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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Ford third-quarter earnings conference call. My name is Chanel and I will be your operator for today. At this time all participants are in listen-only mode. Later we will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to Mr. George Sharp, Executive Director Investor Relations. Please proceed.

George Sharp - *Ford Motor Company - Executive Director of IR*

Thank you, Chanel, and good morning, ladies and gentlemen. Welcome to all of you who are joining us today either by phone or webcast. On behalf of the entire Ford management team, I would like to thank you for taking the time to be with us this morning so we can provide you with additional details of our third-quarter financial results.

Of course our thoughts are with everyone impacted by Hurricane Sandy. We considered delaying this call but after much consideration we concluded that given our large and diverse worldwide investor base, changing the timing right before the planned date could cause significant confusion.

Therefore, presenting today are Alan Mulally, President and CEO of Ford Motor Company, and Bob Shanks, Chief Financial Officer. Also in attendance are Stephen Odell, Chairman and CEO of Ford Europe; Stuart Rowley, Corporate Controller; Neil Schloss, Corporate Treasurer; Paul Andonian, Director of Accounting; and Mike Seneski, Ford Credit CFO.

Now before we begin, I need to cover a few items. Copies of this morning's press release and the presentation slides that we will be using have been posted on Ford's investor and media website for your reference. The financial results discussed today are presented on a preliminary basis. Final data will be included in our Form 10-Q that will be filed shortly.

The financial results presented are on a GAAP basis and in some cases on a non-GAAP basis. The non-GAAP financial measures discussed in this call are reconciled to the US GAAP equivalent as part of the appendix to the slide deck.

Finally, today's presentation includes some forward-looking statements about our expectations for Ford's future performance. Of course, actual results could differ materially from those suggested by our comments today. The most significant factors that could affect future results are summarized at the end of this presentation. These risk factors and other key information are detailed in our SEC filings including our annual, quarterly, and current reports.

With that, I would now like to turn the presentation over to Ford's President and CEO, Alan Mulally.

Alan Mulally - ***Ford Motor Company - President & CEO***

Thank you, George, and good morning to everyone. Before starting, we would like to express to all of those affected by the massive storm that struck the East Coast that our thoughts and our prayers are with you all. For those of you in the region who are joining us today from your home, wherever you may be, thank you. We hope that everyone who may have been unable to dial into today's announcement will utilize the replay on our website at their convenience.

In addition, our investor relations team stands ready to assist investors with their questions.

Let's begin by turning to slide 3 please.

To start, we achieved record total Company and Automotive pretax results for the third quarter with the total Company results also representing our 13th consecutive quarterly pretax profit. In addition, we generated positive Automotive operating-related cash flow and ended the period with strong liquidity. The results were achieved at wholesale volumes and total Company revenue that were lower than a year ago.

North America achieved its highest quarterly pretax profit and operating margin since at least 2000, when we began reflecting it as a separate business unit. Ford Credit results were once again solid and South America and Asia Pacific were profitable. Europe as expected incurred a substantial loss.

Last week we announced our strategy and plans to accelerate the transformation of our business in Europe, projecting a return to profitability by mid-decade. Although the external environment continues to be dynamic and uncertain, we are continuing to implement our ONE Ford plan across the entire business and working towards our mid-decade outlook.

Let's look more closely now at the financial highlights of the quarter.

Slide 4 summarizes our business results compared with year ago for the third quarter and the first nine months of the year. Third-quarter wholesale volume was 1.3 million units, down 17,000 units compared with a year ago. Revenue was $32.1 billion, down $1 billion. Pretax profit, which excludes special items, was $2.2 billion, $200 million higher than a year ago. Earnings were $0.40 per share, $0.06 higher than last year's earnings per share adjusted for tax valuation allowance release.

Net income attributable to Ford including favorable pretax special items of $83 million was $1.6 billion or $0.41 per share. Both were about the same as last year.

Automotive operating-related cash flow was $700 million, the 10th consecutive quarter of positive performance. We ended the quarter with $24.1 billion of automotive gross cash exceeding debt by $9.9 billion. This is a net cash improvement of $1.8 billion compared with a year ago.

In the first nine months, vehicle wholesales and revenue declined from year ago. First nine months pretax profit was $6.3 billion, a $1.4 billion decrease. Net income was $4.1 billion, a $2.5 billion decrease.

Slide 5 summarizes our third-quarter business highlights including the launch of seven new vehicles across three regions. The all-new Transit Custom was voted International Van of the Year and the Ranger Pickup, not shown in the slide but launched earlier this year, was the only vehicle in its class to be awarded a Five Star Euro NCAP safety rating.

Ford Focus was the world's best-selling single car nameplate through the first half of the year based on IHS Automotive Data. In North America, we assumed control of the Auto Alliance Manufacturing Facility in Michigan and renamed it Flat Rock Assembly Plant. Flat Rock will be the US production home of the all-new Fusion, leading to the addition of a second shift and the creation of 1200 new jobs.

In late September, the Canadian Auto Workers ratified a new four-year agreement for our 4500 unionized workers in Oakville and Windsor, Ontario. This improves our competitiveness, provides operational flexibility, and creates jobs.

In China, we broke ground at two new manufacturing facilities, Chongqing #3 and Hangzhou, which will take Ford's production capacity to 1.2 million passenger cars by mid-decade. And in the third quarter, we achieved our highest quarterly market share in Asia Pacific and Africa as well as in China. This was driven by strong sales of Focus and the Ranger pickup.

Finally, we announced in late August that we will launch Lincoln in China in 2014.

Now I will turn it over to Bob Shanks, who will take us through more details of our financial results. Bob?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Thanks, Alan, and good morning, everyone. Let's start with slide 7, which walks our pretax operating results to net income. As Alan mentioned, total Company pretax operating profit was about $2.2 billion. Pretax special items of a positive $83 million reflect a one-time gain on consolidation of the AutoAlliance International joint venture, offset partially by personnel and dealer actions. Additional detail is shown on Appendix 3.

The provision for income taxes was $613 million and net income attributable to Ford was about $1.6 billion. The provision is about $400 million higher than a year ago simply due to the fact that we no longer have in place most of the valuation allowance against our deferred tax assets. Recall that this was largely eliminated in the fourth quarter last year.

Although not shown, our operating effective tax rate was lower in the third quarter compared with the prior two quarters reflecting one-time tax items. Consistent with prior guidance, we expect our full-year operating effective tax rate to be similar to 2011.

Let's now turn on slide 8 to our pretax results by sector. Total Company third-quarter pretax profit of $2.2 billion consists of $1.8 billion for the Automotive sector and $388 million for Financial Services. As shown in the memo, total Company pretax profit was $219 million higher in 2011, reflecting higher profit on the Automotive sector offset partially by Financial Services. Compared with the second quarter 2012, total Company pretax profit increased by $334 million, more than explained by higher Automotive results.

Slide 9 highlights the key market factors and financial metrics for our total Automotive business. In the third quarter, wholesale volume and revenue decreased slightly compared with the year ago period, more than explained by Europe. Pretax profit was about $1.8 billion and operating margin was 6.3%.

As shown in the memo below the chart, total Automotive first nine months pretax profit was $5 billion with an operating margin of 5.9%, both lower than a year ago. Volume and revenue also were lower.

Slide 10 summarizes the $0.5 billion increase in total Automotive third-quarter pretax profit from 2011 by causal factor. The increase is explained primarily by higher net pricing and lower contribution costs offset partially by higher structural costs and unfavorable exchange. During the quarter, we incurred a favorable absolute commodity hedge adjustment of about $100 million. In the third quarter 2011, the absolute hedge adjustment was about $350 million negative. The difference in the adjustments between these two periods is the primary factor driving improved contribution costs in the present quarter compared with the year ago.

