FORD MOTOR CO
Form 10-Q
August 03, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

R	Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
	For the quarterly period ended June 30, 2012
	or
o	Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
	For the transition period from __________ to __________
	Commission file number 1-3950

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

Delaware (State of incorporation)	38-0549190 (I.R.S. Employer Identification No.)
One American Road, Dearborn, Michigan (Address of principal executive offices)	48126 (Zip Code)

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

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

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

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

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

As of July 27, 2012, Ford had outstanding 3,743,134,476 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 June 30, 2012

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.
FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
For the Periods Ended June 30, 2012 and 2011
(in millions, except per share amounts)

	Second Quarter		First Half	
	2012	2011	2012	2011
	(unaudited)			
Revenues				
Automotive	$31,328	$33,476	$61,853	$64,514
Financial Services	1,883	2,051	3,803	4,127
Total revenues	33,211	35,527	65,656	68,641
Costs and expenses				
Automotive cost of sales	27,769	29,253	54,623	56,029
Selling, administrative and other expenses	2,979	2,907	5,865	5,641
Interest expense	986	1,127	1,997	2,301
Financial Services provision for credit and insurance losses	(20)	21	(33)	(33)
Total costs and expenses	31,714	33,308	62,452	63,938
Automotive interest income and other non-operating income/(expense), net (Note 14)	(85)	199	67	239
Financial Services other income/(loss), net (Note 14)	82	53	166	138
Equity in net income/(loss) of affiliated companies	101	135	196	302
Income/(Loss) before income taxes	1,595	2,606	3,633	5,382
Provision for/(Benefit from) income taxes (Note 15)	557	206	1,197	426
Net income/(loss)	1,038	2,400	2,436	4,956
Less: Income/(Loss) attributable to noncontrolling interests	(2)	2	—	7
Net income/(loss) attributable to Ford Motor Company	$1,040	$2,398	$2,436	$4,949
AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 17)				
Basic income/(loss)	$0.27	$0.63	$0.64	$1.31
Diluted income/(loss)	$0.26	$0.59	$0.61	$1.20
Cash dividends declared	$—	$—	$0.05	$—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Periods Ended June 30, 2012 and 2011
(in millions)

	Second Quarter		First Half	
	2012	2011	2012	2011
	(unaudited)			
Net income/(loss)	$1,038	$2,400	$2,436	$4,956
Other comprehensive income/(loss), net of tax (Note 13)				
Foreign currency translation	(778)	248	(255)	836

Derivative instruments	(89)	17	(152)	134
Pension and other postretirement benefits	253	183	213	105
Total other comprehensive income/(loss), net of tax	(614)	448	(194)	1,075
Comprehensive income/(loss)	424	2,848	2,242	6,031
Less: Comprehensive income/(loss) attributable to noncontrolling interests	(2)	2	—	5
Comprehensive income/(loss) attributable to Ford Motor Company	$426	$2,846	$2,242	$6,026

The accompanying notes are part of the financial statements.

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
SECTOR STATEMENT OF OPERATIONS
For the Periods Ended June 30, 2012 and 2011
(in millions, except per share amounts)

	Second Quarter		First Half	
	2012	2011	2012	2011
	(unaudited)			
AUTOMOTIVE				
Revenues	$31,328	$33,476	$61,853	$64,514
Costs and expenses				
Cost of sales	27,769	29,253	54,623	56,029
Selling, administrative and other expenses	2,233	2,345	4,368	4,488
Total costs and expenses	30,002	31,598	58,991	60,517
Operating income/(loss)	1,326	1,878	2,862	3,997
Interest expense	188	202	373	453
Interest income and other non-operating income/(expense), net (Note 14)	(85)	199	67	239
Equity in net income/(loss) of affiliated companies	95	129	174	291
Income/(Loss) before income taxes — Automotive	1,148	2,004	2,730	4,074
FINANCIAL SERVICES				
Revenues	1,883	2,051	3,803	4,127
Costs and expenses				
Interest expense	798	925	1,624	1,848
Depreciation	599	378	1,199	808
Operating and other expenses	147	184	298	345
Provision for credit and insurance losses	(20)	21	(33)	(33)
Total costs and expenses	1,524	1,508	3,088	2,968
Other income/(loss), net (Note 14)	82	53	166	138
Equity in net income/(loss) of affiliated companies	6	6	22	11
Income/(Loss) before income taxes — Financial Services	447	602	903	1,308
TOTAL COMPANY				
Income/(Loss) before income taxes	1,595	2,606	3,633	5,382
Provision for/(Benefit from) income taxes (Note 15)	557	206	1,197	426
Net income/(loss)	1,038	2,400	2,436	4,956
Less: Income/(Loss) attributable to noncontrolling interests	(2)	2	—	7
Net income/(loss) attributable to Ford Motor Company	$1,040	$2,398	$2,436	$4,949

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

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

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash and cash equivalents	$15,101	$17,148
Marketable securities	20,499	18,618
Finance receivables, net (Note 5)	68,094	69,976
Other receivables, net	10,160	8,565
Net investment in operating leases	15,177	12,838
Inventories (Note 7)	7,289	5,901
Equity in net assets of affiliated companies	2,938	2,936
Net property	22,808	22,371
Deferred income taxes	14,064	15,125
Net intangible assets	95	100
Other assets	5,011	4,770
Total assets	$181,236	$178,348
LIABILITIES		
Payables	$19,661	$17,724
Accrued liabilities and deferred revenue (Note 9)	44,004	45,369
Debt (Note 11)	99,897	99,488
Deferred income taxes	595	696
Total liabilities	164,157	163,277
EQUITY		
Capital stock		
Common Stock, par value $.01 per share (3,764 million shares issued)	38	37
Class B Stock, par value $.01 per share (71 million shares issued)	1	1
Capital in excess of par value of stock	20,920	20,905
Retained earnings/(Accumulated deficit)	15,230	12,985
Accumulated other comprehensive income/(loss) (Note 13)	(18,928)	(18,734)
Treasury stock	(225)	(166)
Total equity/(deficit) attributable to Ford Motor Company	17,036	15,028
Equity/(Deficit) attributable to noncontrolling interests	43	43
Total equity/(deficit)	17,079	15,071
Total liabilities and equity	$181,236	$178,348

The following table includes assets to be used to settle liabilities of the consolidated variable interest entities ("VIEs"). These assets and liabilities are included in the consolidated balance sheet above. See Note 8 for additional information on our VIEs.

