General Motors Co
Form 10-Q
October 30, 2013

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549-1004
Form 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

¨ 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 001-34960

GENERAL MOTORS COMPANY
(Exact Name of Registrant as Specified in its Charter)

STATE OF DELAWARE	27-0756180
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
300 Renaissance Center, Detroit, Michigan	48265-3000
(Address of Principal Executive Offices)	(Zip Code)

(313) 556-5000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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 þ 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

As of October 25, 2013 the number of shares outstanding of common stock was 1,388,973,710 shares.

Website Access to Company's Reports

General Motors Company's internet website address is www.gm.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENTS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net sales and revenue				
Automotive	$38,120	$ 37,062	$112,704	$ 111,517
GM Financial	863	514	2,238	1,432
Total	38,983	37,576	114,942	112,949
Costs and expenses				
Automotive cost of sales	33,166	32,735	99,607	98,323
GM Financial operating and other expenses	625	311	1,556	827
Automotive selling, general and administrative expense	2,876	2,849	8,753	8,684
Goodwill impairment charges (Note 7)	60	78	60	695
Total costs and expenses	36,727	35,973	109,976	108,529
Operating income	2,256	1,603	4,966	4,420
Automotive interest expense	65	128	217	356
Interest income and other non-operating income (loss), net	(82)	318	340	732
Gain (loss) on extinguishment of debt (Note 10)	2	—	(238)	(18)
Income before income taxes and equity income	2,111	1,793	4,851	4,778
Income tax expense (Note 15)	842	357	1,993	814
Equity income, net of tax (Note 6)	436	418	1,420	1,141
Net income	1,705	1,854	4,278	5,105
Net (income) loss attributable to noncontrolling interests	12	(21)	28	(111)
Net income attributable to stockholders	$1,717	$ 1,833	$4,306	$ 4,994
Net income attributable to common stockholders	$698	$ 1,476	$2,857	$ 3,967
Earnings per share (Note 18)				
Basic				
Basic earnings per common share	$0.50	$ 0.94	$2.07	$ 2.53
Weighted-average common shares outstanding	1,386	1,570	1,378	1,570
Diluted				
Diluted earnings per common share	$0.45	$ 0.89	$1.82	$ 2.38
Weighted-average common shares outstanding	1,681	1,663	1,672	1,675

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net income	$1,705	$ 1,854	$4,278	$ 5,105
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(154)	7	(397)	(45)
Cash flow hedging losses, net	—	—	—	(2)
Unrealized gains (losses) on securities, net	201	(11)	183	(151)
Defined benefit plans, net	9	(715)	271	(657)
Other comprehensive income (loss), net of tax	56	(719)	57	(855)
Comprehensive income	1,761	1,135	4,335	4,250
Comprehensive (income) loss attributable to noncontrolling interests	15	(31)	42	(119)
Comprehensive income attributable to stockholders	$1,776	$ 1,104	$4,377	$ 4,131

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share amounts)
(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	$20,355	$18,422
Marketable securities (Note 3)	8,215	8,988
Restricted cash and marketable securities (Note 3)	959	686
Accounts and notes receivable (net of allowance of $325 and $311)	11,067	10,395
GM Financial receivables, net (Note 4)(including SPE receivables of $9,089 and $3,444; Note 8)	11,010	4,044
Inventories (Note 5)	15,357	14,714
Equipment on operating leases, net	2,559	1,782
Deferred income taxes	9,868	9,429
Other current assets	1,774	1,536
Total current assets	81,164	69,996
Non-current Assets		
Restricted cash and marketable securities (Note 3)	676	682
GM Financial receivables, net (Note 4)(including SPE receivables of $10,604 and $6,458; Note 8)	12,222	6,954
Equity in net assets of nonconsolidated affiliates (Note 6)	7,897	6,883
Property, net	26,247	24,196
Goodwill (Note 7)	1,953	1,973
Intangible assets, net (Note 7)	6,364	6,809
GM Financial equipment on operating leases, net (including SPE assets of $1,685 and $540; Note 8)	3,100	1,649
Deferred income taxes	26,020	27,922
Other assets	2,896	2,358
Total non-current assets	87,375	79,426
Total Assets	$168,539	$149,422
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (principally trade)	$27,242	$25,166
Short-term debt and current portion of long-term debt (Note 10)		
Automotive (including certain debt at VIEs of $187 and $228; Note 8)	1,786	1,748
GM Financial (including certain debt at VIEs of $8,435 and $3,770; Note 8)	9,653	3,770
Accrued liabilities	23,882	23,308
Total current liabilities	62,563	53,992
Non-current Liabilities		
Long-term debt (Note 10)		
Automotive (including certain debt at VIEs of $77 and $122; Note 8)	6,662	3,424
GM Financial (including certain debt at VIEs of $9,712 and $5,608; Note 8)	14,022	7,108
Postretirement benefits other than pensions (Note 12)	6,855	7,309
Pensions (Note 12)	27,030	27,420

