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Operating Highlights

Revenues	2012	2011
Worldwide wholesale unit volumes by automotive segment (in thousands)		
Ford North America	2,784	2,686
Ford South America	498	506
Ford Europe	1,353	1,602
Ford Asia Pacific Africa	1,033	901
Total	5,668	5,695
Revenues (In millions)		
Automotive	\$ 128,567	\$ 128,168
Financial Services	7,685	8,096
Total	\$ 134,252	\$ 136,264
Financial Results		
Income before income taxes (in millions)		
Automotive	\$ 6,010	\$ 6,250
Financial Services	1,710	2,431
Total	\$ 7,720	\$ 8,681
Amounts Attributable to Ford Motor Company		
Net income (in millions)	\$ 5,665	\$ 20,213
Diluted net income per share of Common and Class B Stock	\$ 1.42	\$ 4.94
Cash and Spending		
Automotive capital expenditures		
Amount (in billions)	\$ 5.5	\$ 4.3
As a percentage of Automotive sales	4.3%	3.3%
Automotive cash at year end (in billions)		
Automotive gross cash (a)	\$ 24.3	\$ 22.9
– Cash net of Automotive debt	10.0	9.8
Shareholder Value		
Dividends paid per share	\$ 0.20	\$ 0.00
Total shareholder returns % (b)	23%	(36)%

(a) Automotive gross cash includes cash and cash equivalents and net marketable securities.
 (b) Source: Standard & Poor's, a division of the McGraw Hill Companies, Inc.

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On the Cover

The One Ford plan enables accelerated development of products that customers truly want and value, resulting in a full-line of cars, utilities and trucks that meet and exceed owner expectations across global markets. The upper photo includes the stylish Ford Focus hatchback, the sporty subcompact Fiesta ST and the distinctive Escape utility vehicle. From left to right, lower photos illustrate the innovative new Lincoln MKZ, the family-friendly Ford B-MAX and the iconic F-150 pickup truck.

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FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(in millions, except per share amounts)

	For the years ended December 31,		
	2012	2011	2010
Revenues			
Automotive	\$ 126,567	\$ 128,168	\$ 119,280
Financial Services	7,685	8,096	9,674
Total revenues	134,252	136,264	128,954
Costs and expenses			
Automotive cost of sales	112,578	113,345	104,451
Selling, administrative, and other expenses	12,182	11,578	11,909
Financial Services interest expense	3,115	3,614	4,345
Financial Services provision for credit and insurance losses	86	(33)	(216)
Total costs and expenses	127,961	128,504	120,489
Automotive interest expense	713	817	1,807
Automotive interest income and other income/(loss), net (Note 21)	1,185	825	(362)
Financial Services other income/(loss), net (Note 21)	369	413	315
Equity in net income/(loss) of affiliated companies	588	500	538
Income before income taxes	7,720	8,681	7,149
Provision for/(Benefit from) income taxes (Note 24)	2,056	(11,541)	592
Net income	5,664	20,222	6,557
Less: Income/(Loss) attributable to noncontrolling interests	(1)	9	(4)
Net income attributable to Ford Motor Company	\$ 5,665	\$ 20,213	\$ 6,561

AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 26)

Basic income	\$ 1.48	\$ 5.33	\$ 1.90
Diluted income	\$ 1.42	\$ 4.94	\$ 1.66
Cash dividends declared	\$ 0.15	\$ 0.05	\$ —

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the years ended December 31,		
	2012	2011	2010
Net income	\$ 5,664	\$ 20,222	\$ 6,557
Other comprehensive income/(loss), net of tax (Note 20)			
Foreign currency translation	142	(720)	(2,234)
Derivative instruments	6	(152)	(24)
Pension and other postretirement benefits	(4,268)	(3,553)	(1,190)
Net holding gain/(loss)	—	2	(2)
Total other comprehensive income/(loss), net of tax	(4,120)	(4,423)	(3,450)
Comprehensive income	1,544	15,799	3,107
Less: Comprehensive income/(loss) attributable to noncontrolling interests	(1)	7	(5)
Comprehensive income attributable to Ford Motor Company	\$ 1,545	\$ 15,792	\$ 3,112

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in millions)