As shown in the memo, pretax profit increased by $400 million compared with second quarter, reflecting higher net pricing and lower cost, offset partially by lower volume. More details on the quarter-to-quarter change are included in Appendix 6.

Slide 11 shows third-quarter pretax results for each of our Automotive operations as well as Other Automotive. Automotive sector profit of $1.8 billion is more than explained by North America. South America and Asia Pacific Africa were also profitable while Europe incurred a loss of $468 million. The loss in Other Automotive mainly reflects net interest expense. For the full year, we expect net interest expense to be about $500 million, consistent with the low end of our prior guidance.

Let's turn now to slide 12 and our Automotive business in North America. Third-quarter wholesale volume and revenue were up 3% and 8% respectively. Pretax profit was $2.3 billion and operating margin was 12%. This was the third consecutive quarter that North America's profit exceeded $2 billion and its operating margin exceeded 10%.

US industry SAAR increased from 12.7 million to 14.7 million units while our US total market share was 14.8%, 1.5 percentage points lower than a year ago. As shown in the memo below the chart, North America first nine months pretax profit was $6.5 billion with an operating margin of 11.2%, both higher than a year ago.

Volume and revenue also were higher. It is worth noting that the first nine months pretax profit exceeded last year's full-year profit.

Slide 13 shows the $700 million increase in North America third-quarter pretax results compared with 2011 by causal factor. The increase is more than explained by favorable volume and mix, higher net pricing, and lower contribution costs, mainly favorable commodity hedging effects. Higher structural costs and unfavorable exchange are partial offsets.

As shown in the memo, pretax profit increased by $300 million compared with second quarter explained by higher net pricing and lower contribution costs offset partially by lower volume.

Our full-year outlook for North America is unchanged. We expect significantly higher pretax profit and operating margin compared with 2011 as consumers continue to respond to our strong product lineup while we maintain our competitive cost structure as we grow our business.

Slide 14 shows our US market share. Our total market share in the third quarter at 14.8% was down 1.5 percentage points from the same period last year. The lower total share primarily reflects the impact of discontinued products such as the Ranger and Crown Victoria as well as lower full-sized pickup segmentation changes. F-Series share of the full-sized pickup segment was higher compared with last year.

Our retail share of the US retail industry at 12.9% was unchanged from second quarter. During the quarter, we added a third shift to our Louisville Assembly Plant where we produce the new Escape. This is the last major action in our plan to add 400,000 units of annual incremental capacity by the end of the year.

Let's turn now to South America on slide 15. Third-quarter wholesale volume and revenue decreased by 12% and 23% respectively. In addition to the lower volume, unfavorable exchange was a factor affecting the net revenue decline. Pretax profit was $9 million with an operating margin of 0.4 percentage points.

South America industry SAAR increased from 5.4 million units to 5.8 million units while our share declined 8.4%, reflecting low availability of recently launched products. As shown in the memo below the chart, South America first nine months pretax profit was $68 million, substantially lower than a year ago. Volume and revenue also were down compared with last year.

Slide 16 shows the $267 million decrease in South America third-quarter pretax results compared with 2011 by causal factor. The decrease is explained primarily by unfavorable exchange, mainly a weaker Brazilian real, unfavorable volume and mix, and higher costs.

Volume was affected in the quarter by the launch ramp up of new products and production reductions in Venezuela related to currency restriction. Although net pricing was higher, it was constrained compared with prior years by a more intense competitive environment. As shown in the memo, pretax profit was about the same in second quarter.

We continue to expect South America to be profitable for the full year but substantially lower than 2011, which is consistent with prior guidance.

Now let's talk about Europe beginning here on slide 17. Third-quarter wholesale volume and revenue declined 17% and 26% respectively reflecting primarily lower industry sales and market share along with corresponding dealer stock adjustments. Exchange was also a contributing factor adversely affecting net revenue.

Pretax results were a $468 million loss. Industry SAAR for the 19 markets we track in Europe decreased by 9% to 13.7 million units. Our market share at 7.8% was down 0.7 percentage points, reflecting primarily a reduction of low-margin demo sales and dealer self-registrations, what are also called short-cycle sales, as well as fewer sales to rental fleets.

As shown in the memo below the chart, the Europe first nine months loss was $1 billion compared with a profit a year ago. Volume and revenue both declined compared with 2011.

Slide 18 shows the $162 million decline in third-quarter pretax results for Europe compared with 2011 by causal factor. The decline is more than explained by lower volume including lower industry, lower share, and unfavorable dealer stock changes. Lower cost and favorable exchange are partial offsets.

As shown in the memo, pretax profit declined $64 million compared with second quarter more than explained by lower volume.

It is noteworthy that despite a very difficult pricing environment, Ford Europe achieved positive net pricing on both a year-over-year and quarter-to-quarter basis as we continue to focus on profitability at the expense of lower margin sales.

Last week we announced our strategy and plans to restore our operations in Europe and profitability by mid-decade. Sure here on slide 19 is our strategy, one that's based on three equally important fundamentals of our business. First, an unprecedented product and technology acceleration delivering a model lineup that will be among the freshest in the region to drive both revenue and margin improvement.

Secondly, a comprehensive series of initiatives to strengthen and further our Ford brand, emphasizing class-leading quality, fuel efficiency, safety, smart technology, and value.

And finally, a more efficient cost base including a more optimized manufacturing footprint that significantly improves our utilization. All three elements of our strategy are facilitated by leveraging the global asset of the ONE Ford plan.

Shown here on slide 20 is a summary of the plans that we announced focused on the three elements of our overall strategy -- an aggressive new product rollout with 15 global vehicles launched within five years along with the introduction of a broad array of smart technologies, new initiatives to continue strengthening the Ford brand including strategic de-stocking of dealer inventories, actions that we expect to largely conclude in the fourth quarter, and finally, a plan to close three facilities and relocate production for a more efficient manufacturing footprint. This also includes leveraging ONE Ford operations outside Europe for some of our products.

Our plans reduce our installed vehicle assembly capacity excluding Russia by 18% or 355,000 units. It affects 13% of our European workforce and it yields gross cost savings annually of $450 million to $500 million once completed. Some of these actions are subject to an information and consultation process with employee representatives in Belgium.

We continue to achieve -- to project, rather, profitability in Europe by mid-decade and are targeting a long-term operating margin of 6% to 8% and as is our normal process, we will continuously monitor the current reality we are facing and consistent with our ONE Ford plan, assess further opportunities to strengthen our business for profitable growth.

As a result of the deteriorating environment in Europe as well as elements of our own transformation plan, we now expect Ford Europe's pretax loss for 2012 to exceed $1.5 billion.

Now let's turn to Asia-Pacific Africa on slide 21. Third-quarter wholesale volume and revenue improved 21% and 13% respectively compared with a year ago. Pretax profit was $45 million and operating margin was 1.7%. Industry SAAR increased from 30.6 million units to 32.7 million units and our share increased from 2.7% to 3.1% as we began to benefit from increased capacity and strong sales of the recently launched Focus in China as well as from the Ranger pickup. This was our highest quarterly market share for the region as well as for China.

As shown in the memo below the chart, the Asia-Pacific Africa first nine months loss was $116 million compared with a $9 million loss a year ago. Volume and revenue were higher than the year-ago period.

Slide 22 show the $88 million improvement in Asia-Pacific Africa third-quarter pretax results compared with 2011 by causal factor. The improvement is explained primarily by favorable volume and mix, higher net pricing, and favorable exchange. A partial offset is higher costs associated with new products and investments to support higher volumes and future growth.