Other liabilities and deferred income taxes	14,046	13,169
Total non-current liabilities	68,615	58,430
Total Liabilities	131,178	112,422
Commitments and contingencies (Note 14)		
Equity (Note 17)		
Preferred stock, $0.01 par value		
Series A	3,109	5,536
Series B	4,855	4,855
Common stock, $0.01 par value	14	14
Additional paid-in capital	23,878	23,834
Retained earnings	12,903	10,057
Accumulated other comprehensive loss	(7,981)	(8,052)
Total stockholders' equity	36,778	36,244
Noncontrolling interests	583	756
Total Equity	37,361	37,000
Total Liabilities and Equity	$168,539	$149,422

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In millions)
(Unaudited)

			Common Stockholders’					
	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
Balance at December 31, 2011	$5,536	$4,855	$16	$ 26,391	$7,183	$ (5,861)	$ 871	$38,991
Net income	—	—	—	—	4,994	—	111	5,105
Other comprehensive income (loss)	—	—	—	—	—	(863)	8	(855)
Exercise of common stock warrants	—	—	—	4	—	—	—	4
Stock based compensation	—	—	—	48	—	—	—	48
Cash dividends paid on Series A Preferred Stock and cumulative dividends on Series B Preferred Stock	—	—	—	—	(644)	—	—	(644)
Dividends declared or paid to noncontrolling interests	—	—	—	—	—	—	(38)	(38)
Other	—	—	—	—	—	—	18	18
Balance at September 30, 2012	$5,536	$4,855	$16	$ 26,443	$11,533	$ (6,724)	$ 970	$42,629
Balance at December 31, 2012	$5,536	$4,855	$14	$ 23,834	$10,057	$ (8,052)	$ 756	$37,000
Net income (loss)	—	—	—	—	4,306	—	(28)	4,278
Other comprehensive income (loss)	—	—	—	—	—	71	(14)	57
Purchase and cancellation of Series A Preferred Stock	(2,427)	—	—	—	—	—	—	(2,427)
Exercise of common stock warrants	—	—	—	3	—	—	—	3
Stock based compensation	—	—	—	27	—	—	—	27
Cash dividends paid on Series A Preferred Stock, charge related to purchase of Series A Preferred Stock and	—	—	—	—	(1,460)	—	—	(1,460)

cumulative dividends on Series B Preferred Stock								
Dividends declared or paid to noncontrolling interests	—	—	—	—	—	—	(82)	(82)
Other	—	—	—	14	—	—	(49)	(35)
Balance at September 30, 2013	$3,109	$4,855	$14	$ 23,878	$12,903	$ (7,981)	$ 583	$37,361

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended	
	September 30, 2013	September 30, 2012
Net cash provided by operating activities	$9,572	$9,824
Cash flows from investing activities		
Expenditures for property	(5,780)	(6,004)
Available-for-sale marketable securities, acquisitions	(4,247)	(3,818)
Trading marketable securities, acquisitions	(3,214)	(4,867)
Available-for-sale marketable securities, liquidations	2,777	8,923
Trading marketable securities, liquidations	5,311	5,313
Acquisition of companies, net of cash acquired	(2,111)	(34)
Proceeds from sale of business units/investments, net of cash disposed	(65)	18
Increase in restricted cash and marketable securities	(694)	(506)
Decrease in restricted cash and marketable securities	961	1,096
Purchases and funding of finance receivables	(18,011)	(4,941)
Principal collections and recoveries on finance receivables	16,137	3,349
Purchases of leased vehicles, net	(1,733)	(837)
Proceeds from termination of leased vehicles	142	36
Decrease (increase) in notes receivable	90	(2,038)
Other investing activities	(152)	29
Net cash used in investing activities	(10,589)	(4,281)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	69	(221)
Proceeds from issuance of debt (original maturities greater than three months)	21,068	7,930
Payments on debt (original maturities greater than three months)	(13,714)	(5,267)
Payments to purchase stock	(2,438)	—
Dividends paid (including charge related to purchase of Series A Preferred Stock)	(1,519)	(679)
Other financing activities	(147)	(40)
Net cash provided by financing activities	3,319	1,723
Effect of exchange rate changes on cash and cash equivalents	(369)	(17)
Net increase in cash and cash equivalents	1,933	7,249
Cash and cash equivalents at beginning of period	18,422	16,071
Cash and cash equivalents at end of period	$20,355	$23,320
Supplemental cash flow information:		
Non-cash property additions	$3,326	$3,861

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations

General Motors Company is sometimes referred to in this Quarterly Report on Form 10-Q as “we,” “our,” “us,” “ourselves,” the “Company,” “General Motors,” or “GM.” General Motors Corporation is sometimes referred to in this Quarterly Report on Form 10-Q, for the periods on or before July 9, 2009, as “Old GM.”

We design, build and sell cars, trucks and automobile parts worldwide. We also provide automotive financing services through General Motors Financial Company, Inc. (GM Financial).

