

FORD MOTOR CO  
Form 10-Q  
October 27, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-3950

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

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FORD MOTOR COMPANY  
 QUARTERLY REPORT ON FORM 10-Q  
 For the Quarter Ended September 30, 2015

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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements.

FORD MOTOR COMPANY AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENT

(in millions, except per share amounts)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(in millions)

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

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

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

The accompanying notes are part of the financial statements.

## Item 1. Financial Statements (Continued)

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

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

The accompanying notes are part of the financial statements.

## Item 1. Financial Statements (Continued)

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

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

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

September 30, December 31,  
2015 2014  
(unaudited)

ASSETS

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

LIABILITIES

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

The accompanying notes are part of the financial statements.

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## Item 1. Financial Statements (Continued)

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

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

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

## Item 1. Financial Statements (Continued)

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

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

The accompanying notes are part of the financial statements.

## Item 1. Financial Statements (Continued)

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

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

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

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

The accompanying notes are part of the financial statements.

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## Item 1. Financial Statements (Continued)

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

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

The accompanying notes are part of the financial statements.

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

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## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1. PRESENTATION

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

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

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

## Adoption of New Accounting Standards

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

## Reconciliations between Consolidated and Sector Financial Statements

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

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



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

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

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

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

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

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

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 3. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

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

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 4. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES

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

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

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

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

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

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

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

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 4. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES (Continued)

## Aging

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

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

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

## Credit Quality

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

Consumer receivables credit quality ratings are as follows:

Pass – current to 60 days past due

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

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

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



## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 4. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES (Continued)

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

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

## Impaired Receivables

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



## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 5. FINANCIAL SERVICES SECTOR ALLOWANCE FOR CREDIT LOSSES

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

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

## Analysis of ending balance of allowance for credit losses

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

## Analysis of ending balance of finance receivables

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

(a) Primarily represents amounts related to translation adjustments.

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

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

## Analysis of ending balance of allowance for credit losses

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

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

(a) Primarily represents amounts related to translation adjustments.

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

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 6. INVENTORIES

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

Inventories were as follows (in millions):

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

## NOTE 7. OTHER LIABILITIES AND DEFERRED REVENUE

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

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

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

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

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 8. RETIREMENT BENEFITS

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

## Defined Benefit Plans - Expense

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

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

## Pension Plan Contributions

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

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 9. DEBT

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

	September 30, 2015	December 31, 2014
Automotive Sector		
Debt payable within one year		
Short-term	\$ 709	\$ 373
Long-term payable within one year		
U.S. Department of Energy (“DOE”) Advanced Technology Vehicles Manufacturing (“ATVM”) Incentive Program	591	591
European Investment Bank (“EIB”) loans	—	1,187
Other debt	290	350
Total debt payable within one year	1,590	2,501
Long-term debt payable after one year		
Public unsecured debt securities	6,594	6,634
DOE ATVM Incentive Program	3,390	3,833
Other debt	1,675	1,000
Unamortized (discount)/premium	(451	) (144
Total long-term debt payable after one year	11,208	11,323
Total Automotive sector	\$ 12,798	\$ 13,824
Fair value of Automotive sector debt (a)	\$ 14,048	\$ 15,553
Financial Services Sector		
Short-term debt		
Unsecured debt	\$ 9,624	\$ 9,761
Asset-backed debt	1,877	1,377
Total short-term debt	11,501	11,138
Long-term debt		
Unsecured debt		
Notes payable within one year	7,885	8,795
Notes payable after one year	47,531	43,087
Asset-backed debt		
Notes payable within one year	18,462	16,738
Notes payable after one year	27,553	25,216
Unamortized (discount)/premium	(40	) (55
Fair value adjustments (b)	735	428
Total long-term debt	102,126	94,209
Total Financial Services sector	\$ 113,627	\$ 105,347
Fair value of Financial Services sector debt (a)	\$ 114,712	\$ 107,758

(a) The fair value of debt includes \$518 million and \$131 million of Automotive sector short-term debt and \$9.6 billion and \$9.8 billion of Financial Services sector short-term debt at September 30, 2015 and December 31, 2014, respectively, carried at cost, which approximates fair value. All debt is categorized within Level 2 of the fair value

hierarchy.

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

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. REDEEMABLE NONCONTROLLING INTEREST

The redeemable noncontrolling interest in our Ford Sollers joint venture is discussed in Note 17.

AutoAlliance International, Inc. (“AAI”) was a 50/50 joint venture between Ford and Mazda Motor Corporation (“Mazda”) that owned an automobile assembly plant in Flat Rock, Michigan. In January 2015, Mazda exercised its put option and Ford purchased Mazda's 50% equity interest at the exercise price plus accrued interest of \$342 million (included in Cash flows from financing activities in our statement of cash flows) and dissolved AAI.

NOTE 11. VARIABLE INTEREST ENTITIES

VIEs of Which We are Not the Primary Beneficiary

Certain of our joint ventures are VIEs, in which the power to direct economically significant activities is shared with the joint venture partner. Our investments in these joint ventures are accounted for as equity method investments. Our maximum exposure to any potential losses associated with these joint ventures is limited to our investment, including loans, and was \$274 million and \$307 million at September 30, 2015 and December 31, 2014, respectively.

VIEs of Which We are the Primary Beneficiary

Securitization Entities Through Ford Credit, we securitize, transfer, and service financial assets associated with consumer finance receivables, operating leases, and wholesale loans. Our securitization transactions typically involve the legal transfer of financial assets to bankruptcy remote special purpose entities (“SPEs”). The third-party investors in these securitization entities have legal recourse only to the assets securing the debt and do not have recourse to us, except for the customary representation and warranty provisions. In addition, the cash flows generated by the assets are restricted only to pay such liabilities. We generally retain economic interests in the asset-backed securitization transactions, which are retained in the form of senior or subordinated interests, cash reserve accounts, residual interests, and servicing rights. For accounting purposes, we are precluded from recording the transfers of assets in securitization transactions as sales.

In most cases, the bankruptcy remote SPEs meet the definition of VIEs for which we have determined we have both the power to direct the activities of the entity that most significantly impact the entity’s economic performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, and would therefore also be consolidated. We account for all securitization transactions as if they were secured financing and therefore the assets, liabilities and related activity of these transactions are consolidated in our financial results and are included in amounts presented on the face of our consolidated balance sheet (see Note 4 for additional information).

## 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 highly effective derivatives contracts. 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.

## Income Effect of Derivative Financial Instruments

The gains/(losses), by hedge designation, recorded in income for the periods ended September 30 were as follows (in millions):

	Third Quarter		First Nine Months	
	2015	2014	2015	2014
<b>Automotive Sector</b>				
Cash flow hedges (a)				
Reclassified from AOCI to income	\$(60	) \$(61	) \$(196	) \$99
Ineffectiveness	—	—	—	—
Derivatives not designated as hedging instruments				
Foreign currency exchange contracts	25	168	170	107
Commodity contracts	(22	) (28	) (47	) 7
Total	\$(57	) \$79	\$(73	) \$213
<b>Financial Services Sector</b>				
Fair value hedges				
Interest rate contracts				
Net interest settlements and accruals excluded from the assessment of hedge effectiveness	\$94	\$79	\$271	\$220
Ineffectiveness (b)	10	(2	) 6	8
Derivatives not designated as hedging instruments				
Interest rate contracts	(22	) (10	) (83	) (37
Foreign currency exchange contracts	40	52	40	22
Cross-currency interest rate swap contracts	63	118	75	102
Total	\$185	\$237	\$309	\$315

For the third quarter and first nine months of 2015, \$453 million gain and a \$86 million gain, respectively, were (a) recorded in Other comprehensive income. For the third quarter and first nine months of 2014, \$128 million loss and a \$336 million loss, respectively, were recorded in Other comprehensive income.

