



## Economy

During 2008 we:

- Made progress on our restructuring plan
- Modified our UAW agreement
- Continued to improve vehicle quality

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Ford Motor Company has a broad range of economic impacts. Our success as a company directly affects millions of employees, dealers, investors and suppliers. We also have indirect economic impacts on the hundreds of communities in which we operate worldwide.

To sustain our Company, meet our responsibilities and contribute to tackling global sustainability issues, we are continuing to implement our restructuring plan, aligning all of our global operations to focus on four key priorities:

- Aggressively restructure to operate profitably at the current demand and changing model mix
- Accelerate the development of new products our customers want and value
- Finance our plan and improve our balance sheet
- Work together effectively as one team

This section first briefly discusses the current business environment, highlights of our recent progress and our materiality analysis. The bulk of the section then addresses our financial recovery plan, including our progress in implementing the above four priorities. (Note that the risks and competitive factors discussed in our Annual Report on [Form 10-K](#) may affect the implementation of these plans). The section also includes information on investor feedback and ratings and Ford Motor Credit Company, as well as two case studies: one on the automotive industry's impact on the U.S. economy and one on the new Ford Fusion Hybrid.

### Assessing Materiality

The [materiality analysis](#) used to shape this report confirmed that the Company and stakeholders alike have a high level of concern about Ford's financial condition.

Within this broad topic, the issue of managing downsizing is of concern to a range of stakeholders, particularly in terms of its impact on employees and communities. There is also interest in the impact of Ford's legacy costs and current health care costs on the Company's profitability, and related interest in Ford's participation in public policy concerning health care reform. How Ford has managed downsizing and the Company's new approach to post-retirement health care costs are discussed in detail in this section.

Several new issues rose to the highest level of interest among Ford stakeholders since last year's report. Ford's realignment of its products and capacity to meet changing consumer demand emerged as a key issue this year, as did labor costs and the parity of hourly labor costs compared to other automakers. In light of the ongoing financial recession, access to capital and the viability of suppliers and dealers also emerged as key issues. Vehicle quality and Ford's manufacturing, marketing and product competitiveness were also of significant concern to internal and external stakeholders. This section reports on all of these key material issues.

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## Progress

### Current Business Environment

The recession is having serious impacts on the automotive industry and Ford's financial turnaround efforts. Both U.S. Gross Domestic Product (GDP) and consumer spending decreased significantly in the second half of 2008 and are predicted to decline further in 2009. Spending on new vehicles historically represents about 4 percent of GDP and therefore is closely tied to economic conditions. In addition, the financial crisis and credit freeze are significantly affecting consumers' ability to obtain credit for major purchases like vehicles and limiting the ability of businesses to obtain financing for operations and investments. All of these factors make this an extremely difficult economic environment for the automotive industry. Auto sales fell by record amounts across the industry in 2008, and sales forecasts for 2009 suggest further declines. In addition, the difficult financial conditions increase the risk of bankruptcies within the automotive industry. Because the industry is highly interdependent – auto companies share more than 80 percent of their supply base – the risks to suppliers and competitors have the potential to impact us as well. In fact, as we were preparing this report, Chrysler and General Motors – two of our biggest competitors – did declare bankruptcy. The consequences of those events continue to unfold.

Even in these difficult economic conditions, however, we are making significant progress on our restructuring plan.

### Progress Since Last Report



Some of our major financial and product achievements in 2008 include the following.

- Ford was profitable in the first quarter of 2008, before the global economic and financial crisis rapidly and dramatically shrank demand for automobiles.
- Ford remains on track to meet or beat its target of having its overall and North American Automotive pre-tax results to be breakeven or better in 2011, excluding special items.
- Ford modified its collective bargaining agreement with the UAW,<sup>1</sup> lowering annual U.S. labor costs by about \$500 million.
- Ford also reached agreement in principle with the UAW, subject to court and other approvals, to allow Ford to settle up to half of its cash obligations to the Voluntary Employee Benefit Association Trust (VEBA) with Ford common stock.
- Ford executed actions to reduce its Automotive debt obligations by \$10.1 billion and lower its annual cash interest payments by more than \$500 million.
- Ford committed that, beginning with the 2010 model year, all new vehicles will be best in class or among the best in class for fuel economy in their segment. All 2010 model year vehicles released as of May 2009 and many 2009 model year vehicles meet this commitment.
- In early 2009, Ford began selling the new 2010 Ford Fusions and Mercury Milans. Both the gasoline and hybrid versions of these vehicles lead their segments in fuel economy.
- The new Ford Fiesta, which went on sale in Europe in 2008, was the bestselling vehicle in all of Europe in March 2009, and has been the bestselling vehicle in the UK since it launched. Ford also began production of the Fiesta in our Asia Pacific and Africa region.
- The initial quality of Ford, Lincoln and Mercury brand vehicles in the U.S. improved by 5 percent compared to last year, surpassing Honda and tying Toyota for the overall lead, according to the latest Global Quality Research System (GQRS) study.<sup>2</sup>
- In the 2008 GQRS durability report, which tests vehicles after three years in service, the top non-luxury brands were Toyota, Mercury, Honda and Ford, with a difference of only 0.7 problems per vehicle between Toyota and Ford.
- Ford launched the Ford Advantage Plan in the U.S., offering customers who lose their jobs payment protection for up to 12 months.

1. Officially, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America.

2. GQRS studies are conducted quarterly for Ford by the RDA Group, a market research and consulting firm.

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In January 2006, we began a major business improvement plan for our North American Automotive operations, which we referred to as the Way Forward plan. We have continued to accelerate and improve this plan to further reduce operating costs and increase the flow of new products. We refer to our accelerated restructuring plan as "One Ford." With One Ford, we are working as One Team unified in pursuing the four key elements of our One Plan to deliver One Goal: an exciting, viable Ford. In this section we detail the key elements of our One Plan:

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- [Delivering new products that customers want and value](#)
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Ford is on track to break even or better in 2011.

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## Restructuring Our Business

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To compete more effectively in today's global marketplace, and particularly in North America, we have been executing a plan to restructure aggressively our Automotive business to address the realities of lower demand, volatile fuel prices and the shifting model mix from trucks and large SUVs to more fuel-efficient vehicles. This restructuring includes right-sizing our production capacity, our workforce and our dealer network. We are working with our partners in the UAW, our dealer network and the communities in which we operate to handle this downsizing responsibly and minimize the negative impacts of these changes.

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We have reduced our cumulative annual North America Automotive operating costs by more than \$5 billion.

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## Capacity Alignment

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We have reduced and realigned our vehicle assembly capacity to bring it more in line with demand and shifting customer preferences. For example, we are converting plants to produce smaller, more fuel-efficient vehicles. Specifically, we are converting three assembly plants from the production of large SUVs and trucks to the production of small cars, to support what we believe is a permanent shift in consumer preferences to smaller, more fuel-efficient vehicles. To this end, approximately 50 percent of our future U.S. manufacturing capacity will be allocated to small and medium-sized vehicles.

We are also closing plants to reduce capacity. Since 2005 we have closed 12 manufacturing facilities in North America (including Automotive Components Holdings (ACH) facilities). We have announced that four additional plant closures will take effect between 2009 and 2011 – two of these planned closures involve ACH facilities. We are exploring our options for the four remaining ACH plants and intend to transition these businesses to the supply base as soon as practicable.

**50%**

Amount of our U.S. manufacturing capacity that will be allocated to small and medium-sized vehicles to meet changing customer demand.

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## Personnel Reductions

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Since 2005, we have reduced employment levels in our Ford North America business unit by about 60,500. As of December 31, 2008, our Ford North America business unit had approximately 75,200 salaried and hourly employees, including employees at Automotive Components Holdings facilities, compared with approximately 135,700 salaried and hourly employees on December 31, 2005. (These employee numbers do not include dealer personnel.) The majority of our hourly worker reductions were the result of early retirement offers and voluntary separation packages to U.S. employees, including Ford employees at our ACH plants. During the third quarter of 2008, we reduced our salary-related costs by about 15 percent, which included the involuntary layoff of some salaried employees. We reduced our salary-related costs by an additional 10 percent during the first quarter of 2009, which resulted in further salaried employee separations.

Together with the UAW, we offered buyout opportunities to our hourly U.S. workforce in 2008 as follows.

- We extended an enterprise-wide buyout offer to all Ford hourly employees represented by the UAW at Ford and ACH locations during the first quarter of 2008. Employees who accepted these offers generally left the Company beginning April 1, 2008.
- We extended buyout offers to employees in selected Ford and ACH facilities during the fourth quarter of 2008. The majority of employees who accepted these offers left the Company by December 1, 2008.

These personnel reductions were coupled with other restructuring actions, such as cost improvements in manufacturing, engineering, warranty spending and advertising, as well as pension changes. Together, all of these actions helped us to exceed our goal of reducing cumulative annual North America Automotive operating costs by more than \$5 billion (at constant volume, mix and exchange, excluding special items).

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We are keenly aware of the interconnections between our Company and our employees, our business partners and the communities in which we operate. Our investment in manufacturing facilities and our employment of hundreds of thousands of people has helped to build and sustain vibrant, stable communities. We value this contribution, so it is painful to restructure our North American operations. Because of our commitment to our employees and communities, it is critical that we handle the downsizing in a responsible way. Some of the steps we have taken to do this are detailed in this section.

### Separation Packages Offered to Ford Hourly Employees

During 2008, we continued to offer UAW-represented hourly employees the opportunity to leave the Company. As an incentive, we offered these employees 10 different voluntary packages to select from, including traditional offers (such as early retirement) and innovative programs designed to help employees transition to new jobs requiring new skills. The following is a summary of the 10 separation packages offered.

1. **Enhanced Retirement Plan Incentive** – For employees who have 30 or more years of credited service under the Ford-UAW Retirement Plan, or are at least age 55 and have 10 or more years of credited service under the Plan, or are at least age 65 and have one or more years of credited service under the Plan. Participants receive a retirement incentive having a pre-tax value of \$50,000 for production (non-skilled) employees or \$70,000 for skilled-trade employees. Participants can elect to roll over this incentive to a Tax-Efficient Savings Plan for Hourly Employees or an annuity, or take it as a cash payment.
2. **Special Early Retirement** – For employees who have reached age 50, but not normal retirement age, and who have 10 or more years of credited service under the Ford-UAW Retirement Plan. Provides unreduced life income benefits for the life of the retiree, and temporary benefits payable until age 62 and one month.
3. **Special Early Retirement Plus** – For employees who are age 50, but not normal retirement age, have 10 or more but less than 30 years of service, and have a break in service of more than one day. Provides additional credited years of service for computing benefits based upon the length of break in service of one additional year for those who have a break in service of less than or equal to one year, two additional years for those who have a break in service of greater than one year but less than or equal to two years, or three additional years for those who have a break in service of greater than two years. Additional credited years of service may not bring total years of service above 30 years. Employees with 30 years of credited service after the additional service credits described above will be processed as a "30 & out" retirement and will receive their life income benefit and supplements accordingly.
4. **Pre-Retirement Leave Program** – For employees with at least 28 but less than 30 years of credited service. Ends with retirement when the employee reaches 30 years of service. Employees will receive 85 percent of straight-time pay and all fringe benefits available to an employee in protected status. After they reach 30 years of service, they will receive their regular retirement.
5. **Special Termination of Employment Program** – Employees with at least one year of service receive a pre-tax payment of \$100,000 and six months of basic health care. Retirement-eligible employees must wait 23 months before retiring.
6. **Enhanced Special Termination of Employment Program** – Employees with at least 30 years of credited service under the Ford-UAW Retirement Plan or who are at least 55 years old with at least 10 years of credited service will receive a lump sum pre-tax payment of \$140,000. Retirement may take place immediately, and workers electing this option will receive any pension benefits for which they are eligible at that time, based on length of service. They also will be provided with basic health care coverage for a period of six months, but will be ineligible for post-retirement health care and any ancillary retirement benefits.



7. **Educational Opportunity Program** – For employees with at least one year of service, includes tuition reimbursement for up to \$15,000 per year for up to four years paid directly to the approved college or vocational school, and an annual stipend worth 50 percent of the employee's annualized straight-time wage rate. Health insurance and certain other benefits continue during this four-year period, but participants must enroll in school full time (at least 12 credit hours per semester) and maintain a "C" average to remain eligible. Benefits and the living expense stipend end after four years, or if the employee chooses to opt out of the program, or when the employee receives their degree/certification/license.
8. **Focused Education Opportunity Program** – Similar to the Educational Opportunity Program described above, except that employees selecting this option will receive two years of tuition payment of up to \$15,000 per year and 70 percent of wages.
9. **Entrepreneur Special Program 1** – For employees who have at least one but less than 25 years of seniority. Participants receive a \$50,000 (pre-tax) lump-sum payment and a five-year continuation of their present health care coverage or a seven-year continuation of basic/catastrophic health care coverage.
10. **Family Scholarship Program** – Employees electing this program agree to terminate their employment at Ford and will receive a Scholarship Fund totaling \$100,000, which can be used for approved educational expenses for their children, spouses and grandchildren. Funds will be taxed upon withdrawal. Funds will be available for a 10-year period from the employee's date of termination, and if the funds are not used within the time period, they will be forfeited.

