

General Motors Co  
Form 10-Q  
July 24, 2014

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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, 2014

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, 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  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

As of July 17, 2014 the number of shares outstanding of common stock was 1,604,681,874 shares.

Website Access to Company's Reports

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General Motors Company's internet website address is [www.gm.com](http://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

## 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,	June 30,	June 30,	June 30,
	2014	2013	2014	2013
Net sales and revenue				
Automotive	\$38,462	\$38,240	\$74,777	\$74,584
GM Financial	1,187	835	2,280	1,375
Total net sales and revenue	39,649	39,075	77,057	75,959
Costs and expenses				
Automotive cost of sales (Note 8)	35,851	33,824	69,978	66,441
GM Financial operating and other expenses	926	575	1,801	931
Automotive selling, general and administrative expense	3,343	2,925	6,284	5,877
Total costs and expenses	40,120	37,324	78,063	73,249
Operating income (loss)	(471)	) 1,751	(1,006)	) 2,710
Automotive interest expense	100	61	203	152
Interest income and other non-operating income, net	81	251	170	422
Loss on extinguishment of debt (Note 7)	—	240	—	240
Equity income (Note 5)	523	429	1,128	984
Income before income taxes	33	2,130	89	3,724
Income tax expense (benefit) (Note 11)	(254)	) 742	(478)	) 1,151
Net income	287	1,388	567	2,573
Net (income) loss attributable to noncontrolling interests	(9)	) 26	(76)	) 16
Net income attributable to stockholders	\$278	\$1,414	\$491	\$2,589
Net income attributable to common stockholders	\$190	\$1,200	\$315	\$2,160
Earnings per share (Note 14)				
Basic				
Basic earnings per common share	\$0.12	\$0.87	\$0.20	\$1.57
Weighted-average common shares outstanding	1,608	1,376	1,598	1,374
Diluted				
Diluted earnings per common share	\$0.11	\$0.75	\$0.18	\$1.37
Weighted-average common shares outstanding	1,688	1,677	1,689	1,668
Dividends declared per common share	\$0.30	\$—	\$0.60	\$—

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



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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net income	\$287	\$1,388	\$567	\$2,573
Other comprehensive income (loss), net of tax (Note 13)				
Foreign currency translation adjustments	46	(506)	) (52	) (243
Unrealized gains (losses) on securities, net	—	(5	) 3	(18
Defined benefit plans, net	(43	) 79	24	262
Other comprehensive income (loss), net of tax	3	(432	) (25	) 1
Comprehensive income	290	956	542	2,574
Comprehensive (income) loss attributable to noncontrolling interests	(7	) 29	(71	) 27
Comprehensive income attributable to stockholders	\$283	\$985	\$471	\$2,601

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, 2014	December 31, 2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 19,864	\$ 20,021
Marketable securities (Note 2)	9,935	8,972
Restricted cash and marketable securities (Note 2)	1,325	1,247
Accounts and notes receivable (net of allowance of \$358 and \$344)	11,480	8,535
GM Financial receivables, net (Note 3)(including receivables at VIEs of \$11,362 and \$10,001; Note 6)	15,797	14,278
Inventories (Note 4)	15,200	14,039
Equipment on operating leases, net	4,633	2,398
Deferred income taxes	11,499	10,349
Other current assets	1,910	1,662
Total current assets	91,643	81,501
Non-current Assets		
Restricted cash and marketable securities (Note 2)	969	829
GM Financial receivables, net (Note 3)(including receivables at VIEs of \$12,007 and \$11,216; Note 6)	15,430	14,354
Equity in net assets of nonconsolidated affiliates (Note 5)	7,485	8,094
Property, net	27,023	25,867
Goodwill	1,573	1,560
Intangible assets, net	5,220	5,668
GM Financial equipment on operating leases, net (including assets at VIEs of \$3,475 and \$1,803; Note 6)	4,748	3,383
Deferred income taxes	22,582	22,736
Other assets	2,425	2,352
Total non-current assets	87,455	84,843
Total Assets	\$ 179,098	\$ 166,344
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable (principally trade)	\$ 26,992	\$ 23,621
Short-term debt and current portion of long-term debt (Note 7)		
Automotive (including certain debt at VIEs of \$194 and \$219; Note 6)	610	564
GM Financial (including certain debt at VIEs of \$11,382 and \$10,088; Note 6)	15,193	13,594
Accrued liabilities	29,552	24,633
Total current liabilities	72,347	62,412
Non-current Liabilities		
Long-term debt (Note 7)		
Automotive (including certain debt at VIEs of \$24 and \$23; Note 6)	6,864	6,573
GM Financial (including certain debt at VIEs of \$10,989 and \$9,330; Note 6)	17,409	15,452
Postretirement benefits other than pensions (Note 9)	5,826	5,897
Pensions (Note 9)	19,068	19,483

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Other liabilities and deferred income taxes	14,999	13,353
Total non-current liabilities	64,166	60,758
Total Liabilities	136,513	123,170
Commitments and contingencies (Note 10)		
Equity (Note 13)		
Series A preferred stock, \$0.01 par value	3,109	3,109
Common stock, \$0.01 par value	16	15
Additional paid-in capital	28,840	28,780
Retained earnings	13,162	13,816
Accumulated other comprehensive loss	(3,133	) (3,113
Total stockholders' equity	41,994	42,607
Noncontrolling interests	591	567
Total Equity	42,585	43,174
Total Liabilities and Equity	\$179,098	\$166,344

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

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In millions)

(Unaudited)

	Series A Preferred Stock	Series B Preferred Stock	Common Stockholders'			Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
			Common Stock	Additional Paid-in Capital	Retained Earnings			
Balance at December 31, 2012	\$ 5,536	\$ 4,855	\$ 14	\$ 23,834	\$ 10,057	\$ (8,052)	\$ 756	\$ 37,000
Net income	—	—	—	—	2,589	—	(16)	2,573
Other comprehensive income	—	—	—	—	—	12	(11)	1
Exercise of common stock warrants	—	—	—	2	—	—	—	2
Stock based compensation	—	—	—	(32)	—	—	—	(32)
Cumulative dividends and cash dividends paid on Series A Preferred Stock and cumulative dividends on Series B Preferred Stock	—	—	—	—	(455)	—	—	(455)
Dividends declared or paid to noncontrolling interests	—	—	—	—	—	—	(52)	(52)
Other	—	—	—	14	—	—	(47)	(33)
Balance at June 30, 2013	\$ 5,536	\$ 4,855	\$ 14	\$ 23,818	\$ 12,191	\$ (8,040)	\$ 630	\$ 39,004
Balance at December 31, 2013	\$ 3,109	—	\$ 15	\$ 28,780	\$ 13,816	\$ (3,113)	\$ 567	\$ 43,174
Net income	—	—	—	—	491	—	76	567
Other comprehensive loss	—	—	—	—	—	(20)	(5)	(25)
Exercise of common stock warrants	—	—	1	14	—	—	—	15
Stock based compensation	—	—	—	47	(7)	—	—	40
Cash dividends paid on Series A Preferred Stock	—	—	—	—	(176)	—	—	(176)
Cash dividends paid on Common Stock	—	—	—	—	(962)	—	—	(962)
Dividends declared or paid to noncontrolling interests	—	—	—	—	—	—	(66)	(66)
Other	—	—	—	(1)	—	—	19	18

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Balance at June 30, 2014 \$ 3,109                      \$ 16      \$ 28,840      \$ 13,162      \$ (3,133      )      \$ 591                      \$ 42,585

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Six Months Ended	
	June 30, 2014	June 30, 2013
Net cash provided by operating activities	\$5,806	\$5,712
Cash flows from investing activities		
Expenditures for property	(3,425)	(3,833)
Available-for-sale marketable securities, acquisitions	(3,714)	(1,841)
Trading marketable securities, acquisitions	(1,426)	(2,967)
Available-for-sale marketable securities, liquidations	2,723	2,387
Trading marketable securities, liquidations	1,456	4,921
Acquisition of companies, net of cash acquired	(50)	(2,111)
Proceeds from sale of business units/investments, net of cash disposed	—	(81)
Increase in restricted cash and marketable securities	(418)	(477)
Decrease in restricted cash and marketable securities	212	553
Purchases of finance receivables	(6,818)	(4,289)
Principal collections and recoveries on finance receivables	5,299	3,054
Purchases of leased vehicles, net	(1,802)	(1,126)
Proceeds from termination of leased vehicles	264	84
Other investing activities	99	(75)
Net cash used in investing activities	(7,600)	(5,801)
Cash flows from financing activities		
Net increase in short-term debt	259	98
Proceeds from issuance of debt (original maturities greater than three months)	12,697	11,417
Payments on debt (original maturities greater than three months)	(9,724)	(9,075)
Dividends paid	(1,193)	(474)
Other financing activities	(21)	(113)
Net cash provided by financing activities	2,018	1,853
Effect of exchange rate changes on cash and cash equivalents	(381)	(489)
Net increase (decrease) in cash and cash equivalents	(157)	1,275
Cash and cash equivalents at beginning of period	20,021	18,422
Cash and cash equivalents at end of period	\$19,864	\$19,697
Supplemental cash flow information:		
Non-cash property additions	\$2,949	\$3,457

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 is sometimes referred to in this Quarterly Report on Form 10-Q as “we,” “our,” “us,” “ourselves,” the “Company,” “General Motors,” or “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 the following 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.