For the third quarter and first nine months of 2015, hedge ineffectiveness reflects the net change in fair value on derivatives of \$373 million gain and \$345 million gain, respectively, and change in value on hedged debt attributable to the change in benchmark interest rates of \$363 million loss and \$339 million loss, respectively. For (b) the third quarter and first nine months of 2014, hedge ineffectiveness reflects the net change in fair value on derivatives of \$88 million loss and \$179 million gain, respectively, and change in value on hedged debt attributable to the change in benchmark interest rates of \$86 million gain and \$171 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

Derivative financial instruments are recorded on the balance sheet at fair value, presented on a gross basis, and include an adjustment for non-performance risk. Notional amounts are presented on a gross basis. The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our financial risk exposure. We enter into master agreements with counterparties that may allow for netting of exposure in the event of default or termination of the counterparty agreement due to breach of contract.

The notional amount and estimated fair value of our derivative financial instruments were as follows (in millions):

	September 30, 2015			December 31, 2014			
	Notional	Fair Value of Assets	Fair Value of Liabilities	Notional	Fair Value of Assets	Fair Value of Liabilities	
<b>Automotive Sector</b>							
Cash flow hedges							
Foreign currency exchange and commodity contracts	\$10,232	\$510	\$422	\$15,434	\$359	\$517	
Derivatives not designated as hedging instruments							
Foreign currency exchange contracts	15,059	243	205	12,198	157	129	
Commodity contracts	490	1	24	693	1	67	
Total derivative financial instruments, gross	\$25,781	754	651	\$28,325	517	713	
Counterparty netting and collateral (a)		(514	) (514	)	(463	) (463	)
Total derivative financial instruments, net		\$240	\$137		\$54	\$250	
<b>Financial Services Sector</b>							
Fair value hedges							
Interest rate contracts	\$26,323	\$848	\$4	\$23,203	\$602	\$38	
Derivatives not designated as hedging instruments							
Interest rate contracts	56,173	216	174	56,558	168	89	
Foreign currency exchange contracts	1,189	7	1	1,527	18	1	
Cross-currency interest rate swap contracts	2,615	97	101	2,425	71	39	
Total derivative financial instruments, gross	\$86,300	1,168	280	\$83,713	859	167	
		(189	) (189	)	(136	) (136	)

Counterparty netting and collateral (a)

Total derivative financial instruments, net	\$979	\$91	\$723	\$31
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(a) At September 30, 2015 and December 31, 2014, we did not receive or pledge any cash collateral.

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 13. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The changes in the accumulated balances for each component of Accumulated other comprehensive income/(loss) attributable to Ford Motor Company for the periods ended September 30 were as follows (in millions):

	Third Quarter		First Nine Months	
	2015	2014	2015	2014
<b>Foreign currency translation</b>				
Beginning balance	\$ (2,655 )	\$ (1,664 )	\$ (2,348 )	\$ (1,746 )
Gains/(Losses) on foreign currency translation	(1,037 )	(550 )	(1,344 )	(434 )
Less: Tax/(Tax benefit)	—	—	—	53
Net gains/(losses) on foreign currency translation	(1,037 )	(550 )	(1,344 )	(487 )
(Gains)/Losses reclassified from AOCI to income (a)	—	—	—	19
Other comprehensive income/(loss), net of tax (b)	(1,037 )	(550 )	(1,344 )	(468 )
Ending balance	\$ (3,692 )	\$ (2,214 )	\$ (3,692 )	\$ (2,214 )
<b>Derivative instruments (c)</b>				
Beginning balance	\$ (308 )	\$ (155 )	\$ (142 )	\$ 40
Gains/(Losses) on derivative instruments	453	(128 )	86	(336 )
Less: Tax/(Tax benefit)	196	(35 )	86	(125 )
Net gains/(losses) on derivative instruments	257	(93 )	—	(211 )
(Gains)/Losses reclassified from AOCI to income	60	61	196	(99 )
Less: Tax/(Tax benefit)	(57 )	16	(12 )	(67 )
Net (gains)/losses reclassified from AOCI to net income (d)	117	45	208	(32 )
Other comprehensive income/(loss), net of tax	374	(48 )	208	(243 )
Ending balance	\$ 66	\$ (203 )	\$ 66	\$ (203 )
<b>Pension and other postretirement benefits</b>				
Beginning balance	\$ (17,297 )	\$ (16,288 )	\$ (17,542 )	\$ (16,524 )
Gains/(Losses) arising during the period	4	—	(765 )	(13 )
Less: Tax/(Tax benefit)	—	—	(269 )	(5 )
Net gains/(losses) arising during the period	4	—	(496 )	(8 )
Amortization of prior service costs/(credits) (e)	—	(5 )	(2 )	(14 )
Amortization of (gains)/losses (e)	352	225	1,059	673
Recognition of (gains)/losses due to curtailments (e)	—	—	—	—
Recognition of (gains)/losses due to settlements (e)	9	—	9	14
Less: Tax/(Tax benefit)	86	52	362	185
Net amortization and (gains)/losses reclassified from AOCI to net income	275	168	704	488
Translation impact on non-U.S. plans	202	372	518	296
Other comprehensive income/(loss), net of tax	481	540	726	776
Ending balance	\$ (16,816 )	\$ (15,748 )	\$ (16,816 )	\$ (15,748 )
<b>Total AOCI ending balance at September 30</b>	<b>\$ (20,442 )</b>	<b>\$ (18,165 )</b>	<b>\$ (20,442 )</b>	<b>\$ (18,165 )</b>

(a)

The accumulated translation adjustments related to an investment in a foreign subsidiary are reclassified to Automotive interest income and other income/(loss), net, Financial Services other income/(loss), net, or Equity in net income of affiliated companies.

- (b) In the third quarter of 2015, there was a \$1 million gain attributable to noncontrolling interests.
- (c) We expect to reclassify existing net gains of \$73 million from Accumulated other comprehensive income/(loss) to Automotive cost of sales during the next twelve months as the underlying exposures are realized.
- (d) Gains/(Losses) on cash flow hedges are reclassified from Accumulated other comprehensive income/(loss) to income when the hedged item affects earnings and is recognized in Automotive cost of sales. See Note 12 for additional information.
- (e) These Accumulated other comprehensive income/(loss) components are included in the computation of net periodic pension cost. See Note 8 for additional information.

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 14. OTHER INCOME/(LOSS)

## Automotive Sector

The amounts included in Automotive interest income and other income/(loss), net for the periods ended September 30 were as follows (in millions):

	Third Quarter		First Nine Months	
	2015	2014	2015	2014
Investment-related interest income	\$60	\$65	\$161	\$145
Interest income/(expense) on income taxes	—	(3	) 1	34
Realized and unrealized gains/(losses) on cash equivalents and marketable securities	189	7	146	7
Gains/(Losses) on changes in investments in affiliates	—	—	18	1
Gains/(Losses) on extinguishment of debt	—	—	1	(5
Royalty income	149	142	448	444
Other	48	44	133	113
Total	\$446	\$255	\$908	\$739

## Financial Services Sector

The amounts included in Financial Services other income/(loss), net for the periods ended September 30 were as follows (in millions):

	Third Quarter		First Nine Months	
	2015	2014	2015	2014
Investment-related interest income	\$21	\$14	\$58	\$35
Interest income/(expense) on income taxes	(3	) 1	(9	) (9
Realized and unrealized gains/(losses) on cash equivalents and marketable securities	10	(1	) 16	7
Insurance premiums earned	32	31	97	94
Other	37	45	79	118
Total	\$97	\$90	\$241	\$245



## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 15. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES

## Automotive Sector

## Business Restructuring - Europe

In October 2012, we committed to commence a transformation plan for our Europe operations. As part of this plan, we closed two manufacturing facilities in the United Kingdom in 2013 and closed our assembly plant in Genk, Belgium at the end of 2014. The Genk closure was subject to an information and consultation process with employee representatives, which was completed in June 2013. The costs related to these closures were recorded beginning in the second quarter of 2013.

