FORD MOTOR CO
Form 10-K
February 18, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

R	Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
	For the fiscal year ended December 31, 2013
	or
o	Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
	For the transition period from __________ to __________
	Commission file number 1-3950

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered*
Common Stock, par value $.01 per share	New York Stock Exchange

____
* In addition, shares of Common Stock of Ford are listed on certain stock exchanges in Europe.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes R No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No R

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

As of June 28, 2013, Ford had outstanding 3,865,186,521 shares of Common Stock and 70,852,076 shares of Class B Stock. Based on the New York Stock Exchange Composite Transaction closing price of the Common Stock on that date ($15.47 per share), the aggregate market value of such Common Stock was $59,794,435,480. Although there is no quoted market for our Class B Stock, shares of Class B Stock may be converted at any time into an equal number of shares of Common Stock for the purpose of effecting the sale or other disposition of such shares of Common Stock. The shares of Common Stock and Class B Stock outstanding at June 28, 2013 included shares owned by persons who may be deemed to be "affiliates" of Ford. We do not believe, however, that any such person should be considered to be an affiliate. For information concerning ownership of outstanding Common Stock and Class B Stock, see the Proxy Statement for Ford's Annual Meeting of Stockholders currently scheduled to be held on May 8, 2014 (our "Proxy Statement"), which is incorporated by reference under various Items of this Report as indicated below.

As of February 7, 2014, Ford had outstanding 3,872,970,301 shares of Common Stock and 70,852,076 shares of Class B Stock. Based on the New York Stock Exchange Composite Transaction closing price of the Common Stock on that date ($14.97 per share), the aggregate market value of such Common Stock was $57,978,365,406.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Where Incorporated
Proxy Statement*	Part III (Items 10, 11, 12, 13, and 14)

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* As stated under various Items of this Report, only certain specified portions of such document are incorporated by reference in this Report.

Exhibit Index begins on page

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FORD MOTOR COMPANY
ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2013

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PART I.
ITEM 1. Business.

Ford Motor Company was incorporated in Delaware in 1919. We acquired the business of a Michigan company, also known as Ford Motor Company, which had been incorporated in 1903 to produce and sell automobiles designed and engineered by Henry Ford. We are a global automotive industry leader based in Dearborn, Michigan. We manufacture or distribute automobiles across six continents. With about 181,000 employees and 65 plants worldwide, our automotive brands include Ford and Lincoln. We provide financial services through Ford Motor Credit Company.

In addition to the information about Ford and our subsidiaries contained in this Annual Report on Form 10-K for the year ended December 31, 2013 ("2013 Form 10-K Report" or "Report"), extensive information about our Company can be found at http://corporate.ford.com, including information about our management team, our brands and products, and our corporate governance principles.

The corporate governance information on our website includes our Corporate Governance Principles, Code of Ethics for Senior Financial Personnel, Code of Ethics for the Board of Directors, Code of Corporate Conduct for all employees, and the Charters for each of the Committees of our Board of Directors. In addition, any amendments to our Code of Ethics or waivers granted to our directors and executive officers will be posted in this area of our website. All of these documents may be accessed by going to our corporate website and clicking on "Our Company," then "Corporate Governance," and then "Corporate Governance Policies," or may be obtained free of charge by writing to our Shareholder Relations Department, Ford Motor Company, One American Road, P.O. Box 1899, Dearborn, Michigan 48126-1899.

In addition, all of our recent periodic report filings with the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through our website. This includes recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, as well as any amendments to those Reports. Recent Section 16 filings made with the SEC by the Company or any of our executive officers or directors with respect to our Common Stock also are made available free of charge through our website. We post each of these documents on our website as soon as reasonably practicable after it is electronically filed with the SEC.

To access our SEC reports or amendments or the Section 16 filings, go to our corporate website and click "Our Company," then "Investor Relations," then "Reports and SEC Filings," and then "SEC Filings," which links to a list of reports filed with the SEC. Our reports filed with the SEC also may be found on the SEC's website at www.sec.gov.

The foregoing information regarding our website and its content is for convenience only and not deemed to be incorporated by reference into this Report nor filed with the SEC.

ITEM 1. Business (Continued)

OVERVIEW

Segments. We review and present our business results in two sectors: Automotive and Financial Services. Within these sectors, our business is divided into reportable segments (referred to herein as "segments," "business units," or "regions") based on the organizational structure that we use to evaluate performance and make decisions on resource allocation, as well as availability and materiality of separate financial results consistent with that structure.

The reportable segments within our Automotive and Financial Services sectors at December 31, 2013 were as described in the table below:

Business Sector	Reportable Segments	Description
Automotive:	North America	Primarily includes the sale of Ford and Lincoln vehicles, service parts, and accessories in North America (the United States, Canada, and Mexico), together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories.
	South America	Primarily includes the sale of Ford vehicles, service parts, and accessories in South America, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories.
	Europe	Primarily includes the sale of Ford vehicles, components, service parts, and accessories in Europe, Turkey, and Russia, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories.
	Asia Pacific Africa	Primarily includes the sale of Ford vehicles, service parts, and accessories in the Asia Pacific region and South Africa, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories.
Financial Services:	Ford Credit	Primarily includes vehicle-related financing and leasing.
	Other Financial Services	Includes a variety of businesses, including holding companies and real estate-related activities.

In the first quarter of 2014, we plan to begin reporting as a separate segment our newly created Middle East and Africa business unit.

ITEM 1. Business (Continued)

AUTOMOTIVE SECTOR

General

Our vehicle brands are Ford and Lincoln. In 2013, we sold approximately 6,330,000 vehicles at wholesale throughout the world. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("Item 7") for discussion of our calculation of wholesale unit volumes.

Substantially all of our vehicles, parts, and accessories are marketed through distributors and dealers (collectively, "dealerships"), the substantial majority of which are independently owned. At December 31, 2013, the approximate number of dealerships worldwide distributing our vehicle brands was as follows:

Brand	Number of Dealerships at December 31, 2013
Ford	10,707
Ford-Lincoln (combined)	880
Lincoln	185
Total	11,772

We do not depend on any single customer or small group of customers to the extent that the loss of such customer or group of customers would have a material adverse effect on our business.

In addition to the products we sell to our dealerships for retail sale, we also sell vehicles to our dealerships for sale to fleet customers, including commercial fleet customers, daily rental car companies, and governments. We also sell parts and accessories, primarily to our dealerships (which in turn sell these products to retail customers) and to authorized parts distributors (which in turn primarily sell these products to retailers). Through our dealerships, we also offer extended service contracts to retail customers.

The worldwide automotive industry is affected significantly by general economic conditions, among other factors, over which we have little control. This is especially so because vehicles are durable goods, which provide consumers latitude in determining whether and when to replace an existing vehicle. The decision whether to purchase a vehicle may be affected significantly by slowing economic growth, geopolitical events, and other factors (including the cost of purchasing and operating cars and trucks and the availability and cost of financing and fuel). As we recently have seen in the United States and Europe, in particular, the number of cars and trucks sold may vary substantially from year to year. Further, the automotive industry is a highly competitive business that has a wide and growing variety of product offerings from a growing number of manufacturers.

Our wholesale unit volumes vary with the level of total industry demand and our share of that industry demand. In the short term, our wholesale unit volumes also are influenced by the level of dealer inventory. Our share is influenced by how our products are perceived in comparison to those offered by other manufacturers based on many factors, including price, quality, styling, reliability, safety, fuel efficiency, functionality, and reputation. Our share also is affected by the timing and frequency of new model introductions. Our ability to satisfy changing consumer preferences with respect to type or size of vehicle, as well as design and performance characteristics, affects our sales and earnings significantly.

As with other manufacturers, the profitability of our business is affected by many factors, including:

- Wholesale unit volumes
- Margin of profit on each vehicle sold - which in turn is affected by many factors, such as:
  - Market factors - volume and mix of vehicles and options sold, and net pricing (reflecting, among other factors, incentive programs)
  - Costs of components and raw materials necessary for production of vehicles
  - Costs for customer warranty claims and additional service actions
  - Costs for safety, emissions, and fuel economy technology and equipment
- A high proportion of relatively fixed structural costs, so that small changes in wholesale unit volumes can significantly affect overall profitability

ITEM 1. Business (Continued)

Our industry has a very competitive pricing environment, driven in part by industry excess capacity, particularly in mature markets such as North America and Europe. The decline in the value of the yen during the past two years also has contributed significantly to competitive pressures in many of our markets. For the past several decades, manufacturers typically have given price discounts and other marketing incentives to maintain market share and production levels. A discussion of our strategies to compete in this pricing environment is set forth in the "Overview" section in Item 7.

Competitive Position. The worldwide automotive industry consists of many producers, with no single dominant producer. Certain manufacturers, however, account for the major percentage of total sales within particular countries, especially their countries of origin. Key competitors with global presence include Fiat Chrysler Automobiles, General Motors Company, Honda Motor Company, Hyundai-Kia Automotive Group, PSA Peugeot Citroen, Renault-Nissan B.V., Suzuki Motor Corporation, Toyota Motor Corporation, and Volkswagen AG Group.

Seasonality. We generally record the sale of a vehicle (and recognize revenue) when it is produced and shipped or delivered to our customer (i.e., the dealership). See the "Overview" section in Item 7 for additional discussion of revenue recognition practices.

We manage our vehicle production schedule based on a number of factors, including retail sales (i.e., units sold by our dealerships to their customers at retail) and dealer stock levels (i.e., the number of units held in inventory by our dealerships for sale to their customers). Historically, we have experienced some seasonal fluctuation in the business, with production in many markets tending to be higher in the first half of the year to meet demand in the spring and summer (typically the strongest sales months of the year).

Raw Materials. We purchase a wide variety of raw materials from numerous suppliers around the world for use in production of our vehicles. These materials include base metals (e.g., steel, iron castings, and aluminum), precious metals (e.g., palladium), energy (e.g., natural gas), and plastics/resins (e.g., polypropylene). We believe we have adequate supplies or sources of availability of raw materials necessary to meet our needs. There always are risks and uncertainties with respect to the supply of raw materials, however, which could impact availability in sufficient quantities to meet our needs. See the "Overview" section of Item 7 for a discussion of commodity and energy price trends, and "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" ("Item 7A") for a discussion of commodity price risks.

Backlog Orders. We generally produce and ship our products on average within approximately 20 days after an order is deemed to become firm. Therefore, no significant amount of backlog orders accumulates during any period.

Intellectual Property. We own or hold licenses to use numerous patents, copyrights, and trademarks on a global basis. Our policy is to protect our competitive position by, among other methods, filing U.S. and international patent applications to protect technology and improvements that we consider important to the development of our business. We have generated a large number of patents, and expect this portfolio to continue to grow as we actively pursue additional technological innovation. We currently have approximately 24,400 active patents and pending patent applications globally, with an average age for patents in our active patent portfolio of just under five and a half years. In addition to this intellectual property, we also rely on our proprietary knowledge and ongoing technological innovation to develop and maintain our competitive position. Although we believe these patents, patent applications, and know-how, in the aggregate, are important to the conduct of our business, and we obtain licenses to use certain intellectual property owned by others, none is individually considered material to our business. We also own numerous trademarks and service marks that contribute to the identity and recognition of our Company and its products and services globally. Certain of these marks are integral to the conduct of our business, a loss of any of which could have a material adverse effect on our business.

Warranty Coverage and Additional Service Actions. We currently provide warranties on vehicles we sell. Warranties are offered for specific periods of time and/or mileage, and vary depending upon the type of product and the geographic location of its sale. In compliance with regulatory requirements, we also provide emissions-defects and emissions-performance warranty coverage. Pursuant to these warranties, we will repair, replace, or adjust all parts on a vehicle that are defective in factory-supplied materials or workmanship during the specified warranty period. In addition to the costs associated with this warranty coverage provided on our vehicles, we also incur costs as a result of additional service actions, including product recalls and customer satisfaction actions.

For additional information regarding warranty and related costs, see “Critical Accounting Estimates” in Item 7 and Note 29 of the Notes to the Financial Statements.

ITEM 1. Business (Continued)

Industry Sales Volume

Industry sales volume is an internal estimate based on publicly-available data collected from various government, private, and public sources around the globe. The following chart shows industry sales volume for the last five years for certain key markets in each region, and for the total we track within each of our North America, South America, Europe, and Asia Pacific Africa regions (in millions of units):

	Industry Sales Volume (a)				
	2013	2012	2011	2010	2009
United States	15.9	14.8	13.0	11.8	10.6
Canada	1.8	1.7	1.6	1.6	1.5
Mexico	1.1	1.0	0.9	0.8	0.8
North America	18.8	17.5	15.5	14.2	12.9
Brazil	3.8	3.8	3.6	3.5	3.1
Argentina	0.9	0.8	0.8	0.7	0.5
South America (b)	5.6	5.6	5.4	5.0	4.2
Britain	2.6	2.3	2.2	2.3	2.2
Germany	3.3	3.4	3.5	3.2	4.0
Europe (c)	13.7	14.0	15.3	15.3	15.9
Turkey	0.9	0.8	0.9	0.8	0.6
Russia	2.8	3.0	2.7	2.0	1.5
China	22.2	19.0	18.5	18.2	14.0
India	3.3	3.6	3.3	3.1	2.3
Australia	1.1	1.1	1.0	1.0	0.9
South Africa	0.6	0.5	0.5	0.4	0.4
ASEAN (d)	2.8	2.8	2.0	1.9	1.3
Asia Pacific Africa (e)	35.9	32.8	30.0	30.0	23.9

(a) Throughout this Report, industry sales volume and wholesale unit volumes include sales of medium and heavy trucks.

(b) South America industry sales volume and market share are based, in part, on estimated vehicle registrations for the six markets we track in the region (i.e., Argentina, Brazil, Chile, Colombia, Ecuador, and Venezuela).

(c) Europe industry sales volume and market share are based, in part, on estimated vehicle registrations for the 19 markets we track (i.e., Austria, Belgium, Britain, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, and Switzerland); sales of Ford brand vehicles in Turkey and Russia by our unconsolidated affiliates Ford Otomotiv Sanayi Anonim Sirketi (“Ford Otosan”) and Ford Sollers Netherlands B.V. (“FordSollers”), respectively, contribute to Europe's wholesale unit volumes, but are not reflected in industry sales volume or market share for the region.

(d) ASEAN includes Indonesia, Philippines, Thailand, and Vietnam.

(e) Asia Pacific Africa industry sales volume and market share are based, in part, on estimated vehicle sales for the 11 markets we track (i.e., Australia, China, Japan, India, Indonesia, New Zealand, Philippines, South Africa, Taiwan, Thailand, and Vietnam).

ITEM 1. Business (Continued)

North America

The following tables show our wholesales and share by market in North America:

	Wholesales (a) (b) (in thousands)				
	2013	2012	2011	2010	2009
United States	2,608	2,302	2,224	1,947	1,563
Canada	283	281	273	278	223
Mexico	91	83	88	88	80
North America	3,088	2,784	2,686	2,413	1,927

(a) Throughout this Report, wholesale unit volumes include all Ford badged units (whether produced by Ford or by an unconsolidated affiliate), units manufactured by Ford that are sold to other manufacturers and units distributed for other manufacturers, and JMC brand vehicles produced by our unconsolidated Chinese joint venture Jiangling Motors Corporation, Ltd. ("JMC"). Revenue from certain vehicles in wholesale unit volumes (specifically, Ford badged vehicles produced and distributed by our unconsolidated affiliates, and JMC brand vehicles produced by our unconsolidated affiliate) are not included in our revenue. Vehicles sold to daily rental car companies that are subject to a guaranteed repurchase option, as well as other sales of finished vehicles for which the recognition of revenue is deferred (e.g., consignments), are included in wholesale unit volumes.

(b) Throughout this Report, regional wholesale unit volumes generally include direct exports to dealerships in export markets outside the region.

	Market Share (a)				
	2013	2012	2011	2010	2009
United States	15.7 %	15.2 %	16.5 %	16.4 %	15.3 %
Canada	15.9	16.1	17.1	16.9	15.2
Mexico	8.0	8.2	9.4	10.5	11.8

(a) Throughout this Report, market share represents reported retail sales of our brands as a percent of total industry sales volume in the relevant market or region (as opposed to wholesale unit volumes reflecting sales directly by us to our customers, generally our dealers).

United States. The competitive environment in the United States remains intense. In 2013, our market share was up 0.5 percentage points to 15.7% of the industry. Many of the import brand automakers have plans to increase production capacity in North America in the near-term, as competitive pressures mount.

The small car segment has increased its share from 14% in 2004 to approximately 20% in 2013. We expect small cars to plateau, with a slower rate of growth going forward. Overall, small cars were up 5% in 2013, relative to an industry that was up 7%.

The mid-size car segment grew at just 1% in 2013, relative to an industry that was up 7%. The mid-size car segment represented about 16% of the overall industry. The segment has been stable over the past decade, with the segment ranging from a low of 14% to a high of 17% of the industry. The all-new Fusion was a success for us in 2013 as we sold 295,280 vehicles, with sales increasing 22% compared with 2012.

The small car-based utility segment grew 16% in 2013, more than twice the rate of the overall industry. The small utility segment now represents 14% of the U.S. auto industry, its highest percent of industry ever. We expect the small utility segment will continue to grow and out-pace the overall industry for a number of years. This is due to the appeal of the segment with the growing number of baby-boomers crossing into empty nester status. Our Escape small utility

produced another record sales year in 2013, with 295,993 vehicles sold—a 13 percent increase over 2012. In 2013, Ford was the number-one selling brand of utilities in America for the third straight year.

The full-size pickup segment represented 12% of the overall industry in 2013, an increase from 11.5% in 2012. Given continued improvements in new home construction and the overall average age of the truck fleet of approximately 11 years, we believe the segment can continue to support growth in the short to medium-term. Our F-Series sales totaled 763,402 vehicles in 2013. This represents an 18% increase over 2012 and our 37th year as America's best-selling pickup and our 32nd straight year as America's best-selling vehicle (car, truck, or utility). F-Series market share was 40% of the full-size pickup segment in 2013, which represented our best share of the segment since 2000.

Our strong U.S. vehicle sales in 2013 reflected our balanced portfolio of fuel-efficient vehicles, as our passenger cars, utilities, and trucks each reported gains last year. Cars were up 10%, utilities posted a 9% gain, and trucks expanded 13%. Retail sales across the country were up 14% in 2013. Our strongest retail sales growth is coming from areas where historically our sales have been lower relative to our traditionally strong Great Lakes and Central regions of the country.

ITEM 1. Business (Continued)

We posted our strongest retail sales growth of 21% year-over-year in the West, and had retail sales growth of 17% in the South East.

Fleet sales include sales to commercial fleet customers, daily rental car companies, and governments. In 2013, fleet sales were 28% of our total sales, compared with 30% in 2012. The majority of the fleet sales were with commercial and government customers, which are more profitable than daily rentals. In 2013, our daily rental sales were 11% of total sales, down from 12% in 2012.

Canada. Industry sales volume in Canada grew 4% in 2013. Within that total, car sales decreased by 1.7 percentage points to 44% of overall industry sales volume, utilities increased by 1.3 percentage points to 35% of overall industry sales volume, and truck sales increased by 0.4 percentage points to 21% of industry sales volume. Our sales performance in the market earned Ford the sales leadership title in Canada for the fourth year in a row. In 2013, Ford earned segment leadership with Fusion, Mustang, Escape, Explorer, F-150, and Super Duty. F-Series maintained truck leadership for the 48th straight year, achieving record sales of more than 122,000 units.

Mexico. Industry sales volume in Mexico grew 7% during 2013. The favorable sales performance of our Ikon and Fiesta in the B-car segment, along with favorable performance of the EcoSport and Escape, impacted our market share. The main contributors to market share decline were the discontinuation of Courier and delays in the introduction of the Ranger.

South America

We track industry sales and market share for six markets in South America—Argentina, Brazil, Chile, Colombia, Ecuador, and Venezuela. Brazil and Argentina are our highest-volume South American markets. In particular, Brazil's economy and demographics, with growing per capita income, low vehicle ownership rates, and a young population, have allowed its automotive market to more than double since 2002. These favorable factors are expected to continue to contribute to growth in vehicle sales in Brazil. The following tables show our wholesales and market share in the largest markets and in total:

	Wholesales (in thousands)				
	2013	2012	2011	2010	2009
Brazil	364	336	346	358	336
Argentina	118	107	105	85	66
South America	538	498	506	489	443

	Market Share				
	2013	2012	2011	2010	2009
Brazil	9.4 %	9.1 %	9.5 %	10.4 %	10.3 %
Argentina	12.6	12.3	12.9	12.4	13.3
South America	9.3	9.0	9.3	9.8	10.2

The competition in Brazil continues to intensify, as a number of automotive manufacturers bring substantial capacity increases to the market. The intensifying competitive environment is putting pressure on industry net pricing. In 2013, we continued to leverage our One Ford plan by introducing global products (e.g., Focus), with additional global products to come that will continue to benefit us in this market. The competitive environment and a volatile economic outlook with new trade barriers and currency risks across the region, especially in Venezuela and Argentina, may limit our growth in certain countries.

Europe

The automotive industry in Europe is intensely competitive, and expected to intensify further as Japanese and Korean manufacturers increase production capacity in the region and manufacturers of premium brands (e.g., BMW, Mercedes-Benz and Audi) continue to broaden product offerings. The nearly two percent decline in industry sales volume for the traditional 19 markets we tracked in Europe in 2013 compared with 2012 largely reflects the impact of the Eurozone crisis, which largely affected the first half of 2013 and showed recovery in the second half of the year.

ITEM 1. Business (Continued)

The following tables show our wholesales and market share in Europe:

	Wholesales (a) (in thousands)				
	2013	2012	2011	2010	2009
Europe	1,360	1,353	1,602	1,573	1,568

(a) Includes wholesales in Turkey and Russia from our unconsolidated affiliates Ford Otosan and FordSollers.

	Market Share				
	2013	2012	2011	2010	2009
Europe	7.8 %	7.9 %	8.3 %	8.4 %	9.1 %

In 2013, Ford was again the second best-selling car brand in the traditional 19 markets we tracked in Europe. Our continued market strength reflects the strong momentum of our new or refreshed vehicles, including the B-MAX, Fiesta, Kuga, Tourneo Custom, and Transit Custom.

Within the 19 markets, Britain and Germany are our highest-volume markets. Any change in the British or German market has a significant effect on the results of Europe. The following tables show our wholesales and market share for Britain and Germany (which are included within the traditional 19 markets data above):

	Wholesales (in thousands)				
	2013	2012	2011	2010	2009
Britain	379	337	342	341	354
Germany	227	208	250	216	286

	Market Share				
	2013	2012	2011	2010	2009
Britain	14.7 %	14.9 %	15.0 %	15.0 %	16.7 %
Germany	6.9	6.8	7.4	6.9	7.6

Britain. Industry in Britain began to decline in 2008 with the global financial crisis, and between 2009 and 2012 remained in the 2.2 million–2.3 million unit range (compared with 2.8 million units in 2007). In 2013, industry sales volume, at 2.6 million, increased 11% compared with 2012, reflecting a higher demand from private customers. The retail channel industry increased 16% in 2013 compared with 2012. Our market share decreased slightly in 2013 compared with 2012, reflecting our reduced participation in low-margin business such as daily rental and demonstration vehicles. We continued to be the market share leader in Britain for total, passenger, and commercial vehicles.

Germany. With 3.3 million new vehicle registrations in 2013, Germany's industry sales volume declined 4% compared with the prior year, reflecting declines in both retail and fleet industry—retail industry decreased 5% and fleet 6%. Germany remains the largest vehicle market in the European Union. Despite our reduced participation in low-margin business such as daily rental and demonstration vehicles, our market share in 2013 increased compared with 2012, driven by a strong share of the retail segment and growth in commercial vehicles.

The following tables show our wholesales and market share for Turkey and Russia:

	Wholesales (in thousands)				
	2013	2012	2011	2010	2009
Turkey	114	108	140	130	79
Russia	105	134	124	93	74

	Market Share				
	2013	2012	2011	2010	2009
Turkey	12.8 %	13.8 %	15.8 %	15.8 %	15.1 %
Russia	3.8	4.3	4.3	4.6	5.5

ITEM 1. Business (Continued)

Turkey. Industry growth slowed in 2008 as a result of the global financial crisis. Beginning in 2009, industry vehicle sales accelerated due to government incentives put in place, with significant continuous increase in 2010 and 2011. In 2012, industry decreased by about 10% compared with the prior year, driven by increased taxes. Industry in 2013, at 0.9 million units, increased 9% compared with the prior year reflecting the availability of favorable automotive financing and a competitive pricing environment that more than offset the Euro/Turkish Lira exchange increase. Our market share declined compared with prior year reflecting competitive market pressures and a segment shift from commercial vehicles to cars, although Ford remains the leading automotive company for the 12th consecutive year.

Russia. Following a 50% contraction in 2009 as a result of the impact of the global financial crisis reaching Russia, industry sales volume has returned almost to pre-crisis levels, with industry sales volume of 2.8 million units in 2013. Russia is the second-largest market for vehicle sales in Europe, and is expected to become the largest over the next several years. Our market share decline was largely driven by industry growth in SUV segments, where we are not yet fully participating and capacity constraints that prevented us from following the growth.

Asia Pacific Africa

Asia Pacific Africa industry sales and market share data reflect our 11 major markets in the region. Of the markets we track in this region, ASEAN, Australia, China, India, and South Africa are our principal markets.

Small cars account for 57% of Asia Pacific Africa industry sales volume, and are anticipated to continue to benefit from government policy. We anticipate that the ongoing relaxation of import restrictions (including duty reductions) will continue to intensify competition in the region, particularly around small, ultra-affordable passenger cars. The highly successful launches of our all-new Kuga and EcoSport small utilities in 2013 once again demonstrate our ability to successfully compete in key growth segments in the region. The following tables show our wholesales and market share for key markets and in total:

	Wholesales (in thousands)				
	2013	2012	2011	2010	2009
China	936	627	519	483	345
India	80	87	96	84	30
Australia	85	94	83	104	92
South Africa	68	49	49	45	38
ASEAN	85	95	74	51	38
Asia Pacific Africa	1,344	1,033	901	838	604

	Market Share									
	2013		2012		2011		2010		2009	
China	4.1	%	3.2	%	2.7	%	2.5	%	2.5	%
India	2.5		2.4		2.9		2.6		1.3	
Australia	7.7		8.1		9.0		9.2		10.3	
South Africa	10.3		7.8		8.4		7.7		7.6	
ASEAN	2.9		2.8		3.2		1.9		2.2	
Asia Pacific Africa	3.5		2.8		2.8		2.5		2.3	

(a) Market share data include Ford and local-brand vehicles produced by our unconsolidated affiliates, including our Chinese joint venture JMC.

China and India are burgeoning markets that are expected to continue to experience rapid and substantial growth in the next ten years, driving new economic growth in the region. Accordingly, we have increased and are planning to

increase further our dealer networks and manufacturing capacity in the region. We and our unconsolidated joint venture affiliates opened two new plants in the region in 2013, and currently are building six additional plants in the region—four in China and two in India—all as part of our plan to reach production capacity of 2.7 million vehicles by mid-decade. These new state-of-the-art highly-flexible manufacturing facilities will help us reach the goal of increasing worldwide sales to about 8 million vehicles per year by mid-decade.

ITEM 1. Business (Continued)

FINANCIAL SERVICES SECTOR

Ford Motor Credit Company LLC

Our wholly-owned subsidiary Ford Motor Credit Company LLC ("Ford Credit") offers a wide variety of automotive financing products to and through automotive dealers throughout the world. The predominant share of Ford Credit's business consists of financing our vehicles and supporting our dealers. Ford Credit earns its revenue primarily from:

- Payments made under retail installment sale and lease contracts that it originates and purchases, which includes interest rate supplements and other support payments from us and our subsidiaries; and
- Payments made under dealer financing programs.

As a result of these financing activities, Ford Credit has a large portfolio of finance receivables and leases which it classifies into two portfolios— "consumer" and "non-consumer." Finance receivables and leases in the consumer portfolio relate to products offered to individuals and to businesses that finance the acquisition of vehicles from dealers for personal and commercial use. The financing products include retail installment sale contracts for new and used vehicles, and leases for new vehicles to retail customers, government entities, daily rental car companies, and fleet customers. Finance receivables in the non-consumer portfolio relate primarily to products offered to automotive dealers, including loans to finance the purchase of vehicle inventory (i.e., wholesale financing), for improvements to dealership facilities, for working capital, for the purchase of dealership real estate, and for other dealer vehicle program financing. Ford Credit also purchases receivables generated by us and our subsidiaries, primarily related to the sale of parts and accessories to dealers, receivables from Ford related loans, and certain used vehicles from daily rental fleet companies.

Ford Credit does business in the United States and Canada through business centers. Outside of the United States, Europe is Ford Credit's largest operation. Ford Credit's European operation is managed through its United Kingdom-based subsidiary, FCE Bank plc ("FCE"). Within Europe, FCE's largest markets are the United Kingdom and Germany. Approximately 65% of FCE's finance receivables and operating leases are from FCE's customers and Ford dealers in the United Kingdom and Germany; approximately 18% are from FCE's customers and Ford dealers in Italy, France, and Spain; and approximately 1% are from FCE's customers and Ford dealers in Greece, Ireland, and Portugal. FCE also provides financing to dealerships in countries where typically we have no established local presence.

Ford Credit's financing shares of new Ford and Lincoln vehicles sold by dealers in the United States and new Ford vehicles sold by dealers in Europe, as well as its wholesale financing shares of new Ford and Lincoln vehicles acquired by dealers in the United States (excluding fleet) and new Ford vehicles acquired by dealers in Europe were:

United States	Years Ended December 31,					
Financing share	2013		2012		2011	
Retail installment and lease	40	%	38	%	36	%
Wholesale	77		78		80	
Europe						
Financing share						
Retail installment and lease	34	%	32	%	29	%
Wholesale	98		98		99	

See Item 7 and Notes 6, 7, and 8 of the Notes to the Financial Statements for a detailed discussion of Ford Credit's receivables, credit losses, allowance for credit losses, loss-to-receivables ratios, funding sources, and funding strategies. See Item 7A for discussion of how Ford Credit manages its financial market risks.