As shown in the memo, Asia-Pacific Africa's pretax results improved compared with second quarter explained primarily by favorable market factors. For the full year, we expect Asia-Pacific Africa's results to be a loss roughly in line with 2011.

Slide 23 covers 2012's third- and fourth-quarter production. In the third quarter, total Company production was about 1.4 million units, 24,000 units higher than a year ago. This is on the other hand 45,000 units below our guidance, reflecting primarily part supply issues on several of our products. We expect total Company fourth-quarter production to be about 1.5 million units, up 112,000 units from a year ago reflecting higher volume in all regions except Europe.

Lower production levels in Europe reflect lower industry as well as the strategic de-stocking initiative to generate ongoing benefits for ourselves, our dealers, and our customers. Compared with third quarter, fourth-quarter production is over 100,000 units higher reflecting our seasonal operating pattern as well as added capacity in North America and Asia-Pacific Africa.

Let's turn now to slide 24 and review our Automotive gross cash and operating-related cash flow. We ended the quarter with $24.1 billion in Automotive gross cash, an increase of $400 million from the end of second quarter.

Automotive operating related cash flow was $700 million positive reflecting Automotive profit offset partially by net spending and changes in working capital. Our cash flow before financing-related changes and dividend was $1.3 billion including $300 million in receipts from our Financial Services sector and cash received from the consolidation of AutoAlliance International.

During the quarter, we contributed $600 million to our worldwide funded pension plans in line with our previously disclosed long-term strategy to derisk our funded pension plan. This includes $0.5 billion of discretionary payments to our US funded plan.

Dividends paid in the quarter totaled $200 million and in the first nine months, our operating-related cash flow was $2.4 billion and gross cash improved $1.2 billion.

Slide 25 summarizes our Automotive sector cash and debt position at the end of the third quarter. Automotive debt at the end of the quarter was $14.2 billion, unchanged from second quarter. In August, we completed the final draw down of low-cost loans for advanced technologies and we began repayment of the loans in September. We ended the quarter with net cash of $9.9 billion and Automotive liquidity of $34.4 billion, both increased when compared with second quarter.

Turning now to Ford Credit, slide 26 shows the $188 million decrease in third-quarter pretax results compared with a year ago by causal factor. The results are more than explained by fewer lease terminations which resulted in fewer vehicles sold at a gain; lower financing margin as higher yielding assets originated in prior years ran off; and the non-recurrence of credit loss reserve reduction.

As shown in the memo, Ford Credit's pretax profit decreased by $45 million compared with second quarter.

Ford Credit remains a strategic asset for Ford, delivering high levels of quality and customer satisfaction with operating efficiencies that are among the best. For full year 2012, Ford Credit now projects full-year pretax profit of about $1.6 billion and total distributions to its parent of about $600 million. For full year 2012, Ford Credit continues to project managed receivables at year-end to be in the range of $85 billion to $90 billion.

With that, I would now like to turn it back to Alan, who will cover the business environment and our 2012 planning assumptions.

Alan Mulally - ***Ford Motor Company - President & CEO***

Thank you, Bob. Summarized on slide 28 is our view of the business environment. Overall we now expect 2012 global GDP growth to be in the range of 2% to 2.5%. Global industry sales are projected to be around 80 million units, up nearly 5% from 2011. US economic growth is expected to be in the 2% range this year with industry sales supported by replacement demand given the older age of the vehicles on the road.

In Brazil, easing fiscal and monetary policies such as sales tax reductions and policy interest-rate cuts to historic lows are setting the stage for renewed economic growth.

In Europe, we expect severe conditions to continue especially in countries undergoing fiscal austerity programs. Recent policy moves are positive steps but not yet enough to resolve this crisis and fully restore business and consumer confidence.

In Asia-Pacific and Africa, China and India have experienced slowing economic growth which has prompted some policy easing including interest-rate cuts, liquidity injections, and increased government spending. More policy actions are necessary to stabilize economic growth and facilitate recoveries in these countries.

Overall despite the challenges, we expect global economic growth to continue in 2012.

Slide 29 summarizes our first nine months results and our planning assumptions and key operational metrics in 2012. Our industry projection for Europe is unchanged and we now protect US industry at about 14.7 million units. As guided previously, we expect US and Europe full-year market share to be lower compared with 2011 and quality is mixed.

We continue to expect Automotive pretax profit and operating margin to be about equal to or lower than 2011. This includes our continued expectation of an increase in Automotive structural costs of less than $2 billion. We continue to expect Automotive operating-related cash flow to be positive for the full year including capital spending of about $5 billion in line with past guidance.

We still expect total Company pretax profit to be strong but lower than 2011. This includes a profit of $1.6 billion for Ford Credit.

Finally, slide 30 summarizes our ONE Ford plan, which is unchanged. We will continue to aggressively restructure the business to operate profitably at the current demand and the changing model mix, accelerate development of new products our customers want and value, finance our plan and improve our balance sheet, and work together effectively as one team leveraging our global assets.

We have delivered strong profits in the first nine months driven by outstanding results in North America and solid performance by Ford Credit. We also announced significant actions to transform our European business, projecting that Ford Europe will return to profitability by mid-decade.

We see the results of our ONE Ford plan taking hold in Asia-Pacific and Africa with market share increasing as investments in new facilities and products gain traction. We also are executing our ONE Ford plan in South America, expanding our product portfolio with new global products while looking at the areas of our business to improve operating results.

Our plan will continue to be our guide as we work to sustain our strong North American operation, grow our important Ford Credit business, and decisively address the diverse challenges and exciting opportunities we have in all the other parts of the world. We have made tremendous progress in recent years by executing the fundamentals of our ONE Ford plan and there are significant benefits ahead as we leverage our global assets.

We will continue to work toward our mid-decade guidance and remain confident in our plan and our ability to deliver profitable growth for all.

Now we would be happy to take your questions.

George Sharp - ***Ford Motor Company - Executive Director of IR***

Thanks, Alan. Now we will open the lines for about a 45-minute Q&A session. We will begin with questions from the investment community, then take questions from the media. In order to allow as many questions as possible within this timeframe, please keep your questions brief.

Chanel, can we have the first question please?

QUESTION AND ANSWER

Operator

Chris Ceraso, Credit Suisse.

Chris Ceraso - ***Credit Suisse - Analyst***

Thanks, good morning. Maybe on Europe, you mentioned that you were going to be doing some destocking in Q4. Can you give us an idea where inventories stand today either in terms of the number of units or days supply and where you are targeting that to be? Is this something that you feel like you can get done in Q4 or is the destock going to carry into Q1 of next year?

Alan Mulally - ***Ford Motor Company - President & CEO***

You bet, Bob?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Actually the inventory has been managed very, very effectively by the Ford Europe team throughout the entire downturn. So we go into -- we came into the quarter with very healthy levels of days supply and in fact we ended days supply in the quarter at, let's see, it was about 39 days supply. We would normally run the business at about 50, but in the third quarter, it always runs down because of the summer plant shutdowns. Then what would normally do, Chris, is we would build the stock back up in the fourth quarter, back up to about that 50 days supply or so.

We are not going to do that. We are going to effectively pass on that and leave the days supply at about 40 or so and that's what we would like to target on a go-forward basis because we think there are benefits as we mentioned in the comments to everyone involved. And so as result of that, we will take a hit in the fourth quarter probably to the tune of around $300 million because we do that but we think it puts the business in a much, much healthier position going forward and so that's what we will do.

Chris Ceraso - ***Credit Suisse - Analyst***

Okay, that makes sense. The $450 million to $500 million that you anticipate from savings of the restructuring there, when does that kick in? Is that second-half 2013 or not until 2014 or when does that start?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Obviously it's associated with the facility reductions and the way that's going to work is the UK facilities are projected to close around the middle of 2013 and those were the smaller of the three facilities that we talked about closing.