Separation-related costs (excluding pension costs) totaled \$1.1 billion and were recorded in Automotive cost of sales and Selling, administrative and other expenses. These costs include both the costs associated with voluntary separation programs in the United Kingdom and involuntary employee actions at Genk, as well as payments to suppliers. The separation-related activity recorded in Other liabilities and deferred revenue for the periods ended September 30 was as follows (in millions):

	Third Quarter		First Nine Months	
	2015	2014	2015	2014
Beginning balance	\$ 173	\$ 643	\$ 730	\$ 497
Changes in accruals	(5	) 146	(11	) 365
Payments	(74	) (30	) (599	) (99
Foreign currency translation	—	(57	) (26	) (61
Ending balance	\$ 94	\$ 702	\$ 94	\$ 702

## Business Restructuring - Australia

In May 2013, we committed to commence a transformation plan for our Australia operations. As part of this plan, we will be closing manufacturing operations in Australia in October 2016. In August 2013, a two-phase separation plan was approved, which included a line-speed reduction in June 2014, ahead of the final closure. The costs related to the line-speed reduction were recorded throughout 2014. The costs related to the second phase of the transformation plan were recorded beginning in the fourth quarter of 2014 after the Enterprise bargaining agreement was agreed and ratified by the local government and we determined these payments were probable.

Separation-related costs recorded in Automotive cost of sales and Selling, administrative and other expenses, include both the costs associated with voluntary separation programs, and involuntary employee actions in Australia, as well as payments to suppliers. The separation-related activity recorded in Other liabilities and deferred revenue for the period ended September 30 was as follows (in millions):

	Third Quarter		First Nine Months	
	2015	2015	2015	2015
Beginning balance	\$ 126	\$ 111		
Changes in accruals	5	36		
Payments	(6	) (16	)	)
Foreign currency translation	(11	) (17	)	)
Ending balance	\$ 114	\$ 114		

Our current estimate of total separation-related costs (excluding pension costs) for the Australian transformation plan is approximately \$230 million. The separation-related costs not yet recorded will be expensed as the employees continue to support Australia plant operations.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. 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.

NOTE 17. CHANGES IN INVESTMENTS IN AFFILIATES

Automotive Sector

Ford Sollers. We formed the Ford Sollers joint venture with Sollers OJSC (“Sollers”) in October 2011 to operate in Russia. Upon contribution of our then wholly-owned operations in Russia to the joint venture in exchange for cash, notes receivable and a 50% equity interest in the new joint venture, we deconsolidated the related assets and liabilities and recorded an equity method investment in Ford Sollers at its fair value. The fair value was calculated using a discounted cash flow analysis with our best assumptions of relevant factors at that time.

During the second quarter of 2014, we recorded a \$329 million pre-tax impairment as a result of factors in the Russian market, including a weaker ruble, lower industry volume, and industry segmentation changes that negatively impacted the sales of Focus. These factors reduced our expected cash flows for Ford Sollers in the near-term, thereby reducing the investment’s fair value recoverability. The non-cash charge was reported in Equity in net income of affiliated companies.

On March 31, 2015, we and Sollers agreed to certain changes to the structure of the joint venture and the related shareholders’ agreement to support the business in the near term and provide a platform for future growth in this important market. The changes include Ford providing additional funding to the joint venture and gaining a controlling interest in the joint venture through the acquisition of preferred shares. As a result, effective March 31, 2015, we have consolidated the joint venture for financial reporting purposes. In addition, the partners will have future rights to purchase, or have purchased, Sollers’ 50% interest in the ordinary shares of the joint venture at a value established using a pre-determined framework. Both partners will continue to work jointly to improve the business outlook for the Ford Sollers joint venture by expanding its vehicle lineup to better meet the needs of Russian customers and further investing in the localization of component manufacturing.

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 17. CHANGES IN INVESTMENTS IN AFFILIATES (Continued)

During the second quarter of 2015, we finalized our purchase accounting. We measured the fair value of Ford Sollers using the income approach. We used cash flows that reflect the Ford Sollers business plan, aligned with assumptions a market participant would have made. We assumed a discount rate of 17% based on the appropriate weighted average cost of capital, adjusted for perceived business risks related to regulatory concerns, political tensions, foreign exchange volatility, and risk associated with the Russian automotive industry.

The following acquired assets and liabilities were measured at fair value and recorded on our balance sheet (in millions):

	March 31, 2015
Assets	
Cash and cash equivalents	\$40
Other receivables, net	113
Inventories	258
Net property	541
Other assets	25
Total assets of Ford Sollers (a)	\$977
Liabilities	
Payables	\$514
Debt	370
Total liabilities of Ford Sollers (a)	\$884

(a) At March 31, 2015, intercompany assets of \$10 million and intercompany liabilities of \$394 million have been eliminated in both the consolidated and sector balance sheet.

In addition, we recorded a \$93 million redeemable noncontrolling interest in the mezzanine section of our balance sheet, reflecting the redemption features embedded in the 50% equity interest in the joint venture that is held by Sollers. To determine the noncontrolling interest value, we used a Monte Carlo simulation analysis that incorporated market participant assumptions for asset volatilities and credit spreads.

Blue Diamond Truck, S. de R.L. (“BDT”). BDT was a Mexican joint venture created in 2001 by Ford and Navistar that produced medium duty commercial trucks. During the second quarter of 2015, we sold our entire equity interest in BDT to a Navistar affiliate and the joint venture was terminated. As a result of the sale of our interest in BDT, we recognized a pre-tax gain of \$19 million, which was reported in Automotive interest income and other income/(loss), net.

Nemak, S.A.B. de C.V. (“Nemak”). Prior to July 1, 2015, Nemak (formerly named Tenedora Nemak, S.A. de C.V.) was a joint venture between Ford and Mexican conglomerate Alfa, S.A.B. de C.V. Nemak supplies aluminum engine and other components from its plants located in regions in which we do business. Ford and Alfa terminated the joint venture agreement, and in July 2015 Nemak completed an initial public offering (“IPO”) of its common stock, and Ford’s ownership interest in Nemak was diluted. As a result of the IPO and the termination of the joint venture agreement, we no longer account for Nemak using the equity method of accounting. Instead, we account for our Nemak shares as marketable securities. The initial pre-tax gain of \$166 million from the IPO and subsequent mark-to-market adjustments for our Nemak shares are reported 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. CAPITAL STOCK AND EARNINGS PER SHARE

## Earnings Per Share Attributable to Ford Motor Company Common and Class B Stock

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

	Third Quarter		First Nine Months	
	2015	2014	2015	2014
Basic and Diluted Income Attributable to Ford Motor Company				
Basic income	\$ 1,909	\$ 835	\$ 4,718	\$ 3,135
Effect of dilutive 2016 Convertible Notes (a) (b)	—	12	—	36
Diluted income	\$ 1,909	\$ 847	\$ 4,718	\$ 3,171
Basic and Diluted Shares				
Basic shares (average shares outstanding)	3,969	3,861	3,968	3,915
Net dilutive options and unvested restricted stock units	30	48	34	47
Dilutive 2016 Convertible Notes (b)	—	101	—	100
Diluted shares	3,999	4,010	4,002	4,062

(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.

