mezzanine section of our balance sheet. Mazda's share in AAI is redeemable by Ford or Mazda for a three-year period commencing on September 1, 2015. The following table summarizes the changes in our redeemable noncontrolling interest for the periods ended September 30 (in millions):

| | First Nine Months | |
|---|---|---|
| | 2013 | 2012 |
| Beginning balance (a) | $322 | $319 |
| Accretion to the redemption value of noncontrolling interest (recognized in Interest expense) | 7 | 1 |
| Ending balance | $329 | $320 |

(a) The 2012 beginning balance reflects the fair value of redeemable noncontrolling interest at September 1, 2012, the date of the AAI acquisition. See Note 18 for additional information.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The following table summarizes the changes in the accumulated balances for each component of AOCI attributable to Ford Motor Company for the periods ended September 30 (in millions):

| | First Nine Months | |
|---|---|---|
| | 2013 | 2012 |
| Foreign currency translation | | |
| Beginning balance | $(1,241) | $(1,383) |
| Net gain/(loss) on foreign currency translation | (597) | 185 |
| Reclassifications to net income (a) | 111 | — |
| Other comprehensive income/(loss), net of tax | (486) | 185 |
| Ending balance | $(1,727) | $(1,198) |
| | | |
| Derivative instruments (b) | | |
| Beginning balance | $(175) | $(181) |
| Net gain/(loss) on derivative instruments (net of tax of $52 and tax benefit of $153) | 117 | (347) |
| Reclassifications to net income (net of tax of $28 and $83) (c) | 74 | 196 |
| Other comprehensive income/(loss), net of tax | 191 | (151) |
| Ending balance | $16 | $(332) |
| | | |
| Pension and other postretirement benefits | | |
| Beginning balance | $(21,438) | $(17,170) |
| Net gain/(loss) arising during the period (net of tax of $271 and $0) | 498 | — |
| Amortization of prior service (credit)/cost included in net income (net of tax benefit of $21 and $84) (d) | (14) | (116) |
| Amortization of (gain)/loss included in net income (net of tax of $481 and $225) (d) | 1,116 | 498 |
| Translation impact on non-U.S. plans | 40 | (223) |
| Other comprehensive income/(loss), net of tax | 1,640 | 159 |
| Ending balance | $(19,798) | $(17,011) |
| | | |
| Total AOCI ending balance at September 30 | $(21,509) | $(18,541) |

(a) The accumulated translation adjustments related to an investment in a foreign subsidiary are reclassified to net income upon sale or upon complete or substantially complete liquidation of the entity and are recognized in Automotive interest income and other income/(loss), net or Financial Services other income/(loss), net.

(b) We expect to reclassify existing net gains of $44 million from Accumulated other comprehensive income/(loss) to Automotive cost of sales during the next twelve months as the underlying exposures are realized.

(c) Gain/(loss) on cash flow hedges is reclassified from AOCI to income when the hedged item affects earnings and is recognized in Automotive cost of sales. See Note 12 for additional information.

(d) These AOCI components are included in the computation of net periodic pension cost. See Note 10 for additional information.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. OTHER INCOME/(LOSS)

Automotive Sector

The following table summarizes amounts included in Automotive interest income and other income/(loss), net for the periods ended September 30 (in millions):

| | Third Quarter | | First Nine Months | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Interest income | $38 | $68 | $125 | $220 |
| Realized and unrealized gains/(losses) on cash equivalents and marketable securities | 67 | 23 | 147 | 28 |
| Gains/(Losses) on changes in investments in affiliates | (104) | 154 | (114) | (32) |
| Gains/(Losses) on extinguishment of debt | — | — | (18) | — |
| Royalty income | 148 | 106 | 409 | 288 |
| Other | 51 | 76 | 137 | 171 |
| Total | $200 | $427 | $686 | $675 |

Financial Services Sector

The following table summarizes amounts included in Financial Services other income/(loss), net for the periods ended September 30 (in millions):

| | Third Quarter | | First Nine Months | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Interest income (investment-related) | $12 | $17 | $40 | $54 |
| Realized and unrealized gains/(losses) on cash equivalents and marketable securities | 5 | 4 | (2) | 17 |
| Insurance premiums earned | 28 | 24 | 87 | 75 |
| Other | 55 | 59 | 145 | 114 |
| Total | $100 | $104 | $270 | $260 |

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES

We record costs associated with voluntary separations at the time of employee acceptance, unless the acceptance requires explicit approval by the Company. We record costs associated with involuntary separation programs when management has approved the plan for separation, the affected employees are identified, and it is unlikely that actions required to complete the separation plan will change significantly. When a plan of separation requires approval by or consultation with the relevant labor organization or government, the costs are recorded after the required approval or consultation process is complete. Costs associated with benefits that are contingent on the employee continuing to provide service are accrued over the required service period.

Business Restructuring - Europe

In October 2012, we committed to commence a transformation plan for our Ford Europe operations. The plan included the closure of two U.K. facilities — an assembly plant in Southampton, and a stamping and tooling plant in Dagenham — in 2013, and a major assembly plant in Genk, Belgium by the end of 2014. Before finalizing our separation plan in Genk, we engaged in a consultation process with the labor unions, which was completed in June 2013.

Separation-related costs, recorded in Automotive cost of sales and Selling, administrative and other expenses, include both the costs associated with the voluntary separation programs in the U.K. and the involuntary employee actions at Genk, as well as payments to suppliers. The following table summarizes the separation-related activity, excluding pension, recorded in Accrued liabilities and deferred revenue, for the period ended September 30 (in millions):

| | Third Quarter 2013 | First Nine Months 2013 |
|---|---|---|
| Beginning balance | $287 | $— |
| Changes in accruals (a) | 196 | 483 |
| Payments | (93) | (95) |
| Foreign currency translation | 11 | 13 |
| Ending balance | $401 | $401 |

(a) Excludes $48 million and $180 million for the third quarter and first nine months of 2013, respectively, of pension-related costs discussed in Note 10.

Our current estimate of total separation-related costs for the U.K. and Genk facilities is approximately $1 billion, excluding approximately $200 million of pension-related costs discussed in Note 10.

NOTE 17. INCOME TAXES

For interim tax reporting we estimate one single effective tax rate for tax jurisdictions not subject to a valuation allowance, which is applied to the year-to-date ordinary income/(loss). Tax effects of significant unusual or extraordinary items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

The American Taxpayer Relief Act of 2012 (the “Act”) was signed into law on January 2, 2013. The Act reinstated the U.S. federal research and development tax credit and U.S. tax deferral of certain foreign source income, retroactive to January 1, 2012. As a result, the tax provision for the period ended September 30, 2013 reflects a $221 million tax

benefit related to the retroactive provisions of the Act.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DISPOSITIONS, CHANGES IN INVESTMENTS IN AFFILIATES, AND ASSETS HELD FOR SALE

Automotive Sector

Dispositions

Automotive Components Holdings, LLC ("ACH"). During the second quarter of 2012, ACH completed the sales of its automotive interior trim components business and automotive lighting business resulting in pre-tax losses of $96 million and $77 million, respectively, reported in Automotive interest income and other income/(loss), net, and contractual obligations of $182 million and $15 million, respectively, associated with the pricing of products to be purchased over the term of the related purchase and supply agreements.

Changes in Investments in Affiliates

Liquidation of a Foreign Subsidiary. During the third quarter of 2013, we completed the liquidation of a foreign subsidiary holding company, Ford LRH, and, as a result, reclassified a foreign currency translation loss of $103 million related to the investment from Accumulated other comprehensive income/(loss) to Automotive interest income and other income/(loss), net.

Ford Romania. Effective January 1, 2013, the Romanian government ceded control and participation in our operations in Romania. As a result of acquiring full management control, we consolidated Ford Romania under the acquisition method of accounting. Prior to consolidation, our ownership in Ford Romania had been reflected at 100% under the equity method of accounting.

We measured the fair value of Ford Romania using the income approach. We used cash flows that reflect our approved business plan for Ford Romania and align with assumptions a market participant would make. We assumed a discount rate of 8% based on an appropriate weighted-average cost of capital, adjusted for perceived business risks. The fair value of 100% of Ford Romania's identifiable net assets was $48 million, as shown below (in millions):

| | January 1, 2013 |
|---|---|
| Assets | |
| Cash and cash equivalents | $9 |
| Receivables | 119 |
| Inventories | 70 |
| Net property | 927 |
| Other assets | 112 |
| Total assets of Ford Romania (a) | $1,237 |
| Liabilities | |
| Payables | $232 |
| Accrued liabilities | 72 |
| Debt | 881 |
| Other liabilities | 4 |
| Total liabilities of Ford Romania (a) | $1,189 |

(a) As of January 1, 2013, intercompany assets of $68 million and intercompany liabilities of $360 million have been eliminated in both consolidated and sector balance sheets.

The excess of our previously recorded equity interest of $63 million over fair value of the net assets acquired resulted in a pre-tax loss of $15 million recorded in Automotive interest income and other income/(loss), net.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DISPOSITIONS, CHANGES IN INVESTMENTS IN AFFILIATES, AND ASSETS HELD FOR SALE (Continued)

AAI. During the third quarter of 2012, we acquired full management control of AAI and consolidated it under the acquisition method of accounting. At September 1, 2012, the fair value of 100% of AAI's identifiable net assets was $868 million. As part of the business combination, we recorded a redeemable noncontrolling interest at the then fair value of $319 million (see Note 13). As a result, the fair value attributable to our investment in AAI at September 1, 2012 was $549 million. The excess of this fair value over the carrying value of our previously recorded 50% unconsolidated equity interest resulted in a third quarter 2012 pre-tax gain of $155 million in Automotive interest income and other income/ (loss), net.

Financial Services Sector

Assets Held for Sale

Other Financial Services Segment. During April and August 2013, we executed agreements to sell certain Volvo-related retail financing receivables in tranches to a third-party financing company. We received cash proceeds of $160 million and $410 million and recognized pre-tax gains of $2 million and $7 million for receivables sold in the third quarter and the first nine months of 2013, respectively. The pre-tax gains are reported in Financial Services other income(loss), net. All servicing obligations were transferred to the third party upon sale of the receivables. As a consequence of the sale of receivables, we also recognized other expenses of $56 million. As of September 30, 2013, the remaining Volvo-related retail financing receivables of $98 million were classified to Assets held for sale as we have the intent to sell these receivables as part of future tranches under these same agreements. We determined a valuation allowance was not required, based on an analysis of the fair value of the remaining receivables.

NOTE 19. AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK

We present both basic and diluted earnings per share ("EPS") amounts in our financial reporting. Basic EPS excludes dilution and is computed by dividing income available to Common and Class B Stock holders by the weighted-average number of Common and Class B Stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur from our share-based compensation, including "in-the-money" stock options and unvested restricted stock units, and conversion into Ford common stock of our outstanding convertible notes. Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

Basic and diluted income per share were calculated using the following (in millions):

| | Third Quarter | | First Nine Months | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Basic and Diluted Income Attributable to Ford Motor Company | | | | |
| Basic income | $1,272 | $1,631 | $4,116 | $4,067 |
| Effect of dilutive 2016 Convertible Notes (a) | 10 | 12 | 33 | 33 |
| Effect of dilutive 2036 Convertible Notes (a) | — | — | 1 | 1 |
| Diluted income | $1,282 | $1,643 | $4,150 | $4,101 |
| | | | | |
| Basic and Diluted Shares | | | | |
| Basic shares (average shares outstanding) | 3,942 | 3,814 | 3,933 | 3,811 |
| Net dilutive options and warrants (b) | 53 | 59 | 52 | 108 |

| | | | | |
|---|---|---|---|---|
| Dilutive 2016 Convertible Notes | 98 | 96 | 98 | 95 |
| Dilutive 2036 Convertible Notes | 3 | 3 | 3 | 3 |
| Diluted shares | 4,096 | 3,972 | 4,086 | 4,017 |

(a) As applicable, includes interest expense, amortization of discount, amortization of fees, and other changes in income or loss that would result from the assumed conversion.