Genk, which is the larger one, won't close until the latter part of 2014, so you will see not that much in 2013 and frankly, a little bit more in 2014 as you get the full year effect of the UK actions. But then Genk doesn't occur and start to generate the associated savings until the latter part of 2014.

Chris Ceraso - ***Credit Suisse - Analyst***

Then on the accelerated depreciation, is that something that will run through normal course of results or are you going to call that out as a special item?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

No, that will go through operating results. It is the same way that we handled -- the same types of financial effects in North America. The only thing at the moment that we have identified that would go through special items would be the costs associated with the separations.

Chris Ceraso - ***Credit Suisse - Analyst***

Okay, thank you very much.

Operator

Itay Michaeli, Citi.

Itay Michaeli - ***Citigroup - Analyst***

Thanks. Good morning, everyone, and congratulations. Just want to talk on the fourth-quarter outlook. Given the wide range of losses potentially in Europe, are you expecting North America to be lower sequentially? It looks like Q3 kind of broke the seasonal trend and was higher sequentially. I'd like to get a better sense of the walk given that you do have some tailwinds from products and pricing but also the typical seasonal behavior with some of the inventory actions in December, just want to get a better sense of the North America walk.

Bob Shanks - ***Ford Motor Company - EVP & CFO***

We expect in the fourth quarter, Itay, that we will have a lower Company result, which is not unusual because we always have, as you mentioned, that seasonal cost increase going from Q3 to Q4. And then on top of that, as we were just discussing with Chris, we will have the effects in Europe, so we would expect to have a somewhat higher loss there as well.

So I think you will see those normal factors kick in and we will have a good quarter, it just won't be as strong as the current quarter.

Itay Michaeli - ***Citigroup - Analyst***

Is that sequentially lower outlook also applicable to North America or is it possible that Europe could really account for most of it, just given the guidance for the full year is a European loss of above $1.5 billion, which I guess could mean maybe up to $2 billion? But just want to get a sense of what you are expecting specifically for North America directionally?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

At the moment, we would expect North America to be down, largely driven by the seasonal cost changes.

Itay Michaeli - ***Citigroup - Analyst***

Great, then just as a follow-up, on the mid-decade outlook in Europe, you did mention that you expect market share to be a little bit higher. I was hoping you can quantify that a bit.

And then also if you can maybe talk about what you are expecting the European contribution margin to look like by mid-decade relative to perhaps 2006, 2007, just want a historical comparison of what the mid-decade contribution margin that you are expecting in the plan looks like relative to years past?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Just a couple's comments there. One is we do expect the share to grow. In fact, this is a growth plan for Europe not only because we expect the industry to come back but we expect to grow our share. In addition as you know, our share is the 19 markets that we traditionally track as Europe but we have got very aggressive plans in Eastern Europe and Russia as well and those are actually quite robust growth markets in the regions. So that will be a good story going forward.

But in terms of share, we expect the share to grow largely driven by all the products that we talked about last week, but in particular the commercial vehicles. We're dramatically expanding the commercial lineup, introducing the people carriers in addition to the normal commercial vehicles. And in addition, what we're doing is we're focusing much more on sort of the retail and the commercial fleet channels at the expense of the lower margin rental and demo sale channels that we actually saw some progress on in the third quarter.

So that will be kind of what is taking place in terms of share. It will grow and we expect the mix of the share to change, which actually leads to the other point that you made around the margin.

We do expect the margin to improve as we move towards mid-decade. That will be because of the change in focus in terms of the business channel mix but also the product mix should improve. Commercial vehicles are quite profitable for us. We also talked about a number of -- I guess I would call them higher revenue, higher margin products that we will also be bringing in that should strengthen the brand.

And in addition to that, what we'd expect to happen is that the overall industry as the industry comes back a bit from the very low levels that we are at, somewhat modestly I would admit, but we would expect that the discounting would peel back a little bit from where it is today and all that will generate a higher contribution margin.

Itay Michaeli *- Citigroup - Analyst*

That's great. Just lastly back to North America, just a question on the sustainability of margins the next maybe 12 to 18 months. You have some great product launches coming, commodity costs appear to have eased and the housing recovery can certainly help your pickup truck mix. But assuming consumers continue to respond well to your product, is there anything that's occurring this year on the margin side that makes it sort of nonrecurring or more difficult to continue under those assumptions the next 12 to 18 months?

Bob Shanks *- Ford Motor Company - EVP & CFO*

I think that's a very good point you just made. I think it's important not only to look at the pretty spectacular results of North America in the quarter but to put it in the context of what they've done over the last three quarters. So they have been incredibly consistent in generating a profit of over $2 billion the last three quarters and an operating margin in excess of 10%, which as you know is extremely strong.

As we go forward, we do expect North America generate very, very healthy margins going into next year and beyond but obviously it always depends upon the business environment and competitive activity. But I think the business is in a good position and will do quite well in the future but I wouldn't get into any specific numbers at this point in time.

Itay Michaeli *- Citigroup - Analyst*

Thanks so much, guys, and congrats again.

Operator

Peter Nesvold, Jefferies.

Peter Nesvold *- Jefferies - Analyst*

Good morning. I was hoping to maybe bridge the European walk a little bit more or more specifically the guide. I'm not trying to get too precise but just trying to understand if there's any messaging going on there? So you said previously you expect losses in excess of $1.5 billion for the year. You've lost $1 billion so far. You said earlier $300 million comes from the inventory adjustment of 4Q, which sort of leaves $200 million plus of underlying losses in Europe.

If it were $200 million I think we would probably all be pleasantly surprised because that would pretty dramatically narrow the loss from what we have experienced on a quarterly basis year-to-date. Is that sort of what you are suggesting or should it really be consistent underlying operating losses consistent with what we have seen on average the first three quarters of the year?

Bob Shanks *- Ford Motor Company - EVP & CFO*

What you would expect in the fourth quarter consistent with the guidance that we gave of a loss for the year that exceeds $1.5 billion is that we will have a larger loss in the fourth quarter than in any of the preceding three quarters.

What we were talking about is that that loss would normally have been less if we had rebuilt our stocks in the fourth quarter along the lines of what I was talking with I think it was Itay or Chris about. But we're not going to do that, so therefore, we kind of pass by on that what would have been a normal profit improvement in the quarter.

In addition, Peter, what we are going to see in the fourth quarter because we have announced the facility closures in the UK and Genk, we start the accelerated depreciation of those facilities and so that will add about $100 million in the fourth quarter of accelerated depreciation, which would affect the results as well.

Peter Nesvold *- Jefferies - Analyst*

Okay, then forgive me if you addressed this. I can go back to the transcript if you did -- on the European profit bridge, the contribution costs improved by about $248 million year-over-year in the quarter and about $236 million sequentially. What were the key drivers of that? Is that something that you think can continue for the next several quarters? Thanks.

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Of the year-over-year change, about $100 million of that was commodities including hedging effects and almost all of that was actually hedging effects, so that is clearly just one time. It depends on what the mark-to-market rates will be at the end of the quarter.

We also had some favorable good news on material costs excluding the commodities driven largely by our cost reduction efforts. And then we had lower freight and lower warranty costs.

In terms of the quarter-to-quarter, we had a similar improvement of about $236 million. Again most of that was the commodities including hedging effects.

Peter Nesvold - ***Jefferies - Analyst***

Great, okay. Thank you.

Operator

Adam Jonas, Morgan Stanley.