As discussed in Note 8 we announced recalls of approximately 29 million vehicles and recorded recall-related charges of approximately \$2.5 billion in the six months ended June 30, 2014 and as discussed in Note 10 we announced the creation of a compensation program related to faulty ignition switches and recorded a charge of \$400 million in the six months ended June 30, 2014.

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, 2013 (2013 Form 10-K) as filed with the SEC. Certain prior year amounts were reclassified to conform to our current year presentation.

In the three months ended March 31, 2014 we changed our managerial and financial reporting structure to reclassify the results of our Russian subsidiaries previously reported in our GMIO segment to our GME segment. We have retrospectively revised the segment presentation for all periods presented. Refer to Note 15 for our segment reporting.

Change in Accounting Estimate

We have historically accrued estimated costs related to recall campaigns in GMNA when they are probable and reasonably estimable, which typically occurs once it is determined a specific recall campaign is needed and announced. During the three months ended June 30, 2014, following the significant increase in the number of vehicles subject to recall in GMNA, the results of our ongoing comprehensive safety review, additional engineering analysis, the creation of a new Global Product Integrity organization, the appointment of a new Global Vice President of Vehicle Safety responsible for the safety development of our vehicle systems and our overall commitment to customer satisfaction, we accumulated sufficient historical data in GMNA to support the use of an actuarial-based estimation technique for recall campaigns. As such, we now accrue at the time of vehicle sale in GMNA the costs for recall campaigns. Based on expanded historical data, we recorded a catch-up adjustment of \$874 million in Automotive cost of sales in the three months ended June 30, 2014 to adjust the estimate for recall costs for previously sold vehicles. In other geographical regions the historical claims data did not support the application of an actuarial-based model;

therefore, recall campaigns are accrued when probable and reasonably estimable, which typically occurs once it is determined a specific recall campaign is needed and announced.

#### Recently Adopted Accounting Principles

On January 1, 2014 we adopted Accounting Standards Update (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" (ASU 2013-11) which was issued to eliminate diversity in practice. This update 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. The adoption of ASU 2013-11 did not have an effect on our condensed consolidated financial statements.

#### Accounting Standards Not Yet Adopted

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In May 2014 the Financial Accounting Standards Board issued ASU 2014-09, "Revenue Recognition - Revenue from Contracts with Customers" (ASU 2014-09) that requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service. This update is effective for annual reporting periods beginning on or after December 15, 2016 and interim periods therein and requires expanded disclosures. We are currently assessing the impact the adoption of ASU 2014-09 will have on our condensed consolidated financial statements.

## Note 2. Marketable Securities

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

	Fair Value Level	June 30, 2014		December 31, 2013	
		Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents					
Available-for-sale securities					
U.S. government and agencies	2	\$1,476	\$1,476	\$1,437	\$1,437
Sovereign debt	2	942	942	515	515
Money market funds	1	1,169	1,169	1,262	1,262
Corporate debt	2	8,232	8,232	7,598	7,598
Total available-for-sale securities		\$11,819	11,819	\$10,812	10,812
Trading securities - corporate debt	2		51		25
Total marketable securities classified as cash equivalents			11,870		10,837
Cash, cash equivalents and time deposits			7,994		9,184
Total cash and cash equivalents			\$19,864		\$20,021
Marketable securities					
Available-for-sale securities					
U.S. government and agencies	2	\$6,315	\$6,317	\$5,343	\$5,344
Corporate debt	2	1,866	1,873	1,867	1,869
Sovereign debt	2	36	36	22	22
Total available-for-sale securities		\$8,217	8,226	\$7,232	7,235
Trading securities - sovereign debt	2		1,709		1,737
Total marketable securities			\$9,935		\$8,972
Restricted cash and marketable securities					
Available-for-sale securities					
Money market funds	1	\$1,424	\$1,424	\$897	\$897
Other	2	30	31	34	35
Total marketable securities classified as restricted cash and marketable securities		\$1,454	1,455	\$931	932
Restricted cash and cash equivalents and time deposits			839		1,144
Total restricted cash and marketable securities			\$2,294		\$2,076

We are required to post cash and marketable securities as collateral for certain agreements that we enter into as part of our operations. Cash and marketable securities subject to contractual restrictions and not readily available are classified as Restricted cash and marketable securities. Restricted cash and marketable securities are invested in

accordance with the terms of the underlying agreements and include amounts related to securitizations, escrows and other cash collateral requirements.

Sales proceeds from investments classified as available-for-sale and sold prior to maturity were \$748 million and \$1.3 billion in the three months ended June 30, 2014 and 2013 and \$1.5 billion and \$1.7 billion in the six months ended June 30, 2014 and 2013. Cumulative unrealized gains and losses on available-for-sale securities were insignificant at June 30, 2014 and December 31, 2013 and net unrealized gains and losses on trading securities were insignificant in the three and six months ended June 30, 2014

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

and 2013. The following table summarizes the amortized cost and the fair value of investments classified as available-for-sale by contractual maturity at June 30, 2014 (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	\$16,936	\$16,938
Due after one year through five years	1,961	1,969
Total available-for-sale securities with contractual maturities	\$18,897	\$18,907

## Note 3. GM Financial Receivables, net

As a result of our October 2010 acquisition of GM Financial and GM Financial's acquisition of certain of the Ally Financial Inc. (Ally Financial) international operations in the year ended December 31, 2013, 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 acquisitions of GM Financial and 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):

	June 30, 2014			December 31, 2013		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Pre-acquisition finance receivables, outstanding amount	\$839	\$—	\$839	\$1,294	\$—	\$1,294
Pre-acquisition finance receivables, carrying amount	\$755	\$—	\$755	\$1,174	\$—	\$1,174
Post-acquisition finance receivables, net of fees	24,291	6,796	31,087	21,956	6,050	28,006
Finance receivables	25,046	6,796	31,842	23,130	6,050	29,180
Less: allowance for loan losses	(575 )	(40 )	(615 )	(497 )	(51 )	(548 )
GM Financial receivables, net	\$24,471	\$6,756	\$31,227	\$22,633	\$5,999	\$28,632
Fair value of GM Financial receivables, net			\$31,604			\$28,668

Of the total allowance for loan losses in the above table, \$486 million and \$427 million were current at June 30, 2014 and December 31, 2013.

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



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using unobservable debt and equity percentages, an 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. A substantial majority of commercial finance receivables have variable interest rates and maturities of one year or less. Therefore the carrying amount is considered to be a reasonable estimate of fair value.

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

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Balance at beginning of period	\$586	\$393	\$548	\$351
Provision for loan losses	113	100	248	194
Charge-offs	(191	) (116	) (415	) (248
Recoveries	107	70	234	150
Balance at end of period	\$615	\$447	\$615	\$447

The balances and activity of the allowance for commercial loan losses included in the above table at and in the three and six months ended June 30, 2014 and 2013 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 at the time of loan origination, many consumers have sub-prime credit scores, which is typically defined as a loan with a borrower that has a FICO score of less than 620. At June 30, 2014, 89% of the consumer finance receivables in North America were from consumers with FICO scores less than 620.

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.

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, 2014 and December 31, 2013 the accrual of finance charge income has been suspended on delinquent consumer finance receivables with contractual amounts due of \$626 million and \$642 million. The following table summarizes the contractual amount of delinquent contracts, which is not significantly different than the recorded investment of the consumer finance receivables (dollars in millions):

	June 30, 2014		June 30, 2013	
	Amount	Percent of Contractual Amount Due	Amount	Percent of Contractual Amount Due
Delinquent contracts				
31-to-60 days	\$886	3.5 %	\$645	3.4 %
Greater-than-60 days	388	1.6 %	253	1.4 %
Total finance receivables more than 30 days delinquent	1,274	5.1 %	898	4.8 %
In repossession	40	0.1 %	35	0.2 %
Total finance receivables more than 30 days delinquent or in repossession	\$1,314	5.2 %	\$933	5.0 %

Impaired Finance Receivables - Troubled Debt Restructurings (TDRs)

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Consumer finance receivables in the post-acquisition portfolio that become classified as 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):

	June 30, 2014	December 31, 2013
Outstanding recorded investment	\$992	\$767
Less: allowance for loan losses	(123	) (103
Outstanding recorded investment, net of allowance	\$869	\$664
Unpaid principal balance	\$1,009	\$779

## Commercial Finance Receivables

GM Financial's commercial finance receivables consist of dealer financings, primarily for inventory purchases. 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 June 30, 2014 and December 31, 2013 the commercial finance receivables 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):