We routinely sponsor special retail and lease incentives to dealers' customers who choose to finance or lease our vehicles from Ford Credit. In order to compensate Ford Credit for the lower interest or lease rates offered to the retail customer, we pay the discounted value of the incentive directly to Ford Credit when it originates the retail finance or lease contract. These programs increase Ford Credit's financing volume and share of financing sales of our vehicles. See Note 2 of the Notes to the Financial Statements for information about our accounting for these programs.

In November 2008, we entered into an Amended and Restated Support Agreement with Ford Credit, pursuant to which, if its managed leverage for a calendar quarter were to be higher than 11.5 to 1 (as reported in its most recent periodic report), Ford Credit could require us to make or cause to be made a capital contribution to it in an amount sufficient to have caused such managed leverage to have been 11.5 to 1. No capital contributions have been made pursuant to this agreement. In addition, Ford Credit has an agreement to maintain FCE's net worth in excess of $500 million; no payments have been made pursuant to that agreement.

ITEM 1. Business (Continued)

GOVERNMENTAL STANDARDS

Many governmental standards and regulations relating to safety, fuel economy, emissions control, noise control, vehicle recycling, substances of concern, vehicle damage, and theft prevention are applicable to new motor vehicles, engines, and equipment manufactured for sale in the United States, Europe, and elsewhere. In addition, manufacturing and other automotive assembly facilities in the United States, Europe, and elsewhere are subject to stringent standards regulating air emissions, water discharges, and the handling and disposal of hazardous substances. The most significant of the standards and regulations affecting us are discussed below:

Vehicle Emissions Control

U.S. Requirements - Federal Emissions Standards. The federal Clean Air Act imposes stringent limits on the amount of regulated pollutants that lawfully may be emitted by new vehicles and engines produced for sale in the United States. The current ("Tier 2") emissions regulations promulgated by the U.S. Environmental Protection Agency ("EPA") set standards for cars and light trucks. Tier 2 emissions standards also establish durability requirements for emissions components to 120,000 miles or 150,000 miles (depending on the specific standards to which the vehicle is certified). In 2013, the EPA proposed new "Tier 3" regulations that contain more stringent motor vehicle emissions standards for future model years, as well as more stringent fuel quality standards. The Tier 3 regulations are expected to be finalized in 2014. There is some concern that EPA may promulgate the Tier 3 vehicle emissions standards without finalizing the accompanying fuel quality standards. This would impose additional compliance risks on the auto industry, since high-quality fuels are necessary to enable automobiles to meet increasingly stringent emissions standards.

In 2011, EPA issued waivers under the Clean Air Act allowing the distribution and sale of gasoline containing 15% ethanol ("E15" fuel) for use in 2001 model year and later gasoline-powered vehicles. Virtually all of the vehicles affected by the waivers were designed to accommodate gasoline containing a maximum ethanol content of 10%. There are concerns that extensive use of E15 in these past model-year vehicles may lead to fuel system problems and other issues. Various petitioners, including the automotive industry, sought judicial review of the EPA waivers, but the federal courts have allowed the waivers to stand. As a result, Ford and other automotive manufacturers may face increased warranty claims and customer complaints, as well as the possibility of consumer litigation, due to the introduction of E15 into the market.

U.S. Requirements - California and Other State Emissions Standards. Pursuant to the Clean Air Act, California may seek a waiver from EPA to establish unique vehicle emissions control standards; each new or modified proposal requires a new waiver of preemption from EPA. California has received a waiver from EPA to establish its own unique emissions control standards for certain regulated pollutants. New vehicles and engines sold in California must be certified to CARB's low-emission vehicle ("LEV II") emissions standards. CARB's new "LEV III" program takes effect with the 2015 model year and includes more stringent tailpipe and evaporative emissions requirements for light and medium duty vehicles The Clean Air Act also permits other states that do not meet National Ambient Air Quality Standards to adopt California's motor vehicle emissions standards. In addition to California, thirteen states, primarily located in the Northeast and Northwest, have adopted the California standards for current and/or future model years. The adoption of California standards by other states presents planning and distribution challenges for manufacturers, because of the need to manage fleet average emissions standards on a state-by-state basis.

The California program includes requirements for manufacturers to produce and deliver for sale zero-emission vehicles ("ZEVs") that emit no regulated pollutants. The current ZEV regulations mandate substantial annual increases in the production and sale of battery-electric, fuel cell, and plug-in hybrid vehicles, particularly for the 2018 - 2025 model years. By the 2025 model year, approximately 15% of a manufacturer's total California sales volume will need to be made up of such vehicles. Compliance with the 2018 - 2025 model year ZEV rules could have a substantial

adverse effect on our sales volumes and profits. We are concerned that the market and infrastructure in California may not support the large volumes of advanced-technology vehicles that manufacturers will be required to produce. We also are concerned about enforcement of the ZEV mandate in other states that have adopted California's ZEV program, where the existence of a market for such vehicles is even less certain. CARB conducts periodic reviews of its upcoming ZEV requirements, taking into account factors such as technology developments and market acceptance. Ford and the industry will be active participants in such reviews, with the goal of ensuring that ZEV requirements are feasible and not excessively burdensome.

ITEM 1. Business (Continued)

European Requirements. European Union ("EU") directives and related legislation limit the amount of regulated pollutants that may be emitted by new motor vehicles and engines sold in the EU. Stringent new "Stage V" emissions standards took effect for vehicle registrations starting in January 2011; Stage VI requirements will apply from September 2014, with a second phase beginning in September 2017. Stage V particulate standards drove the deployment of particulate filters across diesels, and Stage VI further tightens the standard for oxides of nitrogen. This will drive the need for additional diesel exhaust after-treatment, which will add cost and potentially impact the diesel CO_2 advantage. These technology requirements add cost and further erode the fuel economy cost/benefit advantage of diesel vehicles. The additional requirements for the second phase of Stage VI will further increase stringency of particle emissions for direct injection gasoline vehicles, and apply more demanding on-board diagnostic thresholds for all vehicles. There are some additional test procedures still in development for application as part of the second phase of Stage VI.

Vehicles equipped with selective catalytic reduction ("SCR") systems require a driver inducement and warning system for maintenance or repair. The Stage V/VI emission legislation also mandated internet provision of all repair information (not just emissions-related), and provision of information to diagnostic tool manufacturers.

Other National Requirements. Many countries, in an effort to address air quality concerns, are adopting previous versions of European or United Nations Economic Commission for Europe ("UN-ECE") mobile source emissions regulations. Some countries have adopted more advanced regulations based on the most recent version of European or U.S. regulations; for example, China plans to adopt the most recent European standards, to be implemented starting from 2013 in large cities. Korea and Taiwan have adopted very stringent U.S.-based standards for gasoline vehicles, and European-based standards for diesel vehicles. Although these countries have adopted regulations based UN-ECE or U.S. standards, there may be some unique testing provisions that require emission-control systems to be redesigned for these markets. Canadian criteria emissions regulations are aligned with U.S. Tier 2 requirements discussed above; a new examination of mobile source emissions has commenced, and it is expected that any new regulation will align standards with the current U.S. regulations.

Furthermore, not all countries have adopted appropriate fuel quality standards to accompany the stringent emissions standards adopted. This could lead to compliance problems, particularly if on-board diagnostic or in-use surveillance requirements are implemented. Japan has unique standards and test procedures, which may require unique emissions control systems be designed for the Japanese market.

In South America, Brazil, Argentina, and Chile have introduced more stringent emissions standards. Brazil approved European Stage V emissions and on-board diagnostic standards for heavy trucks starting in 2012; more stringent light vehicle limits come into effect starting in 2012. Argentina also will apply Stage V standards beginning in 2015 (for new vehicle homologations) and 2017 (for new vehicle registrations). Chile approved a plan to introduce more stringent emission standards (i.e., European Stage IV and V or corresponding U.S. emissions standards) nationwide for light and medium duty vehicles, and progressive alignment with the Metropolitan Region (i.e., the capital city Santiago and surrounding area) by September 2014. Heavy duty vehicles will be required to meet Stage V (or corresponding U.S. emissions standards) by October 2014.

Vehicle Fuel Economy

In addition to our own push for class-leading fuel efficiency for our vehicle lines, we also face ever-increasing expectations from regulators, public interest groups, and consumers for improvements in motor vehicle fuel economy, for a variety of reasons including energy security and reduced GHG emissions. Our ability to comply with a given set of fuel economy standards (including GHG emissions standards, which are functionally equivalent to fuel economy standards), and the impact of such standards on our financial results, depends on a variety of factors, including: 1)

prevailing economic conditions, including fluctuations in fuel prices; 2) alignment of standards with actual consumer demand for vehicles; and 3) adequate lead time to make necessary product changes. If consumers demand vehicles that are relatively large and/or high-performance, while regulatory standards require production of vehicles that are smaller and/or more economical, the mismatch of supply and demand would have an adverse effect on both regulatory compliance and our profitability. Moreover, if regulatory requirements call for rapid, substantial increases in fleet average fuel economy (or decreases in fleet average GHG emissions), we may not have adequate resources and time to make major product changes across most or all of our vehicle fleet (assuming the necessary technology can be developed).

ITEM 1. Business (Continued)

U.S. Requirements - Light Duty Vehicles. Federal law requires that light duty vehicles meet minimum corporate average fuel economy ("CAFE") standards set by the National Highway Traffic Safety Administration ("NHTSA"). A manufacturer is subject to potentially substantial civil penalties if it fails to meet the CAFE standard in any model year, after taking into account all available credits for the preceding three model years and expected credits for the five succeeding model years. The law requires NHTSA to promulgate and enforce separate CAFE standards applicable to each manufacturer's fleet of domestic passenger cars, imported passenger cars, and light trucks, respectively.

A 2007 U.S. Supreme Court decision paved the way for EPA to regulate motor vehicle GHG emissions under the Clean Air Act. In 2010, EPA and NHTSA jointly promulgated regulations establishing the "One National Program" of CAFE and GHG regulations for light duty vehicles for the 2012–2016 model years. The 2012–2016 federal GHG and fuel economy standards require new light duty vehicles to ramp up to an industry average fuel economy of approximately 35.5 miles per gallon ("mpg") by the 2016 model year, which amounts to the steepest rate of increase in fuel economy standards since the inception of the CAFE program. We believe that we will be able to comply with the harmonized federal CAFE/GHG standards for the 2012–2016 model years, as a result of aggressive actions to improve fuel economy that we built into our cycle plan, and through a variety of flexible compliance mechanisms. The 2012–2016 model year One National Program rules currently are being challenged in federal court by entities concerned about the ramifications of these rules on stationary source regulation. The automotive industry has intervened in the litigation with the goal of preventing adverse changes to the existing One National Program regulations.

In 2012, EPA and NHTSA jointly promulgated regulations extending the One National Program framework through the 2025 model year. The new rules require manufacturers to achieve, across the industry, a light duty fleet average fuel economy of approximately 45 mpg by the 2021 model year, and approximately 54.5 mpg by the 2025 model year, assuming all of the CO_2 emissions reductions are achieved through the deployment of fuel economy technology. The rules include the opportunity for manufacturers to earn credits for technologies that achieve real-world CO_2 reductions, and fuel economy improvements that are not captured by EPA fuel economy test procedures. Manufacturers also can earn credits for GHG reductions not specifically tied to fuel economy, such as improvements in air conditioning systems.

EPA's 2022 - 2025 GHG standards are final rules; in contrast, NHTSA's 2022–2025 CAFE standards are conditional because, by statute, NHTSA may only set CAFE standards for up to five model years at a time. Each manufacturer's specific task depends on the mix of vehicles it sells. The rules provide for a midterm evaluation process under which, by 2018, EPA will re-evaluate its standards for model years 2022–2025 in order to ensure that those standards are feasible and optimal in light of intervening events. In parallel, NHTSA will undertake a process to promulgate final CAFE standards for those model years. As with the 2012–2016 rules, the 2017–2025 rules have been challenged in federal court by entities whose primary concern appears to be the ramifications of the vehicle rules on stationary source regulation. The automotive industry has intervened in the litigation with the goal of avoiding adverse changes to the One National Program rules.

The One National Program standards will be difficult to meet if fuel prices remain relatively low and market conditions do not drive consumers to demand highly fuel-efficient vehicles in large numbers. We are particularly concerned about the feasibility of the 2022–2025 model year GHG and CAFE standards. Ford's ability to comply with the 2022–2025 model year standards remains unclear because of the many unknowns regarding technology development, market conditions, and other factors so far into the future. We intend to be an active participant in the midterm evaluation process for these standards. If the agencies seek to impose and enforce extreme fuel economy or GHG standards in spite of unfavorable market conditions or inadequate technology development, we likely would be forced to take various actions that could have substantial adverse effects on our sales volume and profits. Such actions likely would include restricting offerings of selected engines and popular options; increasing market support programs

for our most fuel-efficient cars and light trucks; and ultimately curtailing the production and sale of certain vehicles such as high-performance cars, utilities, and/or full-size light trucks, in order to maintain compliance.

Certain states in the United States have asserted the right to regulate motor vehicle GHG emissions. In 2004, California promulgated state-specific motor vehicle GHG standards, and a number of other states later adopted California's rules. With the adoption of the federal One National Program standards discussed above, California and the other states modified their rules to provide that compliance with the federal program satisfies compliance with the state requirements for the 2012–2025 model years. This enabled the auto industry to avoid a patchwork of potentially conflicting federal and state GHG standards. Should California and other states ever renew their efforts to enforce state-specific motor vehicle GHG rules, this would impose significant costs on automotive manufacturers. Among other concerns, compliance with state-specific motor vehicle GHG regulations would add significant complexity to our production and distribution processes because of the need to micromanage the mix of vehicles sold in individual states. In contrast, the One National Program regulations allow us to determine compliance based on nationwide sales, eliminating the need to account for state-to-state sales variability.

ITEM 1. Business (Continued)

U.S. Requirements - Heavy Duty Vehicles. In 2011, EPA and NHTSA promulgated final regulations imposing, for the first time, GHG and fuel economy standards on heavy duty vehicles (generally, vehicles over 8,500 pounds gross vehicle weight rating). In our case, the standards primarily affect our heavy duty pickup trucks and vans, plus vocational vehicles such as shuttle buses and delivery trucks. These standards will be challenging, but we believe we will be able to comply. EPA and NHTSA are expected to issue a new round of standards for these vehicles covering the 2019 model year and beyond; as the standards increase in stringency, it may become more difficult to comply while continuing to offer a full lineup of heavy duty trucks. The 2014–2018 heavy duty GHG rules are being challenged in federal court by entities other than truck and engine manufacturers. Remand or rejection by the court could have a substantial adverse impact on our future production and sale of heavy duty vehicles, depending on the court's specific order and agencies' response.

European Requirements. In December 2008, the EU approved regulation of passenger car CO_2 emissions beginning in 2012 which limits the industry fleet average to a maximum of 130 grams per kilometer ("g/km"), using a sliding scale based on vehicle weight. This regulation provides different targets for each manufacturer based on the respective average vehicle weight for its fleet of vehicles. Limited credits are available for CO_2 off-cycle actions ("eco-innovations"), certain alternative fuels, and vehicles with CO_2 emissions below 50 g/km. A penalty system will apply for manufacturers failing to meet targets, with fees ranging from €5 to €95 per vehicle per g/km shortfall in the years 2012–2018, and €95 per g/km shortfall beginning in 2019. Manufacturers will be permitted to use a pooling agreement between wholly-owned brands to share the burden. Further pooling agreements between different manufacturers also are possible, although it is not clear that these will be of much practical benefit under the regulations. Starting in 2020, an industry target of 95 g/km has been set. Other non-EU European countries are likely to follow with similar regulations. For example, Switzerland has introduced similar rules, which began phasing-in starting in July 2012 with the same targets (which likely also will include a 2020 target of 95 g/km), although the industry average emission target is significantly higher. We face the risk of advance premium payment requirements if, for example, unexpected market fluctuation within a quarter negatively impact our average fleet performance.

In separate legislation, "complementary measures" have been mandated (for example, tire-related and gearshift indicator requirements), and more mandates are expected. These include requirements related to fuel economy indicators, and more-efficient low-CO_2 mobile air conditioning systems. The EU Commission, Council and Parliament have approved a target for commercial light duty vehicles to be at an industry average of 175 g/km (with phase-in from 2014–2017), and 147 g/km in 2020; it is likely that other European countries, like Switzerland, will implement similar rules but under even more difficult conditions. This regulation also provides different targets for each manufacturer based on its respective average vehicle weight in its fleet of vehicles. The final mass and CO_2 requirements for so-called "multi-stage vehicles" (e.g., our Transit chassis cabs) are fully allocated to the base manufacturer (e.g., Ford) so that the base manufacturer is fully responsible for the CO_2 performance of the final up-fitted vehicles. The EU proposal also includes a penalty system, "super-credits" for vehicles below 50 g/km, and limited credits for CO_2 off-cycle eco-innovations, pooling, etc., similar to the passenger car CO_2 regulation.

Some European countries have implemented or are considering other initiatives for reducing CO_2 vehicle emissions, including fiscal measures and CO_2 labeling. For example, the United Kingdom, France, Germany, Spain, Portugal, and the Netherlands, among others, have introduced taxation based on CO_2 emissions. The EU CO_2 requirements are likely to trigger further measures. To limit GHG emissions, the EU directive on mobile air conditioning currently requires the replacement of the current refrigerant with a lower "global warming potential" refrigerant for new vehicle types, and for all newly registered vehicles starting in January 2017. A refrigerant change adds considerable costs along the whole value chain.

Other National Requirements. The Canadian federal government has regulated vehicle GHG emissions under the Canadian Environmental Protection Act, beginning with the 2011 model year. The standards track the new U.S.

CAFE standards for the 2011 model year and U.S. EPA GHG regulations for the 2012–2016 model years. The Canadian federal government now has published a draft regulation for light duty vehicles which maintains alignment with U.S. EPA vehicle GHG standards for the 2017–2025 model years. The final regulation for 2014–2018 heavy duty vehicles was published in February 2013. In December 2009, Quebec also enacted province-specific regulations setting fleet average GHG standards for the 2010–2016 model years effective January 2010. Now that the Canadian federal regulation is in place, the Quebec government has amended the Quebec regulation to recognize equivalency with the federal standards; reporting of Quebec fleet performance still is required.

Mexico also is in the process of adopting fuel economy/CO_2 standards based on the U.S. One National Program framework, to take effect in 2014.

ITEM 1. Business (Continued)

Many Asia Pacific countries (such as Australia, China, Japan, India, South Korea, Taiwan, and Vietnam) are also developing or enforcing fuel efficiency or labeling targets. For example, Japan has fuel efficiency targets for 2015 and is preparing to promulgate more stringent 2020 targets, with incentives for early adoption. China has been developing Stage III and Stage IV fuel economy targets for implementation for 2012–2015 and 2016–2020, respectively. All of these fuel efficiency targets will impact the cost of vehicle technology in the future.

In South America, Brazil introduced a voluntary vehicle energy-efficiency labeling program, indicating fuel consumption rates for light duty vehicles with a spark ignition engine. Brazil also published a new automotive regime which requires participation in the fuel economy labeling program. It establishes a minimum absolute CAFE value as a function of Fleet Corporate Average Mass for 2017 light duty vehicles with a spark ignition engine in order to qualify for industrialized products tax reduction for customers. Additional tax reductions are available if further fuel efficiency improvements are achieved. A severe penalty system will apply to qualified manufacturers failing to meet fuel efficiency requirement for the 2013–2017 sales period. Chile introduced requirements for fuel consumption and CO_2 emissions levels of light duty vehicles to be posted at sales locations and in owner manuals beginning in February 2013. In general, fuel efficiency targets may impact the cost of technology of our models in the future.

Vehicle Safety

U.S. Requirements. The National Traffic and Motor Vehicle Safety Act of 1966 (the “Safety Act”) regulates vehicles and vehicle equipment in two primary ways. First, the Safety Act prohibits the sale in the United States of any new vehicle or equipment that does not conform to applicable vehicle safety standards established by NHTSA. Meeting or exceeding many safety standards is costly, in part because the standards tend to conflict with the need to reduce vehicle weight in order to meet emissions and fuel economy standards. Second, the Safety Act requires that defects related to motor vehicle safety be remedied through safety recall campaigns. A manufacturer is obligated to recall vehicles if it determines the vehicles do not comply with a safety standard. Should we or NHTSA determine that either a safety defect or noncompliance exists with respect to any of our vehicles, the cost of such recall campaigns could be substantial.

Other National Requirements. The EU and many countries around the world have established vehicle safety standards and regulations, and are likely to adopt additional or more stringent requirements in the future. The European General Safety Regulation introduced UN-ECE regulations, which will be required for the European Type Approval process. EU regulators also are focusing on active safety features such as lane departure warning systems, electronic stability control, and automatic brake assist. These technologies have been implemented in Europe with final regulation and implementing measures having become available in late 2011. Globally, governments generally have been adopting UN-ECE based regulations with minor variations to address local concerns. Any difference between North American and UN-ECE based regulations can add complexity and costs to the development of global platform vehicles, and we continue to support efforts to harmonize regulations to reduce vehicle design complexity while providing a common level of safety performance; several recently launched bilateral negotiations on free trade can potentially contribute to this goal. New recall requirements in Asia Pacific Africa also may add substantial costs and complexity to our global recall practice. In South America, stringent safety requirements are being introduced or proposed in Ecuador and Uruguay, influenced by Latin NCAP, which may be a driver for similar actions in other countries.

ITEM 1. Business (Continued)

EMPLOYMENT DATA

The approximate number of individuals employed by us and entities that we consolidated as of December 31, 2013 and 2012 was as follows (in thousands):

	2013	2012
Automotive		
North America	84	80
South America	18	17
Europe	50	46
Asia Pacific Africa	23	22
Financial Services		
Ford Credit	6	6
Total	181	171

The year-over-year increase in employment primarily reflects consolidation of Ford Romania in Europe, hiring in North America, Asia Pacific Africa, and South America to support product-led growth initiatives, and hiring in North America and South America to support increased vehicle production.

Substantially all of the hourly employees in our Automotive operations are represented by unions and covered by collective bargaining agreements. In the United States, approximately 99% of these unionized hourly employees in our Automotive sector are represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW" or "United Auto Workers"). Approximately 1.5% of our U.S. salaried employees are represented by unions. Most hourly employees and many non-management salaried employees at our operations outside of the United States also are represented by unions.

In 2011, we entered into a four-year collective bargaining agreement with the UAW. The agreement covers approximately 46,000 employees, and maintains our progress on improving competitiveness in the United States. Excluding profit-sharing, compensation-related terms—including lump-sum payments (in lieu of general wage increases and cost of living increases) and continuation of an entry-level wage structure—are expected to increase U.S. hourly labor costs by less than 1% annually over the four-year contract period (based on a constant employment level). This increase has been offset by more flexible work rules that have increased manufacturing utilization and efficiency.

In 2012, we negotiated collective bargaining agreements with labor unions in Argentina, Australia, Brazil, Britain, Canada, France, Germany, Mexico, Romania, Taiwan, and Turkey.

In 2013, we negotiated collective bargaining agreements (covering wages, benefits and/or other employment provisions) with labor unions in Argentina, Brazil, France, Germany, Mexico, New Zealand, Russia, South Africa, Spain, Taiwan, Thailand, United Kingdom, and Venezuela.

In 2014, we will negotiate collective bargaining agreements (covering wages, benefits and/or other employment provisions) with labor unions in Argentina, Brazil, France, Germany, Italy, Mexico, and Thailand.

ENGINEERING, RESEARCH, AND DEVELOPMENT

We engage in engineering, research, and development primarily to improve the performance (including fuel efficiency), safety, and customer satisfaction of our products, and to develop new products. Engineering, research, and development expenses for 2013, 2012, and 2011 were $6.4 billion, $5.5 billion, and $5.3 billion, respectively.

ITEM 1A. Risk Factors.

We have listed below (not necessarily in order of importance or probability of occurrence) the most significant risk factors applicable to us:

Decline in industry sales volume, particularly in the United States or Europe, due to financial crisis, recession, geopolitical events, or other factors. In the fall of 2008, the global economy entered a financial crisis and severe recession, putting significant pressure on both Ford and the automotive industry generally. These economic conditions dramatically reduced automotive industry sales volume in the United States and Europe, in particular, and began to slow growth in other markets around the world. U.S. automotive industry sales volume declined from 16.5 million units in 2007 to 13.5 million units in 2008 and 10.6 million units in 2009, before rebounding to 15.9 million units in 2013. For the 19 markets we tracked in Europe, automotive industry sales volume declined steadily from 18 million units in 2007 to 13.8 million units in 2013.

Because we, like other manufacturers, have a high proportion of relatively fixed structural costs, relatively small changes in industry sales volume can have a substantial effect on our cash flow and profitability. If industry vehicle sales were to decline to levels significantly below our planning assumption, particularly in the United States or Europe, due to financial crisis, recession, geopolitical events, or other factors, our financial condition and results of operations would be substantially adversely affected. For discussion of economic trends, see the "Overview" section of Item 7.

Decline in Ford's market share or failure to achieve growth. To maintain competitive economies of scale and grow our global market share, we must grow our market share in fast-growing newly-developed and emerging markets, particularly in our Asia Pacific region and our Middle East and Africa region, as well as maintain or grow market share in mature markets. Our market share in certain growing markets, such as China, is lower than it is in our mature markets. A significant decline in our market share in mature markets or failure to achieve growth in newly-developing or emerging markets, whether due to capacity constraints, competitive pressures, protectionist trade policies, or other factors, could have a substantial adverse effect on our financial condition and results of operations.

Lower-than-anticipated market acceptance of Ford's new or existing products. Although we conduct extensive market research before launching new or refreshed vehicles, many factors both within and outside our control affect the success of new or existing products in the marketplace. Offering highly desirable vehicles that customers want and value can mitigate the risks of increasing price competition and declining demand, but vehicles that are perceived to be less desirable (whether in terms of price, quality, styling, safety, overall value, fuel efficiency, or other attributes) can exacerbate these risks. For example, if a new model were to experience quality issues at the time of launch, the vehicle's perceived quality could be affected even after the issues had been corrected, resulting in lower sales volumes, market share, and profitability. In addition, with increased consumer interconnectedness through the internet and other media, mere allegations relating to quality, safety, fuel efficiency, corporate social responsibility, or other key attributes can negatively impact our reputation or market acceptance of our products, even where such allegations prove to be inaccurate or unfounded.

Market shift away from sales of larger, more profitable vehicles beyond Ford's current planning assumption, particularly in the United States. A shift in consumer preferences away from larger, more profitable vehicles at levels beyond our current planning assumption could result in an immediate and substantial adverse impact on our financial condition and results of operations. For example, when gasoline prices in the United States spiked to more than $4.00 per gallon in 2008 and the construction industry suddenly slowed, consumer preferences quickly and dramatically shifted away from larger, more profitable vehicles and into smaller vehicles. We estimate that shifting consumer preferences across all vehicle segments adversely impacted our Automotive operating pre-tax earnings and cash flow in 2008 by about $1.3 billion. Although we now have a more balanced portfolio of small, medium, and

large cars, utilities, and trucks that generally are more fuel efficient and contribute higher margins than in 2008, as well as a lower cost structure, a shift in consumer preferences away from sales of larger, more profitable vehicles at levels greater than our current planning assumption - whether because of spiking fuel prices, a decline in the construction industry, government actions or incentives, or other reasons - still could have a substantial adverse effect on our financial condition and results of operations.

An increase in or continued volatility of fuel prices, or reduced availability of fuel. An increase in fuel prices, continued price volatility, or reduced availability of fuel, particularly in the United States, could result in weakening of demand for relatively more-profitable large cars, utilities, and trucks, while increasing demand for relatively less-profitable small vehicles. Continuation or acceleration of such a trend beyond our current planning assumption, or volatility in demand across segments, could have a substantial adverse effect on our financial condition and results of operations.

Item 1A. Risk Factors (Continued)

Continued or increased price competition resulting from industry excess capacity, currency fluctuations, or other factors. The global automotive industry is intensely competitive, with manufacturing capacity far exceeding current demand. According to the January 2014 report issued by IHS Automotive, the global automotive industry is estimated to have had excess capacity of 23 million units in 2013. Industry overcapacity has resulted in many manufacturers offering marketing incentives on vehicles in an attempt to maintain and grow market share; these incentives historically have included a combination of subsidized financing or leasing programs, price rebates, and other incentives. As a result, we are not necessarily able to set our prices to offset higher costs of marketing incentives, commodity or other cost increases, or the impact of adverse currency fluctuations, including pricing advantages foreign competitors may have because of their weaker home market currencies. Continuation of or increased excess capacity could have a substantial adverse effect on our financial condition and results of operations.

Fluctuations in foreign currency exchange rates, commodity prices, and interest rates. As a resource-intensive manufacturing operation, we are exposed to a variety of market and asset risks, including the effects of changes in foreign currency exchange rates, commodity prices, and interest rates. These risks affect our Automotive and Financial Services sectors. We monitor and manage these exposures as an integral part of our overall risk management program, which recognizes the unpredictability of markets and seeks to reduce potentially adverse effects on our business. Nevertheless, changes in currency exchange rates, commodity prices, and interest rates cannot always be predicted or hedged. In addition, because of intense price competition and our high level of fixed costs, we may not be able to address such changes even if foreseeable. As a result, substantial unfavorable changes in foreign currency exchange rates, commodity prices, or interest rates could have a substantial adverse effect on our financial condition and results of operations. See “Overview” to Item 7 and Item 7A for additional discussion of currency, commodity price, and interest rate risks.