We invited employees, educational institutions and prospective employers to an "Opportunity Fair," as a way to provide employees with multiple resources and available options while making decisions about leaving the Company. We also offered training to employees in searching for jobs, relocating and weighing their options, such as further education.

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## Facility Closures

When the decision is made to close a facility, we take an active role in returning the property to a productive use that will be environmental responsible, return shareholder value and benefit the community. Ford wants to leave a positive legacy in the communities in which we have operated, and we are therefore committed to handling our environmental responsibilities and working with municipal leaders to ensure a smooth and successful transition to a new use.

Our first step is to assess and address any possible environmental issues on the property. The goal of our environmental assessment is to understand the environmental condition of the site and the actions needed to ensure that future use of the site will not pose any risk to human health or the environment. If any environmental issues are discovered, properties are cleaned up to the standard appropriate for its future use, whether industrial, commercial or residential.

We also undertake extensive communications with community leaders, citizens and real estate partners to understand the potential future uses for the property and the community's goals for the property. In some cases, Ford redevelops the property itself, but more often it seeks a well-qualified developer to buy and convert it. Some properties remain in industrial use. In other cases, the surrounding communities have changed since the plant opened, and new uses, such as retail, commercial or residential, are possible and desirable.

Ford also has a corporate responsibility to maximize returns to our shareholders in the disposition of our properties. However, we always work with the community to see the property redeveloped into a productive and beneficial use.

The redevelopment of our Atlanta Assembly Plant in Hapeville, Georgia, which we closed in 2006, provides an excellent example of our approach to facility closures. This site is adjacent to the Hartsfield-Jackson Atlanta International Airport, an important economic driver in the region. We worked with the city of Hapeville, the airport and the Federal Aviation Administration to ensure the best use of the 122-acre site. In June 2008, we announced the sale of the site to Jacoby Development, Inc., which will redevelop it into an "aerotropolis" – an aviation-intensive business district that is expected to include offices, retail, restaurants, hotels and airport parking. With these uses, the site should continue to contribute jobs and be an economic driver for the community.

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In November 2007, Ford workers represented by the UAW ratified a new collective bargaining agreement with Ford that includes significant innovative features to enhance productivity and reduce costs. The new agreement helps Ford to deliver on its key priorities, as it significantly improves Ford's competitiveness and allows the Company to continue to pursue its restructuring efforts.

In February 2009, Ford and the UAW negotiated modifications to this agreement in an effort to further aid the business and ensure that Ford is in a competitive position in the challenging U.S. auto market. Key elements of the new agreement include the suspension of economic lump sum payments and Cost of Living Adjustments, as well as provisions to enhance flexibility. We also agreed on modifications to the Job Security Program, including elimination of the Jobs Bank and reduced benefits based on service. Operating savings from the agreement are estimated to be about \$500 million annually and could be more if conditions allow us to realize all the benefits inherent in the contract. These modifications also bring hourly labor costs nearer to parity with foreign transplant companies operating in the United States.

These changes to our UAW agreement will help us operate through the current economic downturn without accessing a U.S. government bridge loan. They will also help us continue to invest in our "One Ford," product-led transformation.

## New Mechanism for Health Care Costs

We received the necessary approvals in the third quarter of 2008 to begin implementing our Retiree Health Care Settlement Agreement to fund and discharge our obligations related to UAW hourly retiree health care through a new, external Voluntary Employee Benefit Association Trust.

In March 2009, we reached an agreement with the UAW to provide us the option to settle, with Ford common stock, up to 50 percent of our future cash payment obligations to the VEBA required by the Settlement Agreement. This agreement is subject to various conditions, including court approval of the modification to the Settlement, approval by the U.S. Securities and Exchange Commission of accounting treatment acceptable to us, and receipt of a prohibited transaction exemption from the U.S. Department of Labor.



Notwithstanding our option to pay our VEBA obligations in stock in lieu of cash, we will use our discretion in determining which form of payment makes sense at the time of each required payment, balancing liquidity needs and the preservation of shareholder value. In making such a determination, we will consider the facts and circumstances existing at the time of each required payment, including market and economic conditions, our available liquidity and the price of Ford common stock.

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## Other Steps to Reduce Health Care Costs

The delivery of high-quality, cost-effective health care is important to the success of Ford. The One Ford Health Strategy complements the corporate One Ford vision and creates a culture of wellness that aligns incentives to help our employees become more engaged and informed consumers. We are providing resources and tools to help people make sound choices and to understand the benefits of being better health care consumers.

Ford aims to build a culture of personal accountability in which knowledgeable, motivated people consistently work safely and make the right health choices to help deliver One Ford. The One Ford Health Strategy is based on the following key concepts:

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- Benefit designs that encourage healthy behaviors and appropriate use of care
- Tools and social support systems to enable wellness and help people become better health care consumers
- Partnerships for sustained and systemic improvement
- Measurement of results against benchmark companies and programs to ensure competitiveness

The One Ford Health Strategy and its central theme of building a wellness culture are globally focused. Though national systems of care vary from country to country, high-quality, cost-effective health care is a common goal. In the U.S., for example, the country is beginning discussion on national health care reform. This dialogue must focus on controlling the rising cost of health care. In 2008, for example, Ford's health care expenses (excluding special items) for U.S. employees, retirees and their dependents were \$1.3 billion.

We believe that three key areas must be addressed in U.S. health care reform to reduce health care costs:

- **Wellness and Prevention** – As a country, we must focus on prevention and wellness, and make sure that employers can offer creative incentives that work to engage people in healthy behaviors. At Ford, we are doing our part to spread education and tools that effectively encourage people to take an active part in their health care.
- **Health Information Technology** – We need a national technology infrastructure that allows the consolidation of a patient's medical records, so that the most appropriate care is given wherever treatment is provided. To accomplish this, we need electronic medical records at every doctor's office and hospital, *and* they all need to be connected. We also need tools to improve the accuracy and safety of prescription drug dispensing, such as electronic prescribing (ePrescribing). Ford is a key participant in the Southeast Michigan ePrescribing Initiative, one of the largest employer-driven ePrescribing initiatives. This initiative has helped move Michigan into the top five of ePrescribing states.
- **Understanding What Works** – By studying the cost and quality of health care and its effect on health status, we can deliver more effective care. New innovations in technology and drugs are key drivers of cost increases. Therefore, before new innovations are widely implemented, they must be compared to the standard practice to really know whether and how much additional value they bring.

We have taken steps to reduce our own health care costs. Since 2005, for example, health care contributions paid by Ford's U.S. active salaried employees have increased each year. Company contributions for U.S. salaried retirees that are not eligible for Medicare are capped at 2006 levels, and Company contributions for U.S. salaried retirees who are eligible for Medicare are capped at \$1,800 per member per year (effective January 1, 2007 and 2008, respectively).

Our focus on prevention and consumer engagement, along with actions relating to the One Ford Health Strategy, are intended to help us to control health care cost increases, support the health of our current and retired employees, and reduce our competitive disadvantage related to health care costs.

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Our dealers are a critical part of our success and important economic contributors to the communities in which they work. They represent the face of Ford in communities across the U.S. and provide employment, tax support, community leadership and customer service.

At our current and expected future market share, we have too many dealers in the U.S. This has made it increasingly difficult to sustain a healthy and profitable dealer network. To address this overcapacity, we are partnering with our dealers to downsize and restructure the Ford, Lincoln and Mercury network in our largest 130 metropolitan market areas, with the goal of providing average-year sales of 1,500+ units for Ford dealers and 600+ units for Lincoln Mercury dealers. This will result in sustainable profits in both good and bad years. We are doing this while maintaining customer convenience factors such as driving distance, location and appealing facilities. We are funding these consolidation actions jointly with our dealers to protect our representation in the marketplace.

In the United States at year-end 2005, we had 4,396 Ford, Lincoln and Mercury dealers, with 2,242 of those dealers in our largest 130 markets. As of the end of January 2009, we had 3,764 Ford, Lincoln and Mercury dealers, a reduction of 632 dealers, or 14 percent. We will continue to work collaboratively with our dealers to reduce our dealer network to match our sales, market share and dealer sales objectives.

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We have been working hard to strengthen our global supply base. We have instituted a number of business practices with our key suppliers designed to increase collaboration, provide for data transparency and expand the volume of business with select suppliers, while building a more sustainable business model.

We have reduced the total number of global production suppliers eligible for major sourcing from Ford from 3,300 in 2004 to approximately 1,600 today, with a further reduction to 750 suppliers planned. In our U.S. operations, we have paid specific attention to strengthening our minority and women suppliers – which currently account for about \$4 billion of our annual \$35 billion in purchases from U.S. supplier locations. Our consolidation efforts have resulted, and will continue to result, in more business for our major suppliers, which will increase their financial strength.

Moreover, as we move aggressively to global vehicle platforms, our sourcing from common suppliers for the total global volume of a vehicle's components is dramatically increasing. This means that a smaller number of suppliers will receive a greater volume of the purchases made by Ford. This again results in stronger suppliers achieving (and Ford realizing) greater economies of scale, as their components are sourced across global platforms for the life of those platforms.

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Our financial recovery depends on our delivering high-quality, innovative and desirable products everywhere we operate, including in both mature and rapidly growing markets. To do this, we must continually improve quality and customer satisfaction, and anticipate and respond to changes in customer demand. We also must align our product development, manufacturing and marketing organizations worldwide to deliver the right products to the right markets as efficiently as possible. (Please see our [Global Products](#) chart for an overview of our product offerings around the world.)

This section reports on these and other topics relating to our products. Specifically, we discuss our efforts to [track changing customer needs](#), [deliver more fuel-efficient vehicles](#), offer "[smart](#)" technologies and ensure [customer satisfaction and quality](#). The section also summarizes our [sales highlights](#) for 2008 and discusses our efforts to [build customer awareness](#) of our products.

All of our new vehicles will be best in class or among the best in class for fuel economy in their segment starting with the 2010 model year.

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## Tracking Changing Customer Needs

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Consumers' wants and needs are constantly evolving, and we must keep pace with them if we expect to remain competitive, particularly in a difficult economy. Ford monitors global market trends, shifting consumer interests, and social and political developments to identify issues that will likely affect our consumers, our industry and our Company. We rely on a network of internal and external experts – from around the world – to ensure that we get a diverse, comprehensive perspective on consumer trends and how they will affect consumers' future choices about vehicles and mobility. We apply these trend analyses throughout our marketing, product development, research and design organizations to guide future product and technology developments.

Our marketing experts use an intensive research and analysis process to understand who our potential customers are, what they value and what they want in a vehicle. We define a "brand DNA" and hypothetical "target customer" for each of our main brands. Ultimately, each individual product is also assigned its own specific DNA and target customer. The brand DNA and target customer profiles go beyond simple demographic information such as age, gender and income; we build complete profiles of our hypothetical target customers, including what they like to do, what music they listen to and where they shop. This approach helps us pinpoint our aims for each vehicle we produce. Of course, we are keenly aware that economic pressures will push the boundaries of brand loyalties, forcing us to work even harder to define our potential customers and build vehicles that they can afford.

The remainder of this section discusses four key trends we are currently tracking and responding to. First, we are introducing more fuel-efficient vehicles and rebalancing our portfolio to include more small and midsize cars in response to increased demands for greater fuel efficiency.

Also, we are responding to:



- Growing consumer interest in "ethical consumption," or a desire to buy products from companies that reflect one's own environmental and social values
- An increasing focus on value by consumers, particularly as global economic conditions worsen
- Expanding interest in the latest "smart communications" and convenience technologies that help consumers make the most of their time

### Demand for Fuel Efficiency

Rising fuel prices, energy security issues and global climate change have spurred consumer interest in cleaner, more efficient vehicles. In the 2008 New Vehicle Customer Survey, fuel economy was chosen as the feature most influencing drivers' next vehicle purchase decision; it even ranked higher than pricing incentives and advanced safety technologies. Eighty-one percent of respondents (up from 75 percent in 2007) ranked fuel economy as extremely or very influential in their next vehicle purchase decision. As evidence of this, the more fuel-efficient crossover segment has seen significant growth compared to traditional truck-based SUVs. This shift in demand is visible in the changes in sales by vehicle segment since 2005.

In 2008, 81 percent of new vehicle buyers surveyed ranked fuel economy as extremely or very influential in their next vehicle purchase decision, up from 75 percent in 2007.

Responding to this increasing demand is at the heart of our financial recovery plan and our product development plans. We recently announced that all of our new vehicles will be best in class or among the leaders in their segment for fuel economy. And we are continuing to design and introduce

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advanced technologies that improve fuel efficiency, reduce emissions and lessen dependence on foreign oil. Elsewhere in this report we describe our [response to the increasing demand for fuel economy](#) and our [plans to improve fuel economy](#) with advanced technologies.