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash and cash equivalents	$3,273	$3,402
Finance receivables, net	45,938	49,795

Net investment in operating leases	4,245	6,354
Other assets	10	157
LIABILITIES		
Accrued liabilities and deferred revenue	108	97
Debt	36,996	41,421

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)

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Automotive		
Cash and cash equivalents	$7,180	$7,965
Marketable securities	16,613	14,984
Total cash and marketable securities	23,793	22,949
Receivables, less allowances of $126 and $126	4,750	4,219
Inventories (Note 7)	7,289	5,901
Deferred income taxes	2,085	1,791
Net investment in operating leases	1,882	1,356
Other current assets	1,029	1,053
Current receivable from Financial Services	678	878
Total current assets	41,506	38,147
Equity in net assets of affiliated companies	2,808	2,797
Net property	22,673	22,229
Deferred income taxes	12,829	13,932
Net intangible assets	95	100
Non-current receivable from Financial Services	—	32
Other assets	2,037	1,549
Total Automotive assets	81,948	78,786
Financial Services		
Cash and cash equivalents	7,921	9,183
Marketable securities	3,886	3,835
Finance receivables, net (Note 5)	72,323	73,330
Net investment in operating leases	13,295	11,482
Equity in net assets of affiliated companies	130	139
Other assets	3,564	3,605
Total Financial Services assets	101,119	101,574
Intersector elimination	(678)	(1,112)
Total assets	$182,389	$179,248
LIABILITIES		
Automotive		
Trade payables	$15,820	$14,015
Other payables	2,748	2,734
Accrued liabilities and deferred revenue (Note 9)	15,211	15,003
Deferred income taxes	26	40
Debt payable within one year (Note 11)	1,297	1,033
Total current liabilities	35,102	32,825
Long-term debt (Note 11)	12,893	12,061
Other liabilities (Note 9)	25,320	26,910
Deferred income taxes	134	255
Total Automotive liabilities	73,449	72,051
Financial Services		
Payables	1,093	975
Debt (Note 11)	85,707	86,595

Deferred income taxes	1,588	1,301
Other liabilities and deferred income (Note 9)	3,473	3,457
Payable to Automotive	678	910
Total Financial Services liabilities	92,539	93,238
Intersector elimination	(678)	(1,112)
Total liabilities	165,310	164,177
EQUITY		
Capital stock		
Common Stock, par value $.01 per share (3,764 million shares issued)	38	37
Class B Stock, par value $.01 per share (71 million shares issued)	1	1
Capital in excess of par value of stock	20,920	20,905
Retained earnings/(Accumulated deficit)	15,230	12,985
Accumulated other comprehensive income/(loss) (Note 13)	(18,928)	(18,734)
Treasury stock	(225)	(166)
Total equity/(deficit) attributable to Ford Motor Company	17,036	15,028
Equity/(Deficit) attributable to noncontrolling interests	43	43
Total equity/(deficit)	17,079	15,071
Total liabilities and equity	$182,389	$179,248

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
For the Periods Ended June 30, 2012 and 2011
(in millions)

	First Half 2012 (unaudited)	2011
Cash flows from operating activities of continuing operations		
Net cash provided by/(used in) operating activities	$5,979	$6,226
Cash flows from investing activities of continuing operations		
Capital expenditures	(2,284)	(2,022)
Acquisitions of retail and other finance receivables and operating leases	(18,799)	(17,355)
Collections of retail and other finance receivables and operating leases	15,992	17,052
Purchases of securities	(36,837)	(41,761)
Sales and maturities of securities	34,911	46,680
Proceeds from sale of business	64	144
Settlements of derivatives	(348)	103
Other	(248)	(18)
Net cash provided by/(used in) investing activities	(7,549)	2,823
Cash flows from financing activities of continuing operations		
Cash dividends	(381)	—
Purchases of Common Stock	(59)	—
Changes in short-term debt	(3,013)	662
Proceeds from issuance of other debt	20,157	18,513
Principal payments on other debt	(17,099)	(26,292)
Other	48	112
Net cash provided by/(used in) financing activities	(347)	(7,005)
Effect of exchange rate changes on cash and cash equivalents	(130)	632
Net increase/(decrease) in cash and cash equivalents	$(2,047)	$2,676
Cash and cash equivalents at January 1	$17,148	$14,805
Cash and cash equivalents of held-for-sale operations at January 1	—	—
Net increase/(decrease) in cash and cash equivalents	(2,047)	2,676
Less: Cash and cash equivalents of held-for-sale operations at June 30	—	9
Cash and cash equivalents at June 30	$15,101	$17,472

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
For the Periods Ended June 30, 2012 and 2011
(in millions)

	First Half 2012		First Half 2011	
	Automotive	Financial Services	Automotive	Financial Services
	(unaudited)			
Cash flows from operating activities of continuing operations				
Net cash provided by/(used in) operating activities	$2,656	$2,625	$5,744	$2,133
Cash flows from investing activities of continuing operations				
Capital expenditures	(2,269)	(15)	(2,017)	(5)
Acquisitions of retail and other finance receivables and operating leases	—	(19,084)	—	(17,062)
Collections of retail and other finance receivables and operating leases	—	15,992	—	17,052
Net collections/(acquisitions) of wholesale receivables	—	983	—	(1,944)
Purchases of securities	(26,905)	(9,932)	(25,560)	(16,201)
Sales and maturities of securities	25,229	9,883	27,817	18,863
Settlements of derivatives	(345)	(3)	92	11
Proceeds from sale of business	54	10	135	9
Investing activity (to)/from Financial Services	541	—	1,859	—
Other	(153)	(95)	145	(163)
Net cash provided by/(used in) investing activities	(3,848)	(2,261)	2,471	560
Cash flows from financing activities of continuing operations				
Cash dividends	(381)	—	—	—
Purchases of Common Stock	(59)	—	—	—
Changes in short-term debt	(40)	(2,973)	(241)	903
Proceeds from issuance of other debt	1,328	18,829	1,201	17,312
Principal payments on other debt	(360)	(16,940)	(6,136)	(20,156)
Financing activity to/(from) Automotive	—	(541)	—	(1,859)
Other	13	35	70	42
Net cash provided by/(used in) financing activities	501	(1,590)	(5,106)	(3,758)
Effect of exchange rate changes on cash and cash equivalents	(94)	(36)	421	211
Net increase/(decrease) in cash and cash equivalents	$(785)	$(1,262)	$3,530	$(854)
Cash and cash equivalents at January 1	$7,965	$9,183	$6,301	$8,504
Cash and cash equivalents of held-for-sale operations at January 1	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	(785)	(1,262)	3,530	(854)
Less: Cash and cash equivalents of held-for-sale operations at June 30	—	—	9	—
Cash and cash equivalents at June 30	$7,180	$7,921	$9,822	$7,650

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
For the Periods Ended June 30, 2012 and 2011
(in millions, unaudited)