In October 2014, we elected to terminate the conversion rights of holders under the 2016 Convertible Notes in accordance with their terms effective as of the close of business on November 20, 2014. On November 21, 2014, we redeemed for cash the remaining outstanding 2016 Convertible Notes.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. SEGMENT INFORMATION

Our operating activity consists of two operating sectors, Automotive and Financial Services. Our Automotive sector includes the sale of Ford and Lincoln brand vehicles and related service parts and accessories. The Financial Services sector primarily includes our vehicle-related financing and leasing activities at Ford Credit.

Prior to January 1, 2015, we had an Other Financial Services segment, which included holding companies, real estate, and financing of some Volvo vehicles in Europe. Effective January 1, 2015, we realigned the business operations of this segment to our Automotive sector on a prospective basis. The impact of this change on prior periods presented would have been immaterial.

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 19. SEGMENT INFORMATION (Continued)

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		Total
	North America	South America	Europe	Middle East & Africa	Asia Pacific	Other Automotive	Special Items	
Third Quarter 2015								
Revenues	\$23,663	\$1,582	\$6,998	\$930	\$2,645	\$—	\$—	\$35,818
Income/(Loss) before income taxes	2,670	(163 )	(182 )	(15 )	20	(163 )	166	2,333
Total assets at September 30	62,349	4,707	15,345	1,297	9,028	—	—	92,726
Third Quarter 2014								
Revenues	\$19,942	\$2,335	\$6,844	\$1,077	\$2,581	\$—	\$—	\$32,779
Income/(Loss) before income taxes	1,410	(170 )	(439 )	(15 )	44	(144 )	(160 )	526
Total assets at September 30	60,158	6,710	15,079	1,258	8,068	—	—	91,273
	Automotive Sector Operating Segments					Reconciling Items		Total
	North America	South America	Europe	Middle East & Africa	Asia Pacific	Other Automotive	Special Items	
First Nine Months 2015								
Revenues	\$67,019	\$4,589	\$20,859	\$2,891	\$7,365	\$—	\$—	\$102,723
Income/(Loss) before income taxes	6,607	(537 )	(381 )	18	315	(542 )	166	5,646
First Nine Months 2014								
Revenues	\$61,495	\$6,337	\$22,680	\$3,404	\$8,104	\$—	\$—	\$102,020
Income/(Loss) before income taxes	5,350	(975 )	(619 )	62	494	(537 )	(763 )	3,012



## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 19. SEGMENT INFORMATION (Continued)

	Financial Services Sector				Company	
	Operating Segment	Reconciling Items		Total	Elims (a)	Total
	Ford Credit	Other	Elims			
<b>Third Quarter 2015</b>						
Revenues	\$2,368	\$—	\$(42 )	\$2,326	\$—	\$38,144
Income/(Loss) before income taxes	541	(14 )	(1 )	526	—	2,859
Total assets at September 30	131,490	2	(866 )	130,626	(3,921 )	219,431
<b>Third Quarter 2014</b>						
Revenues	\$2,214	\$37	\$(110 )	\$2,141	\$—	\$34,920
Income/(Loss) before income taxes	498	(3 )	—	495	—	1,021
Total assets at September 30	121,216	391	(1,135 )	120,472	(2,910 )	208,835
	Financial Services Sector				Company	
	Operating Segment	Reconciling Items				
	Ford Credit	Other	Elims	Total	Elims (a)	Total
<b>First Nine Months 2015</b>						
Revenues	\$6,822	\$—	\$(238 )	\$6,584	\$—	\$109,307
Income/(Loss) before income taxes	1,530	(43 )	(1 )	1,486	—	7,132
<b>First Nine Months 2014</b>						
Revenues	\$6,427	\$105	\$(345 )	\$6,187	\$—	\$108,207
Income/(Loss) before income taxes	1,431	(45 )	—	1,386	—	4,398

(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 20. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies primarily consist of guarantees and indemnifications, litigation and claims, and warranty.

## Guarantees and Indemnifications

Guarantees and indemnifications are recorded at fair value at their inception. We regularly review our performance risk under these arrangements, and in the event it becomes probable we will be required to perform under guarantee or indemnity, the amount of probable payment is recorded.

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 underlying 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 a 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.

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; dealer, 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. While some of these indemnifications are limited in nature, many of them do not limit potential payment. Therefore, we are unable to estimate a maximum amount of future payments that could result from claims made under these unlimited indemnities.

The maximum potential payments and the carrying value of recorded liabilities related to guarantees and limited indemnities were as follows (in millions):

	September 30, 2015	December 31, 2014
Maximum potential payments	\$392	\$592
Carrying value of recorded liabilities related to guarantees and limited indemnities	16	17

## 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 field service actions, 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.

We accrue for matters when losses are deemed probable and reasonably estimable. 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 that we will prevail, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time.

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 20. COMMITMENTS AND CONTINGENCIES (Continued)

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. We do not believe there is a reasonably possible outcome materially in excess of our accrual for these matters.

For the remaining matters, where our historical experience with similar matters is of more limited value (i.e., “non pattern matters”), we evaluate the 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 \$2.3 billion.

As noted, the litigation process is subject to many uncertainties, and the outcome of individual 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 and Field Service Actions

We accrue obligations for warranty costs and field service actions (i.e., safety recalls, emission recalls, and other product campaigns) at the time of sale. We establish estimates for warranty and field service action obligations using a patterned estimation model using historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. We reevaluate the adequacy of our accruals on a regular basis and any revisions to our estimated obligation for warranties and field service actions are reported as Changes in accrual related to pre-existing warranties in the table below.

Our estimates of warranty and field service action obligations are accounted for primarily in Other liabilities and deferred revenue for the periods ended September 30 were as follows (in millions):

	First Nine Months	
	2015	2014
Beginning balance	\$4,785	\$3,927
Payments made during the period	(2,036	) (2,186
Changes in accrual related to warranties issued during the period	1,523	1,506
Changes in accrual related to pre-existing warranties	495	1,522
Foreign currency translation and other	(192	) (67
Ending balance	\$4,575	\$4,702

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, 2015, and the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2015 and 2014 and the condensed consolidated statement of cash flows and the consolidated statement of equity for the nine-month periods ended September 30, 2015 and 2014. 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, 2014, 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 13, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2014, 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 27, 2015

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

## RESULTS OF OPERATIONS

Our third quarter and first nine months 2015 pre-tax results and net income were as follows:

	Third Quarter		First Nine Months		Memo: Full Year 2014 (Mils.)
	2015 (Mils.)	Better/(Worse) 2014 (Mils.)	2015 (Mils.)	Better/(Worse) 2014 (Mils.)	
Pre-tax results					
Automotive sector pre-tax results (excl. special items)	\$2,167	\$ 1,481	\$5,480	\$ 1,705	\$4,488
Financial Services sector pre-tax results	526	31	1,486	100	1,794
Total Company pre-tax results (excl. special items)	2,693	1,512	6,966	1,805	6,282
Special items - Automotive sector	166	326	166	929	(1,940 )
Total Company pre-tax results (incl. special items)	2,859	1,838	7,132	2,734	4,342
(Provision for)/Benefit from income taxes	(950 )	(762 )	(2,412 )	(1,151 )	(1,156 )
Net income	1,909	1,076	4,720	1,583	3,186
Less: Income/(Loss) attributable to noncontrolling interests	—	2	2	—	(1 )
Net income attributable to Ford	\$1,909	\$ 1,074	\$4,718	\$ 1,583	\$3,187

Discussion of Automotive sector, Financial Services sector, and 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—North America, South America, Europe, Middle East & Africa, and Asia Pacific—are since at least 2000 when we began reporting specific business unit results.