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## Ethical Consumption

Customers are increasingly interested in buying products from brands and companies that reflect their environmental and social values – a trend we call *ethical consumption*. Ethical consumers want to feel good about their purchases and the companies with which they do business, and they are integrating ethical, religious, political, environmental and other beliefs in the purchasing decisions they make.

The values of companies and brands are becoming critical factors, too, driven in part by the fact that many social and environmental issues – like climate change – have worked their way into mainstream consumer consciousness. As a result, corporations are being held to a rising standard, shaped by the recognition that seemingly small actions can have personal and environmental health and wellness impacts. Increased access to information and corporate transparency are also driving purchases based on ethical issues.

While people are generally not willing to compromise on performance or affordability, they want products that come from ethical companies and have positive environmental and social impacts. Being a good corporate citizen, and making positive impacts on our stakeholders, communities and the planet as a whole, have been integral parts of Ford's century-long heritage. This report is one of the channels we use to share our story about our commitment to sustainability.

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## Focus on Value

In difficult economic times, consumers become increasingly interested in vehicles that cost less without sacrificing style, safety or quality. Also, buyers will hold on to their older vehicles for longer periods of time, increasing the importance of long-term durability.

We are responding to the global financial crisis and the resulting changes in consumer demand in many ways. For example, we are [developing more fuel-efficient vehicles](#) that will reduce overall operating costs by lowering lifetime fuel costs. We are introducing [high-end technological innovations](#) like the SYNC® entertainment and communication system in many of our vehicles. And, as always, we are [increasing quality and long-term durability](#).

In addition, in March 2009 we announced the Ford Advantage Plan. This Plan provides customers with car payment support for up to 12 months on any new Ford, Lincoln or Mercury vehicle if they lose their job, as well as zero-percent, limited-term annual percentage rate financing on select vehicles. This is another way we are responding to customers' demand for value and security in economic hard times.

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## The Value of Time

As our lives become busier, time becomes the ultimate luxury. People who drive to work spend, on average, more than an hour every day in their cars – and they want to be able to use that time productively. As information and communication technologies advance, people expect to be able to communicate wherever they are – including in their vehicles. Indeed, consumers today want to be able to connect with the outside world from within their vehicles, and they want access to the information they need to get things done during their drives. Ford is responding to these demands by developing and implementing a wide range of cutting-edge, ["drive smart" technologies](#) that increase in-vehicle connectivity, productivity and efficiency, in an effort to make our customers' lives easier.

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## Delivering More Fuel-Efficient Vehicles

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Consumer demand for more fuel-efficient and cleaner vehicles continues to grow. Ford is taking a multi-pronged approach to meeting this demand. We have committed to improving the overall fuel economy of our entire fleet. We recently announced that, beginning with the 2010 model year, all of our new vehicles will be best in class or among the best in class for fuel economy in their segment. As of May 2009, all of our 2010 model year vehicles meet this commitment; many of our 2009 vehicles also meet this commitment. For example:<sup>1</sup>

- The 2010 Ford Fusion and Mercury Milan Hybrid and gas (S-Series I-4 automatic) versions are best in class for midsize sedans,<sup>2</sup> surpassing the Toyota Camry and Honda Accord. The Fusion and Milan Hybrids get 41 mpg city/36 mpg highway, and the gasoline S-Series I-4 automatics get 23 mpg city/34 mpg highway.
- The 2009 Ford Escape and Mercury Mariner Hybrids, which get 34 mpg city/31 mpg highway, are the most fuel-efficient SUVs available.<sup>3</sup> The 2009 Escape and Mariner manual gas versions, which get 22 mpg city/28 mpg highway, have unsurpassed fuel economy in the compact SUV segment.<sup>4</sup>
- The 2009 Ranger (2WD, manual five-speed) has best-in-class fuel economy for the small pickup segment<sup>5</sup> at 21 mpg city/26 mpg highway.
- The 2009 Ford F-150 gets unsurpassed fuel economy in its class, with 15 mpg city/20 mpg highway in its most popular midsize engine, which beats the Toyota Tundra's 14 city/17 highway with a comparable engine.<sup>6</sup>
- 2009 Ford Fiesta ECOnetic with 1.6-liter Duratorq TDCi Diesel engine is the most fuel-efficient five-seat family car in the UK at 63.6 mpg.<sup>7</sup>

To accomplish our fuel-economy goal, we are focused in the near term on implementing the most cost-effective fuel-efficiency technologies across a large volume of our vehicles and on introducing new products that offer improved fuel efficiency without compromising style or performance. In 2009, for example, we began implementing the EcoBoost™ engine, a key technology in our fuel-efficiency strategy that uses gasoline turbocharged direct-injection technology. EcoBoost will deliver up to 20 percent better fuel economy, 15 percent fewer carbon dioxide emissions and superior driving performance compared to larger-displacement engines.<sup>8</sup> Because EcoBoost is affordable and can be applied to existing gasoline engines, we can implement it across our vehicle fleet, bringing fuel-efficiency benefits to a wider range of our customers.

The EcoBoost V-6 will be introduced on the 2010 model year Lincoln MKS, Lincoln MKT, Ford Taurus SHO and Ford Flex. Thanks largely to the EcoBoost technology, both the V-6 Ford Flex and the V-6 Lincoln MKT will be among the leaders for fuel economy in their respective segments. By 2013, Ford will have EcoBoost V-6 and I-4 engines in approximately 1.3 million vehicles per year globally. In North America, 90 percent of Ford's nameplates will offer the technology.

We are continuing to develop and introduce advanced technologies that improve fuel efficiency, reduce emissions and reduce dependence on foreign oil. In the mid- to long term, we will implement these advanced technologies as they become cost effective.

We are also responding to the increasing demand for fuel-efficient vehicles by [rebalancing our portfolio](#) to include more small and medium-sized vehicles. We are also working to improve the [profitability of our small car offerings](#), so we can expand our small car lineup while continuing to increase our financial viability.



You can read about our other short-, mid- and long-term plans to improve fuel economy in our [Sustainable Technologies and Alternative Fuels Plan](#).

### RELATED LINKS

- In This Report:
- [Sustainable Technologies and Alternative Fuels Plan](#)
  - [U.S. Product Sales by Segment](#)
  - [Fuel Economy of U.S. Ford Vehicles by EPA Segment](#)
  - [Climate Change](#)
  - [Capacity Alignment](#)
  - [Tracking Changing Customer Needs](#)

### Vehicle Web Sites:

- [Ford Fiesta](#)
- [Ford Escape Hybrid](#)
- [Mercury Mariner Hybrid](#)
- [Ford Fusion](#)
- [Ford Ranger](#)
- [Ford F-150](#)
- [Lincoln MKS](#)
- [Lincoln MKT](#)
- [Ford Flex](#)
- [Ford Taurus SHO](#)

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## Balancing Our Portfolio

To meet the demand for more fuel-efficient vehicles and increase our financial health, we are balancing the portfolio of vehicles we sell to better represent consumer demand for a variety of vehicle sizes and capabilities. We are leveraging our global product strengths to deliver six new world-class small and medium-sized vehicles to the United States over the next four years. This will enable our car and crossover product segment mix to increase from 48 percent to 60 percent and result in volume and share growth.

We are targeting sales leadership in "people movers" and crossovers by adding new vehicles (such as the Ford Flex) and redefining existing vehicles (such as the Ford Explorer). We will have significantly reduced our truck, van and SUV product mix from 52 percent to 40 percent in the next three years. In order to realize a balanced portfolio, we are increasing our investment allocation in cars and crossovers from 59 percent to 82 percent of our total investment.

Although we believe that the shift to smaller, more fuel-efficient vehicles is permanent, trucks, vans and SUVs will continue to be an important part of our North American market offerings, in order to meet our customers' needs. We intend to maintain our leadership position in these segments by focusing our investment on new fuel-efficient vehicles, such as the new Ford Transit, as well as all-new powertrains with advanced technology.

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## Small-Car Profitability

As consumer demand for smaller vehicles continues to increase, we need to both provide the vehicles people want and provide them profitably in order to remain a sustainable business. As part of our financial stabilization plan, we will reverse the decades-long trend of losing money on the production of small cars in the United States. To accomplish this, and secure our ability to continue to produce all types of vehicles in the United States, we are taking the following actions:

- Increasing our global platform volume of Focus-sized ("C-sized") vehicles to more than 2 million units per year
- Increasing the volume of Ford Focus cars to more than 1 million units per year
- Improving margins on smaller vehicles by:
  - Improving revenues by making vehicles that are exciting in design, both exterior and interior, with class-leading fuel economy, safety performance, craftsmanship and technology. The improvements across all Ford vehicles are improving customer perception of the Ford brand
  - Improving costs to competitive levels through reduced complexity and global purchasing scale
- Improving fixed costs through increased manufacturing and supply base capacity utilization and the sharing of engineering and tooling costs globally

The new Ford Fiesta is an example of how we are increasing small-car profitability and increasing our small-car offerings, without compromising on quality, safety, style or features. The Fiesta, which went on sale in Europe in 2008 and will be available globally by 2010, is the first major product to come out of our new global product development process. Leveraging and integrating our global operations is one key element in making small cars more profitably.

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1. All fuel economy numbers for U.S. vehicles are EPA estimates. The vehicles listed below are best in class for fuel economy based on EPA segments unless otherwise noted. Alternative segments are used where EPA segments do not provide a detailed breakdown of vehicle types. For example, the EPA only uses one category for SUVs that includes crossovers, compact SUVs and large SUVs.
  2. Midsize sedan segment based on the R.L. Polk segment definition.
  3. Based on the segment definition of the U.S. Environmental Protection Agency (EPA).
  4. Based on the R.L. Polk segment definition.
  5. Based on the EPA segment definition.
  6. The class in this case is full-size non-hybrid pickups under 8,500 lbs. gross vehicle weight rating.
  7. The Fiesta ECONetic is only available in Europe. The fuel economy numbers are calculated according to the European Fuel Economy Directive EU 93/116/EEC, which uses European drive cycles. They differ from fuel economy calculations developed in the U.S. or other regions of the world. However, the mpg figures are calculated using the U.S.-sized gallon, which is 20 percent smaller than a European gallon.
  8. When fuel economy is calculated as miles per gallon, EcoBoost delivers up to 20 percent better fuel economy compared to larger-displacement engines. When fuel economy is calculated in liters per 100 km, as it is in most of Europe, EcoBoost delivers up to 15 percent better fuel economy. The benefits of EcoBoost

are the same in each case; the difference is only in the units used in the calculations. This is because the conversion between miles per gallon, which measures distance traveled per unit of fuel consumed (wherein more is better), and liters per 100 km, which measures fuel consumed per unit of distance traveled (wherein less is better), is a reciprocal or inverse proportion. Therefore, the resulting figures are different even though the actual benefit received is the same.



## "Drive Smart" Technologies

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Ford is delivering technology innovations that meet consumers' need to get more done in their vehicles, enjoy their driving time more and get better value from their vehicle purchases. We are introducing a wide range of "smart" technologies that increase access to information, entertainment and communication options while driving. These new technologies will give drivers a new level of vehicle efficiency, productivity and connectivity, and will make their lives easier. Furthermore, we are responding to customers' increasing demand for excellent value by offering these premium technologies on a wide range of our vehicles, not just our luxury vehicles.

These innovations also reflect Ford's commitment to deliver the best possible technology by working with industry leaders in communications, information and entertainment technologies. For example we joined with IDEO and Smart Design to develop a new smart dashboard display system for our hybrid vehicles. We worked with Microsoft, DEWALT, Master Lock®, Mario Magnelli, Garmin and Sprint to deliver our new Ford Work Solutions™ package. And, we worked with SIRIUS to deliver our next-generation navigation systems.

Some examples of our new "smart" technologies include the following.

- [SmartGauge™ with EcoGuide](#), a dashboard display that gives drivers information to help them maximize the fuel efficiency of their hybrid vehicle.
- Voice-Activated, Next-Generation Navigation with [SIRIUS Travel Link™](#), which allows drivers to access up-to-the-minute, voice-activated information on traffic conditions, weather, area gas prices, sports scores and movie listings. The system responds to voice commands for destination programming and route selection. In addition, it provides enhanced route guidance features such as street name announcements and detailed freeway exit, turn and ramp position lane guidance.
- [Ford Work Solutions™](#), a suite of four in-vehicle technologies that offers drivers connectivity, flexibility and security to better run key aspects of their business from their Ford truck or van, including high-speed Internet access, radio-frequency identification tracking for real-time tool inventory and the ability to manage their fleets. The technologies were developed through hands-on research with contractors and skilled tradespeople around the United States to ensure the technologies met their needs.
- Next-generation voice-activated [SYNC®](#), which expands Ford's award-winning hands-free communications and connectivity system. The new generation of SYNC will include industry-leading voice recognition software and will integrate GPS navigation technology and a customer's Bluetooth-capable mobile phone to deliver personalized traffic reports, precise turn-by-turn driving directions and up-to-date information, including business listings, news, sports and weather – without requiring a built-in navigation system.
- [Ford signature HMI](#), or Human Machine Interface, which will integrate all of Ford's in-vehicle connectivity, communication and information technologies with a single easy-to-use display.
- [Intelligent Access w/Push Button Start](#), a new keyless entry and vehicle ignition system that allows drivers to enter and start their vehicles without using a key.
- [MyKey™](#) allows parents or fleet administrators to activate a restricted driving mode. When enabled, MyKey features a Persistent Beltminder® with Audio Mute until safety belts are buckled, an earlier low-fuel warning and consistently engaged AdvanceTrac® stability control, Blind Spot monitoring, Cross Traffic Alert and Forward Collision Warning. Additional programmability includes restrictions on audio volume, limiting top speed to 80 mph and speed chime warnings at 45, 55 or 65 mph.
- [Easy Fuel™](#) Capless Fuel Filler System is an industry-exclusive feature that self-seals without a traditional fuel cap. The technology also results in fewer evaporative emissions due to a much better seal that shuts automatically when fueling is complete. Easy Fuel will be standard equipment across the entire Ford, Lincoln and Mercury product line by 2010.
- [Sony® branded audio](#) components deliver sound from a variety of sources, with an AM-FM tuner, SIRIUS Satellite radio, CD, DVD audio and an integrated 10 GB hard drive for storage of up to 2,400 songs. This technology will be installed in all new Ford and Mercury vehicles.
- Multi-Contour Seats are an industry-first seating technology for both driver and passenger that integrates a six-way lumbar support and subtle rolling pattern massage. The bottom cushion features Active Motion, which helps relieve fatigue without distracting the driver. This technology will deliver significant benefits to long-distance drivers or people with back trouble.