	Equity/(Deficit) Attributable to Ford Motor Company							
	Capital Stock	Cap. in Excess of Par Value of Stock	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss) (Note 13)	Treasury Stock	Total	Equity/(Deficit) Attributable to Non-controlling Interests	Total Equity/ (Deficit)
Balance at December 31, 2011	$38	$20,905	$12,985	$(18,734)	$(166)	$15,028	$43	$15,071
Net income/(loss)	—	—	2,436	—	—	2,436	—	2,436
Other comprehensive income/(loss), net of tax	—	—	—	(194)	—	(194)	—	(194)
Common stock issued (including share-based compensation impacts)	1	15	—	—	—	16	—	16
Treasury stock/other	—	—	—	—	(59)	(59)	—	(59)
Cash dividends declared	—	—	(191)	—	—	(191)	—	(191)
Balance at June 30, 2012	$39	$20,920	$15,230	$(18,928)	$(225)	$17,036	$43	$17,079
Balance at December 31, 2010	$38	$20,803	$(7,038)	$(14,313)	$(163)	$(673)	$31	$(642)
Net income/(loss)	—	—	4,949	—	—	4,949	7	4,956
Other comprehensive income/(loss), net of tax	—	—	—	1,077	—	1,077	(2)	1,075
Common stock issued (including share-based compensation impacts)	—	(35)	—	—	—	(35)	—	(35)
Treasury stock/other	—	(6)	—	—	(3)	(9)	5	(4)
Cash dividends declared	—	—	—	—	—	—	—	—
Balance at June 30, 2011	$38	$20,762	$(2,089)	$(13,236)	$(166)	$5,309	$41	$5,350

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 and transactions have been eliminated in both the consolidated and sector balance sheets. Where the presentation of these intercompany eliminations or consolidated adjustments differs between the consolidated and sector financial statements, reconciliations of certain line items are explained below in this Note or in related footnotes.

In the opinion of management, these unaudited financial statements reflect a fair statement of the results of operations and financial condition of Ford Motor Company, its consolidated subsidiaries, and consolidated VIEs of which we are the primary beneficiary for the periods and at the dates presented. The operating 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, 2011 ("2011 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

Fair Value Measurement. On January 1, 2012, we adopted the new accounting standard that requires us to report the level in the fair value hierarchy of assets and liabilities not measured at fair value in the balance sheet but for which the fair value is disclosed, and to expand existing disclosures. See Note 3 for further disclosure regarding our fair value measurements.

Comprehensive Income - Presentation. On January 1, 2012, we adopted the new accounting standard that modifies the options for presentation of other comprehensive income. The new accounting standard requires us to present comprehensive income either in a single continuous statement or two separate but consecutive statements. We have elected to present comprehensive income in two separate but consecutive statements.

On January 1, 2012, we also adopted the new accounting standards Intangibles - Goodwill and Other, Transfers and Servicing - Repurchase Agreements, and Financial Services - Insurance. The adoption of these new accounting standards did not impact our financial condition or results of operations.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. PRESENTATION (Continued)

Reconciliations between Consolidated and Sector Financial Statements

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

	June 30, 2012	December 31, 2011
Sector balance sheet presentation of deferred income tax assets		
Automotive sector current deferred income tax assets	$2,085	$1,791
Automotive sector non-current deferred income tax assets	12,829	13,932
Financial Services sector deferred income tax assets (a)	303	302
Total	15,217	16,025
Reclassification for netting of deferred income taxes	(1,153)	(900)
Consolidated balance sheet presentation of deferred income tax assets	$14,064	$15,125
Sector balance sheet presentation of deferred income tax liabilities		
Automotive sector current deferred income tax liabilities	$26	$40
Automotive sector non-current deferred income tax liabilities	134	255
Financial Services sector deferred income tax liabilities	1,588	1,301
Total	1,748	1,596
Reclassification for netting of deferred income taxes	(1,153)	(900)
Consolidated balance sheet presentation of deferred income tax liabilities	$595	$696

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. PRESENTATION (Continued)

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

	First Half 2012	First Half 2011
Automotive net cash provided by/(used in) operating activities	$2,656	$5,744
Financial Services net cash provided by/(used in) operating activities	2,625	2,133
Total sector net cash provided by/(used in) operating activities	5,281	7,877
Reclassifications from investing to operating cash flows		
Wholesale receivables (a)	983	(1,944)
Finance receivables (b)	(285)	293
Consolidated net cash provided by/(used in) operating activities	$5,979	$6,226
Automotive net cash provided by/(used in) investing activities	$(3,848)	$2,471
Financial Services net cash provided by/(used in) investing activities	(2,261)	560
Total sector net cash provided by/(used in) investing activities	(6,109)	3,031
Reclassifications from investing to operating cash flows		
Wholesale receivables (a)	(983)	1,944
Finance receivables (b)	285	(293)
Reclassifications from investing to financing cash flows		
Maturity of Financial Services sector debt held by Automotive sector	(201)	—
Elimination of investing activity to/(from) Financial Services in consolidation	(541)	(1,859)
Consolidated net cash provided by/(used in) investing activities	$(7,549)	$2,823
Automotive net cash provided by/(used in) financing activities	$501	$(5,106)
Financial Services net cash provided by/(used in) financing activities	(1,590)	(3,758)
Total sector net cash provided by/(used in) financing activities	(1,089)	(8,864)
Reclassifications from investing to financing cash flows		
Maturity of Financial Services sector debt held by Automotive sector	201	—
Elimination of investing activity to/(from) Financial Services in consolidation	541	1,859
Consolidated net cash provided by/(used in) financing activities	$(347)	$(7,005)

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(a) In addition to the cash flow from vehicles sold by us, the cash flow from wholesale finance receivables (being reclassified from investing to operating) includes financing by Ford Credit of used and non-Ford vehicles. 100% of cash flows from wholesale finance receivables have been reclassified for consolidated presentation as the portion of these cash flows from used and non-Ford vehicles is impracticable to separate.

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. PRESENTATION (Continued)

Venezuelan Operations

At June 30, 2012 and December 31, 2011, we had $460 million and $301 million, respectively, in net monetary assets (primarily cash and receivables partially offset by payables and accrued liabilities) denominated in Venezuelan bolivars. These net monetary assets included $542 million and $331 million in cash and cash equivalents at June 30, 2012 and December 31, 2011, respectively. As a result of regulation of foreign currency exchange in Venezuela, the official exchange rate of 4.3 bolivars to the U.S. dollar is used to re-measure the assets and liabilities of our Venezuelan operations for GAAP financial statement presentation. The Venezuelan government also controls securities transactions in the parallel exchange market. Our ability to obtain funds in the parallel exchange market has been limited. For any U.S. dollars that we obtain at a rate less favorable than the official rate, we realize a loss for the difference in the exchange rates at the time of the transaction. Based on our net monetary position at June 30, 2012, a devaluation equal to a 50% change in the official bolivar exchange rate would have resulted in a balance sheet translation loss of approximately $150 million. Continuing restrictions on the foreign currency exchange market could affect our Venezuelan operations' ability to pay obligations denominated in U.S. dollars as well as our ability to benefit from those operations.

NOTE 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

Balance Sheet - Offsetting. In December 2011, the Financial Accounting Standards Board issued a new accounting standard that requires disclosures about offsetting and related arrangements for recognized financial instruments and derivative instruments. The new accounting standard is effective for us as of January 1, 2013.