	June 30, 2014	December 31, 2013
Group I - Dealers with superior financial metrics	\$747	\$549
Group II - Dealers with strong financial metrics	1,577	1,460
Group III - Dealers with fair financial metrics	2,229	1,982
Group IV - Dealers with weak financial metrics	1,463	1,462
Group V - Dealers warranting special mention due to potential weaknesses	583	385
Group VI - Dealers with loans classified as substandard, doubtful or impaired	197	212
	\$6,796	\$6,050

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

## Note 4. Inventories

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

	June 30, 2014	December 31, 2013
Productive material, supplies and work in process	\$6,165	\$5,872
Finished product, including service parts	9,035	8,167
Total inventories	\$15,200	\$14,039

## Note 5. 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 joint ventures (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. There have been no significant ownership changes in our China JVs since December 31, 2013. The following table summarizes information regarding Equity income (dollars in millions):

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
China JVs	\$476	\$418	\$1,071	\$966
Others	47	11	57	18
Total equity income	\$523	\$429	\$1,128	\$984

We received dividends from nonconsolidated affiliates of \$1.3 billion and \$1.5 billion in the three months ended June 30, 2014 and 2013 and \$1.3 billion and \$1.6 billion in the six months ended June 30, 2014 and 2013. At June 30, 2014 and December 31, 2013 we had undistributed earnings including dividends declared but not received of \$1.7 billion and \$1.8 billion related to our nonconsolidated affiliates.

## Transactions with Nonconsolidated Affiliates

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		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Results of operations				
Automotive sales and revenue	\$769	\$707	\$1,552	\$1,301
Automotive purchases, net	\$118	\$196	\$223	\$375
Cash flows				
Operating			\$2,561	\$2,432
			June 30, 2014	December 31, 2013
Financial position				
Accounts and notes receivable, net			\$1,166	\$756
Accounts payable			\$171	\$183

## Note 6. Variable Interest Entities

## Consolidated Variable Interest Entities (VIEs)

## Automotive

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. Certain voting and other rights permit us to direct those activities of GM Egypt that most significantly affect its economic performance. The assets and liabilities recorded related to these VIEs consist primarily of Cash and cash equivalents, Accounts and notes receivable, net, Inventories, Property, net, Accounts payable (principally trade) and Accrued liabilities. 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. The following tables summarize the carrying amounts

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of assets and liabilities and amounts recorded in earnings related to these consolidated VIEs stated prior to intercompany eliminations (dollars in millions):

	June 30, 2014	December 31, 2013
Total assets	\$618	\$564
Total liabilities	\$437	\$395

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Total net sales and revenue	\$327	\$250	\$633	\$496
Net income	\$30	\$17	\$57	\$37

GM Korea Company (GM Korea) and General Motors India Private Limited and Chevrolet Sales India Private Limited (collectively GM India) 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. Combined creditors of GM Korea's and GM India's liabilities, which were composed of short-term and long-term debt, of \$218 million and \$242 million at June 30, 2014 and December 31, 2013, 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):

	June 30, 2014	December 31, 2013
Restricted cash	\$1,741	\$1,523
Securitized Assets	\$27,173	\$23,584
Securitization notes payable and other credit facilities	\$22,371	\$19,448

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 securitized receivables. 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 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, 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 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 or authority through voting or similar rights to direct the 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

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

to ensure that supply needs for production were not disrupted due to a supplier's liquidity concerns or possible shutdowns. The following table summarizes the carrying amounts of assets and liabilities and total off-balance sheet arrangements related to nonconsolidated VIEs (dollars in millions):

	June 30, 2014	December 31, 2013
Total assets	\$221	\$169
Total liabilities	\$945	\$838
Off-balance sheet arrangements	\$71	\$115

Assets and liabilities consist primarily of Equity in net assets of nonconsolidated affiliates, Short-term debt and current portion of long-term debt and Accrued liabilities. Off-balance sheet arrangements consist of commitments and other liquidity arrangements. Our maximum exposure to loss related to nonconsolidated VIEs approximated the carrying amount of total assets and the amount of off-balance sheet arrangements at June 30, 2014 and December 31, 2013. Refer to Note 10 for additional information on our maximum exposure to loss under agreements with Ally Financial.

## Note 7. Short-Term and Long-Term Debt

## Automotive

The following table summarizes the carrying amount and fair value of debt (dollars in millions):

	June 30, 2014	December 31, 2013
Carrying amount	\$7,474	\$7,137
Fair value	\$7,348	\$6,837

The fair value of debt was measured utilizing Level 2 inputs at June 30, 2014 and December 31, 2013 consisting of quoted market prices and if unavailable, a discounted cash flow model. 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 acquire the benchmark yield curves and yields on unsecured notes from independent sources that are widely used in the financial industry.

## Senior Unsecured Notes

In September 2013 we issued \$4.5 billion in aggregate principal amount of senior unsecured notes. These notes contain terms and covenants customary of these types of securities including limitations on the amount of certain secured debt we may issue. In June 2014 our registration statement for an exchange offer as part of the registration rights agreement associated with the senior unsecured notes was declared effective by the SEC. The exchange offer commenced in June 2014 and expired on July 21, 2014.

## Technical Defaults and Covenant Violations

Several of our loan facilities require compliance with certain financial and operational covenants as well as regular reporting to lenders, including providing certain subsidiary financial statements. Failure to meet certain of these requirements may result in a covenant violation or an event of default depending on the terms of the agreement. An event of default may allow lenders to declare amounts outstanding under these agreements immediately due and payable, to enforce their interests against collateral pledged under these agreements or restrict our ability to obtain

additional borrowings. A foreign subsidiary was not in compliance with certain financial covenants under its \$71 million term loan facility. We are evaluating alternatives to cure this financial covenant issue and included this liability in Short-term debt and current portion of long-term debt at June 30, 2014 and December 31, 2013.

Losses on Extinguishment of Debt

In April 2013 GM Korea made a payment of \$708 million to acquire, prior to the mandatory redemption date, the remaining balance of GM Korea's mandatorily redeemable preferred shares that had a carrying amount of \$468 million. We recorded the difference of \$240 million as a loss on extinguishment of debt.

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## Automotive Financing - GM Financial

The following table summarizes the carrying amount and fair value of debt (dollars in millions):

	June 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Secured				
Revolving credit facilities	\$8,591	\$8,611	\$9,000	\$8,995
Securitization notes payable	16,415	16,535	13,073	13,175
Total secured	25,006	25,146	22,073	22,170
Unsecured				
Senior notes	4,376	4,524	4,000	4,106
Credit facilities and other unsecured debt	3,220	3,227	2,973	2,972
Total unsecured	7,596	7,751	6,973	7,078
Total GM Financial debt	\$32,602	\$32,897	\$29,046	\$29,248

The fair value of debt included \$29.2 billion and \$23.0 billion measured utilizing Level 2 inputs and \$3.7 billion and \$6.2 billion measured utilizing Level 3 inputs at June 30, 2014 and December 31, 2013. For revolving credit facilities with variable interest rates and maturities of one year or less, and certain unsecured debt with maturities of one year or less, the carrying amount is considered to be a reasonable estimate of fair value. The fair value of other secured and unsecured debt is based on quoted market prices, when available. If quoted market prices are not available, the market value is estimated using quoted market prices of similar securities or by discounting future net cash flows expected to be settled using current risk-adjusted rates.

## Secured Debt

The revolving credit facilities have revolving periods ranging from one to three years. At the end of the revolving period, if the facilities are not renewed, the debt will amortize over periods ranging up to seven years. Most of the secured debt was issued by VIEs and it is repayable only from proceeds related to the underlying pledged finance receivables and leases. Refer to Note 6 for additional information relating to GM Financial's involvement with VIEs. Weighted-average interest rates on secured debt are both fixed and variable, ranging from 0.5% to 13.4% at June 30, 2014.

Securitization notes payable represents debt issued by GM Financial through securitization transactions. In the six months ended June 30, 2014 GM Financial issued securitization notes payable of \$5.0 billion with a weighted-average interest rate of 1.5% maturing on various dates through 2022.

## Unsecured Debt

In May 2014 GM Financial issued Canadian Dollar \$400 million of 3.25% senior notes which are due in May 2017 with interest payable semiannually. GM Financial intends to use the net proceeds from this offering for general corporate purposes. Senior notes outstanding at June 30, 2014 are due beginning in 2016 through 2023 and have interest rates that range from 2.75% to 6.75%.

In July 2014 GM Financial issued \$1.5 billion in aggregate principal amount of senior notes comprising \$700 million of 2.625% notes due in July 2017 and \$800 million of 3.5% notes due in July 2019. GM Financial intends to use the

net proceeds from this offering for general corporate purposes.

The maturity dates of unsecured credit facilities range up to five years. If not renewed, any balance outstanding under these credit facilities is either immediately due in full or will amortize over a defined period. Interest rates on unsecured credit facilities ranged from 0.25% to 13.55% at June 30, 2014.

