

General Motors Co
Form 10-Q
July 25, 2017

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549-1004

Form 10-Q

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

For the quarterly period ended June 30, 2017

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 (I.R.S. Employer
incorporation or organization) 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 No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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As of July 17, 2017 the number of shares outstanding of common stock was 1,457,208,264 shares.

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Our Opel and Vauxhall businesses and certain other assets in Europe (the Opel/Vauxhall Business) and our European financing subsidiaries and branches (the Fincos, and together with the Opel/Vauxhall Business, the European Business) are presented as discontinued operations, and the assets and liabilities of the European Business are presented as held for sale, in our condensed consolidated financial statements for all periods presented.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

PART I

Item 1. Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENTS

(In millions, except per share amounts) (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net sales and revenue				
Automotive	\$33,998	\$35,246	\$68,517	\$66,332
GM Financial	2,986	2,137	5,733	4,067
Total net sales and revenue	36,984	37,383	74,250	70,399
Costs and expenses				
Automotive cost of sales	29,212	29,941	58,650	56,622
GM Financial interest, operating and other expenses	2,675	1,962	5,241	3,736
Automotive selling, general and administrative expense	2,479	2,508	4,837	4,978
Total costs and expenses	34,366	34,411	68,728	65,336
Operating income	2,618	2,972	5,522	5,063
Automotive interest expense	132	144	279	268
Interest income and other non-operating income (loss), net	(49)	) 133	112	186
Equity income (Note 7)	530	660	1,085	1,220
Income before income taxes	2,967	3,621	6,440	6,201
Income tax expense (Note 14)	534	877	1,321	1,534
Income from continuing operations	2,433	2,744	5,119	4,667
Income (loss) from discontinued operations, net of tax (Note 2)	(770)	) 106	(839)	) 114
Net income	1,663	2,850	4,280	4,781
Net (income) loss attributable to noncontrolling interests	(3)	) 16	(12)	) 38
Net income attributable to common stockholders	\$1,660	\$2,866	\$4,268	\$4,819
Earnings per share (Note 17)				
Basic earnings per common share – continuing operations	\$1.62	\$1.78	\$3.40	\$3.05
Basic earnings (loss) per common share – discontinued operations	\$(0.51)	) \$0.07	\$(0.56)	) \$0.07
Basic earnings per common share	\$1.11	\$1.85	\$2.84	\$3.12
Weighted-average common shares outstanding – basic	1,497	1,548	1,501	1,547
Diluted earnings per common share – continuing operations	\$1.60	\$1.74	\$3.35	\$2.98
Diluted earnings (loss) per common share – discontinued operations	\$(0.51)	) \$0.07	\$(0.55)	) \$0.07
Diluted earnings per common share	\$1.09	\$1.81	\$2.80	\$3.05
Weighted-average common shares outstanding – diluted	1,519	1,581	1,525	1,580
Dividends declared per common share	\$0.38	\$0.38	\$0.76	\$0.76

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions) (Unaudited)

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	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
Net income	\$1,663	\$2,850	\$4,280	\$4,781
Other comprehensive income (loss), net of tax (Note 16)				
Foreign currency translation adjustments and other	93	(19)	201	65
Defined benefit plans	(211)	171	(240)	49
Other comprehensive income (loss), net of tax	(118)	152	(39)	114
Comprehensive income	1,545	3,002	4,241	4,895
Comprehensive (income) loss attributable to noncontrolling interests	(4)	13	(12)	55
Comprehensive income attributable to common stockholders	\$1,541	\$3,015	\$4,229	\$4,950

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 per share amounts) (Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$16,598	\$ 12,574
Marketable securities (Note 3)	9,133	11,841
Accounts and notes receivable, net	9,796	8,700
GM Financial receivables, net (Note 4; Note 8 at VIEs)	19,296	16,127
Inventories (Note 5)	11,289	11,040
Equipment on operating leases, net (Note 6)	1,883	1,110
Other current assets (Note 8 at VIEs)	4,324	3,633
Current assets held for sale (Note 2)	12,762	11,178
Total current assets	85,081	76,203
Non-current Assets		
GM Financial receivables, net (Note 4; Note 8 at VIEs)	20,137	17,001
Equity in net assets of nonconsolidated affiliates (Note 7)	8,248	8,996
Property, net	34,301	32,603
Goodwill and intangible assets, net	5,989	6,149
GM Financial equipment on operating leases, net (Note 6; Note 8 at VIEs)	39,725	34,342
Deferred income taxes	32,425	33,172
Other assets (Note 8 at VIEs)	3,994	3,849
Non-current assets held for sale (Note 2)	10,400	9,375
Total non-current assets	155,219	145,487
Total Assets	\$240,300	\$ 221,690
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (principally trade)	\$23,404	\$ 23,333
Short-term debt and current portion of long-term debt (Note 9)		
Automotive	1,066	1,060
GM Financial (Note 8 at VIEs)	28,942	22,737
Accrued liabilities	26,601	25,893
Current liabilities held for sale (Note 2)	14,293	12,158
Total current liabilities	94,306	85,181
Non-current Liabilities		
Long-term debt (Note 9)		
Automotive	9,544	9,500
GM Financial (Note 8 at VIEs)	49,537	41,826
Postretirement benefits other than pensions (Note 12)	5,750	5,803
Pensions (Note 12)	14,777	15,264
Other liabilities	12,438	12,415
Non-current liabilities held for sale (Note 2)	8,223	7,626
Total non-current liabilities	100,269	92,434
Total Liabilities	194,575	177,615
Commitments and contingencies (Note 13)		