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	December 31, 2012	December 31, 2011
ASSETS:		
Cash and cash equivalents	\$ 15,659	\$ 17,148
Marketable securities (Note 6)	20,284	18,618
Finance receivables, net (Note 7)	71,510	69,976
Other receivables, net	10,828	8,565
Net investment in operating leases (Note 8)	16,451	12,838
Inventories (Note 10)	7,362	5,901
Equity in net assets of affiliated companies (Note 11)	3,246	2,936
Net property (Note 13)	24,942	22,371
Deferred income taxes (Note 24)	15,185	15,125
Net intangible assets (Note 14)	87	100
Other assets	5,000	4,770
Total assets	\$ 190,554	\$ 178,348
LIABILITIES		
Payables	\$ 19,308	\$ 17,724
Accrued liabilities and deferred revenue (Note 15)	49,407	45,369
Debt (Note 17)	105,058	99,488
Deferred income taxes (Note 24)	470	696
Total liabilities	174,243	163,277
Redeemable noncontrolling interest (Note 19)	322	—
EQUITY		
Capital stock (Note 26)		
Common Stock, par value \$.01 per share (3,875 million shares issued)	39	37
Class B Stock, par value \$.01 per share (71 million shares issued)	1	1
Capital in excess of par value of stock	20,976	20,905
Retained earnings	18,077	12,985
Accumulated other comprehensive income/(loss) (Note 20)	(22,854)	(18,734)
Treasury stock	(292)	(166)
Total equity attributable to Ford Motor Company	15,947	15,028
Equity attributable to noncontrolling interests	42	43
Total equity	15,989	15,071
Total liabilities and equity	\$ 190,554	\$ 178,348

The following table includes assets to be used to settle liabilities of the consolidated variable interest entities ("VIEs"). These assets and liabilities are included in the consolidated balance sheet above. See Note 12 for additional information on our VIEs.

	December 31, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	\$ 2,911	\$ 3,402
Finance receivables, net	47,515	49,795
Net investment in operating leases	6,308	6,354
Other assets	4	157
LIABILITIES		
Accrued liabilities and deferred revenue	134	97
Debt	40,245	41,421

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)

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	For the years ended December 31,		
	2012	2011	2010
Cash flows from operating activities of continuing operations			
Net cash provided by/(used in) operating activities	\$ 9,045	\$ 9,784	\$ 11,477
Cash flows from investing activities of continuing operations			
Capital expenditures	(5,488)	(4,293)	(4,092)
Acquisitions of retail and other finance receivables and operating leases	(39,208)	(35,866)	(28,873)
Collections of retail and other finance receivables and operating leases	32,333	33,964	37,757
Purchases of securities	(95,135)	(68,723)	(100,150)
Sales and maturities of securities	93,749	70,795	101,077
Cash change due to initial consolidation of businesses	191	—	94
Proceeds from sale of business	66	333	1,318
Settlements of derivatives	(737)	353	(37)
Elimination of cash balances upon disposition of discontinued/hold-for-sale operations	—	(69)	(456)
Other	(61)	465	270
Net cash provided by/(used in) investing activities	(14,290)	(3,041)	6,908
Cash flows from financing activities of continuing operations			
Cash dividends	(763)	—	—
Purchases of Common Stock	(125)	—	—
Sales of Common Stock	—	—	1,339
Changes in short-term debt	1,208	2,841	(1,754)
Proceeds from issuance of other debt	32,436	35,921	30,821
Principal payments on other debt	(29,210)	(43,095)	(47,625)
Payments on notes/transfer of cash equivalents to the UAW Voluntary Employee Benefit Association ("VEBA") Trust	—	—	(7,302)
Other	159	92	100
Net cash provided by/(used in) financing activities	3,705	(4,241)	(24,421)
Effect of exchange rate changes on cash and cash equivalents	51	(159)	(53)
Net increase/(decrease) in cash and cash equivalents	\$ (1,489)	\$ 2,343	\$ (6,089)
Cash and cash equivalents at January 1	\$ 17,148	\$ 14,805	\$ 20,894
Net increase/(decrease) in cash and cash equivalents	(1,489)	2,343	(6,089)
Cash and cash equivalents at December 31	\$ 15,659	\$ 17,148	\$ 14,805