Note 8. Product Warranty and Related Liabilities

The following table summarizes activity for policy, product warranty, recall campaigns and courtesy transportation (dollars in

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

millions):

	Six Months Ended	
	June 30,	June 30,
	2014	2013
Balance at beginning of period	\$7,601	\$7,633
Warranties issued and assumed in period - recall campaigns and courtesy transportation	2,485	343
Warranties issued and assumed in period - policy and warranty	1,309	1,369
Payments	(1,784	) (1,659
Adjustments to pre-existing warranties	889	(37
Effect of foreign currency and other	28	(144
Balance at end of period	\$10,528	\$7,505

In the six months ended June 30, 2014 we recorded charges of approximately \$2.5 billion in Automotive cost of sales relating to recall campaigns and courtesy transportation, of which over 90% was recorded in GMNA. The recorded charges primarily comprised: (1) approximately \$680 million for 2.6 million vehicles to repair ignition switches that could result in a loss of electrical power under certain circumstances that may prevent front airbags from deploying in the event of a crash (accident victims who died or suffered physical injury associated with these vehicles (or their families) may be eligible to participate in a compensation program, as more fully described in Note 10); to fix ignition lock cylinders that could allow removal of the ignition key while the engine is running, leading to possible rollaway or crash; and to provide courtesy transportation to owners of affected vehicles; partially offset by adjustments of approximately \$95 million for courtesy transportation as a result of greater part availability and fewer customers utilizing courtesy transportation than originally estimated and approximately \$80 million for costs originally estimated separately for ignition switches and ignition lock cylinders that are now being shipped and repaired at the same time resulting in reduced costs; (2) approximately \$340 million for 1.9 million vehicles to replace either the power steering motor, the steering column, the power steering motor control unit or a combination of the steering column and the power steering motor control unit as the electric power steering could fail under certain circumstances; (3) approximately \$185 million for 1.3 million vehicles prone to non-deployment of the side impact restraints if vehicles are not serviced when the Service Air Bag warning light is illuminated; (4) approximately \$90 million for 2.7 million vehicles to modify the brake lamp wiring harness that could have corrosion develop due to micro-vibration; (5) approximately \$80 million for 1.5 million vehicles to replace front safety lap belt cables that could fatigue and separate over time; (6) approximately \$150 million for 1.4 million vehicles to replace the shift cable that could wear out over time resulting in mismatches of the gear position indicated by the shift lever; (7) approximately \$325 million for 12.1 million vehicles to rework or replace ignition keys because the ignition switch may move out of the “run” position which may impact power steering and power braking and, depending on the timing of the key movement relative to the activation of the sensing algorithm of a crash event, may result in airbags not deploying; and (8) approximately \$520 million for 5.2 million vehicles for other matters.

We have historically accrued estimated costs related to recall campaigns in GMNA when they are probable and reasonably estimable, which typically occurs once it is determined a specific recall campaign is needed and announced. During the three months ended June 30, 2014, following the significant increase in the number of vehicles subject to recall in GMNA, the results of our ongoing comprehensive safety review, additional engineering analysis, the creation of a new Global Product Integrity organization, the appointment of a new Global Vice President of Vehicle Safety responsible for the safety development of our vehicle systems and our overall commitment to customer satisfaction, we accumulated sufficient historical data in GMNA to support the use of an actuarial-based estimation technique for recall campaigns. Based on the expanded historical data, adjustments to pre-existing warranties in the six months ended June 30, 2014 included a catch-up adjustment of \$874 million to adjust the estimate for recall costs for previously sold vehicles. The estimation technique for recall campaigns takes into account our historical

experience, including incident rates of recall campaigns.

Note 9. Pensions and Other Postretirement Benefits

The following table summarizes the components of net periodic pension and other postretirement benefits (OPEB) (income) expense (dollars in millions):

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Three Months Ended June 30, 2014				Three Months Ended June 30, 2013			
	Pension Benefit Plans		Other Benefit Plans		Pension Benefit Plans		Other Benefit Plans	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$96	\$ 112	\$3	\$ 3	\$99	\$ 94	\$6	\$ 4
Interest cost	765	263	55	14	709	252	55	14
Expected return on plan assets	(979 )	(222 )	—	—	(890 )	(205 )	—	—
Amortization of prior service cost (credit)	(1 )	4	—	(4 )	(1 )	5	(30 )	(3 )
Amortization of net actuarial (gains) losses	(23 )	41	4	(2 )	1	51	23	1
Curtailments, settlements and other (gains)	—	(1 )	—	—	(37 )	(1 )	—	—
Net periodic pension and OPEB (income) expense	\$(142 )	\$ 197	\$62	\$ 11	\$(119 )	\$ 196	\$54	\$ 16
	Six Months Ended June 30, 2014				Six Months Ended June 30, 2013			
	Pension Benefit Plans		Other Benefit Plans		Pension Benefit Plans		Other Benefit Plans	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$191	\$ 205	\$6	\$ 5	\$198	\$ 193	\$13	\$ 7
Interest cost	1,530	525	110	27	1,418	506	110	28
Expected return on plan assets	(1,957 )	(441 )	—	—	(1,781 )	(414 )	—	—
Amortization of prior service cost (credit)	(2 )	9	(1 )	(7 )	(2 )	10	(59 )	(7 )
Amortization of net actuarial (gains) losses	(46 )	80	7	(3 )	3	100	46	3
Curtailments, settlements and other (gains) losses	(2 )	1	—	—	5	3	—	—
Net periodic pension and OPEB (income) expense	\$(286 )	\$ 379	\$122	\$ 22	\$(159 )	\$ 398	\$110	\$ 31

## Note 10. Commitments and Contingencies

The following tables summarize information related to Commitments and contingencies (dollars in millions):

	June 30, 2014		December 31, 2013	
	Liability Recorded	Maximum Liability(a)	Liability Recorded	Maximum Liability(a)
Guarantees				
Third party commercial loans and other obligations(b)	\$18	\$ 2,982	\$51	\$ 15,616
Other product-related claims	\$56	\$ 1,403	\$54	\$ 1,317

(a) Calculated as future undiscounted payments.

(b) Includes liabilities recorded of \$3 million and \$10 million and maximum liabilities of \$2.8 billion and \$15.3 billion related to Ally Financial repurchase obligations at June 30, 2014 and December 31, 2013.

Liability Recorded	
June 30, 2014	December 31, 2013



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Other litigation-related liability and tax administrative matters	\$1,343	\$1,227
Product liability	\$726	\$690
Ignition switch recall compensation program	\$400	\$—
Environmental liability	\$143	\$154

Guarantees

We provide payment guarantees on commercial loans outstanding with third parties such as dealers or rental car companies. We determined the fair value ascribed to the guarantees at inception and subsequent to inception to be insignificant based on the

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

credit worthiness of the third parties. In March 2014 a new agreement was signed with Ally Financial that removed the repurchase obligation for vehicles invoiced after December 31, 2013. The existing repurchase obligation for vehicles invoiced prior to December 31, 2013 is maintained until December 31, 2014 at which time repurchase obligations will expire for all vehicles.

We have agreements with third parties that guarantee the fulfillment of certain suppliers' commitments and other obligations. These guarantees expire in 2014 through 2019 or are ongoing, or upon the occurrence of specific events.

In some instances certain assets of the party whose debt or performance we have guaranteed may offset, to some degree, the cost of the guarantee. The offset of certain of our payables to guaranteed parties may also offset certain guarantees, if triggered. If vehicles are required to be repurchased under vehicle repurchase obligations, the total exposure would be reduced to the extent vehicles are able to be resold to another dealer.

In connection with certain divestitures of assets or operating businesses, we have entered into agreements indemnifying certain buyers and other parties with respect to environmental conditions and other closure costs pertaining to real property we owned. We periodically enter into agreements that incorporate indemnification provisions in the normal course of business. It is not possible to estimate our maximum exposure under these indemnifications or guarantees due to the conditional nature of these obligations. Insignificant amounts have been recorded for such obligations as the majority of them are not probable or estimable at this time and the fair value of the guarantees at issuance was insignificant.

In addition to the guarantees and indemnifying agreements previously discussed, we indemnify dealers for certain product liability related claims as subsequently discussed.

With respect to other product-related claims involving products manufactured by certain joint ventures, we believe that costs incurred are adequately covered by recorded accruals. These guarantees terminate in years ranging from 2020 to 2028.

Other Litigation-Related Liability and Tax Administrative Matters

Various legal actions, governmental investigations, claims and proceedings are pending against us including matters arising out of alleged product defects; employment-related matters; governmental regulations relating to safety, emissions and fuel economy; product warranties; financial services; dealer, supplier and other contractual relationships; tax-related matters not recorded pursuant to Accounting Standards Codification (ASC) 740, "Income Taxes" (indirect tax-related matters) and environmental matters.