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Equity (Note 16)		
Common stock, \$0.01 par value	15	15
Additional paid-in capital	26,328	26,983
Retained earnings	28,547	26,168
Accumulated other comprehensive loss	(9,369)	(9,330)
Total stockholders' equity	45,521	43,836
Noncontrolling interests	204	239
Total Equity	45,725	44,075
Total Liabilities and Equity	\$240,300	\$ 221,690

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)

	Six Months Ended		June 30, 2016	
	June 30, 2017			
Cash flows from operating activities				
Income from continuing operations	\$	5,119	\$	4,667
Depreciation, amortization and impairment charges		5,937		4,591
Foreign currency remeasurement and transaction losses		105		142
Undistributed earnings of nonconsolidated affiliates, net		487		893
Pension contributions and OPEB payments	(753	)	(2,778)
Pension and OPEB income, net	(405	)	(406)
Provision for deferred taxes		1,303		1,437
Change in other operating assets and liabilities	(4,365	)	(3,046)
Net cash provided by operating activities – continuing operations		7,428		5,500
Net cash provided by operating activities – discontinued operations		131		519
Net cash provided by operating activities		7,559		6,019
Cash flows from investing activities				
Expenditures for property	(4,186	)	(4,032)
Available-for-sale marketable securities, acquisitions	(2,149	)	(2,278)
Trading marketable securities, acquisitions	—		(203)
Available-for-sale marketable securities, liquidations		4,872		5,337
Trading marketable securities, liquidations	—			813
Acquisition of companies/investments, net of cash acquired	(2	)	(799)
Purchases of finance receivables, net	(10,577	)	(6,417)
Principal collections and recoveries on finance receivables		6,003		4,938
Purchases of leased vehicles, net	(9,884)	(10,145)

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Proceeds from termination of leased vehicles	2,724		1,089	
Other investing activities	64		213	
Net cash used in investing activities – continuing operations	(13,135)	)	(11,484))
Net cash used in investing activities – discontinued operations	(788)	)	(855))
Net cash used in investing activities	(13,923)	)	(12,339))
Cash flows from financing activities				
Net decrease in short-term debt	(413)	)	(294))
Proceeds from issuance of debt (original maturities greater than three months)	27,131		21,500	
Payments on debt (original maturities greater than three months)	(13,331)	)	(10,373))
Payments to purchase common stock	(1,496)	)	(300))
Dividends paid	(1,145)	)	(1,188))
Other financing activities	(237)	)	(168))
Net cash provided by financing activities – continuing operations	10,509		9,177	
Net cash provided by financing activities – discontinued operations	31		850	
Net cash provided by financing activities	10,540		10,027	
Effect of exchange rate changes on cash, cash equivalents and restricted cash	209		55	
Net increase in cash, cash equivalents and restricted cash	4,385		3,762	
Cash, cash equivalents and restricted cash at beginning of period	15,160		17,332	
Cash, cash equivalents and restricted cash at end of period	\$ 19,545		\$ 21,094	
Cash, cash equivalents and restricted cash – continuing operations at end of period (Note 3)	\$ 18,920		\$ 20,365	
Cash, cash equivalents and restricted cash – discontinued operations at end of period	\$ 625		\$ 729	
Significant Non-cash Investing and Financing Activity				
Non-cash property additions – continuing operations	\$ 4,086		\$ 4,029	

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Non-cash property additions	\$	482	\$	553
– discontinued operations				
Non-cash business acquisition	\$	—	\$	290
– continuing operations (Note 18)				