NOTE 3. FAIR VALUE MEASUREMENTS

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

Fair Value Measurements

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

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

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

Valuation Methodologies

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

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

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

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

Ford Credit's two Ford Upgrade Exchange Linked securitization transactions ("FUEL Notes") had derivative features which included a mandatory exchange to Ford Credit unsecured notes when Ford Credit's senior unsecured debt received two investment grade credit ratings among Fitch, Moody's, and S&P, and a make-whole provision. Ford Credit estimated the fair value of these features by comparing the market value of the FUEL Notes to the value of a hypothetical debt instrument without these features.

In the second quarter of 2012, Ford Credit received two investment grade credit ratings thereby triggering the mandatory exchange feature and the FUEL Notes derivatives were extinguished.

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

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

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

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

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

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

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

	June 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Automotive Sector								
Assets								
Cash equivalents – financial instruments								
U.S. government	$—	$—	$—	$—	$—	$—	$—	$—
U.S. government-sponsored enterprises	—	583	—	583	—	319	—	319
Non-U.S. government	—	74	—	74	—	168	—	168
Non-U.S. government agencies (a)	—	51	—	51	—	820	—	820
Corporate debt	—	9	—	9	—	2	—	2
Total cash equivalents – financial instruments (b)	—	717	—	717	—	1,309	—	1,309
Marketable securities (c)								
U.S. government	3,915	—	—	3,915	2,960	—	—	2,960
U.S. government-sponsored enterprises	—	4,476	—	4,476	—	4,852	—	4,852
Non-U.S. government agencies (a)	—	4,529	—	4,529	—	4,558	—	4,558
Corporate debt	—	1,970	—	1,970	—	1,631	—	1,631
Mortgage-backed and other asset-backed	—	23	—	23	—	38	—	38
Equities	100	—	—	100	129	—	—	129
Non-U.S. government	—	1,571	—	1,571	—	598	—	598
Other liquid investments (d)	—	29	—	29	—	17	—	17
Total marketable securities	4,015	12,598	—	16,613	3,089	11,694	—	14,783
Derivative financial instruments								
Foreign currency exchange contracts	—	128	—	128	—	198	14	212
Commodity contracts	—	3	—	3	—	1	1	2
Other – warrants	—	—	—	—	—	—	4	4
Total derivative financial instruments (e)	—	131	—	131	—	199	19	218
Total assets at fair value	$4,015	$13,446	$—	$17,461	$3,089	$13,202	$19	$16,310
Liabilities								
Derivative financial instruments								
Foreign currency exchange contracts	$—	$575	$—	$575	$—	$442	$6	$448

Commodity contracts	—	257	78	335	—	289	83	372
Total derivative financial instruments (e)	—	832	78	910	—	731	89	820
Total liabilities at fair value	$—	$832	$78	$910	$—	$731	$89	$820

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

(b) Excludes time deposits, certificates of deposit, money market accounts, and other cash equivalents reported at par value on our balance sheet totaling $4.9 billion and $4.6 billion at June 30, 2012 and December 31, 2011, respectively, for the Automotive sector. In addition to these cash equivalents, our Automotive sector also had cash on hand totaling $1.6 billion and $2.1 billion at June 30, 2012 and December 31, 2011, respectively.

(c) Excludes an investment in Ford Credit debt securities held by the Automotive sector with a carrying value of $201 million and an estimated fair value of $201 million at December 31, 2011.

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

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Services Sector								
Assets								
Cash equivalents – financial instruments								
U.S. government	$2	$—	$—	$2	$1	$—	$—	$1
U.S. government-sponsored enterprises	—	75	—	75	—	75	—	75
Non-U.S. government	—	5	—	5	—	15	—	15
Non-U.S. government agencies (a)	—	1	—	1	—	150	—	150
Corporate debt	—	9	—	9	—	—	—	—
Total cash equivalents – financial instruments (b)	2	90	—	92	1	240	—	241
Marketable securities								
U.S. government	770	—	—	770	619	—	—	619
U.S. government-sponsored enterprises	—	1,043	—	1,043	—	713	—	713
Non-U.S. government agencies (a)	—	577	—	577	—	778	—	778
Corporate debt	—	1,276	—	1,276	—	1,186	—	1,186
Mortgage-backed and other asset-backed	—	80	—	80	—	88	—	88
Non-U.S. government	—	123	—	123	—	444	—	444
Other liquid investments (c)	—	17	—	17	—	7	—	7
Total marketable securities	770	3,116	—	3,886	619	3,216	—	3,835
Derivative financial instruments								
Interest rate contracts	—	1,316	—	1,316	—	1,196	—	1,196
Foreign currency exchange contracts	—	15	—	15	—	30	—	30
Cross-currency interest rate swap contracts	—	5	—	5	—	12	—	12
Other (d)	—	—	—	—	—	—	137	137
Total derivative financial instruments (e)	—	1,336	—	1,336	—	1,238	137	1,375
Total assets at fair value	$772	$4,542	$—	$5,314	$620	$4,694	$137	$5,451
Liabilities								
Derivative financial instruments								
Interest rate contracts	$—	$254	$—	$254	$—	$237	$—	$237
Foreign currency exchange contracts	—	13	—	13	—	50	—	50
Cross-currency interest rate swap contracts	—	32	—	32	—	12	—	12
	—	299	—	299	—	299	—	299

Total derivative financial instruments (e)								
Total liabilities at fair value	$—	$299	$—	$299	$—	$299	$—	$299

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

(b) Excludes time deposits, certificates of deposit, and money market accounts reported at par value on our balance sheet totaling $5.7 billion and $6 billion at June 30, 2012 and December 31, 2011, respectively, for the Financial Services sector. In addition to these cash equivalents, our Financial Services sector also had cash on hand totaling $2.1 billion and $3 billion at June 30, 2012 and December 31, 2011, respectively.

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

(d) Represents derivative features included in the FUEL Notes.

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

Reconciliation of Changes in Level 3 Balances

The following table summarizes the changes recorded through income in Level 3 items measured at fair value on a recurring basis and reported on our balance sheet for the periods ended June 30 (in millions):