Adverse effects resulting from economic, geopolitical, or other events. With the increasing interconnectedness of global economic and financial systems, a financial crisis, natural disaster, geopolitical crisis, or other significant event in one area of the world can have an immediate and devastating impact on markets around the world. For example, the financial crisis that began in the United States in 2008 quickly spread to other markets; natural disasters in Japan and Thailand during 2011 caused production interruptions and delays not just in Asia Pacific but other regions around the world; and episodes of increased geopolitical tensions or acts of terrorism in the Middle East or elsewhere have at times caused adverse reactions that may spread to economies around the globe.

Although confidence is improving, residual concerns persist regarding the debt burden of certain of the countries that have adopted the euro currency (“euro area countries”) and the ability of these countries to meet future financial obligations, as well as concerns regarding the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances of individual euro area countries. If a country within the euro area were to default on its debt or withdraw from the euro currency, or—in a more extreme circumstance—the euro currency were to be dissolved entirely, the impact on markets around the world, and on Ford’s global business, could be immediate and significant. Such a scenario—or the perception that such a development is imminent—could adversely affect the value of our euro-denominated assets and obligations. In addition, such a development could cause financial and capital markets within and outside Europe to constrict, thereby negatively impacting our ability to finance our business, and also could cause a substantial dip in consumer confidence and spending that could negatively impact sales of vehicles. Any one of these impacts could have a substantial adverse effect on our financial condition and results of operations.

While the U.S. federal government budget deficit has fallen since 2010, there is risk associated with the high level of federal government debt and the sustainability of the nation’s budget. Further government action will be necessary to put the federal government budget on a stable and sustainable path. The potential for disruptions associated with an unsustainable federal budget is a risk to both consumers and businesses.

In addition, we have operations in various markets with volatile economic or political environments and are pursuing growth opportunities in a number of newly-developed and emerging markets. These investments may expose us to heightened risks of economic, geopolitical, or other events, including governmental takeover (i.e., nationalization) of our manufacturing facilities or intellectual property, restrictive exchange or import controls, disruption of operations as a result of systemic political or economic instability, outbreak of war or expansion of hostilities, and acts of terrorism, each of which could have a substantial adverse effect on our financial condition and results of operations.

Item 1A. Risk Factors (Continued)

Economic distress of suppliers that may require Ford to provide substantial financial support or take other measures to ensure supplies of components or materials and could increase costs, affect liquidity, or cause production constraints or disruptions. The automotive industry supply base experienced increased economic distress due to the sudden and substantial drop in industry sales volumes beginning in 2008. Dramatically lower industry sales volume made existing debt obligations and fixed cost levels difficult for many suppliers to manage, increasing pressure on the supply base. As a result, suppliers not only were less willing to reduce prices, but some requested direct or indirect price increases as well as new and shorter payment terms. At times, we have had to provide financial assistance to key suppliers to ensure an uninterrupted supply of materials and components. In addition, where suppliers have exited certain lines of business or closed facilities due to the economic downturn or other reasons, we generally experience additional costs associated with transitioning to new suppliers. Each of these factors could have a substantial adverse effect on our financial condition and results of operations.

Work stoppages at Ford or supplier facilities or other limitations on production (whether as a result of labor disputes, natural or man-made disasters, tight credit markets or other financial distress, production constraints or difficulties, or other factors). A work stoppage or other limitation on production could occur at Ford or supplier facilities for any number of reasons, including as a result of disputes under existing collective bargaining agreements with labor unions or in connection with negotiation of new collective bargaining agreements, or as a result of supplier financial distress or other production constraints or difficulties, or for other reasons. Recent examples of situations that have affected industry production to varying degrees include: supplier financial distress due to reduced production volumes during the economic downturn in 2008–2009; capacity constraints as suppliers that restructured or downsized during the downturn work to satisfy growing industry volumes; short-term constraints on production as consumer preferences shift more fluidly across vehicle segments and features; and the impact on certain suppliers of natural disasters during 2011. As indicated, a work stoppage or other limitations on production at Ford or supplier facilities for any reason (including but not limited to labor disputes, natural or man-made disasters, tight credit markets or other financial distress, or production constraints or difficulties) could have a substantial adverse effect on our financial condition and results of operations.

Single-source supply of components or materials. Many components used in our vehicles are available only from a single supplier and cannot be re-sourced quickly or inexpensively to another supplier (due to long lead times, new contractual commitments that may be required by another supplier before ramping up to provide the components or materials, etc.). In addition to the general risks described above regarding interruption of supplies, which are exacerbated in the case of single-source suppliers, the exclusive supplier of a key component potentially could exert significant bargaining power over price, quality, warranty claims, or other terms relating to a component.

Labor or other constraints on Ford's ability to maintain competitive cost structure. Substantially all of the hourly employees in our Automotive operations in the United States and Canada are represented by unions and covered by collective bargaining agreements. We negotiated a four-year agreement with the UAW in 2011, and a four-year agreement with the Canadian Auto Workers Union in 2012. Although we have negotiated transformational agreements in recent years, these agreements provide guaranteed wage and benefit levels throughout the contract term and some degree of employment security, subject to certain conditions. As a practical matter, these agreements may restrict our ability to close plants and divest businesses. A substantial number of our employees in other regions are represented by unions or government councils, and legislation or custom promoting retention of manufacturing or other employment in the state, country, or region may constrain as a practical matter our ability to sell or close manufacturing or other facilities.

Substantial pension and postretirement health care and life insurance liabilities impairing liquidity or financial condition. We have defined benefit retirement plans in the United States that cover our hourly and salaried employees. We also provide pension benefits to non-U.S. employees and retirees, primarily in Europe. In addition, we and certain of our subsidiaries sponsor plans to provide other postretirement benefits ("OPEB") for retired employees

(primarily health care and life insurance benefits). See Note 14 of the Notes to the Financial Statements for more information about these plans. These benefit plans impose significant liabilities on us that are not fully funded and will require additional cash contributions, which could impair our liquidity.

Item 1A. Risk Factors (Continued)

Our qualified U.S. defined benefit pension plans are subject to Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA"). Under Title IV of ERISA, the Pension Benefit Guaranty Corporation ("PBGC") has the authority under certain circumstances or upon the occurrence of certain events to terminate a qualified underfunded pension plan. One such circumstance is the occurrence of an event that unreasonably increases the risk of unreasonably large losses to the PBGC. Although we believe it is unlikely that the PBGC would terminate any of our plans, in the event that our qualified U.S. pension plans were terminated at a time when the liabilities of the plans exceeded the assets of the plans we would incur a liability to the PBGC that could be equal to the entire amount of the underfunding.

If our cash flows and capital resources were insufficient to fund our pension or OPEB obligations, we could be forced to reduce or delay investments and capital expenditures, suspend dividend payments, seek additional capital, or restructure or refinance our indebtedness.

Worse-than-assumed economic and demographic experience for postretirement benefit plans (e.g., discount rates or investment returns). The measurement of our obligations, costs, and liabilities associated with benefits pursuant to our postretirement benefit plans requires that we estimate the present value of projected future payments to all participants. We use many assumptions in calculating these estimates, including assumptions related to discount rates, investment returns on designated plan assets, and demographic experience (e.g., mortality and retirement rates). To the extent actual results are less favorable than our assumptions, there could be a substantial adverse impact on our financial condition and results of operations. For discussion of our assumptions, see "Critical Accounting Estimates" in Item 7 and Note 14 of the Notes to the Financial Statements.

Restriction on use of tax attributes from tax law "ownership change." Section 382 of the U.S. Internal Revenue Code restricts the ability of a corporation that undergoes an ownership change to use its tax attributes, including net operating losses and tax credits ("Tax Attributes"). At December 31, 2013 we had Tax Attributes that would offset more than $15 billion of taxable income. For these purposes, an ownership change occurs if 5 percent shareholders of an issuer's outstanding common stock, collectively, increase their ownership percentage by more than 50 percentage points over a rolling three-year period. In 2012, we renewed for an additional three-year period our tax benefit preservation plan (the "Plan") to reduce the risk of an ownership change under Section 382. Under the Plan, shares held by any person who acquires, without the approval of our Board of Directors, beneficial ownership of 4.99% or more of our outstanding Common Stock could be subject to significant dilution. Our shareholders approved the renewal at our annual meeting in May 2013.

The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns, or increased warranty costs. Meeting or exceeding many government-mandated safety standards is costly and often technologically challenging, especially where standards may conflict with the need to reduce vehicle weight in order to meet government-mandated emissions and fuel-economy standards. Government safety standards also require manufacturers to remedy defects related to vehicle safety through safety recall campaigns, and a manufacturer is obligated to recall vehicles if it determines that the vehicles do not comply with a safety standard. In addition, the introduction of new and innovative features and technology to our vehicles could increase the risk of defects or customer dissatisfaction. Should we or government safety regulators determine that a safety or other defect or a noncompliance exists with respect to certain of our vehicles prior to the start of production, the launch of such vehicle could be delayed until such defect is remedied. The costs associated with any protracted delay in new model launches necessary to remedy such defects, or the cost of recall campaigns or warranty costs to remedy such defects in vehicles that have been sold, could be substantial. Furthermore, launch delays or recall actions also could adversely affect our reputation or market acceptance of our products as discussed above under "Lower-than-anticipated market acceptance of Ford's new or existing products."

Increased safety, emissions, fuel economy, or other regulations resulting in higher costs, cash expenditures, and/or sales restrictions. The worldwide automotive industry is governed by a substantial amount of government regulation,

which often differs by state, region, and country. Government regulation has arisen, and proposals for additional regulation are advanced, primarily out of concern for the environment (including concerns about the possibility of global climate change and its impact), vehicle safety, and energy independence. In addition, many governments regulate local product content and/or impose import requirements as a means of creating jobs, protecting domestic producers, and influencing the balance of payments.

Item 1A. Risk Factors (Continued)

In recent years, we have made significant changes to our product cycle plan to improve the overall fuel economy of vehicles we produce, thereby reducing their GHG emissions. There are limits on our ability to achieve fuel economy improvements over a given timeframe, however, primarily relating to the cost and effectiveness of available technologies, consumer acceptance of new technologies and changes in vehicle mix, willingness of consumers to absorb the additional costs of new technologies, the appropriateness (or lack thereof) of certain technologies for use in particular vehicles, the widespread availability (or lack thereof) of supporting infrastructure for new technologies, and the human, engineering, and financial resources necessary to deploy new technologies across a wide range of products and powertrains in a short time. The cost to comply with existing government regulations is substantial, and future, additional regulations could have a substantial adverse impact on our financial condition and results of operations. For more discussion of the impact of such standards on our global business, see the “Governmental Standards” discussion in “Item 1. Business” (“Item 1”) above. In addition, a number of governments, as well as non-governmental organizations, publicly assess vehicles to their own protocols. The protocols could change aggressively, and any negative perception regarding the performance of our vehicles subjected to such tests could reduce future sales.

Unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise. We spend substantial resources ensuring that we comply with governmental safety regulations, mobile and stationary source emissions regulations, and other standards. Compliance with governmental standards, however, does not necessarily prevent individual or class actions, which can entail significant cost and risk. In certain circumstances, courts may permit tort claims even where our vehicles comply with federal and/or other applicable law. Furthermore, simply responding to actual or threatened litigation or government investigations of our compliance with regulatory standards, whether related to our products or business or commercial relationships, may require significant expenditures of time and other resources. Litigation also is inherently uncertain, and we could experience significant adverse results. In addition, adverse publicity surrounding an allegation may cause significant reputational harm that could have a significant adverse effect on our sales.

A change in requirements under long-term supply arrangements committing Ford to purchase minimum or fixed quantities of certain parts, or to pay a minimum amount to the seller (“take-or-pay” contracts). We have entered into a number of long-term supply contracts that require us to purchase a fixed quantity of parts to be used in the production of our vehicles. If our need for any of these parts were to lessen, we could still be required to purchase a specified quantity of the part or pay a minimum amount to the seller pursuant to the take-or-pay contract, which could have a substantial adverse effect on our financial condition or results of operations.

Adverse effects on results from a decrease in or cessation or clawback of government incentives related to investments. We receive economic benefits from national, state, and local governments in various regions of the world in the form of incentives designed to encourage manufacturers to establish, maintain, or increase investment, workforce, or production. These incentives may take various forms, including grants, loan subsidies, and tax abatements or credits. The impact of these incentives can be significant in a particular market during a reporting period. For example, most of our manufacturing facilities in South America are located in Brazil, where the state or federal governments have historically offered, and continue to offer, significant incentives to manufacturers to encourage capital investment, increase manufacturing production, and create jobs. As a result, the performance of our South American operations has been impacted favorably by government incentives to a substantial extent as we have increased our investment and manufacturing presence in Brazil, and we expect this favorable impact to continue for the next several years. In Brazil, the federal government has levied assessments against us concerning our calculation of federal incentives we received, and certain states have challenged the grant to us of tax incentives by the state of Bahia, including a constitutional challenge of state incentives that is pending in Brazil’s Supreme Court. A decrease in, expiration without renewal of, or other cessation or clawback of government incentives for any of our business units, as a result of administrative decision or otherwise, could have a substantial adverse impact on our financial condition and results of operations. See Note 2 of the Notes to the Financial Statements for discussion of our accounting for government incentives, and “Item 3. Legal Proceedings” for discussion of tax proceedings in Brazil.

Inherent limitations of internal controls impacting financial statements and safeguarding of assets. Our internal control over financial reporting and our operating internal controls may not prevent or detect misstatements or loss of assets because of inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Effective internal controls can provide only reasonable assurance with respect to financial statement accuracy and safeguarding of assets.

Item 1A. Risk Factors (Continued)

Cybersecurity risks to operational systems, security systems, or infrastructure owned by Ford, Ford Credit, or a third-party vendor or supplier. We are at risk for interruptions, outages, and breaches of: (i) operational systems (including business, financial, accounting, product development, consumer receivables, data processing, or manufacturing processes); (ii) facility security systems; and/or (iii) in-vehicle systems or mobile devices. Such cyber incidents could materially disrupt operational systems; result in loss of trade secrets or other proprietary or competitively sensitive information; compromise personally identifiable information of customers, employees, or others; jeopardize the security of our facilities; and/or affect the performance of in-vehicle systems. A cyber incident could be caused by malicious outsiders using sophisticated, targeted methods to circumvent firewalls, encryption, and other security defenses. An incident might not be detected in time to prevent a breach of these systems. Such incident could harm our reputation and subject us to regulatory actions or litigation.

Failure of financial institutions to fulfill commitments under committed credit and liquidity facilities. Under our Credit Agreement dated December 15, 2006, as amended and restated on November 24, 2009 and as further amended ("Credit Agreement"), we are able to borrow, repay, and then re-borrow up to $10.7 billion until the facilities thereunder terminate in 2017. If the financial institutions that provide these or other committed credit facilities were to default on their obligation to fund the commitments, these facilities would not be available to us, which could substantially adversely affect our liquidity and financial condition. For discussion of our Credit Agreement, see "Liquidity and Capital Resources" in Item 7 and Note 15 of the Notes to the Financial Statements.

Inability of Ford Credit to access debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts, due to credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors. Ford Credit's ability to obtain unsecured funding at a reasonable cost is dependent on its credit ratings or its perceived creditworthiness. Ford Credit's ability to obtain securitized funding under its committed asset-backed liquidity programs and certain other asset-backed securitization transactions is subject to having a sufficient amount of assets eligible for these programs, as well as Ford Credit's ability to obtain appropriate credit ratings and, for certain committed programs, derivatives to manage the interest rate risk. Over time, and particularly in the event of any credit rating downgrades, market volatility, market disruption, or other factors, Ford Credit may reduce the amount of receivables it purchases or originates because of funding constraints. In addition, Ford Credit may be limited in the amount of receivables it purchases or originates in certain countries or regions if the local capital markets, particularly in developing countries, do not exist or are not adequately developed. Similarly, Ford Credit may reduce the amount of receivables it purchases or originates if there is a significant decline in the demand for the types of securities it offers or Ford Credit is unable to obtain derivatives to manage the interest rate risk associated with its securitization transactions. A significant reduction in the amount of receivables Ford Credit purchases or originates would significantly reduce its ongoing profits and could adversely affect its ability to support the sale of Ford vehicles.

Higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles. Credit risk is the possibility of loss from a customer's or dealer's failure to make payments according to contract terms. Credit risk (which is heavily dependent upon economic factors including unemployment, consumer debt service burden, personal income growth, dealer profitability, and used car prices) has a significant impact on Ford Credit's business. The level of credit losses Ford Credit may experience could exceed its expectations and adversely affect its financial condition and results of operations. In addition, Ford Credit projects expected residual values (including residual value support payments from Ford) and return volumes for the vehicles it leases. Actual proceeds realized by Ford Credit upon the sale of returned leased vehicles at lease termination may be lower than the amount projected, which would reduce the profitability of the lease transaction. Among the factors that can affect the value of returned lease vehicles are the volume of vehicles returned, economic conditions, and quality or perceived quality, safety, fuel efficiency, or reliability of the vehicles. Actual return volumes may be higher than expected and can be influenced by contractual lease-end values relative to auction values, marketing programs for new vehicles, and general economic conditions. Each of these factors, alone or in combination, has the potential to adversely affect Ford Credit's profitability if actual results were to differ significantly from Ford Credit's projections. See "Critical Accounting

Estimates" in Item 7 for additional discussion.

Increased competition from banks or other financial institutions seeking to increase their share of financing Ford vehicles. No single company is a dominant force in the automotive finance industry. Most of Ford Credit's bank competitors in the United States use credit aggregation systems that permit dealers to send, through standardized systems, retail credit applications to multiple finance sources to evaluate financing options offered by these sources. This process drives greater competition based on financing rates. In addition, Ford Credit may face increased competition on wholesale financing for Ford dealers. Competition from such institutions with lower borrowing costs may increase, which could adversely affect Ford Credit's profitability and the volume of its business.

Item 1A. Risk Factors (Continued)

New or increased credit, consumer, or data protection or other regulations resulting in higher costs and/or additional financing restrictions. As a finance company, Ford Credit is highly regulated by governmental authorities in the locations in which it operates, which can impose significant additional costs and/or restrictions on its business. In the United States, for example, Ford Credit's operations are subject to regulation, supervision, and licensing under various federal, state, and local laws and regulations, including the federal Truth-in-Lending Act, Equal Credit Opportunity Act, and Fair Credit Reporting Act.

Congress also passed the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act ("Act") in 2010 to reform practices in the financial services industries, including automotive financing and securitizations. The Act directs federal agencies to adopt rules to regulate the consumer finance industry and the capital markets and, among other things, gives the Consumer Financial Protection Bureau ("CFPB") broad rule-making and enforcement authority for a wide range of consumer finance protection laws that regulate consumer finance businesses, such as Ford Credit's retail automotive financing business. Exercise of these powers by the CFPB may increase the costs of, impose additional restrictions on, or otherwise adversely affect companies in the automotive finance business. For example, in March 2013, the CFPB issued a bulletin recommending that indirect vehicle lenders, a class that includes Ford Credit, take steps to monitor and/or impose controls over dealer discretionary pricing.

In addition, the Act provides that a non-bank financial company could be designated a "systemically important financial institution" by the Financial Stability Oversight Council and thus be subject to supervision by the Board of Governors of the Federal Reserve System. Such a designation would mean that a non-bank finance company such as Ford Credit, in effect, could be regulated like a bank with respect to capital and other requirements, but without the benefits of being a bank—such as the ability to offer Federal Deposit Insurance Corporation ("FDIC") insured deposits.

The Act also creates an alternative liquidation framework under which the FDIC may be appointed as receiver of a non-bank financial company if the U.S. Treasury Secretary (in consultation with the President of the United States) determines that the company is in default or danger of default and the resolution of the company under other applicable law (e.g., U.S. bankruptcy law) would have serious adverse effects on the financial stability of the United States. The FDIC's powers under this framework may vary from those of a bankruptcy court under U.S. bankruptcy law, which could adversely impact securitization markets, including Ford Credit's funding activities, regardless of whether Ford Credit ever is determined to be subject to the Act's alternative liquidation framework.

In some countries outside the United States, some of Ford Credit's subsidiaries are regulated banking institutions and are required, among other things, to maintain minimum capital reserves. In many other locations, governmental authorities require companies to have licenses in order to conduct financing businesses. Compliance with these laws and regulations imposes additional costs on Ford Credit and affects the conduct of its business. Additional regulation could add significant cost or operational constraints that might impair Ford Credit's profitability.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. Properties.

Our principal properties include manufacturing and assembly facilities, distribution centers, warehouses, sales or administrative offices, and engineering centers.

We own substantially all of our U.S. manufacturing and assembly facilities. Our facilities are situated in various sections of the country and include assembly plants, engine plants, casting plants, metal stamping plants, transmission plants, and other component plants. About half of our distribution centers are leased (we own approximately 55% of the total square footage, and lease the balance). A substantial amount of our warehousing is provided by third-party providers under service contracts. Because the facilities provided pursuant to third-party service contracts need not be dedicated exclusively or even primarily to our use, these spaces are not included in the number of distribution centers/warehouses listed in the table below. The majority of the warehouses that we operate are leased, although many of our manufacturing and assembly facilities contain some warehousing space. Substantially all of our sales offices are leased space. Approximately 99% of the total square footage of our engineering centers and our supplementary research and development space is owned by us.

In addition, we maintain and operate manufacturing plants, assembly facilities, parts distribution centers, and engineering centers outside of the United States. We own substantially all of our non-U.S. manufacturing plants, assembly facilities, and engineering centers. The majority of our parts distribution centers outside of the United States are either leased or provided by vendors under service contracts. As in the United States, space provided by vendors under service contracts need not be dedicated exclusively or even primarily to our use, and is not included in the number of distribution centers/warehouses listed in the table below.

As of December 31, 2013, our Automotive segments used eight regional engineering, research, and development centers, and 65 manufacturing plants as shown in the table below:

Segment	Plants
North America (a)	32
South America	8
Europe (b)	13
Asia Pacific Africa	12
Total (c)	65

(a) Includes one plant owned by Automotive Components Holdings, LLC ("ACH"). After ACH has completed the transfer of the plant's primary business to the purchaser of the business in the fourth quarter of 2014, ACH will close the plant.

(b) Includes our Genk assembly plant that will close at the end of 2014 and omits two manufacturing facilities in the United Kingdom that were closed during 2013.

(c) Not included are two manufacturing plants in India and one in Brazil that are under construction.

Included in the number of plants shown above are plants that are operated by us or our consolidated joint ventures that support our Automotive sector. As of December 31, 2013, the significant consolidated joint ventures and the number of plants each owns is as follows:

- AAI — a 50/50 joint venture with Mazda that owns an assembly plant in Flat Rock, Michigan. As of September 1, 2012, we acquired full management control of AAI; in exchange, beginning on September 1, 2015 for a three-year period, we have granted Mazda a put option to sell, and received a call option to purchase from Mazda, the 50% equity interest in AAI that is held by Mazda (the "Option"). The Option is exercisable at a price determined by a formula based on AAI's December 31, 2012 balance sheet. We lease the Flat Rock assembly plant from AAI and operate the plant to

produce Mustang and Fusion vehicles.

- Ford Lio Ho Motor Company Ltd. (“FLH”) — a joint venture in Taiwan among Ford (70% partner), the Lio Ho Group (25% partner), and individual shareholders (5% ownership in aggregate) that assembles a variety of Ford and Mazda vehicles sourced from Ford as well as Mazda. In addition to domestic assembly, FLH also has local product development capability to modify component parts for local needs, and imports Ford brand built-up vehicles from the Asia Pacific Africa region, Europe, and the United States. The joint venture operates one plant in Taiwan.

ITEM 2. Properties (Continued)

- Ford Vietnam Limited — a joint venture between Ford (75% partner) and Diesel Song Cong One Member Limited Liability Company (a subsidiary of the Vietnam Engine and Agricultural Machinery Corporation, which in turn is owned by the Vietnamese Ministry of Industry and Trade)(25% partner). Ford Vietnam Limited assembles and distributes a variety of Ford passenger and commercial vehicle models. The joint venture operates one plant in Vietnam.

In addition to the plants that we operate directly or that are operated by our consolidated joint ventures, additional plants that support our Automotive sector are operated by unconsolidated joint ventures of which we are a partner. These plants are not included in the number of plants shown in the table above. The most significant of these joint ventures are as follows:

- AutoAlliance (Thailand) Co., Ltd. ("AAT") — a 50/50 joint venture between Ford and Mazda that owns and operates a manufacturing plant in Rayong, Thailand. AAT produces Ford and Mazda products for domestic and export sales, the latter in both built-up and kit form, with export of certain products to markets outside the Asia Pacific Africa region. AAT produces the Ford Everest SUV, and Ford Ranger and Mazda BT-50 pickup trucks, as well as Ford Fiesta, Mazda2, and Mazda3 small cars.

- Blue Diamond Parts, LLC ("Blue Diamond Parts") — a joint venture between Ford (25% partner) and Navistar International Corporation (formerly known as International Truck and Engine Corporation) ("Navistar") (75% partner), in which the two partners share equal voting rights. Blue Diamond Parts manages sourcing, merchandising, and distribution of certain service parts for trucks sold in North America. We will continue to collaborate on this joint venture.

- Blue Diamond Truck, S. de R.L. de C.V. ("Blue Diamond Truck") — a joint venture between Ford (25% partner) and Navistar (75% partner), in which the two partners share equal voting rights. Blue Diamond Truck develops and manufactures medium-duty commercial trucks at its plant in Escobedo, Mexico and sells the vehicles to Navistar and us for distribution. The Blue Diamond Truck joint venture is scheduled to terminate at the end of February 2015. We will in-source production of F-650/750 trucks to our Ohio Assembly Plant.

- Changan Ford Automobile Corporation, Ltd. ("CAF") — a 50/50 joint venture between Ford and Chongqing Changan Automobile Co., Ltd. ("Changan"). CAF currently operates two assembly plants in China, where it produces and distributes an expanding variety of Ford passenger vehicle models. In 2013, to support growth in the region, CAF completed construction of an engine plant in Chongqing. CAF is constructing two additional assembly plants in Chongqing and Hangzhou, and a transmission plant in Chongqing.

- Changan Ford Mazda Engine Company, Ltd. ("CFME") — a joint venture among Ford (25% partner), Mazda (25% partner), and Changan (50% partner). CFME is located in Nanjing, and produces engines for Ford and Mazda vehicles manufactured in China.

- Ford Otosan — a joint venture in Turkey among Ford (41% partner), the Koc Group of Turkey (41% partner), and public investors (18%) that is a major supplier to us of the Transit, Transit Custom, and Transit Courier commercial vehicles and is our sole distributor of Ford vehicles in Turkey. Ford Otosan also makes the Cargo truck for the Turkish and export markets, and certain engines and transmissions, most of which are under license from us. The joint venture owns two plants, a parts distribution depot, and a product development center in Turkey, and is constructing a new research and development center in Turkey.

- FordSollers — a 50/50 joint venture between Ford and Sollers OJSC ("Sollers"), to which we contributed our operations in Russia, consisting primarily of a manufacturing plant, and access to our Russian dealership network. Sollers

contributed two production facilities and supports the joint venture through its manufacturing capabilities, knowledge of the Russian market, experience in distribution, and work with the Russian supply base. In addition, the joint venture has an exclusive right to manufacture, assemble, and distribute certain Ford vehicles in Russia through the licensing of certain trademarks and intellectual property rights. The joint venture primarily is engaged in manufacturing a range of Ford passenger cars and light commercial vehicles for sale in Russia. The joint venture has been approved to participate in Russia's industrial assembly regime, which qualifies it for reduced import duties for parts imported into Russia. In addition to its three existing manufacturing facilities, FordSollers plans to launch an engine plant in Russia in 2015.

ITEM 2. Properties (Continued)

- Getrag Ford Transmissions GmbH ("GFT") — a 50/50 joint venture with Getrag International GmbH, a German company, to which we initially transferred our European manual transmission operations, including plants located in Halewood, England; Cologne, Germany; and Bordeaux, France. We subsequently transferred a plant in Kechnec, Slovakia to the joint venture. GFT operates these four plants to produce, among other things, manual transmissions for our Europe business unit and Volvo. We supply most of the hourly and salaried labor requirements of the operations transferred to this joint venture, and the joint venture reimburses us for the full cost of the labor we supply. In the event of surplus labor at the joint venture, our employees may be returned to us.

- JMC — a publicly-traded company in China with Ford (32% shareholder) and Jiangling Holdings, Ltd. (41% shareholder) as its controlling shareholders. Jiangling Holdings, Ltd. is a 50/50 joint venture between Changan and Jiangling Motors Company Group. The public investors in JMC own 27% of its total outstanding shares. JMC assembles the Ford Transit van, Ford diesel engines, and non-Ford vehicles for distribution in China and in other export markets. In 2013, JMC increased its capacity to 545,000 vehicles per year with its new plant in Nanchang, for a total of two manufacturing facilities. JMC also plans to launch a new engine plant in 2015.

- Tenedora Nemak, S.A. de C.V. — a joint venture between Ford (6.75% partner) and a subsidiary of Mexican conglomerate Alfa S.A. de C.V. (93.25% partner). The joint venture supplies aluminum castings from its plants located in regions in which we do business.

The facilities described above are, in the opinion of management, suitable and more than adequate for the manufacture and assembly of our and our joint ventures' products.

The furniture, equipment and other physical property owned by our Financial Services operations are not material in relation to their total assets.

ITEM 3. Legal Proceedings.