We analyze the results of our business through our five segments: GM North America (GMNA), GM Europe (GME), GM International Operations (GMIO), GM South America (GMSA) and GM Financial. Nonsegment operations are classified as Corporate. Corporate includes certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures and certain nonsegment specific revenues and expenses.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information. Accordingly they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The accompanying condensed consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state our results of operations, financial position and cash flows. 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. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the SEC.

Recently Adopted Accounting Principles

On January 1, 2013 we adopted Accounting Standards Update (ASU) 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This ASU does not change current requirements for reporting net income or other comprehensive income in financial statements; rather, it requires certain disclosures of the amount of reclassifications of items from other comprehensive income to net income by component. The related disclosures are presented in Note 17.

Accounting Standards Not Yet Adopted

In July 2013 the FASB issued ASU 2013-11, “Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists” to eliminate diversity in practice. This ASU requires that companies net their unrecognized tax benefits against all same-jurisdiction net operating losses or tax credit carryforwards that would be used to settle the position with a tax authority. This new guidance is effective prospectively for annual reporting periods beginning on or after December 15, 2013 and interim periods therein. The adoption of this ASU will not have a material effect on our consolidated financial statements because it aligns with our current presentation.

Note 2. Acquisition of Businesses

Acquisition of Certain Ally Financial International Operations

In November 2012 GM Financial entered into a definitive agreement with Ally Financial, Inc. (Ally Financial) to acquire 100% of the outstanding equity interests in the top level holding companies of its automotive finance and financial services operations in Europe and Latin America and a separate agreement to acquire Ally Financial's non-controlling equity interest in GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC), which conducts automotive finance and other financial services in China.

On April 1, 2013 GM Financial completed the acquisition of Ally Financial's European and Latin American automotive finance operations except for France, Portugal and Brazil; and on June 1, 2013 it completed the acquisition of Ally Financial's automotive finance operations in France and Portugal. The aggregate consideration for these acquisitions was $2.6 billion, subject to certain closing adjustments, of which $65 million was paid upon the closing of the acquisition of Ally Financial's Brazilian automotive finance operations described below. Acquisition-related costs were insignificant. In addition GM Financial repaid loans of $1.4 billion that were assumed as part of the acquisitions. GM Financial recorded the fair value of the assets acquired and liabilities assumed on the acquisition dates. Certain amounts previously presented related to the acquisitions have been, and will continue to be, updated as a result of closing adjustments.

The following table summarizes the aggregate consideration and the assets acquired and liabilities assumed at the acquisition dates before eliminations for net intercompany receivables of approximately $300 million (dollars in millions):

Cash	$440
Restricted cash	525
Finance receivables	10,969
Other assets, including identifiable intangible assets	255
Secured and unsecured debt	(8,926)
Other liabilities	(722)
Identifiable net assets acquired	2,541
Goodwill resulting from the acquisitions	56
Aggregate consideration	$2,597

The fair value of finance receivables was determined using a discounted cash flow approach. The contractual cash flows were adjusted for estimated prepayments, defaults, recoveries, finance charge income and servicing costs and discounted using a discount rate commensurate with risks and maturity inherent in the finance contracts. The contractually required payments receivable, cash flows expected to be collected and fair value for finance receivables acquired with deteriorated credit quality at the acquisition date were $799 million, $728 million and $601 million. The contractually required payments receivable, cash flows not expected to be collected and fair value for other acquired finance receivables were $11.2 billion, $170 million and $10.4 billion. The fair value of secured and unsecured debt was determined using quoted market prices when available and a discounted cash flow approach when not available.

We recorded goodwill in the amount of $56 million for the excess of the aggregate consideration over the fair value of the individual assets acquired and liabilities assumed and such amount is primarily attributed to the value of the incremental GM Financial business expected. The recorded goodwill is subject to further adjustment, pending the closing of the acquisition of the remaining international operations as well as any potential adjustments resulting from the finalization of closing balance sheet audits. Valuations and assumptions pertaining to income taxes are subject to change as additional information is obtained during the measurement period. All of the goodwill was assigned to the GM Financial segment and will be assigned to reporting units, which will be determined pending completion of the remaining acquisitions. The goodwill is not tax deductible.

The results of the acquired European and Latin American automotive finance operations are included in GM Financial's results beginning April 1, 2013 and the results of the acquired operations in France and Portugal are included in GM Financial's results beginning June 1, 2013. The following table summarizes the actual amounts of revenue and earnings included in our condensed consolidated financial statements as well as certain pro forma revenue and earnings of the combined entity had these acquisitions occurred as of January 1, 2012, without consideration of historical transactions between the acquired operations and us, as it is impracticable to obtain such information (dollars in millions):

	Certain Ally Operations Amounts Included in Results		Pro Forma-Combined		
	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013	Three Months Ended September	Nine Months Ended September 30, 2013	September 30, 2012

			30, 2012		
Total net sales and revenue	$245	$493	$37,820	$115,202	$113,742
Net income attributable to stockholders	$50	$104	$1,866	$4,356	$5,151

On October 1, 2013 GM Financial completed the acquisition of Ally Financial's automotive finance operations in Brazil for consideration of $611 million, subject to certain closing adjustments. Refer to Note 21 for further detail regarding the acquisition of Ally Financial's automotive finance operations in Brazil. The acquisition of Ally Financial's equity interest in GMAC-SAIC is subject to certain regulatory and other approvals and is expected to close in 2014. GM Financial expects to pay approximately $900 million to close this acquisition subject to certain closing adjustments.