	First Half 2012			2011		
	Marketable Securities	Derivative Financial Instruments, Net	Total Level 3 Fair Value	Marketable Securities	Derivative Financial Instruments, Net	Total Level 3 Fair Value
Automotive Sector						
Beginning balance	$—	$ (70)	$(70)	$2	$ 38	$40
Realized/unrealized gains/(losses)						
Cost of sales	—	(24)	(24)	—	(23)	(23)
Interest income and other non-operating income/(expense), net	—	(4)	(4)	(1)	1	—
Other comprehensive income/(loss) (a)	—	—	—	—	—	—
Total realized/unrealized gains/(losses)	—	(28)	(28)	(1)	(22)	(23)
Purchases, issues, sales, and settlements						
Purchases	—	—	—	7	—	7
Issues	—	—	—	—	—	—
Sales	—	—	—	(1)	—	(1)
Settlements	—	30	30	—	(32)	(32)
Total purchases, issues, sales, and settlements	—	30	30	6	(32)	(26)
Transfers into Level 3	—	—	—	—	—	—
Transfers out of Level 3 (b)	—	(10)	(10)	(1)	—	(1)
Ending balance	$—	$ (78)	$(78)	$6	$ (16)	$(10)
Unrealized gains/(losses) on instruments still held	$—	$ (32)	$(32)	$—	$ (20)	$(20)
Financial Services Sector						
Beginning balance	$—	$ 137	$137	$1	$ (89)	$(88)
Realized/unrealized gains/(losses)						
Other income/(loss), net	—	(81)	(81)	—	(13)	(13)
Other comprehensive income/(loss) (a)	—	—	—	—	(2)	(2)
Interest income/(expense) (c)	—	—	—	—	26	26
Total realized/unrealized gains/(losses)	—	(81)	(81)	—	11	11
Purchases, issues, sales, and settlements						
Purchases	—	—	—	5	—	5
Issues (d)	—	—	—	—	73	73
Sales	—	—	—	—	—	—
Settlements (e)	—	(56)	(56)	—	103	103
	—	(56)	(56)	5	176	181

Total purchases, issues, sales, and settlements						
Transfers into Level 3	—	—	—	—	—	—
Transfers out of Level 3 (f)	—	—	—	(1)	(3)	(4)
Ending balance	$—	$ —	$—	$5	$ 95	$100
Unrealized gains/(losses) on instruments still held	$—	$ —	$—	$—	$ 80	$80

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(a) Represents foreign currency translation on derivative asset and liability balances held by non-U.S. dollar foreign affiliates.

(b) Represents transfers out due to the increase in availability of observable data as a result of greater market activity on long-duration foreign currency forwards.

(c) Recorded in Interest expense.

(d) Represents derivative features included in the FUEL Notes.

(e) Reflects $56 million due to the extinguishment of the derivative features included in the FUEL Notes as a result of the mandatory exchange of the FUEL Notes to unsecured notes in the second quarter of 2012.

(f) Represents transfers out due to the increase in availability of observable data for $1 million of marketable securities as a result of greater market activity for these securities and $3 million due to shorter duration of derivative financial instruments.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

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

The following table summarizes the items measured at fair value subsequent to initial recognition on a nonrecurring basis by input hierarchy for the periods ended June 30, 2012 and December 31, 2011 that were still held on our balance sheet at those dates (in millions):

	June 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Services Sector								
North America								
Retail receivables	$—	$—	$60	$60	$—	$—	$70	$70
Dealer loans, net	—	—	2	2	—	—	6	6
Total North America	—	—	62	62	—	—	76	76
International								
Retail receivables	—	—	27	27	—	—	39	39
Total International	—	—	27	27	—	—	39	39
Total Financial Services sector	$—	$—	$89	$89	$—	$—	$115	$115

Nonrecurring Fair Value Changes

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

	Total Gains/(Losses)			
	Second Quarter		First Half	
	2012	2011	2012	2011
Financial Services Sector				
North America				
Retail receivables	$(7)	$(6)	$(15)	$(16)
Dealer loans, net	—	(1)	—	(1)
Total North America	(7)	(7)	(15)	(17)
International				
Retail receivables	(5)	(5)	(10)	(10)
Total International	(5)	(5)	(10)	(10)
Total Financial Services sector	$(12)	$(12)	$(25)	$(27)

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

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

The following table summarizes significant unobservable inputs and the variability of those inputs to alternate methodologies for the period ended June 30, 2012 (in millions):

	Fair Value	Valuation Technique	Unobservable Input	Fair Value Range
Automotive Sector				
Recurring basis				
Net commodity contracts	$(78)	Income Approach	Forward commodity prices for certain commodity types. A lower forward price will result in a lower fair value.	$(79) - $(77)
Financial Services Sector				
Nonrecurring basis				
Retail receivables				
North America	$60	Income Approach	POD percentage	$48 - $60
International	$27	Income Approach	ARV percentage	$21 - $32
Dealer loans, net	$2	Income Approach	Estimated market value	$2 - $4

NOTE 4. RESTRICTED CASH

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

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

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

Restricted cash balances were as follows (in millions):

	June 30, 2012	December 31, 2011
Automotive sector	$250	$330
Financial Services sector	246	149
Total Company	$496	$479

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES

Finance receivable balances were as follows (in millions):

	June 30, 2012	December 31, 2011
Automotive sector (a)	$536	$355
Financial Services sector	72,323	73,330
Reclassification of receivables purchased by Financial Services sector from Automotive sector to Other receivables, net	(4,765)	(3,709)
Finance receivables, net	$68,094	$69,976

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

Automotive Sector

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

Notes receivable, net were as follows (in millions):

	June 30, 2012	December 31, 2011
Notes receivable	$570	$384
Less: Allowance for credit losses	(34)	(29)
Notes receivable, net	$536	$355

Financial Services Sector

Ford Credit segments its North America and International portfolio of finance receivables into "consumer" and "non-consumer" receivables. The receivables are secured by the vehicles, inventory, or other property being financed.

Consumer Segment. Receivables in this portfolio segment relate to products offered to individuals and businesses that finance the acquisition of Ford vehicles from dealers for personal or commercial use. The products include:

- Retail financing – retail installment contracts for new and used vehicles
- Direct financing leases – direct financing leases with retail customers, government entities, daily rental companies, and fleet customers

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

- Wholesale financing – loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing
- Dealer loans – loans to dealers to finance working capital, and to finance the purchase of dealership real estate and/or make improvements to dealership facilities
- Other financing – receivables related to the sale of parts and accessories to dealers

At June 30, 2012 and December 31, 2011, the recorded investment in Ford Credit's finance receivables excluded $171 million and $180 million, respectively, of accrued uncollected interest receivable, which we report in Other assets on the balance sheet.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

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

	June 30, 2012			December 31, 2011		
	North America	International	Total Finance Receivables	North America	International	Total Finance Receivables
Consumer						
Retail, gross	$38,414	$ 8,100	$ 46,514	$38,406	$ 8,400	$ 46,806
Less: Unearned interest supplements	(1,304)	(228)	(1,532)	(1,407)	(219)	(1,626)
Retail	37,110	7,872	44,982	36,999	8,181	45,180
Direct financing leases, gross	5	2,392	2,397	4	2,683	2,687
Less: Unearned interest supplements	—	(97)	(97)	—	(116)	(116)
Direct financing leases	5	2,295	2,300	4	2,567	2,571
Consumer finance receivables	$37,115	$ 10,167	$ 47,282	$37,003	$ 10,748	$ 47,751
Non-Consumer						
Wholesale	$15,466	$ 7,316	$ 22,782	$15,413	$ 8,416	$ 23,829
Dealer loans	1,102	55	1,157	1,088	63	1,151
Other	1,071	415	1,486	723	377	1,100
Non-Consumer finance receivables	17,639	7,786	25,425	17,224	8,856	26,080
Total recorded investment	$54,754	$ 17,953	$ 72,707	$54,227	$ 19,604	$ 73,831
Recorded investment in finance receivables	$54,754	$ 17,953	$ 72,707	$54,227	$ 19,604	$ 73,831
Less: Allowance for credit losses	(287)	(97)	(384)	(388)	(113)	(501)
Finance receivables, net	$54,467	$ 17,856	$ 72,323	$53,839	$ 19,491	$ 73,330
Net finance receivables subject to fair value (a)			$ 70,023			$ 70,754
Fair value			71,713			72,294

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(a) At June 30, 2012 and December 31, 2011, excludes $2.3 billion and $2.6 billion, respectively, of certain receivables (primarily direct financing leases) that are not subject to fair value disclosure requirements. All finance receivables are categorized within Level 3 of the fair value hierarchy. See Note 3 for additional information.