With regard to the litigation matters discussed in the previous paragraph, reserves have been established for matters in which we believe that losses are probable and can be reasonably estimated, the majority of which are associated with indirect tax-related matters as well as non-U.S. labor-related matters. Indirect tax-related matters are being litigated globally pertaining to value added taxes, customs, duties, sales, property taxes and other non-income tax related tax exposures. The various non-U.S. labor-related matters include claims from current and former employees related to alleged unpaid wage, benefit, severance and other compensation matters. Certain South American administrative proceedings are indirect tax-related and may require that we deposit funds in escrow. Escrow deposits may range from \$500 million to \$700 million. Some of the matters may involve compensatory, punitive or other treble damage claims, environmental remediation programs or sanctions that, if granted, could require us to pay damages or make other expenditures in amounts that could not be reasonably estimated at June 30, 2014. We believe that appropriate accruals have been established for such matters based on information currently available. Reserves for litigation losses are

recorded in Accrued liabilities and Other liabilities and deferred income taxes. Litigation is inherently unpredictable however; and unfavorable resolutions could occur. Accordingly it is possible that an adverse outcome from such proceedings could exceed the amounts accrued in an amount that could be material to our financial condition, results of operations and cash flows in any particular reporting period.

#### Proceedings Related to Ignition Switch Recall

In the three months ended March 31, 2014 we announced a recall to repair ignition switches that under certain circumstances could unintentionally move from the “run” position to the “accessory” or “off” position with a corresponding loss of power, which in turn may prevent front airbags from deploying in the event of a crash. The recall includes approximately 2.6 million Chevrolet Cobalt, HHR, Pontiac G5, Pursuit, Solstice, and Saturn ION and Sky vehicles.

Through July 23, 2014 we are aware of 95 putative class actions that have been filed against GM in various U.S. District Courts and state courts since the recall announcement alleging that consumers have been economically harmed by the recall and/or the

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

underlying vehicle condition. In the aggregate, these cases seek recovery for compensatory damages, including for alleged diminution in value of the vehicles, punitive damages and injunctive and other relief. Most, but not all, of these lawsuits are pending in federal court. Additionally, through July 23, 2014, eight putative class actions have been filed in various Provincial Courts in Canada seeking similar relief. In June 2014 the United States Judicial Panel on Multidistrict Litigation ordered that 15 of the then pending U.S. federal lawsuits involving ignition switches be transferred to and consolidated in a single federal court, the Southern District of New York. To date, more than 100 cases (including personal injury cases) have been transferred and consolidated in that same court, and GM has requested that various other recently filed federal lawsuits also be transferred and consolidated with those same actions. Because the majority of plaintiffs in these actions are suing over vehicles manufactured by pre-bankruptcy General Motors Corporation, GM will seek to enforce the terms of the federal Bankruptcy Court's July 2009 Sale Order and Injunction to preclude liability for any economic loss damages based on vehicles and parts manufactured prior to July 2009. These cases are in their very early stages. No discovery has yet taken place.

Through July 23, 2014 we are aware of two actions that have been filed against GM alleging that GM's purported concealment of the ignition switch and other defects that have been the subject of recalls in 2014 has diminished the value of other GM vehicles and seeking economic damages under California consumer protection statutes. One of these actions is a putative class action that has been consolidated with the ignition switch putative class actions and transferred to the Southern District of New York. The other action was brought by the Orange County, California district attorney and is pending in California state court. In the aggregate these actions seek recovery under California consumer protection statutes for economic damages as well as civil penalties, punitive damages, attorneys' fees, and costs.

On March 21, 2014 a putative shareholder class action was filed in the United States District Court for the Eastern District of Michigan against GM and various current and former officers of GM (Pio v. General Motors Company et al.) on behalf of purchasers of GM securities from November 17, 2010 through March 10, 2014. The complaint alleges that defendants made material misstatements and omissions relating to problems with the ignition switch in SEC filings. The plaintiff seeks unspecified monetary damages, interest and attorneys' fees and costs. Four shareholders have filed motions seeking to be appointed lead plaintiff in this putative class action. After the court rules on those motions and appoints a lead plaintiff, we anticipate the lead plaintiff will file an amended complaint that may include allegations different from those in the current complaint.

On March 28, 2014 a shareholder derivative action was filed in the United States District Court for the Eastern District of Michigan against certain current and former GM directors (Hockstein v. Barra, et al.). The complaint alleges breach of fiduciary duty, waste of corporate assets, and unjust enrichment by GM's directors in connection with monitoring, remediation and disclosure of the issues underlying the ignition switch recall. Between April 9, 2014 and July 22, 2014 seven other similar shareholder derivative actions were filed in the Eastern District of Michigan (Police Retirement System of St. Louis v. Barra, et al.), the Circuit Court for Wayne County, Michigan (Bekkerman v. Barra, et al., Wietschiner, et al. v. Barra, et al.) the Chancery Court for the State of Delaware (Nash v. Barra, et al., DiStefano v. Barra, et al., Newspaper and Magazine Employees Union v. Barra, et al., Boso v. Solso, et al.). All of these actions seek damages allegedly resulting from defendants' failure to timely identify, correct and disclose the ignition switch defect, an order compelling implementation of various corporate governance policies and practices, and other relief purportedly for the benefit of GM.

Through July 23, 2014 we are aware of 26 actions pending against GM alleging injury or death as a result of faulty ignition switches and/or the failure of air bags to properly deploy due to faulty ignition switches. Of these actions eight have been transferred to federal court in the Southern District of New York, three are the subject of GM's motion to consolidate and transfer to a single state court in Texas, and 15 are pending in various other federal and state courts

throughout the country. These actions generally assert that GM intentionally and fraudulently concealed facts relating to faulty ignition switches and related defects from plaintiffs, the public and the National Highway Traffic Safety Administration (NHTSA) over a lengthy period. These complaints assert various causes of action under federal and state law, including strict products liability, negligence, breach of implied warranty, fraud and fraudulent concealment, and Federal and Georgia Racketeer Influenced and Corrupt Organizations Acts and seek compensatory damages, treble damages, punitive damages and attorneys' fees and costs.

Through July 23, 2014 we are aware of six actions pending against GM alleging injury or death as a result of inadvertent ignition key rotation and/or failure of air bags to properly deploy as a result of inadvertent ignition key rotation. Of these actions, two have been transferred to federal court in the Southern District of New York, one is pending in federal court in the Southern District of Texas, two are pending in Texas state court and one is pending in Indiana state court. In the aggregate these actions assert that GM intentionally and fraudulently concealed facts relating to the inadvertent ignition key rotation and related defects from plaintiffs, the public and NHTSA over a lengthy period. These complaints assert various causes of action under federal and state law, including

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strict products liability, negligence, breach of implied warranties, fraud and fraudulent concealment and seek compensatory damages, punitive damages and attorneys' fees and costs.

We are also subject to product liability claims associated with recently announced recalls, none of which we believe to be individually material. The number of product liability claims we receive may be higher as a result of the recently announced recalls.

GM intends to vigorously defend all of these actions.

We are also the subject of various inquiries, investigations, subpoenas and requests for information from the U.S. Attorney's Office for the Southern District of New York, Congress, the SEC, Transport Canada and 45 state attorney generals in connection with our recent recalls. We are investigating these matters internally and believe we are cooperating fully with all requests. Such investigations could in the future result in the imposition of material damages, fines or civil and criminal penalties.

We are currently unable to estimate a range of reasonably possible loss for the lawsuits and investigations because these matters involve significant uncertainties at these early stages. These uncertainties include the legal theory or the nature of the claims as well as the complexity of the facts. Although we cannot estimate a reasonable range of loss based on currently available information, the resolution of these matters could have a material adverse effect on our financial position, results of operations or cash flows.

GM Korea Wage Litigation

Commencing on or about September 29, 2010 current and former hourly employees of GM Korea filed eight separate group actions in the Incheon District Court in Incheon, Korea. The cases, which in aggregate involve more than 10,000 employees, allege that GM Korea failed to include bonuses and certain allowances in its calculation of Ordinary Wages due under the Presidential Decree of the Korean Labor Standards Act. On November 23, 2012 the Seoul High Court (an intermediate level appellate court) issued a decision affirming a decision of the Incheon District Court in a case involving five GM Korea employees which was contrary to GM Korea's position. GM Korea appealed to the Supreme Court of the Republic of Korea (Supreme Court) and initiated a constitutional challenge to the adverse interpretation of the relevant statute. In December 2013 the Supreme Court rendered a decision in a case involving another company not affiliated with us which addressed many of the issues presented in the cases pending against GM Korea and resolved many of them in a manner which we believe is favorable to GM Korea. In particular, while the Supreme Court held that fixed bonuses should be included in the calculation of Ordinary Wages, it also held that claims for retroactive application of this rule would be barred under certain circumstances. On May 29, 2014 the Supreme Court rendered its decision with respect to the case involving the five GM Korea employees and remanded the case to the Seoul High Court consistent with its December 2013 ruling. At June 30, 2014 we have an accrual of 79 billion South Korean Won (equivalent to \$78 million) related to these cases. We estimate our reasonably possible loss, as defined by ASC 450, "Contingencies," in excess of amounts accrued to be 591 billion South Korean Won (equivalent to \$584 million) at June 30, 2014. We are also party to litigation with current and former salaried employees over allegations relating to Ordinary Wages regulation. At June 30, 2014 we have identified a reasonably possible loss in excess of the amount of our accrual of 159 billion South Korean Won (equivalent to \$157 million). Both the scope of claims asserted and GM Korea's assessment of any or all of the individual claim elements may change if new information becomes available. These cases are currently pending before various district courts in Korea and the Supreme Court.