(b) The net dilutive effect for warrants was approximately 19 million and 60 million dilutive shares for third quarter and first nine months 2012, respectively, representing the net share settlement methodology for the 362 million warrants outstanding as of September 30, 2012. The warrants expired by their terms on January 1, 2013 and no warrants are outstanding.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. SEGMENT INFORMATION

Key operating data for our business segments for the periods ended or at September 30 were as follows (in millions):

| | Automotive Sector Operating Segments | | | | Reconciling Items | | |
|---|---|---|---|---|---|---|---|
| | Ford North America | Ford South America | Ford Europe | Ford Asia Pacific Africa | Other Automotive | Special Items | Total |
| Third Quarter 2013 | | | | | | | |
| Revenues | $21,690 | $2,818 | $6,505 | $2,844 | $— | $— | $33,857 |
| Income /(loss) before income taxes | 2,308 | 159 | (228) | 126 | (139) | (498) | 1,728 |
| Total assets at September 30 | 59,037 | 7,108 | 16,094 | 8,932 | — | — | 91,171 |
| Third Quarter 2012 | | | | | | | |
| Revenues | $19,438 | $2,314 | $5,828 | $2,667 | $— | $— | $30,247 |
| Income /(loss) before income taxes | 2,328 | 9 | (468) | 45 | (139) | 83 | 1,858 |
| Total assets at September 30 | 51,718 | 6,351 | 19,079 | 7,236 | — | — | 84,384 |

| | Automotive Sector Operating Segments | | | | Reconciling Items | | |
|---|---|---|---|---|---|---|---|
| | Ford North America | Ford South America | Ford Europe | Ford Asia Pacific Africa | Other Automotive | Special Items | Total |
| First Nine Months 2013 | | | | | | | |
| Revenues | $66,383 | $8,140 | $20,785 | $8,486 | $— | $— | $103,794 |
| Income /(loss) before income taxes | 7,079 | 92 | (1,038) | 309 | (469) | (1,257) | 4,716 |
| First Nine Months 2012 | | | | | | | |
| Revenues | $57,747 | $7,047 | $20,110 | $7,196 | $— | $— | $92,100 |
| Income /(loss) before income taxes | 6,471 | 68 | (1,021) | (116) | (408) | (406) | 4,588 |

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. SEGMENT INFORMATION (Continued)

| | Financial Services Sector | | | | Total Company | |
|---|---|---|---|---|---|---|
| | Operating Segments | | Reconciling Item | | | |
| | Ford Credit | Other Financial Services | Elims | Total | Elims (a) | Total |
| Third Quarter 2013 | | | | | | |
| Revenues | $2,175 | $45 | $(101) | $2,119 | $— | $35,976 |
| Income /(loss) before income taxes | 427 | (64) | — | 363 | — | 2,091 |
| Total assets at September 30 | 113,288 | 5,748 | (6,946) | 112,090 | (2,190) | 201,071 |
| Third Quarter 2012 | | | | | | |
| Revenues | $1,960 | $65 | $(100) | $1,925 | $— | $32,172 |
| Income /(loss) before income taxes | 393 | (5) | — | 388 | — | 2,246 |
| Total assets at September 30 | 101,327 | 8,005 | (7,189) | 102,143 | (1,847) | 184,680 |

| | Financial Services Sector | | | | Total Company | |
|---|---|---|---|---|---|---|
| | Operating Segments | | Reconciling Item | | | |
| | Ford Credit | Other Financial Services | Elims | Total | Elims (a) | Total |
| First Nine Months 2013 | | | | | | |
| Revenues | $6,269 | $158 | $(340) | $6,087 | $— | $109,881 |
| Income /(loss) before income taxes | 1,388 | (71) | — | 1,317 | — | 6,033 |
| First Nine Months 2012 | | | | | | |
| Revenues | $5,874 | $206 | $(352) | $5,728 | $— | $97,828 |
| Income /(loss) before income taxes | 1,283 | 8 | — | 1,291 | — | 5,879 |

(a) Includes intersector transactions occurring in the ordinary course of business and deferred tax netting.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. COMMITMENTS AND CONTINGENCIES

Guarantees

At September 30, 2013 and December 31, 2012, the following guarantees and indemnifications were issued and outstanding:

Guarantees related to affiliates and third parties. We guarantee debt and lease obligations of certain joint ventures, as well as certain financial obligations of outside third parties, including suppliers, to support our business and economic growth. Expiration dates vary through 2033, and guarantees will terminate on payment and/or cancellation of the obligation. A payment by us would be triggered by failure of the joint venture or other third party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from the third party amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full, and may be limited in the event of insolvency of the third party or other circumstances. The maximum potential payments under guarantees and the carrying value of recorded liabilities related to guarantees were as follows (in millions):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Maximum potential payments | $228 | $409 |
| Carrying value of recorded liabilities related to guarantees | 6 | 17 |

We regularly review our performance risk under these guarantees, which has resulted in no changes to our initial valuations.

Indemnifications. In the ordinary course of business, we execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction, such as the sale of a business. These indemnifications might include and are not limited to claims relating to any of the following: environmental, tax, and shareholder matters; intellectual property rights; power generation contracts; governmental regulations and employment-related matters; dealers, supplier, and other commercial contractual relationships; and financial matters, such as securitizations. Performance under these indemnities generally would be triggered by a breach of terms of the contract or by a third-party claim. We also are party to numerous indemnifications which do not limit potential payment; therefore, we are unable to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

Litigation and Claims

Various legal actions, proceedings, and claims (generally, “matters”) are pending or may be instituted or asserted against us. These include but are not limited to matters arising out of alleged defects in our products; product warranties; governmental regulations relating to safety, emissions, and fuel economy or other matters; government incentives; tax matters; alleged illegal acts resulting in fines or penalties; financial services; employment-related matters; dealer, supplier, and other contractual relationships; intellectual property rights; environmental matters; shareholder or investor matters; and financial reporting matters. Certain of the pending legal actions are, or purport to be, class actions. Some of the matters involve or may involve claims for compensatory, punitive, or antitrust or other treble damages in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions, loss of government incentives, assessments, or other relief, which, if granted, would require very large expenditures.

The extent of our financial exposure to these matters is difficult to estimate. Many matters do not specify a dollar amount for damages, and many others specify only a jurisdictional minimum. To the extent an amount is asserted, our historical experience suggests that in most instances the amount asserted is not a reliable indicator of the ultimate outcome.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. COMMITMENTS AND CONTINGENCIES (Continued)

In evaluating matters for accrual and disclosure purposes, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of our prevailing, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time.

For the majority of matters, which generally arise out of alleged defects in our products, we establish an accrual based on our extensive historical experience with similar matters, and we do not believe that there is a reasonably possible outcome materially in excess of our accrual.

For the remaining matters, where our historical experience with similar matters is of more limited value (i.e., "non-pattern matters"), we evaluate matters primarily based on the individual facts and circumstances. For non-pattern matters, we evaluate whether there is a reasonable possibility of a material loss in excess of any accrual that can be estimated. Our estimate of reasonably possible loss in excess of our accruals for all material matters currently reflects indirect tax and customs matters, for which we estimate the aggregate risk to be a range of up to about $2.6 billion.

As noted, the litigation process is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Our assessments are based on our knowledge and experience, but the ultimate outcome of any matter could require payment substantially in excess of the amount that we have accrued and/or disclosed.

Warranty

Included in warranty cost accruals are the costs for basic warranty coverages and field service actions (i.e., product recalls and owner notification programs) on products sold. These costs are estimates based primarily on historical warranty claim experience. Warranty accruals accounted for in Accrued liabilities and deferred revenue for the periods ended September 30 were as follows (in millions):

| | First Nine Months | |
|---|---|---|
| | 2013 | 2012 |
| Beginning balance | $3,656 | $3,915 |
| Payments made during the period | (1,763) | (1,675) |
| Changes in accrual related to warranties issued during the period | 1,471 | 1,402 |
| Changes in accrual related to pre-existing warranties | 227 | (17) |
| Foreign currency translation and other | (54) | 23 |
| Ending balance | $3,537 | $3,648 |

Excluded from the table above are costs accrued for customer satisfaction actions.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Ford Motor Company:

We have reviewed the accompanying consolidated balance sheet of Ford Motor Company and its subsidiaries as of September 30, 2013, and the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012 and the condensed consolidated statement of cash flows and the consolidated statement of equity for the nine-month periods ended September 30, 2013 and 2012. These interim financial statements are the responsibility of the Company's management.

The accompanying sector balance sheets and the related sector statements of income and of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the review procedures applied in the review of the basic financial statements.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year then ended (not presented herein), and in our report dated February 18, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2012, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan
October 31, 2013

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS

TOTAL COMPANY

Our third quarter and first nine months 2013 pre-tax results and net income were as follows:

| | Third Quarter | | First Nine Months | |
|---|---|---|---|---|
| | 2013 | Better/(Worse) 2012 | 2013 | Better/(Worse) 2012 |
| | (Mils.) | (Mils.) | (Mils.) | (Mils.) |
| Income | | | | |
| Pre-tax results (excl. special items) | $2,589 | $426 | $7,290 | $1,005 |
| Special items | (498) | (581) | (1,257) | (851) |
| Pre-tax results (incl. special items) | 2,091 | (155) | 6,033 | 154 |
| (Provision for)/Benefit from income taxes | (818) | (205) | (1,914) | (104) |
| Net income | 1,273 | (360) | 4,119 | 50 |
| Less: Income/(Loss) attributable to noncontrolling interests | 1 | (1) | 3 | 1 |
| Net income attributable to Ford | $1,272 | $(359) | $4,116 | $49 |

The decrease in net income in the third quarter was more than explained by Automotive sector special item charges (defined below), including separation-related actions, primarily in Europe to support our transformation plan, and costs associated with our U.S. salaried retiree voluntary lump-sum payout program as part of our pension de-risking strategy. Pre-tax results are discussed in more detail below.

Net income includes certain items ("special items") that we have grouped into "Personnel and Dealer-Related Items" and "Other Items" to provide useful information to investors about the nature of the special items. The first category includes items related to our efforts to match production capacity and cost structure to market demand and changing model mix and therefore helps investors track amounts related to those activities. The second category includes items that we do not generally consider to be indicative of our ongoing operating activities, and therefore allows investors analyzing our pre-tax results to identify certain infrequent significant items that they may wish to exclude when considering the trend of ongoing operating results.

As shown in Note 20 of the Notes to the Financial Statements, we allocate special items to a separate reconciling item, as opposed to allocating them among the operating segments and Other Automotive, reflecting the fact that management excludes these items from its review of operating segment results for purposes of measuring segment profitability and allocating resources among the segments.