The litigation process is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. See Note 29 of the Notes to the Financial Statements for discussion of loss contingencies. Following is a discussion of our significant pending legal proceedings:

PRODUCT LIABILITY MATTERS

We are a defendant in numerous actions in state and federal courts within and outside of the United States alleging damages from injuries resulting from (or aggravated by) alleged defects in our vehicle lines of various model years. In many, no dollar amount of damages is specified, or the specific amount alleged is the jurisdictional minimum. Our experience with litigation alleging a specific amount of damages suggests that such amounts, on average, bear little relation to the actual amount of damages, if any, that we will pay in resolving such matters. Any damages we pay in a negotiated settlement or as the result of a verdict generally have been, on average, substantially less than the amounts originally claimed.

Based on our knowledge of the facts and circumstances asserted, our historical experience with matters of a similar nature, and our assessment of the likelihood of prevailing and the severity of any potential loss, we establish litigation accruals. In addition to pending actions, we assess the likelihood of incidents that likely have occurred but not yet been reported to us; we also take into consideration specific matters that have been raised as claims but have not yet proceeded to litigation. Individual product liability matters which, if resolved unfavorably to the Company, likely would involve a significant cost would be described herein. Currently there are no such matters to report.

ASBESTOS MATTERS

Asbestos was used in some brakes, clutches, and other automotive components from the early 1900s. Along with other vehicle manufacturers, we have been the target of asbestos litigation and, as a result, are a defendant in various actions for injuries claimed to have resulted from alleged exposure to Ford parts and other products containing asbestos. Plaintiffs in these personal injury cases allege various health problems as a result of asbestos exposure, either from component parts found in older vehicles, insulation or other asbestos products in our facilities, or asbestos aboard our former maritime fleet. We believe that we are being targeted more aggressively in asbestos suits because many previously-targeted companies have filed for bankruptcy.

Most of the asbestos litigation we face involves individuals who claim to have worked on the brakes of our vehicles over the years. We are prepared to defend these cases, and believe that the scientific evidence confirms our long-standing position that there is no increased risk of asbestos-related disease as a result of exposure to the type of asbestos formerly used in the brakes on our vehicles. The extent of our financial exposure to asbestos litigation remains very difficult to estimate and could include both compensatory and punitive damage awards. The majority of our asbestos cases do not specify a dollar amount for damages; in many of the other cases the dollar amount specified is the jurisdictional minimum, and the vast majority of these cases involve multiple defendants, with the number in some cases exceeding one hundred. Many of these cases also involve multiple plaintiffs, and often we are unable to tell from the pleadings which plaintiffs are making claims against us (as opposed to other defendants). Annual payout and defense costs may become significant in the future.

ENVIRONMENTAL MATTERS

We have received notices under various federal and state environmental laws that we (along with others) are or may be a potentially responsible party for the costs associated with remediating numerous hazardous substance storage, recycling, or disposal sites in many states and, in some instances, for natural resource damages. We also may have been a generator of hazardous substances at a number of other sites. The amount of any such costs or damages for which we may be held responsible could be significant. At this time, we have no individual environmental legal proceedings to which a governmental authority is a party and in which we believe there is the possibility of monetary sanctions in excess of $100,000 to report.

CLASS ACTIONS

In light of the fact that very few of the purported class actions filed against us in the past ever have been certified by the courts as class actions, in general we list below those actions that (i) have been certified as a class action by a court of competent jurisdiction (and any additional purported class actions that raise allegations substantially similar to an existing and certified class), and (ii) likely would involve a significant cost if resolved unfavorably to the Company.

Medium/Heavy Truck Sales Procedure Class Action. This action pending in the Ohio state court system alleges that Ford breached its Sales and Service Agreement with Ford truck dealers by failing to publish to all Ford dealers all price concessions that were approved for any dealer. The trial court certified a nationwide class consisting of all Ford dealers who purchased from Ford any 600-series or higher truck from 1987 to 1997, and granted plaintiffs' motion for summary judgment on liability. During 2011, a jury awarded $4.5 million in damages to the named plaintiff dealer and the trial court applied the jury's findings with regard to the named plaintiff to all dealers in the class, entering a judgment of approximately $2 billion in damages. We appealed, and on May 3, 2012, the Ohio Court of Appeals reversed the trial court's grant of summary judgment to plaintiffs, vacated the damages award, and remanded the matter for a new trial. The retrial in September 2013 resulted in a verdict in Ford's favor. On February 7, 2014, the trial court granted plaintiffs' motion for a new trial, but the order will be stayed pending our appeal and we are confident that it will be reversed.

Item 3. Legal Proceedings (Continued)

OTHER MATTERS

Apartheid Litigation. We are a defendant in purported class action lawsuits seeking unspecified damages on behalf of South African citizens who suffered violence and oppression under South Africa's apartheid regime. The lawsuits allege that the defendant companies aided and abetted the apartheid regime and its human rights violations. These cases, collectively referred to as In re South African Apartheid Litigation, were initially filed in 2002 and 2003, and are being handled together as coordinated "multidistrict litigation" in the U.S. District Court for the Southern District of New York. The District Court dismissed these cases in 2004, but in 2007 the U.S. Court of Appeals for the Second Circuit reversed and remanded the cases to the District Court for further proceedings. Amended complaints were filed during 2008; motions to dismiss were granted in part and denied in part, and defendants appealed. In August 2013, the U.S. Court of Appeals remanded the cases to the District Court with instructions to dismiss, but the District Court has requested additional briefing.

Brazilian Tax Matters. Three Brazilian states and the Brazilian federal tax authority have levied substantial tax assessments against Ford Brazil related to state and federal tax incentives Ford Brazil receives for its operations in the Brazilian state of Bahia. All assessments have been appealed to the relevant administrative court of each jurisdiction. For each assessment, if we do not prevail at the administrative level, we plan to appeal to the relevant state or federal judicial court, which would likely require us to post significant collateral in order to proceed. Our appeals with two states and the federal tax authority remain at the administrative level, but in one state our administrative appeal was denied. We appealed that case to the judicial court, without having to post collateral, where we received a first level favorable decision. The state has appealed that decision and collateral may be required for a further appeal of that assessment if the decision is overturned.

Transit Connect Customs Ruling. On March 8, 2013, U.S. Customs and Border Protection ("CBP") issued a ruling adverse to Ford with respect to duty rates for some of our Transit Connect vehicles imported into the United States. CBP ruled that Transit Connects imported as passenger wagons and later converted into cargo vans are subject to the 25% duty applicable to cargo vehicles, rather than the 2.5% duty applicable to passenger vehicles. As a result of the ruling, CBP (1) is requiring Ford to pay the 25% duty upon importation of Transit Connects that will be converted to cargo vehicles, and (2) is seeking the difference in duty rates for prior imports. Our protest of the ruling within CBP was denied and we filed a challenge in the U.S. Court of International Trade ("CIT"). A decision by CIT may be appealed to the U.S. Court of Appeals for the Federal Circuit. If we prevail, we will receive a refund of the contested amounts paid, plus interest. If we do not prevail, CBP would recover the increased duties for prior imports, plus interest, and might assert a claim for penalties.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 4A. Executive Officers of Ford.

Our executive officers are as follows, along with each executive officer's position and age at February 1, 2014:

Name	Position	Position Held Since	Age
William Clay Ford, Jr. (a)	Executive Chairman and Chairman of the Board	Sept. 2006	56
Alan Mulally (b)	President and Chief Executive Officer	Sept. 2006	68
Mark Fields	Chief Operating Officer	Dec. 2012	53
James D. Farley, Jr.	Executive Vice President – Global Marketing, Sales and Service and Lincoln	Dec. 2012	51
John Fleming	Executive Vice President – Global Manufacturing and Labor Affairs	Dec. 2009	63
Joseph R. Hinrichs	Executive Vice President – President, The Americas	Dec. 2012	47
Stephen T. Odell	Executive Vice President – President, Europe, Middle East and Africa	Dec. 2012	58
Bob Shanks	Executive Vice President and Chief Financial Officer	Apr. 2012	61
Ray Day	Group Vice President – Communications	Mar. 2013	47
Felicia Fields	Group Vice President – Human Resources and Corporate Services	Apr. 2008	48
Bennie Fowler	Group Vice President – Quality and New Model Launch	Apr. 2008	57
David G. Leitch	Group Vice President and General Counsel	Apr. 2005	53
Raj Nair	Group Vice President – Global Product Development	Apr. 2012	49
Ziad S. Ojakli	Group Vice President – Government and Community Relations	Jan. 2004	46
Dave Schoch	Group Vice President – President, Asia Pacific	Dec. 2012	62
Bernard Silverstone	Group Vice President – Chairman and Chief Executive Officer, Ford Motor Credit Co.	Jan. 2013	58
Nick Smither	Group Vice President – Chief Information Officer	Apr. 2008	55
Hau Thai-Tang	Group Vice President – Global Purchasing	Aug. 2013	47
Stuart Rowley	Vice President and Controller	Apr. 2012	46

(a) Also a Director, Chair of the Office of the Chairman and Chief Executive, Chair of the Finance Committee, and a member of the Sustainability Committee of the Board of Directors.

(b) Also a Director and member of the Office of the Chairman and Chief Executive and the Finance Committee of the Board of Directors.

Each of the officers listed above has been employed by Ford or its subsidiaries in one or more capacities during the past five years.

Under our by-laws, executive officers are elected by the Board of Directors at an annual meeting of the Board held for this purpose. Each officer is elected to hold office until a successor is chosen or as otherwise provided in the by-laws.

PART II.

ITEM 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Common Stock is listed on the New York Stock Exchange in the United States, and on certain stock exchanges in Belgium and France.

The table below shows the high and low sales prices for our Common Stock, and the dividends we paid per share of Common and Class B Stock, for each quarterly period in 2012 and 2013:

	2012				2013			
Ford Common Stock price per share (a)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	$13.05	$12.95	$10.66	$13.08	$14.30	$16.09	$17.77	$18.02
Low	10.99	9.46	8.82	9.71	12.10	12.15	15.56	15.10
Dividends per share of Ford Common and Class B Stock	0.05	0.05	0.05	0.05	0.10	0.10	0.10	0.10

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(a) New York Stock Exchange composite intraday prices as listed in the price history database available at www.NYSEnet.com.

As of February 7, 2014, stockholders of record of Ford included approximately 143,770 holders of Common Stock and 39 holders of Class B Stock.

As previously reported, we conducted a modest anti-dilutive share repurchase program during 2013, which authorized repurchases of up to 13.3 million shares of our Common Stock to offset the dilutive effect of share-based compensation granted during 2013. During the fourth quarter, we repurchased shares of Ford Common Stock as follows:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly-Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2013 through October 31, 2013	24,950	$17.26	—	2.9 million
November 1, 2013 through November 30, 2013	2,870,000	16.99	2,870,000	—
December 1, 2013 through December 31, 2013	3,603	16.56	—	—
Total/Average	2,898,553	$16.99	2,870,000	

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(a) In any given month, the difference between the total number of shares purchased and the number of shares purchased as part of the publicly-announced plan reflects shares that were acquired from our employees or directors related to certain exercises of stock options in accordance with our various compensation plans.

As shown above, our anti-dilutive share repurchase program concluded in the fourth quarter of 2013. In total, pursuant to this program we repurchased 13.3 million shares of Ford Common Stock at a cost of $213 million.

For discussion of our outstanding convertible notes, convertible and exercisable into our Common Stock, see Note 15 of the Notes to the Financial Statements.

ITEM 6. Selected Financial Data.

On January 1, 2010, we adopted the new accounting standard regarding consolidation of variable interest entities ("VIEs"). We have applied the standard retrospectively to periods covered in this Report, and present prior-year financial statement data on a basis that is revised for the application of this standard. In addition, we have reclassified certain prior year amounts on our consolidated financial statements to conform to current year presentation. The following table sets forth selected financial data for each of the last five years (dollar amounts in millions, except for per share amounts):

SUMMARY OF INCOME	2013	2012	2011	2010	2009
Total Company					
Revenues	$146,917	$133,559	$135,605	$128,122	$115,125
Income/(Loss) before income taxes	$7,001	$7,720	$8,681	$7,149	$2,599
Provision for/(Benefit from) income taxes	(147)	2,056	(11,541)	592	(113)
Income/(Loss) from continuing operations	7,148	5,664	20,222	6,557	2,712
Income/(Loss) from discontinued operations	—	—	—	—	5
Net income/(loss)	7,148	5,664	20,222	6,557	2,717
Less: Income/(Loss) attributable to noncontrolling interests	(7)	(1)	9	(4)	—
Net income/(loss) attributable to Ford Motor Company	$7,155	$5,665	$20,213	$6,561	$2,717
Automotive Sector					
Revenues	$139,369	$126,567	$128,168	$119,280	$103,868
Income/(Loss) before income taxes	5,329	6,010	6,250	4,146	785
Financial Services Sector					
Revenues	$7,548	$6,992	$7,437	$8,842	$11,257
Income/(Loss) before income taxes	1,672	1,710	2,431	3,003	1,814
Amounts Per Share Attributable to Ford Motor Company Common and Class B Stock					
Average number of shares of Ford Common and Class B Stock outstanding (in millions)	3,935	3,815	3,793	3,449	2,992
Basic income/(loss)	$1.82	$1.48	$5.33	$1.90	$0.91
Diluted income/(loss)	1.76	1.42	4.94	1.66	0.86
Cash dividends declared	0.40	0.15	0.05	—	—
Common Stock price range (NYSE Composite Intraday)					
High	18.02	13.08	18.97	17.42	10.37
Low	12.10	8.82	9.05	9.75	1.50
SECTOR BALANCE SHEET DATA AT YEAR-END					
Assets					
Automotive sector	$90,326	$86,458	$78,786	$64,606	$79,118
Financial Services sector	115,057	105,012	100,612	102,407	118,040
Intersector elimination	(1,631)	(252)	(1,112)	(2,083)	(3,224)
Total assets	$203,752	$191,218	$178,286	$164,930	$193,934

Debt					
Automotive sector	$15,683	$14,256	$13,094	$19,077	$33,610
Financial Services sector	99,005	90,802	86,595	85,112	98,671
Intersector elimination (a)	—	—	(201)	(201)	(646)
Total debt	$114,688	$105,058	$99,488	$103,988	$131,635
Total Equity/(Deficit)	$26,416	$15,989	$15,071	$(642)	$(7,782)

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(a) Debt related to Ford’s acquisition of Ford Credit debt securities.

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ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

Revenue

Our Automotive sector's revenue is generated primarily by sales of vehicles, parts, and accessories; we generally treat sales and marketing incentives as a reduction to revenue. Revenue is recorded when all risks and rewards of ownership are transferred to our customers (generally, our dealers and distributors). For the majority of sales, this occurs when products are shipped from our manufacturing facilities. This is not the case, however, with respect to vehicles produced for sale to daily rental car companies that are subject to a guaranteed repurchase option. These vehicles are accounted for as operating leases, with lease revenue and profits recognized over the term of the lease. When we sell the returned vehicle at auction, we recognize a gain or loss on the difference, if any, between actual auction value and the projected auction value. In addition, revenue for finished vehicles we sell to customers or vehicle modifiers on consignment is not recognized until the vehicle is sold to the ultimate customer.

Most of the vehicles sold by us to our dealers and distributors are financed at wholesale by Ford Credit. Upon Ford Credit originating the wholesale receivable related to a dealer's purchase of a vehicle, Ford Credit pays cash to the relevant legal entity in our Automotive sector in payment of the dealer's obligation for the purchase price of the vehicle. The dealer then pays the wholesale finance receivable to Ford Credit when it sells the vehicle to a retail customer.

Our Financial Services sector's revenue is generated primarily from interest on finance receivables, net of certain deferred origination costs that are included as a reduction of financing revenue, and such revenue is recognized over the term of the receivable using the interest method. Also, revenue from operating leases is recognized on a straight-line basis over the term of the lease. Income is generated to the extent revenues exceed expenses, most of which are interest, depreciation, and operating expenses.

Transactions between our Automotive and Financial Services sectors occur in the ordinary course of business. For example, we offer special retail financing and lease incentives to dealers' customers who choose to finance or lease our vehicles from Ford Credit. The estimated cost for these incentives is recorded as revenue reduction to Automotive sales at the later of the date the related vehicle sales to our dealers are recorded or the date the incentive program is both approved and communicated. In order to compensate Ford Credit for the lower interest or lease rates offered to the retail customer, we pay the discounted value of the incentive directly to Ford Credit when it originates the retail finance or lease contract with the dealer's customer. Ford Credit recognizes the amount over the life of retail finance contracts as an element of financing revenue and over the life of lease contracts as a reduction to depreciation. See Note 1 of the Notes to the Financial Statements for a more detailed discussion of transactions and payments between our Automotive and Financial Services sectors.

Costs and Expenses

Our income statement classifies our Automotive total costs and expenses into two categories: (i) cost of sales, and (ii) selling, administrative, and other expenses. We include within cost of sales those costs related to the development, manufacture, and distribution of our vehicles, parts, and accessories. Specifically, we include in cost of sales each of the following: material costs (including commodity costs); freight costs; warranty, including product recall and customer satisfaction program costs; labor and other costs related to the development and manufacture of our products; depreciation and amortization; and other associated costs. We include within selling, administrative, and other expenses labor and other costs not directly related to the development and manufacture of our products, including such expenses as advertising and sales promotion costs.

Certain of our costs, such as material costs, generally vary directly with changes in volume and mix of production. In our industry, production volume often varies significantly from quarter to quarter and year to year. Quarterly production volumes experience seasonal shifts throughout the year (including peak retail sales seasons, and the impact on production of model changeover and new product launches). As we have seen in recent years, annual production volumes are heavily impacted by external economic factors, including the pace of economic growth and factors such as the availability of consumer credit and cost of fuel.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

As a result, we analyze the profit impact of certain cost changes holding constant present-year volume and mix and currency exchange, in order to evaluate our cost trends absent the impact of varying production and currency exchange levels. We analyze these cost changes in the following categories:

- Material excluding commodity costs - primarily reflecting the change in cost of purchased parts used in the assembly of our vehicles.
- Commodity costs - reflecting the change in cost for raw materials (such as steel, aluminum, and resins) used in the manufacture of our products.
- Structural costs - reflecting the change in costs that generally do not have a directly proportionate relationship to our production volumes, such as labor costs, including pension and health care; other costs related to the development and manufacture of our vehicles; depreciation and amortization; and advertising and sales promotion costs.
- Warranty and other costs - reflecting the change in cost related to warranty coverage, including product recalls and customer satisfaction actions, as well as the change in freight and other costs related to the distribution of our vehicles and support for the sale and distribution of parts and accessories.

While material (including commodity), freight, and warranty costs generally vary directly in proportion to production volume, elements within our structural costs category are impacted to differing degrees by changes in production volume. We also have varying degrees of discretion when it comes to controlling the different elements within our structural costs. For example, depreciation and amortization expense largely is associated with prior capital spending decisions. On the other hand, while labor costs do not vary directly with production volume, manufacturing labor costs may be impacted by changes in volume, for example when we increase overtime, add a production shift or add personnel to support volume increases. Other structural costs, such as advertising or engineering costs, do not necessarily have a directly proportionate relationship to production volume. Our structural costs generally are within our discretion, although to varying degrees, and can be adjusted over time in response to external factors.

We consider certain structural costs to be a direct investment in future growth and revenue. For example, increases in structural costs are necessary to grow our business and improve profitability as we expand around the world, invest in new products and technologies, respond to increasing industry sales volume, and grow our market share.

Automotive total costs and expenses for full-year 2013 was $135.2 billion. Material costs (including commodity costs) make up the largest portion of our Automotive total costs and expenses, representing in 2013 about two-thirds of the total amount. Of the remaining balance of our Automotive costs and expenses, the largest piece is structural costs. Although material costs are our largest absolute cost, our margins can be affected significantly by changes in any category of costs.

Key Economic Factors and Trends Affecting the Automotive Industry

Currency Exchange Rate Volatility. The U.S. Federal Reserve has begun reducing the pace of financial asset purchases, and the resulting shifts in capital flows have contributed to downward pressure on several emerging market currencies. In some cases that pressure is aggravated by high inflation, unstable policy environments, or both. Additionally, the yen has depreciated significantly over the last year as a result of policy changes by the Japanese government and Bank of Japan. This adds significant potential downward pressure on vehicle pricing across many markets globally. In most markets, exchange rates are market-determined, and all are impacted by many different macroeconomic and policy factors, and thus likely to remain volatile. In some other markets, exchange rates are heavily influenced or controlled by governments.

Excess Capacity. According to IHS Automotive, an automotive research firm, the estimated automotive industry global production capacity for light vehicles of about 107 million units exceeded global production by about 23 million units in 2013. In North America and Europe, the two regions where the majority of industry revenue and

profits are earned, excess capacity as a percent of production in 2013 was an estimated 7% and 34%, respectively. In China, the auto industry also witnessed excess capacity at 31% of production in 2013, as manufacturers competed to capitalize on China's future market potential. According to production capacity data projected by IHS Automotive, global excess capacity conditions could continue for several years at an average of about 25 million units per year during the period from 2014 to 2018.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Pricing Pressure. Excess capacity, coupled with a proliferation of new products being introduced in key segments, will keep pressure on manufacturers' ability to increase prices. In North America, the industry restructuring of the past few years has allowed manufacturers to better match production with demand, although Japanese and Korean manufacturers also have capacity (located outside of the region) directed to North America. In the future, Chinese and Indian manufacturers are expected to enter U.S. and European markets, further intensifying competition. Although there has been a modest increase in new vehicle pricing in the U.S. market during 2013, it seems likely that over the long term intense competition and excess capacity will continue to put downward pressure on inflation-adjusted prices for similarly-contented vehicles in the United States and contribute to a challenging pricing environment for the automotive industry. In Europe, the excess capacity situation was exacerbated by weakening demand and the lack of reductions in existing capacity, such that negative pricing pressure is expected to continue for the foreseeable future.

Commodity and Energy Price Increases. Despite weak demand conditions, light sweet crude oil prices increased from an average of $79 per barrel in 2010 to $95 per barrel in 2011, before declining slightly to about $94 per barrel in late 2012. In 2013, oil prices rose slightly to $98 per barrel. Commodity prices have declined recently, but over the longer term prices are likely to trend higher given global demand growth.

Vehicle Profitability. Our financial results depend on the profitability of the vehicles we sell, which may vary significantly by vehicle line. In general, larger vehicles tend to command higher prices and be more profitable than smaller vehicles, both across and within vehicle segments. For example, in North America, our larger, more profitable vehicles had an average contribution margin that was about 130% of our total average contribution margin across all vehicles, whereas our smaller vehicles had significantly lower contribution margins. As we execute our One Ford plan, we are working to create best-in-class vehicles on global platforms that contribute higher margins, and offering a more balanced portfolio of vehicles with which we aim to be among the leaders in fuel efficiency in every segment in which we compete.

Increasing Sales of Smaller Vehicles. Like other manufacturers, we are increasing our participation in newly-developed and emerging markets, such as Brazil, Russia, India, and China, in which vehicle sales are expected to increase at a faster rate than in most mature markets. The largest segments in these markets are small vehicles (i.e., Sub-B, B, and C segments). To increase our participation in these fast-growing markets, we are significantly increasing our production capacity, directly or through joint ventures. In addition, we expect that increased demand for smaller, more fuel-efficient vehicles will continue in the mature markets of North America and Europe and, consequently, we have seen and expect in the future strong demand in those markets for our small car offerings (including our new Ford Fiesta and Focus models that are based on global platforms). Although we expect positive contribution margins from higher small vehicle sales, one result of increased production of small vehicles may be that, over time, our average per unit margin decreases because small vehicles tend to have lower margins than medium and large vehicles.

Trade Policy. To the extent governments in various regions erect or intensify barriers to imports, or implement currency policy that advantages local exporters selling into the global marketplace, there can be a significant negative impact on manufacturers based in markets that promote free trade. While we believe the long-term trend is toward the growth of free trade, we have noted with concern recent developments in a number of regions. In Asia Pacific Africa, for example, the recent dramatic depreciation of the yen significantly reduces the cost of exports into the United States, Europe, and other global markets by Japanese manufacturers. Over a period of time, the emerging weakness of the yen can contribute to other countries pursuing weak currency policies by intervening in the exchange rate markets. This is particularly likely in other Asian countries, such as South Korea. As another example, government actions in South America to incentivize local production and balance trade are driving trade frictions between South American countries and also with Mexico, resulting in business environment instability and new trade barriers. We will continue to monitor and address developing issues around trade policy.

Other Economic Factors. The eventual implications of higher government deficits and debt, with potentially higher long-term interest rates, could drive a higher cost of capital over our planning period. Higher interest rates and/or taxes to address the higher deficits also may impede real growth in gross domestic product and, therefore, vehicle sales over our planning period.

For additional information on our assessment of the business environment, refer to the "Outlook" section below.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Trends and Strategies

We remain firm in our belief that our continued focus on executing the four key priorities of our One Ford plan enables us to go further for our customers, dealers, suppliers, employees, shareholders, and other key constituencies:

- Aggressively restructure to operate profitably at the current demand and 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.

Despite the external economic environment in recent years, we have made significant progress in transforming our business.

Aggressively Restructure to Operate Profitably

Brands. In recent years, we have eliminated a number of brands from our portfolio in order to devote fully our financial, product development, production, and marketing and sales and services resources toward growing our Ford and Lincoln brands.

Manufacturing. We are committed to maintaining an appropriate manufacturing footprint in markets around the world, both in the more mature markets in which we have an established presence, and in fast-growing newly-developed and emerging markets. We are making substantial investments in newly-developed and emerging markets, including in China, India, and Thailand, to increase our production capacity with flexible new manufacturing plants. We and our unconsolidated affiliates in Asia Pacific Africa have launched four new plants in the past two years, and have announced that we expect to complete six more plants in the region by mid-decade. We also are making substantial investments in North America to grow production, including the addition of 200,000 annual incremental units of production capacity during 2013 and significant hiring in the United States as part of our manufacturing capacity expansions. In 2014, we are increasing capacity or adding production at six of our assembly plants in the United States. In Europe, however, we are reducing our capacity. As part of our Europe transformation plan, we completed the planned closures of two manufacturing facilities in the United Kingdom in 2013, and will close our Genk, Belgium manufacturing facility at the end of 2014. These and other actions are expected to reduce our employment levels and production capacity in Europe, excluding Russia, by 13% and 18%, respectively.

Suppliers. We continue to work to strengthen our global supply base. As part of this process, we have been reducing the global number of production suppliers from 3,300 in 2004 to about 1,200 at year-end 2013. We have identified plans that will take us to a target of about 750 suppliers, and we are confident that our consolidation efforts will result in a stronger and healthier supply base. We continue to work closely with our suppliers to address any near-term capacity constraints as we continue to ramp up production. In addition, our move to global vehicle platforms increases our ability to source to common suppliers for the total global volume of vehicle components resulting in a smaller number of suppliers receiving a greater volume of purchases to support our global vehicle platforms and allowing us to gain greater economies of scale.

Ford and Lincoln Dealerships. We have over 11,000 dealerships worldwide. Our dealers are a source of strength around the world, representing the face of Ford to our customers and local communities. Our goal is to achieve a profitable dealer network by rightsizing the number of dealerships, identifying the right locations with modern facilities that deliver an innovative and engaging sales and service experience for our retail customers. In 2013, we added about 100 dealers in China, bringing the total number of Ford dealers in China to more than 600. We plan to add dealers in other growth markets as well. In the United States, our Ford and Lincoln network had about 3,260 outlets at the end of 2013.

Product Development. Our One Ford global product development system is fully operationalized, utilizing global platforms to deliver customer-focused programs rapidly and efficiently across global markets. Through our “hub and satellite” approach, one lead product development engineering center—the hub—is assigned for each global vehicle line, thereby ensuring global scale and efficiency through common designs, parts, suppliers, and manufacturing processes. The hubs are supported by regional engineering centers - satellites - which also help deliver products tuned to local market customer preferences while maintaining global design DNA.

Our One Ford global product development process utilizes global platforms to deliver customer-focused programs rapidly and efficiently across global markets. Significant progress has been made and continues on our commitment to consolidate platforms. In 2007, we utilized 27 different vehicle platforms; we now have 15 total platforms, and are on track to meet our target of nine core platforms globally. In 2013, about 85% of our global vehicle volume was produced off of nine global core platforms. By 2016, 99% of our global vehicle volume will come off of our nine global core platforms. We are able to reinvest the savings of this platform consolidation back into product development, introducing more products at a faster product cadence, and better profitability.

Accelerate Development of New Products Our Customers Want and Value

Our product launch schedule for 2014 is the most aggressive in our history. We will launch 23 all-new or significantly refreshed vehicles around the world—more than double the 11 global vehicles launched in 2013. In North America, we will have 16 launches—triple the number of vehicles launched in 2013. Globally, 150% of our product portfolio will change with all-new or significantly refreshed vehicles between 2014 and 2018. Our industry-leading refresh rate results in continuous improvement, and we expect to have the lowest average age for global passenger vehicles in 2014.

During 2014, we will launch an all-new Mustang, which will be available in the United States this fall, in Europe in early 2015, and in China and other Asia-Pacific markets in 2015. Mustang will be available with three engines offering a broader power of choice, and world-class ride and handling enabled by a fully independent suspension.

An all-new F-150 will be available in late 2014 with an all-new high-strength steel frame and advanced aluminum alloy body, which will result in up to 700 pounds of weight savings to help the F-150 tow more, haul more, accelerate quicker, and stop shorter, all with better gas mileage. The new F-150 also will introduce 11 new class-exclusive features, including a 360-degree camera view, integrated loading ramps stowed in the pickup bed, 400-watt power outlets inside the cab, LED headlights and sideview mirror spotlights, and remote tailgate release. Four engine choices will be available to provide unmatched power to meet almost any customer need.

We remain committed to reinventing Lincoln into a world-class luxury brand with a client experience to match. Our Lincoln brand transformation began with the Lincoln MKZ which was completely redesigned for 2013. The Lincoln MKZ is the first of four all-new vehicles that we will be launching through 2016 as part of our reinvention. The Lincoln MKZ was named 2013's best compact premium vehicle in the J.D. Power APEAL Study, with January 2014 sales in the United States up 368% year-over-year.