Adam Jonas - ***Morgan Stanley - Analyst***

Thanks, a couple questions. Can you give us an update on the Fusion launch to date and in terms of specifically any start-up or ramp-up costs that might have impacted the third quarter or could impact the fourth quarter?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

The Fusion, the launch is still underway. We had some parts supply issues that we are working our way through but we're starting to get better supply of the product.

In terms of the market reception, it has been pretty phenomenal. It's turning very, very quickly an average of only nine days in dealer stock on average so far. We are seeing that we are attracting younger consumers so a significant portion of those are actually under 35 years of age. It's the highest in that segment in terms of our performance.

And what we are also seeing is that we are getting very good demand from the coasts. About 51% of our sales so far have been on the coasts versus about 44% for the outgoing models. So we're kind of hitting on all cylinders in terms of how the consumers are responding.

So we are still working through the launch and progressing but supply little by little is improving and it appears like it's going to be quite a hit with the consumers.

Adam Jonas - ***Morgan Stanley - Analyst***

But in terms of costs, though, does the delay with supply -- did it put more pressure on 3Q or does it delay costs that are then going to be a greater burden on 4Q in North America?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

We had some launch costs in the third quarter associated with the acceleration of the plant. As we move into the fourth quarter, you will start to see higher advertising and sales promotion as we start to spend for the product once it hits the dealer's showrooms.

Adam Jonas - ***Morgan Stanley - Analyst***

Okay, great. Did -- can you quantify any costs that the additional shifts had on the third quarter or could in the fourth quarter as well?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

I don't have a specific number but clearly as we've talked about, the increase for the full year of structural costs just under $2 billion, a portion of that is manufacturing costs and it is driven not only by launch but also driven by the added shifts not only here but in Asia Pacific, Africa as well.

Adam Jonas - ***Morgan Stanley - Analyst***

Okay, just moving to South America, the product availability issue obviously led to pretty big relative underperformance given the overall market growth. Can you give us an idea going forward the cadence of improvement, when we could be at an all clear in terms of full availability where you could participate with the market?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Yes, I guess the first thing I would say about South America is if you look at the results back on slide 16, we are really getting hammered by exchange. The Brazilian real in particular is much, much weaker than it was a year ago and we've seen this all year long. And of that $223 million of adverse exchange, about $200 million of it was operating and most of that was the Brazilian real. So that's having a big impact on us and even though we've got some positive pricing, when you factor in the local economics that we're incurring, which are spread through our cost factors, we are just not getting the type of pricing recovery for all of that that we would have seen in the past because of the environment that we are in.

Having said that, there were two things that happened in the quarter that affected volume. One is the ramp up of the EcoSport in Brazil, which is a very, very important product with good margin, and just as I mentioned with Fusion, that launch is progressing and we are getting better and better supply as we go now into the fourth quarter. But it certainly wasn't -- was an issue for us in the third quarter.

Ranger is coming on stream. That's produced in Argentina and that one also is improving in terms of supply, but was a bit of an issue in the third quarter.

And then the last thing that affected us as we mentioned, actually had much lower production in Venezuela than we normally would have because of issues of gaining access to dollars because of the currency restrictions in place in the market. So we just didn't run the plant for a couple months.

Adam Jonas - ***Morgan Stanley - Analyst***

Thanks for that color. Bob, just one last one on Europe. Have you isolated the balance of the gross cost savings of $450 million to $500 million versus the projected increase in structural costs as you ramp up all the product? Is the balance of just those two items expected to be positive or neutral? I'm just trying to get a sense or how much of the return to breakeven mid-decade is contingent on improved share, volume, market size. Thanks, that's it.

Bob Shanks - ***Ford Motor Company - EVP & CFO***

I think that's a good question. We clearly will see the benefits in our manufacturing costs that we talked about that we are also going to be growing the business, investing heavily in products. We are growing in parts of Europe that I talked about earlier outside of the area that we talk about in terms of share in industry and so forth. So I would expect as we go forward that our structural costs in the aggregate probably will increase as we continue to invest heavily in the business.

This is not a cost cut your way to profitability plan. This is a growth plan partially around the industry coming back very modestly around a stronger brand, around a repositioning of the product lineup and an expansion of the product lineup and then of course, cost efficiencies, as I mentioned.

Adam Jonas - ***Morgan Stanley - Analyst***

Thanks, Bob.

Operator

Brian Johnson, Barclays.

Brian Johnson - ***Barclays Capital - Analyst***

Good morning. I just want to focus on these strong North American results. I think two or three questions. First, given you have the longer-term guidance that you gave us a year or so ago around 8% to 10%, does this level of profitability -- recognizing it's just one quarter but year-to-date over 10% -- mean that you could go above that range for a while?

Second question, if we look at more detailed, if we look at the warranty freight that was $300 million positive, was that a lack of spend this quarter versus last quarter or is that just a perhaps a one-time reduction?

And another detailed question. If I take industry minus share, it's about $200 million of volume. You had about 17,000 wholesale as well as production difference. That implies incremental profits per units sold of $11,000, which is higher than you typically report. Was there something going on there? Is that the kind of incremental unit profitability we could think about going forward?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Okay, if I can remember all that, I get a gold star.

Brian Johnson - ***Barclays Capital - Analyst***

8% to 10% guidance, warranty freight, incremental volume.

Bob Shanks - ***Ford Motor Company - EVP & CFO***

We will do it in chunks. I think that's a very good question and let me put it in context the third quarter. The third quarter is a very, very clean result. It's a very strong result but as always in every single quarter, and I always kind of mention this, quarters are variable because there's -- it's a big business and things move differently quarter-to-quarter.

In this particular quarter, I would just highlight I guess a couple of things. One is we did benefit from the $100 million absolutely of the positive commodity hedging effects and so clearly that may or may not repeat. It depends on what the spot rates are at the end of the fourth quarter.

And then the other thing is that we had about maybe about $200 million of warranty adjustments associated with the 2012 model year coverages that were sort of a true up of -- now we've got more mature data as the model year is getting longer in tooth, we're able to go back and adjust reserves in a positive way, which doesn't mean that it's one time. Actually it suggests that if we knew what we know -- if we knew in the past what we know now, we would have had probably better results in the first quarter, the second quarter. So it's kind of a lumpy change that we're kind catching up on here in the third quarter.

And so if you take that plus that $100 million, maybe there's $300 million -- $100 million that clearly is just is what it is and $200 million that would have spread out over the previous quarters in which we were selling the 2012 model year vehicles if we knew what we know now.

Going forward, I think North America is going to have very, very strong shares. As we do look at next year, there's a few things to keep in mind. One, it's likely that our pension expense is going to go up as we look at where our discount rates are likely to come out and that would have a negative impact on their results.

Secondly, there is some favorable adjustments in OPEB from the actions that we took in the restructuring of North America over the last five, six, seven years that essentially run out as we go into 2013, and so that will no longer be a benefit to them. Related to that, our depreciation and amortization next year no longer has any of the benefit of the impairment that we took on assets back in 2008 as part of the restructuring, so that kind of runs out.

All of those will be headwinds in the North American results as we move into next year as well.

Brian Johnson - ***Barclays Capital - Analyst***

In terms of just my math on $200 million volume industry minus share gain divided by 17,000 wholesales?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

In fact, one other thing I did not mention also as we look ahead and we've talked about this quite a bit, as we do start to sell more and more smaller vehicles as opposed to larger utilities and trucks, we would have an adverse sort of mix effect on the business as well from a margin standpoint. Okay?

As we go down to the third question, which was what? Oh yes, the other one, what you're seeing there on US industry and US share, that's just obviously the US. We also had some volume changes in some of the other markets like Canada and Mexico and that's covered down in sort of mix and other. And also it depends on the product mix too.