GMCL Dealers' Claim

On February 12, 2010 a claim was filed in the Ontario Superior Court of Justice against General Motors of Canada Limited (GMCL) on behalf of a purported class of over 200 former GMCL dealers (the Plaintiff Dealers) which had entered into wind-down agreements with GMCL. In May 2009 in the context of the global restructuring of the business and the possibility that GMCL might be required to initiate insolvency proceedings, GMCL offered the Plaintiff Dealers the wind-down agreements to assist with their exit from the GMCL dealer network and to facilitate winding down their operations in an orderly fashion by December 31, 2009 or such other date as GMCL approved but no later than on October 31, 2010. The Plaintiff Dealers allege that the Dealer Sales and Service Agreements were wrongly terminated by GMCL and that GMCL failed to comply with certain disclosure obligations, breached its statutory duty of fair dealing and unlawfully interfered with the Plaintiff Dealers' statutory right to associate in an attempt to coerce the Plaintiff Dealers into accepting the wind-down agreements. The Plaintiff Dealers seek damages and assert that the wind-down agreements are rescindable. The Plaintiff Dealers' initial pleading makes reference to a claim "not exceeding" Canadian Dollar \$750 million, without explanation of any specific measure of damages. On March 1, 2011 the court approved certification of a class for the purpose of deciding a number of specifically defined issues including: (1)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

whether GMCL breached its obligation of "good faith" in offering the wind-down agreements; (2) whether GMCL interfered with the Plaintiff Dealers' rights of free association; (3) whether GMCL was obligated to provide a disclosure statement and/or disclose more specific information regarding its restructuring plans in connection with proffering the wind-down agreements; and (4) assuming liability, whether the Plaintiff Dealers can recover damages in the aggregate (as opposed to proving individual damages). A number of former dealers have opted out of participation in the litigation, leaving 181 dealers in the certified class. Trial of the class issues is scheduled to commence in the third quarter of 2014. The current prospects for liability are uncertain, but because liability is not deemed probable we have no accrual relating to this litigation. We cannot estimate the range of reasonably possible loss in the event of liability as the case presents a variety of different legal theories, none of which GMCL believes are valid.

UAW Claim

On April 6, 2010 the International Union, United Automobile, Aerospace and Agriculture Implement Workers of America (UAW) filed suit against us in the U.S. District Court for the Eastern District of Michigan claiming that we breached an obligation to contribute \$450 million to the UAW Retiree Medical Benefits Trust. The UAW alleges that we were contractually required to make this contribution. On December 10, 2013 the court granted our motion for summary judgment and dismissed the claims asserted by the UAW, holding that the relevant agreement is unambiguous and does not require the payment sought. The UAW has appealed. At this juncture we believe the prospects for liability on the claims asserted in this matter are remote.

Product Liability

With respect to product liability claims involving our and General Motors Corporation products, we believe that any judgment against us for actual damages will be adequately covered by our recorded accruals and, where applicable, excess liability insurance coverage. Although punitive damages are claimed in some of these lawsuits and such claims are inherently unpredictable, accruals incorporate historic experience with these types of claims. In addition we indemnify dealers for certain product liability related claims including products sold by General Motors Corporation. We monitor actual claims experience and make periodic adjustments to our estimates. In light of recent vehicle recalls it is reasonably possible that our accruals for product liability claims may increase in future periods in material amounts, although we cannot estimate a reasonable range of incremental loss based on currently available information.

Liabilities have been recorded in Accrued liabilities and Other liabilities and deferred income taxes for the expected cost of all known product liability claims plus an estimate of the expected cost for product liability claims that have already been incurred and are expected to be filed in the future for which we are self-insured.

Ignition Switch Recall Compensation Program

In the three months ended June 30, 2014 we announced the creation of a compensation program (the Program) to compensate accident victims who died or suffered physical injury (or their families) as a result of a faulty ignition switch related to the 2.6 million vehicles recalled as more fully described in Note 8. It is important to our company that we reach everyone through this Program who has been impacted. The Program is being administered by an independent program administrator. The independent administrator has established a protocol that defines the eligibility requirements to participate in the Program. There is no cap on the amount of payments that can be made to claimants under the Program.



At June 30, 2014 we have an accrual of \$400 million recorded in Corporate which represents our best estimate of amounts that may be paid under the Program. However, it is reasonably possible that the liability could exceed our recorded amount by approximately \$200 million. The most significant estimates affecting the amount recorded include the number of participants that have eligible claims related to death and physical injury, which also contemplates the severity of injury, the length of hospital stays and related compensation amounts and the number of people who actually elect to participate in the Program. Our estimate is subject to significant uncertainties, as programs of this nature are highly unusual and each eligible claim will have a unique underlying fact pattern. While we do not anticipate material changes to our current estimate, it is possible that material changes could occur should actual eligible claims and the related compensation amounts differ from this estimate. The Program will accept claims from August 1, 2014 through December 31, 2014. Payments to eligible claimants are anticipated to begin in the third quarter of 2014 and continue through the first half of 2015. Accident victims (or their families) could choose not to participate in the Program and pursue litigation against us.

Environmental Liability

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Automotive operations, like operations of other companies engaged in similar businesses, are subject to a wide range of environmental protection laws, including laws regulating air emissions, water discharges, waste management and environmental remediation. Liabilities have been recorded primarily in Other liabilities and deferred income taxes for the expected costs to be paid over the periods of remediation for the applicable sites, which typically range from five to 30 years.

The final outcome of environmental matters cannot be predicted with certainty at this time. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information obtained. In future periods new laws or regulations, advances in remediation technologies and additional information about the ultimate remediation methodology to be used could significantly change our estimates. It is possible that the resolution of one or more environmental matters could exceed the amounts accrued in an amount that could be material to our financial condition, results of operations and cash flows. At June 30, 2014 we estimate the remediation losses could range from \$110 million to \$210 million.

Other Matters

Brazil Excise Tax Incentive

In October 2012 the Brazilian government issued a decree which increased an excise tax rate by 30 percentage points, but also provided an offsetting tax incentive that requires participating companies to meet certain criteria, such as local investment and fuel efficiency standards. Participating companies that fail to meet the required criteria are subject to clawback provisions and fines. At June 30, 2014 we believe it is reasonably assured that the program requirements will be met based on the current business model and available technologies.

GME Planned Spending Guarantee

As part of our Opel/Vauxhall restructuring plan agreed to with European labor representatives we committed to achieving specified milestones associated with planned spending from 2011 to 2014 on certain product programs. If we had failed to accomplish the requirements set out under the agreement we would have been required to pay certain amounts up to Euro 265 million for each of those years, and/or interest on those amounts, to our employees. In April 2014 we reached an agreement with the European labor representatives terminating the agreement as all milestones have been or will be met timely in 2014.

India Tavera Emissions Compliance

We determined there was an emissions compliance issue with certain Tavera models produced in India. We self-reported this issue in the three months ended September 30, 2013 to local government authorities and are continuing to cooperate. We developed a solution, and while the issue was not safety related, we voluntarily recalled the vehicles to serve our customers.

Note 11. Income Taxes

For interim income tax reporting we estimate our annual effective tax rate and apply it to our year to date ordinary income (loss). Tax jurisdictions with a projected or year to date loss for which a tax benefit cannot be realized are excluded. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur.

In the three months ended June 30, 2014 income tax benefit of \$254 million primarily resulted from tax benefit attributable to entities included in our effective tax rate calculation and other tax benefit items, none of which are individually significant. In the three months ended June 30, 2013 income tax expense of \$742 million primarily resulted from tax expense attributable to entities included in our effective tax rate calculation. In the six months ended June 30, 2014 income tax benefit of \$478 million primarily resulted from tax benefit attributable to entities included in our effective tax rate calculation and deductions taken for stock investments in non-US affiliates and tax audit settlements reported in the first quarter of 2014. In the six months ended June 30, 2013 income tax expense of \$1.2 billion primarily resulted from tax expense attributable to entities included in our effective tax rate calculation, partially offset by tax benefit related to the U.S. research credit legislated in the three months ended March 31, 2013. We have open tax years from 2006 to 2013 with various significant tax jurisdictions.

Note 12. Restructuring and Other Initiatives

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We have executed various restructuring and other initiatives and we plan to execute additional initiatives in the future, if necessary, in order to align manufacturing capacity and other costs with prevailing global automotive production and to improve the utilization of remaining facilities. To the extent these programs involve voluntary separations no liabilities are generally recorded until offers to employees are accepted. If employees are involuntarily terminated a liability is generally recorded at the communication date. Related charges are recorded in Automotive cost of sales and Automotive selling, general and administrative expense.