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Acquisition of SAIC GM Investment Limited

In September 2012 we agreed with SAIC Motor Hong Kong Investment Limited to settle a promissory note due from SAIC GM Investment Limited, the holding company of General Motors India Private Limited and Chevrolet Sales India Private Limited (collectively HKJV) to us in exchange for HKJV's issuance of 257 million Class B shares. As a result we obtained control of HKJV with an 86% interest and consolidated HKJV effective September 1, 2012. We recognized a gain of $51 million of which $50 million was recorded in Equity income, net of tax. In addition we invested $125 million in HKJV and acquired 186 million Class A shares, which increased our interest in HKJV to 90.8%.

Note 3. Marketable Securities

We measure the fair value of our marketable securities using a market approach where identical or comparable prices are available and an income approach in other cases. We obtain the majority of the prices used in this valuation from a pricing service. Our pricing service utilizes industry standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads and benchmark securities as well as other relevant economic measures. We conduct an annual review of valuations provided by our pricing service, which includes discussion and analysis of the inputs used by the pricing service to provide prices for the types of securities we hold. These inputs include prices for comparable securities, bid/ask quotes, interest rate yields and prepayment spreads. Based on our review we believe the prices received from our pricing service are a reliable representation of exit prices.

The following table summarizes information regarding marketable securities (dollars in millions):

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —— (Continued)

		September 30, 2013		December 31, 2012	
	Fair Value Level	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents					
Available-for-sale securities					
U.S. government and agencies	2	$832	$832	$4,190	$4,190
Sovereign debt	2	1,091	1,091	—	—
Certificates of deposit	2	846	846	120	120
Money market funds	1	1,433	1,433	1,799	1,799
Corporate debt	2	6,768	6,768	3,102	3,102
Total available-for-sale securities		$10,970	10,970	$9,211	9,211
Trading securities					
Sovereign debt	2		—		1,408
Corporate debt	2		25		—
Total trading securities			25		1,408
Total marketable securities classified as cash equivalents			10,995		10,619
Cash, cash equivalents and time deposits			9,360		7,803
Total cash and cash equivalents			$20,355		$18,422
Marketable securities - current					
Available-for-sale securities					
U.S. government and agencies	2	$3,321	$3,322	$1,231	$1,231
Sovereign debt	2	22	22	30	30
Certificates of deposit	2	—	—	10	10
Corporate debt	2	1,821	1,821	2,313	2,318
Interest in GM Korea mandatorily redeemable preferred shares	2	21	23	142	177
Equity	1	—	—	—	21
Total available-for-sale securities		$5,185	5,188	$3,726	3,787
Trading securities					
Sovereign debt	2		3,027		5,201
Total trading securities			3,027		5,201
Total marketable securities - current			8,215		8,988
Marketable securities - non-current					
Available-for-sale securities					
Investment in Peugeot S.A.	1	$179	409	$179	179
Total marketable securities - non-current		$179	409	$179	179
Total marketable securities			$8,624		$9,167
Restricted cash and marketable securities					
Available-for-sale securities					
Money market funds	1	$856	$856	$933	$933
Sovereign debt	2	20	21	23	24
Other	2	13	13	175	175
Total marketable securities classified as restricted cash and marketable securities		$889	890	$1,131	1,132
Restricted cash and cash equivalents and time deposits			745		236
Total restricted cash and marketable securities			$1,635		$1,368

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —— (Continued)

Sales proceeds from investments classified as available-for-sale and sold prior to maturity were $917 million and $737 million in the three months ended September 30, 2013 and 2012 and $2.6 billion and $1.7 billion in the nine months ended September 30, 2013 and 2012.

The following table summarizes the amortized cost and the fair value of investments classified as available-for-sale by contractual maturity at September 30, 2013 (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	$12,911	$12,920
Due after one year through five years	1,844	1,839
Total contractual maturities of available-for-sale securities	$14,755	$14,759

Cumulative net unrealized gains on available-for-sale securities were $234 million and $62 million at September 30, 2013 and December 31, 2012. Net unrealized gains (losses) on trading securities were $75 million and $187 million in the three months ended September 30, 2013 and 2012 and $(34) million and $128 million in the nine months ended September 30, 2013 and 2012. Unrealized losses on trading securities are primarily related to the remeasurement of Canadian Dollar (CAD) denominated securities.