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'							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss		Noncontrolling Interests	Total Equity	
Balance at January 1, 2016	\$ 15	\$ 27,607	\$ 20,285	\$ (8,036	)	\$ 452	\$ 40,323
Net income	—	—	4,819	—		(38	) 4,781
Other comprehensive income	—	—	—	131		(17	) 114
Issuance of common stock	—	290	—	—		—	290	
Purchase of common stock	—	(167) (133) —		—	(300)
Exercise of common stock warrants	1	28	—	—		—	29	
Stock based compensation	—	(24) (8) —		—	(32)
Cash dividends paid on common stock	—	—	(1,178) —		—	(1,178)
Dividends to noncontrolling interests	—	—	—	—		(17) (17)
Other	—	—	—	—		(7) (7)
Balance at June 30, 2016	\$ 16	\$ 27,734	\$ 23,785	\$ (7,905	)	\$ 373	\$ 44,003
Balance at January 1, 2017	\$ 15	\$ 26,983	\$ 26,168	\$ (9,330	)	\$ 239	\$ 44,075
Net income	—	—	4,268	—		12	4,280	
Other comprehensive loss	—	—	—	(39)	—	(39)
Purchase of common stock	—	(760) (736) —		—	(1,496)
Exercise of common stock warrants	—	4	—	—		—	4	
Stock based compensation	—	101	(16	) —		—	85
Cash dividends paid on common stock	—	—	(1,137) —		—	(1,137)
Dividends to noncontrolling interests	—	—	—	—		(8) (8)
Other	—	—	—	—		(39) (39)
Balance at June 30, 2017	\$ 15	\$ 26,328	\$ 28,547	\$ (9,369	)	\$ 204	\$ 45,725

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 and Basis of Presentation

General Motors Company (sometimes referred to in this Quarterly Report on Form 10-Q as we, our, us, ourselves, the Company, General Motors or GM) designs, builds and sells cars, trucks, crossovers and automobile parts worldwide. We also provide automotive financing services through General Motors Financial Company, Inc. (GM Financial). We analyze the results of our continuing operations through the following segments: GM North America (GMNA), GM International Operations (GMIO), GM South America (GMSA) and GM Financial. Nonsegment operations and Maven, our ride- and car-sharing business, are classified as Corporate. Corporate includes certain centrally recorded income and costs such as interest, income taxes, corporate expenditures including autonomous vehicle-related engineering costs and certain nonsegment specific revenues and expenses.

The European Business is presented as discontinued operations, and the assets and liabilities of the European Business are presented as held for sale in our condensed consolidated financial statements for all periods presented. Unless otherwise indicated, information in these notes to the condensed consolidated financial statements relates to continuing operations. Refer to Note 2 for additional details regarding our planned disposal of these operations.

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, which consist of normal recurring adjustments and transactions or events discretely impacting the interim periods, 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 audited consolidated financial statements and notes thereto included in our 2016 Form 10-K. Except for per share amounts or as otherwise specified, dollar amounts presented within tables are stated in millions.

In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), which requires us to recognize revenue when a customer obtains control rather than when we have transferred substantially all risks and rewards of a good or service and requires expanded disclosures. ASU 2014-09, as amended, is effective for us beginning January 1, 2018. ASU 2014-09 will affect the amount and timing of certain revenue related transactions primarily resulting from the earlier recognition of certain sales incentives and fixed fee license arrangements. Upon adoption of ASU 2014-09 sales incentives will be recorded at the time of sale rather than at the later of sale or announcement and fixed fee license arrangements will be recognized when the customer is granted access to intellectual property instead of over the contract period. Certain transactions with daily rental car companies may also qualify to be accounted for as a sale as opposed to the current accounting as an operating lease. We expect to adopt the provisions of ASU 2014-09 on a modified retrospective basis through a cumulative adjustment to equity. Upon adoption of ASU 2014-09 we estimate a reduction to Equity of approximately \$500 million to \$1.0 billion. This estimate is subject to change as a result of future changes in market conditions, incentive program offerings, and dealer inventory levels. We continue to assess the overall impact the adoption of ASU 2014-09 will have on our consolidated financial statements and are continuing to test our processes designed to comply with ASU 2014-09 to permit adoption by January 1, 2018.

In January 2016 the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), which requires equity investments that are not accounted for under the equity method of

accounting to be measured at fair value with changes recognized in net income and which updates certain presentation and disclosure requirements. ASU 2016-01 is effective for us beginning January 1, 2018. At June 30, 2017 the carrying value of equity investments that are not accounted for under the equity method of accounting totaled approximately \$500 million and unrealized gains or losses were insignificant. Currently we do not believe the adoption of ASU 2016-01 will be material to our consolidated financial statements, however changes in future market conditions and equity investment balances prior to the implementation date will affect the impact the adoption may have on our consolidated financial statements.

In March 2017 the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" (ASU 2017-07), which requires that the service cost component of net periodic pension and other postretirement benefits (OPEB) (income) expense be presented in the same income statement line item as other employee compensation costs, while the remaining components of net periodic pension and OPEB (income) expense are to be presented outside operating income. ASU 2017-07 is effective for us on a retrospective basis beginning January 1, 2018 and will result in the reclassification of non-service cost components from primarily Automotive cost of sales to Interest income and other non-operating income (loss), net. Assuming the sale of the European Business as described in Note 2

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

closes prior to adoption, we expect a resulting decrease to Operating income and an increase to Interest income and other non-operating income (loss), net of approximately \$1.3 billion for the year ended December 31, 2016.