The following tables summarize the reserves related to restructuring and other initiatives and charges by segment, including postemployment benefit reserves and charges (dollars in millions):

	GMNA	GME	GMIO	GMSA	Total
Balance at January 1, 2014	\$497	\$503	\$333	\$16	\$1,349
Additions, interest accretion and other	10	191	48	49	298
Payments	(30 )	(106 )	(21 )	(51 )	(208 )
Revisions to estimates	—	2	(4 )	—	(2 )
Effect of foreign currency	(6 )	—	2	(1 )	(5 )
Balance at March 31, 2014	471	590	358	13	1,432
Additions, interest accretion and other	10	179	27	24	240
Payments	(26 )	(68 )	(116 )	(29 )	(239 )
Revisions to estimates	—	2	(6 )	—	(4 )
Effect of foreign currency	5	(4 )	1	—	2
Balance at June 30, 2014(a)	\$460	\$699	\$264	\$8	\$1,431
	GMNA	GME	GMIO	GMSA	Total
Balance at January 1, 2013	\$653	\$590	\$39	\$38	\$1,320
Additions, interest accretion and other	27	35	2	22	86
Payments	(58 )	(116 )	(26 )	(12 )	(212 )
Revisions to estimates	13	—	(1 )	—	12
Effect of foreign currency	(6 )	(14 )	—	1	(19 )
Balance at March 31, 2013	629	495	14	49	1,187
Additions, interest accretion and other	12	31	15	12	70
Payments	(56 )	(80 )	(13 )	(34 )	(183 )
Revisions to estimates	(16 )	(2 )	—	—	(18 )
Effect of foreign currency	(10 )	6	(1 )	(2 )	(7 )
Balance at June 30, 2013(a)	\$559	\$450	\$15	\$25	\$1,049

The remaining cash payments related to these reserves for restructuring and other initiatives, including temporary (a) layoff benefits of \$354 million and \$346 million at June 30, 2014 and 2013 for GMNA, primarily relate to postemployment benefits.

## Three and Six Months Ended June 30, 2014

GME recorded charges, interest accretion and other and revisions to estimates primarily related to our plan to terminate all vehicle and transmission production at our Bochum, Germany facility by the end of 2014. Through June 30, 2014 the active separation programs related to Germany had a total cost of \$553 million. We expect to complete these programs in 2014 and incur additional charges of \$310 million. In total 3,690 employees will be affected by these programs.

GMIO recorded charges, interest accretion and other and revisions to estimates for separation programs in Australia, Korea and Chevrolet Europe locations. Through June 30, 2014 the active separation programs related to Australia, Korea and Chevrolet Europe locations had a total cost of \$390 million and had affected a total of 3,350 employees. We expect to complete these programs in 2017 and incur additional restructuring and other charges of \$440 million.

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

GMSA recorded charges, interest accretion and other primarily for active separation programs in Brazil and Venezuela. Through June 30, 2014 the active separation programs related to Brazil and Venezuela had a total cost of \$159 million.

Three and Six Months Ended June 30, 2013

GMNA recorded charges, interest accretion and other and revisions to estimates primarily related to cash severance incentive programs for skilled trade U.S. hourly employees.

GME recorded charges, interest accretion and other and revisions to estimates for previously announced separation and early retirement programs. Through June 30, 2013 the active separation programs related to Germany and the United Kingdom had a total cost of \$93 million and had affected a total of 625 employees.

## Note 13. Stockholders' Equity

## Preferred and Common Stock

We have 2.0 billion shares of preferred stock and 5.0 billion shares of common stock authorized for issuance. We had 156 million shares of Series A Preferred Stock issued and outstanding at June 30, 2014 and December 31, 2013, and 1.6 billion and 1.5 billion shares of common stock issued and outstanding at June 30, 2014 and December 31, 2013.

The following table summarizes dividends paid on our preferred and common stock (dollars in millions):

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Series A Preferred Stock(a)	\$88	\$156	\$176	\$311
Series B Preferred Stock(b)		\$58		\$118
Common stock(c)	\$481	\$—	\$962	\$—

(a) In September 2013 we purchased 120 million shares (or 43.5% of the total shares outstanding) of our Series A Preferred Stock.

(b) On December 1, 2013 all outstanding shares of our Series B Preferred Stock were converted into shares of our common stock.

(c) No common stock dividends were declared or paid prior to 2014.

## Accumulated Other Comprehensive Loss

The following table summarizes the components of Accumulated other comprehensive loss (dollars in millions):

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Six Months Ended			June 30, 2013		
	June 30, 2014			June 30, 2013		
	Pre-Tax Amount	Tax Expense (Benefit)	Net Amount	Pre-Tax Amount	Tax Expense (Benefit)	Net Amount
<b>Foreign Currency Translation Adjustments</b>						
Balance at beginning of period	\$(592 )	\$ 22	\$(614 )	\$ 112	\$ 11	\$ 101
Other comprehensive loss	(25 )	27	(52 )	(292 )	(49 )	(243 )
Other comprehensive loss attributable to noncontrolling interests	5	—	5	11	—	11
Balance at end of period	\$(612 )	\$ 49	\$(661 )	\$(169 )	\$(38 )	\$(131 )
<b>Unrealized Gains on Securities, Net</b>						
Balance at beginning of period	\$ 11	\$ 9	\$ 2	\$ 63	\$ 22	\$ 41
Other comprehensive income (loss) before reclassification adjustment	6	3	3	(3 )	(9 )	6
Reclassification adjustment	(1 )	(1 )	—	(31 )	(7 )	(24 )
Other comprehensive income (loss)	5	2	3	(34 )	(16 )	(18 )
Balance at end of period	\$ 16	\$ 11	\$ 5	\$ 29	\$ 6	\$ 23
<b>Defined Benefit Plans, Net</b>						
Balance at beginning of period	\$ 935	\$ 3,436	\$(2,501)	\$(7,794)	\$ 400	\$(8,194)
Other comprehensive income (loss) before reclassification adjustment - prior service cost or credit	2	26	(24 )	(4 )	—	(4 )
Other comprehensive income (loss) before reclassification adjustment - actuarial gains or losses	(8 )	14	(22 )	190	15	175
Reclassification adjustment - prior service cost or credit(a)	21	10	11	(58 )	(23 )	(35 )
Reclassification adjustment - actuarial gains or losses(a)	44	(15 )	59	152	26	126
Other comprehensive income	59	35	24	280	18	262
Balance at end of period	\$ 994	\$ 3,471	\$(2,477)	\$(7,514)	\$ 418	\$(7,932)
<b>Accumulated Other Comprehensive Loss</b>						
Balance at beginning of period	\$ 354	\$ 3,467	\$(3,113)	\$(7,619)	\$ 433	\$(8,052)
Other comprehensive loss before reclassification adjustment	(25 )	70	(95 )	(109 )	(43 )	(66 )
Reclassification adjustment	64	(6 )	70	63	(4 )	67
Other comprehensive income (loss)	39	64	(25 )	(46 )	(47 )	1
Other comprehensive loss attributable to noncontrolling interests	5	—	5	11	—	11
Balance at end of period	\$ 398	\$ 3,531	\$(3,133)	\$(7,654)	\$ 386	\$(8,040)

(a) Included in the computation of net periodic pension and OPEB (income) expense. Refer to Note 9 for additional information.

## Note 14. Earnings Per Share

Basic and diluted earnings per share are computed by dividing Net income attributable to common stockholders by the weighted-average common shares outstanding in the period. Diluted earnings per share is computed by giving effect to all potentially dilutive securities that are outstanding.

The following table summarizes basic and diluted earnings per share (in millions, except for per share amounts):

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Basic earnings per share				
Net income attributable to stockholders	\$278	\$1,414	\$491	\$2,589
Less: cumulative dividends on preferred stock(a)	(88	) (214	) (176	) (429
Net income attributable to common stockholders	\$190	\$1,200	\$315	\$2,160
Weighted-average common shares outstanding - basic	1,608	1,376	1,598	1,374
Basic earnings per common share	\$0.12	\$0.87	\$0.20	\$1.57
Diluted earnings per share				
Net income attributable to stockholders	\$278	\$1,414	\$491	\$2,589
Add: preferred dividends to holders of Series B Preferred Stock		60		118
Less: cumulative dividends on preferred stock(a)	(88	) (214	) (176	) (429
Less: earnings adjustment for dilutive stock compensation rights	—	—	(14	) —
Net income attributable to common stockholders	\$190	\$1,260	\$301	\$2,278
Weighted-average common shares outstanding - diluted				
Weighted-average common shares outstanding - basic	1,608	1,376	1,598	1,374
Dilutive effect of warrants and restricted stock units (RSUs)	80	150	91	143
Dilutive effect of conversion of Series B Preferred Stock		151		151
Weighted-average common shares outstanding - diluted	1,688	1,677	1,689	1,668
Diluted earnings per common share	\$0.11	\$0.75	\$0.18	\$1.37

Includes earned but undeclared dividends of \$15 million on our Series A Preferred Stock in the three and six (a) months ended June 30, 2014 and earned but undistributed dividends of \$26 million on our Series A Preferred Stock and \$20 million on our Series B Preferred stock in the three and six months ended June 30, 2013.