Note 4. GM Financial Receivables, net

In the three months ended June 30, 2013 GM Financial acquired certain international operations in Europe and Latin America from Ally Financial that conduct consumer and commercial lending activities. All of these loans were made on a secured basis.

As the result of our October 2010 acquisition of GM Financial and GM Financial's acquisition of the Ally Financial international operations, finance receivables are reported in two portfolios: pre-acquisition and post-acquisition portfolios. The pre-acquisition finance receivables portfolio consists of finance receivables that were considered to have had deterioration in credit quality at the time they were acquired with the acquisition of GM Financial or the acquisition of the Ally Financial international operations. The pre-acquisition portfolio will decrease over time with the amortization of the acquired receivables. The post-acquisition finance receivables portfolio consists of finance receivables that were considered to have had no deterioration in credit quality at the time they were acquired with the acquisition of the Ally Financial international operations and finance receivables originated since the acquisitions of GM Financial and the Ally Financial international operations. The post-acquisition portfolio is expected to grow over time as GM Financial originates new receivables.

The following table summarizes the components of consumer and commercial finance receivables, net (dollars in millions):

	September 30, 2013			December 31, 2012		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Pre-acquisition finance receivables, outstanding amount	$1,599	$—	$1,599	$2,162	$—	$2,162
Pre-acquisition finance receivables, carrying amount	$1,452	$—	$1,452	$1,958	$—	$1,958
Post-acquisition finance receivables, net of fees	17,665	4,611	22,276	8,831	560	9,391
Finance receivables	19,117	4,611	23,728	10,789	560	11,349
Less: allowance for loan losses	(467)	(29)	(496)	(345)	(6)	(351)

GM Financial receivables, net	$18,650	$4,582	$23,232	$10,444	$554	$10,998
Fair value of GM Financial receivables, net			$23,366			$11,313

Of the total allowance for loan losses in the above table, $372 million and $266 million were current at September 30, 2013 and December 31, 2012.

GM Financial determined the fair value of consumer finance receivables using observable and unobservable inputs within a cash flow model. The inputs reflect assumptions regarding expected prepayments, deferrals, delinquencies, recoveries and charge-offs of the loans within the portfolio. The cash flow model produces an estimated amortization schedule of the finance receivables which is the basis for the calculation of the series of cash flows that derive the fair value of the portfolio. The series of cash flows is calculated and discounted using a weighted-average cost of capital using unobservable debt and equity percentages, an

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unobservable cost of equity and an observable cost of debt based on companies with a similar credit rating and maturity profile as the portfolio. Macroeconomic factors could negatively affect the credit performance of the portfolio and therefore could potentially affect the assumptions used in GM Financial's cash flow model. Substantially all commercial finance receivables either have variable interest rates and maturities of one year or less, or were acquired or originated within the past year. Therefore, the carrying amount is considered to be a reasonable estimate of fair value.

GM Financial reviews its pre-acquisition finance receivables portfolios for differences between contractual cash flows and the cash flows expected to be collected to determine if the difference is attributable, at least in part, to credit quality. In the nine months ended September 30, 2013 and 2012 as a result of improvements in credit performance of the pre-acquisition finance receivables, GM Financial transferred the amount of excess cash flows from the non-accretable difference to accretable yield. GM Financial will recognize this excess as finance charge income over the remaining life of the portfolio.

The following table summarizes the activity for accretable yield (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Balance at beginning of period	$394	$ 628	$404	$ 737
Ally Financial international operations acquisition			127	
Accretion of accretable yield	(85)	(123)	(269)	(402)
Transfer from non-accretable difference	19	—	73	170
Effect of foreign currency	1	—	(6)	—
Balance at end of period	$329	$ 505	$329	$ 505

The following table summarizes activity for the allowance for loan losses on consumer and commercial finance receivables (dollars in millions):

	Three Months Ended(a)		Nine Months Ended(a)	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Balance at beginning of period	$447	$ 249	$351	$ 179
Provision for loan losses	117	78	311	188
Charge-offs	(171)	(82)	(419)	(186)
Recoveries	103	46	253	110
Balance at end of period	$496	$ 291	$496	$ 291

(a) The balances and activity of the allowance for commercial loan losses included in the amounts at and for the three and nine months ended September 30, 2013 and 2012 were insignificant.

Credit Quality

Consumer Finance Receivables

GM Financial uses proprietary scoring systems that measure the credit quality of the receivables using several factors, such as credit bureau information, consumer credit risk scores (e.g. FICO score), and contract characteristics. In addition to GM Financial's proprietary scoring systems, GM Financial considers other individual consumer factors, such as employment history, financial stability and capacity to pay. Subsequent to origination GM Financial reviews the credit quality of retail receivables based on customer payment activity. At the time of loan origination substantially all of GM Financial's international consumers have prime credit scores. In North America sub-prime is typically defined as a loan with a borrower that has a FICO score of less than 620. At September 30, 2013 88% of the consumer finance receivables in North America were consumers with FICO scores less than 620.