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
(in millions)

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	Equity/(Deficit) Attributable to Ford Motor Company							Total Equity/ (Deficit)
	Capital Stock	Cap. in Excess of Par Value of Stock	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss) (Note 20)	Treasury Stock	Total	Equity/ (Deficit) Attributable to Non- controlling Interests	
Balance at December 31, 2009	\$ 34	\$16,786	\$ (13,599)	\$ (10,864)	\$ (177)	\$ (7,820)	\$ 38	\$ (7,782)
Net income	—	—	6,561	—	—	6,561	(4)	6,557
Other comprehensive income/(loss), net of tax	—	—	—	(3,449)	—	(3,449)	(1)	(3,450)
Common stock issued (including share- based compensation impacts)	4	4,017	—	—	—	4,021	—	4,021
Treasury stock/other	—	—	—	—	14	14	—	14
Cash dividends declared	—	—	—	—	—	—	(2)	(2)
Balance at December 31, 2010	<u>\$ 38</u>	<u>\$20,803</u>	<u>\$ (7,038)</u>	<u>\$ (14,313)</u>	<u>\$ (163)</u>	<u>\$ (673)</u>	<u>\$ 31</u>	<u>\$ (642)</u>
Balance at December 31, 2010	\$ 38	\$20,803	\$ (7,038)	\$ (14,313)	\$ (163)	\$ (673)	\$ 31	\$ (642)
Net income	—	—	20,213	—	—	20,213	9	20,222
Other comprehensive income/(loss), net of tax	—	—	—	(4,421)	—	(4,421)	(2)	(4,423)
Common stock issued (including share- based compensation impacts)	—	102	—	—	—	102	—	102
Treasury stock/other	—	—	—	—	(3)	(3)	5	2
Cash dividends declared	—	—	(190)	—	—	(190)	—	(190)
Balance at December 31, 2011	<u>\$ 38</u>	<u>\$20,905</u>	<u>\$ 12,985</u>	<u>\$ (18,734)</u>	<u>\$ (166)</u>	<u>\$ 15,028</u>	<u>\$ 43</u>	<u>\$ 15,071</u>
Balance at December 31, 2011	\$ 38	\$20,905	\$ 12,985	\$ (18,734)	\$ (166)	\$ 15,028	\$ 43	\$ 15,071
Net income	—	—	5,665	—	—	5,665	(1)	5,664
Other comprehensive income/(loss), net of tax	—	—	—	(4,120)	—	(4,120)	—	(4,120)
Common stock issued (including share- based compensation impacts)	2	71	—	—	—	73	—	73
Treasury stock/other	—	—	—	—	(126)	(126)	—	(126)
Cash dividends declared	—	—	(573)	—	—	(573)	—	(573)
Balance at December 31, 2012	<u>\$ 40</u>	<u>\$20,976</u>	<u>\$ 18,077</u>	<u>\$ (22,854)</u>	<u>\$ (292)</u>	<u>\$ 15,947</u>	<u>\$ 42</u>	<u>\$ 15,989</u>

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 6. MARKETABLE AND OTHER SECURITIES

We hold various investments classified as marketable securities, including U.S. government and non-U.S. government securities, securities issued by non-U.S. government agencies, corporate obligations and equities, and asset-backed securities.

We record marketable securities at fair value. Realized and unrealized gains and losses and interest income are recorded in *Automotive interest income and other income/(expense), net* and *Financial Services other income/(loss), net*. Realized gains and losses are measured using the specific identification method.

Investments in Marketable Securities

Investments in marketable securities were as follows (in millions):

	December 31, 2012		December 31, 2011	
	Fair Value	Unrealized Gains/ (Losses) (a)	Fair Value	Unrealized Gains/ (Losses) (a)
Automotive sector	\$ 18,178	\$ 52	\$ 14,984	\$ (93)
Financial Services sector	2,106	6	3,835	(9)
Intersector elimination (b)	—	—	(201)	—
Total Company	\$ 20,284	\$ 58	\$ 18,618	\$ (102)

(a) Unrealized gains/(losses) for period related to instruments still held.