Included in the recorded investment in finance receivables at June 30, 2012 and December 31, 2011 were North America consumer receivables of $24.5 billion and $29.4 billion and non-consumer receivables of $14.2 billion and $14.2 billion, respectively, and International consumer receivables of $6.9 billion and $7.1 billion and non-consumer receivables of $5.3 billion and $5.6 billion, respectively, that secure certain debt obligations. The receivables are available only for payment of the debt and other obligations issued or arising in securitization transactions; they are not available to pay the other obligations of our Financial Services sector or the claims of its other creditors. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt and other obligations issued or arising in securitization transactions (see Note 8).

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

Aging. For all classes of finance receivables, Ford Credit defines "past due" as any payment, including principal and interest, that has not been collected and is at least 31 days past the contractual due date. The aging analysis of Ford Credit's finance receivables balances at June 30, 2012 was as follows (in millions):

	31-60 Days Past Due	61-90 Days Past Due	91-120 Days Past Due	Greater Than 120 Days Past Due	Total Past Due	Current	Total Finance Receivables
North America							
Consumer							
Retail	$638	$68	$19	$60	$785	$36,325	$ 37,110
Direct financing leases	—	—	—	—	—	5	5
Non-Consumer							
Wholesale	—	—	—	1	1	15,465	15,466
Dealer loans	—	17	—	2	19	1,083	1,102
Other	—	—	—	—	—	1,071	1,071
Total North America recorded investment	638	85	19	63	805	53,949	54,754
International							
Consumer							
Retail	39	20	11	27	97	7,775	7,872
Direct financing leases	6	4	1	3	14	2,281	2,295
Non-Consumer							
Wholesale	3	—	—	8	11	7,305	7,316
Dealer loans	—	—	—	1	1	54	55
Other	—	—	—	1	1	414	415
Total International recorded investment	48	24	12	40	124	17,829	17,953
Total recorded investment	$686	$109	$31	$103	$929	$71,778	$ 72,707

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

Subsequent to origination, Ford Credit reviews the credit quality of retail and direct financing lease receivables based on customer payment activity. As each customer develops a payment history, Ford Credit uses an internally-developed behavioral scoring model to assist in determining the best collection strategies. Based on data from this scoring model, contracts are categorized by collection risk. Ford Credit's collection models evaluate several factors, including origination characteristics, updated credit bureau data, and payment patterns. These models allow for more focused collection activity on higher-risk accounts and are used to refine Ford Credit's risk-based staffing model to ensure collection resources are aligned with portfolio risk.

Credit quality ratings for Ford Credit's consumer receivables are categorized 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

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

The credit quality analysis of Ford Credit's consumer receivables portfolio was as follows (in millions):

	June 30, 2012		December 31, 2011	
	Retail	Direct Financing Leases	Retail	Direct Financing Leases
North America				
Pass	$36,963	$5	$36,839	$4
Special Mention	87	—	90	—
Substandard	60	—	70	—
Total North America recorded investment	37,110	5	36,999	4
International				
Pass	7,814	2,287	8,107	2,559
Special Mention	31	5	34	5
Substandard	27	3	40	3
Total International recorded investment	7,872	2,295	8,181	2,567
Total recorded investment	$44,982	$2,300	$45,180	$2,571

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

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

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

Ford Credit suspends credit lines and extends no further funding to dealers classified in Group IV.

Ford Credit regularly reviews its model to confirm the continued business significance and statistical predictability of the factors and updates the model to incorporate new factors or other information that improves its statistical predictability. In addition, Ford Credit verifies the existence of the assets collateralizing the receivables by physical audits of vehicle inventories, which are performed with increased frequency for higher-risk (i.e., Group III and Group IV) dealers. Ford Credit performs a credit review of each dealer at least annually and adjusts the dealer's risk rating, if necessary.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

Performance of non-consumer receivables is evaluated based on Ford Credit's internal dealer risk rating analysis, as payment for wholesale receivables generally is not required until the dealer has sold the vehicle. Wholesale and dealer loan receivables with the same dealer share the same risk rating. The credit quality analysis of wholesale and dealer loan receivables was as follows (in millions):

	June 30, 2012		December 31, 2011	
	Wholesale	Dealer Loan	Wholesale	Dealer Loan
North America				
Group I	$12,868	$891	$12,645	$861
Group II	2,299	153	2,489	165
Group III	280	45	273	58
Group IV	19	13	6	4
Total North America recorded investment	15,466	1,102	15,413	1,088
International				
Group I	4,560	38	5,115	42
Group II	1,594	8	1,965	10
Group III	1,155	8	1,327	10
Group IV	7	1	9	1
Total International recorded investment	7,316	55	8,416	63
Total recorded investment	$22,782	$1,157	$23,829	$1,151

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

The recorded investment of Ford Credit's consumer receivables in non-accrual status was $343 million, or 0.7% of its consumer receivables, at June 30, 2012, and $402 million, or 0.9% of its consumer receivables, at December 31, 2011.

The recorded investment of Ford Credit's non-consumer receivables in non-accrual status was $45 million, or 0.2% of its non-consumer receivables, at June 30, 2012, and $27 million, or 0.1% of its non-consumer receivables, at December 31, 2011.

Ford Credit's finance receivables greater than 90 days past due and still accruing interest included $15 million and $14 million of non-bankrupt consumer accounts at June 30, 2012 and December 31, 2011, respectively, and were de minimis for non-consumer loans at June 30, 2012 and December 31, 2011.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

Consumer Impairment. Ford Credit's finance receivables are evaluated both collectively and specifically for impairment. Impaired consumer receivables include accounts that have been re-written 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. The recorded investment of consumer receivables that were impaired at June 30, 2012 and December 31, 2011 was $399 million, or 0.8% of consumer receivables, and $382 million, or 0.8% of consumer receivables, respectively.

Non-Consumer Impairment. Impaired non-consumer receivables represent accounts with dealers that have weak or poor financial metrics or dealer loans that have been modified in TDRs. The following factors (not necessarily in order of importance or probability of occurrence) are considered in determining whether a non-consumer receivable is impaired:

- Delinquency in contractual payments of principal or interest
- Deterioration of the borrower's competitive position
- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions
- Initiation of dealer bankruptcy or other insolvency proceedings
- Fraud or criminal conviction

The recorded investment of non-consumer receivables that were impaired at June 30, 2012 and December 31, 2011, was $81 million, or 0.3% of non-consumer receivables, and $64 million, or 0.2% of the non-consumer receivables, respectively.