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- In This Report:
- [Developing the Technologies Customers Want](#)
  - [Tracking Changing Customer Needs](#)

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- ▶ Customer Satisfaction and Quality
  - Quality and Customer Satisfaction Awards and Ratings
  - Global Quality Operating System

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- Vehicle Safety
- Vehicle Web Sites:
- Ford Ranger
  - Ford E-Series
  - Lincoln Navigator

Quality and customer satisfaction together are the central mission of all of our employees. We track our progress in achieving this mission through a combination of internal and external measurements that assess how we are doing and where we can improve. We assess quality in a number of ways. The Global Quality Research System, which tracks "things gone wrong," is our primary quality survey.<sup>1</sup> The GQRS survey is implemented for us by the RDA Group, a market research and consulting firm based in Bloomfield Hills, Michigan. We also subscribe to J.D. Power and Associates' Initial Quality Survey and APEAL study. We track warranty claims and costs internally. In 2008 and 2009, we saw an improvement in both the internal and external measurements of quality. By several measures, our quality is now competitive with the highest-rated brands. Global and regional quality improvements are detailed below.

### Global and Regional Quality Improvements

#### Global Warranty Spending

- Global warranty spending per unit declined 5 percent in 2008, compared to 2007.
- Global warranty costs dropped by \$1.2 billion over the 24 months from year end 2006 to year end 2008. Plans are in place to achieve another 26 percent improvement in warranty spending by 2012.

#### GQRS Initial Quality (Three Months in Service) Report



- 2009
  - In the first quarter of 2009, Ford, Lincoln and Mercury vehicles' "things gone wrong" fell by 5 percent, to a level that is significantly better than Honda and statistically equal to Toyota.
- 2008
  - In 2008, "things gone wrong" levels decreased for the fourth straight year, and Ford brand quality increased by 8 percent.
  - In April 2008, the GQRS showed Ford in a statistical dead heat with Toyota and Honda for initial-quality ratings.

#### GQRS Durability (Three Years in Service) Report

- 2008
  - The 2008 durability survey, which tests vehicles after three years in service, tested 2005 model year vehicles. The top non-luxury brands were Toyota, Honda and Ford, with a difference of only 0.7 problems per vehicle between Toyota and Ford.
  - Ford Motor Company vehicles led their segments in the lowest number of "things gone wrong" after three years in service:
    - Crown Victoria – Large Car
    - Ranger – Compact Pickup
    - E-Series – Full-Size Bus/Van
    - Navigator – Large Premium SUV

#### In the United States:

- "Things gone wrong" improved by 35 percent between 2002 and 2008, and by 8.5 percent in 2008 alone.
- High time in service quality improved 16 percent from 2004 to 2008.
- The number of Ford, Lincoln and Mercury safety recalls decreased from 15 in 2007 to 11 in 2008 (a 27 percent drop), while the number of affected units dropped from more than 5.5 million to 1.6 million.

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- Warranty spending decreased by 7 percent in 2008, compared to 2007.
- In the first quarter of 2009, Ford, Lincoln and Mercury customer satisfaction with vehicle quality improved by two percentage points to 79 percent, which puts Ford's domestic brands in a tie with Toyota and Honda for industry leadership in this area.
- In 2008, overall customer satisfaction improved by 1 percent to 77 percent.
- Customer satisfaction with Ford Division sales and service in 2008 improved by four and 13 percentage points respectively since 2002.

#### In Europe:

- "Things gone wrong" improved by 32 percent from 2003 to 2008, and improved by 4 percent in 2008 alone, to reach its lowest level ever. Volvo's "things gone wrong" registered a decrease of 4 percent in 2008, compared to 2007.
- Warranty spending decreased by 7 percent in 2008, compared to 2007.
- Overall customer satisfaction improved by two percentage points in 2008.
- Sales and service satisfaction improved by eight and 12 percentage points, respectively, between 2001 and 2008.

#### In Asia Pacific:

- The region logged 1,557 "things gone wrong" in 2008, compared to 1,565 in 2007.
- Customer satisfaction in 2008 was at 78 percent, compared to 71 percent in 2007.
- Warranty spending increased by 4 percent in 2008.

#### In South America:

- "Things gone wrong" improved 6 percent in 2008, compared to 2007.
- Warranty spending increased by 7 percent during 2008.
- Customer satisfaction improved by one percentage point in 2008.

#### Owner Loyalty

Owner loyalty is a measure of customers disposing of one Ford product and buying a new Ford product. In the United States, Ford owner loyalty decreased from 42.3 percent in 2007 to 41.6 percent in 2008. In Europe, Ford owner loyalty increased from 50 percent in 2007 to 53 percent in 2008.

1. The GQRS study is conducted on a quarterly basis with scores assessed from survey responses collected from vehicle owners.

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  - Mercury Grand Marquis
  - Mercury Mountaineer
  - Mercury Sable
  - Lincoln Town Car
- External Web Sites:
- Insurance Institute for Highway Safety



## Quality and Customer Satisfaction Awards and Ratings

The high quality of Ford vehicles has been recognized via a range of third-party awards and ratings. For example:

- In a third-party study of **Initial Quality**, which measures problems per 100 vehicles after three months in service, the rate of quality increase in Ford brand vehicles was higher than the industry average; Ford gained eight points versus the industry average of seven points.
  - Three Ford Motor Company vehicles were ranked top in their segments: The Lincoln Navigator, Mazda MX5 Miata and Ford E-Series
  - Initial quality for Ford and Mercury brands improved by 7 percent and 4 percent, respectively, from 2007 to 2008
  - Ford and Mercury brands were in the top four non-luxury brands for initial quality
- In another study by the same third-party firm on **Vehicle Dependability**, which is measured as problems per 100 vehicles after three years in service, Ford and Lincoln brands both improved by more than the industry average. In the industry as a whole, dependability improved by 4 percent while:
  - Ford brand dependability improved by 8 percent
  - Lincoln brand dependability improved by 9 percent
  - Mercury was the No. 2 brand for durability
- In this same study, Ford brands topped three vehicle segments for durability and had runner-ups in six segments:
  - The Ford Crown Victoria won the large-car segment and the Mercury Grand Marquis was runner-up
  - The Ford Ranger won the midsize pickup segment
  - The Mercury Monterey won the van segment, with the Ford E-Series placing second
  - The Mercury Sable was runner-up in the midsize car category
  - The Lincoln Town Car was runner-up in the large premium car segment
  - The Ford F-150 was runner-up among the large pickup trucks
  - The Ford Thunderbird was runner-up in the premium sporty car category
  - The Mercury Mountaineer came in third in the midsize multi-activity vehicle (MAV) segment
  - The Ford Excursion came in third in the large MAV category
- In a separate third-party study of **Vehicle Reliability**, Ford led domestic manufacturers, with the Ford Fusion and Mercury Milan as the most reliable gasoline-powered family cars. Overall, 70 percent of the 2009 model year Ford, Lincoln and Mercury vehicles tested were recommended for reliability, up from 64 percent for the 2008 model year.

## Kelley Blue Book Awards

- The Ford F-150 won the 2009 Brand Image Award for the "Most Rugged Truck Brand," based on a survey of 12,000 shoppers on Kelley Blue Book's Web site.
- The 2009 Ford Escape Hybrid was listed among the 10 "Best New Family Vehicles," based on criteria

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including fuel economy, resale value, capability and kid-friendliness.

- The 2009 Ford Escape Hybrid and 2009 Ford Fusion Hybrid were named among the top 10 "Green Vehicles," based on their fuel economy, comfort, convenience, safety and value for the money.

## Strategic Vision Awards

- Ford tied with Toyota for topping the most segments in Strategic Vision's Total Quality Index, with three vehicles each.
- The Ford Edge, Ford Mustang Convertible, Ford F-250/350, Mercury Sable and Volvo C30 topped their segments in Strategic Vision's 2008 Total Quality Index. The Ford F-250/350 topped its segment in 2007 as well.

## American Customer Satisfaction Index

- Ford brand customer satisfaction remained steady in 2008 at 80 percent in the 2008 American Customer Satisfaction Index. Lincoln and Mercury customers' satisfaction dropped to 83 percent in 2008 from 86 percent in 2007.

## Auto Pacific

- In Auto Pacific's 2008 model year vehicle satisfaction research, Ford vehicles won or tied for first in six Vehicle Satisfaction Award categories. The vehicles earning accolades included the Ford Taurus, Explorer, Explorer Sport Trac and Edge; the Mercury Milan; and the Lincoln Mark LT.

## DEKRA

- The Ford Galaxy and Ford S-MAX were named No. 1 for reliability among Multi-Activity Vehicles by DEKRA, the German vehicle testing agency.

## Safety Ratings

- Ford holds the most Top Safety Picks (awarded by the Insurance Institute for Highway Safety, or IIHS) of any vehicle manufacturer. Fifteen Ford vehicles earned this honor in 2008 (compared with eight in 2007), including the 2009 Ford Taurus, Taurus X, Edge, Flex, Escape and Fusion; Mercury Sable, Milan and Mariner; Lincoln MKX and MKS; and Volvo S80, C70 and X90. To earn a Top Safety Pick, a vehicle must receive a rating of "good" in offset frontal impact, side impact and rear impact evaluations, and offer electronic stability control.
- For the 2009 model year, 24 Ford vehicles received five-star ratings for both frontal impact and side impact from the National Highway Traffic Safety Administration in its U.S. New Car Assessment Program (NCAP) ratings, compared with 15 for the 2008 model year.
- For the 2009 model year, the IIHS awarded 28 Ford vehicles with "good" ratings for frontal offset performance and 16 Ford vehicles with "good" ratings for side impact performance.
- In the most recent EuroNCAP assessments, the Ford Kuga and Ford Fiesta achieved Ford's first three-star ratings for pedestrian protection. These cars also joined the Focus, Mondeo, S-MAX and Galaxy in having best-in-class, five-star adult protection and four-star child protection ratings. EuroNCAP gave the Volvo XC60's WHIPS system the highest-possible score when it tested whiplash protection systems for the first time in 2008.
- The Ford Mondeo became the second Ford car (after the Focus) to be awarded a five-star rating in the Chinese New Car Assessment Program.
- The Ford Falcon was the first Australian-built car to be awarded five stars in the Australasian New Car Assessment Program.

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- Quality and Customer Satisfaction Awards and Ratings
- ▶ Global Quality Operating System

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## Global Quality Operating System



Quality really is Job #1 at Ford. We use an extensive Global Quality Operating System at every stage of vehicle development and manufacture, to make sure that our vehicles have world-class quality and performance. Our Global Quality Operating system was fully rolled out in 2008 after several years' implementation. Though we have always used quality systems, they were not always standardized across locations. By requiring standard processes and implementation everywhere we operate, we intend to continue and expand our world-class quality results.

We begin designing for quality from the very earliest stages of every vehicle program. Approximately three-and-a-half years before a new model rolls off the assembly line, we virtually "pre-assemble" the vehicle, to identify and address potential quality issues at the beginning of the design process. This allows engineers to make corrections – and ultimately improve build efficiency, worker safety and quality – long before the vehicle design is finalized and built on the real assembly line. By using this [virtual quality system](#) we have cut time-to-market by eight to 14 months, depending on the vehicle program, reduced costly late engineering changes and are building fewer – but better – physical prototypes. We also now have the lowest work-related injury rate in our Company's history.

Once vehicles pass these virtual quality tests, we undertake extensive testing of actual vehicle prototypes for both manufacturing and performance quality. Even after our vehicles have left the factory, we continue our efforts to improve quality. We evaluate every manufacturing-related warranty claim and migrate effective solutions into the assembly plant. We also gather feedback from our customers using survey tools, to ensure that we understand customers' problems with our vehicles, including actual product failures and customers' opinions of vehicle designs or features.