In 2014, we are adding the Lincoln MKC to the Lincoln line-up, providing an entry in the important and fast-growing small premium utility segment, one of the fastest growing premium segments in both the United States and China.

Our global product strategy is to serve customers in all markets with a full family of best in class vehicles—small, medium and large; cars, utilities and trucks; each delivering the highest quality, fuel efficiency, safety, smart design, and value—and delivering profitable growth for all. The fundamentals of our global product strategy are consistent, producing vehicles that:

- Have bold, emotive exterior designs
- Are great to drive
- Are great to sit in (second home comfort, convenience, exceptional quietness)
- Provide fuel economy as a reason to buy
- Are unmistakably a Ford or Lincoln in look, sound, and feel
- Provide exceptional value and quality

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Developing products customers want and delivering value for Ford and Lincoln demands consistent focus on our commitment in four key areas—Quality, Green, Safe, and Smart.

Quality. We have made significant strides toward improving quality since 2005. One way we track this is in the incidence of warranty repairs per 1,000 vehicles in the first 3 months of service. Global warranty repairs have fallen 66% from 2005 to 2013. As the incidence of repair has come down, so has the average warranty cost per unit in the first 3 months in service. Over the same period, global warranty repair cost per unit has improved by 54%, including improvements of more than 70% in Asia Pacific Africa, more than 60% in Europe and South America, and about 45% in North America.

A challenge we have faced recently has been customer satisfaction issues brought on by the rapid rise in the level of consumer technology we have introduced in our vehicles. One area of significant focus is MyFord Touch. Since launch of the feature in the 2011 model year, we have reduced "Things Gone Wrong" (TGW) per affected unit by more than 50%. At the same time, we have introduced more products with MyFord Touch, and the demand for the technology remains high. In addition, overall vehicle customer satisfaction is higher on vehicles with MyFord Touch than those without. Two other areas of focus for us have been issues related to certain of our transmissions and some interior items. As we are doing with MyFord Touch, we have implemented high-leverage quality actions to address the transmission and interior issues.

Green. Our commitment and approach to sustainability is unique in the industry. We prefer to provide our customers the power of choice, with a full technology range of gasoline, diesel, hybrid, plug-in hybrid, and electric propulsion systems. We are also electrifying our most popular global platforms instead of one-off specialty models, so we have the manufacturing flexibility to balance our production to meet customer demand. For example, we produce vehicles with gas engines, EcoBoost, hybrid, plug-in hybrid, and full electrics at our Michigan Assembly Plant.

The EcoBoost engine is the centerpiece of our Blueprint for Sustainability. In 2009, we embarked on a strategy to populate our product line with a portfolio of modern engines that uses advanced technologies to deliver high power output but with smaller displacements to provide big gains in fuel economy and emissions. The first application of this strategy was the 3.5L V6 EcoBoost engine, which accounts for more than 125 patents on EcoBoost technology and was named one of Ward's Ten Best Engines in 2010. The EcoBoost technology migrated to the I4 architectures in 2010 and the 2.0L EcoBoost was named one of Ward's Ten Best Engines in 2012 and again in 2013. The 1.0L I3 EcoBoost launched in 2012 and was named International Engine of the Year in 2012 and again in 2013 by Engine Technology International magazine. Ward's recently named the 1.0L EcoBoost one of its ten best engines for 2014. The 2014 Fiesta powered by the 1.0L EcoBoost delivers an EPA-estimated rating of 45 mpg on the highway, which is best-in-class highway fuel economy among all subcompacts offered in the United States. We have produced more than 2 million EcoBoost engines globally since we launched the engine line in 2009.

With the upcoming launches of our MKC, Mustang and F-150, we will introduce the new 2.3L I4 EcoBoost and 2.7L V6 EcoBoost engines. The 2.3L I4 FWD/AWD configuration will be available on the MKC, generating 285 horsepower / 305 lb-ft torque. The 2.3L I4 RWD configuration for the Mustang will generate more than 305 horsepower / 300 lb-ft torque. Finally, the new 2.7L V6 EcoBoost engine with Auto Start-Stop has been developed for the new F-150 and will deliver the same power as a mid-range V8 and better fuel economy.

We also offer six electrified vehicles—delivering the power of choice for leading fuel economy across our lineup—the Focus Electric, C-MAX Hybrid, C-MAX Energi, Fusion Hybrid, Fusion Energi, and Lincoln MKZ Hybrid. Our share of the U.S. electrified vehicle market more than doubled in 2013—up approximately 9 percentage points to 15.3 percent for 2013, compared with 2012. The increase contributed to our 0.5 percentage point increase in overall U.S. market share in 2013, the biggest gain of any full-line automaker.

Our sustainability strategy also identifies opportunities to use recycled or renewable material while enabling markets for end-of-life vehicle recycling. We are committed to increasing the use of recycled and renewable content in our vehicles. In support of our product development strategy, our material engineers are developing standardized specifications for sustainable materials and working with the recycling industry and our supply base to reduce the environmental impact of components.

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Safe. Vehicle safety is a critical part of our brand promise to Go Further. We are specifically committed to designing and manufacturing vehicles that achieve high levels of performance in real-world safety and meet or exceed all regulatory requirements for safety. Ford remains among the leaders in vehicle safety, earning a total of 91 "Top Safety Picks" from the Insurance Institute for Highway Safety ("IIHS")—more than any other manufacturer in the eight-year history of that crash testing program. For the 2013 model year, 13 of our vehicles earned Top Safety Picks from IIHS.

We aim to give customers peace of mind and make the world safer by developing advanced safety technologies and making them available across a wide range of vehicles. Our available rear-seat inflatable safety belts, launched on the 2011 Ford Explorer, are an automotive industry exclusive and have won numerous awards. In the 2013 model year, we expanded the availability of these safety belts in North America to the Ford Flex and the Lincoln MKT and MKZ. The Lane Keeping System, a driver assist feature, was launched in 2011 in Europe on the Ford Focus. Its availability has been expanded to North America on the 2013 Lincoln MKS, MKT, and MKZ and the Ford Explorer and Fusion. For the 2013 model year, we expanded the availability of Curve Control, a driver assist technology that helps slow the vehicle when it senses the driver is taking a curve too quickly. In North America, Curve Control is now offered on the Ford Explorer, Taurus, Flex, and Escape, as well as the Lincoln MKS and MKT. In Europe, it is available on the Ford Kuga.

Driver behavior is a key contributing factor in many vehicle crashes. We have developed an array of programs and technologies that help to encourage safer behavior on the roadways, for both experienced and novice drivers. The Ford Driving Skills for Life ("Ford DSFL"), our flagship driver-education program, demonstrates our commitment to help new drivers to improve their motoring skills. In the United States, Ford DSFL focuses on teen drivers; in our Asia Pacific Africa markets, the program is aimed at novice drivers of all ages.

Smart. Ford continues to build upon its technology leadership by launching new features that make customers' lives easier and their driving experience safer and more enjoyable. Examples of recently launched features include Emergency Assistance, Active City Stop, Active Park Assist, Lane Departure Warning, Lane Keeping Assist, Traffic Sign Recognition, Door Edge Protector, Enhanced Traffic Message Channel, Hands-Free Liftgate, and Multi-Contour Seats. Other exciting concepts are under development—features that our customers see and appreciate, and make their driving experience safer and more enjoyable.

Ford set the benchmark for in-car connectivity systems with SYNC and we are now building on that success. We have produced more than 10 million vehicles that are equipped with SYNC, and we expect the total to increase to more than 14 million by 2015 as we launch SYNC globally. We are taking an agnostic approach to in-car connectivity which has three components: built-in, brought-in, and beamed-in to enable and enhance the customer's digital lifestyle. Ford's newly established connectivity organization will focus on creating a seamless customer experience both inside and outside the vehicle.

Finance Our Plan and Improve Our Balance Sheet

Execution of our One Ford plan has generated significant positive Automotive operating-related cash flow in recent years, which has allowed us to strengthen our balance sheet while continuing to invest in new products that customers want and value, transform and grow our business, pay our debts and obligations as and when they come due, pay a sustainable dividend, and provide protection within an uncertain global economic environment.

A proof point of this in 2013 was our ability to improve the funded status of our global pension plans by nearly $10 billion, while continuing to invest in new products and grow our business. In addition, we plan to increase the ongoing amount of capital spending to support product development, growth, restructuring, and infrastructure to about $7.5 billion annually with variation by year. At the same time, we are targeting to reduce our Automotive debt levels to about $10 billion by mid-decade. Further, to provide attractive returns to our shareholders, our plan includes paying a regular, growing dividend that is sustainable over an economic or business cycle. In 2013, we doubled the quarterly dividend paid on our Common and Class B Stock to $0.10 per share, and we have increased it an additional 25% for the first quarter of 2014.

Work Together Effectively as One Team

As part of the One Team approach, we have implemented a disciplined business plan process to regularly review our business environment, risks and opportunities, strategy, and plan, and to identify areas of our plan that need special attention while pursuing opportunities to improve our plan. Everyone is included and contributes, openness is encouraged, our leaders are responsible and accountable, we use facts and data to make our decisions, high performance teamwork is a performance criteria—and we follow this process every week, every month, and every quarter, driving continuous improvement. We believe this process gives us a clear picture of our business in real time and the ability to respond quickly and decisively to new issues and changing conditions—as we have done in the face of rapid changes in the market and business environment in the last few years. As needed, we convene daily management meetings to handle potentially acute situations, which allows us to ensure that we are vigorously managing daily developments and moving decisively in response to changing conditions.

In addition, we are partnering with and enlisting all of our stakeholders to help us execute our plan to deal with our business realities and create an exciting and viable business going forward. We are reaching out and listening to customers, dealers, employees, labor unions, suppliers, investors, communities, retirees, and federal, state, and local governments. Each of these constituencies is a critical part of the success of our business going forward. Realizing our goal of profitable growth for all is as important to these stakeholders as it is to our shareholders.

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RESULTS OF OPERATIONS

TOTAL COMPANY

Our net income attributable to Ford Motor Company was $7.2 billion or $1.76 per share of Common and Class B Stock in 2013, an improvement of $1.5 billion or $0.34 per share from 2012.

Total Company results are shown below:

	2013 (Mils.)	2012 (Mils.)	2011 (Mils.)
Income			
Pre-tax results (excl. special items)	$8,569	$7,966	$8,763
Special items	(1,568)	(246)	(82)
Pre-tax results (incl. special items)	7,001	7,720	8,681
(Provision for)/Benefit from income taxes	147	(2,056)	11,541
Net income	7,148	5,664	20,222
Less: Income/(Loss) attributable to noncontrolling interests	(7)	(1)	9
Net income attributable to Ford	$7,155	$5,665	$20,213

Net income includes certain items ("special items") that we have grouped into "Personnel and Dealer-Related Items" and "Other Items" to provide useful information to investors about the nature of the special items. The first category includes items related to our efforts to match production capacity and cost structure to market demand and changing model mix and therefore helps investors track amounts related to those activities. The second category includes items that we do not generally consider to be indicative of our ongoing operating activities, and therefore allows investors analyzing our pre-tax results to identify certain infrequent significant items that they may wish to exclude when considering the trend of ongoing operating results.

As detailed in Note 26 of the Notes to the Financial Statements, we allocate special items to a separate reconciling item, as opposed to allocating them among the operating segments and Other Automotive, reflecting the fact that management excludes these items from its review of operating segment results for purposes of measuring segment profitability and allocating resources among the segments.

The following table details Automotive sector pre-tax special items in each category:

	2013 (Mils.)	2012 (Mils.)	2011 (Mils.)
Personnel and Dealer-Related Items			
Separation-related actions (a)	$(856)	$(481)	$(176)
Mercury discontinuation/Other dealer actions	—	(71)	(151)
Total Personnel and Dealer-Related Items	(856)	(552)	(327)
Other Items			
U.S. pension lump-sum program	(594)	(250)	—
FCTA -- subsidiary liquidation	(103)	(4)	—
CFMA restructuring	—	625	—
Loss on sale of two component businesses	—	(174)	—
AAI consolidation (b)	—	136	—
FordSollers gain	—	—	401
Belgium pension settlement	—	—	(109)
Debt reduction actions	—	—	(60)
Other	(15)	(27)	13

Total Other Items	(712)	306	245
Total Special Items	$(1,568)	$(246)	$(82)

(a) For 2013, primarily related to separation costs for personnel at the Genk and U.K. facilities.

(b) The special item of $136 million is comprised of the $155 million gain from the consolidation of AAI (see Note 23 of the Notes to the Financial Statements), less a related $19 million adjustment for sales in September 2012 of Ford-brand vehicles produced by AAI.

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Not shown in the table above are tax benefits of $2.2 billion, $315 million, and $14.2 billion for 2013, 2012, and 2011, respectively, that we consider to be special items. For 2013, these included the impact of a favorable increase in deferred tax assets related to investments in our European operations and the release of valuation allowances held against U.S. state and local deferred tax assets. For 2011, these primarily consisted of the release of almost all of the valuation allowance against our net deferred tax assets in the United States, Canada, and Spain.
Discussion of Automotive sector, Financial Services sector, and total Company results of operations below is on a pre-tax basis and excludes special items unless otherwise specifically noted. References to records by Automotive segments—North America, South America, Europe, and Asia Pacific Africa—are since at least 2000 when we began reporting results for these segments.

The chart below shows 2013 pre-tax results by sector:

Total Company 2013 pre-tax profit of $8.6 billion was among the best in our history. Compared with 2012, total Company pre-tax profit increased by $603 million, explained by higher Automotive sector results.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

AUTOMOTIVE SECTOR

In general, we measure year-over-year change in Automotive pre-tax operating profit for our total Automotive sector and reportable segments using the causal factors listed below, with revenue and cost variances calculated at present-year volume and mix and exchange:

- Market Factors:
  Volume and Mix - Primarily measures profit variance from changes in wholesale volumes (at prior-year average margin per unit) driven by changes in industry volume, market share, and dealer stocks, as well as the profit variance resulting from changes in product mix, including mix among vehicle lines and mix of trim levels and options within a vehicle line
  Net Pricing - Primarily measures profit variance driven by changes in wholesale prices to dealers and marketing incentive programs such as rebate programs, low-rate financing offers, and special lease offers

- Contribution Costs - Primarily measures profit variance driven by per-unit changes in cost categories that typically vary with volume, such as material costs (including commodity and component costs), warranty expense, and freight and duty costs

- Other Costs - Primarily measures profit variance driven by absolute change in cost categories that typically do not have a directly proportionate relationship to production volume. These include mainly structural costs, described below, as well as all other costs, which include items such as litigation costs and costs related to our after-market parts, accessories, and service business. Structural costs include the following cost categories:
  Manufacturing and Engineering - consists primarily of costs for hourly and salaried manufacturing- and engineering-related personnel, plant overhead (such as utilities and taxes), new product launch expense, prototype materials, and outside engineering services
  Spending-Related - consists primarily of depreciation and amortization of our manufacturing and engineering assets, but also includes asset retirements and operating leases
  Advertising and Sales Promotions - includes costs for advertising, marketing programs, brand promotions, customer mailings and promotional events, and auto shows
  Administrative and Selling - includes primarily costs for salaried personnel and purchased services related to our staff activities and selling functions, as well as associated information technology costs
  Pension and OPEB - consists primarily of past service pension costs and other postretirement employee benefit costs

- Exchange - Primarily measures profit variance driven by one or more of the following: (i) impact of gains or losses arising from transactions denominated in currencies other than the functional currency of the locations, including currency transactions, (ii) effect of remeasuring income, assets, and liabilities of foreign subsidiaries using U.S. dollars as the functional currency, or (iii) results of our foreign currency hedging activities

- Net Interest and Other
  Net Interest - Primarily measures profit variance driven by changes in our Automotive sector's centrally-managed net interest, which consists of interest expense, interest income, fair market value adjustments on our cash equivalents and marketable securities portfolio, and other adjustments
  Other - consists of fair market value adjustments to our investment in Mazda, as well as other items not included in the causal factors defined above

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

2013 Compared with 2012

Total Automotive. The charts below detail key metrics and the change in 2013 pre-tax results compared with 2012 by causal factor. Automotive operating margin is defined as Automotive pre-tax results, excluding special items and Other Automotive, divided by Automotive revenue.

As shown above, full-year wholesale volume and revenue for the Automotive sector were higher than a year ago by 12% and 10%, respectively. Operating margin, at 5.4%, and pre-tax profit, at $6.9 billion, were also higher. Higher pre-tax profit primarily reflects favorable marketable factors across all regions, offset partially by higher costs, mainly structural, and unfavorable exchange, principally in South America.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Total costs and expenses for our Automotive sector for 2013 and 2012 was $135.2 billion and $122 billion, respectively, a difference of $13.2 billion. An explanation of the change is shown below (in billions):

	2013 Better/(Worse) 2012
Explanation of change:	
Volume and mix, exchange, and other	$ (8.6)
Contribution costs (a)	
Commodity costs (incl. hedging)	0.2
Material costs excluding commodity costs	(0.6)
Warranty/Freight	(0.4)
Other costs (a)	
Structural costs	(2.9)
Other	(0.3)
Special items	(0.6)
Total	$ (13.2)

(a) Our key cost change elements are measured primarily at present-year exchange; in addition, costs that vary directly with volume, such as material, freight and warranty costs, are measured at present-year volume and mix. Excludes special items.

Results by Automotive Segment. Details by segment of Income before income taxes are shown below for 2013.
In 2013, Automotive pre-tax profit was the highest in more than a decade, with record profits in North America and Asia Pacific Africa, an about breakeven result in South America, and a lower loss in Europe than last year. Other Automotive reflects net interest expense, offset partially by a favorable fair market value adjustment of our investment in Mazda.

North America Segment. The charts below detail key metrics and the change in 2013 pre-tax results compared with 2012 by causal factor.
North America continued to perform well, driven by a strong industry, our strong product line-up, growth in U.S. market share, continued discipline in matching production to real demand, and a lean cost structure—even as we invested more in product and capacity for future growth.

As shown above, North America’s full-year wholesale volume and revenue both improved 11% compared with 2012. Operating margin was 9.9%, 0.5 percentage points lower than a year ago, while pre-tax profit was $8.8 billion, up about $400 million. The increase in pre-tax profit for 2013 compared with 2012 is more than explained by favorable market factors, offset partially by higher costs, mainly structural and warranty costs.

For the full year, total U.S. market share was up 0.5 percentage points, more than explained by F-Series and Fusion, and U.S. retail share of retail industry was up 0.4 percentage points, more than explained by F-Series, Escape, and Fusion.

South America Segment. The charts below detail key metrics and the change in 2013 pre-tax results compared with 2012 by causal factor.
In South America we are continuing to execute our strategy of expanding our product line-up and progressively replacing legacy products with global One Ford offerings.

As shown above, full-year wholesale volume and revenue both improved 8% compared with last year. Operating margin was negative 0.3%, and the pre-tax loss was $34 million, both lower than positive results a year ago. The decrease in pre-tax profit for 2013 compared with 2012 is more than explained by higher costs and unfavorable exchange, offset partially by favorable market factors. The higher net pricing reflects partial recovery of the adverse effects of high local inflation and weaker local currencies, along with pricing associated with our new products.

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Europe Segment. The charts below detail key metrics and the change in 2013 pre-tax results compared with 2012 by causal factor.
The improvement in Europe's 2013 results, as shown above, reflect our continued implementation of our transformation plan.

Europe's full-year wholesale volume and revenue were up less than 1% and 5%, respectively, from a year ago. Operating margin was negative 5.8% and the pre-tax loss was $1.6 billion, both improved from a year ago despite higher restructuring costs of about $400 million, lower industry volume, and unfavorable exchange. The improvement in pre-tax results is explained by favorable market factors, offset partially by higher costs and unfavorable exchange.

Europe's full-year market share, at 7.8%, was down 0.1 percentage points, mainly reflecting low availability of Mondeo, S-MAX, and Galaxy in the first quarter. For the year, total Europe retail share of the retail passenger car industry was up one percentage point, primarily due to B-MAX and Fiesta. Our commercial vehicle market share for the full year, at 9.2%, was up 0.7 percentage points compared with the prior year, our highest share since 2007. In 2013, Ford was the fastest-growing commercial vehicle brand, and Transit nameplate was the leader in the commercial van segment.

Asia Pacific Africa Segment. The charts below detail key metrics and the change in 2013 pre-tax results compared with 2012 by causal factor.
Our strategy in Asia Pacific Africa continues to be to grow aggressively with an expanding portfolio of global One Ford products with manufacturing hubs in China, India, and ASEAN.

As shown above, full-year wholesale volume and revenue improved 30% and 17%, respectively, compared with a year ago. Operating margin was 3.5% and pre-tax profit was $415 million, both substantially improved from last year's results. The improvement in 2013 pre-tax results is explained by favorable market factors and other items, including higher royalties from our joint ventures and insurance recoveries, offset partially by higher costs associated with investments to support future growth, and unfavorable exchange.

Our market share in the region was a record 3.5% for the full year, up by 0.7 percentage points compared with 2012. The improvement was driven by China, where our market share for the full year rose to a record 4.1%, up by 0.9 percentage points compared with 2012.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

2012 Compared with 2011

Total Automotive. The charts below detail key metrics and the change in 2012 pre-tax results compared with 2011 by causal factor. Automotive operating margin is defined as Automotive pre-tax results, excluding special items and Other Automotive, divided by Automotive revenue.

As shown above, all four key metrics were about equal for 2012 compared with 2011, with pre-tax profit primarily reflecting higher net pricing and lower compensation costs (primarily the non-repeat of 2011 UAW ratification bonuses), offset by higher costs, mainly structural, and unfavorable volume and mix.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Total costs and expenses for our Automotive sector for 2012 and 2011 was $122 billion and $122.7 billion, respectively, a difference of about $700 million. An explanation of the change is shown below (in billions):

	2012 Better/(Worse) 2011
Explanation of change:	
Volume and mix, exchange, and other	$ 2.9
Contribution costs (a)	
Commodity costs (incl. hedging)	—
Material costs excluding commodity costs	(0.9)
Warranty/Freight	0.8
Other costs (a)	
Structural costs	(1.5)
Other	(0.2)
Special items	(0.4)
Total	$ 0.7

(a) Our key cost change elements are measured primarily at present-year exchange; in addition, costs that vary directly with volume, such as material, freight and warranty costs, are measured at present-year volume and mix. Excludes special items.

Results by Automotive Segment. Details by segment of Income before income taxes are shown below for 2012. Total Automotive pre-tax profit in 2012 was more than explained by profit from North America. South America was profitable and Asia Pacific Africa incurred a small loss, while Europe reported a substantial loss. The loss in Other Automotive was more than explained by net interest expense.

North America Segment. The charts below detail key metrics and the change in 2012 pre-tax results compared with 2011 by causal factor.
As shown above, all four key metrics increased for 2012 compared with 2011. The increase in pre-tax profit for 2012 compared with 2011 primarily reflected favorable market factors, lower contribution costs, and lower compensation costs (primarily the non-repeat of 2011 UAW ratification bonuses), offset partially by higher structural cost.

For the year, total U.S. market share was down 1.3 percentage points, while U.S. retail share of retail industry declined 0.7 percentage points. The declines largely reflected the discontinuation of the Crown Victoria and Ranger, capacity constraints, and reduced availability associated with our Fusion and Escape model changeovers.

South America Segment. The charts below detail key metrics and the change in 2012 pre-tax results compared with 2011 by causal factor.
As shown above, all four key metrics decreased for 2012 compared with 2011. The decrease in pre-tax profit for 2012 compared with 2011 primarily reflects higher costs and unfavorable exchange, primarily in Brazil, offset partially by higher net pricing.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Europe Segment. The charts below detail key metrics and the change in 2012 pre-tax results compared with 2011 by causal factor.

All four key metrics declined for 2012 compared with 2011. The decline in wholesales and revenue primarily reflected lower industry sales and market share, and reductions in dealer stocks. Exchange was also a contributing factor adversely affecting net revenue. The decline in 2012 pre-tax results compared with 2011 primarily reflected unfavorable market factors.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Asia Pacific Africa Segment. The charts below detail key metrics and the change in 2012 pre-tax results compared with 2011 by causal factor.
As shown above, all four key metrics improved for 2012 compared with 2011. The improvement in 2012 pre-tax results compared with 2011 is more than explained by higher net pricing, favorable volume and mix, and favorable exchange, offset partially by higher costs associated with new products and investments to support higher volumes and future growth.

Our market share in the region increased sequentially each quarter during 2012, with fourth quarter 2012 market share at 3.4%, as we continued to benefit from increased capacity and new products. Further demonstrating the growth we are experiencing in Asia Pacific Africa, since 2009, wholesale volume has about doubled, market share has improved by half a point and net revenue has increased by about two-thirds even though our reported revenue does not include the revenue of unconsolidated joint ventures in China.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

FINANCIAL SERVICES SECTOR

As shown in the total Company discussion above, we present our Financial Services sector results in two segments, Ford Credit and Other Financial Services. Ford Credit, in turn, has two operations, North America and International.

In general, we measure year-over-year changes in Ford Credit's pre-tax results using the causal factors listed below:

- Volume:

Volume primarily measures changes in net financing margin driven by changes in average finance receivables and net investment in operating leases at prior period financing margin yield (defined below in financing margin).
Volume changes are primarily driven by the volume of new and used vehicle sales and leases, the extent to which Ford Credit purchases retail installment sale and lease contracts, the extent to which Ford Credit provides wholesale financing, the sales price of the vehicles financed, the level of dealer inventories, Ford-sponsored special financing programs available exclusively through Ford Credit, and the availability of cost-effective funding for the purchase of retail installment sale and lease contracts and to provide wholesale financing.

- Financing Margin:

Financing margin variance is the period-to-period change in financing margin yield multiplied by the present period average receivables. Financing margin yield equals revenue, less interest expense and scheduled depreciation for the period, divided by average receivables for the same period.
Financing margin changes are driven by changes in revenue and interest expense. Changes in revenue are primarily driven by the level of market interest rates, cost assumptions in pricing, mix of business, and competitive environment. Changes in interest expense are primarily driven by the level of market interest rates, borrowing spreads, and asset-liability management.

- Credit Loss:

Credit loss measures changes in the provision for credit losses. For analysis purposes, management splits the provision for credit losses primarily into net charge-offs and the change in the allowance for credit losses.
Net charge-off changes are primarily driven by the number of repossessions, severity per repossession, and recoveries. Changes in the allowance for credit losses are primarily driven by changes in historical trends in credit losses and recoveries, changes in the composition and size of Ford Credit's present portfolio, changes in trends in historical used vehicle values, and changes in economic conditions. For additional information on the allowance for credit losses, refer to the "Critical Accounting Estimates - Allowance for Credit Losses" section below.

- Lease Residual:

Lease residual measures changes to residual performance. For analysis purposes, management splits residual performance primarily into residual gains and losses, and the change in accumulated supplemental depreciation.
Residual gain and loss changes are primarily driven by the number of vehicles returned to Ford Credit and sold, and the difference between the auction value and the depreciated value of the vehicles sold. Changes in accumulated supplemental depreciation are primarily driven by changes in Ford Credit's estimate of the number of vehicles that will be returned to it and sold, and changes in the estimate of the expected auction value at the end of the lease term. For additional information on accumulated supplemental depreciation, refer to the "Critical Accounting Estimates - Accumulated Depreciation on Vehicles Subject to Operating Leases" section below.

- Other:

Primarily includes operating expenses, other revenue, and insurance expenses.
Changes in operating expenses are primarily driven by salaried personnel costs, facilities costs, and costs associated with the origination and servicing of customer contracts.

In general, other revenue changes are primarily driven by changes in earnings related to market valuation adjustments to derivatives (primarily related to movements in interest rates), which are included in unallocated risk management, and other miscellaneous items.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

2013 Compared with 2012

The chart below details the change in Ford Credit's 2013 pre-tax results compared with 2012 by causal factor:

The improvement of $59 million is more than explained by higher volume, primarily in North America, driven by an increase in leasing reflecting changes in Ford's marketing programs, as well as higher non-consumer finance receivables due to higher dealer stocks.

Partial offsets are higher credit losses due to lower credit loss reserve reductions in all operations, and unfavorable residual performance related to lower than expected auction values in North America.

Results of Ford Credit's operations and unallocated risk management for the years ended December 31 are shown below (in millions):

Income before income taxes	2013	2012	2013 Over/(Under) 2012
North America	$1,438	$1,550	$(112)
International	371	249	122
Unallocated risk management	(53)	(102)	49
Income before income taxes	$1,756	$1,697	$59

The full year decrease in North America pre-tax profit is primarily explained by lower financing margin reflecting the run-off of higher yielding assets originated in prior years, unfavorable residual performance due to lower auction values in the United States, and higher credit losses due to lower credit loss reserve reductions. A partial offset is higher volume, primarily driven by an increase in leasing reflecting changes in Ford's marketing programs, and higher non-consumer finance receivables due to higher dealer stocks.

The full year increase in International pre-tax profit is primarily attributable to Europe, explained by higher financing margin primarily driven by lower borrowing costs, as well as lower residual losses, partially offset by lower credit loss reserve reductions.

The improvement in unallocated risk management primarily reflects the non-recurrence of unfavorable performance in market valuation adjustments to derivative features included in the Ford Upgrade Exchange Linked ("FUEL") notes.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Ford Credit's receivables, including finance receivables and operating leases, at December 31 were as follows (in billions):

	2013	2012
Net Receivables		
Finance receivables - North America		
Consumer - Retail financing	$40.9	$39.5
Non-Consumer		
Dealer financing (a)	22.1	19.5
Other	1.0	1.1
Total finance receivables - North America (b)	64.0	60.1
Finance receivables - International		
Consumer - Retail financing	10.8	9.0
Non-Consumer		
Dealer financing (a)	8.3	7.5
Other	0.4	0.4
Total finance receivables - International (b)	19.5	16.9
Unearned interest supplements	(1.5)	(1.5)
Allowance for credit losses	(0.4)	(0.4)
Finance receivables, net	81.6	75.1
Net investment in operating leases (b) (c)	18.3	13.6
Total net receivables	$99.9	$88.7
Managed Receivables		
Total net receivables	$99.9	$88.7
Unearned interest supplements and residual support	3.1	2.6
Allowance for credit losses	0.4	0.4
Other, primarily accumulated supplemental depreciation	—	—
Total managed receivables (d)	$103.4	$91.7

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(a) Dealer financing primarily includes wholesale loans to dealers to finance the purchase of vehicle inventory.