The following table details Automotive sector special items in each category:

| | Third Quarter | | First Nine Months | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | (Mils.) | (Mils.) | (Mils.) | (Mils.) |
| Personnel and Dealer-Related Items | | | | |
| Separation-related actions (a) | $(250) | $(18) | $(700) | $(290) |
| Mercury discontinuation/Other dealer actions | — | (18) | — | (47) |
| Total Personnel and Dealer-Related Items | (250) | (36) | (700) | (337) |
| Other Items | | | | |
| U.S. pension lump-sum program | $(145) | $— | $(439) | $— |

| | | | | |
|---|---|---|---|---|
| Loss on sale of two component businesses | — | (1) | — | (174) |
| FCTA - subsidiary liquidation | (103) | — | (103) | (4) |
| AAI Consolidation | — | 136 | — | 136 |
| Other | — | (16) | (15) | (27) |
| Total Other Items | (248) | 119 | (557) | (69) |
| Total Special Items | $(498) | $83 | $(1,257) | $(406) |

(a) For 2013, primarily related to separation costs for personnel at our Genk and U.K. facilities in Europe.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Discussion of Automotive sector, Financial Services sector, and total Company results of operations below is on a pre-tax basis and excludes special items unless otherwise specifically noted. References to records by Automotive segments — Ford North America, Ford South America, Ford Europe, and Ford Asia Pacific Africa — are since at least 2000 when we began reporting results for these segments.

The chart below details third quarter 2013 pre-tax results by sector:

Both sectors — Automotive and Financial Services — contributed to the total Company third quarter 2013 pre-tax profit of $2.6 billion. Compared with 2012, total Company pre-tax profit improved, which is more than explained by higher Automotive sector results driven by regions outside of North America. Within Financial Services, Ford Credit's results were higher in the third quarter of 2013 than last year, while Other Financial Services were lower. The third quarter loss of $64 million for Other Financial Services primarily reflects charges related to the sale of a portfolio of finance receivables that was not included in our sale of the Volvo auto business in 2010.

Compared with the second quarter of 2013, total Company pre-tax profit in the third quarter improved slightly, again driven by the Automotive sector.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

AUTOMOTIVE SECTOR

In general, we measure year-over-year change in Automotive pre-tax operating profit for our total Automotive sector and reportable segments using the causal factors listed below, with revenue and cost variances calculated at present-year volume and mix and exchange:

- Market Factors:

Volume and Mix - Primarily measures profit variance from changes in wholesale volumes (at prior-year average margin per unit) driven by changes in industry volume, market share, and dealer stocks, as well as the profit variance resulting from changes in product mix, including mix among vehicle lines and mix of trim levels and options within a vehicle line

Net Pricing - Primarily measures profit variance driven by changes in wholesale prices to dealers and marketing incentive programs such as rebate programs, low-rate financing offers, and special lease offers

- Contribution Costs - Primarily measures profit variance driven by per-unit changes in cost categories that typically vary with volume, such as material costs (including commodity and component costs), warranty expense, and freight and duty costs

- Other Costs - Primarily measures profit variance driven by absolute change in cost categories that typically do not have a directly proportionate relationship to production volume. These include mainly structural costs, described below, as well as all other costs, which include items such as litigation costs and costs related to our after-market parts, accessories, and service business. Structural costs include the following cost categories:

Manufacturing and Engineering - consists primarily of costs for hourly and salaried manufacturing- and engineering-related personnel, plant overhead (such as utilities and taxes), new product launch expense, prototype materials, and outside engineering services

Spending-Related - consists primarily of depreciation and amortization of our manufacturing and engineering assets, but also includes asset retirements and operating leases

Advertising and Sales Promotions - includes costs for advertising, marketing programs, brand promotions, customer mailings and promotional events, and auto shows

Administrative and Selling - includes primarily costs for salaried personnel and purchased services related to our staff activities and selling functions, as well as associated information technology costs

Pension and OPEB - consists primarily of past service pension costs and other postretirement employee benefit costs

- Exchange - Primarily measures profit variance driven by one or more of the following: (i) impact of gains or losses arising from transactions denominated in currencies other than the functional currency of the locations, including currency transactions, (ii) effect of remeasuring income, assets, and liabilities of foreign subsidiaries using U.S. dollars as the functional currency, or (iii) results of our foreign currency hedging activities

- Net Interest and Other

Net Interest - Primarily measures profit variance driven by changes in our Automotive sector's centrally-managed net interest, which consists of interest expense, interest income, fair market value adjustments on our cash equivalents and marketable securities portfolio, and other adjustments

Other - consists of fair market value adjustments to our investment in Mazda, as well as other items not included in the causal factors defined above

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Total Automotive. The charts below detail third quarter key metrics and the change in pre-tax results for the third quarter of 2013 compared with the third quarter of 2012 by causal factor. Automotive operating margin is defined as Automotive pre-tax results, excluding special items and Other Automotive, divided by Automotive revenue.
The record third quarter 2013 total Automotive profit reflects continued strong performance in Ford North America and a combined profit from the regions outside North America, including a record third quarter result in Ford Asia Pacific Africa. Wholesale volume and revenue for total Automotive were both up strongly from a year ago. Higher volume reflects higher market share in all regions, improved industry volume in all regions except Ford South America, and favorable changes in dealer stocks in all regions. The growth in revenue primarily reflects the higher volume, as well as net pricing gains in all regions.

Third quarter 2013 operating margin and pre-tax results for total Automotive increased, reflecting favorable market factors — volume and mix, and net pricing — across all regions, offset partially by higher costs and unfavorable exchange. The cost increases mainly reflected investments in higher volume, growth, and new products — for this year and the future — as well as restructuring-related costs in Europe, higher OPEB expense in North America, and higher pension expense in Europe.

Wholesale volume and revenue for the first nine months of 2013 were higher than a year ago by 14% and 13%, respectively. Total Automotive operating margin and pre-tax profit for the first nine months improved as well. The better results primarily reflect improved market factors across all regions, offset partially by higher costs, as well as unfavorable exchange primarily in South America.

The increase in pre-tax profit for the third quarter of 2013 compared with the second quarter of 2013 is more than explained by lower costs and higher net pricing, offset partially by lower volume due to seasonal plant summer shutdowns in North America and Europe.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Total costs and expenses for our Automotive sector for the third quarter of 2013 and 2012 was $32.4 billion and $28.7 billion, respectively, a difference of $3.7 billion. For the first nine months of 2013 and 2012, these were $99.9 billion and $87.9 billion, respectively, a difference of $12 billion. An explanation of the changes, as reconciled to our income statement, is shown below (in billions):

| | 2013 Better/(Worse) 2012 | |
|---|---|---|
| | Third Quarter | First Nine Months |
| Explanation of change: | | |
| Volume and mix, exchange, and other | $(2.5) | $(8.1) |
| Contribution costs (a) | | |
| Commodity costs (incl. hedging) | (0.1) | — |
| Material costs excluding commodity costs | (0.1) | (0.7) |
| Warranty/Freight | (0.1) | (0.1) |
| Other costs (a) | | |
| Structural costs | (0.6) | (2.2) |
| Other | — | (0.1) |
| Special items | (0.3) | (0.8) |
| Total | $(3.7) | $(12.0) |

(a) Our key cost change elements are measured primarily at present-year exchange; in addition, costs that vary directly with volume, such as material, freight and warranty costs, are measured at present-year volume and mix. Excludes special items.

Results by Automotive Segment. Shown below are pre-tax results by segment for the third quarter of 2013. Third quarter 2013 total Automotive pre-tax results reflected profit in all segments except Ford Europe, and all segments improved compared with a year ago, except Ford North America.

The loss in Other Automotive reflects net interest expense, offset partially by a favorable fair market value adjustment of our investment in Mazda. Included in net interest expense are $34 million of gains on our cash equivalents and marketable securities portfolio and $29 million of other adverse items.

For full-year 2013, we now expect Automotive net interest expense to be at the lower end of our prior guidance of $800 million to $850 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Ford North America Segment. The charts below detail key third quarter metrics and the change in the third quarter of 2013 pre-tax results compared with the third quarter of 2012 by causal factor.

In the third quarter 2013, Ford North America continued to perform very well, achieving a pre-tax profit of $2 billion or more and an operating margin of 10% or more for the sixth time out of the last seven quarters. In the third quarter, this was driven by a strong industry and a robust full-size pickup segment, our strong product line-up, U.S. market share growth, continued discipline in matching production to real demand, and a lean cost structure — even as we invest more in product and capacity for future growth.

Wholesale volume and revenue increased in the third quarter of 2013 from a year ago by 13% and 12%, respectively. The volume improvement mainly reflects higher U.S. industry sales, increasing from a seasonally adjusted annual rate ("SAAR") of 14.8 million to 16.1 million units, favorable changes in dealer stocks, and higher U.S. market share. Total U.S. market share in the third quarter, at 14.9%, was up one-tenth of a percentage point from the same period last year, more than explained by F-Series. The higher volume drove the revenue increase. Operating margin was lower than last year, due primarily to cost increases, mainly investment in new products and growth, as well as the non-repeat of two favorable items in last year's results. Pre-tax profit for third quarter 2013 was about equal to last year's record profit. Favorable market factors were offset, for the most part, by higher costs, including investment in new products.

For the first nine months of 2013, operating margin was 10.7%, five-tenths of a percentage point lower than a year ago, while pre-tax profit was about $7 billion, up about $600 million. For the first nine months of 2013, wholesale volume and revenue both improved 15% compared with 2012. Pre-tax profit for the third quarter of 2013 was unchanged compared with the second quarter of 2013.

For full-year 2013, our guidance for Ford North America remains unchanged — we continue to expect higher pre-tax profit compared with 2012 and an operating margin of about 10%.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Ford South America Segment. The charts below detail third quarter key metrics and the change in the third quarter of 2013 pre-tax results compared with the third quarter of 2012 by causal factor.
In Ford South America, we are continuing to execute our strategy of expanding our product lineup, while progressively replacing legacy products with global One Ford offerings. Our new products continue to perform well. Customer response to the Ranger pickup and refreshed Fiesta remains strong, while the EcoSport and Fusion continue to be segment leaders.

Third quarter 2013 wholesale volume and revenue increased strongly from a year ago, both up 22%. The higher volume reflects increased market share and favorable changes in dealer stocks. The higher market share was more than explained by EcoSport, Ranger, and Fiesta. Revenue growth was driven by higher volume and net pricing gains, offset partially by unfavorable exchange. The year-over-year improvement in both operating margin and pre-tax results was more than explained by favorable market factors. Our new products had a favorable impact on volume and mix. Higher net pricing mainly reflects efforts to recover the adverse effects of high local inflation and weaker local currencies, along with pricing associated with our new products.

For the first nine months of 2013, wholesale volume, revenue, operating margin, and pre-tax profit all improved compared with the same period last year.

Third quarter 2013 pre-tax results were $8 million better than second quarter 2013.

The overall environment in South America remains uncertain, but given the performance of our business in the first nine months, we now expect Ford South America to be about breakeven to profitable for full-year 2013. This compares with our prior guidance of about breakeven.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Ford Europe Segment. The charts below detail third quarter key metrics and the change in the third quarter of 2013 pre-tax results compared with the third quarter of 2012 by causal factor.

In the third quarter of 2013, we remained on track in executing our Europe transformation plan. Ford Europe’s third quarter 2013 wholesale volume and revenue improved from a year ago by 5% and 12%, respectively. This is the second consecutive quarter of year-over-year top-line improvement. The volume increase reflects higher industry sales, lower dealer stock reductions than a year ago, and higher market share. Total market share for the 19 markets we track improved two-tenths of a percentage point in the third quarter, from the same period last year, from 7.8% to 8%, more than explained by strong sales of B-MAX. The revenue increase mainly reflects the higher volume. Operating margin and pre-tax results, while negative and a loss, respectively, were both substantially improved from last year. All factors were favorable with the exception of other cost, which is more than explained by restructuring costs.