Note 2. Discontinued Operations

On March 5, 2017 we entered into a Master Agreement (the Agreement) to sell our European Business, consisting of the Opel/Vauxhall Business and the Fincos, to Peugeot, S.A. (PSA Group) for net consideration with an estimated value of approximately \$2.2 billion based upon exchange rates as of June 30, 2017, subject to foreign currency fluctuations. The net consideration to be paid for the Opel/Vauxhall Business under the Agreement has an estimated value of approximately \$1.2 billion, consisting of (1) approximately \$1.0 billion in cash; and (2) \$700 million in warrants in PSA Group; partially offset by (3) the approximate \$500 million de-risking premium payment to be made to PSA Group for assuming certain underfunded pension liabilities. The warrants are not exercisable for five years and do not include any governance or voting rights with respect to PSA Group. In addition, we have agreed to sell the shares of PSA Group received upon exercise of the warrants within 35 days after exercise. The net consideration to be paid for the Fincos will be 0.8 times their book value at closing, which we estimate will be approximately \$1 billion. The purchase price is subject to certain working capital adjustments as provided in the Agreement.

During the three months ended June 30, 2017, the assets and liabilities of the European Business have been presented as being held for sale and its operations and cash flows have been presented as discontinued operations. The transfer of the Opel/Vauxhall Business is expected to close in the second half of 2017 subject to the receipt of necessary regulatory approvals and satisfaction of other closing conditions, and the transfer of the Fincos is expected to close as soon as practicable after the receipt of the necessary antitrust, financial and other regulatory approvals and satisfaction of other closing conditions, which may be after the transfer of the Opel/Vauxhall Business. The transfer of the Fincos will not occur unless the transfer of the Opel/Vauxhall Business occurs.

The Company expects to recognize a charge resulting from the sale of the European Business of approximately \$5.5 to \$6.0 billion. The expected charge principally relates to: (1) approximately \$3.9 billion of deferred tax assets that will no longer be realizable or that will transfer to PSA Group upon sale; (2) approximately \$1.6 billion related to previously deferred pension losses and payment of a de-risking premium to PSA Group for its assumption of certain underfunded pension liabilities; (3) a disposal loss on the Fincos of up to \$700 million; and (4) other net charges primarily related to contract cancellations, working capital adjustments and certain transitional services and other costs to support the separation of operations to be provided for a period of time following closing. Proceeds will partially offset certain of these charges. Of these amounts, in the three months ended June 30, 2017 we recognized a disposal loss of \$324 million as a result of the Fincos being classified as held for sale, charges of \$421 million for the cancellation of product programs resulting from the convergence of vehicle platforms between our European Business and PSA Group and other insignificant charges. These charges were recorded in Income (loss) from discontinued operations, net of tax. The remainder of the expected charge will be recognized upon closing.

Our wholly-owned subsidiary (the Seller) has agreed to indemnify PSA Group for certain losses resulting from any inaccuracy of the representations and warranties or breaches of our covenants included in the Agreement and for certain other liabilities, including emissions and product liabilities. The Company has entered into a guarantee for the benefit of PSA Group and pursuant to which the Company has agreed to guarantee the Seller's obligation to indemnify PSA Group for certain losses resulting from any inaccuracy of certain representations and warranties or breaches of our covenants in the Agreement and for certain other liabilities. Certain of these indemnification obligations are subject to time limitations, thresholds and/or caps as to the amount of required payments.

We will retain net underfunded pension liabilities of approximately \$7.0 billion primarily to current pensioners and former employees of the European Business with vested pension rights. PSA Group will assume approximately \$2.9 billion of net underfunded pension liabilities primarily with respect to active employees of the European Business, and at closing, the Seller will make payments to PSA Group, or one or more pension funding vehicles, of approximately \$3.4 billion, subject to foreign currency and discount rate fluctuations, in respect of these assumed liabilities, which includes pension funding payments for active employees and the de-risking premium payment of approximately \$500 million discussed above. The pension liabilities described herein are calculated as of December 31, 2016 and have been updated to reflect foreign exchange rates at June 30, 2017. The actual pension liabilities retained by the Seller and assumed by PSA Group will be determined at the closing date and, as a result, may differ from the amounts reported herein. We have entered into interest rate swaps and foreign exchange forwards to hedge market risk associated with funding pension liabilities assumed by PSA Group. At closing we expect to draw upon our three year revolving credit facility to fund the payments made to PSA Group for the transferred pension liabilities. We plan to issue debt securities thereafter to repay the draw on our credit facility subject to market conditions.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As part of the retained pension liabilities described above, we will retain the United Kingdom defined benefit pension plans in existence at signing related to the European Business, including responsibility for service cost accruals through the closing date. Those plans with active participants will close to future accrual as of the day before closing. Any future service cost accruals on and from the closing date will be the responsibility of PSA Group.