(b) At December 31, 2013 and 2012, includes consumer receivables before allowance for credit losses of $27.7 billion and $29.3 billion, respectively, and non-consumer receivables before allowance for credit losses of $23.9 billion and $21.6 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be reported in Ford Credit's consolidated financial statements. In addition, at December 31, 2013 and 2012, includes net investment in operating leases before allowance for credit losses of $8.1 billion and $6.3 billion, respectively, that have been included in securitization transactions but continue to be reported in Ford Credit's financial statements. The receivables and net investment in operating leases are available only for payment of the debt issue by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay Ford Credit's other obligations or the claims of its other creditors. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions. See Note 16 of the Notes to the Financial Statements for more information regarding securitization transactions.

(c) Beginning in the fourth quarter, Ford Credit changed its accounting method to include unearned interest supplements and residual support in Net investment in operating leases. These amounts are amortized to Depreciation on vehicles subject to operating leases. The prior period was revised to conform to current year presentation. There is no change to profit before income tax or net income.

(d) The prior period was revised to conform to current year presentation.

Managed receivables at December 31, 2013 increased from year-end 2012, driven by increases in non-consumer and consumer finance receivables in all operations and increases in leasing in North America.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Credit Losses. The charts below detail annual trends of charge-offs (credit losses, net of recoveries), loss-to-receivables ("LTR") ratios (charge-offs divided by average managed receivables), credit loss reserve, and Ford Credit's credit loss reserve as a percentage of end-of-period ("EOP") managed receivables:
Ford Credit's charge-offs were up from its record-low in 2012, primarily reflecting higher severity and lower recoveries in North America, and higher losses in International. The LTR ratio was up 2 basis points from 2012 and is Ford Credit's second lowest on record.

The credit loss reserve and the reserve as a percentage of EOP receivables were both lower than a year ago, reflecting the continuation of low charge-offs.

In purchasing retail finance and operating lease contracts, Ford Credit uses a proprietary scoring system that classifies contracts using several factors, such as credit bureau information, consumer credit risk scores (e.g., FICO score), and contract characteristics. In addition to Ford Credit's proprietary scoring system, it considers other factors, such as employment history, financial stability, and capacity to pay. At December 31, 2013 and 2012, Ford Credit classified between 5% and 6% of the outstanding U.S. retail finance and operating lease contracts in its portfolio as high risk at contract inception. For additional discussion, see "Critical Accounting Estimates - Allowance for Credit Losses" below.

Residual Risk. Ford Credit is exposed to residual risk on operating leases and similar balloon payment products where the customer may return the financed vehicle to Ford Credit. Residual risk is the possibility that the amount Ford Credit obtains from returned vehicles will be less than its estimate of the expected residual value for the vehicle. Ford Credit estimates the expected residual value by evaluating recent auction values, return volumes for its leased vehicles, industry-wide used vehicle prices, marketing incentive plans, and vehicle quality data. Changes in expected residual values impact the depreciation expense, which is recognized on a straight-line basis over the life of the lease. For additional discussion, see "Critical Accounting Estimates - Accumulated Depreciation on Vehicles Subject to Operating Leases" below.

North America Retail Operating Lease Experience

Ford Credit uses various statistics to monitor its residual risk:

- Placement volume measures the number of leases Ford Credit purchases in a given period;
- Termination volume measures the number of vehicles for which the lease has ended in a given period; and
- Return volume reflects the number of vehicles returned to Ford Credit by customers at lease end.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

North America accounted for 99% of Ford Credit's total operating leases at December 31, 2013. The following table shows operating lease placement, termination, and return volumes for this operation for the years ending December 31 (in thousands, except for percentages):

	2013	2012	2011
Placements	365	257	219
Terminations	174	126	246
Returns	117	76	144
Memo:			
Return Rates	67 %	60 %	59 %

In 2013, placement volumes were up 108,000 units compared with 2012, primarily reflecting changes in Ford's marketing programs and higher industry sales. Termination volumes increased by 48,000 units compared with 2012, reflecting higher placements in 2011 relative to prior years. Return volumes increased 41,000 units compared with 2012, reflecting higher terminations and higher return rates.

U.S. Ford and Lincoln Brand Operating Lease Experience. The following charts show annual return volumes and auction values at incurred vehicle mix for vehicles returned in the respective periods. In 2013, Ford Credit's U.S. lease originations represented about 18% of total U.S. retail sales of Ford and Lincoln brand vehicles, and the U.S. operating
lease portfolio accounted for about 88% of Ford Credit's total net investment in operating leases at December 31, 2013.

Ford Credit's lease return volumes in 2013 were up significantly from 2012, reflecting primarily the higher lease placements in 2011 relative to prior years. Its 2013 lease return rate was 71%, up 9 percentage points compared with 2012 reflecting lower auction values.

In 2013, Ford Credit's auction values for both 24-month and 36-month vehicles declined, consistent with industry trends.

Ford Credit's worldwide net investment in operating leases was $18.3 billion at the end of 2013, up from $13.6 billion in 2012.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

2012 Compared with 2011

The chart below details the change in Ford Credit’s 2012 pre-tax results compared with 2011 by causal factor.

The unfavorable lease residual performance primarily reflected lower residual gains, driven by lower termination and return volumes and lower per-unit gains. On average, vehicles were sold at gains in 2011 and 2012, but Ford Credit had fewer lease vehicles returned. For 2012, the lower return volume and smaller per-unit gains resulted in $523 million adverse residual performance when compared to 2011.

Lower financing margin is more than explained by a reduction in revenue from consumer finance receivables and operating leases in North America. This decline reflected the run-off of higher yielding consumer finance receivables and operating leases originated in prior years and the origination in more recent years of lower yielding assets. Interest expense as a percent of average receivables decreased, but at a lower rate.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

LIQUIDITY AND CAPITAL RESOURCES

Automotive Sector

Our Automotive liquidity strategy includes ensuring that we have sufficient liquidity available with a high degree of certainty throughout the business cycle by generating cash from operations and maintaining access to other sources of funding. We target to have an average ongoing Automotive gross cash balance of about $20 billion. We expect to have periods when we will be above or below this amount due to (i) future cash flow expectations such as for pension contributions, debt maturities, capital investments, or restructuring requirements, (ii) short-term timing differences, and (iii) changes in the global economic environment. In addition, we also target to maintain a revolving credit facility for our Automotive business of up to about $10 billion to protect against exogenous shocks. As discussed below, we currently have total commitments of $10.7 billion under our revolving credit facility.

We assess the appropriate long-term target for total Automotive liquidity, comprised of gross cash and the revolving credit facility, to be about $30 billion, which is an amount we believe is sufficient to support our business priorities and to protect our business. Our Automotive gross cash and Automotive liquidity targets could be reduced over time based on improved operating performance and changes in our risk profile.
For a discussion of risks to our liquidity, see "Item 1A. Risk Factors," as well as Note 29 of the Notes to the Financial Statements regarding commitments and contingencies that could impact our liquidity.

Gross Cash. Automotive gross cash includes cash and cash equivalents and marketable securities, net of any securities-in-transit. Gross cash is detailed below as of the dates shown (in billions):

	December 31, 2013	December 31, 2012	December 31, 2011
Cash and cash equivalents	$5.0	$6.2	$7.9
Marketable securities	20.1	18.2	15.0
Total cash, marketable securities, and loaned securities	25.1	24.4	22.9
Securities-in-transit (a)	(0.3)	(0.1)	—
Gross cash	$24.8	$24.3	$22.9

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(a) The purchase or sale of marketable securities for which the cash settlement was not made by period-end and a payable or receivable was recorded on the balance sheet.

Our cash, cash equivalents, and marketable securities are held primarily in highly liquid investments, which provide for anticipated and unanticipated cash needs. Our cash, cash equivalents, and marketable securities primarily include U.S. Department of Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions, corporate investment-grade securities, commercial paper rated A-1/P-1 or higher, and debt obligations of a select group of non-U.S. governments, non-U.S. governmental agencies, and supranational institutions. The average maturity of these investments ranges from about 90 days to up to about one year, and is adjusted based on market conditions and liquidity needs. We monitor our cash levels and average maturity on a daily basis. Within our Automotive gross cash portfolio, we did not hold investments in government obligations of Greece, Ireland, Italy, Portugal, or Spain at December 31, 2013.

In managing our business, we classify changes in Automotive gross cash into operating-related and other items (which includes the impact of certain special items, contributions to funded pension plans, certain tax-related transactions, acquisitions and divestitures, capital transactions with the Financial Services sector, dividends paid to shareholders, and other—primarily financing-related). Our key liquidity metrics are operating-related cash flow (which best represents the ability of our Automotive operations to generate cash), Automotive gross cash, and Automotive liquidity.
Automotive gross cash and liquidity as of the dates shown were as follows (in billions):

	December 31, 2013	December 31, 2012
Gross cash	$24.8	$24.3
Available credit lines		
Revolving credit facility, unutilized portion	10.7	9.5
Local lines available to foreign affiliates, unutilized portion	0.7	0.7
Automotive liquidity	$36.2	$34.5

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

We believe the cash flow analysis reflected in the table below is useful to investors because it includes in operating-related cash flow elements that we consider to be related to our Automotive operating activities (e.g., capital spending) and excludes cash flow elements that we do not consider to be related to the ability of our operations to generate cash. This differs from a cash flow statement prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and differs from Net cash provided by/(used in) operating activities, the most directly comparable GAAP financial measure.

Changes in Automotive gross cash are summarized below (in billions):

	2013	2012	2011
Gross cash at end of period	$24.8	$24.3	$22.9
Gross cash at beginning of period	24.3	22.9	20.5
Change in gross cash	$0.5	$1.4	$2.4
Automotive income before income taxes (excluding special items)	$6.9	$6.3	$6.3
Capital spending	(6.6)	(5.5)	(4.3)
Depreciation and tooling amortization	4.1	3.7	3.6
Changes in working capital (a)	(0.4)	(2.3)	0.3
Other/Timing differences (b)	2.1	1.2	(0.3)
Automotive operating-related cash flows	6.1	3.4	5.6
Separation payments	(0.3)	(0.4)	(0.3)
Net receipts from Financial Services sector (c)	0.4	0.7	4.2
Other (d)	0.4	1.1	(0.2)
Cash flow before other actions	6.6	4.8	9.3
Changes in debt	0.7	0.9	(6.0)
Funded pension contributions	(5.0)	(3.4)	(1.1)
Dividends/Other items	(1.8)	(0.9)	0.2
Change in gross cash	$0.5	$1.4	$2.4

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(a) Working capital comprised of changes in receivables, inventory, and trade payables.
(b) Primarily expense and payment timing differences for items such as pension and OPEB, compensation, marketing, and warranty, as well as additional factors, such as the impact of tax payments.
(c) Primarily distributions from Ford Holdings (Ford Credit's parent) and tax payments received from Ford Credit.
(d) 2012 includes cash and marketable securities resulting from the consolidation of AAI.

With respect to "Changes in working capital," in general we carry relatively low Automotive sector trade receivables compared with our trade payables because the majority of our Automotive wholesales are financed (primarily by Ford Credit) immediately upon sale of vehicles to dealers, which generally occurs at the time the vehicles are gate-released shortly after being produced. In addition, our inventories are lean because we build to order, not for inventory. In contrast, our Automotive trade payables are based primarily on industry-standard production supplier payment terms generally ranging between 30 days to 45 days. As a result, our cash flow tends to improve as wholesale volumes increase, but can deteriorate significantly when wholesale volumes drop sharply. In addition, these working capital balances generally are subject to seasonal changes that can impact cash flow. For example, we typically experience cash flow timing differences associated with inventories and payables due to our annual summer and December shutdown periods, when production, and therefore inventories and wholesale volumes, are usually at their lowest levels, while payables continue to come due and be paid. The net impact of this typically results in cash outflows from changes in our working capital balances during these shutdown periods.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Shown below is a reconciliation between financial statement Net cash provided by/(used in) operating activities and operating-related cash flows (calculated as shown in the table above), as of the dates shown (in billions):

	2013	2012	2011
Net cash provided by/(used in) operating activities	$7.7	$6.3	$9.4
Items included in operating-related cash flows			
Capital spending	(6.6)	(5.5)	(4.3)
Proceeds from the exercise of stock options	0.3	—	0.1
Net cash flows from non-designated derivatives	(0.3)	(0.8)	0.1
Items not included in operating-related cash flows			
Separation payments	0.3	0.4	0.3
Funded pension contributions	5.0	3.4	1.1
Tax refunds, tax payments, and tax receipts from affiliates	(0.3)	(0.1)	(1.4)
Settlement of outstanding obligation with affiliates	—	(0.3)	—
Other	—	—	0.3
Operating-related cash flows	$6.1	$3.4	$5.6

Credit Agreement. At December 31, 2013, lenders under our Amended and Restated Credit Agreement dated as of November 24, 2009, as further amended (the "revolving credit facility"), had commitments totaling $10.7 billion with a November 30, 2017 maturity date, and commitments totaling $50 million with a November 30, 2015 maturity date. The revolving credit facility is unsecured and free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements), and credit rating triggers that could limit our ability to obtain funding. The revolving credit facility contains a liquidity covenant that requires us to maintain a minimum of $4 billion in aggregate of domestic cash, cash equivalents, and loaned and marketable securities and/or availability under the revolving credit facility. If our senior, unsecured, long-term debt does not maintain at least two investment grade ratings from Fitch, Moody's, and S&P (each as defined under "Total Company" below), the guarantees of certain subsidiaries will be required.

At December 31, 2013, the utilized portion of the revolving credit facility was $83 million, representing amounts utilized as letters of credit. Less than 4.5% of the commitments in the revolving credit facilities are from financial institutions based in Italy and Spain. There are no commitments from financial institutions based in Greece, Ireland, or Portugal.

U.S. Department of Energy ("DOE") Advanced Technology Vehicle Manufacturer ("ATVM") Incentive Program. In September 2009, we entered into a Loan Arrangement and Reimbursement Agreement ("Arrangement Agreement") with the DOE, under which we borrowed through multiple draws $5.9 billion to finance certain costs for fuel-efficient, advanced-technology vehicles. At December 31, 2013, an aggregate of $5 billion was outstanding. The principal amount of the ATVM loan bears interest at a blended rate based on the U.S. Treasury yield curve at the time each draw was made (with the weighted-average interest rate on all such draws being about 2.3% per annum). The ATVM loan is repayable in equal quarterly installments of $148 million, which began in September 2012 and will end in June 2022.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

European Investment Bank ("EIB") Credit Facilities. On December 21, 2009, Ford Romania, our operating subsidiary in Romania, entered into a credit facility for an aggregate amount of €400 million (equivalent to $551 million at December 31, 2013) with the EIB (the "EIB Romania Facility"), and on July 12, 2010, Ford Motor Company Limited, our operating subsidiary in the United Kingdom ("Ford of Britain"), entered into a credit facility for an aggregate amount of £450 million (equivalent to $744 million at December 31, 2013) with the EIB (the "EIB United Kingdom Facility"). The facilities were fully drawn at December 31, 2013. Loans under the EIB Romania Facility and the EIB United Kingdom Facility bear interest at a fixed rate of 4.44% and 4% per annum, respectively. Proceeds of loans drawn under the EIB Romania Facility have been used to fund upgrades to a vehicle plant in Romania, and proceeds of loans drawn under the EIB United Kingdom Facility have been used to fund costs for the research and development of fuel-efficient engines and commercial vehicles with lower emissions, and upgrades to an engine manufacturing plant in the United Kingdom. The loans under each facility are five-year, non-amortizing loans secured by respective guarantees from the governments of Romania and the United Kingdom for approximately 80% and from us for approximately 20% of the outstanding principal amounts. Ford Romania and Ford of Britain have each pledged fixed assets, receivables and/or inventory to the governments of Romania and the United Kingdom as collateral, and we have pledged 50% of the shares of Ford Romania to the government of Romania and guaranteed Ford of Britain's obligations to the government of the United Kingdom.

Export-Import Bank of the United States ("Ex-Im") and Private Export Funding Corporation ("PEFCO") Secured Revolving Loan. At December 31, 2013, this working capital facility, which supports vehicle exports from the United States, was fully drawn at $300 million. The facility was renewed on June 15, 2013 and will renew annually until June 15, 2015, provided that no payment or bankruptcy default exists and Ex-Im continues to have a perfected security interest in the collateral, which consists of vehicles in transit in the United States to be exported to Canada, Mexico, and other select markets.

Other Automotive Credit Facilities. At December 31, 2013, we had $802 million of local credit facilities available to non-U.S. Automotive affiliates, of which $99 million had been utilized.

Net Cash. Our Automotive sector net cash calculation as of the dates shown was as follows (in billions):

	December 31, 2013	December 31, 2012
Gross cash	$24.8	$24.3
Less:		
Long-term debt	14.4	12.9
Debt payable within one year	1.3	1.4
Total debt	15.7	14.3
Net cash	$9.1	$10.0

Total debt at December 31, 2013 increased by $1.4 billion from December 31, 2012, primarily reflecting the issuance of $2 billion of 4.75% Notes due January 15, 2043 in the first quarter and the consolidation of about $500 million of debt from our Romanian operations in the first quarter, offset partially by the redemption of about $600 million of 7.50% Notes due June 10, 2043 and four quarterly installment payments on the ATVM loan which totaled about $600 million. Proceeds from the debt issuance that were not used for reduction of higher-cost debt were used for pension contributions, which will reduce our pension expense by a greater amount than the interest incurred on the debt. Notwithstanding the increase in debt, we continue to expect to reduce Automotive debt levels to about $10 billion by mid-decade. We plan to achieve this reduction by using cash from operations to make quarterly installment payments on the ATVM loan, repay the EIB and Ex-Im loans at maturity, and take other debt reduction actions, such as causing conversions of and redeeming our outstanding convertible debt, and repurchasing other outstanding debt securities.

Pension Plan Contributions and Strategy. Worldwide, our defined benefit pension plans were underfunded by $9 billion at December 31, 2013 and $18.7 billion at December 31, 2012. This represents an improvement of nearly $10 billion, driven primarily by higher discount rates and cash contributions. The U.S. weighted-average discount rate increased 90 basis points to 4.74% at year-end 2013 from 3.84% at year-end 2012. Of the $9 billion underfunded position at year-end 2013, about $6 billion is associated with our unfunded plans.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Our long-term strategy is to reduce the risk of our funded defined benefit pension plans, including minimizing the volatility of the value of our pension assets relative to pension liabilities and the need for unplanned use of capital resources to fund the plans. The strategy reduces balance sheet, cash flow, and income exposures and, in turn, reduces our risk profile. The key elements of this strategy include:

- Limiting liability growth in our defined benefit plans by closing participation to new participants;
- Reducing plan deficits through discretionary cash contributions;
- Progressively re-balancing assets to more fixed income investments, with a target asset allocation to be reached over the next few years of about 80% fixed income investments and 20% growth assets, which will provide a better matching of plan assets to the characteristics of the liabilities, thereby reducing our net exposure; and
- Taking other strategic actions to reduce pension liabilities, such as the voluntary lump sum payout program completed in 2013 for U.S. salaried retirees.

In 2013, we contributed $5 billion to our global funded pension plans (including $3.4 billion in discretionary contributions to our U.S. plans), an increase of $1.6 billion compared with 2012. During 2014, we expect to contribute $1.5 billion from Automotive cash and cash equivalents to our global funded pension plans, most of which will be mandatory contributions. We also expect to make $400 million of benefit payments to participants in unfunded plans, for a combined total of $1.9 billion. Based on current assumptions and regulations, we do not expect to have a legal requirement to fund our major U.S. pension plans in 2014.

Based on present assumptions, contributions to our global funded plans in 2015 and 2016 are expected to average between $1 billion and $2 billion per year, including both required and discretionary contributions. After 2016 and once we have fully de-risked our funded pension plans, we expect contributions to these plans to be limited to ongoing service cost in the range of $500 million to $700 million per year.

We have continued to progressively increase the mix of fixed income assets in our U.S. plans with the objective of reducing funded status volatility. The fixed income mix in our U.S. plans at year-end 2013 was 70%, up from 55% at year-end 2012. As shown under "Critical Accounting Estimates—Pension Plans," this strategy has reduced the funded status sensitivity to changes in interest rates.

We have now completed our U.S. salaried voluntary lump-sum program, under which eligible retirees and former salaried employees were offered a lump-sum settlement for their remaining pension benefit. For the program in total, we made payments to approximately 35,000 people, about 37% of those offered. We settled $4.2 billion in obligations ($1.2 billion in 2012 and $3 billion in 2013) with an equal amount paid from plan assets, representing about 25% of the related plan liability.

Based on present planning assumptions for long-term asset returns, a normalization of discount rates, and planned cash contributions, we expect our global funded pension obligations to be fully funded by mid-decade, with variability on a plan-by-plan basis

For a detailed discussion of our pension plans, see Note 14 of the Notes to the Financial Statements.

Liquidity Sufficiency. One of the four key priorities of our One Ford plan is to finance our plan and improve our balance sheet, while at the same time having resources available to grow our business. The actions described above are consistent with this priority. Based on our planning assumptions, we believe that we have sufficient liquidity and capital resources to continue to invest in new products that customers want and value, transform and grow our business, pay our debts and obligations as and when they come due, pay a sustainable dividend, and provide protection within an uncertain global economic environment.

Based on improved near-term cash flows and the identification of additional opportunities for profitable growth, we plan to increase the ongoing amount of capital spending to support product development, growth, restructuring, and infrastructure to about $7.5 billion annually with variation by year. This compares to our 2013 capital spending of $6.6 billion.

We will continue to work to strengthen further our balance sheet and improve our investment grade ratings; the amount of incremental capital required to do this will diminish over time as we achieve our target debt levels and fully fund and de-risk our global funded pension plans.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Financial Services Sector

Ford Credit

Funding Strategy. Ford Credit's funding strategy remains focused on diversification and it plans to continue accessing a variety of markets, channels, and investors. Ford Credit completed its full-year 2013 funding plan, issuing $25 billion of public term funding. Ford Credit's public unsecured issuance was about $11 billion, including over $640 million issued under the Ford Credit U.S. Retail Notes program.

Ford Credit's liquidity remains strong and it ended the year with $21.4 billion of available liquidity and $34.5 billion of committed capacity, compared with about $19.7 billion and $31.5 billion, respectively, at December 31, 2012.

Ford Credit's funding plan is subject to risks and uncertainties, many of which are beyond its control, including disruption in the capital markets that could impact both unsecured debt and asset-backed securities issuance, and the effects of regulatory reform efforts on the financial markets. Potential impacts of industry events and regulation on Ford Credit's ability to access debt and derivatives markets, or renew its committed liquidity programs in sufficient amounts and at competitive rates, represents another risk to its funding plan. As a result of such events or regulation, Ford Credit may need to reduce new originations of receivables, thereby reducing its ongoing profits and adversely affecting its ability to support the sale of Ford vehicles. Ford Credit is focused on maintaining liquidity levels that meet its business and funding requirements through economic cycles.

Funding Sources. Ford Credit's funding sources include primarily securitization transactions (including other structured financings) and unsecured debt. Ford Credit issues both short- and long-term debt that is held by both institutional and retail investors, with long-term debt having an original maturity of more than 12 months. Ford Credit sponsors a number of securitization programs that can be structured to provide both short- and long-term funding through institutional investors in the United States and international capital markets.

Ford Credit obtains short-term unsecured funding from the sale of floating rate demand notes under its Ford Interest Advantage program and by issuing unsecured commercial paper in the United States, Europe, Mexico, and other international markets. At December 31, 2013, the principal amount outstanding of Ford Interest Advantage notes, which may be redeemed at any time at the option of the holders thereof without restriction, was $5.3 billion. At December 31, 2013, the principal amount outstanding of Ford Credit's unsecured commercial paper was about $2 billion, which primarily represents issuance under its commercial paper program in the United States. Ford Credit does not hold reserves specifically to fund the payment of any of its unsecured short-term funding obligations. Instead, Ford Credit maintains multiple sources of liquidity, including cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities), unused committed liquidity programs, excess securitizable assets, and committed and uncommitted credit facilities, which should be sufficient to meet Ford Credit's unsecured short-term funding obligations.

Cost of Funding Sources. The cost of securitization transactions and unsecured debt funding is based on a margin or spread over a benchmark interest rate. Spreads are typically measured in basis points. Ford Credit's asset-backed funding and unsecured long-term debt costs are based on spreads over U.S. Treasury securities of similar maturities, a comparable London Interbank Offered Rate ("LIBOR"), or other comparable benchmark rates. The funding costs of Ford Credit's floating rate demand notes change depending on market conditions.

In addition to enhancing Ford Credit's liquidity and diversifying its funding sources, one of the main reasons that securitization remains a primary funding source has been the cost advantage its securitization transactions offer over its unsecured long-term debt funding. As its credit ratings improve, Ford Credit expects to increase the mix of unsecured funding. During 2013, the weighted average spread of the triple-A rated notes offered in Ford Credit's U.S.

public retail securitization transactions ranged from 9 to 25 basis points over the relevant benchmark rates and its U.S. institutional unsecured long-term debt transaction spreads ranged from 78 to 159 basis points over the relevant benchmark rates.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Funding Portfolio. The chart below details the trends in the funding of Ford Credit's managed receivables:

At year-end 2013, managed receivables were $103 billion and Ford Credit ended the year with about $11 billion in cash. Securitized funding was 44% of managed receivables, down from 47% at year-end 2012, reflecting a greater mix of unsecured debt.

Ford Credit is projecting 2014 year-end managed receivables of about $110 billion and securitized funding as a percentage of managed receivables in the range of 38% to 42%. This percentage will continue to decline going forward.

Public Term Funding Plan. The following table illustrates Ford Credit's planned issuances for full-year 2014, and its public term funding issuances in 2013, 2012, and 2011 (in billions), excluding short-term funding programs:

	Public Term Funding Plan			
	2014 Forecast	2013	2012	2011
Unsecured	$ 9-12	$11	$9	$8
Securitizations (a)	12-15	14	14	11
Total	$ 21-27	$25	$23	$19

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(a) Includes Rule 144A offerings.

In 2013, Ford Credit completed $25 billion of public term funding in the United States, Canada, and Europe, including about $11 billion of unsecured debt and $14 billion of securitizations.

For 2014, Ford Credit projects full-year public term funding in the range of $21 billion to $27 billion, including $9 billion to $12 billion of unsecured debt and $12 billion to $15 billion of public securitizations. Through February 17, 2014, Ford Credit has completed $1.6 billion of public term funding, consisting of a securitization transaction in the United States.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Liquidity. The following table illustrates Ford Credit's liquidity programs and utilization (in billions):

	December 31, 2013	December 31, 2012	December 31, 2011
Liquidity Sources (a)			
Cash (b)	$10.8	$10.9	$12.1
Unsecured credit facilities	1.6	0.9	0.7
FCAR bank lines	3.5	6.3	7.9
Conduit / Bank Asset-Backed Securitizations ("ABS")	29.4	24.3	24.0
Total liquidity sources	$45.3	$42.4	$44.7
Utilization of Liquidity			
Securitization cash (c)	$(4.4)	$(3.0)	$(3.7)
Unsecured credit facilities	(0.4)	(0.1)	(0.2)
FCAR bank lines	(3.3)	(5.8)	(6.8)
Conduit / Bank ABS	(14.7)	(12.3)	(14.5)
Total utilization of liquidity	(22.8)	(21.2)	(25.2)
Gross liquidity	22.5	21.2	19.5
Capacity in excess of eligible receivables	(1.1)	(1.5)	(2.4)
Liquidity available for use	$21.4	$19.7	$17.1

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(a) FCAR and conduits subject to availability of sufficient assets and ability to obtain derivatives to manage interest rate risk; FCAR commercial paper must be supported by bank lines equal to at least 100% of the principal amount; conduits include committed securitization programs.
(b) Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities).
(c) Securitization cash is to be used only to support on-balance sheet securitization transactions.

At December 31, 2013, Ford Credit had $45.3 billion of committed capacity and cash diversified across a variety of markets and platforms. The utilization of its liquidity totaled $22.8 billion at year-end 2013, compared with $21.2 billion at year-end 2012. The increase of $1.6 billion reflects higher securitization cash and usage of its unsecured credit facilities.

Ford Credit ended 2013 with gross liquidity of $22.5 billion. Capacity in excess of eligible receivables was $1.1 billion. This provides a funding source for future originations and flexibility to transfer capacity among markets and asset classes where most needed. Total liquidity available for use continues to remain strong at $21.4 billion at year-end 2013, $1.7 billion higher than year-end 2012. Ford Credit is focused on maintaining liquidity levels that meet its business and funding requirements through economic cycles.