In the first nine months of 2013, Ford Europe's operating margin and pre-tax loss were both about equal to a year ago, despite about $400 million of restructuring costs and lower industry volume. Volume and revenue were both up slightly from a year ago.

Pre-tax results in the third quarter of 2013 were improved compared with second quarter, with all factors favorable except volume and mix, which reflects lower volume due to Europe’s seasonal plant shutdowns for summer holiday. So far, we have seen the Ford Europe business improve sequentially in each quarter this year.

For full-year 2013, we now expect our loss in Europe to be less than 2012. This is an improvement from our prior guidance of a loss about the same as a year ago, reflecting the progress we are making on our Europe transformation plan.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Ford Asia Pacific Africa Segment. The charts below detail third quarter key metrics and the change in the third quarter of 2013 pre-tax results compared with the third quarter of 2012 by causal factor.
Our strategy in Ford Asia Pacific Africa is to grow aggressively with an expanding portfolio of global One Ford products tailored for the region, with manufacturing hubs in China, India, and ASEAN. Implementation of this strategy continues to gain momentum.

Third quarter 2013 wholesale volume was up 35% compared with a year ago, and revenue (which excludes our unconsolidated China joint ventures) grew 7%. The higher volume mainly reflects improved market share. Third quarter market share was 3.7%, six-tenths of a percentage point higher than a year ago and a quarterly record. The improvement was driven by China, where our market share improved eight-tenths of a percentage point to equal last quarter's record of 4.3 percent, mainly reflecting strong sales of Kuga, EcoSport, and Focus. Higher industry volume and favorable changes in dealer stocks also contributed. Higher revenue primarily reflects favorable volume and mix.

Third quarter 2013 operating margin and pre-tax results both improved from last year due to favorable market factors, offset partially by higher costs as we continue to invest for further growth. We also benefited from higher royalties from our joint ventures and an insurance recovery. This was Ford Asia Pacific's fifth consecutive quarterly profit.

First nine months 2013 wholesale volume, revenue, operating margin, and pre-tax profit all improved from a year ago.

Pre-tax results were lower for the third quarter of 2013 compared with the second quarter of 2013, more than explained by unfavorable volume and mix.

Our guidance for Ford Asia Pacific Africa is unchanged — we continue to expect it to be profitable for full-year 2013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

FINANCIAL SERVICES SECTOR

As shown in the total Company discussion above, we present our Financial Services sector results in two segments, Ford Credit and Other Financial Services. Ford Credit, in turn, has two segments, North America and International.

Ford Credit. In general, we measure period-to-period changes in Ford Credit's pre-tax profit using the causal factors listed below:

- Volume:
Volume primarily measures changes in net financing margin driven by changes in average finance receivables and net investment in operating leases at prior period financing margin yield (defined below in financing margin).
Volume changes are primarily driven by the volume of new and used vehicle sales and leases, the extent to which Ford Credit purchases retail installment sale and lease contracts, the extent to which Ford Credit provides wholesale financing, the sales price of the vehicles financed, the level of dealer inventories, Ford-sponsored special-rate financing programs available exclusively through Ford Credit, and the availability of cost-effective funding for the purchase of retail installment sale and lease contracts and to provide wholesale financing.

- Financing Margin:
Financing margin variance is the period-to-period change in financing margin yield multiplied by the present period average receivables. Financing margin yield equals revenue, less interest expense and scheduled depreciation for the period, divided by average receivables for the same period.
Financing margin changes are driven by changes in revenue and interest expense. Changes in revenue are primarily driven by the level of market interest rates, cost assumptions in pricing, mix of business, and competitive environment. Changes in interest expense are primarily driven by the level of market interest rates, borrowing spreads, and asset-liability management.

- Credit Loss:
Credit loss measures changes in the provision for credit losses. For analysis purposes, management splits the provision for credit losses primarily into net charge-offs and the change in the allowance for credit losses.
Net charge-off changes are primarily driven by the number of repossessions, severity per repossession, and recoveries. Changes in the allowance for credit losses are primarily driven by changes in historical trends in credit losses and recoveries, changes in the composition and size of Ford Credit's present portfolio, changes in trends in historical used vehicle values, and changes in economic conditions. For additional information on the allowance for credit losses, refer to the "Critical Accounting Estimates - Allowance for Credit Losses" section of Item 7 of Part II of our 10-K Report.

- Lease Residual:
Lease residual measures changes to residual performance. For analysis purposes, management splits residual performance primarily into residual gains and losses, and the change in accumulated supplemental depreciation.
Residual gain and loss changes are primarily driven by the number of vehicles returned to Ford Credit and sold, and the difference between the auction value and the depreciated value of the vehicles sold. Changes in accumulated supplemental depreciation are primarily driven by changes in Ford Credit's estimate of the number of vehicles that will be returned to them and sold, and changes in the estimate of the expected auction value at the end of the lease term. For additional information on accumulated supplemental depreciation, refer to the "Critical Accounting Estimates - Accumulated Depreciation on Vehicles Subject to Operating Leases" section of Item 7 of Part II of our 10-K Report.

- Other:
Primarily includes operating expenses, other revenue, and insurance expenses.

Changes in operating expenses are primarily driven by salaried personnel costs, facilities costs, and costs associated with the origination and servicing of customer contracts.

In general, other revenue changes are primarily driven by changes in earnings related to market valuation adjustments to derivatives (primarily related to movements in interest rates) and other miscellaneous items.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The chart below details the change in Ford Credit's third quarter 2013 pre-tax results compared with third quarter 2012 by causal factor.

The increase in pre-tax results in the third quarter of 2013 is more than explained by higher volume in North America. The drivers of higher volume were an increase in leasing, reflecting changes in our marketing programs, as well as higher non-consumer finance receivables due to higher dealer stocks.

Ford Credit's pre-tax results in the third quarter of 2013 were lower than second quarter.

Ford Credit remains key to our global growth strategy, providing world-class dealer and customer financial services, maintaining a strong balance sheet, and producing solid profits and distributions.

We continue to expect Ford Credit's full-year 2013 pre-tax profits to be about equal to 2012. We now expect Ford Credit's year-end managed receivables to be about $100 billion, which is within our prior range of $97 billion to $102 billion, and distributions to be about $400 million, up from $200 million previously planned, reflecting a fourth quarter reduction in Ford Credit's tax liability.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Ford Credit's receivables, including finance receivables and operating leases, were as follows (in billions):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Receivables | | |
| Finance receivables – North America Segment | | |
| Consumer | | |
| Retail financing | $40.5 | $39.5 |
| Non-Consumer | | |
| Dealer financing (a) | 20.4 | 19.5 |
| Other | 0.9 | 1.1 |
| Total North America Segment – finance receivables (b) | 61.8 | 60.1 |
| Finance receivables – International Segment | | |
| Consumer | | |
| Retail financing | 10.3 | 9.0 |
| Non-Consumer | | |
| Dealer financing (a) | 8.1 | 7.5 |
| Other | 0.4 | 0.4 |
| Total International Segment – finance receivables (b) | 18.8 | 16.9 |
| Unearned interest supplements | (1.5) | (1.5) |
| Allowance for credit losses | (0.4) | (0.4) |
| Finance receivables, net | 78.7 | 75.1 |
| Net investment in operating leases (b) | 18.8 | 14.7 |
| Total receivables | $97.5 | $89.8 |
| Memo: | | |
| Total managed receivables (c) | $99.0 | $91.3 |

(a) Dealer financing primarily includes wholesale loans to dealers to finance the purchase of vehicle inventory.

(b) At September 30, 2013 and December 31, 2012, includes consumer receivables before allowance for credit losses of $25.9 billion and $29.3 billion, respectively, and non-consumer receivables before allowance for credit losses of $22.1 billion and $21.6 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be reported in Ford Credit's consolidated financial statements. In addition, at September 30, 2013 and December 31, 2012, includes net investment in operating leases before allowance for credit losses of $7 billion and $6.3 billion, respectively, that have been included in securitization transactions but continue to be reported in Ford Credit's financial statements. The receivables and net investment in operating leases 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 Ford Credit's other obligations or the claims of its 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.

(c) Excludes unearned interest supplements related to finance receivables.

Receivables at September 30, 2013 increased from year-end 2012, primarily driven by increases in net investment in operating leases in Ford Credit's North America segment and finance receivables in all segments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Credit Losses. The charts below detail (i) quarterly trends of charge-offs (credit losses, net of recoveries), (ii) loss-to-receivables ("LTR") ratios (charge-offs on an annualized basis divided by the average amount of receivables outstanding for the period, excluding the allowance for credit losses (also referred to as credit loss reserve) and unearned interest supplements related to finance receivables), (iii) credit loss reserve, and (iv) Ford Credit's credit loss reserve as a percentage of end-of-period ("EOP") receivables:
Ford Credit's third quarter credit losses continued to be near historic lows.

Year-over-year charge-offs were up $12 million, primarily reflecting higher severity and higher losses as the lease portfolio grows in the North America segment, and higher losses in the International segment. Quarter-over-quarter charge-offs were up $15 million, reflecting higher default volume and lower recoveries in the North America segment.

The loss-to-receivables ratio was up 2 basis points compared with the same period a year ago.

At September 30, 2013, the credit loss reserve was $368 million, down $48 million from a year ago and down $8 million from the second quarter, reflecting the continuation of historically low losses.

In purchasing retail finance and lease contracts, Ford Credit uses a proprietary scoring system that classifies contracts using several factors, such as credit bureau information, consumer credit risk scores (e.g., FICO score), and contract characteristics. In addition to Ford Credit's proprietary scoring system, it considers other factors, such as employment history, financial stability, and capacity to pay. At September 30, 2013 and December 31, 2012, between 5% and 6% of the outstanding U.S. retail finance and lease contracts in Ford Credit's portfolio were classified as higher risk at contract inception.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Residual Risk. Ford Credit is exposed to residual risk on operating leases and similar balloon payment products where the customer may return the financed vehicle to Ford Credit. Residual risk is the possibility that the amount Ford Credit obtains from returned vehicles will be less than its estimate of the expected residual value for the vehicle. Ford Credit estimates the expected residual value by evaluating recent auction values, return volumes for its leased vehicles, industry-wide used vehicle prices, marketing incentive plans, and vehicle quality data. Changes in expected residual values impact depreciation expense, which is recognized on a straight-line basis over the life of the lease.

The following charts show return volumes and auction values at constant third quarter 2013 vehicle mix for vehicles returned in the respective periods. The U.S. operating lease portfolio accounted for about 87% of Ford Credit's total investment in operating leases at September 30, 2013.
Lease return volumes in the third quarter of 2013 were 13,000 units higher than the same period last year, primarily reflecting higher lease placements in 2011 compared with prior years. The third quarter lease return rate was 69%, up eight percentage points compared with the same period last year, reflecting lower auction values.

In the third quarter of 2013, Ford Credit's 36-month average auction value decreased about $700 from the prior year, while Ford Credit's 24-month average auction value was about equal to the prior year. Both 24-month and 36-month average auction values increased about $450 from the second quarter.