Troubled Debt Restructurings

Effective July 1, 2011, Ford Credit applied the requirements of the new accounting standard related to TDRs to restructurings occurring on or after January 1, 2011.

A restructuring of debt constitutes a TDR if Ford Credit grants a concession to a customer or borrower for economic or legal reasons related to the debtor's financial difficulties that Ford Credit otherwise would not consider.

Consumer. Payment extensions are granted to consumers in the normal course of business. Payment extensions result in a short-term deferral of the customer's normal monthly payment and do not constitute TDRs because payment concessions are not granted on the principal amount of the account or the interest rate charged and are not granted to consumers considered to be in financial difficulty.

Consumer receivable contracts may be modified to lower the customer's payment by extending the term of the contract or lowering the interest rate as a remedy to avoid or cure delinquency. Ford Credit does not grant concessions on the principal balance for re-written contracts. Contracts that are modified at an interest rate that is below the market rate are considered to be TDRs. In addition, consumer receivables modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code are considered to be TDRs.

The outstanding recorded investment at time of modification for consumer receivables that are considered to be TDRs was $123 million, or 0.3% of Ford Credit's consumer receivables during the period ended June 30, 2012 and $207 million, or 0.4% during the period ended June 30, 2011. A subsequent default occurs when contracts that were previously modified in TDRs within the last twelve months and subsequently had past due payments that resulted in repossession. The subsequent annualized default rate for consumer contracts was 5.9% of TDRs during the period ended June 30, 2012.

Consumer receivables involved in TDRs are specifically assessed for impairment. A specific allowance is estimated based on the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate or the fair value of any collateral adjusted for estimated costs to sell. For loans where foreclosure is probable, the fair value of collateral is used to estimate the specific impairment. The allowance for credit losses related to consumer TDRs was $17 million at June 30, 2012. Ford Credit did not have any reserves for TDRs at June 30, 2011.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCE RECEIVABLES (Continued)

Non-Consumer. Within Ford Credit's non-consumer receivables segment, only dealer loans subject to forbearance, moratoriums, extension agreements, or other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral are classified as TDRs. Ford Credit does not grant concessions on the principal balance of dealer loans. Dealer loans modified as TDRs during the period ended June 30, 2012 were de minimis.

Dealer loans involved in TDRs are assessed for impairment and included in Ford Credit's allowance for credit losses based on either the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate, or the fair value of collateral adjusted for estimated costs to sell. For loans where foreclosure is probable, the fair value of collateral is used to estimate the specific impairment. An impairment charge is recorded as part of the provision to the allowance for credit losses for the amount by which the recorded investment of the receivable exceeds its estimated fair value. The allowance for credit losses related to non-consumer TDRs was de minimis.

NOTE 6. ALLOWANCE FOR CREDIT LOSSES

Automotive Sector

Following is an analysis of the allowance for credit losses for the periods ended June 30 (in millions):

	Second Quarter		First Half	
	2012	2011	2012	2011
Allowance for credit losses				
Beginning balance	$34	$101	$29	$120
Charge-offs	—	—	—	—
Recoveries	—	(59)	(2)	(59)
Provision for credit losses	2	—	2	2
Other	(2)	15	5	(6)
Ending balance	$34	$57	$34	$57

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. ALLOWANCE FOR CREDIT LOSSES (Continued)

Financial Services Sector

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

	Second Quarter 2012				
	Finance Receivables			Net Investment in Operating Leases	Total Allowance
	Consumer	Non-consumer	Total		
Allowance for credit losses					
Beginning balance	$424	$28	$452	$33	$485
Charge-offs	(67)	(3)	(70)	(11)	(81)
Recoveries	47	2	49	14	63
Provision for credit losses	(34)	(8)	(42)	(9)	(51)
Other (a)	(5)	—	(5)	(1)	(6)
Ending balance	$365	$19	$384	$26	$410

	First Half 2012				
	Finance Receivables			Net Investment in Operating Leases	Total Allowance
	Consumer	Non-consumer	Total		
Allowance for credit losses					
Beginning balance	$457	$44	$501	$40	$541
Charge-offs	(152)	(7)	(159)	(24)	(183)
Recoveries	94	7	101	28	129
Provision for credit losses	(32)	(26)	(58)	(17)	(75)
Other (a)	(2)	1	(1)	(1)	(2)
Ending balance	$365	$19	$384	$26	$410
Analysis of ending balance of allowance for credit losses					
Collective impairment allowance	$348	$18	$366	$26	$392
Specific impairment allowance	17	1	18	—	18
Ending balance	$365	$19	$384	$26	$410
Analysis of ending balance of finance receivables and net investment in operating leases					
Collectively evaluated for impairment	$46,884	$25,344	$72,228	$13,321	
Specifically evaluated for impairment	398	81	479	—	
Recorded investment (b)	$47,282	$25,425	$72,707	$13,321	

Ending balance, net of allowance for credit losses	$46,917	$ 25,406	$72,323	$13,295

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(a) Represents amounts related to translation adjustments.

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. ALLOWANCE FOR CREDIT LOSSES (Continued)

	Second Quarter 2011 Finance Receivables				
	Consumer	Non-consumer	Total	Net Investment in Operating Leases	Total Allowance
Allowance for credit losses					
Beginning balance	$628	$50	$678	$75	$753
Charge-offs	(93)	(9)	(102)	(26)	(128)
Recoveries	53	1	54	25	79
Provision for credit losses	(21)	5	(16)	(10)	(26)
Other (a)	3	2	5	—	5
Ending balance	$570	$49	$619	$64	$683

	First Half 2011 Finance Receivables				
	Consumer	Non-consumer	Total	Net Investment in Operating Leases	Total Allowance
Allowance for credit losses					
Beginning balance	$707	$70	$777	$87	$864
Charge-offs	(206)	(7)	(213)	(55)	(268)
Recoveries	110	2	112	50	162
Provision for credit losses	(51)	(18)	(69)	(19)	(88)
Other (a)	10	2	12	1	13
Ending balance	$570	$49	$619	$64	$683
Analysis of ending balance of allowance for credit losses					
Collective impairment allowance	$570	$39	$609	$64	$673
Specific impairment allowance	—	10	10	—	10
Ending balance	$570	$49	$619	$64	$683
Analysis of ending balance of finance receivables and net investment in operating leases					
Collectively evaluated for impairment	$49,337	$27,076	$76,413	$10,648	
Specifically evaluated for impairment	—	108	108	—	
Recorded investment (b)	$49,337	$27,184	$76,521	$10,648	
Ending balance, net of allowance for credit losses	$48,767	$27,135	$75,902	$10,584	

(a) Represents amounts related to translation adjustments.