An account is considered delinquent if a substantial portion of a scheduled payment has not been received by the date such payment was contractually due. At September 30, 2013 and December 31, 2012 the accrual of finance charge income has been suspended on delinquent consumer finance receivables with contractual amounts due of $550 million and $503 million.

GM Financial purchases consumer finance contracts from automobile dealers without recourse, and accordingly, the dealer has no liability to GM Financial if the consumer defaults on the contract. Finance receivables are collateralized by vehicle titles and GM Financial has the right to repossess the vehicle in the event the consumer defaults on the payment terms of the contract.

The following table summarizes the contractual amount of delinquent contracts, which is not materially different than the recorded investment of the consumer finance receivables (dollars in millions):

	September 30, 2013		September 30, 2012	
	Amount	Percent of Contractual Amount Due	Amount	Percent of Contractual Amount Due
Delinquent contracts				
31-to-60 days	$739	3.8 %	$561	5.2 %
Greater-than-60 days	291	1.5 %	204	1.9 %
Total finance receivables more than 30 days delinquent	1,030	5.3 %	765	7.1 %
In repossession	45	0.3 %	38	0.3 %
Total finance receivables more than 30 days delinquent or in repossession	$1,075	5.6 %	$803	7.4 %

Impaired Finance Receivables - Troubled Debt Restructurings

Consumer finance receivables in the post-acquisition portfolio that become classified as troubled debt restructurings (TDRs) because of payment deferral or other reasons are separately 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.

The following table summarizes the outstanding recorded investment for consumer finance receivables that are considered to be TDRs and the related allowance (dollars in millions):

	September 30, 2013	December 31, 2012
Outstanding recorded investment	$633	$228
Less: allowance for loan losses	(88)	(32)
Outstanding recorded investment, net of allowance	$545	$196
Unpaid principal balance	$642	$232

Commercial Finance Receivables

GM Financial's commercial finance receivables consist of dealer financings. A proprietary model is used to assign a risk rating to each dealer. A credit review of each dealer is performed at least annually and, if necessary, the dealer's risk rating is adjusted on the basis of the review. At September 30, 2013 and December 31, 2012 the commercial finance receivables or loans on non-accrual status were insignificant.

The following table summarizes the credit risk profile by dealer grouping of the commercial finance receivables (dollars in millions):

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	September 30, 2013	December 31, 2012
Group I - Dealers with strong to superior financial metrics	$394	$99
Group II - Dealers with fair to favorable financial metrics	1,088	278
Group III - Dealers with marginal to weak financial metrics	1,543	171
Group IV - Dealers with poor financial metrics	1,058	12
Group V - Dealers warranting special mention due to potential weaknesses	360	
Group VI - Dealers with loans classified as substandard, doubtful or impaired	168	
	$4,611	$560

The credit lines for Group VI dealers are suspended and no further funding is extended to these dealers.

Note 5. Inventories

The following table summarizes the components of Inventories (dollars in millions):

	September 30, 2013	December 31, 2012
Productive material, supplies and work in process	$6,718	$6,560
Finished product, including service parts	8,639	8,154
Total inventories	$15,357	$14,714

Note 6. Equity in Net Assets of Nonconsolidated Affiliates

Nonconsolidated affiliates are entities in which an equity ownership interest is maintained and for which the equity method of accounting is used, due to the ability to exert significant influence over decisions relating to their operating and financial affairs.

Sales and income of our China JVs are not consolidated into our financial statements; rather, our proportionate share of the earnings of each joint venture is reflected as Equity income, net of tax.

The following table summarizes information regarding Equity income, net of tax (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
China joint ventures (China JVs)	$425	$ 371	$1,391	$ 1,121
Others	11	47	29	20
Total equity income, net of tax	$436	$ 418	$1,420	$ 1,141

We did not receive any dividends from nonconsolidated affiliates in the three months ended September 30, 2013 and 2012 and received $1.6 billion and $1.4 billion in the nine months ended September 30, 2013 and 2012. At September 30, 2013 and December 31, 2012 we had undistributed earnings including dividends declared but not received of $1.5 billion and $1.7 billion related to our nonconsolidated affiliates.

Investment in China JVs

There have been no significant ownership changes in our China JVs since December 31, 2012.

Shanghai General Motors Corporation Ltd. (SGM) is a joint venture established by Shanghai Automotive Industry Corporation (50%) and us (50%). In September 2012 we purchased a 1% interest in SGM for a total consideration of $119 million, increasing our ownership interest in SGM to 50%. The transaction was accounted for by applying the equity method of accounting. The consideration exceeded our proportionate share of the 1% interest in SGM net assets by $82 million, which consists of plant, property and equipment, intangible assets and goodwill of $8 million, $36 million and $38 million.