Ford Credit's worldwide net investment in operating leases was $18.8 billion at the end of the third quarter of 2013, up $4.1 billion from year-end 2012.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

LIQUIDITY AND CAPITAL RESOURCES

Automotive Sector

Our Automotive liquidity strategy includes ensuring that we have sufficient liquidity available with a high degree of certainty throughout the business cycle by generating cash from operations and maintaining access to other sources of funding. We target to have an average ongoing Automotive gross cash balance of about $20 billion. We expect to have periods when we will be above or below this amount due to (i) future cash flow expectations such as for pension contributions, debt maturities, capital investments, or restructuring requirements, (ii) short-term timing differences, and (iii) changes in the global economic environment. In addition, we also target to maintain a revolving credit facility for our Automotive business of up to about $10 billion to protect against exogenous shocks. As discussed below, we currently have total commitments of $10.7 billion under our revolving credit facility.

We assess the appropriate long-term target for total Automotive liquidity, comprised of gross cash and the revolving credit facility, to be about $30 billion, which is an amount we believe is sufficient to support our business priorities and to protect our business. Our Automotive gross cash and Automotive liquidity targets could be reduced over time based on improved operating performance and changes in our risk profile.
For a discussion of risks to our liquidity, see "Item 1A. Risk Factors" in our 2012 Form 10-K Report as well as Note 21 of the Notes to the Financial Statements regarding commitments and contingencies that could impact our liquidity.

Gross Cash. Automotive gross cash includes cash and cash equivalents and marketable securities, net of any securities-in-transit. Gross cash is detailed below as of the dates shown (in billions):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Cash and cash equivalents | $5.7 | $6.2 |
| Marketable securities | 20.4 | 18.2 |
| Total cash, marketable securities and loaned securities | 26.1 | 24.4 |
| Securities-in-transit (a) | — | (0.1) |
| Gross cash | $26.1 | $24.3 |

(a) The purchase or sale of marketable securities for which the cash settlement was not made by period-end and for which there was a payable or receivable recorded on the balance sheet at period-end.

Our cash, cash equivalents, and marketable securities are held primarily in highly liquid investments, which provide for anticipated and unanticipated cash needs. Our cash, cash equivalents, and marketable securities primarily include U.S. Department of Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions, corporate investment-grade securities, commercial paper rated A-1/P-1 or higher, and debt obligations of a select group of non-U.S. governments, non-U.S. governmental agencies, and supranational institutions. The average maturity of these investments ranges from about 90 days to up to about one year, and is adjusted based on market conditions and liquidity needs. We monitor our cash levels and average maturity on a daily basis. Within our Automotive gross cash portfolio, we did not hold investments in government obligations of Greece, Ireland, Italy, Portugal, or Spain at September 30, 2013.

In managing our business, we classify changes in Automotive gross cash into operating-related and other items (which includes the impact of certain special items, contributions to funded pension plans, certain tax-related transactions, acquisitions and divestitures, capital transactions with the Financial Services sector, dividends paid to shareholders, and other — primarily financing-related). Our key liquidity metrics are operating-related cash flow (which best represents the ability of our Automotive operations to generate cash), Automotive gross cash, and Automotive liquidity. Automotive gross cash and liquidity as of the dates shown were as follows (in billions):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Gross cash | $26.1 | $24.3 |
| Available credit lines | | |
| Revolving credit facility, unutilized portion | 10.7 | 9.5 |
| Local lines available to foreign affiliates, unutilized portion | 0.7 | 0.7 |
| Automotive liquidity | $37.5 | $34.5 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

We believe the cash flow analysis reflected in the table below is useful to investors because it includes in operating-related cash flow elements that we consider to be related to our Automotive operating activities (e.g., capital spending) and excludes cash flow elements that we do not consider to be related to the ability of our operations to generate cash. This differs from a GAAP cash flow statement and differs from Net cash provided by/(used in) operating activities, the most directly comparable GAAP financial measure.

Changes in Automotive gross cash are summarized below (in billions):

| | Third Quarter | | First Nine Months | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Gross cash at end of period | $26.1 | $24.1 | $26.1 | $24.1 |
| Gross cash at beginning of period | 25.7 | 23.7 | 24.3 | 22.9 |
| Total change in gross cash | $0.4 | $0.4 | $1.8 | $1.2 |
| | | | | |
| Automotive income before income taxes (excluding special items) | $2.3 | $1.8 | $6.0 | $5.0 |
| Capital expenditures | (1.5) | (1.3) | (4.6) | (3.6) |
| Depreciation and special tools amortization | 1.0 | 0.8 | 3.1 | 2.6 |
| Changes in working capital (a) | (0.5) | (0.4) | 0.4 | (1.1) |
| Other/Timing differences (b) | 0.3 | (0.2) | 0.7 | (0.5) |
| Total operating-related cash flows | 1.6 | 0.7 | 5.6 | 2.4 |
| | | | | |
| Cash impact of separation payments | (0.1) | — | (0.2) | (0.3) |
| Net receipts from Financial Services sector (c) | — | 0.3 | 0.3 | 0.7 |
| Other | 0.5 | 0.3 | 0.5 | 0.7 |
| Cash flow before other actions | 2.0 | 1.3 | 6.2 | 3.5 |
| | | | | |
| Net proceeds from/(Payments on) Automotive sector debt | (0.1) | — | 0.8 | 0.9 |
| Contributions to funded pension plans | (1.1) | (0.6) | (3.9) | (2.5) |
| Dividends/Other | (0.4) | (0.3) | (1.3) | (0.7) |
| Total change in gross cash | $0.4 | $0.4 | $1.8 | $1.2 |

(a) Working capital comprised of changes in receivables, inventory, and trade payables.

(b) Primarily expense and payment timing differences for items such as pension and OPEB, compensation, marketing, and warranty, as well as additional factors, such as the impact of tax payment and the seasonal impact of vehicle financing receivables.

(c) Primarily distributions and tax payments received from Ford Credit.

With respect to "Changes in working capital," in general we carry relatively low Automotive sector trade receivables compared with our trade payables because the majority of our Automotive wholesales are financed (primarily by Ford Credit) immediately upon sale of vehicles to dealers, which generally occurs at the time the vehicles are gate-released shortly after being produced. In addition, our inventories are lean because we build to order, not for inventory. In contrast, our Automotive trade payables are based primarily on industry-standard production supplier payment terms generally ranging between 30 days to 45 days. As a result, our cash flow tends to improve as wholesale volumes increase, but can deteriorate significantly when wholesale volumes drop sharply. In addition, these working capital balances generally are subject to seasonal changes that can impact cash flow. For example, we typically experience cash flow timing differences associated with inventories and payables due to our annual summer and December shutdown periods, when production, and therefore inventories and wholesale volumes, are usually at their lowest levels, while payables continue to come due and be paid. The net impact of this typically results in cash outflows from changes in our working capital balances during these shutdown periods.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Shown below is a reconciliation between financial statement Net cash provided by/(used in) operating activities and operating-related cash flows (calculated as shown in the table above), as of the dates shown (in billions):

| | Third Quarter | | First Nine Months | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Net cash provided by/(used in) by operating activities | $2.0 | $1.4 | $6.4 | $4.1 |
| Items included in operating-related cash flows | | | | |
| Capital expenditures | (1.5) | (1.3) | (4.6) | (3.6) |
| Proceeds from the exercise of stock options | 0.1 | — | 0.3 | — |
| Net cash flows from non-designated derivatives | (0.1) | (0.3) | (0.3) | (0.6) |
| Items not included in operating-related cash flows | | | | |
| Cash impact of Job Security Benefits and personnel-reduction actions | 0.1 | — | 0.2 | 0.3 |
| Contributions to funded pension plans | 1.1 | 0.6 | 3.9 | 2.5 |
| Tax refunds, tax payments, and tax receipts from affiliates | — | — | (0.3) | (0.1) |
| Settlement of outstanding obligation with affiliates | — | — | — | (0.3) |
| Other | (0.1) | 0.3 | — | 0.1 |
| Operating-related cash flows | $1.6 | $0.7 | $5.6 | $2.4 |

Credit Agreement. At September 30, 2013, lenders under our Credit Agreement had commitments totaling $10.7 billion in a revolving credit facility with a November 30, 2017 maturity date, and commitments totaling $50 million in a revolving credit facility with a November 30, 2015 maturity date. The Credit Agreement is free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements), and credit rating triggers that could limit our ability to obtain funding. The Credit Agreement contains a liquidity covenant that requires us to maintain a minimum of $4 billion in aggregate of domestic cash, cash equivalents, and loaned and marketable securities and/or availability under the revolving credit facilities. On May 22, 2012, the collateral securing, and the subsidiary guarantees guaranteeing, our obligations under the Credit Agreement were automatically released upon our senior, unsecured, long-term debt being upgraded to investment grade by Fitch and Moody's. If our senior, unsecured, long-term debt does not maintain at least two investment grade ratings from Fitch, Moody's, and S&P (each as defined under "Total Company" below), the guarantees of certain subsidiaries will be reinstated.

At September 30, 2013, the utilized portion of the revolving credit facilities was $88.3 million, representing amounts utilized as letters of credit. Less than 4.5% of the commitments in the revolving credit facilities are from financial institutions based in Italy and Spain. There are no commitments from financial institutions based in Greece, Ireland, or Portugal.

U.S. Department of Energy ("DOE") Advanced Technology Vehicle Manufacturer ("ATVM") Incentive Program. In September 2009, we entered into a Loan Arrangement and Reimbursement Agreement ("Arrangement Agreement") with the DOE, under which we borrowed through multiple draws $5.9 billion to finance certain costs for fuel-efficient, advanced-technology vehicles. At September 30, 2013, an aggregate of $5.2 billion was outstanding. The principal amount of the ATVM loan bears interest at a blended rate based on the U.S. Treasury yield curve at the time each draw was made (with the weighted-average interest rate on all such draws being about 2.3% per annum). The ATVM loan is repayable in equal quarterly installments of $148 million, which began in September 2012 and will end in June 2022.

European Investment Bank ("EIB") Credit Facilities. On December 21, 2009, Ford Romania, our operating subsidiary in Romania, entered into a credit facility for an aggregate amount of €400 million (equivalent to $541 million at September 30, 2013) with the EIB (the "EIB Romania Facility"), and on July 12, 2010, Ford Motor Company Limited,

our operating subsidiary in the United Kingdom ("Ford of Britain"), entered into a credit facility for an aggregate amount of £450 million (equivalent to $727 million at September 30, 2013) with the EIB (the "EIB United Kingdom Facility"). The facilities were fully drawn at September 30, 2013. Loans under the EIB Romania Facility and the EIB United Kingdom Facility bear interest at a fixed rate of 4.44% and 4% per annum, respectively. Proceeds of loans drawn under the EIB Romania Facility are being used to fund upgrades to a vehicle plant in Romania, and proceeds of loans drawn under the EIB United Kingdom Facility are being used to fund costs for the research and development of fuel-efficient engines and commercial vehicles with lower emissions, and upgrades to an engine manufacturing plant in the United Kingdom. The loans under each facility are five-year, non-amortizing loans secured by respective guarantees from the governments of Romania and the United Kingdom for approximately 80% of the outstanding principal amounts. Ford Romania and Ford of Britain have each pledged fixed assets, receivables and/or inventory to the governments of Romania and the United Kingdom as collateral, and we have pledged 50% of the shares of Ford Romania to the government of Romania and guaranteed Ford of Britain's obligations to the government of the United Kingdom. During the first and third quarters of

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

2013, we provided guarantees to the EIB for approximately 20% of the outstanding principal amount of loans under the EIB United Kingdom Facility and the EIB Romania Facility in exchange for the EIB releasing the cash collateral of an equal amount that had been pledged by Ford of Britain and Ford Romania, respectively.