We have agreed to purchase from and supply to PSA Group certain vehicles for a period of time following closing. As a result, Total net sales and revenue from continuing operations include \$760 million and \$570 million related to transactions with the European Business for the three months ended June 30, 2017 and 2016, and \$1.5 billion and \$1.2 billion for the six months ended June 30, 2017 and 2016 and Total costs and expenses from continuing operations include \$713 million and \$512 million related to transactions with the European Business for the three months ended June 30, 2017 and 2016 and \$1.4 billion and \$1.0 billion for the six months ended June 30, 2017 and 2016. Intercompany profit on these transactions was eliminated in consolidation.

The following table summarizes the results of the discontinued operations:

	Three Months		Six Months	
	Ended		Ended	
	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016
Automotive net sales and revenue	\$5,005	\$ 5,649	\$9,704	\$10,567
GM Financial net sales and revenue	139	146	267	286
Total net sales and revenue	5,144	5,795	9,971	10,853
Automotive cost of sales	4,906	5,291	9,466	10,008
GM Financial interest, operating and other expenses	102	101	202	213
Automotive selling, general, and administrative expense	353	339	679	687
Other income and (expense) items	(1)	36	2	65
Income (loss) from discontinued operations before taxes	(218)	100	(374)	10
Loss on sale of discontinued operations before taxes(a)	836	—	836	—
Total income (loss) from discontinued operations before taxes	(1,054)	100	(1,210)	10
Income tax benefit	284	6	371	104
Income (loss) from discontinued operations, net of tax	\$(770)	\$ 106	\$(839)	\$114

(a) Includes contract cancellation charges associated with the disposal.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the assets and liabilities of the European Business:

	June 30, December 31,	
	2017	2016
Current Assets		
Cash and cash equivalents	\$288	\$ 386
Accounts and notes receivable, net	1,226	938
GM Financial receivables, net	6,506	5,938
Inventories	3,233	2,748
Equipment on operating leases, net	1,077	786
Other current assets	432	382
Total current assets held for sale	12,762	11,178
Non-current Assets		
GM Financial receivables, net	4,134	3,723
Property, net	3,743	3,217
Deferred income taxes	2,163	1,920
Other assets	360	515
Total non-current assets held for sale	10,400	9,375
Total Assets Held for Sale	\$23,162	\$ 20,553
Current Liabilities		
Accounts payable (principally trade)	\$4,098	\$ 3,628
Short-term debt and current portion of long-term debt		
Automotive	95	107
GM Financial	5,530	5,124
Accrued liabilities	4,570	3,299
Total current liabilities held for sale	14,293	12,158
Non-current Liabilities		
Long-term debt		
Automotive	75	85
GM Financial	4,481	4,189
Pensions	2,882	2,687
Other liabilities	785	665
Total non-current liabilities held for sale	8,223	7,626
Total Liabilities Held for Sale	\$22,516	\$ 19,784

Note 3. Marketable Securities

The following table summarizes the fair value of cash equivalents and marketable securities which approximates cost:

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Fair Value Level	June 30, 2017	December 31, 2016
Cash and cash equivalents			
Cash, cash equivalents and time deposits		\$6,758	\$ 5,692
Available-for-sale securities			
U.S. government and agencies	2	1,179	1,158
Corporate debt	2	2,903	2,524
Money market funds	1	4,117	1,801
Sovereign debt	2	1,641	1,399
Total available-for-sale securities – cash equivalents		9,840	6,882
Total cash and cash equivalents		\$16,598	\$ 12,574
Marketable securities			
U.S. government and agencies	2	\$4,045	\$ 5,886
Corporate debt	2	3,606	3,611
Mortgage and asset-backed	2	494	197
Sovereign debt	2	988	2,147
Total available-for-sale securities – marketable securities		\$9,133	\$ 11,841
Restricted cash			
Cash, cash equivalents and time deposits		\$207	\$ 248
Available-for-sale securities, primarily money market funds	1	2,115	1,665
Total restricted cash		\$2,322	\$ 1,913
Available-for-sale securities included above with contractual maturities(a)			
Due in one year or less		\$9,002	
Due between one and five years		5,360	
Total available-for-sale securities with contractual maturities		\$14,362	

(a) Excludes mortgage and asset-backed securities.