Transactions with Nonconsolidated Affiliates

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Nonconsolidated affiliates are involved in various aspects of the development, production and marketing of cars, trucks and automobile parts. We purchase component parts and vehicles from certain nonconsolidated affiliates for resale to dealers. We also sell component parts and vehicles to certain nonconsolidated affiliates. The following tables summarize the effects of transactions with nonconsolidated affiliates (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Results of operations				
Automotive sales and revenue	$599	$ 568	$1,900	$ 1,873
Automotive purchases, net	$239	$ 98	$614	$ 407
Interest income and other non-operating income, net	$9	$ 11	$16	$ 174

	September 30, 2013	December 31, 2012
Financial position		
Accounts and notes receivable, net	$520	$1,668
Accounts payable	$278	$167
Deferred revenue and customer deposits	$38	$46

	Nine Months Ended	
	September 30, 2013	September 30, 2012
Cash flows		
Operating	$3,015	$3,030
Investing	$(12)	$(38)

Note 7. Goodwill and Intangible Assets, net
Goodwill
The following table summarizes the changes in the carrying amounts of Goodwill (dollars in millions):

	GMNA	GME	GMIO	GMSA	Total Automotive	GM Financial	Total
Balance at January 1, 2013	$—	$—	$549	$146	$ 695	$1,278	$1,973
Impairment charges	—	—	(60)	—	(60)	—	(60)
Goodwill from business combinations(a)	—	—	—	10	10	56	66
Effect of foreign currency and other	—	—	(14)	(12)	(26)	—	(26)
Balance at September 30, 2013	$—	$—	$475	$144	$ 619	$1,334	$1,953
Accumulated impairment charges at December 31, 2012	$(26,399)	$(3,072)	$(426)	$—	$ (29,897)	$—	$(29,897)
Accumulated impairment charges at September 30, 2013	$(26,399)	$(3,072)	$(486)	$—	$ (29,957)	$—	$(29,957)

(a) Refer to Note 2 for additional information concerning the acquisition of the Ally Financial international operations.

In the three months ended September 30, June 30 and March 31, 2013 and 2012 we performed event-driven goodwill impairment tests for our GM Korea Company (GM Korea) reporting unit as the fair value of GM Korea continues to be below its carrying amount due to ongoing economic weakness in certain markets to which GM Korea exports as well as higher raw material costs and unfavorable foreign currency exchange rates. The event-driven impairment tests resulted in Goodwill impairment charges of $60 million, $78 million and $27 million within our GMIO segment in the three months ended September 30, 2013, September

30, 2012 and March 31, 2012. Our GME reporting unit had a negative carrying amount and because of deterioration in the business outlook for GME that resulted in a reduction in the fair value of certain tax attributes and an increase in the fair value of estimated employee benefit obligations at March 31, 2012, we recorded a Goodwill impairment charge of $590 million, after which GME's Goodwill balance was $0.

When performing our goodwill impairment testing, the fair values of our reporting units were determined based on valuation techniques using the best available information, primarily discounted cash flow projections. We make significant assumptions and estimates, which utilized Level 3 measures, about the extent and timing of future cash flows, growth rates, market share and discount rates that represent unobservable inputs into our valuation methodologies. Our fair value estimates for event-driven impairment tests assume the achievement of the future financial results contemplated in our forecasted cash flows and there can be no assurance that we will realize that value.

Intangible Assets, Net

In December 2012 we entered into a product development agreement with Peugeot S.A. to collaborate on the development of certain vehicle platforms, components and modules. As a result of this agreement, in the three months ended March 31, 2013 we acquired the rights to certain intellectual property and technology for total consideration of $642 million. Consideration of $201 million was paid in cash in May 2013 with the remaining consideration to be paid in cash or in-kind exchanges by May 2018. The acquired rights were recorded at the present value of the total payments to be made as technology and intellectual property of $594 million and is being amortized over 10 years.

Note 8. Variable Interest Entities

Consolidated VIEs

Automotive

Variable interest entities (VIEs) that we do not control through a majority voting interest that are consolidated because we are the primary beneficiary include certain vehicle assembling, manufacturing and selling venture arrangements, the most significant of which is GM Egypt. At September 30, 2013 and December 31, 2012: (1) Total assets of these VIEs were $492 million and $436 million, which were composed of Cash and cash equivalents, Accounts and notes receivable, net, Inventories and Property, net; and (2) Total liabilities were $309 million and $254 million, which were composed of Accounts payable (principally trade) and Accrued liabilities. In the three months ended September 30, 2013 and 2012 Total net sales and revenue recorded by these VIEs were $226 million and $284 million and Net income was $13 million and $25 million. In the nine months ended September 30, 2013 and 2012 Total net sales and revenue recorded by these VIEs were $720 million and $746 million and Net income was $51 million and $32 million. These amounts are stated prior to intercompany eliminations. Liabilities recognized as a result of consolidating VIEs generally do not represent claims against us or our other subsidiaries and assets recognized generally are for the benefit of the VIEs' operations and cannot be used to satisfy our obligations.