Cash, Cash Equivalents, and Marketable Securities. At December 31, 2013, Ford Credit's cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) totaled $10.8 billion, compared with $10.9 billion at year-end 2012. In the normal course of its funding activities, Ford Credit may generate more proceeds than are required for its immediate funding needs. These excess amounts are maintained primarily as highly liquid investments, which provide liquidity for its short-term funding needs and give it flexibility in the use of its other funding programs. Ford Credit's cash, cash equivalents, and marketable securities are held primarily in highly liquid investments, which provide for anticipated and unanticipated cash needs. Ford Credit's cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) primarily include U.S. Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions and non-U.S. central banks, corporate investment-grade securities, A-1/P-1 (or higher) rated commercial paper, debt obligations of a select group of non-U.S. governments, non-U.S. government agencies, supranational institutions, and money market funds that carry the highest possible ratings. Within Ford Credit's cash, cash equivalents, and marketable securities, it did

not hold investments in government obligations of Greece, Ireland, Italy, Portugal, or Spain at December 31, 2013. The maturity of these investments ranges from about 90 days to up to about one year and is adjusted based on market conditions and liquidity needs. Ford Credit monitors its cash levels and average maturity on a daily basis. Cash, cash equivalents, and marketable securities include amounts to be used only to support Ford Credit's securitization transactions of $4.4 billion and $3 billion at December 31, 2013 and 2012, respectively.

Ford Credit's substantial liquidity and cash balance have provided it the opportunity to selectively call and repurchase its unsecured and asset-backed debt through market transactions. In 2013, Ford Credit called an aggregate principal amount of $163 million (of which none were maturing in 2013) of its unsecured debt.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Committed Liquidity Programs. Ford Credit and its subsidiaries, including FCE, have entered into agreements with a number of bank-sponsored asset-backed commercial paper conduits ("conduits") and other financial institutions. Such counterparties are contractually committed, at Ford Credit's option, to purchase from Ford Credit eligible retail or wholesale assets or to purchase or make advances under asset-backed securities backed by retail financing, operating leases, or wholesale financing assets for proceeds of up to $29.4 billion ($18.4 billion of retail financing, $5.7 billion of wholesale financing, and $5.3 billion of operating lease assets) at December 31, 2013, of which $5.4 billion are commitments to FCE. These committed liquidity programs have varying maturity dates, with $24.5 billion (of which $5.0 billion relates to FCE commitments) having maturities within the next twelve months and the remaining balance having maturities in 2015. Ford Credit plans to achieve capacity renewals to protect its global funding needs, optimize capacity utilization, and maintain sufficient liquidity.

Ford Credit's ability to obtain funding under these programs is subject to having a sufficient amount of assets eligible for these programs as well as its ability to obtain interest rate hedging arrangements for certain securitization transactions. Ford Credit capacity in excess of eligible receivables protects it against the risk of lower than planned renewal rates. At December 31, 2013, $14.7 billion of these commitments were in use. These programs are free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements), and generally, credit rating triggers that could limit Ford Credit's ability to obtain funding. However, the unused portion of these commitments may be terminated if the performance of the underlying assets deteriorates beyond specified levels. Based on Ford Credit's experience and knowledge as servicer of the related assets, Ford Credit does not expect any of these programs to be terminated due to such events.

Credit Facilities. At December 31, 2013, Ford Credit and its majority-owned subsidiaries had $1.6 billion of contractually committed unsecured credit facilities with financial institutions, including FCE's £720 million (equivalent to $1.2 billion at December 31, 2013) syndicated credit facility (the "FCE Credit Agreement"), which matures in 2016. At December 31, 2013, $1.2 billion was available for use. The FCE Credit Agreement contains certain covenants, including an obligation for FCE to maintain its ratio of regulatory capital to risk-weighted assets at no less than the applicable regulatory minimum, and for the support agreement between FCE and Ford Credit to remain in full force and effect (and enforced by FCE to ensure that its net worth is maintained at no less than $500 million). In addition to customary payment, representation, bankruptcy, and judgment defaults, the FCE Credit Agreement contains cross-payment and cross-acceleration defaults with respect to other debt. At December 31, 2013, the FCE Credit Agreement included £95 million (equivalent to $157 million at December 31, 2013) of commitments from financial institutions based in Italy. There were no commitments from financial institutions in Greece, Ireland, Portugal, or Spain.

At December 31, 2013, FCAR's bank liquidity facilities available to support FCAR's asset-backed commercial paper, subordinated debt, or its purchase of Ford Credit's asset-backed securities totaled $3.5 billion, down from $6.3 billion at December 31, 2012. This reduction has been offset by increases in other committed liquidity programs, leaving Ford Credit's total sources of liquidity largely unchanged. Ford Credit will transition away from its FCAR program in 2014. During this transition Ford Credit will retain liquidity facilities sufficient to support FCAR's asset-backed commercial paper and subordinated debt. FCAR has not made any purchases of asset-backed securities since March 2013 and will make no further purchases of asset-backed securities. Ford Credit's plan is to completely wind down FCAR by second quarter 2014. Ford Credit has not issued any new FCAR commercial paper since year-end 2013, and Ford Credit does not plan to issue any in the future. To facilitate the wind-down of the program, in early 2014 Ford Credit began repurchasing asset-backed securities held by FCAR. Ford Credit is funding these purchases through available liquidity sources, including cash and committed liquidity facilities. In October 2013, Ford Credit established a new two-year syndicated committed asset-backed liquidity facility. The new facility, along with growth in other asset-backed private capacity, will offset the liquidity effects of winding down the FCAR program.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Balance Sheet Liquidity Profile. Ford Credit defines its balance sheet liquidity profile as the cumulative maturities, including the impact of prepayments, of its finance receivables, investment in operating leases, and cash, less the cumulative debt maturities over upcoming annual periods. The following chart shows its cumulative maturities for the periods presented at December 31, 2013:
Ford Credit's balance sheet is inherently liquid because of the short-term nature of its finance receivables, investment in operating leases, and cash. Maturities of investment in operating leases consist primarily of rental payments attributable to depreciation over the remaining life of the lease and the expected residual value at lease termination. Maturities of finance receivables and investment in operating leases in the chart above include expected prepayments for Ford Credit's retail installment sale contracts and investment in operating leases. The 2014 finance receivables maturities in the chart above also include all of the wholesale receivables maturities that are otherwise extending beyond 2014. The chart above also reflects the following adjustments to debt maturities to match all of the asset-backed debt maturities with the underlying asset maturities:

- The 2014 maturities include all of the wholesale securitization transactions, even if the maturities extend beyond 2014; and
- Retail securitization transactions under certain committed liquidity programs are assumed to amortize immediately rather than amortizing after the expiration of the commitment period.

Liquidity Risks. Despite its diverse sources of liquidity, Ford Credit's ability to maintain this liquidity may be affected by the following factors (not necessarily listed in order of importance or probability of occurrence):

- Prolonged disruption of the debt and securitization markets;
- Global capital market volatility;
- Market capacity for Ford- and Ford Credit-sponsored investments;
- General demand for the type of securities Ford Credit offers;
- Ford Credit's ability to continue funding through asset-backed financing structures;
- Performance of the underlying assets within its asset-backed financing structures;
- Inability to obtain hedging instruments;
- Accounting and regulatory changes;
- Ford Credit's ability to maintain credit facilities and renew committed liquidity programs; and
- Credit ratings assigned to Ford Credit.

Leverage. Ford Credit uses leverage, or the debt-to-equity ratio, to make various business decisions, including evaluating and establishing pricing for finance receivable and operating lease financing, and assessing its capital structure. Ford Credit refers to its shareholder's interest as equity.

The following table shows the calculation of Ford Credit's financial statement leverage (in billions, except for ratios):

	December 31, 2013	December 31, 2012	December 31, 2011
Total debt (a)	$98.7	$89.3	$84.7
Equity	10.6	9.7	8.9
Financial statement leverage (to 1)	9.3	9.2	9.5

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(a) Includes debt issued in securitization transactions and payable only out of collections on the underlying securitized assets and related enhancements. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions.

The following table shows the calculation of Ford Credit's managed leverage (in billions, except for ratios):

	December 31, 2013	December 31, 2012	December 31, 2011
Total debt (a)	$98.7	$89.3	$84.7
Adjustments for cash, cash equivalents, and marketable securities (b)	(10.8)	(10.9)	(12.1)
Adjustments for derivative accounting (c)	(0.2)	(0.8)	(0.7)
Total adjusted debt	$87.7	$77.6	$71.9
Equity	$10.6	$9.7	$8.9
Adjustments for derivative accounting (c)	(0.3)	(0.3)	(0.2)
Total adjusted equity	$10.3	$9.4	$8.7
Managed leverage (to 1) (d)	8.5	8.3	8.3

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(a) Includes debt issued in securitization transactions and payable only out of collections on the underlying securitized assets and related enhancements. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions.

(b) Excludes marketable securities related to insurance activities.

(c) Primarily related to market valuation adjustments to derivatives due to movements in interest rates. Adjustments to debt are related to designated fair value hedges and adjustments to equity are related to retained earnings.

(d) Equals total adjusted debt over total adjusted equity.

Ford Credit believes that managed leverage is useful to its investors because it reflects the way Ford Credit manages its business. Ford Credit deducts cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) because they generally correspond to excess debt beyond the amount required to support its operations and amounts to support on-balance sheet securitization transactions. Ford Credit makes derivative accounting adjustments to its assets, debt, and equity positions to reflect the impact of interest rate instruments Ford Credit uses in connection with its term-debt issuances and securitization transactions. The derivative accounting adjustments related to these instruments vary over the term of the underlying debt and securitized funding obligations based on changes in market interest rates. Ford Credit generally repays its debt obligations as they mature. As a result, Ford Credit excludes the impact of these derivative accounting adjustments on both the numerator and denominator in order to exclude the interim effects of changes in market interest rates.

Ford Credit plans its managed leverage by considering prevailing market conditions and the risk characteristics of its business. At December 31, 2013, Ford Credit's managed leverage was 8.5:1, compared with 8.3:1 at December 31, 2012. In 2014, Ford Credit expects managed leverage to be in the range of 8:1 to 9:1. In 2013, Ford Credit paid $445 million in distributions to its parent, Ford Holdings LLC.

Total Company

Equity. At December 31, 2013, Total equity attributable to Ford Motor Company was $26.4 billion, an increase of about $10.4 billion compared with December 31, 2012. The increase primarily reflects favorable changes in Retained earnings, related to full-year 2013 Net income attributable to Ford Motor Company of $7.2 billion, offset partially by cash dividends declared of $1.6 billion, favorable changes in Accumulated other comprehensive income/(loss) of $4.6 billion, more than explained by favorable pension and OPEB adjustments, favorable changes in Capital in excess of par value of stock, related to compensation-related equity issuances of about $400 million, and changes in Treasury stock, related to stock re-purchases of about $200 million.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Credit Ratings. Our short-term and long-term debt is rated by four credit rating agencies designated as nationally recognized statistical rating organizations ("NRSROs") by the U.S. Securities and Exchange Commission:

- DBRS Limited ("DBRS");
- Fitch, Inc. ("Fitch");
- Moody's Investors Service, Inc. ("Moody's"); and
- Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P").

In several markets, locally-recognized rating agencies also rate us. A credit rating reflects an assessment by the rating agency of the credit risk associated with a corporate entity or particular securities issued by that entity. Rating agencies' ratings of us are based on information provided by us and other sources. Credit ratings are not recommendations to buy, sell, or hold securities, and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets.

There have been no ratings actions taken by these NRSROs since the filing of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.

The following chart summarizes certain of the credit ratings and outlook presently assigned by these four NRSROs:

	NRSRO RATINGS						
	Ford			Ford Credit			NRSROs
	Issuer Default / Corporate / Issuer Rating	Long-Term Senior Unsecured	Outlook / Trend	Long-Term Senior Unsecured	Short-Term Unsecured	Outlook / Trend	Minimum Long-Term Investment Grade Rating
DBRS	BBB (low)	BBB (low)	Stable	BBB (low)	R-3	Stable	BBB (low)
Fitch	BBB-	BBB-	Stable	BBB-	F3	Stable	BBB-
Moody's	N/A	Baa3	Stable	Baa3	P-3	Stable	Baa3
S&P *	BBB-	BBB-	Stable	BBB-	NR	Stable	BBB-

* S&P assigns FCE a long-term senior unsecured credit rating of BBB, a one-notch higher rating than Ford and Ford Credit, with a negative outlook. The negative outlook reflects the negative trend S&P has assigned to U.K. banking industry risk.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

2013 PLANNING ASSUMPTIONS AND KEY METRICS

The following summarizes results against planning assumptions and key metrics established at the beginning of 2013:

	2012 Full Year Results		2013 Full Year Plan	Results	
Planning Assumptions					
Industry Volume (a) -- U.S. (Mils.)	14.8		15.0 - 16.0	15.9	
-- Europe (Mils.) (b)	14.0		13.0 - 14.0	13.7	
-- China (Mils.)	19.0		19.5 - 21.5	22.2	
Operational Metrics					
Compared with Prior Year:					
- Market Share -- U.S.	15.2	%	Higher	15.7	%
-- Europe (b)	7.9		About Equal	7.8	
-- China (c)	3.2		Higher	4.1	
- Quality	Mixed		Improve	Mixed	
Financial Metrics					
Compared with Prior Year:					
- Total Company Pre-Tax Operating Profit (Bils.) (d)	$8.0		About Equal	$8.6	
- Automotive Operating Margin (e)	5.3	%	About Equal / Lower	5.4	%
- Automotive Operating-Related Cash Flow (Bils.) (d)	$3.4		Higher	$6.1	

(a) Includes medium and heavy trucks.
(b) The 19 markets we tracked.
(c) Includes Ford and JMC brand vehicles produced in China by unconsolidated affiliates.
(d) Excludes special items; reconciliation to GAAP for full-year 2012 and 2013 provided in "Results of Operations" and "Liquidity and Capital Resources" above.
(e) Automotive operating margin is defined as Automotive pre-tax results, excluding Other Automotive, divided by Automotive revenue.

PRODUCTION VOLUMES (a)

Our 2013 production volumes and first quarter 2014 projected production volumes are as follows (in thousands):

	2013 Actual Fourth Quarter		Full Year		2014 First Quarter Forecast	
	Units	O/(U) 2012	Units	O/(U) 2012	Units	O/(U) 2013
North America	756	21	3,111	289	770	(14)
South America	104	(12)	474	57	100	(11)
Europe	333	(7)	1,443	(3)	380	(6)
Asia Pacific Africa	379	77	1,326	303	360	74
Total	1,572	79	6,354	646	1,610	43

(a) Includes production of Ford and JMC brand vehicles produced by our unconsolidated affiliates.

We expect first quarter production to be about 1.6 million units, up 43,000 units from a year ago, reflecting higher volume in Asia Pacific Africa.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

OUTLOOK

Business Environment

We project global economic growth to be in the range of 2.5% to 3%, with global industry sales in the 85 million to 90 million unit range. We expect U.S. economic growth to be in the range of 2.5% to 3%, with industry sales supported by continued improvement in the housing sector and replacement demand as a result of the older age of vehicles on the road. Policy uncertainty now is reduced, with the federal budget agreement and the Federal Reserve policy announcement in December 2013. In South America, Brazil's economy is relatively weak with below trend growth, while in Argentina and Venezuela, there are escalating risks as both economies are weak with unclear economic policy direction. In Europe, on the other hand, economic indicators are stabilizing. For 2014, we expect gross domestic product growth of 1% in the Euro Area and 2% in the United Kingdom. The European Central Bank cut its policy interest rate to 0.25% in November 2013 and has indicated that it will keep rates low for an extended period. The Bank of England also indicated that it will keep rates low until the unemployment rate has declined. In Asia Pacific, stable economic growth in the 7.5% range is expected this year in China as it carries out structural reform and transitions to a consumption-led economy. Modest improvement is expected in India with growth in the 5% range as the country moves beyond election uncertainty and the new government ushers in more pro-growth economic policies. Recently, a number of emerging markets have experienced depreciating currencies due to global capital flows and domestic issues unique to each market; this could represent an additional challenge to the global outlook. Overall, despite challenges, we expect global economic growth to continue in 2014.

Total Company

In 2014, we are continuing to invest to create innovative products such as the all-new F-150 to ensure we have the freshest and most attractive product line-up in the industry. At the same time, we are investing to expand our portfolio into new markets, as well as adding capacity, where appropriate, to satisfy increasing demand. As a result, we expect 2014 to be another solid year and a critical next step forward in implementing our One Ford plan to continue delivering profitable growth for all. Our 2014 profit outlook by segment is as follows:

	2013 Full Year Results (Mils.)	2014 Full Year Compared with 2013
Automotive (a)		
North America	$8,781	Lower
South America	(34)	About Equal
Europe	(1,609)	Better
Middle East & Africa	N/A	About Breakeven
Asia Pacific	415	About Equal
Net Interest Expense	(801)	About Equal
Ford Credit	$1,756	About Equal

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(a) Excludes special items

North America

We expect North America to be strongly profitable in 2014, but at a lower level than in 2013, with an operating margin ranging from 8% to 9%. This outlook reflects the impact of launching 16 all-new or significantly refreshed products. As a result, we expect production downtime for model change-overs to result in lower wholesale volume than in 2013. For the all-new F-150, we are scheduling this year 11 weeks of production downtime, including the

summer shutdown, at our Dearborn plant and two weeks, including the summer shutdown, at our Kansas City plant.

We expect net pricing in 2014 to be slightly unfavorable as we run out the outgoing models and we assume a continuation of a more competitive pricing environment for small and medium cars and utilities due to the weaker yen. We also expect higher manufacturing, engineering, and spending-related costs to support the launches, as well as for products and capacity actions that will be launched in later periods. Finally, we will not benefit this year from dealer stock increases as we did in 2013.

South America

In South America, results are expected to be about equal to 2013, or about breakeven. This outlook reflects improved profitability in Brazil and Argentina, offset by deterioration in Venezuela, including very low levels of production and our planning assumption that a major devaluation with a $350 million profit effect will occur in the first quarter. There are risks to this outlook, however, given the volatility of the situation in Venezuela and increasing risks in Argentina, where devaluation of the peso is accelerating and the government recently issued controls on vehicle imports.

Europe

In Europe, we expect reduced losses, including restructuring costs of about $400 million that will be reported in 2014 operating results. The Europe transformation plan continues to progress well and the business unit remains on track to achieve profitability in 2015.

Middle East and Africa

Our new Middle East and Africa business unit is expected to approach breakeven results.

Asia Pacific

Asia Pacific pre-tax profit is expected to be about the same as 2013, reflecting continued investments to support growth in 2014 and beyond, a slower rate of revenue and volume growth than a year ago due to production constraints, a more competitive pricing environment, and finally, unfavorable results in Australia as we restructure the business and reflect the effects of a weakening Australian dollar.

Net Interest Expense

We expect Automotive net interest expense this year to be about the same as 2013.

Ford Credit

Ford Credit expects 2014 pre-tax profit to be about equal to 2013. Profit from growth in receivables should offset the continued normalization of credit losses, the continued run-off of higher-yielding assets, and the impact of Ford Credit’s strategy to increase its percentage of unsecured debt as we continue to build a stronger investment-grade company. Ford Credit also expects managed receivables at year end of about $110 billion, managed leverage to continue in the range of 8:1 to 9:1, and distributions to its parent of about $250 million.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

2014 Planning Assumptions and Key Metrics

Based on the current economic environment, our planning assumptions and key metrics for 2014 include the following:

	2013 Full Year Results		2014 Full Year Plan	Outlook
Planning Assumptions				
Industry Volume (a) -- U.S. (Mils.)	15.9		16.0 - 17.0	On Track
-- Europe (Mils.) (b)	13.8		13.5 - 14.5	On Track
-- China (Mils.)	22.2		22.5 - 24.5	On Track
Key Metrics				
Automotive (Compared with 2013):				
- Revenue (Bils.)	$139.4		About Equal	On Track
- Operating Margin (c)	5.4	%	Lower	On Track
- Operating-Related Cash Flow (Bils.) (d)	$6.1		Substantially Lower	On Track
Ford Credit (Compared with 2013):				
- Pre-Tax Profit (Bils.)	$1.8		About Equal	On Track
Total Company:				
- Pre-Tax Profit (Bils.) (d)	$8.6		$7 - $8 Billion	On Track

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(a) Includes medium and heavy trucks.
(b) The 20 markets we track (traditional 19 markets plus Romania).
(c) Automotive operating margin is defined as Automotive pre-tax results, excluding Other Automotive, divided by Automotive revenue.
(d) Excludes special items; reconciliation to GAAP for full-year 2013 provided in "Results of Operations" and "Liquidity and Capital Resources" above.

For 2014, we project U.S. industry volume, including medium-heavy trucks, to range from 16 million to 17 million units. In Europe, we expect a range of 13.5 million to 14.5 million units. In China, we expect volume to range from 22.5 million to 24.5 million units.

For our financial metrics, which are now aligned to the key drivers of total shareholder return, we expect Automotive revenue in 2014 to be about the same as 2013, Automotive operating margin to be lower, and Automotive operating-related cash flow to be positive but substantially lower than 2013, including higher capital spending consistent with our mid-decade outlook of about $7.5 billion.

Ford Credit's 2014 pre-tax profit is expected to be about equal to 2013.

We expect our operating effective tax rate to normalize at about 35%, compared with 27% last year.

Our outlook for 2014 is unchanged from the outlook we previously provided, with total Company pre-tax profit, excluding special items, expected to range from $7 billion to $8 billion.

ONE FORD PLAN

We remain focused on delivering the key aspects of the One Ford plan, which are unchanged:
- Aggressively restructure to operate profitably at the current demand and 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.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Risk Factors

Statements included or incorporated by reference herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts, and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- Decline in industry sales volume, particularly in the United States or Europe, due to financial crisis, recession, geopolitical events, or other factors;
- Decline in Ford's market share or failure to achieve growth;
- Lower-than-anticipated market acceptance of Ford's new or existing products;
- Market shift away from sales of larger, more profitable vehicles beyond Ford's current planning assumption, particularly in the United States;
- An increase in or continued volatility of fuel prices, or reduced availability of fuel;
- Continued or increased price competition resulting from industry excess capacity, currency fluctuations, or other factors;
- Fluctuations in foreign currency exchange rates, commodity prices, and interest rates;
- Adverse effects resulting from economic, geopolitical, or other events;
- Economic distress of suppliers that may require Ford to provide substantial financial support or take other measures to ensure supplies of components or materials and could increase costs, affect liquidity, or cause production constraints or disruptions;
- Work stoppages at Ford or supplier facilities or other limitations on production (whether as a result of labor disputes, natural or man-made disasters, tight credit markets or other financial distress, production constraints or difficulties, or other factors);
- Single-source supply of components or materials;
- Labor or other constraints on Ford's ability to maintain competitive cost structure;
- Substantial pension and postretirement health care and life insurance liabilities impairing liquidity or financial condition;
- Worse-than-assumed economic and demographic experience for postretirement benefit plans (e.g., discount rates or investment returns);
- Restriction on use of tax attributes from tax law "ownership change;"
- The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns, or increased warranty costs;
- Increased safety, emissions, fuel economy, or other regulations resulting in higher costs, cash expenditures, and/or sales restrictions;
- Unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- A change in requirements under long-term supply arrangements committing Ford to purchase minimum or fixed quantities of certain parts, or to pay a minimum amount to the seller ("take-or-pay" contracts);
- Adverse effects on results from a decrease in or cessation or clawback of government incentives related to investments;
- Inherent limitations of internal controls impacting financial statements and safeguarding of assets;
- Cybersecurity risks to operational systems, security systems, or infrastructure owned by Ford, Ford Credit, or a third-party vendor or supplier;
- Failure of financial institutions to fulfill commitments under committed credit and liquidity facilities;
- Inability of Ford Credit to access debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts, due to credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;

- Higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Increased competition from banks or other financial institutions seeking to increase their share of financing Ford vehicles; and
- New or increased credit, consumer, or data protection or other regulations resulting in higher costs and/or additional financing restrictions.

We cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise. For additional discussion, see “Item 1A. Risk Factors” above.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

CRITICAL ACCOUNTING ESTIMATES

We consider an accounting estimate to be critical if: 1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and 2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors. In addition, there are other items within our financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements.

Warranty and Product Recalls

Nature of Estimates Required. We accrue the estimated cost of basic warranty coverages for each vehicle at the time of sale. We establish estimates using historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. Where little or no claims experience exists, we rely on historical averages. See Note 29 of the Notes to the Financial Statements for information regarding costs for warranty actions. Separately, we also accrue at the time of sale for potential product recalls based on historical experience. Product recalls are distinguishable from warranty coverages in that the actions may extend beyond basic warranty coverage periods.

Assumptions and Approach Used. We reevaluate our estimate of warranty obligations on a regular basis. Experience has shown that initial data for any given model year may be volatile; therefore, our process relies on long-term historical averages until sufficient data are available. As actual experience becomes available, we use the data to modify the historical averages in order to ensure that the estimate is within the range of likely outcomes. We then compare the resulting accruals with present spending rates to ensure that the balances are adequate to meet expected future obligations. Based on these data, we revise our estimates as necessary. Due to the uncertainty and potential volatility of these factors, changes in our assumptions could materially affect our financial condition and results of operations.

Pensions and Other Postretirement Employee Benefits

Nature of Estimates Required. The estimation of our defined benefit pension and OPEB plan obligations and expenses requires that we make use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events such as demographic experience and health care cost increases. Plan obligations and expenses are based on existing retirement plan provisions. No assumption is made regarding any potential future changes to benefit provisions beyond those to which we are presently committed (e.g., in existing labor contracts).

Assumptions and Approach Used. The assumptions used in developing the required estimates include the following key factors:

- Discount rates. Our discount rate assumption is based primarily on the results of a cash flow matching analysis, which matches the future cash outflows for each major plan to a yield curve comprised of high-quality bonds specific to the country of the plan. Benefit payments are discounted at the rates on the curve and a single discount rate specific to the plan is determined.
- Expected long-term rate of return on plan assets. Our expected long-term rate of return assumption reflects historical returns and long-run inputs from a range of advisors for capital market returns, inflation, bond yields, and other variables, adjusted for specific aspects of our investment strategy such as asset mix. The assumption is based on

consideration of all inputs, with a focus on long-term trends to avoid short-term market influences.

- Salary growth. Our salary growth assumption reflects our long-term actual experience, outlook, and assumed inflation.
- Inflation. Our inflation assumption is based on an evaluation of external market indicators, including real gross domestic product growth and central bank inflation targets.
- Expected contributions. Our expected amount and timing of contributions is based on an assessment of minimum requirements, cash availability, and other considerations (e.g., funded status, avoidance of regulatory premiums and levies, and tax efficiency).
- Retirement rates. Retirement rates are developed to reflect actual and projected plan experience.
- Mortality rates. Mortality rates are developed to reflect actual and projected plan experience.
- Health care cost trends. Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Assumptions are set at each year end and are generally not changed unless there is a major plan event such as a significant curtailment or settlement that would trigger a plan remeasurement

The effects of actual results differing from our assumptions and the effects of changing assumptions are recorded as unamortized net gains or losses in Accumulated other comprehensive income/(loss) on our balance sheet. Unamortized gains and losses are amortized over future periods and, therefore, generally affect our recognized expense in future periods.

See Note 14 of the Notes to the Financial Statements for more information regarding pension and OPEB costs and assumptions.

Pension Plans

Effect of Actual Results. The year-end 2013 weighted average discount rate was 4.74% for U.S. plans and 4.07% for non-U.S. plans, reflecting increases of 90 and 15 basis points, respectively, compared with year-end 2012. In 2013, the U.S. actual return on assets was 3.7%, which was lower than the expected long-term rate of return of 7.4%. These differences resulted in a net reduction in unamortized losses of about $4 billion which are expected to be recognized as a component of net expense over the expected future years of service (approximately 11 years for the major U.S. plans).

For 2014, the expected long-term rate of return on assets for U.S. plans is 6.89%, down about 50 basis points compared with a year ago, reflecting higher fixed income allocation.

Worldwide pension expense excluding special items was $1.6 billion in 2013. Based on year-end assumptions, we expect 2014 pension expense to be lower compared with 2013.

De-risking Strategy. As previously disclosed, we adopted a broad global de-risking strategy which increases the matching characteristics of our assets relative to our obligation as funded status improves. Changes in interest rates (which directly influence changes in discount rates), in addition to other factors, have a significant impact on the value of our pension obligation and fixed income asset portfolio. As we de-risk our plans and increase their allocation to fixed income investments over time, we expect that the funded status sensitivity to changes in interest rates will be significantly reduced, as any change should result in offsetting effects in the value of our pension obligation and the value of the fixed income asset portfolio.

Sensitivity Analysis. The December 31, 2013 pension funded status and 2014 expense are affected by year-end 2013 assumptions. Sensitivities to these assumptions may be asymmetric and are specific to the time periods noted. The effects of changes in the factors which generally have the largest impact on year-end funded status and pension expense are discussed below.

Discount rates and interest rates have the largest impact on our net funded status. The table below estimates the impact as of December 31, 2013 on our funded status of an increase/decrease in discount rates and interest rates (in millions):

	Basis Point	Increase/(Decrease) in December 31, 2013 Funded Status	
Factor	Change	U.S. Plans	Non-U.S. Plans
Discount rate - obligation	+/- 100 bps.	$4,300/(5,300)	$4,200/(4,800)
Interest rate - fixed income assets	+/- 100	(3,500)/4,300	(1,200)/1,500

Net impact on funded status	$800/(1,000)	$3,000/(3,300)

The fixed income asset sensitivity shown excludes other fixed income return components (e.g., bond coupon and active management excess returns), growth asset returns and changes in value of related insurance contracts. Other factors that impact net funded status (e.g., contributions) are not reflected.

Discount rates and the expected long-term rate of return on assets have the largest impact on pension expense. These assumptions are generally set at each year end for expense recorded throughout the following year. The estimated effect on 2014 pension expense of an increase/decrease in assumption for these factors is shown below (in millions):

Factor	Basis Point Change	Increase/(Decrease) in 2014 Expense U.S. Plans	Non-U.S. Plans
Discount rate	+/- 10 bps.	$(30)/35	$(35)/35
Expected long-term rate of return on assets	+/- 10	(40)/40	(20)/20

The sensitivities shown may not be additive. The impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities. The sensitivity of pension expense to an increase in discount rates assumptions may not be linear.