We use a Six Sigma process to resolve quality problems. In 2007, we completed our effort to integrate Six Sigma quality methodology into the Company's core processes. We now have Quality Functional Leaders who assist every organization within the Company in the implementation of Six Sigma problem-solving methods to improve quality and eliminate waste. Around the world, we have 60,000 Six Sigma "green belts," more than 7,000 "black belts" and 400 "master black belts" – Ford employees trained in how to apply Six Sigma principles and methodologies.

Unfortunately, the perception of Ford quality continues to lag the real improvements we have made. To improve customer perception and continue our progress, we will maintain an intense focus on quality and communicate these gains to customers. We are also working to increase customer awareness of our quality progress through our [communication and advertising](#) efforts.

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## Sales Highlights

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In 2008, auto sales around the world declined significantly as a result of the growing global recession and credit crisis. Even though our overall sales, like the rest of the industry's, were down in 2008, we made some important strides in sales, product introductions and product investments in both mature and emerging markets.

### United States

In the United States, we are introducing highly desirable vehicles in the fastest-growing segments, including crossovers and more fuel-efficient vehicles. In 2008, we committed that every new or significantly redesigned vehicle we introduce will be best in class or among the leaders in their segments for fuel economy. We are meeting this goal by introducing [more fuel-efficient gas engines, smaller vehicles and hybrid vehicles](#).

We are also introducing new products faster: By the end of 2008, we introduced new or significantly upgraded models of 70 percent of the Ford, Lincoln and Mercury products (by volume) sold in North America. By the end of 2010, 100 percent will be new or significantly upgraded.

Though auto sales across the industry declined in 2008 due to the recession and financial crisis, Ford, Lincoln and Mercury brands actually gained retail market share in the United States for two consecutive quarters, from October 2008 through March 2009. This gain was led by strong sales of the Ford Fusion midsize sedan and the new 2009 Ford F-150 pickup. The Ford Escape and Mercury Mariner small SUVs and the Lincoln MKS luxury sedan also contributed to Ford's market share increase.

### U.S. Product Sales by Segment

	Industry	Ford
<b>Cars</b>		
Small	22.9	15.0
Medium	15.5	9.3
Large	6.1	7.7
Premium	7.8	3.1
<b>Total U.S. Car Sales</b>	<b>52.3</b>	<b>35.1</b>
<b>Trucks</b>		
Compact Pickup	2.8	3.4
Bus/Van	6.1	6.5
Full-size Pickup	11.9	27.2
Sport Utility	24.9	27.4
Medium/Heavy	2.0	0.4
<b>Total U.S. Trucks</b>	<b>47.7</b>	<b>64.9</b>
<b>Total U.S. Vehicle Sales</b>	<b>100.0</b>	<b>100.0</b>

Note these numbers include Ford Lincoln and Mercury vehicle sales in the U.S.



### RELATED LINKS

In This Report:

- Sustainable Technologies and Alternative Fuels Plan
- Delivering More Fuel-Efficient Vehicles
- Global Products Manufacturing

### Vehicle Web Sites:

- Ford Fusion
- Ford F-150
- Ford Escape
- Ford Edge
- Mercury Mariner
- Lincoln MKS
- Ford Fiesta
- Ford Focus (European)
- Ford Transit Connect

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## Ford of Europe

Even in 2008's difficult economic conditions, Ford realized market share gains in 15 out of 19 primary European markets.<sup>1</sup> In 2008, total market share in these 19 European markets was 8.6 percent (up 0.1 percentage point from 2007). Though overall sales decreased by 115,200 units in 2008 compared to 2007, Ford sales decreased by a smaller percentage (7.4 percent) than overall auto industry sales (8.3 percent). Furthermore, Ford realized sales gains in 10 out of the 19 primary European markets. In 2009, we are continuing to gain market share in Europe: In the first quarter of 2009, Ford's market share increased to 9.4 percent, its highest level in nearly 10 years.

In 2008, Ford was the bestselling brand in the UK and Ireland and was the second-best-selling vehicle brand in our European markets overall. Ford also regained its position of having the bestselling brand of passenger car in Spain. These results were led by the new Ford Fiesta and the continued popularity of the Ford Focus. Since the Fiesta's European market launch in August 2008, we have sold nearly 117,000 units. The Fiesta was the bestselling car in Europe in March 2009. As of that same month, the Fiesta was also the bestselling vehicle in the UK since it went on sale. In January 2009, the Fiesta received the "Car of the Year" award from *What Car?* magazine, the UK's leading source of new-car advice. In 2008, the Ford Focus remained the bestselling Ford car in Europe. With additional new models being launched in 2008, we are optimistic that we will maintain our sales momentum in Europe.

In 2008, Ford's share of the Turkish market decreased by 2.1 percentage points to 14.7 percent, but 2008 was still the seventh year in a row that the Ford brand led the market in sales in Turkey. We also are experiencing strong sales in Russia, where sales of Ford-brand vehicles increased by 6 percent to approximately 187,000 units in 2008.

## Asia Pacific

The fastest-growing markets for automobiles are in rapidly developing countries like China and India. We are expanding our production capacity in China, India, Thailand and the rest of Asia, as well as launching new products in these and other markets to meet consumer needs and remain competitive.

Australia, China, India, South Africa and Taiwan are our principal markets in the Asia Pacific region.

Major Markets	2008 Combined Car and Truck Market Share <sup>2</sup>	Percentage Points Better/(Worse) Than 2007
Australia	10.3 percent	No change
China	1.9 percent	(0.2)
India	1.4 percent	(0.5)
South Africa	6.9 percent	(0.7)
Taiwan	5.5 percent	(2.1)

Our wholesales in the Asia Pacific region and Africa were down 13 percent in 2008, reflecting a slowdown in industry sales during the second half of the year and adverse segmentation, primarily in Australia.

In 2008, our sales in China totaled more than 306,300 units. This sales figure includes vehicles produced and distributed by our two Chinese joint ventures: Changan Ford Mazda Automobile Corporation, Ltd. (CFMA) and Jiangling Motors Corporation, Ltd. (JMC). The CFMA joint venture, based in Chongqing, began production in 2003 and now builds Ford, Volvo and Mazda models. The JMC joint venture, which has operations in Nanchang, assembles light commercial vehicles for distribution in China.

We are continuing to increase our presence in China, with more investment in manufacturing capacity, the introduction of new products and the expansion of distribution channels. In 2008, we introduced several new models in China, including the significantly upgraded Ford Focus, the new five-seater Ford S-MAX, a refreshed Ford Transit and the Ford Mondeo. We began producing the new Ford Fiesta for the Chinese market in January of 2009 at CFMA's Nanjing plant. The Nanjing facility is the first to build the four-door version of the Fiesta.

In 2008, the CFMA wholesaled 204,334 vehicles. The CFMA's Chongqing plant has production capacity of about 250,000 units per year. We opened a second assembly plant and a new engine plant in Nanjing in 2007, with initial capacity of about 160,000 units annually, boosting our total annual passenger car production capacity in China to more than 410,000 vehicles.

In India, we continue to expand production capacity and new vehicle introductions. We are in the process of significantly increasing our presence in India with more investment in manufacturing capacity. In January 2008, we announced an investment of \$500 million to expand our current manufacturing facility in Chennai, in order to build a fully integrated and flexible engine manufacturing plant that will begin production of a new small car by 2010.

Similarly, in Thailand we announced plans to invest more than \$500 million in a new, highly flexible, small passenger car plant at AutoAlliance Thailand – a joint venture between Ford and Mazda. This facility will begin producing small cars in 2009; in 2010, it will begin producing the new Fiesta for other major Asian markets.

In the Philippines, we have extended our commitment to biofuels by launching the production of flexible fuel engines at our Santa Rosa facility.

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## South America

Ford is the fourth-largest automaker in South America, and our principal markets include Brazil, Argentina and Venezuela. Ford's 2008 market share for the region was 9.7 percent, down one percentage point from 2007.

Major Markets	2008 Combined Car and Truck Market Share	Percentage Points Better/(Worse) Than 2007
Brazil	10 percent	(0.8)
Argentina	12.4 percent	(1.3)
Venezuela	15.7 percent	0.5

We continue to launch new products to meet the needs of our South American customers. In 2009, we are bringing the new European-based Ford Focus to Brazil, Argentina and Venezuela, as well as bringing the North American-based Ford Edge and European-based Transit to Brazil. Four additional product introductions are planned for the region in 2009. We are also investing \$1.1 billion in our Brazil operations and another \$215 million in our Argentina operations over the next four years.

This sales growth in the rapidly growing markets of South America and Asia represents a significant achievement for the Company. At the same time, we know that our long-term success in these developing and revitalizing economies will depend on our offering new types of mobility solutions that are increasingly sustainable and tailored to the unique needs of these markets. Our sustainable [mobility strategy](#) is aimed at ensuring we do just that.

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1. Primary European markets include Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the UK. This does not include Turkey or Russia. This market share data also does not include Volvo.
2. Includes sales of Ford-brand vehicles and market share for certain unconsolidated affiliates, particularly in China.

## Building Customer Awareness

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One important goal of our marketing and communications activities is to increase consumers' knowledge of our products and our corporate performance. We are particularly focused on improving consumers' awareness of the Company's excellent quality, safety, environmental and social performance. We use a range of communication methods to share information about Ford with potential customers and to get feedback from drivers. This sustainability report is one key element of our strategy. We also engage in two-way communications with consumers and other stakeholders through a variety of stakeholder engagement forums.

In 2008, we launched an aggressive social media communications effort that uses Web-based social networking channels – such as Facebook, YouTube and blogs – and fosters word-of-mouth marketing. Social networks and blogging are becoming an increasingly important way to communicate with consumers, especially with the so-called "millennial generation" – those born from the late 1970s through the late 1990s. Opportunities for discussions and blogging on the Internet are countless. So, we are empowering our employees to communicate about Ford in the "blogosphere" by making our Online Communications Guidelines more widely available and giving employees the information they need to communicate successfully in these arenas. We think that allowing employees to have open and real communications within their digital communities sends a clear message that Ford is committed to forging relationships online and being accessible to its audiences. We are also actively using the Twitter message service to engage with fans, detractors and the general public on all matters. And, we are making it easier for visitors to our Ford Web sites to find third-party content about Ford online, particularly with the ever-evolving "[Ford Story](#)" site. We hope that integrating third-party information into our sites will provide a valuable service to consumers and will show our confidence in the vehicles we're producing.

Through these and other methods, we are seeking to stimulate user discussions about our products. For example, in 2009, we started a program called the "Fiesta Movement" to support the launch of the Ford Fiesta in the United States in 2010. Through this program, Ford will select up to 100 online "influencers" to drive a Fiesta for six months and then relate their experiences through social media sites such as Facebook, Twitter, Flickr and YouTube. By delivering Fiestas to specially selected consumers, we will have the opportunity to learn more about consumer wants and needs in the rapidly growing small car segment. This program will help us get a wealth of feedback early on in a new vehicle program. It will also provide a unique approach to raising awareness about the Fiesta – via unfiltered information from real drivers.



We are also working to improve the effectiveness of our auto show appearances. Approximately 24 million people attend auto shows in the United States alone, so these are important opportunities to share information with potential customers. At the 2009 Chicago Auto Show, for example, we used a wide range of interactive exhibits that helped us better engage visitors. The exhibits, which highlight our "Drive One" strategy, focus on fuel economy, quality, safety and smart technologies. For example, the displays included a hands-on experience with the [Fusion Hybrid's](#) SmartGauge™ with EcoGuide technology, as well as interactive touch tables illustrating the environmental benefits of soy-based seat cushion foam and EcoBoost™, our new fuel-efficient engine technology.

Through our Drive One campaign we also offer a range of opportunities for people to experience our vehicles firsthand. The goal of Drive One is to encourage people who might not otherwise be considering a Ford product to see for themselves what we offer. Drive One is based on our belief that, when people drive our vehicles, they will have more positive opinions of our products and will be more likely to buy them. The campaign highlights Ford's four key areas of focus: safety, quality, green technologies and smart technologies.

One of our Drive One efforts is the Drive One 4 UR School campaign. Through this program, people can test-drive a Ford Flex, Focus or other new Ford vehicle and help raise money for their local school. For each test-drive taken at the one-day events, Ford donates \$20 (up to a total of \$6,000 per event) to fund special projects and activities at the designated school. We launched this program with high schools in 2007 and added middle and elementary schools in 2009. As of March 2009, more than 280 Drive One 4 UR School events had taken place in the United States, raising more than \$750,000 to support local schools. These events enabled more than 37,500 participants to test drive a variety of Ford products. Feedback from these events shows that both purchase consideration and opinion of the Ford brand improved after individuals had a chance to get behind the wheel and experience the vehicles firsthand.