Brian Johnson - ***Barclays Capital - Analyst***

But still is a very high number, 11,000, if you add in mix and other, it would be even higher.

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Yes, yes, there is some rounding in there as well but the margins in North America are very healthy as you know.

Brian Johnson - ***Barclays Capital - Analyst***

Okay, thanks.

Operator

Colin Langan, UBS.

Colin Langan - ***UBS - Analyst***

Great, thanks for taking my question. Could you have any -- give any color on getting South America back to profitability? It used to be a double-digit business. It sounds like FX has been a big headwind. How long does it take to address some of those issues? Or is this now just a structural issue and we can't get back to that 10% that you had back several years ago?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

That's a good question. There's probably a couple things to think about. Going back to what I mentioned earlier, there has been a very quick and sharp weakening of the local currencies and if you take that $223 million we're seeing this quarter and annualize it, you're looking at like a $600 million impact for the full year. And if you think about last year, we made about $860 million, a lot of this is exchange-driven, some of which we are pricing for but as I mentioned earlier, not as much as we could have in the past.

Now going forward, everyone is affected by this and you would think that over time the industry would try to restore margins and pricing opportunities would be there for us, but that's what we have yet to see.

The main thing that's going to help us going forward is basically the investments that we are putting into product because what we are doing is we're basically taking a product lineup that is largely legacy products going to all global products. So for example, the Ranger that we just talked about, that's a global product that we just launched. The EcoSport is a global product coming off of the Fiesta platform if you will and next year we will be launching that in China and in India. So that is going to -- you're going to see that phenomenon across their portfolio and in fact, we expand the portfolio so the number of segments that we cover is going to go up substantially as well.

At the same time, we're going to continue to work on our operating efficiencies across the business and see if we can't recover some of that margin as I mentioned through pricing if competitors need to do the same.

Colin Langan *- UBS - Analyst*

Okay, just one last question. Commodity costs, it seems like they are still if I'm reading this right, they are still a bit of a headwind even though some of those prices have come down. Should that improve over the next few quarters or is that still going to be a headwind? And any color on how it may look for the full year as a headwind or tailwind?

Bob Shanks *- Ford Motor Company - EVP & CFO*

I wouldn't even try to forecast commodity costs. If you look at the quarter on a year-over-year basis, putting aside the hedging, it's actually pretty flat. It's almost all hedging effects that you are seeing so at least in the quarter, they were largely stable in terms of what we were kind of buying. It was the commodity effect that we actually -- the hedging effect that we benefited from. So as we move ahead into the next quarter, we will have to wait and see.

The spot rates are down. Steel is lower. Aluminum is lower. Palladium and precious metals and so forth are lower so we will see if that is sustained as we go into the fourth quarter. But as you know, those things change every single day so it is kind of hard to predict.

Colin Langan *- UBS - Analyst*

But the commodity hedging, was that just the reversal of that $350 million headwind that you had last year or is that a completely separate issue?

Bob Shanks *- Ford Motor Company - EVP & CFO*

No, it was two things. It was the non-recurrence of the $350 million bad news last year but then we picked up good news against the hedging we had an effect of $100 million absolute this year. So on a year-over-year basis, we picked up about $450 million of good news on hedging. If you put hedging to the side, just the basic commodity cost changes themselves were basically flat year-over-year.

Colin Langan *- UBS - Analyst*

All right, thank you very much.

Operator

Patrick Archambault, Goldman Sachs. Patrick, your line is open. Rod Lache, Deutsche Bank.

Rod Lache *- Deutsche Bank - Analyst*

Good morning, everyone. Just a couple points of clarification first just on your comments on commodities. Would you be able to say at this point -- if you were to assume the spot prices were to kind of prevail over the next several quarters, would you expect that the commodities would be a positive on a year-over-year basis as you look out to 2013 offsetting some of those structural cost increases?

Bob Shanks *- Ford Motor Company - EVP & CFO*

I wouldn't get into 2013 at this point. I would just say as we look at going into the fourth quarter where we are sitting at the moment, it looks like it would actually be some headwinds going into the fourth quarter. But I would be cautious about that because it really depends on where we are at the last day of the quarter in terms of what's going to happen on the hedging effects.

Rod Lache *- Deutsche Bank - Analyst*

I was also hoping you can clarify a little bit your comments on the structural cost outlook for Europe. So we've got the $450 million to $500 million of savings. You commented that structural costs go up, though, over time. Are you suggesting that the costs will not decline on a net basis as you look out to 2014 or 2015 if the volume outlook comes to fruition? Is there any way for us to frame that?

Bob Shanks *- Ford Motor Company - EVP & CFO*

Yes, that's exactly what I'm saying that our structural costs in total probably would increase as we go out through 2015 net of this $450 million to $500 million as we continue to invest more in engineering, as we invest more in advertising sales promotion because you can understand in the environment that we are in, we're not spending hardly anything on advertising and sales promotion. And with the expanded portfolio that we are going to be putting into place, we clearly want to communicate that.

Jim Farley and Stephen Odell and the teams will be working also to strengthen the brand and so in the aggregate, it probably will go up but we will have substantial efficiencies coming from our footprint. We've got Stephen Odell on line so maybe Stephen could comment.

Stephen Odell *- Ford Motor Company - GVP, Chairman & CEO, Ford Europe*

I think one of the key points -- this is Stephen -- that has been made about the destocking although it's a one-time profit impact, it really gives us some better choices. It enables us to, one, reduce dealer costs and at a time when dealers could be finding it difficult to fund inventory, it means that that cost comes down plus of course we've got Ford Credit providing support to our dealer body across Europe that means those costs come down. But it also allows us to look at our channel mix differently because we've got leaner inventory. We don't have to respond perhaps as we have in the past to short-term business. That itself is a benefit to the residual value which in of itself benefiting cycle.

But clearly as we have more products come on board and the industry starts to improve albeit modestly, there is an opportunity for us to communicate not just more but more effectively and really there we can leverage the things that we have learned from our ONE Ford plan in North America. Because actually quality, green, safe, and smart -- the same elements that our customers are interested all around the world will leverage that learning in Europe as well.

Bob Shanks *- Ford Motor Company - EVP & CFO*

Rod, I would just add that we are taking a lot of the learnings from North America to Europe but it is important to understand Europe isn't North America. Europe is a much -- going into this -- a much, much leaner organization. It clearly has excess capacity which we are addressing but if you look at the other areas of the business, it's very lean.

So as we come out of this and we invest in product and we want to grow the business, we will see the efficiencies from addressing the excess capacity but we actually want and need to invest in other areas of the business to drive the topline both in terms of volume and net revenue.

Rod Lache *- Deutsche Bank - Analyst*

Okay, maybe just switching gears here to North America, your wholesales year-to-date are about 58,000 units lower than your production. Are those units in inventory at this point -- is that related to some of these launch issues that you commented on? Are the launch issues largely behind you at this point so that just availability of launch products starts to help market shares as we go out over the next quarter or two?

Bob Shanks *- Ford Motor Company - EVP & CFO*

In general, that's correct.

Rod Lache *- Deutsche Bank - Analyst*

Lastly, you initiated a dividend about this time last year. Is there a point in the year when you typically at the Board level kind of reassess the dividend policy?

Bob Shanks *- Ford Motor Company - EVP & CFO*

We review our policy regularly as part of ongoing reviews of our cap strategy and as we have said, our strategy is to pay an appropriate level of after-tax earnings that allows us to maintain a dividend during a downturn and we are kind of comfortable with where we are right now but always reassessing and at the moment don't have anything else to say on it.

Operator

Patrick Archambault, Goldman Sachs.