Export-Import Bank of the United States ("Ex-Im") and Private Export Funding Corporation ("PEFCO") Secured Revolving Loan. At September 30, 2013, this working capital facility, which supports vehicle exports from the United States, was fully drawn at $300 million. The facility was renewed on June 15, 2013 and will renew annually until June 15, 2015, provided that no payment or bankruptcy default exists and Ex-Im continues to have a perfected security interest in the collateral, which consists of vehicles in transit in the United States to be exported to Canada, Mexico, and other select markets.

Other Automotive Credit Facilities. At September 30, 2013, we had $822 million of local credit facilities available to non-U.S. Automotive affiliates, of which $140 million had been utilized.

Net Cash. Our Automotive sector net cash calculation as of the dates shown was as follows (in billions):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Gross cash | $26.1 | $24.3 |
| Less: | | |
| Long-term debt | 14.5 | 12.9 |
| Debt payable within one year | 1.3 | 1.4 |
| Total debt | 15.8 | 14.3 |
| Net cash | $10.3 | $10.0 |

Total debt at September 30, 2013 increased by $1.5 billion from December 31, 2012, primarily reflecting the issuance of $2 billion of 4.75% Notes due January 15, 2043 in the first quarter and the consolidation of about $500 million of debt from our Romanian operations in the first quarter, offset partially by the redemption of about $600 million of 7.50% Notes due June 10, 2043 and three quarterly installment payments on the ATVM loan which totaled about $450 million. Notwithstanding this increase, we continue to expect to reduce Automotive debt levels to about $10 billion by mid-decade. We plan to achieve this reduction by using cash from operations to make quarterly installment payments on the ATVM loan, repay the EIB and Ex-Im loans at maturity, and take other debt reduction actions, such as causing conversions of and redeeming our outstanding convertible debt, and repurchasing other outstanding debt securities. Proceeds from the debt issuance that were not used for reduction of higher-cost debt are being used for pension contributions, which will reduce our pension expense by a greater amount than the interest incurred on the debt.

Pension. In the first nine months of 2013, we contributed $3.9 billion to our global funded pension plans, including $2.7 billion in discretionary contributions to our U.S. plans. For full-year 2013, we continue to expect to contribute $5 billion to our global funded plans, including about $3.4 billion in discretionary contributions, largely to our U.S. plans. Based on present assumptions, contributions to our global funded plans from 2014 through 2016 are expected to average between $2 billion and $3 billion per year, including both required and discretionary contributions. After 2016 and once we have fully de-risked our funded pension plans, the ongoing amount of cash required to fund our global funded pension plans is expected to be limited to an average annual service cost in the range of $700 million to $1 billion.

In the third quarter of 2013, we settled $745 million of obligations related to the U.S. salaried retiree voluntary lump-sum program, with $3.4 billion settled since the inception of the program last year (with an equal amount distributed from pension assets). As a result of the third quarter 2013 settlement, we recorded a special item charge of $145 million reflecting the acceleration of unamortized losses in the plan. Through the third quarter of 2013, we have

completed about 80% of our expected lump-sum settlements with the program concluding by year end.

We have continued to progressively increase the mix of fixed income assets in our U.S. plans with the objective of reducing funded status volatility. The U.S. plans' asset mix was at about 65% fixed income at the end of the third quarter of 2013, up from 55% at year-end 2012, with our long-term target being 80%.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Liquidity Sufficiency. One of the four key priorities of our One Ford plan is to finance our plan and improve our balance sheet, while at the same time having resources available to grow our business. The actions described above are consistent with this priority. Based on our planning assumptions, we believe that we have sufficient liquidity and capital resources to continue to invest in new products that customers want and value, transform and grow our business, pay our debts and obligations as and when they come due, pay a sustainable dividend, and provide protection within an uncertain global economic environment.

Based on improved near-term cash flows and the identification of additional opportunities for profitable growth during the second half of this decade, we plan to increase the ongoing amount of capital spending to support product development, growth, restructuring, and infrastructure to about $7.5 billion annually with variation by year. This compares to our outlook for capital spending for 2013 of about $6.5 billion and our prior mid-decade guidance of about $6 billion annually.

We will continue to work to strengthen further our balance sheet and improve our investment grade ratings; the amount of incremental capital required to do this will diminish over time as we achieve our target debt levels and fully fund and de-risk our global funded pension plans.

Financial Services Sector

Ford Credit

Funding Overview. Ford Credit's funding strategy remains focused on diversification and it plans to continue accessing a variety of markets, channels, and investors. The following chart shows the trends in Ford Credit's funding for its managed receivables:
At the end of the third quarter of 2013, managed receivables were $99 billion, and Ford Credit ended the quarter with $11 billion in cash, excluding marketable securities related to insurance activities. Securitized funding was 43% of managed receivables, down from 48% at year-end 2012.

We project Ford Credit's year-end managed receivables to be about $100 billion and securitized funding to represent about 44% to 46% of managed receivables, both within prior guidance. Securitized funding as a percent of managed receivables is expected to continue to decline over time.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Global Public Term Funding Plan. The following table illustrates Ford Credit's planned issuances for full-year 2013, its public term funding issuances through October 30, 2013, and its funding issuances for full-year 2012 and 2011 (in billions):

| | Global Public Term Funding Plan | | | |
|---|---|---|---|---|
| | 2013 | | | |
| | Full-Year Forecast | Through October 30 | Full-Year 2012 | Full-Year 2011 |
| Unsecured | $ 9-11 | $9 | $9 | $8 |
| Securitizations (a) | 12-14 | 12 | 14 | 11 |
| Total | $ 21-25 | $21 | $23 | $19 |

(a) Includes Rule 144A offerings.

Through October 30, 2013, Ford Credit completed about $21 billion of public term funding in the United States, Canada, and Europe, including about $9 billion of unsecured debt and about $12 billion of securitizations.

For 2013, Ford Credit projects full-year public term funding in the range of $21 billion to $25 billion, consisting of $9 billion to $11 billion of unsecured debt and $12 billion to $14 billion of public securitizations.

Liquidity. The following table illustrates Ford Credit's liquidity programs and utilization (in billions):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Liquidity Sources (a) | | |
| Cash (b) | $11.0 | $10.9 |
| Unsecured credit facilities | 1.5 | 0.9 |
| FCAR bank lines | 5.0 | 6.3 |
| Conduit / Bank Asset-Backed Securitizations ("ABS") | 26.1 | 24.3 |
| Total liquidity sources | $43.6 | $42.4 |
| | | |
| Utilization of Liquidity | | |
| Securitization cash (c) | $(2.9) | $(3.0) |
| Unsecured credit facilities | (0.4) | (0.1) |
| FCAR bank lines | (4.0) | (5.8) |
| Conduit / Bank ABS | (12.6) | (12.3) |
| Total utilization of liquidity | (19.9) | (21.2) |
| Gross liquidity | 23.7 | 21.2 |
| Capacity in excess of eligible receivables | (1.1) | (1.5) |
| Liquidity available for use | $22.6 | $19.7 |

(a) FCAR and conduits are subject to availability of sufficient assets and ability to obtain derivatives to manage interest rate risk; FCAR commercial paper must be supported by bank lines equal to at least 100% of the principal amount; conduits include committed securitization programs.
(b) Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities).
(c) Securitization cash is to be used only to support on-balance sheet securitization transactions.

At September 30, 2013, Ford Credit had $43.6 billion of committed capacity and cash diversified across a variety of markets and platforms. The utilization of its liquidity totaled $19.9 billion at quarter end, compared with $21.2 billion at year-end 2012. The decreased utilization primarily reflects a reduction in Ford Credit's FCAR asset-backed commercial paper balance.

Ford Credit ended the quarter with gross liquidity of $23.7 billion. Capacity in excess of eligible receivables was $1.1 billion. Total liquidity available for use continues to remain strong at $22.6 billion, up $2.9 billion from year-end 2012. Ford Credit is focused on maintaining liquidity levels that meet its business and funding requirements through economic cycles.

Cash, Cash Equivalents, and Marketable Securities. At September 30, 2013, Ford Credit's cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) totaled $11 billion, compared with $10.9 billion at year-end 2012. In the normal course of its funding activities, Ford Credit may generate more

proceeds than are required for its immediate funding needs. These excess amounts are maintained primarily as highly liquid investments, which provide liquidity for its short-term funding needs and give it flexibility in the use of its other funding programs. Ford Credit's cash, cash equivalents, and marketable securities are held primarily in highly liquid investments, which provide for anticipated and unanticipated cash needs. Ford Credit's cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) primarily include U.S. Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions and non-U.S. central banks, corporate investment-grade securities, A-1/P-1 (or higher) rated commercial paper, debt obligations of a select group of non-U.S. governments, non-U.S. government agencies, supranational institutions and money market funds that carry the highest possible ratings. Within Ford Credit's cash, cash equivalents, and marketable securities, it did not hold investments in government obligations of Greece, Ireland, Italy, Portugal, or Spain at September 30, 2013.

The average maturity of these investments ranges from about 90 days to up to about one year and is adjusted based on market conditions and liquidity needs. Ford Credit monitors its cash levels and average maturity on a daily basis. Cash, cash equivalents, and marketable securities include amounts to be used only to support Ford Credit's securitization transactions of $2.9 billion and $3 billion at September 30, 2013 and December 31, 2012, respectively.

Ford Credit's substantial liquidity and cash balance have provided the opportunity to selectively call and repurchase its unsecured and asset-backed debt through market transactions. In the third quarter and first nine months of 2013, through market transactions, Ford Credit called an aggregate principal amount of $0 and $163 million, respectively, (of which none were maturing in 2013) of Ford Credit's unsecured debt.

Committed Liquidity Programs. Ford Credit and its subsidiaries, including FCE Bank plc ("FCE"), have entered into agreements with a number of bank-sponsored asset-backed commercial paper conduits ("conduits") and other financial institutions. Such counterparties are contractually committed, at Ford Credit's option, to purchase from Ford Credit eligible retail or wholesale assets or to purchase or make advances under asset-backed securities backed by retail, lease, or wholesale assets for proceeds of up to $26.1 billion ($15.6 billion of retail, $5.6 billion of wholesale, and $4.9 billion of lease assets) at September 30, 2013, of which about $5.2 billion relates to commitments to FCE. These committed liquidity programs have varying maturity dates, with $22.6 billion (of which $3.7 billion relates to FCE commitments) having maturities within the next twelve months and the remaining balance having maturities between October 2014 and September 2015. Ford Credit plans to achieve capacity renewals to protect its global funding needs, optimize capacity utilization, and maintain sufficient liquidity.

Ford Credit's ability to obtain funding under these programs is subject to having a sufficient amount of assets eligible for these programs, as well as its ability to obtain interest rate hedging arrangements for certain securitization transactions. Ford Credit's capacity in excess of eligible receivables protects it against the risk of lower than planned renewal rates. At September 30, 2013, $12.6 billion of these commitments were in use. These programs are free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements), and generally, credit rating triggers that could limit Ford Credit's ability to obtain funding. However, the unused portion of these commitments may be terminated if the performance of the underlying assets deteriorates beyond specified levels. Based on Ford Credit's experience and knowledge as servicer of the related assets, Ford Credit does not expect any of these programs to be terminated due to such events.

Credit Facilities. At September 30, 2013, Ford Credit and its majority-owned subsidiaries had $1.5 billion of contractually committed unsecured credit facilities with financial institutions, including FCE's £720 million (equivalent to $1.2 billion at September 30, 2013) syndicated credit facility (the "FCE Credit Agreement"), which matures in 2016. At September 30, 2013, $1.1 billion was available for use.