### RELATED LINKS

- In This Report:
- [The New Ford Fusion](#)
  - [Developing the Technologies Customers Want](#)
  - [Sustainable Technologies and Alternative Fuels Plan](#)
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Finally, we use traditional advertising to inform consumers about our products and our corporate performance. We use three primary advertising strategies: corporate-level communications about Ford Motor Company, advertising about our brands and specific products, and dealer-level product advertising. The goal of these advertising strategies is to sell vehicles. But just as important, we are aiming to increase general awareness about the excellence of our products and our corporate performance among people who are not yet in the market for a vehicle. To develop new products, we respond to market demands through our market research and product development efforts. Through our advertising, we hope to increase interest in and preference for our vehicles and our Company based on the excellence of our products and the positive actions of our Company. The following chart provides an overview of how we spent our product marketing dollars in 2008.

### Ford 2008 U.S. Advertising Spending

Ford	Spend	% of Total
Corporate	\$9,934,729	0.72%
Divisional	\$1,360,595,986	99.28%
Total	\$1,370,530,715	100%
Hybrid	\$21,771,848	1.59%

Brands include Ford, Land Rover, Lincoln, Mazda, Mercury, Volvo

Media includes network TV, national cable TV, local TV (top 100 markets), national magazine, national newspaper, local newspaper (top 100 markets), radio (top 27 markets), outdoor, Internet (excluding sites that require zip codes)

Corporate and Hybrid spend does not include radio, outdoor or Internet

As part of our One Ford transformation, we are working to improve the effectiveness of our advertising communications by involving dealers more closely in the development of our advertising strategies. Dealers communicate with our customers everyday, and they have special knowledge about consumers' needs and wants. We included our dealers from the start in the development of our Drive One campaign. In fact, prior to developing the Drive One idea, we sought input from our entire Ford dealer body, and that feedback informed the campaign's development. Together we arrived at a campaign that works at the corporate, brand, product and dealer levels.

We are also improving alignment between our public relations efforts and our marketing efforts, to improve the effectiveness of all our communications. In 2009, a key focus of our communications will be improving customer awareness of our quality and fuel-economy achievements. For example, we have launched a new ad series for the Ford Focus in which customers describe how the Focus delivers on their personal definitions of quality. And in March 2009 we launched an ad campaign for the 2010 Fusion, to raise consumers' awareness of the Fusion's best-in-class fuel economy, world-class quality, increased resale value and smart technology, including the voice-activated [SYNC@](#) multimedia communications system. We are also highlighting that we make the world's most fuel-efficient small SUV – the Ford Escape and Mercury Mariner Hybrid – and that we are doubling the size and volume of our hybrid lineup. And, we are emphasizing the introduction of the [EcoBoost engine](#) lineup, which can deliver up to 20 percent better fuel economy and up to 15 percent fewer CO<sub>2</sub> emissions versus larger-displacement engines.<sup>1</sup>

1. When fuel economy is calculated as miles per gallon, EcoBoost delivers up to 20 percent better fuel economy compared to larger-displacement engines. When fuel economy is calculated in liters per 100 km, as it is in most of Europe, EcoBoost delivers up to 15 percent better fuel economy. The benefits of EcoBoost are the same in each case; the difference is only in the units used in the calculations. This is because the conversion between miles per gallon, which measures distance traveled per unit of fuel consumed (wherein more is better), and liters per 100 km, which measures fuel consumed per unit of distance traveled (wherein less is better), is a reciprocal or inverse proportion. Therefore, the resulting figures are different even though the actual benefit received is the same.



## Financing Our Plan

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The costs associated with the transformation of our business, combined with the effects of the sudden and substantial decline in industry sales volume that have accompanied the global economic crisis and other pressures, contributed to substantial negative operating-related and other cash flow during 2008. We have announced and are on track to achieve \$14 billion to \$17 billion in Automotive cash improvement actions designed to improve our balance sheet in the 2009–2010 period, with about one-half of the efforts occurring by the end of 2009 and the remainder in 2010. These announced actions include:

- Reducing North American salaried personnel-related costs by an additional 10 percent by the end of January 2009, in addition to personnel-related cost actions already taken or underway globally
- Eliminating merit pay increases for North America salaried employees in 2009 and eliminating performance bonuses for global salaried employees, including the Annual Incentive Compensation Plan for the 2008 performance year
- Suspending matching funds for U.S. salaried employees participating in Ford's Savings and Stock Investment Plan
- Reducing annual capital spending to between \$5 billion and \$5.5 billion, primarily by reducing launch costs and increasing efficiencies in Ford's global product development system
- Reducing engineering, manufacturing, information technology and advertising costs through greater global efficiencies
- Reducing inventories globally and achieving other working capital improvements
- Returning capital from Ford Credit consistent with its plan for a smaller balance sheet and focus on core Ford brands
- Continuing to develop incremental sources of Automotive funding, including divesting non-core operations and assets, and reducing our debt

In addition, we are taking steps to improve the liquidity of our Automotive operations, including obtaining access to \$2.3 billion of Temporary Asset Account assets for use during 2009 and borrowing \$10.1 billion under our secured revolving credit facility. For more information on these activities, please see our [10K filing](#) with the U.S. Securities and Exchange Commission.

We also applied for \$11 billion in loans over time pursuant to Section 136 of the Energy Independence and Security Act of 2007 for the design and production of "advanced technology vehicles" (as defined in the Act). Our application has been determined by the U.S. Department of Energy (DOE) to be "substantially complete," but remains pending. We have not received notice of the timing by which the loans may be funded. In addition, we are applying for loans from the European Investment Bank (EIB) of up to €2.3 billion for eligible CO<sub>2</sub> emissions-reduction projects over the 2008 to 2012 period. Between the DOE and EIB loans for which we have applied, we expect to receive about \$2 billion in 2009.

Also, as previously discussed, we reached an agreement with the UAW in March 2009 to provide us the option to settle with Ford common stock up to 50 percent of our future cash payment obligations to the [Voluntary Employee Benefits Association retiree health care trust](#) required by the Retiree Health Care Settlement Agreement.

We have two principal qualified defined benefit retirement plans in the United States. The Ford-UAW Retirement Plan covers hourly employees represented by the UAW, and the General Retirement Plan covers substantially all other Ford employees in the United States hired on or before December 31, 2003. We established, effective January 1, 2004, a defined contribution plan generally covering new salaried U.S. employees hired on or after that date. Other U.S. and non-U.S. subsidiaries have separate plans that generally provide similar types of benefits. We report on our pension contributions and funding in our [annual financial statements](#).

Also in March 2009, Ford Motor Company announced a debt conversion offer to restructure our corporate debt. The Ford conversion offer paid a premium in cash to induce the holders of its outstanding 4.25 percent Senior Convertible Notes due December 15, 2036 to convert those debt notes into shares of Ford's common stock. The Convertible Notes were issued in 2006, and the outstanding principal amount of the Notes was approximately \$4.88 billion at the commencement of the conversion offer. Before this new conversion offer, the Notes were convertible into shares of Ford common stock at

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a conversion rate of 108.6957 shares per \$1,000 principal amount of the Convertible Notes. Holders who elected to convert their Convertible Notes into shares of Ford common stock under this conversion offer received the 108.6957 shares of Ford common stock plus \$80 in cash for each \$1,000 principal amount of the Convertible Notes converted. This debt conversion offer has significantly reduced our debt obligations and annual interest expense. As of April 3, 2009, when this conversion offer expired, approximately \$4.3 billion of the principal amount of Convertible Notes were validly tendered and accepted for purchase. This debt conversion offer, in combination with a debt restructuring offer initiated by Ford Motor Credit, will reduce Ford's outstanding Automotive debt by \$9.9 billion from \$25.8 billion at December 31, 2008. This will reduce Ford's annual cash interest expense by more than \$500 million based on current interest rates.

## Working as One Team



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As part of our "One Team" approach, Ford has implemented a disciplined business plan process to regularly review our business environment, risks and opportunities, as well as our strategy and our plan. Through this process we also identify areas of our plan that need special attention and pursue opportunities to improve our plan. Everyone is included and contributes, openness is encouraged, and our leaders are responsible and accountable. We use facts and data to make our decisions, and high-performance teamwork is a performance criteria. 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 2008 and into 2009.

In addition, we are enlisting our stakeholders to help us create an exciting and viable Ford business going forward. We are reaching out and listening to customers, dealers, employees, the UAW, suppliers, investors, communities, retirees, and federal, state and local governments. Each of these constituencies is a critical part of, and critical to, 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.

This section addresses two key facets relating to our One Team approach: [increasing global integration](#) and our [product development process](#).

By 2013, all of Ford's cars and vans will be shared between North America and Europe.

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## Increasing Global Integration

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Globally integrating our product development, manufacturing, purchasing and marketing efforts is key to delivering high-quality, innovative and desirable products quickly and cost effectively.

In 2009, we made changes to our Global Marketing organization to create a more consistent and compelling connection with customers worldwide, while better leveraging the Company's global assets and capabilities. As part of these changes, we named Elena Ford as director of Global Marketing, Sales and Service Operations, reporting directly to Jim Farley, Ford's group vice president of Marketing and Communications. This follows previous steps we made in 2007 and 2008 to improve the global integration of our operations, including naming Joe Hinrichs as group vice president for Global Manufacturing. We also reorganized senior leaders in the product development and purchasing organizations to assign global responsibility for key vehicle segments and major purchasing functions, and globally integrated our regional research and product development organizations.

Going forward, we will be delivering more vehicles worldwide from fewer core platforms. By 2010, approximately 40 percent of Ford's entries into the car and van segments will be shared between Ford North America and Ford Europe, with full alignment achieved by 2013. These vehicles include the Fiesta- and Focus-sized small cars, Fusion- and Mondeo-sized midsize cars, crossovers, utility vehicles and commercial vans. In the next five years we will build 1 million units a year from our global "B-car" platform, and nearly 2 million units a year from our global "C-car" platform. For example, the Ford Fiesta, our new global "B-car," was introduced in Europe in 2008 and has since also gone on sale in South Africa, Australia, New Zealand and China. It will be introduced in other key Asian markets and North America in 2010. Since launching in Europe in November 2008, the Fiesta has been the bestselling vehicle in the UK and has significantly driven our European sales successes. In 2009, we are also bringing the highly successful Transit Connect commercial van from Europe to the United States. And, in 2010, we will introduce the new Ford Focus global small car simultaneously in North America, Europe and Asia. This vehicle will also be introduced as a [battery electric vehicle](#) in the United States in 2011.

We are also planning the global implementation of [EcoBoost™](#), our new fuel-efficient engine technology. This technology will launch in the United States in 2009 on the Lincoln MKS, Lincoln MKT, Ford Taurus SHO and Ford Flex. In early 2010 we will implement EcoBoost in Europe, and by 2013, Ford will have annual volumes of 1.3 million EcoBoost V-6 and I-4 engines globally.

We will begin implementing our highly successful [SYNC@](#) in-vehicle communication and entertainment system globally in 2010, beginning with Europe and the migrating to Asia Pacific and Australia. To date, Ford has built more than 1 million SYNC-equipped vehicles.

We are also increasing the global integration of our Quality Operating System. In 2008, for example, we completed the global implementation of a standardized quality system that replaced former regional systems. By requiring standardized processes and implementation everywhere we operate, we can continue and expand our world-class quality results.

In addition, we are continuing to standardize materials and parts across vehicle lines. This standardization will not only reduce costs, it will increase quality by reducing the number of different parts we test and manufacture. In 2006, we developed cross-functional Commodity Business Plan teams, including representatives from product engineering, purchasing and cost optimization, to choose the most effective standardization opportunities. These groups have already had great success in parts standardization and cost reductions, including developing a common global strategy for Ford's door hardware modules, which will be launched across the Company's global C-car platforms; reducing the number of different power steering systems on light trucks from six to two; and reducing the number of body electronic module families from 20 to seven on Ford North America vehicles.

By leveraging our global operations, we will be able to deploy our global product development capital and engineering resources to fewer vehicle platforms, drivetrains and powertrains. This commonality of platforms, drivetrains and powertrains, in turn, will reduce complexity in our vehicles and processes. All of these efforts will reduce costs and increase quality.



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- [Sustainable Technologies and Alternative Fuels Plan](#)
- [Developing the Technologies Customers Want](#)
- [Restructuring Our Business](#)

#### Vehicle Web Sites:

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We are also realigning our capabilities to deliver better products faster than ever before. We are continuing our investment in flexible manufacturing, which reduces costs for each new product and lets us shift production at an individual plant from model to model to address changes in customer demand quickly. In our flexible manufacturing plants, we are using reprogrammable tooling in the body shop, standardized equipment in the paint shop, and a common build sequence in final assembly, so that we can build multiple models on one or more platforms in a single plant.

In our body shops, where the sheet metal comes together to form the vehicle's body, more than 80 percent of the tooling is not specific to one model. It can be reprogrammed to weld cars, trucks or crossovers of similar size.

In our flexible paint shops, we are using standardized equipment capable of painting a vehicle of any size. This not only allows us to transition easily from producing one vehicle to another, it also improves paint quality and minimizes environmental impacts. In part due to the use of standardized equipment, in 2008 Ford had the best paint durability after three years in service of any automaker and was tied for first place in paint customer satisfaction after three months in service, according to the Global Quality Research System survey conducted for Ford by the RDA Group.