The third quarter of 2015 was a record third quarter for Company pre-tax profit and Automotive operating-related cash flow, and was North America's best quarter ever. Europe has not had a better quarter since 2009 and the third quarter of 2015 was Ford Credit's best quarter since 2011.

The third quarter 2014 provision for income taxes included \$245 million benefit resulting from a change in our methodology for measuring currency gains and losses in computing the earnings of our European operations under U.S. tax law. For the full year 2015, we now expect our operating effective tax rate to be about 30%. This continues to assume extension of U.S. research credit legislation in the fourth quarter of 2015.

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 detailed in Note 19 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.

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

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

	Third quarter		First Nine Months		Memo:
	2015 (Mils.)	2014 (Mils.)	2015 (Mils.)	2014 (Mils.)	Full Year 2014 (Mils.)
Personnel and Dealer-Related Items					
Separation-related actions (a)	\$—	\$(160	) \$—	\$(434	) \$(685
Other Items					
Nemak IPO	166	—	166	—	—
Venezuela accounting change	—	—	—	—	(800
Ford Sollers equity impairment	—	—	—	(329	) (329
2016 Convertible Notes settlement	—	—	—	—	(126
Total Other Items	166	—	166	(329	) (1,255
Total Special Items	\$166	\$(160	) \$166	\$(763	) \$(1,940

(a) Primarily related to separation costs for personnel at the Genk and U.K. facilities.



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

AUTOMOTIVE SECTOR

Definitions and calculations used in this report include:

**Wholesales and Revenue** - Wholesale unit volumes include all Ford and Lincoln badged units (whether produced by Ford or by an unconsolidated affiliate) that are sold to dealerships, units manufactured by Ford that are sold to other manufacturers, units distributed by Ford for other manufacturers, and local brand units produced by our China joint venture, Jiangling Motors Corporation, Ltd. ("JMC"), that are sold to dealerships. Vehicles sold to daily rental car companies that are subject to a guaranteed repurchase option (i.e., rental repurchase), as well as other sales of finished vehicles for which the recognition of revenue is deferred (e.g., consignments), also are included in wholesale unit volumes. Revenue from certain vehicles in wholesale unit volumes (specifically, Ford badged vehicles produced and distributed by our unconsolidated affiliates, as well as JMC brand vehicles) are not included in our revenue

**Automotive Operating Margin** - defined as Automotive pre-tax results, excluding special items and Other Automotive, divided by Automotive revenue

**Industry Volume and Market Share** - based, in part, on estimated vehicle registrations; includes medium and heavy duty trucks

**SAAR** - seasonally adjusted annual rate

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 net pricing 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

**Structural Costs** - primarily measures profit variance driven by absolute change in cost categories that typically do not have a directly proportionate relationship to production volume. 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) transactions denominated in currencies other than the functional currencies of the relevant entities, (ii) effects of converting functional currency income to U.S. dollars, (iii) effects of remeasuring monetary assets and liabilities of the relevant entities in currencies other than their functional currency, or (iv) results of our foreign currency hedging

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

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 (excluding strategic equity investments held in marketable securities), and other adjustments

Other - items not included in the causal factors defined above

The charts on the following pages detail third quarter 2015 key metrics and the change in third quarter 2015 pre-tax results compared with third quarter 2014 by causal factor for our Automotive sector and its operating segments—North America, South America, Europe, Middle East & Africa, and Asia Pacific.

The key market factors and financial metrics for our Automotive business in the third quarter are shown above.

Wholesale volume, revenue, operating margin, and pre-tax results were each higher in the quarter than last year.

We estimate that global industry SAAR in the quarter was 88.1 million units, up slightly from a year ago. We grew our global market share for the third consecutive quarter; at 7.6%, it was up three-tenths of a percentage point compared to a year ago. Our share improved in North America, South America, and Europe.

In the first nine months of the year, all of our key financial metrics improved. Our pre-tax profit through the first nine months was higher than our pre-tax profit for the full year in 2014.

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

As shown above, our Automotive pre-tax profit improved \$1.5 billion, more than tripling the result from a year ago. Favorable market factors far exceeded cost increases.

Total costs and expenses. In the third quarter of 2015 and 2014, total costs and expenses, including special items, for our Automotive sector were \$34 billion and \$32.7 billion, respectively, a difference of \$1.3 billion; for the first nine months of 2015 and 2014, these were \$98.6 billion and \$100 billion, respectively, a difference of \$1.4 billion. An explanation of these changes is shown below (in billions):

Explanation of change:	2015 Lower/(Higher) 2014	
	Third Quarter	First Nine Months
Volume and mix, exchange, and other	\$(0.6	) \$4.0
Contribution costs		
Material excluding commodities	(1.2	) (2.8
Commodities	0.4	0.5
Warranty/Freight/Other	0.4	1.2
Structural costs	(0.5	) (1.9
Special items	0.2	0.4
Total	\$(1.3	) \$1.4

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

Shown above are Automotive pre-tax results by business unit, along with Other Automotive, which is mainly net interest expense.

North America's record pre-tax profit drove the outstanding result in the quarter for the Automotive sector.

As shown below the chart, North America and the combined results of our other business units improved compared to last year.

For the full year, we continue to expect to achieve top-line growth in a global industry that we expect to be about flat, including improving our global market share on the strength of our 24 global product launches last year and the 16 launches in 2015.

We also expect a stronger bottom line for the full year, including higher Automotive operating margin and pre-tax profit. We continue to expect full year Automotive net interest expense to be about \$650 million.

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

Shown above are the key metrics for North America for the third quarter of 2015. Wholesale volume, revenue, operating margin, and pre-tax profit were higher than a year ago. Operating margin exceeded 11% for the second straight quarter and averaged 9.9% year to date.

North America SAAR and Ford market share improved compared with a year ago; U.S. SAAR totaled 18.3 million units, up 1.1 million units. North America market share improved and U.S. market share rose six-tenths of a percentage point, to 14.7%, due to better availability of F-150 and the continued strength of Explorer.

U.S. retail share increased four-tenths of a percentage point, to 13.3%, driven by strong demand for our newest products, including F-150, Explorer, Edge, and Mustang.

In the first nine months of 2015, each of North America's key metrics improved from a year ago.

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

Favorable volume and mix and higher net pricing drove North America's pre-tax profit higher than a year ago. Higher costs and unfavorable exchange were partial offsets.

Now at full production, F-150 volume increased by over 45,000 units year-over-year and contributed substantially to the improvement in market factors.

We continue to expect North America to have a very strong year, with substantial top-line growth.

We also continue to expect North America's full year pre-tax profit to exceed last year's result with an operating margin at the upper end of our guidance of 8.5% to 9.5%.

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

Our pre-tax result in the third quarter of 2015 was about the same as last year for South America, even as the business environment continued to deteriorate. Wholesale volume, revenue, and operating margin were each lower than a year ago.

Ford's market share in the region, at 10.2%, was up 1.4 percentage points due to continued strong performance in Brazil with the all-new Ka.

South America industry SAAR, at 4.0 million units, was down one million units. Most of the decline was in Brazil.

Despite the tough conditions, South America's pre-tax loss for the first nine months was nearly 45% better than the first nine months of last year.



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

South America's third quarter 2015 pre-tax result was about the same as a year ago, as higher market share and net pricing were offset by lower industry and unfavorable exchange.

Our team in the region continues to work on all areas of the business to counter the effects of the difficult external environment and position ourselves to recover quickly once conditions begin to improve. For the full year, we continue to expect our pre-tax loss to improve compared with 2014.

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

Europe wholesale volume, revenue, operating margin, and our pre-tax results each improved in the third quarter from a year ago. The Europe SAAR increased by 1.1 million units, with the Europe 20 market, at 16.2 million units, more than explaining the increase.