Sales proceeds from investments classified as available-for-sale and sold prior to maturity were \$750 million and \$1.6 billion in the three months ended June 30, 2017 and 2016 and \$1.4 billion and \$4.2 billion in the six months ended June 30, 2017 and 2016. Net unrealized gains and losses on available-for-sale securities and realized gains and losses on trading securities were insignificant in the three and six months ended June 30, 2017 and 2016. Cumulative unrealized gains and losses on available-for-sale securities were insignificant at June 30, 2017 and December 31, 2016.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheet to the total shown in the condensed consolidated statement of cash flows:

	June 30, 2017
Cash and cash equivalents	\$16,598
Restricted cash included in Other current assets	1,786
Restricted cash included in Other assets	536
Total	\$18,920

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 4. GM Financial Receivables

	June 30, 2017			December 31, 2016		
	Retail	Commercial	Total	Retail	Commercial	Total
Finance receivables, collectively evaluated for impairment, net of fees	\$28,971	\$ 9,308	\$38,279	\$24,480	\$ 7,506	\$31,986
Finance receivables, individually evaluated for impairment, net of fees	2,012	35	2,047	1,920	27	1,947
GM Financial receivables	30,983	9,343	40,326	26,400	7,533	33,933
Less: allowance for loan losses	(844)	(49)	(893)	(765)	(40)	(805)
GM Financial receivables, net	\$30,139	\$ 9,294	\$39,433	\$25,635	\$ 7,493	\$33,128
Fair value of GM Financial receivables			\$39,477			\$33,181

We estimate the fair value of retail finance receivables using observable and unobservable Level 3 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. The projected cash flows are then discounted to derive the fair value of the portfolio.

Macroeconomic factors could affect the credit performance of the portfolio and therefore could potentially affect the assumptions used in our cash flow model. A substantial majority of our commercial finance receivables have variable interest rates. The carrying amount, a Level 2 input, is considered to be a reasonable estimate of fair value.

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Allowance for loan losses at beginning of period	\$867	\$ 808	\$805	\$ 749
Provision for loan losses	158	144	369	334
Charge-offs	(273)	(258)	(571)	(542)
Recoveries	142	130	285	275
Effect of foreign currency	(1)	4	5	12
Allowance for loan losses at end of period	\$893	\$ 828	\$893	\$ 828

The allowance for loan losses on retail and commercial finance receivables included a collective allowance of \$583 million and \$525 million and a specific allowance of \$310 million and \$280 million at June 30, 2017 and December 31, 2016.

Retail Finance Receivables We use proprietary scoring systems in the underwriting process that measure the credit quality of retail finance receivables using several factors, such as credit bureau information, consumer credit risk scores (e.g. FICO scores or its equivalent) and contract characteristics. We also consider other factors such as employment history, financial stability and capacity to pay. Subsequent to origination we review the credit quality of retail finance receivables based on customer payment activity. In North America, while we historically focused on consumers with lower than prime credit scores, we have expanded our prime lending programs. At June 30, 2017 and December 31, 2016, 41% and 48% of the retail finance receivables in North America were from consumers with sub-prime credit scores, which are defined as FICO scores or its equivalent of less than 620 at the time of loan origination.

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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 June 30, 2017 and December 31, 2016 the accrual of finance charge income had been suspended on delinquent retail finance receivables with contractual amounts due of \$772 million and \$798 million. The following table summarizes the contractual amount of delinquent retail finance receivables, which is not significantly different than the recorded investment of the retail finance receivables:

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	June 30, 2017			June 30, 2016		
	Amount	Percent of Contractual Amount Due	%	Amount	Percent of Contractual Amount Due	%
31-to-60 days delinquent	\$1,076	3.4	%	\$1,055	4.3	%
Greater-than-60 days delinquent	464	1.5	%	454	1.9	%
Total finance receivables more than 30 days delinquent	1,540	4.9	%	1,509	6.2	%
In repossession	43	0.2	%	47	0.2	%
Total finance receivables more than 30 days delinquent or in repossession	\$1,583	5.1	%	\$1,556	6.4	%

At June 30, 2017 and December 31, 2016 retail finance receivables classified as troubled debt restructurings and individually evaluated for impairment were \$2.0 billion and \$1.9 billion and the allowance for loan losses included \$306 million and \$276 million of specific allowances on these receivables.