To facilitate flexibility in our final assembly plants, we are designing vehicles so that they are built in the same sequence. This allows us to build different models in the same plant and allows us to respond more quickly to changing consumer needs. It also allows for efficient utilization of people and equipment.

We are also leveraging our plant flexibility to facilitate our transformation to a more balanced portfolio of vehicles. For example, our investment in flexible manufacturing enabled us to move our SUV production from the Michigan Truck Plant into the Kentucky Truck Plant in the first quarter of 2009. We were able to consolidate the vehicle lines formerly produced in Michigan into the Kentucky Plant in less than three months. The Kentucky Plant will now be able to produce the full array of Ford's F-Series Super Duty products, as well as the Expedition, Expedition EL, Navigator and Navigator L. Our investment in flexible manufacturing will also allow us to more quickly and cost-effectively convert the Michigan Plant to a car plant that will begin producing global C-car-based vehicles in 2010.

In addition, nearly all of our U.S. assembly plants will have flexible body shops by 2012, to enable quick responses to changing consumer demands. And, nearly half of our transmission and engine plants will be flexible, capable of manufacturing various combinations of transmission and engine families.

Flexible manufacturing also increases our ability to respond quickly to changing customer demand and reduces costs in our powertrain facilities. In our traditional powertrain facilities, changeover from one product to another typically requires a 12–18 month extended shutdown and usually results in significant equipment obsolescence. A flexible system changeover, by contrast, often takes place during regularly scheduled plant shutdowns during the summer and over winter holidays, requiring only a two- to six-week shutdown to implement an entirely new architecture.

A key enabler to quickly launching new products in our flexible manufacturing plants is virtual manufacturing. Virtual manufacturing technology allows Ford to quickly add various models into an existing facility – or to reconfigure an existing facility to produce a new model. Every new product is "built" in a virtual manufacturing plant, which contains every tool, station, robot and conveyor, all created via three-dimensional CAD data. This allows the manufacturing engineer and the product development engineer to simultaneously prove out product and process compatibility at least one year before the first physical part is built and two years before the first vehicle is assembled.

Ford has a range of industry-leading virtual manufacturing and product tools. Many of these are housed in the Immersive Virtual Review lab in the Product Development Center and the Manufacturing Development Center in Dearborn. In these labs, designers and engineers evaluate early vehicle designs against a backdrop of virtual conditions and experience a vehicle from both production workers' and drivers' vantage points before it is built. This helps us create Ford, Lincoln and Mercury products that provide the "perfect fit" for almost all customer body types. The Product Development Center also houses the Cave Automated Virtual Environment, a Programmable Vehicle Model and a virtual reality station. These technologies utilize advanced motion-tracking equipment and computer software to generate virtual vehicle interiors and exteriors at actual scale, reducing the need to build

### RELATED LINKS

- In This Report:
- [Customer Satisfaction and Quality](#)
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physical prototypes. This process significantly reduces product development costs and time while improving vehicle quality.

Virtual manufacturing translates into multiple benefits for the Company. For example, incompatibilities are solved on the computer, saving re-work costs and time. Engineers can also see virtual assembly operators "at work" in their stations, ensuring that real operators will be able to safely install each and every part. In addition, Ford has deployed motion-capture technology, which allows an ergonomic specialist to evaluate production operations for attributes that could make it difficult for a line worker in the assembly plant to perform with the required level of quality and safety. These issues with the vehicle's design can then be corrected in the virtual environment before the vehicle goes to production. These technologies result in vehicles that are easier to build and higher quality and processes that result in fewer injuries to our workers. Ford has seen a 75 percent reduction in work-related injuries since in the introduction of these proactive processes.

Virtual manufacturing also significantly reduces the time and costs required to develop new vehicles, and it improves quality. Thanks to our use of virtual manufacturing, product development time is approximately 14 months shorter than it was in 2004. We have deployed 100 percent of our virtual manufacturing tool set on all product programs, beginning with the launch of the Ford Flex last year. As part of our integrated, closed-loop feedback and learning process, manufacturing engineers track issues we discover when actually building vehicles and add preventative solutions into the virtual design standards for all future vehicles. We began tracking the number of manufacturing issues in 2005 as a baseline for improvement. As a result of using virtual manufacturing, we have reduced potential manufacturing engineering changes by more than 85 percent. In addition, for the past two years, Ford's vehicles have been in a statistical dead heat with Toyota and Honda for best initial quality.

## Investor Ratings and Feedback

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We see increasing recognition on the part of socially responsible investors that strong performance on sustainability issues can deliver improved financial results in the long term and provide a proxy for the overall quality of a firm's management.

We cooperate with many of the sustainability ranking organizations. Their rankings and the evaluations behind them are important for understanding our own position relative to the rest of the industry and for better understanding our strengths and weaknesses.

In 2008, we were included in the Dow Jones Sustainability Index North America and the FTSE4Good Index, based on favorable evaluations of our sustainability programs and performance.

The UK organization Business in the Community, in its Corporate Responsibility Index, ranked Ford's performance as a "silver," with a score of 89.5 percent. We were only half a percentage point away from receiving a "gold" rating. Ford's scores were well above its peers in the categories of diversity, responsible products and marketplace management. Our principal areas of opportunity are waste and resource management, and scope of reporting. Business in the Community provided specific [feedback on Ford's performance](#).

Ford earned "best-in-class" status for its environmental and social performance from Storebrand, a leading Scandinavian financial services company, which has approximately €25 billion in assets under management, all of which are subject to an extensive Group SRI Policy. Only those companies ranking in the top 30th percentile of Storebrand's corporate social responsibility performance analyses are considered "best in class." These companies also qualify for participation in Storebrand's investment universe.

Ford was ranked 23rd out of the Fortune 100 companies by the Accountability Rating, a tool developed to measure the extent to which companies have built responsible practices into the way they do business. This rating was developed by a leading corporate social responsibility consultancy called csrnetwork and the international think tank AccountAbility, and first applied in 2004. In a separate study by researchers at Brigham Young University and the consulting firm KD Paine and Partners, Ford was ranked sixth out of the Fortune 50 for the "transparency" of our online environmental sustainability reporting.<sup>1</sup>

*Corporate Responsibility Officer* magazine, in conjunction with the research and consulting firm IW Financial, ranked Ford 36th in their top 100 Corporate Citizens for 2008. This was the highest ranking of any automotive company. Within this overall ranking, Ford was ranked first out of all companies reviewed for Human Rights and 24th for Environment. This ranking system reviewed large-cap companies headquartered in the United States.

This sustainability report is an important means of providing information to investors. Our [reporting has been recognized by several organizations](#).

We continue to maintain open communication with the investment community. We regularly host conference calls and participate in key automotive conferences during the year. In addition, our [Investor Relations Web site](#) is a good source of information for investors. It contains various Company reports, a schedule of events and investment information.

1. The report is available on [The Measurement Standard Web site](#)

### RELATED LINKS

#### In This Report:

2008 Awards and Recognition

#### On Ford.com:

Investor Relations

#### External Web Sites:

Business in the Community Storebrand

Dow Jones Sustainability Index

FTSE4 Good

Accountability Rating

The Corporate Responsibility Officer



## Ford Motor Credit Company

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Our sustainability reporting has traditionally focused on our Automotive sector – the part of the business that designs and builds vehicles. The other major part of our business is Ford Motor Credit Company, LLC, a wholly owned subsidiary of Ford Motor Company. Ford Credit offers automotive financial services to dealerships and customers around the world. Ford Credit's sole focus is helping to sell Ford Motor Company vehicles.

Ford Credit North America does business in every state in the United States and all provinces in Canada. Outside the United States, FCE Bank plc is Ford Credit's largest operation. The biggest share of FCE's business is in the UK and Germany, with smaller operations in most other European countries. Ford Credit also operates in select markets in Asia Pacific, Africa and Latin America, where it offers financing options appropriate for local markets.

Ford Credit offers products in three primary categories:

- **Retail financing** – purchasing retail installment sales contracts and retail leases from dealers, and offering financing to commercial customers, primarily vehicle leasing companies and fleet purchasers, to purchase or lease vehicle fleets
- **Wholesale financing** – making loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing
- **Other financing** – making loans to dealers for working capital, for improvements to dealership facilities and for acquiring and refinancing dealership real estate

Ford Credit works on issues of interest to its stakeholders, including the following.

- **Credit Availability:** Ford Credit makes financing available for qualified dealers and consumers. Planned actions – including transitioning Jaguar, Land Rover and Mazda to alternate financing providers – will reduce Ford Credit's funding requirements going forward and support its liquidity needs for its core Ford business.
- **Credit Approvals:** Ford Credit continues to use the same consistent and prudent credit standards and practices it has used for many years to support Ford Motor Company dealers and customers. Because the Company uses proprietary credit originations and collections systems, it can finance and collect from a broader range of customers than if it used credit scores alone. The Company is still offering a full range of financing products to qualified dealers and customers.
- **Consumer Education:** Ford Credit is a longstanding supporter of financial education through organizations such as AWARE (Americans Well-Informed on Automobile Retailing Economics), Jump\$tart and Junior Achievement. [Ford Credit's Web site](#) includes information in English and Spanish to help consumers make informed decisions about vehicle financing. Ford Credit's prudent financing and servicing practices help keep credit available and affordable for a broad spectrum of consumers.
- **Service Quality:** In 2008, Ford Credit once again performed well in the annual third-party study that measures customer satisfaction with financing of new vehicles, based on surveys of nearly 28,000 consumers. In the 2008 survey, Ford Credit earned the top score among all non-luxury lease providers and earned the second-highest scores in the non-luxury loan and luxury lease categories among all finance providers.
- **Customer Privacy:** Safeguarding customer information is important to Ford Credit, which uses systems, policies and procedures to maintain the accuracy of customer information and to protect it from loss, misuse or alteration. Customer information is accessible to appropriate personnel who have a business need for the information. Ford Credit provides training and communications programs to educate personnel about our privacy requirements.
- **Identity Theft:** Ford Credit is a founding member of the Identity Theft Assistance Center, a nonprofit industry association in which member institutions collaborate to protect their customers from fraud and help them recover if they are ID theft victims.

### RELATED LINKS

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Products and Services

On Ford.com:  
Ford Credit

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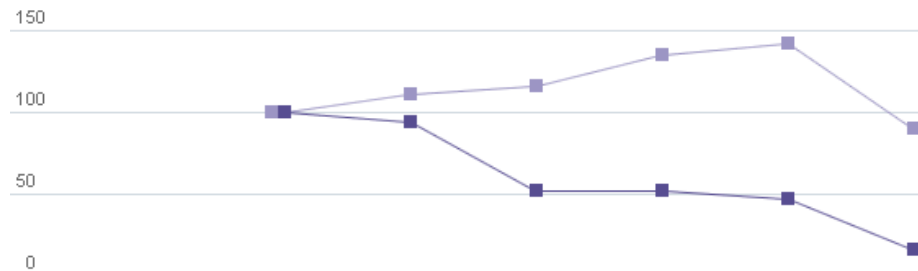
## Financial

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### A. Cumulative Shareholder Return



	Base 2003	2004	2005	2006	2007	2008
S&P 500	100	111	116	135	142	90
Ford	100	94	52	52	47	16

 Provided by third party: Bowne & Co., Inc.

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### B. Selected Financial Performance Indicators



Indicator	2003	2004	2005	2006	2007	2008
Sales and revenue (\$ billion) †	166.0	172.3	176.8	160.1	172.5	146.3
Income/(loss) from continuing operations (\$ billion) <sup>1</sup> †	0.6	3.2	1.6	(12.6)	(2.8)	(14.7)
Net income/(loss) (\$ billion) †	0.2	3.0	1.4	(12.6)	(2.7)	(14.7)
Stock price range (per share) (\$)	6.58–17.33	12.61–17.34	7.57–14.75	6.06–9.48	6.65–9.7	1.01–8.79
Diluted per share amount of income/(loss) from continuing operations (\$) †	0.34	1.59	0.86	(6.73)	(1.4)	(6.46)
Diluted per share amount of net income/(loss) (\$) †	0.13	1.52	0.77	(6.72)	(1.38)	(6.46)
Cash dividends per share (\$) †	0.40	0.40	0.40	0.25	0	0
Automotive gross cash (\$ billion) <sup>1</sup>	25.9	23.6	25.1	33.9	34.6	13.4
Shareholder return (percent) ‡	79	(6)	(45)	1	(10.4)	(37)

 † Audited for disclosure in the Ford Annual Report on Form 10-K

 ‡ Provided by third party: Bowne & Co., Inc.