Patrick Archambault *- Goldman Sachs - Analyst*

Thank you. Sorry I got cut off there, but two questions from me. Number one, just another one on South America. I think at one point there was an issue with the trade agreement between Brazil and Mexico that was preventing you from sort of maximizing your throughput I think of the Mexico plant which I think had stuff that was destined for Brazil. Can you just update us on that?

And then my second question is on the variable cost side in Europe, one would have expected the implementation of global platforms would have obviously brought variable cost savings every year as you refresh but now you have sort of moved things around and I think delayed the Mondeo. And so is that something that is going to take a little bit of a pause or do you expect to continue to see variable cost improvement even into next year from global platforms in Europe?

Bob Shanks *- Ford Motor Company - EVP & CFO*

First on South America, the results all year have been affected by the government policy changes in addition to the issues that I referenced earlier not only in Venezuela but also in Argentina on currency access. Yes, we have been affected. The team is responding as quickly as they can to that in terms of what happened between Brazil and Mexico. They essentially suspended the Free Trade Agreement, and have in place now quotas which are lower than what free demand would have been and so that is having an effect in the short-term.

We also have the same situation occurring now between Argentina and Mexico where I think we are still working to try to put in place an agreement that could result in something like a quota but at the moment, we just have higher tariffs that have been put in place by both parties since the Argentineans decided to suspend the Free Trade Agreement. So that is still a bit of a work in progress.

When you think about global platforms, all the business units are beneficiaries of our strategy around global platforms. Europe of course, most of the products that Europe has were the products that ultimately became global products elsewhere. So in terms of benefits for them, they clearly have been a great beneficiary of that not only on variable costs but equally so on the investments in terms of engineering and also in terms of to some extent, the investments we put into the facilities and we expect that to continue going forward and to be one of the contributors to the turnaround in Europe.

Stephen Odell *- Ford Motor Company - GVP, Chairman & CEO, Ford Europe*

Just to add to that, if I may -- this is Stephen -- even with delay of Mondeo, which we have said is out in 2014, the vast majority of our products in Europe will be global. In fact, one of the reasons we showed the products in Amsterdam was to give people a physical representation of the products that were coming rather than 15 vehicles within five years and just talk about it. We physically showed the products that were there and coming and the vast majority of course are global.

The actual volume of course of CD products in Europe, whilst very important to us, is on the relatively small side. So we believe we can compensate for it and of course when the new Mondeo and the new S-MAX and the new Galaxy come through, then we will continue to leverage the ONE Ford platform.

Patrick Archambault *- Goldman Sachs - Analyst*

Okay, that's very clear. Thanks for taking my questions.

Operator

Now we will take media questions. (Operator Instructions). Alisa Priddle, Detroit Free Press.

Alisa Priddle *- Detroit Free Press - Media*

Good morning, gentlemen. I just wanted to check. Obviously North America has been the big driver in all of this. I am just wondering -- in I guess a perfect world, how much contribution do you want from North America versus the other regions?

Bob Shanks *- Ford Motor Company - EVP & CFO*

Well, you would want everybody generating -- our guidance is that we would like to achieve an 8% to 9% operating margin for the total Company. We have said that we would like to have North America at sort of 8% to 10%. So given the size of North America relative to the others, you would like to see North America representing 55%, 60% of a Company that's generating an 8% to 9% operating margin.

Clearly it's more than explaining all the profits but that simply reflects the opportunities ahead of us in transforming our business in Europe, addressing the issues in South America that we were just talking about, and then getting Asia Pacific to the point where it is meaningfully contributing to the bottom line. We are confident that in all three of those areas, that we are on track to do that.

Alan Mulally *- Ford Motor Company - President & CEO*

This is Alan. Just an additional comment to Bob's, one of the neat things about the ONE Ford plan is that balance between the service geographically to the customers is also in addition to the balance on the portfolio of products. And of course the neat thing about the United States is the transformation to include all the small and medium-sized vehicles along with our strength and leadership in the larger vehicles.

And when you add that with a balance of serving the customers and as you know Asia-Pacific is going to be a very significant contributor in addition to America's and to Europe, but I think it's that balance of the service around the world but also the complete family of vehicles. I think you are seeing the leadership of that transformation here in North America.

Alisa Priddle *- Detroit Free Press - Media*

Okay, Bob, I just wanted to clarify one thing. You had said earlier about -- this is the third quarter in a row with over $2 billion and an operating margin of 10%. Were you talking total Company or just North America or were you talking net income or --?

Bob Shanks *- Ford Motor Company - EVP & CFO*

I was talking about North America, so on a pretax operating basis, they've made more than $2 billion first, second, and third quarter and on an operating margin basis, they have exceeded 10% in the first, second, and third quarters.

Alisa Priddle - ***Detroit Free Press - Media***

Okay, thank you very much.

Operator

Dee-Ann Durbin, The Associated Press.

Dee-Ann Durbin - ***The Associated Press - Media***

Alan, I was hoping that you could quickly discuss the Consumer Reports ranking yesterday. I know we have heard time and time again from Ford that you are fixing the issues with MyFord Touch. You are fixing the transmissions but it just still seems that consumers are giving you pretty hard knocks for those problems and I'm wondering what you are going to do?

Alan Mulally - ***Ford Motor Company - President & CEO***

Good morning to you, Dee-Ann. I think that clearly it's disappointing although we really do know the issues as you know and in some of them, especially the ones that are really contributing to the latest report, is led by not so much SYNC but the MyFord Touch on the information and entertainment side and also the new six-speed fuel efficient transmissions that we know what needs to be done on the redesign of those.

We have a number of the fixes already in on both. We have more to come and as you know, it takes time to go through the product line. So what the customers are saying and the feedback we've gotten with the new technology is really important to us and we're going to continue to continuously improve them going forward.

Dee-Ann Durbin - ***The Associated Press - Media***

Thank you.

Operator

(Operator Instructions). Mike Ramsey, Wall Street.

Mike Ramsey - ***Wall Street - Media***

Good morning. Nice job on the results. I wanted to ask kind of a follow-up on Patrick's question. How much is your integration of all of your platforms affecting -- can you quantify how much of the profit margin in North America is affected by the collapse of these global platforms or is it too early to have a big read through on that? Because it just seems like your cost-cutting is one thing but -- and this seems like a longer-term thing and I am wondering how much that has come through on North America and how much it might then flow through the rest of the world?

Alan Mulally - ***Ford Motor Company - President & CEO***

Absolutely, a really important question and I think it starts -- the first part of the answer to your question starts with the efficiency on developing the products, both in engineering and manufacturing. And clearly North America and the rest of the businesses are really appreciating the benefit of that scale and the efficiency of developing the global platforms and you can really see that in the capital expenditure too, Mike. You can see the amount of product that we are doing compared to the past with the investment that we updated also.

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I think going forward, we are at the front-end of really appreciating the value of the products when they go into manufacturing and into service, which as you know, we are at the relatively start of that around the world and of course led by North America. So when you look at it, what's going on right now is the Focus, the Fusion, the Fiesta, the Escape, the C-MAX, the Transit, the Transit Connect, all of those are right at the front-end of moving to that world where nearly 80% of the volume will be off of those five platforms. And right now, they are off of nine platforms.

So I think we are seeing the efficiencies and we're very pleased about it on the development and I think we have a lot more benefit to see going forward as they go into production. Especially aligning with our supply base.

Mike Ramsey - ***Wall Street - Media***

Okay, great. Thank you.

Operator

Robert Schoenberger, Plain Dealer.