Our total Europe market share in the region was up three-tenths of a percentage point to 7.9%, reflecting geographic mix. In the third quarter and year to date, Ford was Europe's bestselling commercial vehicle brand, reflecting the strength of our renewed Transit line-up and Ranger.

With the exception of revenue, which was impacted adversely by the strong U.S. dollar, metrics for the first nine months of the year were better than a year ago.

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

As shown above, Europe's loss in the third quarter was reduced as favorable market factors flowed through to the bottom line.

As we implement our Europe Transformation Plan, we continue to expect our full year pre-tax loss for 2015 to improve compared with 2014, as we continue to progress toward profitability in this important region.

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

In Middle East & Africa, we announced in the quarter our partnership with a local assembler to produce Ranger trucks in Nigeria.

Our pre-tax result in the third quarter of 2015 was flat from a year-ago, reflecting higher net pricing offset by lower volume. Wholesale volume, revenue, and operating margin each declined compared to a year ago.

For the full year, we continue to expect to deliver about breakeven results.

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

In the third quarter of 2015, Asia Pacific's wholesale volume, operating margin, and pre-tax profit were all lower compared to last year. Although revenue was unchanged, at constant exchange it increased by 12%. Wholesale volume was down 12%, reflecting a reduction in dealer stock to targeted levels and a supplier part constraint that has been resolved.

Our China joint ventures contributed \$253 million to pre-tax profit this quarter, reflecting our equity share of their after-tax earnings; this was \$45 million lower than last year.

We estimate third quarter SAAR for the region at 38.6 million units, down 0.4 million units from a year ago, more than explained by a 0.7 million unit decline in China industry SAAR, which totaled 23.1 million units.

Asia Pacific regional market share was 3.5% in the quarter; China market share was 4.7%, unchanged from a year ago.

In the first nine months, Asia Pacific's metrics were each lower than a year ago, mainly reflecting investments in the products we are launching this year and dealer stock reductions to align with the lower China industry.

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

As shown above, third quarter profit in Asia Pacific was about the same as a year ago.

Market factors were slightly unfavorable, including a reduction in dealer stocks to targeted levels, compared to an increase a year ago; this was offset partially by favorable mix due to our recently launched three-row Edge. Volume also was affected adversely by the supplier-related constraint.

We continue to expect Asia Pacific to have a strong year, marked by a very strong fourth quarter. This will be driven by new products, including the all-new three-row Edge, Figo, Everest, Lincoln MKX, the new Ranger, and the soon-to-be launched all-new Taurus.

We also expect to benefit from a recently announced purchase tax reduction in China on vehicles with 1.6 liter or smaller engines, which we expect will provide a lift in sales across the industry. Such vehicles account for about 70% of our sales in China.

For the full year, we continue to expect pre-tax profit to be higher than 2014.

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

FINANCIAL SERVICES SECTOR

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

•Volume and Mix:

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) at prior period exchange rates. 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 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.

Mix primarily measures changes in net financing margin driven by period over period changes in the composition of Ford Credit's average managed receivables by product and by country or region.

•Financing Margin:

Financing margin variance is the period-to-period change in financing margin yield multiplied by the present period average receivables at prior period exchange rates. This calculation is performed at the product and country level and then aggregated. 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 at prior period exchange rates. 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 2014 Form 10-K Report.

•Lease Residual:

Lease residual measures changes to residual performance at prior period exchange rates. 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 it 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 2014 Form 10-K Report.

•Exchange:

Reflects changes in pre-tax results driven by the effects of converting functional currency income to U.S. dollars.

Other:

Primarily includes operating expenses, other revenue, and insurance expenses at prior period exchange rates.

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)

Ford Credit. The chart below details the change in third quarter 2015 pre-tax results compared with third quarter 2014 by causal factor.

Ford Credit's pre-tax profit improved compared with a year ago as a result of favorable volume and mix, reflecting primarily higher consumer finance receivables globally and an increase in leasing in North America.

Higher credit losses, primarily in North America, were a partial offset, reflecting higher charge-offs and an increase in the reserve, which remains at a low absolute level.

Ford Credit's origination practices remain consistent, and its balance sheet is strong. Ford Credit is a strategic part of Ford that provides world-class financial services to our dealers and customers.

For the full year, Ford Credit continues to expect pre-tax profit to be equal to or higher than 2014. Ford Credit now expects year-end managed receivables of \$124 billion to \$127 billion.

Ford Credit continues to expect distributions of about \$250 million this year. Ford Credit expects its managed leverage to remain temporarily above its 8:1 to 9:1 target range as a result of the translation effect of the strong U.S. dollar.

## 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, 2015	December 31, 2014
Net Receivables (a)		
Finance receivables - North America		
Consumer - Retail financing	\$48.6	\$44.1
Non-Consumer		
Dealer financing (b)	22.9	22.5
Other	0.9	1.0
Total finance receivables - North America	72.4	67.6
Finance receivables - International		
Consumer - Retail financing	12.7	11.8
Non-Consumer		
Dealer financing (b)	9.8	9.3
Other	0.3	0.3
Total finance receivables - International	22.8	21.4
Unearned interest supplements	(2.1)	(1.8)
Allowance for credit losses	(0.4)	(0.3)
Finance receivables, net	92.7	86.9
Net investment in operating leases	24.5	21.5
Total net receivables	\$ 117.2	\$ 108.4
Managed Receivables		
Total net receivables	\$ 117.2	\$ 108.4
Unearned interest supplements and residual support	4.5	3.9
Allowance for credit losses	0.4	0.4
Other, primarily accumulated supplemental depreciation	0.3	0.1
Total managed receivables	\$ 122.4	\$ 112.8

(a) At September 30, 2015 and December 31, 2014, includes consumer receivables before allowance for credit losses of \$27.7 billion and

\$24.4 billion, respectively, and non-consumer receivables before allowance for credit losses of \$23.1 billion and \$21.8 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be reported in Ford Credit's financial statements. In addition, at September 30, 2015 and December 31, 2014, includes net investment in operating leases before allowance for credit losses of \$11.3 billion and \$9.6 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 the other obligations or the claims of Ford Credit's other creditors. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions.

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

Managed receivables at September 30, 2015 increased from year-end 2014, driven by growth in all products globally, offset partially by the exchange rate impact of the strong U.S. dollar.



## 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 about \$10 billion to protect against exogenous shocks. Our revolving credit facility is discussed below.

We assess the appropriate long-term target for total Automotive liquidity, comprised of Automotive 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 2014 Form 10-K Report, as well as Note 20 of the Notes to the Financial Statements, regarding commitments and contingencies that could impact our liquidity.

Our key liquidity metrics are Automotive gross cash, Automotive liquidity, and operating-related cash flow (which best represents the ability of our Automotive operations to generate cash).

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

	September 30, 2015	December 31, 2014	September 30, 2014
Cash and cash equivalents	\$7.8	\$4.6	\$6.0
Marketable securities	14.4	17.1	16.9
Total cash and marketable securities	22.2	21.7	22.9
Securities-in-transit (a)	—	—	(0.1)
Automotive gross cash	\$22.2	\$21.7	\$22.8

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

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. Of our total Automotive gross cash at September 30, 2015, 85% was held by consolidated entities domiciled in the United States.

Automotive gross cash and liquidity as of the dates shown were as follows (in billions):

	September 30, 2015	December 31, 2014	September 30, 2014
Automotive gross cash	\$22.2	\$21.7	\$22.8

Available credit lines			
Revolving credit facility, unutilized portion	10.3	10.1	10.1
Local lines available to foreign affiliates, unutilized portion	0.7	0.6	0.7
Automotive liquidity	\$33.2	\$32.4	\$33.6

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).