(b) "Fair Value" reflects an investment in Ford Credit debt securities shown at a carrying value of \$201 million (estimated fair value of which was \$201 million) at December 31, 2011. This investment matured in 2012.

Other Securities

Investments in entities that we do not control and over which we do not have the ability to exercise significant influence are recorded at cost and included in *Other assets*. These cost method investments were as follows (in millions):

	December 31, 2012	December 31, 2011
Automotive sector	\$ 21	\$ 21
Financial Services sector	5	5
Total Company	\$ 26	\$ 26

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. INVENTORIES

All inventories are stated at the lower of cost or market. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out ("LIFO") basis. LIFO was used for approximately 18% and 17% of total inventories at December 31, 2012 and 2011, respectively. Cost of other inventories is determined by costing methods that approximate a first-in, first-out ("FIFO") basis.

Inventories were as follows (in millions):

	December 31, 2012	December 31, 2011
Raw materials, work-in-process, and supplies	\$ 3,697	\$ 2,847
Finished products	4,614	3,982
Total inventories under FIFO	8,311	6,829
Less: LIFO adjustment	(949)	(928)
Total inventories	\$ 7,362	\$ 5,901

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 13. NET PROPERTY AND LEASE COMMITMENTS

Net Property

Net property includes land, buildings and land improvements, machinery and equipment, special tools, and other assets that we use in our normal operations. These assets are recorded at cost, net of accumulated depreciation and impairments. We capitalize new assets when we expect to use the asset for more than one year. Routine maintenance and repair costs are expensed when incurred.

Property and equipment are depreciated primarily using the straight-line method over the estimated useful life of the asset. Useful lives range from 3 years to 36 years. The estimated useful lives generally are 14.5 years for machinery and equipment, 3 years for software (8 years for mainframe and client based software), 30 years for land improvements, and 36 years for buildings. Special tools generally are amortized over the expected life of a product program using a straight-line method. If the expected production volumes for major product programs associated with the tools decline significantly, we accelerate the amortization reflecting the rate of decline.

Net property was as follows (in millions):

	December 31, 2012	December 31, 2011
Automotive Sector		
Land	\$ 423	\$ 384
Buildings and land improvements	10,249	10,129
Machinery, equipment and other	35,040	34,363
Software	1,813	1,917
Construction in progress	1,783	1,311
Total land, plant and equipment and other	49,308	48,104
Accumulated depreciation	(32,835)	(32,874)
Net land, plant and equipment and other	16,473	15,230
Special tools, net of amortization	8,340	6,999
Total Automotive sector	24,813	22,229
Financial Services sector (a)	129	142
Total Company	\$ 24,942	\$ 22,371

(a) Included in Financial Services other assets on our sector balance sheet.

Automotive sector property-related expenses for the years ended December 31 were as follows (in millions):

	2012	2011	2010
Depreciation and other amortization	\$ 1,794	\$ 1,759	\$ 1,956
Amortization of special tools	1,861	1,774	1,920
Total	\$ 3,655	\$ 3,533	\$ 3,876
Maintenance and rearrangement	\$ 1,352	\$ 1,431	\$ 1,397

~~Conditional Asset Retirement Obligations~~

~~We accrue for costs related to legal obligations to perform certain activities in connection with the retirement, abandonment, or disposal of our assets for which the fair value can be reasonably estimated. These conditional asset retirement obligations relate to the estimated costs for asbestos abatement and removal of polychlorinated biphenyl ("PCB").~~

~~Asbestos abatement costs were estimated using site-specific surveys where available and a per/square foot estimate where surveys were unavailable. PCB removal costs were based on historical removal costs per transformer and applied to transformers identified by a PCB transformer global survey we conducted.~~

FORD MOTOR COMPANY AND SUBSIDIARIES
 NOTES TO THE FINANCIAL STATEMENTS

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NOTE 26. CAPITAL STOCK AND AMOUNTS PER SHARE

All general voting power is vested in the holders of Common Stock and Class B Stock. Holders of our Common Stock have 60% of the general voting power and holders of our Class B Stock are entitled to such number of votes per share as will give them the remaining 40%. Shares of Common Stock and Class B Stock share equally in dividends when and as paid, with stock dividends payable in shares of stock of the class held.