GM Korea and HKJV are non-wholly owned consolidated subsidiaries that we control through a majority voting interest. They are also VIEs because in the future they may require additional subordinated financial support. At September 30, 2013 and December 31, 2012 the combined creditors of GM Korea's and HKJV's liabilities of $264 million and $368 million, which were composed of short-term debt, current derivative liabilities and long-term debt, do not have recourse to our general credit.

Automotive Financing - GM Financial

GM Financial uses special purpose entities (SPEs) that are considered VIEs to issue variable funding notes to third party bank-sponsored warehouse facilities or asset-backed securities to investors in securitization transactions. The debt issued by these VIEs is backed by the cash flows related to finance receivables and leasing related assets transferred by GM Financial to the VIEs (Securitized Assets). GM Financial holds variable interests in the VIEs that could potentially be significant to the VIEs. GM Financial determined that they are the primary beneficiary of the SPEs because: (1) the servicing responsibilities for the Securitized Assets give GM Financial the power to direct the activities that most significantly impact the performance of the VIEs; and (2) the variable interests in the VIEs give GM Financial the obligation to absorb losses and the right to receive residual returns that could potentially be significant. The assets and liabilities of the VIEs are included in GM Financial's condensed consolidated balance sheets.

The following table summarizes the assets and liabilities related to GM Financial's consolidated VIEs prior to intercompany eliminations (dollars in millions):

	September 30, 2013	December 31, 2012
Restricted cash	$1,350	$744
Securitized assets	$21,761	$10,442
Securitization notes payable and other credit facilities	$18,147	$9,378

Restricted cash represents collections from the underlying Securitized Assets and certain reserve accounts held as credit enhancement for securitizations held by GM Financial for the benefit of the noteholders. Except for acquisition accounting adjustments, which are not recorded in SPE trusts, GM Financial recognizes finance charge income, leased vehicle income and other income on the Securitized Assets and interest expense on the secured debt issued by the SPEs. GM Financial also maintains an allowance for estimated probable credit losses on the Securitized Assets. Cash pledged to support the secured borrowings is deposited to a restricted cash account and recorded as restricted cash, which is invested in highly liquid securities with original maturities of 90 days or less.

The assets of the VIEs and the restricted cash held by GM Financial serve as the sole source of repayment for the asset-backed securities issued by these entities. Investors in the notes issued by the VIEs do not have recourse to GM Financial or their other assets, with the exception of customary representation and warranty repurchase provisions and indemnities that GM Financial provides as the servicer. GM Financial is not required and does not currently intend to provide additional financial support to these SPEs. While these subsidiaries are included in GM Financial's condensed consolidated financial statements, these subsidiaries are separate legal entities and their assets are legally owned by them and are not available to GM Financial's creditors.

Nonconsolidated VIEs

Automotive

VIEs that are not consolidated include certain vehicle assembling, manufacturing and selling venture arrangements and other automotive related entities to which we provided financial support including HKJV prior to September 2012 and Ally Financial. We concluded these entities are VIEs because they do not have sufficient equity at risk or may require additional subordinated financial support. We currently lack the power through voting or similar rights to direct those activities of these entities that most significantly affect their economic performance. Our variable interests in these nonconsolidated VIEs include accounts and notes receivable, equity in net assets, guarantees and financial support, some of which were provided to certain current or previously divested suppliers in order to ensure that supply needs for production were not disrupted due to a supplier's liquidity concerns or possible shutdowns.

At September 30, 2013 and December 31, 2012 our variable interests in these VIEs included: (1) Total assets of $174 million and $351 million, which were composed of Accounts and notes receivable, net, and Equity in net assets of nonconsolidated affiliates; (2) Total liabilities of $851 million and $1.9 billion, which were composed of Accounts payable (principally trade), Short-term debt and current portion of long-term debt, Accrued liabilities and Other liabilities; and (3) Total off-balance sheet arrangements of $126 million and $32 million, which were composed of loan commitments and other liquidity arrangements. The amount of total off-balance sheet arrangements at September 30, 2013 includes contractual commitments under an agreement with a supplier that became a VIE in January 2013. The maximum exposure to loss for total assets approximated the carrying amount at September 30, 2013 and December 31, 2012. Refer to Note 14 for additional information on our maximum exposure to loss under agreements with Ally Financial.

Fair Value of Ally Financial Common Stock

At September 30, 2013 and December 31, 2012 we held a 9.9% common equity ownership in Ally Financial. Our entire equity ownership is held indirectly through an independent trust which has the sole authority to vote the shares and was required to dispose of all Ally Financial common stock by December 24, 2013. In October 2013 the Federal Reserve agreed to extend the date by which the shares must be divested by the trust from December 2013 to December 2015. We can cause the trustee to return any Ally Financial common stock to us to hold directly, so long as our directly held voting and total common equity interests remain below 10.0%.

The following table summarizes the carrying amount and estimated fair value of Ally Financial common stock measured using Level 3 inputs (dollars in millions):

	September 30, 2013	December 31, 2012
Carrying amount	$397	$399
Fair value	$866	