Prior to the December 2013 conversion to common shares, our Series B Preferred Stock was a participating security that required the application of the more dilutive of the two-class or if-converted method to calculate earnings per share when the applicable market value of our common stock was below or above the range of \$33.00 to \$39.60 per common share. We were required to use the if-converted method to calculate earnings per share when the applicable market value of our common stock was within this range, which applied in the three and six months ended June 30, 2013. The dilutive effect of the Series B Preferred Stock was determined by assuming conversion of the securities at the beginning of the period resulting in an increase to the weighted-average common shares outstanding and an increase to Net income attributable to common stockholders from adding the accumulated dividends on our Series B Preferred Stock.

In the three and six months ended June 30, 2014 and 2013 warrants to purchase 46 million shares were not included in the computation of diluted earnings per share because the warrants' exercise price was greater than the average market price of the common shares.

## Note 15. Segment Reporting

We analyze the results of our business through the following segments: GMNA, GME, GMIO, GMSA and GM Financial. The chief operating decision maker evaluates the operating results and performance of our automotive segments through income before interest and income taxes, as adjusted for additional amounts, which is presented net

of noncontrolling interests, and evaluates GM Financial through income before income taxes, as adjusted for additional amounts. Each segment has a manager responsible for executing our strategies. Our automotive manufacturing operations are integrated within the segments, benefit from broad-based trade agreements and are subject to regulatory requirements, such as Corporate Average Fuel Economy regulations. While not all vehicles within a segment are individually profitable on a fully allocated cost basis, those vehicles are needed in our product mix in order to attract customers to dealer showrooms and to maintain sales volumes for other, more profitable vehicles. Because of these and other factors, we do not manage our business on an individual brand or vehicle basis.

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Substantially all of the cars, trucks and parts produced are marketed through retail dealers in North America, and through distributors and dealers outside of North America, the substantial majority of which are independently owned.

In addition to the products sold to dealers for consumer retail sales, cars and trucks are also sold to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies and governments. Sales to fleet customers are completed through the network of dealers and in some cases sold directly to fleet customers. Retail and fleet customers can obtain a wide range of aftersale vehicle services and products through the dealer network, such as maintenance, light repairs, collision repairs, vehicle accessories and extended service warranties.

GMNA primarily meets the demands of customers in North America with vehicles developed, manufactured and/or marketed under the following four brands:

- Buick
- Cadillac
- Chevrolet
- GMC

The demands of customers outside of North America are primarily met with vehicles developed, manufactured and/or marketed under the following brands:

- Buick
- Cadillac
- Chevrolet
- GMC
- Holden
- Opel
- Vauxhall

At June 30, 2014 we also had equity ownership stakes directly or indirectly in entities through various regional subsidiaries, primarily in Asia. These companies design, manufacture and market vehicles under the following brands:

- Alpheon
- Baojun
- Buick
- Cadillac
- Chevrolet
- Jiefang
- Wuling

Our automotive operations' interest income and interest expense are recorded centrally in Corporate. All intersegment balances and transactions have been eliminated in consolidation.

The following tables summarize key financial information by segment (dollars in millions):

At and For the Three Months Ended June 30, 2014

	GMNA	GME	GMIO	GMSA	Corporate Eliminations	Total Automotive	GM Financial	Eliminations	Total
Sales									
External customers	\$25,671	\$5,974	\$3,602	\$3,177	\$38	\$38,462	\$—	\$—	\$38,462
GM Financial revenue	—	—	—	—	—	—	1,191	(4 )	1,187
Total net sales and revenue	\$25,671	\$5,974	\$3,602	\$3,177	\$38	\$38,462	\$1,191	\$(4 )	\$39,649
Income (loss) before interest and taxes-adjusted	\$1,385	\$(305 )	\$315	\$(81 )	\$(220 )	\$1,094	\$258	\$(1 )	\$1,351
Adjustments(a)	\$(874 )	\$—	\$(12 )	\$—	\$(400 )	\$(1,286 )	\$7	\$—	(1,279 )
Corporate interest income									52
Automotive interest									(100 )

expense											
Net income attributable to noncontrolling interests											9
Income before income taxes											\$33
Total assets	\$97,777	\$12,289	\$22,990	\$11,068	\$28,458	\$(34,195)	\$138,387	\$42,537	\$(1,826)		\$179,098
Depreciation, amortization and impairment of long-lived assets and finite-lived intangible assets	\$1,221	\$115	\$162	\$104	\$19	\$(1 )	\$1,620	\$199	\$—		\$1,819

Consists of a catch-up adjustment related to the change in estimate for recall campaigns of \$874 million in GMNA, (a) a charge related to the ignition switch recall compensation program of \$400 million in Corporate and other of \$5 million.

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	For the Six Months Ended June 30, 2014						Total	GM	Elimination	Total
	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Automotive	Financial		
Sales										
External customers	\$50,075	\$11,594	\$6,832	\$6,202	\$74		\$74,777	\$—	\$—	\$74,777
GM Financial revenue	—	—	—	—	—		—	2,288	(8)	2,280
Total net sales and revenue	\$50,075	\$11,594	\$6,832	\$6,202	\$74		\$74,777	\$2,288	\$(8)	\$77,057
Income (loss) before interest and taxes-adjusted	\$1,942	\$(589)	\$567	\$(237)	\$(343)		\$1,340	\$479	\$(2)	\$1,817
Adjustments(a)	\$(874)	\$—	\$(21)	\$(419)	\$(400)		\$(1,714)	\$8	\$—	(1,706)
Corporate interest income										105
Automotive interest expense										(203)
Net income attributable to noncontrolling interests										76
Income before income taxes										\$89
Depreciation, amortization and impairment of long-lived assets and finite-lived intangible assets	\$2,313	\$224	\$276	\$205	\$35	\$(2)	\$3,051	\$375	\$—	\$3,426

Consists of a catch-up adjustment related to the change in estimate for recall campaigns of \$874 million in GMNA, (a) Venezuela currency devaluation of \$419 million in GMSA, a charge related to the ignition switch recall compensation program of \$400 million in Corporate and other of \$13 million.

	At and For the Three Months Ended June 30, 2013						Total	GM	Elimination	Total
	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Automotive	Financial		
Sales										
External customers	\$23,489	\$5,606	\$4,798	\$4,308	\$39		\$38,240	\$—	\$—	\$38,240
GM Financial revenue	—	—	—	—	—		—	836	(1)	835
Intersegment	6	—	—	—	—		6	—	(6)	—
Total net sales and revenue	\$23,495	\$5,606	\$4,798	\$4,308	\$39		\$38,246	\$836	\$(7)	\$39,075

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Income (loss) before interest and taxes-adjusted	\$1,976	\$(114 )	\$232	\$54	\$(126 )		\$2,022	\$254	\$—	\$2,276
Adjustments(a)	\$37	\$—	\$67	\$—	\$—		\$104	\$—	\$—	104
Corporate interest income										77
Automotive interest expense										(61 )
Loss on extinguishment of debt										(240 )
Net loss attributable to noncontrolling interests										(26 )
Income before income taxes										\$2,130
Total assets	\$90,733	\$12,242	\$24,782	\$11,839	\$21,711	\$(27,136)	\$134,171	\$30,786	\$(1,847)	\$163,110
Depreciation, amortization and impairment of long-lived assets and finite-lived intangible assets	\$1,014	\$132	\$191	\$128	\$7	\$(1 )	\$1,471	\$111	\$(4 )	\$1,578

(a) Consists of pension settlement credits of \$37 million in GMNA and the acquisition of GM Korea preferred shares of \$67 million in GMIO.

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the Six Months Ended June 30, 2013

	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Total Automotive	GM Financial	Eliminations	Total
Sales										
External customers	\$46,468	\$10,878	\$9,164	\$7,999	\$75		\$ 74,584	\$—	\$—	\$74,584
GM Financial revenue	—	—	—	—	—		—	1,376	(1 )	1,375
Intersegment	6	—	—	—	—		6	—	(6 )	—
Total net sales and revenue	\$46,474	\$10,878	\$9,164	\$7,999	\$75		\$ 74,590	\$1,376	\$(7 )	\$75,959
Income (loss)										
before interest and taxes-adjusted	\$3,390	\$(266 )	\$704	\$16	\$(236 )		\$ 3,608	\$434	\$—	\$4,042
Adjustments(a)	\$(1 )	\$1	\$91	\$(157 )	\$—		\$(66 )	\$—	\$—	(66 )
Corporate interest income										156
Automotive interest expense										(152 )
Loss on extinguishment of debt										(240 )
Net loss attributable to noncontrolling interests										(16 )
Income before income taxes										