If liquidated, each share of Common Stock will be entitled to the first \$0.50 available for distribution to holders of Common Stock and Class B Stock, each share of Class B Stock will be entitled to the next \$1.00 so available, each share of Common Stock will be entitled to the next \$0.50 so available and each share of Common and Class B Stock will be entitled to an equal amount thereafter.

We present both basic and diluted earnings per share ("EPS") amounts in our financial reporting. EPS is computed independently each quarter for income from continuing operations, income from discontinued operations, and net income; as a result, the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amount for net earnings. Basic EPS excludes dilution and is computed by dividing income available to Common and Class B Stock holders by the weighted-average number of Common and Class B Stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur if all of our equity-linked securities and other share-based compensation, including stock options, warrants, and rights under our convertible notes, were exercised. Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

Warrants

As part of the transfer of assets to the UAW VEBA Trust on December 31, 2009, we issued warrants to purchase 362,391,305 shares of Ford Common Stock at an exercise price of \$9.20 per share, which was subsequently adjusted to \$9.01 per share. On April 6, 2010, the UAW VEBA Trust sold all such warrants to parties unrelated to us. In connection with the sale, the terms of the warrants were modified to provide for, among other things, net share settlement as the only permitted settlement method thereby eliminating full physical settlement as an option, and elimination of certain of the transfer restrictions applicable to the underlying stock. We received no proceeds from the offering.

The warrants expired by their terms on January 1, 2013. By the deadline for exercise of December 31, 2012, 362 million warrants were exercised on a net share settlement basis. This resulted in the issuance of 106 million shares of Common Stock, of which 72 million shares were issued on January 8, 2013 in settlement of exercises that took place during the last four trading days of 2012. Because we were obligated in 2012 to issue the shares, all 106 million shares issued for warrant exercises are reflected on our consolidated and sector balance sheets as being outstanding at December 31, 2012. No warrants are presently outstanding.

Dividend Declaration

On January 10, 2013, our Board of Directors declared a first quarter 2013 dividend on our Common and Class B Stock of \$0.10 per share payable on March 1, 2013 to stockholders of record on January 30, 2013.

Effect of Dividends on Convertible Notes

As a result of dividends totaling \$0.20 per share (\$0.05 per share in each quarter of 2012) paid on our Common Stock, the conversion rates for our outstanding convertible notes (see Note 17) have been adjusted pursuant to their terms as follows:

Security	Conversion Rate - Shares of Ford Common Stock for Each \$1,000 Principal Amount		
	In Effect At January 1, 2012	After Adjustment Effective August 1, 2012	After Adjustment Effective November 9, 2012
4.25% Senior Convertible Notes Due November 15, 2016	107.5269 shares	109.3202 shares	109.8554 shares
	In Effect At January 1, 2012	After Adjustment Effective August 6, 2012	After Adjustment Effective December 15, 2012
4.25% Senior Convertible Notes Due December 15, 2036	108.6957 shares	110.5085 shares	114.0495 shares

**FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

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NOTE 26. CAPITAL STOCK AND AMOUNTS PER SHARE (Continued)

Amounts Per Share Attributable to Ford Motor Company Common and Class B Stock

Basic and diluted income per share were calculated using the following (in millions):

	2012	2011	2010
Basic and Diluted Income Attributable to Ford Motor Company			
Basic income from continuing operations	\$ 5,665	\$ 20,213	\$ 6,561
Effect of dilutive 2016 Convertible Notes (a)	46	64	173
Effect of dilutive 2036 Convertible Notes (a)	2	2	37
Effect of dilutive Trust Preferred Securities (a) (b)	—	40	182
Diluted Income from continuing operations	<u>\$ 5,713</u>	<u>\$ 20,319</u>	<u>\$ 6,953</u>
Basic and Diluted Shares (c)			
Basic shares (average shares outstanding)	3,815	3,793	3,449
Net dilutive options and warrants	101	187	217
Dilutive 2016 Convertible Notes	96	95	291
Dilutive 2036 Convertible Notes	3	3	58
Dilutive Trust Preferred Securities (b)	—	33	163
Diluted shares	<u>4,015</u>	<u>4,111</u>	<u>4,178</u>

- (a) As applicable, includes interest expense, amortization of discount, amortization of fees, and other changes in income or loss that would result from the assumed conversion.
- (b) The Trust Preferred Securities, which were convertible into Ford Common Stock, were fully redeemed on March 15, 2011.
- (c) Includes (i) 53 million in average net dilutive shares for 2012 for warrants outstanding prior to exercise and (ii) 9 million in average basic shares outstanding for 2012 for shares issued for warrants exercised. In total, by the deadline for exercise of December 31, 2012, 362 million warrants were exercised on a net share settlement basis, resulting in the issuance of 106 million shares.

**FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

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NOTE 30. SELECTED QUARTERLY FINANCIAL DATA (unaudited)

Selected financial data by calendar quarter were as follows (in millions, except per share amounts):

	2012				2011			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Automotive Sector								
Revenues	\$ 30,525	\$ 31,328	\$ 30,247	\$ 34,467	\$ 31,038	\$ 33,476	\$ 31,043	\$ 32,611
Income before income taxes	1,582	1,148	1,858	1,422	2,070	2,004	1,241	935
Financial Services Sector								
Revenues	1,920	1,883	1,925	1,957	2,076	2,051	2,004	1,965
Income before income taxes	455	447	388	419	706	602	605	518
Total Company								
Income before income taxes	2,038	1,595	2,246	1,841	2,776	2,606	1,846	1,453
Amounts Attributable to Ford Motor Company Common and Class B Shareholders								
Net income	1,396	1,040	1,631	1,598	2,551	2,398	1,649	13,615
Common and Class B per share from income from continuing operations before cumulative effects of changes in accounting principles								
Basic	0.37	0.27	0.43	0.42	0.68	0.63	0.43	3.58
Diluted	0.35	0.25	0.41	0.40	0.61	0.59	0.41	3.40

Certain of the quarterly results identified above include material unusual or infrequently occurring items as follows:

The pre-tax income of \$1.8 billion in the fourth quarter of 2012 includes 1) a \$250 million unfavorable item related to the U.S. salaried lump sum pension buyout program (see Note 16), and 2) a \$625 million gain related to the reorganization of our equity investment in CFMA (see Note 25).

The pre-tax income of \$1.5 billion in the fourth quarter of 2011 includes a \$401 million gain related to the sale of our Russian operations to the newly-created FordSollers joint venture, which began operations on October 1, 2011.

The net income attributable to Ford Motor Company of \$13.6 billion in the fourth quarter of 2011 includes a \$12.4 billion favorable item, reflecting the release of almost all of the valuation allowance against our net deferred tax assets.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 31. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies consist primarily of guarantees and indemnifications, litigation and claims, and warranty.

Guarantees are recorded at fair value at the inception of the guarantee. Litigation and claims are accrued when losses are deemed probable and reasonably estimable.

Estimated warranty costs and additional service actions are accrued for at the time the vehicle is sold to a dealer, including costs for basic warranty coverage on vehicles sold, product recalls, and other customer service actions. Fees or premiums for the issuance of extended service plans are recognized in income over the contract period in proportion to the costs expected to be incurred in performing services under the contract.

Guarantees

At December 31, 2012 and December 31, 2011, the following guarantees and indemnifications were issued and outstanding:

Guarantees related to affiliates and third parties. We guarantee debt and lease obligations of certain joint ventures, as well as certain financial obligations of outside third parties, including suppliers, to support our business and economic growth. Expiration dates vary through 2019, and guarantees will terminate on payment and/or cancellation of the obligation. A payment by us would be triggered by failure of the joint venture or other third party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from the third party amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full, and may be limited in the event of insolvency of the third party or other circumstances. The maximum potential payments under guarantees and the carrying value of recorded liabilities related to guarantees were as follows (in millions):

	December 31, 2012	December 31, 2011
Maximum potential payments	\$ 409	\$ 444
Carrying value of recorded liabilities related to guarantees	17	31

We regularly review our performance risk under these guarantees, which has resulted in no changes to our initial valuations.