Commercial Finance Receivables Our commercial finance receivables consist of dealer financings, primarily for inventory purchases. A proprietary model is used to assign a risk rating to each dealer. We perform periodic credit reviews of each dealership and adjust the dealership's risk rating, if necessary. Dealers in Group VI are subject to additional restrictions on funding, including suspension of lines of credit and liquidation of assets. At June 30, 2017 and December 31, 2016 the commercial finance receivables on non-accrual status were insignificant. The following table summarizes the credit risk profile by dealer risk rating of commercial finance receivables:

	June 30, December 31,	
	2017	2016
Group I – Dealers with superior financial metrics	\$1,610	\$1,372
Group II – Dealers with strong financial metrics	3,260	2,526
Group III – Dealers with fair financial metrics	3,180	2,598
Group IV – Dealers with weak financial metrics	855	613
Group V – Dealers warranting special mention due to elevated risks	328	334
Group VI – Dealers with loans classified as substandard, doubtful or impaired	110	90
	\$9,343	\$7,533

Note 5. Inventories

	June 30, 2017			
	GMNA	GMIO	GMSA	Total
Total productive material, supplies and work in process	\$3,534	\$873	\$700	\$5,107
Finished product, including service parts	3,948	1,434	800	6,182
Total inventories	\$7,482	\$2,307	\$1,500	\$11,289
	December 31, 2016			
	GMNA	GMIO	GMSA	Total
Total productive material, supplies and work in process	\$3,277	\$970	\$761	\$5,008
Finished product, including service parts	4,119	1,208	705	6,032
Total inventories	\$7,396	\$2,178	\$1,466	\$11,040

Note 6. Equipment on Operating Leases

Equipment on operating leases in our automotive operations consists of vehicle sales to daily rental car companies with a guaranteed repurchase obligation.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	June 30, December 31,	
	2017	2016
Equipment on operating leases	\$2,054	\$ 1,197
Less: accumulated depreciation	(171)	(87)
Equipment on operating leases, net	\$1,883	\$ 1,110

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Depreciation expense	\$64	\$ 33	\$108	\$ 54
Impairment charges	\$34	\$ 29	\$54	\$ 41

GM Financial originates leases to retail customers that are recorded as operating leases.

	June 30, December 31,	
	2017	2016
GM Financial equipment on operating leases	\$47,905	\$ 40,654
Less: accumulated depreciation	(8,180)	(6,312)
GM Financial equipment on operating leases, net	\$39,725	\$ 34,342

Depreciation expense related to GM Financial equipment on operating leases, net was \$1.6 billion and \$1.1 billion in the three months ended June 30, 2017 and 2016 and \$3.0 billion and \$2.0 billion in the six months ended June 30, 2017 and 2016.

The following table summarizes minimum rental payments due to GM Financial on leases to retail customers:

	Year Ending December 31,				
	2017	2018	2019	2020	2021
Minimum rental receipts under operating leases	\$3,371	\$5,599	\$3,191	\$723	\$ 50

Note 7. Equity in Net Assets of Nonconsolidated Affiliates

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Automotive China equity income	\$509	\$ 471	\$1,013	\$ 989
Other joint ventures equity income	21	189	72	231
Total Equity income	\$530	\$ 660	\$1,085	\$ 1,220

There have been no significant ownership changes in our Automotive China joint ventures (Automotive China JVs) since December 31, 2016.

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Summarized Operating Data of Automotive China JVs				
Automotive China JVs' net sales	\$10,815	\$10,281	\$22,016	\$21,472

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Automotive China JVs' net income	\$902	\$979	\$1,948	\$2,065
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Dividends received from our nonconsolidated affiliates were \$1.6 billion in the three and six months ended June 30, 2017 and \$1.9 billion and \$2.0 billion in the three and six months ended June 30, 2016. At June 30, 2017 and December 31, 2016 we had undistributed earnings of \$1.7 billion and \$2.2 billion related to our nonconsolidated affiliates.

Note 8. Variable Interest Entities

GM Financial uses special purpose entities (SPEs) that are considered variable interest entities (VIEs) to issue variable funding notes to third party bank-sponsored warehouse facilities or asset-backed securities to investors in securitization transactions. The

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

debt issued by these VIEs is backed by finance receivables and leasing related assets transferred to the VIEs (Securitized Assets). GM Financial determined that it is the primary beneficiary of the SPEs because 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 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 serve as the sole source of repayment for the debt issued by these entities. Investors in the notes issued by the VIEs do not have recourse to GM Financial or its 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, they are separate legal entities and their assets are legally owned by them and are not available to GM Financial's creditors. The following table summarizes the assets and liabilities related to GM Financial's consolidated VIEs:

	June 30, December 31,	
	2017	2016
Restricted cash – current	\$1,781	\$ 1,302
Restricted cash – non-current	\$480	\$ 478
GM Financial receivables, net of fees – current	\$14,046	\$ 12,437
GM Financial receivables, net of fees – non-current	\$12,585	\$ 11,917
GM Financial equipment on operating leases, net	\$23,257	\$ 19,341
GM Financial short-term debt and current portion of long-term debt	\$21,387	\$ 17,526
GM Financial long-term debt	\$16,785	\$ 16,659

GM Financial recognizes finance charge, leased vehicle and fee income on the Securitized Assets and interest expense on the secured debt issued in a securitization transaction and records a provision for loan losses to recognize probable loan losses inherent in the finance receivables.