Robert Schoenberger - ***Plain Dealer - Media***

Looking at the profit margin for the quarter, I was somewhat surprised to see such a high number when the mix has been away from pickups and SUVs and some of the more profitable vehicles. So are you just seeing enough of a margin in some of the newer cars and crossovers to make up for the lack of the F-Series?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

I think what you're seeing is a very, very healthy cost structure. As I mentioned earlier, Robert, we can be breakeven at 10 million industry or slightly below that and the industry in the quarter on the SAAR basis was about 14.7 million, so we are getting good -- obviously we have healthy margins on F-Series but we are also seeing good margins across much of the lineup.

In fact if you look at the pricing in the quarter for the Company, we generated about $800 million of year-over-year good news on pricing and about half of that was in North America and the majority of that was actually in carryover vehicles, which shows the work that the team has been doing on strengthening the brand but also managing very effectively our production to our demand. So we're able to really get every single dollar out of each sale that we possibly can.

Robert Schoenberger - ***Plain Dealer - Media***

And when -- you've talked about the mix improvement as well, is that mainly people choosing more contented versions of vehicles or are people choosing more Fusions over Fiesta, Focuses, more Focuses over Fiestas, that sort of mix?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

In the quarter on kind of a year-over-year basis, it was pretty much equally split between favorable performance in terms of the product mix of the vehicles and also favorable performance on a series and option mix basis. So we clearly are seeing people as you suggested putting more on their vehicles but we are also seeing favorable product.

Robert Schoenberger - ***Plain Dealer - Media***

Great, thank you.

Operator

Karl Henkel, Detroit News.

Karl Henkel - ***Detroit News - Media***

Good morning. I know you guys didn't want to get too speculative on the operating margin North America and what you I guess project, whether it can stay up above 10% for how long necessarily. But is that going to be expected to I guess make up such a huge portion of the overall operating margin, which I think it was 6.3% for the quarter or do you see some of the other regions I guess contributing a little bit more than that? Because 12% does seem like a really good but also really high number to continue.

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Karl, that's a good question. 12% is a very, very high number in our industry and that isn't a number that in general you would expect to be able to sustain over a longer period time. But that's why we keep calling out the fact that North America has been able to do so well for three quarters in a row. I would not expect them to have that level of margin in the fourth quarter for the reasons that we talked about. They will still have a good margin and a healthy margin. It wouldn't be quite that high, I don't think.

So as we go ahead, as I mentioned earlier, I think North America will continue to carry the load. They will have a very healthy margin as we continue to work on transforming our business in Europe and strengthening South America and as we start to see Asia-Pacific more and more come back online in terms of delivering a stronger profit as it continues to grow. As we get towards mid-decade on a trend basis, we would expect the Company on average to be generating an 8% to 9% margin and North America 8% to 10% but are we going to have quarters where they do better? Sure we will.

Karl Henkel - ***Detroit News - Media***

Thank you.

Operator

Todd Lassa, Motor Trend.

Todd Lassa - ***Motor Trend - Media***

Thanks, sorry. My question is along the line of kind of the product mix, trucks versus small cars. Just to kind of follow up on that, can you give any kind of indication of how the percentage of profit from small cars has improved or changed in the past five years, say how much of that you get from small cars versus F-Series now compared with five years ago?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

I think if you go back five or six years ago, we used to lose a tremendous amount of money on small cars and we made a whole lot of money on trucks and what we have seen over time is the truck margin has remained very, very strong, maybe a little bit less in an absolute sense than it used to be as we have had to address more and more stringent fuel economy requirements and that sort of thing. But we have seen a dramatic improvement in the margins that we get on the rest of the portfolio.

That is what Alan was talking about earlier is that the secret to success in this business is serving customers everywhere and serving them in all segments and to do that and to be profitable consistently, you have got to make money on everything that you sell. Does that mean you will make as much on a Focus as an F-Series? No, not in today's environment, but you still need to make something. I think that has been one of the secrets in the turnaround of North America.

Todd Lassa - ***Motor Trend - Media***

How dependent is that regarding the small cars on not just the mix but how well equipped they are, say, a titanium level Focus versus a lower level? Would a larger portion of base models put your profit in jeopardy?

Bob Shanks - ***Ford Motor Company - EVP & CFO***

Well, we make more on higher series products that we do on lower series. Your supposition is correct there, but the thing that's interesting that we are seeing is as customers are becoming more conscious of fuel economy and it becoming a greater reason to buy, as they are buying more fuel-efficient vehicles, they are buying higher series because they're downsizing, if you will, but they don't want to downsize in terms of their feature comforts.

And so more and more are going towards the higher series, which of course helps our bottom line.

Todd Lassa - ***Motor Trend - Media***

Okay, thanks.

Operator

Tom Walsh, Detroit Free Press.

Tom Walsh - ***Detroit Free Press - Media***

Just one question and this goes back to the stark contrast which has been going on for many quarters, a couple of years now between North America and Europe. I just wonder to the extent that from a macro standpoint you've got a US market with decent growth and definite pricing power versus the mess that Europe has become, how much of that do you attribute to policy actions or inactions in the United States and Europe? How would you contrast that over the period since the 2008, 2009 crisis?

Alan Mulally - ***Ford Motor Company - President & CEO***

Tom, it's Alan. I will get Bob's thoughts too but I think it's a really important question. The way you have asked it because clearly in the United States over the last few years, we have taken very dramatic action to size our production to the real demand to accelerate the development of the new products that people really do want and value to cover more of the market segments. And so we know this is exactly the right thing to do and you can see the results today with this balanced portfolio and our productivity that goes along with that. Clearly that's really what we announced last week with our plan to accelerate the transformation of our business in Europe.

I think this is the time to do it there. No business is sustainable if it continues to lose money because you are just not able to continue to invest in the products and serve the customer. So we know it works. We know it's not just a cost story. That's why as Bob pointed out that in addition to restructuring ourselves to utilize our facilities, we are also accelerating the development and the introduction of all the new vehicles based on our global family of Ford vehicles.

So it's improving the brand which we have done. It's the new vehicles that people want and value as well as restructuring ourselves to operate profitably and use our capacity.

Bob? Any additional? Or Stephen, any other comments from your European thought?

Stephen Odell - ***Ford Motor Company - GVP, Chairman & CEO, Ford Europe***

I think you summarized it very well, Alan. It is I think and contrast the fact that during the global recession, the North American car industry took action to reduce surplus capacity and unfortunately during the global recession, Europe didn't. Over a period time, that's just not sustainable.

Tom Walsh - ***Detroit Free Press - Media***

But I guess the larger point is from a policy standpoint of the governments, have we seen the kind of change in the European government's posture relative to what the US government did or allowed to happen? Is there anything in the European policy area that gives hope that that is going to get any better?

Alan Mulally *- Ford Motor Company - President & CEO*

I sure think so. We will get Stephen's thoughts, too, but look at how the discussion and the debate has really changed. You can see very clearly with everybody now talking about what does it take to create a viable automobile industry in Europe? The discussions now centered around having the business sized for the real demand, making the vehicles that people really do want and value and letting the market really decide.

So I think it's a very -- the discussion and the debate has moved to a very healthy place on what it really takes to create a long-term viable industry. And as you know, as hard as this is and it is really hard, that's why we are moving so decisively because the most important thing you can do is to size your production to the real demand and provide the vehicles that people really do want. Because if not, you don't have a chance to create an exciting growing Company.

But I think a lot of people are coming to that same point of view and I think it will result in actions to reduce the overcapacity in Europe for the good of everybody.

Tom Walsh *- Detroit Free Press - Media*

Great, thanks.

George Sharp *- Ford Motor Company - Executive Director of IR*

Thank you, everyone. That concludes today's presentation. We are glad that you were able to join us.