Indemnifications. In the ordinary course of business, we execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction, such as the sale of a business. These indemnifications might include and are not limited to claims relating to any of the following: environmental, tax, and shareholder matters; intellectual property rights; power generation contracts; governmental regulations and employment-related matters; dealers, supplier, and other commercial contractual relationships; and financial matters, such as securitizations. Performance under these indemnities generally would be triggered by a breach of terms of the contract or by a third-party claim. We also are party to numerous indemnifications which do not limit potential payment; therefore, we are unable to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

Litigation and Claims

Various legal actions, proceedings, and claims (generally, "matters") are pending or may be instituted or asserted against us. These include but are not limited to matters arising out of alleged defects in our products; product warranties; governmental regulations relating to safety, emissions, and fuel economy or other matters; government incentives; tax matters; alleged illegal acts resulting in fines or penalties; financial services; employment-related matters; dealer, supplier, and other contractual relationships; intellectual property rights; environmental matters; shareholder or investor matters; and financial reporting matters. Certain of the pending legal actions are, or purport to be, class actions. Some of the matters involve or may involve claims for compensatory, punitive, or antitrust or other treble damages in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions, loss of government incentives, assessments, or other relief, which, if granted, would require very large expenditures.

The extent of our financial exposure to these matters is difficult to estimate. Many matters do not specify a dollar amount for damages, and many others specify only a jurisdictional minimum. To the extent an amount is asserted, our historical experience suggests that in most instances the amount asserted is not a reliable indicator of the ultimate outcome.

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NOTE 31. COMMITMENTS AND CONTINGENCIES (Continued)

In evaluating for accrual and disclosure purposes matters filed against us, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of our prevailing, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time.

For the majority of matters, which generally arise out of alleged defects in our products, we establish an accrual based on our extensive historical experience with similar matters, and we do not believe that there is a reasonably possible outcome materially in excess of our accrual.

For the remaining matters, where our historical experience with similar matters is of more limited value (i.e., "non-pattern matters"), we evaluate matters primarily based on the individual facts and circumstances. For non-pattern matters, we evaluate whether there is a reasonable possibility of a material loss in excess of any accrual that can be estimated. Our estimate of reasonably possible loss in excess of our accruals for all material matters currently reflects non-U.S. indirect tax matters, for which we estimate this aggregate risk to be a range of up to about \$2.3 billion.

As noted, the litigation process is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Our assessments are based on our knowledge and experience, but the ultimate outcome of any matter could require payment substantially in excess of the amount that we have accrued and/or disclosed.

Warranty

Included in warranty cost accruals are the costs for basic warranty coverages and field service actions (i.e., product recalls and owner notification programs) on products sold. These costs are estimates based primarily on historical warranty claim experience. Warranty accruals accounted for in *Accrued liabilities and deferred revenue* for the years ended December 31 were as follows (in millions):

	2012	2011
Beginning balance	\$ 3,915	\$ 3,855
Payments made during the period	(2,254)	(2,799)
Changes in accrual related to warranties issued during the period	1,885	2,215
Changes in accrual related to pre-existing warranties	49	690
Foreign currency translation and other	61	(46)
Ending balance	<u>\$ 3,656</u>	<u>\$ 3,915</u>

Excluded from the table above are costs accrued for customer satisfaction actions.

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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, 2012. The assessment was based on criteria established in the framework *Internal Control - Integrated Framework*, 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, 2012.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report included herein.

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New York Stock Exchange Required Disclosures

On June 1, 2012, Ford's Chief Executive Officer certified that he was not aware of any violation by the Company of the New York Stock Exchange Corporate Governance listing standards, other than has been notified to the Exchange pursuant to Section 303A.12(b), of which there was none.

Market for Common Equity and Related Stockholder Matters.

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 2011 and 2012:

Ford Common Stock price per share (a)	2011				2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	\$ 18.97	\$ 16.18	\$ 14.22	\$ 12.65	\$ 13.05	\$ 12.95	\$ 10.66	\$ 13.08
Low	13.75	12.65	9.32	9.05	10.99	9.46	8.82	9.71
Dividends per share of Ford Common and Class B Stock	\$ —	\$ —	\$ —	\$ —	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05

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

As of February 1, 2013, stockholders of record of Ford included approximately 151,240 holders of Common Stock and 66 holders of Class B Stock.