## 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 cash flow statement prepared in accordance with GAAP 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	
	2015	2014	2015	2014
Automotive gross cash at end of period	\$22.2	\$22.8	\$22.2	\$22.8
Automotive gross cash at beginning of period	20.7	25.8	21.7	24.8
Change in Automotive gross cash	\$1.5	\$(3.0)	) \$0.5	\$(2.0)
Automotive pre-tax profits (excluding special items)	\$2.2	\$0.7	\$5.5	\$3.8
Capital spending	(1.8)	) (1.8)	) (5.3)	) (5.2)
Depreciation and tooling amortization	1.1	1.1	3.2	3.1
Changes in working capital (a)	0.3	(1.5)	) 0.5	(0.5)
Other/Timing differences (b)	1.0	0.8	1.3	1.9
Automotive operating-related cash flows	2.8	(0.7)	) 5.2	3.1
Separation payments	(0.1)	) —	(0.6)	) (0.1)
Net receipts from Financial Services sector (c)	—	0.2	—	0.4
Other	(0.1)	) (0.3)	) (0.4)	) (0.2)
Cash flow before other actions	2.6	(0.8)	) 4.2	3.2
Changes in debt	(0.5)	) (0.3)	) (0.9)	) (0.7)
Funded pension contributions	—	(0.3)	) (0.9)	) (1.1)
Dividends/Other items	(0.6)	) (1.6)	) (1.9)	) (3.4)
Change in Automotive gross cash	\$1.5	\$(3.0)	) \$0.5	\$(2.0)

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

Primarily expense and payment timing differences for items such as pension and OPEB, compensation, marketing, warranty, and timing differences between unconsolidated affiliate profits and dividends received. Also includes other factors, such as the impact of tax payments and vehicle financing activities between Automotive and FSG sectors.

(c) Primarily distributions from Ford Holdings (Ford Credit's parent) 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. 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		Memo:	
	2015	2014	2015	2014	Full Year 2014	
Net cash provided by/(used in) operating activities	\$4.2	\$0.6	\$8.7	\$6.7	\$8.8	
Items included in operating-related cash flows						
Capital spending	(1.8	) (1.8	) (5.3	) (5.2	) (7.4	)
Proceeds from the exercise of stock options	—	0.1	0.1	0.2	0.2	
Net cash flows from non-designated derivatives	(0.1	) —	(0.1	) 0.1	0.2	
Items not included in operating-related cash flows						
Separation payments	0.1	—	0.6	0.1	0.2	
Funded pension contributions	—	0.3	0.9	1.1	1.5	
Tax refunds, tax payments, and tax receipts from affiliates	—	—	—	(0.2	) (0.2	)
Other	0.4	0.1	0.3	0.3	0.3	
Operating-related cash flows	\$2.8	\$ (0.7	) \$5.2	\$3.1	\$3.6	

Credit Agreement. Lenders under our Third Amended and Restated Credit Agreement dated as of April 30, 2015 (the “revolving credit facility”) have commitments to us totaling \$13.4 billion, with 75% of the commitments maturing on April 30, 2020 and 25% of the commitments maturing on April 30, 2018. We have allocated \$3 billion of commitments to Ford Credit on an irrevocable and exclusive basis to support its growth and liquidity. Any borrowings by Ford Credit under the revolving credit facility would be guaranteed by us.

The revolving credit facility is unsecured and free of material adverse change conditions to borrowing, restrictive financial covenants (for example, interest or fixed charge coverage ratio, debt-to-equity ratio, and minimum net worth requirements), and credit rating triggers that could limit our ability to obtain funding. The revolving credit facility 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 facility. 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 required.

At September 30, 2015, the utilized portion of the revolving credit facility was \$48 million, representing amounts utilized for letters of credit.

Other Automotive Credit Facilities. At September 30, 2015, we had about \$1.5 billion of local credit facilities available to non-U.S. Automotive affiliates, of which \$764 million had been utilized.

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

	September 30, 2015	December 31, 2014
Automotive gross cash	\$22.2	\$21.7
Less:		
Long-term debt	11.2	11.3
Debt payable within one year	1.6	2.5
Total debt	12.8	13.8
Net cash	\$9.4	\$7.9





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

Total Automotive debt at September 30, 2015 was \$1 billion lower than it was at December 31, 2014. The reduction primarily reflects debt repayments, offset partially by the addition of the external debt of our Ford Sollers joint venture as a result of the consolidation of the joint venture on March 31, 2015 and higher local funding in Brazil.

We continue to work toward achieving our Automotive debt target of about \$10 billion by 2018. We plan to reduce Automotive debt from current levels by using cash from operations to make scheduled debt repayments.

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. 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 expected cash flows and the identification of additional opportunities for profitable growth, the ongoing amount of capital spending to support product development, growth, restructuring, and infrastructure is expected to increase to about \$9 billion annually by 2020. Our capital spending was \$7.4 billion and \$6.6 billion in 2014 and 2013, respectively, and is expected to be about \$7.5 billion in 2015.

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 work toward achieving our Automotive debt target 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.

Ford Credit’s liquidity profile continues to be diverse, robust, and focused on maintaining liquidity levels that meet its business and funding requirements. Ford Credit regularly stress tests its balance sheet and liquidity to ensure that it continues to meet its financial obligations through economic cycles.

Public Term Funding Plan. The following table shows Ford Credit’s planned issuances for full year 2015, its global public term funding issuances through October 26, 2015, and for full year 2014 and 2013 (in billions), excluding short-term funding programs:

	Public Term Funding Plan			
	2015		Full-Year 2014	Full-Year 2013
	Full-Year Forecast	Through October 26		
Unsecured	\$ 15-16	\$14	\$13	\$11
Securitized (a)	13-15	11	15	14
Total	\$ 28-31	\$25	\$28	\$25

(a) Includes Rule 144A offerings.

Through October 26, 2015, Ford Credit completed about \$25 billion of funding in the public term markets, consisting of about \$14 billion of unsecured debt and about \$11 billion of public asset-backed security (“ABS”) debt in the United States, Canada, Europe, and China.

For 2015, Ford Credit projects full year public term funding in the range of \$28 billion to \$31 billion, consisting of \$15 billion to \$16 billion of unsecured debt and \$13 billion to \$15 billion of public securitizations.

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

The chart above shows the trends in funding for Ford Credit's managed receivables.

At the end of the third quarter of 2015, managed receivables were \$122 billion, and Ford Credit ended the quarter with \$9 billion in cash. Securitized funding was 39% of managed receivables.

Ford Credit is projecting 2015 year-end managed receivables of \$124 billion to \$127 billion and securitized funding as a percentage of managed receivables to be at about 40%. Ford Credit expects this percentage to decline over time. Quarterly movements of this percentage reflect the calendarization of Ford Credit's funding plan.

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

	September 30, 2015	December 31, 2014
Liquidity Sources		
Cash (a)	\$9.2	\$8.9
Committed ABS lines (b)	32.1	33.7
FCE/Other unsecured credit facilities	2.0	1.6
Ford revolving credit facility allocation	3.0	2.0
Total liquidity sources	46.3	46.2
Utilization of Liquidity		
Securitization cash (c)	(2.8	) (2.4
Committed ABS lines	(17.5	) (15.3
FCE/Other unsecured credit facilities	(0.3	) (0.4
Ford revolving credit facility allocation	—	—
Total utilization of liquidity	(20.6	) (18.1
Gross liquidity	25.7	28.1
Adjustments (d)	(0.4	) (1.6
Net liquidity available for use	\$25.3	\$26.5

(a) Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities).