Other Postretirement Employee Benefits

Effect of Actual Results. The weighted average discount rate used to determine the benefit obligation for U.S. OPEB plans at December 31, 2013 was 4.65%, compared with 3.80% at December 31, 2012, resulting in an unamortized gain of $430 million. This amount is expected to be recognized as a component of net expense over the expected future years of service (approximately 12 years).

Sensitivity Analysis. The effect on U.S. and Canadian plans of a 100 basis point increase/(decrease) in the assumed discount rate would be a (decrease)/increase in the postretirement health care benefit expense for 2014 of approximately $(30) million/$40 million, and in the year-end 2013 obligation of approximately $(620) million/$740 million.

Income Taxes

Nature of Estimates Required. We must make estimates and apply judgment in determining the provision for income taxes for financial reporting purposes. We make these estimates and judgments primarily in the following areas: (i) the calculation of tax credits, (ii) the calculation of differences in the timing of recognition of revenue and expense for tax and financial statement purposes that will ultimately be reported in tax returns, as well as (iii) the calculation of interest and penalties related to uncertain tax positions. Changes in these estimates and judgments may result in a material increase or decrease to our tax provision, which would be recorded in the period in which the change occurs.

Assumptions and Approach Used. We are subject to the income tax laws and regulations of the many jurisdictions in which we operate. These tax laws and regulations are complex and involve uncertainties in the application to our facts and circumstances that may be open to interpretation. We recognize benefits for these uncertain tax positions based upon a process that requires judgment regarding the technical application of the laws, regulations, and various related judicial opinions. If, in our judgment, it is more likely than not that the uncertain tax position will be settled favorably to us, we estimate an amount that ultimately will be realized. This process is inherently subjective, since it requires our assessment of the probability of future outcomes. We evaluate these uncertain tax positions on a quarterly basis, including consideration of changes in facts and circumstances, such as new regulations or recent judicial opinions, as well as the status of audit activities by taxing authorities. Changes to our estimate of the amount to be realized are recorded in our provision for income taxes during the period in which the change occurred.

We must also assess the likelihood that we will be able to recover our deferred tax assets against future sources of taxable income. GAAP requires a reduction of the carrying amount of deferred tax assets by recording a valuation

allowance if, based on all available evidence, it is more likely than not (defined as a likelihood of more than 50%) that all or a portion of such assets will not be realized.

Changes in our judgment regarding the ability to recover our deferred tax assets are reflected in our tax provision in the periods in which the changes occur. With the continued implementation of our One Ford plan and the strength of our U.S. operations, we released valuation allowances related to certain U.S. state and local net operating losses at year-end 2013, resulting in a $418 million benefit in our provision for income taxes.

We presently believe that a valuation allowance of $1.6 billion is required, primarily for deferred tax assets related to our South America operations. We believe that we ultimately will recover the remaining $20.1 billion of deferred tax assets. We have assessed recoverability of these assets, and concluded that no valuation allowance is required.

For additional information regarding income taxes, see Note 22 of the Notes to the Financial Statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Allowance for Credit Losses

The allowance for credit losses is Ford Credit's estimate of the probable credit losses inherent in finance receivables and operating leases at the date of the balance sheet. Consistent with its normal practices and policies, Ford Credit assesses the adequacy of its allowance for credit losses quarterly and regularly evaluates the assumptions and models used in establishing the allowance. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain. See Note 8 of the Notes to the Financial Statements for more information regarding allowance for credit losses.

Nature of Estimates Required. Ford Credit estimates the probable credit losses inherent in finance receivables and operating leases based on several factors.

Consumer Portfolio. The retail financing and operating lease portfolio is evaluated using a combination of models and management judgment, and is based on factors such as historical trends in credit losses and recoveries (including key metrics such as delinquencies, repossessions, and bankruptcies), the composition of Ford Credit's present portfolio (including vehicle brand, term, risk evaluation, and new/used vehicles), trends in historical and projected used vehicle values, and economic conditions. Estimates from models may not fully reflect losses inherent in the present portfolio, and an element of the allowance for credit losses is established for the imprecision inherent in loan loss models. Reasons for imprecision include changes in economic trends and conditions, portfolio composition, and other relevant factors.

Assumptions Used. Ford Credit makes projections of two key assumptions:

- Frequency. The number of finance receivables and operating lease contracts that Ford Credit expects will default over a period of time, measured as repossessions; and
- Loss severity. The expected difference between the amount of money a customer owes Ford Credit when it charges off the finance contract and the amount Ford Credit receives, net of expenses, from selling the repossessed vehicle, including any recoveries from the customer.

Ford Credit uses these assumptions to assist it in estimating its allowance for credit losses.

Sensitivity Analysis. Changes in the assumptions used to derive frequency and severity would affect the allowance for credit losses. The effect of the indicated increase/decrease in the assumptions for Ford Credit's U.S. Ford and Lincoln retail financing and operating lease portfolio is as follows (in millions, except for percentages):

Assumption	Percentage Point Change	Increase/(Decrease) December 31, 2013 Allowance for Credit Losses	2014 Expense
Repossession ratios (a)	+/- 0.1 pt.	$27/$(27)	$27/$(27)
Loss severity	+/- 1.0	3/(3)	3/(3)

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(a) Reflects the number of finance receivables and operating lease contracts that Ford Credit expects will default over a period of time relative to the average number of contracts outstanding.

Non-Consumer Portfolio. Ford Credit estimates an allowance using a loss-to-receivables model for non-consumer receivables that are not specifically identified as impaired. All accounts that are specifically identified as impaired are excluded from the calculation of the non-specific or collective allowance. The non-consumer portfolio is evaluated by segmenting individual loans by the risk characteristics of the loan (such as the amount of the loan, the nature of

collateral, and the financial status of the dealer). The loans are analyzed to determine if individual loans are impaired, and a specific allowance is estimated for the expected loss of the impaired loans.

Changes in Ford Credit's assumptions affect the Provision for credit losses and insurance losses on our income statement and the allowance for credit losses contained within Finance receivables, net and Net investment in operating leases on our balance sheet, in each case under the Financial Services sector.

Accumulated Depreciation on Vehicles Subject to Operating Leases

Accumulated depreciation on vehicles subject to operating leases reduces the value of the leased vehicles in Ford Credit's operating lease portfolio from their original acquisition value to their expected residual value at the end of the lease term.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Ford Credit monitors residual values each month, and it reviews the adequacy of accumulated depreciation on a quarterly basis. If Ford Credit believes that the expected residual values for its vehicles have changed, it revises depreciation to ensure that net investment in operating leases (equal to the acquisition value of the vehicles less accumulated depreciation) will be adjusted to reflect Ford Credit's revised estimate of the expected residual value at the end of the lease term. Such adjustments to depreciation expense would result in a change in the depreciation rates of the vehicles subject to operating leases and are recorded prospectively on a straight-line basis.

Each lease customer has the option to buy the leased vehicle at the end of the lease or to return the vehicle to the dealer. For additional information on residual risk on operating leases, refer to the "Residual Risk" section above.

Nature of Estimates Required. Each operating lease in Ford Credit's portfolio represents a vehicle it owns that has been leased to a customer. At the time Ford Credit purchases a lease, it establishes an expected residual value for the vehicle. Ford Credit estimates the expected residual value by evaluating recent auction values, return volumes for its leased vehicles, industry-wide used vehicle prices, marketing incentive plans, and vehicle quality data.

Assumptions Used. Ford Credit's accumulated depreciation on vehicles subject to operating leases is based on assumptions regarding:

- Auction value. Ford Credit's projection of the market value of the vehicles when sold at the end of the lease; and
- Return volume. Ford Credit's projection of the number of vehicles that will be returned at lease-end.

See Note 7 of the Notes to the Financial Statements for more information regarding accumulated depreciation on vehicles subject to operating leases.

Sensitivity Analysis. For returned vehicles, Ford Credit faces a risk that the amount it obtains from the vehicle sold at auction will be less than its estimate of the expected residual value for the vehicle. The effect of the indicated increase/decrease in the assumptions for Ford Credit's U.S. Ford and Lincoln operating lease portfolio is as follows (in millions, except for percentages):

Assumption	Percentage Change	Increase/(Decrease) December 31, 2013 Accumulated Depreciation on Vehicles Subject to Operating Leases	2014 Expense
Future auction values	+/- 1.0	$(71)/$71	$(31)/$31
Return volumes	+/- 1.0	6/(6)	4/(4)

The impact of the increased accumulated supplemental depreciation in 2013 would be charged to expense in the 2014–2017 periods. Adjustments to the amount of accumulated depreciation on operating leases would be reflected on our balance sheet as Net investment in operating leases and on the income statement in Depreciation on vehicles subject to operating leases, in each case under the Financial Services sector.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

For information on accounting standards issued but not yet adopted, see Note 3 of the Notes to the Financial Statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

AGGREGATE CONTRACTUAL OBLIGATIONS

We are party to many contractual obligations involving commitments to make payments to third parties. Most of these are debt obligations incurred by our Financial Services sector. Long-term debt may have fixed or variable interest rates. For long-term debt with variable-rate interest, we estimate the future interest payments based on projected market interest rates for various floating-rate benchmarks received from third parties. In addition, as part of our normal business practices, we enter into contracts with suppliers for purchases of certain raw materials, components, and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchase requirements. "Purchase obligations" are defined as off-balance sheet agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms.

The table below summarizes our contractual obligations as of December 31, 2013 (in millions):

	Payments Due by Period				
	2014	2015 - 2016	2017 - 2018	2019 and Thereafter	Total
Automotive Sector					
On-balance sheet					
Long-term debt (a) (b) (excluding capital leases)	$686	$4,276	$1,678	$8,701	$15,341
Interest payments relating to long-term debt (c)	681	1,218	1,030	7,663	10,592
Capital leases	11	16	9	2	38
Pension funding (d)	354	860	—	—	1,214
Off-balance sheet					
Purchase obligations	1,800	1,690	926	958	5,374
Operating leases	199	296	153	134	782
Total Automotive sector	3,731	8,356	3,796	17,458	33,341
Financial Services Sector					
On-balance sheet					
Long-term debt (a) (b) (excluding capital leases)	21,811	37,833	16,300	8,054	83,998
Interest payments relating to long-term debt (c)	2,441	3,120	1,497	1,544	8,602
Capital leases	1	—	—	—	1
Off-balance sheet					
Purchase obligations	25	3	2	—	30
Operating leases	47	81	45	18	191
Total Financial Services sector	24,325	41,037	17,844	9,616	92,822
Total Company	$28,056	$49,393	$21,640	$27,074	$126,163

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(a) Amount includes, prior to adjustment noted above, $695 million for the Automotive sector and $21,812 million for the Financial Services sector for the current portion of long-term debt. See Note 15 of the Notes to the Financial Statements for additional discussion.
(b) Automotive sector excludes unamortized debt discounts/premiums of $(255) million. Financial Services sector excludes unamortized debt discounts of $(91) million and adjustments of $103 million related to designated fair value hedges of the debt.
(c) Excludes amortization of debt discounts/premiums.

(d) Amounts represent our estimate of contractually obligated deficit contributions to U.K. plans. See Note 14 for further information regarding our expected 2014 pension contributions and funded status.

The amount of unrecognized tax benefits for 2013 of $1.6 billion (see Note 22 of the Notes to the Financial Statements for additional discussion) is excluded from the table above. Final settlement of a significant portion of these obligations will require bilateral tax agreements among us and various countries, the timing of which cannot reasonably be estimated.

For additional information regarding operating lease obligations, pension and OPEB obligations, and long-term debt, see Notes 7, 14, and 15, respectively, of the Notes to the Financial Statements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

OVERVIEW

We are exposed to a variety of market and other risks, including the effects of changes in foreign currency exchange rates, commodity prices, and interest rates, as well as risks to availability of funding sources, hazard events, and specific asset risks.

These risks affect our Automotive and Financial Services sectors differently. We monitor and manage these exposures as an integral part of our overall risk management program, which includes regular reports to a central management committee, the Global Risk Management Committee ("GRMC"). The GRMC is chaired by our Chief Financial Officer, and its members include our Treasurer, our Corporate Controller, and other members of senior management.

In addition, as discussed in Item 7, our senior management team meets at least weekly to review our business environment, risks and opportunities, strategy, and business plan, and to identify areas of our plan that need special attention while pursuing opportunities to improve our plan. We believe this process gives us a clear picture of our business in real time and the ability to respond quickly and decisively to new issues and changing conditions.

Our Automotive and Financial Services sectors are exposed to liquidity risk, including the possibility of having to curtail business or being unable to meet financial obligations as they come due because funding sources may be reduced or become unavailable. Our plan is to maintain funding sources to ensure liquidity through a variety of economic or business cycles. As discussed in greater detail in Item 7, our funding sources include sales of receivables in securitizations and other structured financings, unsecured debt issuances, equity and equity-linked issuances, and bank borrowings.

We are exposed to a variety of insurable risks, such as loss or damage to property, liability claims, and employee injury. We protect against these risks through the purchase of commercial insurance that is designed to protect us above our self-insured retentions against events that could generate significant losses.

Direct responsibility for the execution of our market risk management strategies resides with our Treasurer's Office and is governed by written policies and procedures. Separation of duties is maintained between the development and authorization of derivative trades, the transaction of derivatives, and the settlement of cash flows. Regular audits are conducted to ensure that appropriate controls are in place and that they remain effective. In addition, our market risk exposures and our use of derivatives to manage these exposures are approved by the GRMC, and reviewed by the Audit Committee of our Board of Directors.

In accordance with our corporate risk management policies, we use derivative instruments, when available, such as forward contracts, swaps and options that economically hedge certain exposures (foreign currency, commodity, and interest rates). We do not use derivative contracts for trading, market-making, or speculative purposes. In certain instances, we forgo hedge accounting, and in certain other instances, our derivatives do not qualify for hedge accounting. Either situation results in unrealized gains and losses that are recognized in income. For additional information on our derivatives, see Note 16 of the Notes to the Financial Statements.

The market and counterparty risks of our Automotive sector and Ford Credit are discussed and quantified below.

AUTOMOTIVE MARKET AND COUNTERPARTY RISK

Our Automotive sector frequently has expenditures and receipts denominated in foreign currencies, including the following: purchases and sales of finished vehicles and production parts, debt and other payables, subsidiary dividends, and investments in foreign operations. These expenditures and receipts create exposures to changes in

exchange rates. We also are exposed to changes in prices of commodities used in our Automotive sector and changes in interest rates.

Foreign currency risk, commodity risk, and interest rate risk are measured and quantified using a model to evaluate the sensitivity of market value to instantaneous, parallel shifts in rates and/or prices.

Foreign Currency Risk. Foreign currency risk is the possibility that our financial results could be better or worse than planned because of changes in currency exchange rates. Accordingly, our normal practice is to use derivative instruments, when available, to hedge our economic exposure with respect to forecasted revenues and costs, assets, liabilities, and firm commitments denominated in foreign currencies. In our hedging actions, we use derivative instruments commonly used by corporations to reduce foreign exchange risk (e.g., forward contracts).

Item 7A. Quantitative and Qualitative Disclosures About Market Risk (Continued)

The net fair value of foreign exchange forward contracts (including adjustments for credit risk), as of December 31, 2013, was an asset of $158 million compared with a liability of $268 million as of December 31, 2012. The potential decrease in fair value from a 10% adverse change in the underlying exchange rates, in U.S. dollar terms, would have been about $2 billion at December 31, 2013, unchanged from December 31, 2012.

Commodity Price Risk. Commodity price risk is the possibility that our financial results could be better or worse than planned because of changes in the prices of commodities used in the production of motor vehicles, such as base metals (e.g., steel, copper, and aluminum), precious metals (e.g., palladium), energy (e.g., natural gas and electricity), and plastics/resins (e.g., polypropylene). Accordingly, our normal practice is to use derivative instruments, when available, to hedge the price risk with respect to forecasted purchases of those commodities that we can economically hedge (primarily base metals and precious metals). In our hedging actions, we use derivative instruments commonly used by corporations to reduce commodity price risk (e.g., financially settled forward contracts, swaps, and options).

The net fair value of commodity forward and option contracts (including adjustments for credit risk) as of December 31, 2013 was an asset of $4 million, compared with a liability of $101 million as of December 31, 2012. The potential decrease in fair value from a 10% adverse change in the underlying commodity prices, in U.S. dollar terms, would have been $70 million at December 31, 2013, compared with $103 million at December 31, 2012. The lower sensitivity from the end of last year primarily results from a decrease in the amount of commodities hedged during 2013 with forward contracts, partially offset by an increase in the amount of commodities hedged with option contracts.

In addition, our purchasing organization (with guidance from the GRMC as appropriate) negotiates contracts to ensure continuous supply of raw materials. In some cases, these contracts stipulate minimum purchase amounts and specific prices, and, therefore, play a role in managing price risk.

Interest Rate Risk. Interest rate risk relates to the gain or loss we could incur in our Automotive investment portfolios due to a change in interest rates. Our interest rate sensitivity analysis on the investment portfolios includes cash and cash equivalents and net marketable securities. At December 31, 2013, we had $24.8 billion in our Automotive investment portfolios, compared to $24.3 billion at December 31, 2012. We invest the portfolios in securities of various types and maturities, the value of which are subject to fluctuations in interest rates. The portfolios are classified as trading portfolios and gains and losses (unrealized and realized) are reported in the income statement. The investment strategy is based on clearly defined risk and liquidity guidelines to maintain liquidity, minimize risk, and earn a reasonable return on the short-term investments. In investing our Automotive cash, safety of principal is the primary objective and risk-adjusted return is the secondary objective.

At any time, a rise in interest rates could have a material adverse impact on the fair value of our portfolios. Assuming a hypothetical increase in interest rates of one percentage point, the value of our portfolios would be reduced by about $193 million as calculated as of December 31, 2013. This compares to $185 million, as calculated as of December 31, 2012. While these are our best estimates of the impact of the specified interest rate scenario, actual results could differ from those projected. The sensitivity analysis presented assumes interest rate changes are instantaneous, parallel shifts in the yield curve. In reality, interest rate changes of this magnitude are rarely instantaneous or parallel.

Counterparty Risk. Counterparty risk relates to the loss we could incur if an obligor or counterparty defaulted on an investment or a derivative contract. We enter into master agreements with counterparties that allow netting of certain exposures in order to manage this risk. Exposures primarily relate to investments in fixed income instruments and derivative contracts used for managing interest rate, foreign currency exchange rate, and commodity price risk. We, together with Ford Credit, establish exposure limits for each counterparty to minimize risk and provide counterparty diversification.

Our approach to managing counterparty risk is forward-looking and proactive, allowing us to take risk mitigation actions before risks become losses. Exposure limits are established based on our overall risk tolerance and estimated loss projections which are calculated from ratings-based historical default probabilities and market-based credit default swap ("CDS") spreads. The exposure limits are lower for lower-rated counterparties, counterparties that have relatively higher CDS spreads, and for longer-dated exposures. Our exposures are monitored on a regular basis and included in periodic reports to our Treasurer.

Substantially all of our counterparty exposures are with counterparties that have an investment grade rating. Investment grade is our guideline for counterparty minimum long-term ratings.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk (Continued)

FORD CREDIT MARKET RISK

Overview. Ford Credit is exposed to a variety of risks in the normal course of its business activities. In addition to counterparty risk discussed above, Ford Credit is subject to the following additional types of risks that it seeks to identify, assess, monitor, and manage, in accordance with defined policies and procedures:

- Market risk - the possibility that changes in interest and currency exchange rates will adversely affect cash flow and economic value;
- Credit risk - the possibility of loss from a customer's failure to make payments according to contract terms;
- Residual risk - the possibility that the actual proceeds received at lease termination will be lower than projections or return volumes will be higher than projections; and
- Liquidity risk - the possibility that Ford Credit may be unable to meet all of its current and future obligations in a timely manner.

Each form of risk is uniquely managed in the context of its contribution to Ford Credit's overall global risk. Business decisions are evaluated on a risk-adjusted basis and services are priced consistent with these risks. Credit and residual risks, as well as liquidity risk, are discussed above in Item 7. A discussion of Ford Credit's market risks (interest rate risk and foreign currency risk) is included below.

Interest Rate Risk. Ford Credit is exposed to interest rate risk to the extent that its assets and the related debt have different re-pricing periods, and consequently, respond differently to changes in interest rates.

Ford Credit's assets consist primarily of fixed-rate retail installment sale and lease contracts and floating-rate wholesale receivables. Fixed-rate retail installment sale and lease contracts are originated principally with maturities ranging between two and six years and generally require customers to make equal monthly payments over the life of the contract. Wholesale receivables are originated to finance new and used vehicles held in dealers' inventory and generally require dealers to pay a floating rate.

Debt consists primarily of securitizations and short- and long-term unsecured debt. In the case of unsecured term debt, and in an effort to have funds available throughout business cycles, Ford Credit may borrow at terms longer than the terms of its assets, in most instances with maturities up to ten years. These debt instruments are principally fixed-rate and require fixed and equal interest payments over the life of the instrument and a single principal payment at maturity.

Ford Credit's interest rate risk management objective is to reduce volatility in its cash flows and volatility in its economic value from changes in interest rates based on an established risk tolerance.

Ford Credit uses economic value sensitivity analysis and re-pricing gap analysis to evaluate potential long-term effects of changes in interest rates. It then enters into interest rate swaps to convert portions of its floating-rate debt to fixed or its fixed-rate debt to floating to ensure that Ford Credit's exposure falls within the established tolerances. Ford Credit also uses pre-tax cash flow sensitivity analysis to monitor the level of near-term cash flow exposure. The pre-tax cash flow sensitivity analysis measures the changes in expected cash flows associated with Ford Credit's interest-rate-sensitive assets, liabilities, and derivative financial instruments from hypothetical changes in interest rates over a twelve-month horizon. Ford Credit's Asset-Liability Committee reviews the re-pricing mismatch and exposure every month and approves interest rate swaps required to maintain exposure within approved thresholds prior to execution.

To provide a quantitative measure of the sensitivity of its pre-tax cash flow to changes in interest rates, Ford Credit uses interest rate scenarios that assume a hypothetical, instantaneous increase or decrease of one percentage point in

all interest rates, across all maturities (a "parallel shift"), as well as a base case that assumes that all interest rates remain constant at existing levels. In reality, interest rate changes are rarely instantaneous or parallel and rates could move more or less than the one percentage point assumed in Ford Credit's analysis. As a result, the actual impact to pre-tax cash flow could be higher or lower than the results detailed in the table below. These interest rate scenarios are purely hypothetical and do not represent Ford Credit's view of future interest rate movements.

Under these interest rate scenarios, Ford Credit expects more assets than debt and liabilities to re-price in the next twelve months. Other things being equal, this means that during a period of rising interest rates, the interest earned on Ford Credit’s assets will increase more than the interest paid on Ford Credit’s debt, thereby initially increasing Ford Credit’s pre-tax cash flow. During a period of falling interest rates, Ford Credit would expect its pre-tax cash flow to initially decrease. Ford Credit’s pre-tax cash flow sensitivity to interest rate movement is highlighted in the table below.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk (Continued)

Pre-tax cash flow sensitivity as of year-end 2013 and 2012 was as follows (in millions):

	Pre-Tax Cash Flow Sensitivity (given a one percentage point instantaneous increase in interest rates)	Pre-Tax Cash Flow Sensitivity (given a one percentage point instantaneous decrease in interest rates) (a)
December 31, 2013	$63	$(63)
December 31, 2012	77	(77)

(a) Pre-tax cash flow sensitivity given a one percentage point decrease in interest rates requires an assumption of negative interest rates in markets where existing interest rates are below one percent.

While the sensitivity analysis presented is Ford Credit's best estimate of the impacts of the specified assumed interest rate scenarios, its actual results could differ from those projected. The model Ford Credit uses to conduct this analysis is heavily dependent on assumptions. Embedded in the model are assumptions regarding the reinvestment of maturing asset principal, refinancing of maturing debt, replacement of maturing derivatives, exercise of options embedded in debt and derivatives, and predicted repayment of retail installment sale and lease contracts ahead of contractual maturity. Ford Credit's repayment projections ahead of contractual maturity are based on historical experience. If interest rates or other factors change, Ford Credit's actual prepayment experience could be different than projected.

Foreign Currency Risk. Ford Credit's policy is to minimize exposure to changes in currency exchange rates. To meet funding objectives, Ford Credit borrows in a variety of currencies, principally U.S. dollars, Canadian dollars, Euros and Pound Sterling. Ford Credit faces exposure to currency exchange rates if a mismatch exists between the currency of receivables and the currency of the debt funding those receivables. When possible, receivables are funded with debt in the same currency, minimizing exposure to exchange rate movements. When a different currency is used, Ford Credit may use foreign currency swaps and foreign currency forwards to convert substantially all of its foreign currency debt obligations to the local country currency of the receivables. As a result of this policy, Ford Credit believes its market risk exposure relating to changes in currency exchange rates is insignificant.

Derivative Fair Values. The net fair value of Ford Credit's derivative financial instruments as of December 31, 2013 was an asset of $79 million, compared to an asset of $856 million as of December 31, 2012.

ITEM 8. Financial Statements and Supplementary Data.

The Report of Independent Registered Public Accounting Firm, our Financial Statements, the accompanying Notes to the Financial Statements, and the Financial Statement Schedule that are filed as part of this Report are listed under "Item 15. Exhibits and Financial Statement Schedules" and are set forth beginning on page FS-1 immediately following the signature pages of this Report.

Selected quarterly financial data for 2013 and 2012 are provided in Note 28 of the Notes to the Financial Statements.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

ITEM 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. Alan Mulally, our Chief Executive Officer ("CEO"), and Bob Shanks, our Chief Financial Officer ("CFO"), have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of December 31, 2013, and each has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by SEC rules and forms, and that such information is accumulated and communicated to the CEO and CFO to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013. The assessment was based on criteria established in the framework Internal Control - Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report included herein.

Changes in Internal Control over Financial Reporting. During the fourth quarter of 2013, we launched the second phase of a new treasury management system by replacing the legacy system for managing cash equivalents and marketable securities. In subsequent periods, the remaining phases of the treasury management system will be launched.

ITEM 9B. Other Information.

None.

PART III.

ITEM 10. Directors, Executive Officers of Ford, and Corporate Governance.

The information required by Item 10 regarding our directors is incorporated by reference from the information under the captions “Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Management Stock Ownership” in our Proxy Statement. The information required by Item 10 regarding our executive officers appears as Item 4A under Part I of this Report. The information required by Item 10 regarding an audit committee financial expert is incorporated by reference from the information under the caption “Corporate Governance” in our Proxy Statement. The information required by Item 10 regarding the members of our Audit Committee of the Board of Directors is incorporated by reference from the information under the caption “Corporate Governance—Board Committees,” “Board Committee Membership,” and “ Audit Committee Financial Expert and Auditor Rotation” in our Proxy Statement. The information required by Item 10 regarding the Audit Committee’s review and discussion of the audited financial statements is incorporated by reference from information under the caption “Audit Committee Report” in our Proxy Statement. The information required by Item 10 regarding our codes of ethics is incorporated by reference from the information under the caption “Corporate Governance” in our Proxy Statement. In addition, we have included in Item 1 instructions for how to access our codes of ethics on our website and our Internet address. Amendments to, and waivers granted under, our Code of Ethics for Senior Financial Personnel, if any, will be posted to our website as well.

ITEM 11. Executive Compensation.

The information required by Item 11 is incorporated by reference from the information under the following captions in our Proxy Statement: “Director Compensation,” “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Compensation Committee Interlocks and Insider Participation,” “Compensation of Executive Officers,” “Summary Compensation Table,” “Grants of Plan-Based Awards in 2013,” “Outstanding Equity Awards at 2013 Fiscal Year-End,” “Option Exercises and Stock Vested in 2013,” “Pension Benefits in 2013,” “Nonqualified Deferred Compensation in 2013,” and “Potential Payments Upon Termination or Change in Control.”

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 is incorporated by reference from the information under the captions “Equity Compensation Plan Information” and “Management Stock Ownership” in our Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 is incorporated by reference from the information under the captions “Certain Relationships and Related Transactions” and “Corporate Governance—Independence of Directors and Relevant Facts and Circumstances” in our Proxy Statement.

ITEM 14. Principal Accounting Fees and Services.

The information required by Item 14 is incorporated by reference from the information under the caption “Audit Committee Report” in our Proxy Statement.

PART IV.

ITEM 15. Exhibits and Financial Statement Schedules.

(a) 1. Financial Statements – Ford Motor Company and Subsidiaries

The following are contained in this 2013 Form 10-K Report:

- Report of Independent Registered Public Accounting Firm.
- Consolidated Income Statement and Sector Income Statement for the years ended December 31, 2013, 2012, and 2011.
- Consolidated Statement of Comprehensive Income for the years ended December 31, 2013, 2012, and 2011.
- Consolidated Balance Sheet and Sector Balance Sheet at December 31, 2013 and 2012.
- Consolidated Statement of Cash Flows and Sector Statement of Cash Flows for the years ended December 31, 2013, 2012, and 2011.
- Consolidated Statement of Equity for the years ended December 31, 2013, 2012, and 2011.
- Notes to the Financial Statements.

The Report of Independent Registered Public Accounting Firm, the Consolidated and Sector Financial Statements, and the Notes to the Financial Statements listed above are filed as part of this Report and are set forth beginning on page FS-1 immediately following the signature pages of this Report.

(a) 2. Financial Statement Schedules

Designation	Description
Schedule II	Valuation and Qualifying Accounts

Schedule II is filed as part of this Report and is set forth on page FSS-1 immediately following the Notes to the Financial Statements referred to above. The other schedules are omitted because they are not applicable, the information required to be contained in them is disclosed elsewhere on our Consolidated and Sector Financial Statements or the amounts involved are not sufficient to require submission.

(a) 3. Exhibits

Designation	Description	Method of Filing
Exhibit 3-A	Restated Certificate of Incorporation, dated August 2, 2000.	