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

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. INVENTORIES

All inventories are stated at the lower of cost or market. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out ("LIFO") basis. LIFO was used for approximately 27% and 17% of total inventories at June 30, 2012 and December 31, 2011, 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):

	June 30, 2012	December 31, 2011
Raw materials, work-in-process and supplies	$3,475	$2,847
Finished products	4,759	3,982
Total inventories under FIFO	8,234	6,829
Less: LIFO adjustment	(945)	(928)
Total inventories	$7,289	$5,901

NOTE 8. VARIABLE INTEREST ENTITIES

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

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

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

Automotive Sector

VIEs of Which We are Not the Primary Beneficiary

Getrag Ford Transmissions GmbH ("GFT") is a joint venture that constitutes a significant VIE of which we are not the primary beneficiary, and which was not consolidated as of June 30, 2012 or December 31, 2011. GFT is a 50/50 joint venture with Getrag Deutsche Venture GmbH and Co. KG. Ford and its related parties purchase substantially all of the joint venture's output. We do not, however, have the power to direct economically-significant activities of the joint venture.

Zeledyne, LLC ("Zeledyne") is a VIE (that is not a joint venture) of which we are not the primary beneficiary as of

June 30, 2012 or December 31, 2011. Zeledyne manufactures and sells glass products for automotive glass markets. Ford provides certain guarantees to Zeledyne. In 2011, Zeledyne sold a portion of its glass business to Central Glass. As the guarantees are still in place, Zeledyne remains a VIE of which Ford is not the primary beneficiary. The carrying value of our obligation relating to the guarantees to Zeledyne's shareholders was $6 million at June 30, 2012.

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

	June 30, 2012	December 31, 2011	Change in Maximum Exposure
Investments	$206	$229	$23
Guarantees	6	6	—
Total maximum exposure	$212	$235	$23

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. VARIABLE INTEREST ENTITIES (Continued)

Financial Services Sector

VIEs of Which We are the Primary Beneficiary

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

The transactions create and pass along risks to the variable interest holders, depending on the assets securing the debt and the specific terms of the transactions. Our Financial Services sector aggregates and analyzes the asset-backed securitization transactions based on the risk profile of the product and the type of funding structure, including:

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

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

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

VIEs that are exposed to interest rate or currency risk have reduced their risks by entering into derivative transactions. In certain instances, Ford Credit has entered into offsetting derivative transactions with the VIE to protect the VIE from the risks that are not mitigated through the derivative transactions between the VIE and its external counterparty. In other instances, Ford Credit has entered into derivative transactions with the counterparty to protect the counterparty from risks absorbed through derivative transactions with the VIEs. See Note 3 and Note 12 for additional information regarding derivatives.

Although not contractually required, Ford Credit regularly supports its wholesale securitization programs by repurchasing receivables of a dealer from a VIE when the dealer's performance is at risk, which transfers the corresponding risk of loss from the VIE to Ford Credit. In order to continue to fund the wholesale receivables, Ford Credit also may contribute additional cash or wholesale receivables if the collateral falls below required levels. The balances of cash related to these contributions were $130 million and $0 at June 30, 2012 and December 31, 2011, respectively, and ranged from $0 to $130 million during the first half of 2012. In addition, while not contractually required, Ford Credit may purchase the commercial paper issued by Ford Credit's FCAR Owner Trust asset-backed commercial paper program.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. VARIABLE INTEREST ENTITIES (Continued)

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

	June 30, 2012		
	Cash and Cash Equivalents	Finance Receivables, Net and Net Investment in Operating Leases	Debt
Finance receivables			
Retail	$2.4	$27.9	$22.5
Wholesale	0.6	18.0	11.6
Total finance receivables	3.0	45.9	34.1
Net investment in operating leases	0.3	4.2	2.9
Total (a)	$3.3	$50.1	$37.0

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(a) Certain notes issued by the VIEs to affiliated companies served as collateral for accessing the European Central Bank ("ECB") open market operations program. This external funding of $127 million at June 30, 2012 was not reflected as debt of the VIEs and is excluded from the table above, but was included in our consolidated debt. The finance receivables backing this external funding are included in the table above.

	December 31, 2011		
	Cash and Cash Equivalents	Finance Receivables, Net and Net Investment in Operating Leases	Debt
Finance receivables			
Retail	$2.5	$31.9	$26.0
Wholesale	0.5	17.9	11.2
Total finance receivables	3.0	49.8	37.2
Net investment in operating leases	0.4	6.4	4.2
Total (a)	$3.4	$56.2	$41.4

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(a) Certain notes issued by the VIEs to affiliated companies served as collateral for accessing the ECB open market operations program. This external funding of $246 million at December 31, 2011 was not reflected as debt of the VIEs and is excluded from the table above, but was included in our consolidated debt. The finance receivables backing this external funding are included in the table above.

Interest expense on securitization debt related to consolidated VIEs was $201 million and $261 million for the second quarter of 2012 and 2011, respectively, and $428 million and $515 million for the first half of 2012 and 2011, respectively.

Ford Credit's exposure based on the fair value of derivative instruments related to consolidated VIEs that support its securitization transactions was as follows (in millions):

	June 30, 2012		December 31, 2011	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
VIE – Securitization entities	$10	$108	$157	$97
Ford Credit related to VIE	89	64	81	63
Total including Ford Credit related to VIE (a)	$99	$172	$238	$160

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(a) Ford Credit derivative assets and liabilities are included in Other assets and Accrued liabilities and deferred revenue, respectively, on our consolidated balance sheet.

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. VARIABLE INTEREST ENTITIES (Continued)

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

	Second Quarter		First Half	
	2012	2011	2012	2011
Derivative expense/(income)				
VIE - Securitization entities	$56	$88	$151	$33
Ford Credit related to VIE	(27)	(27)	(15)	38
Total including Ford Credit related to VIE	$29	$61	$136	$71

VIEs of Which We are Not the Primary Beneficiary

Ford Credit has an investment in Forso Nordic AB, a joint venture determined to be a VIE of which Ford Credit is not the primary beneficiary. The joint venture provides consumer and dealer financing in its local markets and is financed by external debt and additional subordinated debt provided by the joint venture partner. The operating agreement indicates that the power to direct economically significant activities is shared with the joint venture partner, and the obligation to absorb losses or right to receive benefits resides primarily with the joint venture partner. Ford Credit's investment in the joint venture is accounted for as an equity method investment and is included in Other assets. Ford Credit's maximum exposure to any potential losses associated with this VIE is limited to Ford Credit's equity investment, and amounted to $74 million and $71 million at June 30, 2012 and December 31, 2011, respectively.

NOTE 9. ACCRUED LIABILITIES AND DEFERRED REVENUE

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

	June 30, 2012	December 31, 2011
Automotive Sector		
Current		
Dealer and customer allowances and claims	$6,690	$6,971
Deferred revenue	3,220	2,216
Employee benefit plans	1,508	