The FCE Credit Agreement contains certain covenants, including an obligation for FCE to maintain its ratio of regulatory capital to risk-weighted assets at no less than the applicable regulatory minimum, and for the support

agreement between FCE and Ford Credit to remain in full force and effect (and enforced by FCE to ensure that its net worth is maintained at no less than $500 million). In addition to customary payment, representation, bankruptcy, and judgment defaults, the FCE Credit Agreement contains cross-payment and cross-acceleration defaults with respect to other debt. At September 30, 2013, the FCE Credit Agreement included £95 million of commitments from financial institutions based in Italy. There were no commitments from financial institutions in Greece, Ireland, Portugal, or Spain.

At September 30, 2013, FCAR's bank liquidity facilities available to support FCAR's asset-backed commercial paper, subordinated debt, or its purchase of Ford Credit's asset-backed securities was $5 billion, down from $6.3 billion at December 31, 2012. This reduction has been offset by increases in other committed liquidity programs, leaving Ford Credit's total sources of liquidity largely unchanged.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Ford Credit plans to transition away from its FCAR program next year. During this transition Ford Credit will retain liquidity facilities sufficient to support FCAR's asset-backed commercial paper and subordinated debt. FCAR has not made any purchases of asset-backed securities since March 2013 and will make no further purchases. Ford Credit's plan is to gradually reduce its outstanding FCAR commercial paper balance to about $3 billion at year end with a complete wind-down of FCAR by second quarter 2014. No new FCAR commercial paper will be issued after year-end 2013. To facilitate the wind-down of the program, Ford Credit will repurchase asset-backed securities held by FCAR beginning in early 2014. Ford Credit plans to fund these purchases through available liquidity sources, including cash and committed liquidity facilities.

In October 2013, Ford Credit established a new two-year syndicated committed asset-backed liquidity facility. The new facility, along with growth in other asset-backed private capacity, will offset the liquidity effects of winding down the FCAR program.

Leverage. Ford Credit uses leverage, or the debt-to-equity ratio, to make various business decisions, including evaluating and establishing pricing for retail, wholesale, and lease financing, and assessing its capital structure. Ford Credit refers to its shareholder's interest as equity.

The following table shows the calculation of Ford Credit's financial statement leverage (in billions, except for ratios):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Total debt (a) | $94.5 | $89.3 |
| Equity | 10.4 | 9.7 |
| Financial statement leverage (to 1) | 9.0 | 9.2 |

(a) Includes debt issued in securitization transactions and payable only out of collections on the underlying securitized assets and related enhancements. 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.

The following table shows the calculation of Ford Credit's managed leverage (in billions, except for ratios):

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Total debt (a) | $94.5 | $89.3 |
| Adjustments for cash, cash equivalents, and marketable securities (b) | (11.0) | (10.9) |
| Adjustments for derivative accounting (c) | (0.2) | (0.8) |
| Total adjusted debt | $83.3 | $77.6 |
| | | |
| Equity | $10.4 | $9.7 |
| Adjustments for derivative accounting (c) | (0.3) | (0.3) |
| Total adjusted equity | $10.1 | $9.4 |
| Managed leverage (to 1) (d) | 8.2 | 8.3 |

(a) Includes debt issued in securitization transactions and payable only out of collections on the underlying securitized assets and related enhancements. 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.

(b) Excludes marketable securities related to insurance activities.

(c)

Primarily related to market valuation adjustments to derivatives due to movements in interest rates. Adjustments to debt are related to designated fair value hedges and adjustments to equity are related to retained earnings.

(d) Equals total adjusted debt over total adjusted equity.

Ford Credit plans its managed leverage by considering prevailing market conditions and the risk characteristics of its business. At September 30, 2013, Ford Credit's managed leverage was 8.2 to 1, compared with 8.3 to 1 at December 31, 2012.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Total Company

Equity. At September 30, 2013, Total equity attributable to Ford Motor Company was $20.5 billion, an increase of about $4.6 billion compared with December 31, 2012. The increase primarily reflects favorable changes in Retained earnings, related to first nine months 2013 net income attributable to Ford Motor Company of $4.1 billion, favorable changes in Accumulated other comprehensive income/(loss) of $1.3 billion, and compensation-related equity issuances of about $400 million, offset partially by cash dividends declared of $1.2 billion.

Credit Ratings. Our short-term and long-term debt is rated by four credit rating agencies designated as nationally recognized statistical rating organizations ("NRSROs") by the U.S. Securities and Exchange Commission:

- DBRS Limited ("DBRS");
- Fitch, Inc. ("Fitch");
- Moody's Investors Service, Inc. ("Moody's"); and
- Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P").

In several markets, locally-recognized rating agencies also rate us. A credit rating reflects an assessment by the rating agency of the credit risk associated with a corporate entity or particular securities issued by that entity. Rating agencies' ratings of us are based on information provided by us and other sources. Credit ratings are not recommendations to buy, sell, or hold securities, and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets.

The following ratings actions have been taken on us by these NRSROs since the filing of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013:

- On September 6, 2013, S&P raised the ratings of Ford and Ford Credit to BBB- from BB+, both with a stable outlook.

The following chart summarizes certain of the credit ratings and outlook presently assigned by these four NRSROs:

| | NRSRO RATINGS | | | | | | |
|---|---|---|---|---|---|---|---|
| | Ford | | | Ford Credit | | | NRSROs |
| | Issuer Default / Corporate / Issuer Rating | Long-Term Senior Unsecured | Outlook / Trend | Long-Term Senior Unsecured | Short-Term Unsecured | Outlook / Trend | Minimum Long-Term Investment Grade Rating |
| DBRS | BBB (low) | BBB (low) | Stable | BBB (low) | R-3 | Stable | BBB (low) |
| Fitch | BBB- | BBB- | Stable | BBB- | F3 | Stable | BBB- |
| Moody's | N/A | Baa3 | Stable | Baa3 | P-3 | Stable | Baa3 |
| S&P * | BBB- | BBB- | Stable | BBB- | NR | Stable | BBB- |

* S&P assigns FCE a long-term senior unsecured credit rating of BBB, a one-notch higher rating than Ford and Ford Credit, with a negative outlook. The negative outlook reflects the negative trend S&P has assigned to U.K. banking industry risk.

70

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

OUTLOOK

Our One Ford plan — to aggressively restructure to operate profitably at current demand and changing model mix, accelerate development of new products our customers want and value, finance our plan and improve our balance sheet, and work together effectively as one team leveraging our global assets — remains our guiding strategy.

Looking at the external business environment, overall our outlook has not changed substantially. We project 2013 global economic growth to be around 2% and global industry sales to be about 84 million units this year.

We project U.S. economic growth to be in the 1.5% to 2.0% range, with industry sales supported by continued improvement in the housing sector and replacement demand as a result of the older age of vehicles on the road. Fiscal policy uncertainty poses a risk as negotiations on the debt ceiling and funding government operations have now been pushed out to the first quarter of 2014. In South America, Brazil's economy is relatively weak with below trend growth, while in Argentina and Venezuela there are escalated risks as both economies are weak with unclear economic policy direction.

In Europe, the euro area's economic and industry conditions have begun to stabilize and are consistent with a modest recovery that could occur in the near term; the European Central Bank has committed to keep interest rates low for an extended period.

In Asia Pacific Africa, incoming economic indicators for China suggest stabilization with growth in the 7.5% range this year. Growth in India, on the other hand, is below its full potential, due partially to elevated inflation, a volatile currency, and high interest rates.

Overall, despite challenges, we expect global economic growth to continue for the remainder of the year.

Our projected vehicle production is as follows (in thousands):

| | Fourth Quarter 2013 (a) | |
|---|---|---|
| | Planned Vehicle Unit Production | Over/(Under) Fourth Quarter 2012 |
| Ford North America | 770 | 35 |
| Ford South America | 110 | (6) |
| Ford Europe | 335 | (5) |
| Ford Asia Pacific Africa | 380 | 78 |
| Total | 1,595 | 102 |

(a) Includes Ford- and JMC-brand vehicles to be produced by unconsolidated affiliates.

For the fourth quarter of 2013, we expect total Company production volume to be about 1.6 million units, an increase of 102,000 units from a year ago. This includes a reduction of 15,000 units from our prior guidance for North America.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The following summarizes third quarter 2013 results against current planning assumptions and key metrics:

| | 2012 Full Year Results | | 2013 Full Year Plan | Outlook | Memo: 2013 First Nine Months Results | |
|---|---|---|---|---|---|---|
| Planning Assumptions | | | | | | |
| Industry Volume (a) -- U.S. (Mils.) | 14.8 | | 15.0 - 16.0 | 15.9 | 15.8 | |
| Industry Volume (a) -- Europe (Mils.) | 14.0 | | 13.0 - 14.0 | 13.6 | 13.6 | |
| Industry Volume (a) -- China (Mils.) | 19.0 | | 19.5 - 21.5 | 21.7 | 21.6 | |
| | | | | | | |
| Operational Metrics | | | | | | |
| Compared with Prior Year: | | | | | | |
| - U.S. Market Share | 15.2 | % | Higher | On Track | 15.8 | % |
| - Europe Market Share (b) | 7.9 | | About Equal | On Track | 8.0 | |
| - China Market Share (c) | 3.2 | | Higher | On Track | 4.0 | |
| | | | | | | |
| - Quality | Mixed | | Improve | Mixed | Mixed | |
| | | | | | | |
| Financial Metrics | | | | | | |
| Compared with Prior Year: | | | | | | |
| - Total Company Pre-Tax Operating Profit (Bils.) (d) | $8.0 | | About Equal | Higher | $7.3 | |
| - Automotive Operating Margin (d) | 5.3 | % | About Equal / Lower | Higher | 6.2 | % |
| - Automotive Operating-Related Cash Flow (Bils.) (e) | $3.4 | | Higher | Substantially Higher | $5.6 | |

_____

(a) Includes medium and heavy trucks.
(b) The 19 markets we track.
(c) Includes Ford- and JMC-brand vehicles produced in China by unconsolidated affiliates.
(d) Excludes special items; Automotive operating margin is defined as Automotive pre-tax results, excluding Other Automotive, divided by Automotive revenue.
(e) Reconciliation to GAAP for third quarter 2013 provided in "Liquidity" above; full-year 2012 reconciliation provided in our 2012 Form 10-K Report.

We now expect full-year industry volume of about 15.9 million units in the U.S., about 13.6 million units in Europe, and about 21.7 million units in China. We project our full-year market share to improve compared with 2012 in the U.S. and China, but to be about equal to last year in Europe. We continue to expect our retail share of the retail passenger car market in Europe to improve. The outlook for quality remains mixed.

In terms of our full-year financial performance, we now expect total Company pre-tax profit to be higher than 2012, improved from our prior guidance of equal to or higher than 2012, and Automotive operating margin to be higher than 2012 rather than about equal. We continue to expect Automotive operating-related cash flow to be substantially higher than 2012, including capital spending of about $6.5 billion to support our industry-leading product refresh rates, expansion and global deployment of our portfolio, and capacity actions. This compares to our prior capital spending guidance of about $7 billion.

Turning to our segments, our full-year guidance for Ford North America remains unchanged — we continue to expect higher pre-tax profit compared with 2012 and an operating margin of about 10%.

The overall environment in South America remains uncertain, but given the performance of our business in the first nine months of 2013, we now expect Ford South America to be about breakeven to profitable for the full year. This compares to our prior guidance of about breakeven.

For the full year, we now expect Ford Europe's loss to be less than 2012. This is an improvement from our prior guidance of a loss about the same as a year ago, reflecting the progress we are making on our Europe transformation plan.