(b) Committed ABS lines are subject to availability of sufficient assets, ability to obtain derivatives to manage interest rate risk, and exclude FCE Bank plc ("FCE") access to the Bank of England's Discount Window Facility.

(c) Used only to support on-balance sheet securitization transactions.

(d) Adjustments include other committed ABS lines in excess of eligible receivables and certain cash within FordREV available through future sales of receivables.

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

As of September 30, 2015, Ford Credit's liquidity remains strong at \$25.3 billion. Ford Credit's sources of liquidity include cash, committed asset-backed lines, unsecured credit facilities, and the corporate revolver allocation.

As of September 30, 2015, Ford Credit's liquidity sources including cash totaled \$46.3 billion, up about \$100 million from year end. Ford Credit is focused on maintaining a strong liquidity position to meet its business and funding requirements through economic cycles.

Leverage. Ford Credit uses leverage, or the debt-to-equity ratio, to make various business decisions, including evaluating and establishing pricing for finance receivable and operating 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, 2015	December 31, 2014
Total debt (a)	\$113.3	\$105.0
Equity	11.8	11.4
Financial statement leverage (to 1)	9.6	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, 2015	December 31, 2014
Total debt (a)	\$113.3	\$105.0
Adjustments for cash (b)	(9.2)	(8.9)
Adjustments for derivative accounting (c)	(0.7)	(0.4)
Total adjusted debt	\$103.4	\$95.7
Equity	\$11.8	\$11.4
Adjustments for derivative accounting (c)	(0.4)	(0.4)
Total adjusted equity	\$11.4	\$11.0
Managed leverage (to 1) (d)	9.1	8.7

(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) Cash, cash equivalents, and marketable securities (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, 2015, Ford Credit's managed leverage was 9.1:1, compared with 8.7:1 at December 31, 2014.



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

Total Company

Equity. At September 30, 2015, Total equity attributable to Ford Motor Company was \$27.5 billion, an increase of \$2.7 billion compared with December 31, 2014. The increase primarily reflects favorable changes in Retained earnings of \$2.9 billion related to Net income attributable to Ford Motor Company of \$4.7 billion in the first nine months of 2015, net of cash dividends declared of \$1.8 billion; favorable changes in Capital in excess of par value of stock related to compensation-related equity issuances of \$265 million; offset by unfavorable changes in Accumulated other comprehensive income/(loss) of \$410 million; and unfavorable changes in Treasury Stock of \$129 million related to stock repurchases.

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 McGraw Hill Financial (“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.

The following rating actions have been taken by these NRSROs since the filing of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015:

• On October 9, 2015, DBRS confirmed its ratings for Ford and Ford Credit, and changed the outlook to positive from stable.

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

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





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

## PRODUCTION VOLUMES

Our third quarter 2015 production volumes and fourth quarter 2015 projected production volumes are as follows (in thousands):

	2015 Third Quarter Actual		Fourth Quarter Forecast	
	Units	O/(U) 2014	Units	O/(U) 2014
North America	792	97	780	82
South America	85	(12)	70	(35)
Europe	377	51	390	62
Middle East & Africa	22	2	20	1
Asia Pacific	341	(11)	430	54
Total	1,617	127	1,690	164

## OUTLOOK

## 2015 Planning Assumptions and Key Metrics

Based on the current economic environment, our planning assumptions and key metrics for 2015 include the following:

	2014 Full Year Results	2015 Full Year Plan	Outlook	Memo: 2015 First Nine Months Results	GDP Growth Outlook
Planning Assumptions (Mils.)					
Industry Volume -- U.S.	16.8	17.0 - 17.5	About 17.7	17.7	About 2.5%
-- Europe 20	14.6	14.8 - 15.3	About 16.0	15.9	Improving to about 1.8%
-- China	24.0	24.5 - 26.5	About 24.0	23.6	About 7%

## Key Metrics

Automotive (Compared with 2014):

- Revenue (Bils.)	\$135.8	Higher	On Track	\$102.7
- Operating Margin	3.9	% Higher	On Track	5.9 %
- Operating-Related Cash Flow (Bils.) (a)	\$3.6	Higher	On Track	\$5.2

Ford Credit (Compared with 2014):

- Pre-Tax Profit (Bils.)	\$1.9	Equal To Or Higher	On Track	\$1.5
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Total Company:

- Pre-Tax Profit (Bils.) (a)	\$6.3	\$8.5 - \$9.5	On Track	\$7.0
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(a) Excludes special items; reconciliation to GAAP provided in “Results of Operations” and “Liquidity and Capital Resources” above

We remain on track to deliver our financial guidance in 2015; we expect 2015 to be a breakthrough year.

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, Europe, or China, 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 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, financial institutions, or other third parties 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. For additional discussion, see “Item 1A. Risk Factors” in our 2014 Form 10-K Report, as updated by our 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)

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, 2015 and 2014 has not been audited by PricewaterhouseCoopers LLP ("PwC"). In reviewing such information, PwC has applied limited procedures in accordance with professional standards for reviews of interim financial information. Readers should restrict reliance on PwC's reports on such information accordingly. PwC 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 PwC 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, 2015, was an asset of \$126 million compared with a liability of \$130 million as of December 31, 2014. The potential decrease in fair value from a 10% adverse change in the underlying exchange rates, in U.S. dollar terms, would be about \$2 billion at September 30, 2015, compared with \$2.1 billion at December 31, 2014.

**Commodity Price Risk.** The net fair value of commodity forward contracts (including adjustments for credit risk) as of September 30, 2015 was a liability of \$23 million, compared with a liability of \$66 million as of December 31, 2014. The potential decrease in fair value from a 10% adverse change in the underlying commodity prices, in U.S. dollar terms, would be \$47 million at September 30, 2015, compared with \$63 million at December 31, 2014.

Financial Services Sector

**Interest Rate Risk.** To provide a quantitative measure of the sensitivity of its 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. The differences in pre-tax cash flow between these scenarios and the base case over a 12-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, 2015, all else constant, such an increase in interest rates would decrease its pre-tax cash flow by \$31 million over the next 12 months, compared with a decrease of \$46 million at December 31, 2014. 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.** Mark Fields, 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, 2015, 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 2015, Ford Credit launched the first phase of a new securitization system for its U.S. wholesale securitization transactions. In subsequent periods, the remaining phases of the securitization system will be launched.

## PART II. OTHER INFORMATION

## ITEM 1. Legal Proceedings.

Notice of Violation to Ford Chicago Assembly Plant. On August 17, 2015, the U.S. Environmental Protection Agency (the "EPA") issued a notice of violation to our Chicago Assembly Plant. The EPA alleges that the plant violated several requirements related to its air permits. Monetary sanctions, if any, have not yet been determined.

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

In March 2015, we announced a modest anti-dilutive share repurchase program to offset the dilutive effect of share-based compensation granted during 2015. The plan authorized repurchases of up to 8.5 million shares of our Common Stock. During the second quarter of 2015, we repurchased 5,949,992 shares of our Common Stock as part of the anti-dilutive share repurchase program. During the third quarter of 2015, we completed the program by repurchasing 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, 2015 through July 31, 2015	2,552,612	\$14.81	2,550,008	—
August 1, 2015 through August 31, 2015	1,926	14.80	—	—
September 1, 2015 through September 30, 2015	—	—	—	—
Total/Average	2,554,538	\$14.81	2,550,008	—

(a) In any given month, the difference between the total number of shares purchased and the total number of shares purchased as part of the publicly-announced plans or programs 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 the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FORD MOTOR COMPANY

By:                    /s/ Stuart Rowley  
                          Stuart Rowley, Vice President and Controller  
                          (principal accounting officer)

Date:                 October 27, 2015



## 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 27, 2015, 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.	*

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