Note 9. Automotive and GM Financial Debt

	June 30, 2017		December 31, 2016	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
Total automotive debt	\$10,610	\$11,626	\$10,560	\$11,399
Fair value utilizing Level 1 inputs		\$9,679		\$9,515
Fair value utilizing Level 2 inputs		\$1,947		\$1,884

The fair value of automotive debt measured utilizing Level 1 inputs was based on quoted prices in active markets for identical instruments that a market participant can access at the measurement date. The fair value of automotive debt measured utilizing Level 2 inputs was based on a discounted cash flow model using observable inputs. This model utilizes observable inputs such as contractual repayment terms and benchmark yield curves, plus a spread based on our senior unsecured notes that is intended to represent our nonperformance risk. We obtain the benchmark yield curves and yields on unsecured notes from independent sources that are widely used in the financial industry. At June 30, 2017 and December 31, 2016 the fair value of automotive debt exceeded its carrying amount due primarily to a decrease in bond yields compared to yields at the time of issuance.

	June 30, 2017	December 31, 2016
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	Carrying Fair		Carrying Fair	
	Amount	Value	Amount	Value
Secured debt	\$38,828	\$38,926	\$35,087	\$35,162
Unsecured debt	39,651	40,645	29,476	30,045
Total GM Financial debt	\$78,479	\$79,571	\$64,563	\$65,207
Fair value utilizing Level 2 inputs		\$77,695		\$62,951
Fair value utilizing Level 3 inputs		\$1,876		\$2,256

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The fair value of GM Financial debt measured utilizing Level 2 inputs was based on quoted market prices for identical instruments and if unavailable, quoted market prices of similar instruments. For debt with original maturity or revolving period of eighteen months or less par value is considered to be a reasonable estimate of fair value. The fair value of GM Financial debt measured utilizing Level 3 inputs was based on the discounted future net cash flows expected to be settled using current risk-adjusted rates.

Secured debt consists of revolving credit facilities and securitization notes payable. Most of the secured debt was issued by VIEs and is repayable only from proceeds related to the underlying pledged Securitized Assets. Refer to Note 8 for additional information on GM Financial's involvement with VIEs. In the six months ended June 30, 2017 we entered into new or renewed credit facilities with a total net additional borrowing capacity of \$1.9 billion, which had substantially the same terms as existing debt and we issued \$9.3 billion in aggregate principal amount of securitization notes payable with an initial weighted average interest rate of 2.04% and maturity dates ranging from 2020 to 2025.

Unsecured debt consists of senior notes, credit facilities and other unsecured debt. In the six months ended June 30, 2017 we issued \$10.0 billion in aggregate principal amount of senior notes with an initial weighted average interest rate of 2.90% and maturity dates ranging from 2019 to 2027.

Each of these notes contain terms and covenants including limitations on GM Financial's ability to incur certain liens.

Note 10. Derivative Financial Instruments

Automotive The following table presents the notional amounts based on fair value asset or liability positions of derivative financial instruments in our automotive operations:

	Fair Value Level	June 30, December 31,	
		2017	2016
Derivatives designated as hedges(a)			
Assets			
Net investment hedges – foreign currency ²		\$ 1,583	\$ —
Cash flow hedges			
Foreign currency	2	—	803
Commodity	2	160	106
Total cash flow hedges		160	909
Total assets		\$ 1,743	\$ 909
Derivatives not designated as hedges(a)			
Assets			
Foreign currency	2	\$ 4,295	\$ 4,483
Commodity	2	723	1,061
Total assets		\$ 5,018	\$ 5,544
Liabilities			
Foreign currency	2	\$ 2,173	\$ 470
Interest rate swaps	2	6,193	—
Commodity	2	307	181
Total liabilities		\$ 8,673	\$ 651

(a) The fair value of these derivative instruments at June 30, 2017 and December 31, 2016 as well as the gains/losses included in our condensed consolidated income statements and statements of comprehensive income for the three

and six months ended June 30, 2017 and 2016 were insignificant.

GM Financial The following table presents the notional amounts based on fair value asset or liability positions of GM Financial's derivative financial instruments:

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Fair Value Level	June 30, 2017	December 31, 2016
Derivatives designated as hedges(a)			
Assets			
Fair value hedges – interest rate swaps	2	\$ 2,500	\$ —
Cash flow hedges			
Interest rate swaps	2/3	2,466	3,070
Foreign currency	2	855	—
Total cash flow hedges		3,321	3,070
Total assets		\$ 5,821	\$ 3,070
Liabilities			
Fair value hedges – interest rate swaps(b)	2	\$ 8,854	\$ 7,700
Cash flow hedges			
Interest rate swaps	2/3	456	500
Foreign currency	2	—	791
Total cash flow hedges		456	1,291
Total liabilities		\$ 9,310	\$ 8,991