Our guidance for Ford Asia Pacific Africa is unchanged — we continue to expect it to be profitable for the full year.

Within Other Automotive, we now expect Automotive net interest expense to be at the lower end of our prior guidance of $800 million to $850 million for the full year.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Turning to Ford Credit, we continue to expect its full-year pre-tax profit to be about equal to 2012. We now expect Ford Credit's year-end managed receivables to be about $100 billion, which is within our prior range of $97 billion to $102 billion, and distributions of about $400 million, up from $200 million previously planned, reflecting a fourth quarter reduction in Ford Credit's tax liability.

We now expect the Company's full-year operating effective tax rate to be less than 30%, compared with 32% last year. This reflects a tax rate of about 31% for the first nine months and a fourth quarter reduction in Ford Credit's tax liability.

Overall, 2013 is on track to be another strong year for Ford Motor Company as we continue to work toward our mid-decade outlook. Our One Ford plan continues to deliver profitable growth around the world, and we are absolutely focused on building great products, creating a stronger business, and contributing to a better world.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Risk Factors

Statements included or incorporated by reference herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts, and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- Decline in industry sales volume, particularly in the United States or Europe, due to financial crisis, recession, geopolitical events, or other factors;
- Decline in Ford's market share or failure to achieve growth;
- Lower-than-anticipated market acceptance of Ford's new or existing products;
- Market shift away from sales of larger, more profitable vehicles beyond Ford's current planning assumption, particularly in the United States;
- An increase in or continued volatility of fuel prices, or reduced availability of fuel;
- Continued or increased price competition resulting from industry excess capacity, currency fluctuations, or other factors;
- Fluctuations in foreign currency exchange rates, commodity prices, and interest rates;
- Adverse effects resulting from economic, geopolitical, or other events;
- Economic distress of suppliers that may require Ford to provide substantial financial support or take other measures to ensure supplies of components or materials and could increase costs, affect liquidity, or cause production constraints or disruptions;
- Work stoppages at Ford or supplier facilities or other limitations on production (whether as a result of labor disputes, natural or man-made disasters, tight credit markets or other financial distress, production constraints or difficulties, or other factors);
- Single-source supply of components or materials;
- Labor or other constraints on Ford's ability to maintain competitive cost structure;
- Substantial pension and postretirement health care and life insurance liabilities impairing our liquidity or financial condition;
- Worse-than-assumed economic and demographic experience for postretirement benefit plans (e.g., discount rates or investment returns);
- Restriction on use of tax attributes from tax law "ownership change;"
- The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns, or increased warranty costs;
- Increased safety, emissions, fuel economy, or other regulations resulting in higher costs, cash expenditures, and/or sales restrictions;
- Unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- A change in requirements under long-term supply arrangements committing Ford to purchase minimum or fixed quantities of certain parts, or to pay a minimum amount to the seller ("take-or-pay" contracts);
- Adverse effects on results from a decrease in or cessation or clawback of government incentives related to investments;
- Inherent limitations of internal controls impacting financial statements and safeguarding of assets;
- Cybersecurity risks to operational systems, security systems, or infrastructure owned by Ford, Ford Credit, or a third-party vendor or supplier;
- Failure of financial institutions to fulfill commitments under committed credit and liquidity facilities;
- Inability of Ford Credit to access debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts, due to credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;

- Higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Increased competition from banks or other financial institutions seeking to increase their share of financing Ford vehicles; and
- New or increased credit, consumer, or data protection or other regulations resulting in higher costs and/or additional financing restrictions.

We cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. See “Item 1A. Risk Factors” in our 2012 Form 10-K Report for additional discussion, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

CRITICAL ACCOUNTING ESTIMATES

Pensions

Remeasurement Assumptions. As a result of the settlements associated with the U.S. salaried retiree lump-sum program, discussed in Note 10 of the Notes to the Financial Statements, we remeasured the U.S. salaried pension plan as of June 30, 2013 and September 30, 2013.

The remeasurement at September 30, 2013 reflected an increase in the discount rate for our U.S. salaried pension plan of 90 basis points from year-end 2012. As a result, the weighted average discount rate used to determine the benefit obligation for all U.S. plans at September 30, 2013 was 4.18%, and the weighted average expected long-term rate of return on assets was 7.16%. Compared with year-end 2012, the cumulative effect of the two remeasurements resulted in a decrease to our net pension liability of about $800 million.

Sensitivity Analysis. The sensitivity analysis has not changed materially from that disclosed in our 2012 Form 10-K Report.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

For information on accounting standards issued but not yet adopted, see Note 2 of the Notes to the Financial Statements.

OTHER FINANCIAL INFORMATION

The interim financial information included in this Quarterly Report on Form 10-Q for the periods ended September 30, 2013 and 2012 has not been audited by PricewaterhouseCoopers LLP ("PricewaterhouseCoopers"). In reviewing such information, PricewaterhouseCoopers has applied limited procedures in accordance with professional standards for reviews of interim financial information. Readers should restrict reliance on PricewaterhouseCoopers' reports on such information accordingly. PricewaterhouseCoopers is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for its reports on interim financial information, because such reports do not constitute "reports" or "parts" of registration statements prepared or certified by PricewaterhouseCoopers within the meaning of Sections 7 and 11 of the Securities Act of 1933.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Automotive Sector

Foreign Currency Risk. The net fair value of foreign exchange forward contracts (including adjustments for credit risk) as of September 30, 2013 was an asset of $52 million, compared with a liability of $268 million as of December 31, 2012. The potential decrease in fair value from a 10% adverse change in the underlying exchange rates, in U.S. dollar terms, would be $2.1 billion at September 30, 2013, compared with $2 billion at December 31, 2012.

Commodity Price Risk. The net fair value of commodity forward and option contracts (including adjustments for credit risk) as of September 30, 2013 was an asset of $1 million, compared with a liability of $101 million as of December 31, 2012. The potential decrease in fair value from a 10% adverse change in the underlying commodity prices, in U.S. dollar terms, would be $64 million at September 30, 2013, compared with $103 million at December 31, 2012.

Financial Services Sector

Interest Rate Risk. To provide a quantitative measure of the sensitivity of Ford Credit's pre-tax cash flow to changes in interest rates, Ford Credit uses interest rate scenarios that assume a hypothetical, instantaneous increase or decrease of one percentage point in all interest rates across all maturities (a "parallel shift"), as well as a base case that assumes that all interest rates remain constant at existing levels. These interest rate scenarios are purely hypothetical and do not represent Ford Credit's view of future interest rate movements. The differences in pre-tax cash flow between these scenarios and the base case over a twelve-month period represent an estimate of the sensitivity of Ford Credit's pre-tax cash flow. Under this model, Ford Credit estimates that at September 30, 2013, all else constant, such an increase in interest rates would increase its pre-tax cash flow by $58 million over the next twelve months, compared with an increase of $77 million at December 31, 2012. The sensitivity analysis presented above assumes a one-percentage point interest rate change to the yield curve that is both instantaneous and parallel. In reality, interest rate changes are rarely instantaneous or parallel and rates could move more or less than the one percentage point assumed in Ford Credit's analysis. As a result, the actual impact to pre-tax cash flow could be higher or lower than the results detailed above.

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. Alan Mulally, our Chief Executive Officer ("CEO"), and Bob Shanks, our Chief Financial Officer ("CFO"), have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of September 30, 2013, and each has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by SEC rules and forms, and that such information is accumulated and communicated to the CEO and CFO to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting. During the third quarter of 2013, we launched the first phase of a new accounting system for warranty accruals and reserves in Europe. In subsequent periods, the remaining phases will be launched in Europe and all phases will be launched in North America and the rest of the world.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

CLASS ACTIONS

Medium/Heavy Truck Sales Procedure Class Action (as previously reported on page 26 of our 2012 Form 10-K Report). As previously reported, this action is pending in the Ohio state court system and alleges that Ford breached its Sales and Service Agreement with Ford truck dealers by failing to publish to all Ford dealers all price concessions that were approved for any dealer. A first trial during 2011 resulted in a judgment of approximately $2 billion, which was reversed on appeal in 2012 and remanded for a new trial. The retrial in September 2013 resulted in a verdict in Ford's favor. The plaintiffs have filed a motion for judgment notwithstanding the verdict or a new trial.

OTHER MATTERS

Apartheid Litigation (as previously reported on page 26 of our 2012 Form 10-K Report). As previously reported, we and two other prominent multinational companies are defendants in purported class action lawsuits seeking unspecified damages on behalf of South African citizens who suffered violence and oppression under South Africa's apartheid regime. The lawsuits allege that the defendant companies aided and abetted the apartheid regime and its human rights violations. These cases, collectively referred to as In re South African Apartheid Litigation, were initially filed in 2002 and 2003, and are being handled together as coordinated "multidistrict litigation" in the U.S. District Court for the Southern District of New York. The District Court dismissed the cases in 2004, but in 2007 the U.S. Court of Appeals for the Second Circuit reversed and remanded the cases to the District Court for further proceedings. Amended complaints were filed during 2008; motions to dismiss were granted in part and denied in part, and defendants appealed. In August 2013, the U.S. Court of Appeals remanded the cases to the District Court with instructions to dismiss. The plaintiffs have filed a petition for rehearing. As requested by the U.S. Court of Appeals, we have filed a response to plaintiffs' petition for rehearing.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In March 2013, we announced a modest anti-dilutive share repurchase program to offset the dilutive effect of share-based compensation granted during 2013. The plan authorizes repurchases of up to 13.3 million shares of our Common Stock. During the third quarter of 2013, we repurchased shares of Ford Common Stock as follows:

| Period | Total Number of Shares Purchased (a) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly-Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| July 1, 2013 through July 31, 2013 | 3,916 | $16.93 | — | 7.4 million shares |
| August 1, 2013 through August 31, 2013 | 1,640,000 | 16.37 | 1,640,000 | 5.8 million shares |
| September 1, 2013 through September 30, 2013 | 2,879,037 | 17.40 | 2,868,000 | 2.9 million shares |
| Total/Average | 4,522,953 | $17.03 | 4,508,000 | |

(a) In any given month, the difference between the total number of shares purchased and the number of shares purchased as part of the publicly-announced plan reflects shares that were acquired from our employees or directors related to certain exercises of stock options in accordance with our various compensation plans.

ITEM 6. Exhibits

Please see exhibit index below.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Ford has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FORD MOTOR COMPANY

| | |
|---|---|
| By: | /s/ Stuart Rowley<br>Stuart Rowley, Vice President and Controller<br>(chief accounting officer) |
| Date: | October 31, 2013 |

EXHIBIT INDEX

| Designation | Description | Method of Filing |
|---|---|---|
| Exhibit 12 | Calculation of Ratio of Earnings to Fixed Charges. | Filed with this Report. |
| Exhibit 15 | Letter of PricewaterhouseCoopers LLP, dated October 31, 2013, relating to financial information. | Filed with this Report. |
| Exhibit 31.1 | Rule 15d-14(a) Certification of CEO. | Filed with this Report. |
| Exhibit 31.2 | Rule 15d-14(a) Certification of CFO. | Filed with this Report. |
| Exhibit 32.1 | Section 1350 Certification of CEO. | Furnished with this Report. |
| Exhibit 32.2 | Section 1350 Certification of CFO. | Furnished with this Report. |
| Exhibit 101.INS | XBRL Instance Document. | * |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema Document. | * |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | * |
| Exhibit 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | * |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | * |
| Exhibit 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | * |

_____

* Submitted electronically with this Report in accordance with the provisions of Regulation S-T.