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## C. Profile of Ford Investors

Percent

Investor	2003	2004	2005	2006	2007	2008
Institutional Investors:	37	41	46	54	69	57
Top 15	17	22	27	34	38	33
Others	20	19	19	20	31	24
Employees and Management	22	21	19	19	13	12
Individuals <sup>2</sup>	41	38	35	27	18	31



Provided by third party

[see notes to the data](#)

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## D. Worldwide Taxes Paid

\$ million

Investor	2003	2004	2005	2006	2007	2008
U.S. (Federal, State and Local)	834	1,268	1,317	1,121	1,299	780
Non U.S.	2,395	3,008	3,185	3,429	4,420	4,016
Total	3,229	4,276	4,502	4,550	5,844	4,796

[see notes to the data](#)

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## Notes to the Data

### [Chart B](#)

1. Automotive gross cash includes cash and cash equivalents, net marketable and loaned securities and assets contained in a short-term Voluntary Employee Beneficiary Association (VEBA) trust.

### [Chart C](#)

2. The ownership by individuals includes shares owned by the Ford family and by Ford employees and management outside of the Company savings plans.

### [Chart D](#)

Data for 2004 through 2006 exclude Federal refunds. Prior-year tax has been restated in order to include certain types of duty that were not included in the reports for prior years.

## Product, Quality and Service

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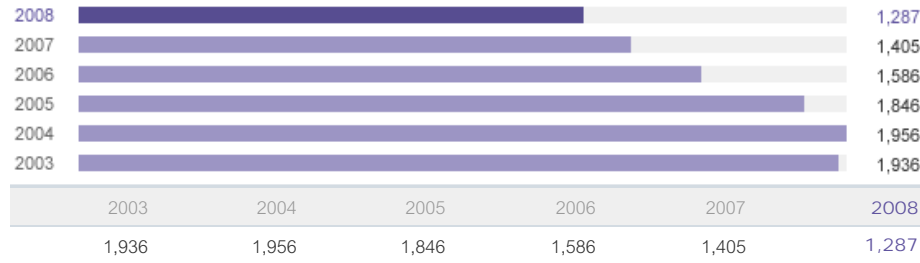
- A. ▼ GQRS Things Gone Wrong (TGW) (3 months in service)
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### A. GQRS Things Gone Wrong (TGW) (3 months in service)



Total things gone wrong per 1,000 vehicles

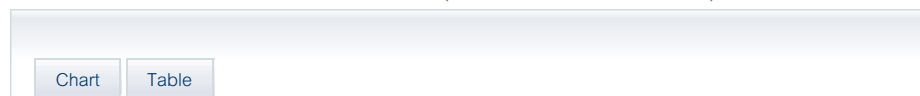


 Third party rating

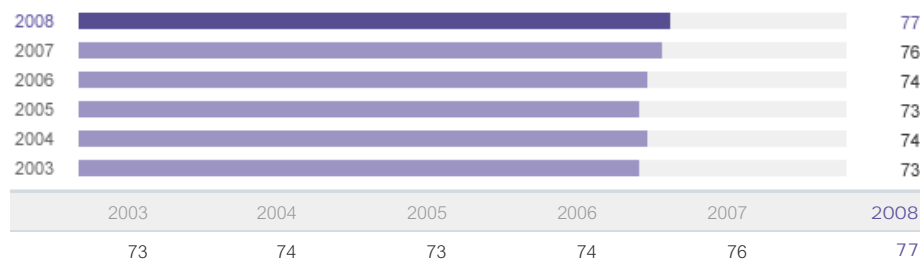
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### B. GQRS Customer Satisfaction (3 months in service)



Percent satisfied



 Third party rating

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### C. Sales Satisfaction with Dealer/Retailer



### D. Service Satisfaction with Dealer/Retailer



---

## Notes to the Data

[▲ Chart A](#) and [▲ Chart B](#)

The Global Quality Research System (GQRS) is a Ford-sponsored competitive research survey. GQRS is a good indicator of other quality results. Full-year 2008 GQRS customer satisfaction and "things gone wrong" (TGW) are 77 and 1,287 respectively. See the [Economy](#) section for a discussion of our efforts to improve quality.

[▲ Chart C](#)

Note that the measure changed in 2005 from "Percent Completely Satisfied" to "Net Promoter Score." The data has been recalculated to reflect Net Promoter Scores.

## Market Share and Sales

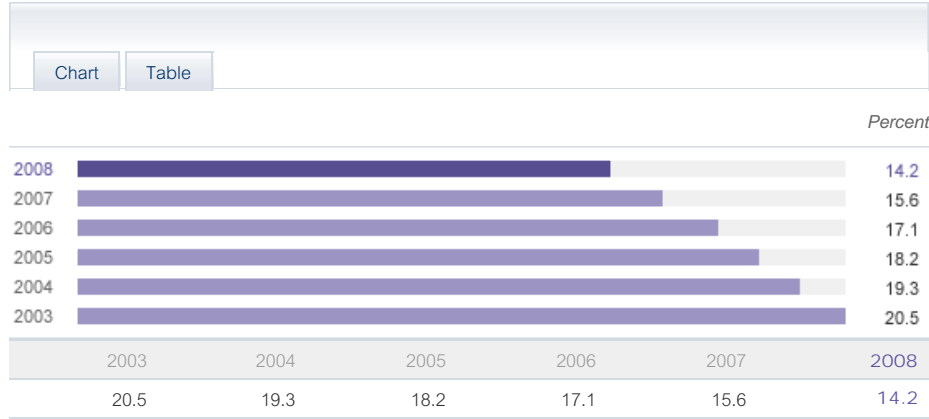
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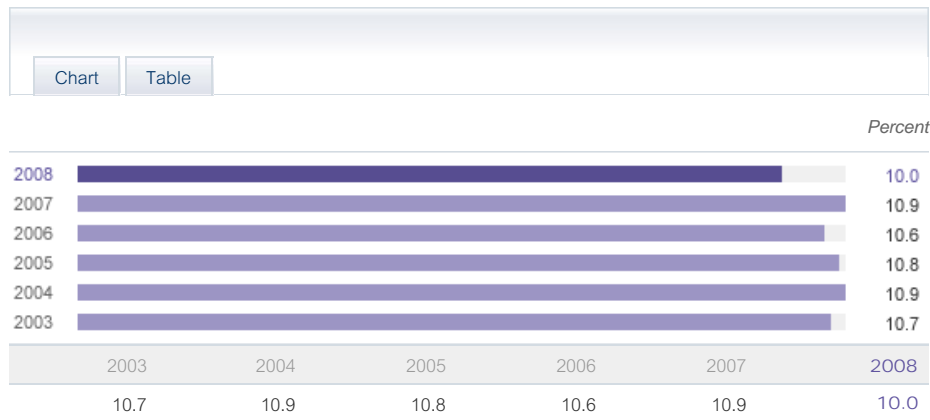
### A. Ford Motor Company Market Share – United States





 Reported to regulatory authorities

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### B. Ford Motor Company Market Share – Europe



Reported to regulatory authorities

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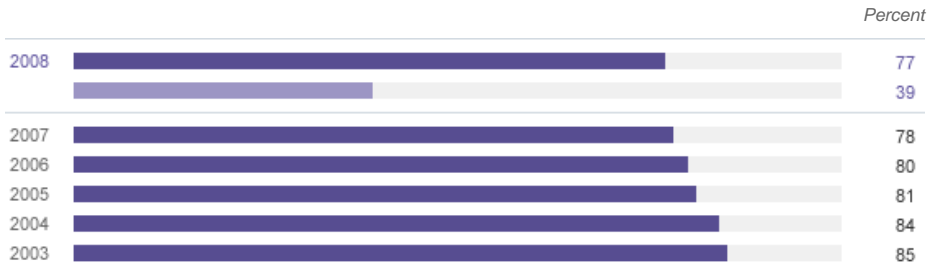




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### C. Ford Credit Market Share – United States

Chart Table



KEY ■ Wholesale  
■ Retail

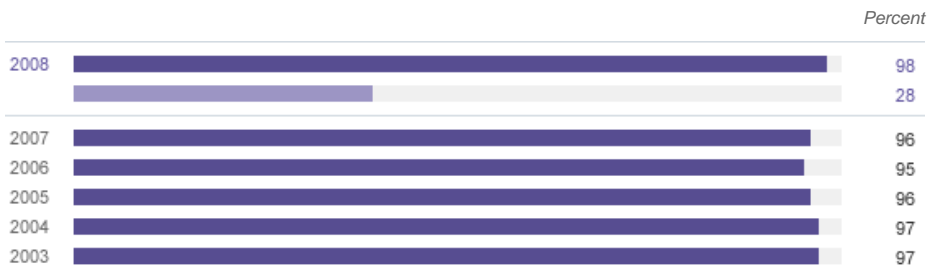
	2003	2004	2005	2006	2007	2008
Wholesale	85	84	81	80	78	77
Retail	-	-	-	-	-	39

Reported to regulatory authorities

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### D. Ford Credit Market Share – Europe

Chart Table



KEY ■ Wholesale  
■ Retail

	2003	2004	2005	2006	2007	2008
Wholesale	97	97	96	95	96	98
Retail	-	-	-	-	-	28

Reported to regulatory authorities

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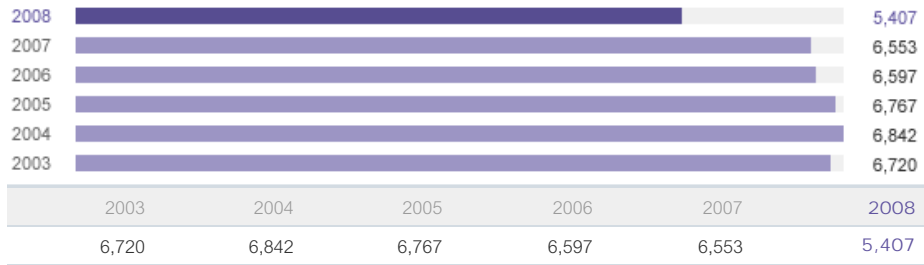
### E. Summary of Vehicle Unit Sales

Chart Table

Chart

Table

Thousands



[see notes to the data](#)

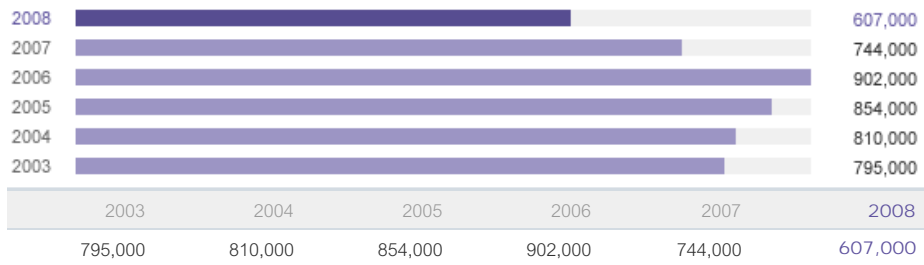
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### F. Ford Fleet Sales

Chart

Table

Units sold



Reported to regulatory authorities

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### G. First-time Ford Buyers (Owners who Acquired a New Vehicle for the First Time)

Chart

Table

Percent of first-time buyers



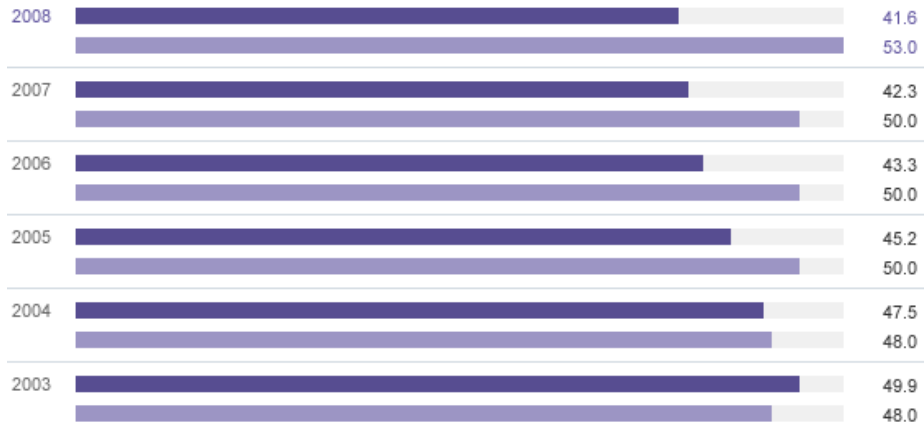
KEY Ford Motor Company U.S.  
 Ford Brand Europe (UK, Germany, Italy, France, Spain)

	2003	2004	2005	2006	2007	2008
Ford Motor Company U.S.	11.0	9.7	10.7	10.7	11.4	10.2
Ford Brand Europe (UK, Germany, Italy, France, Spain)	13.0	14.0	13.0	12.0	11.0	11.0

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## H. Owner Loyalty (Customers Disposing of a Ford Motor Company Product and Acquiring Another)

*Percent loyal to corporation*



**KEY**
 Ford Motor Company U.S.  
 Ford Brand Europe (UK, Germany, Italy, France, Spain)

	2003	2004	2005	2006	2007	2008
Ford Motor Company U.S.	49.9	47.5	45.2	43.3	42.3	41.6
Ford Brand Europe (UK, Germany, Italy, France, Spain)	48.0	48.0	50.0	50.0	50.0	53.0

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## Notes to the Data

[Chart E](#)

Data from 2004 through 2007 are wholesale unit volumes.

## Innovation

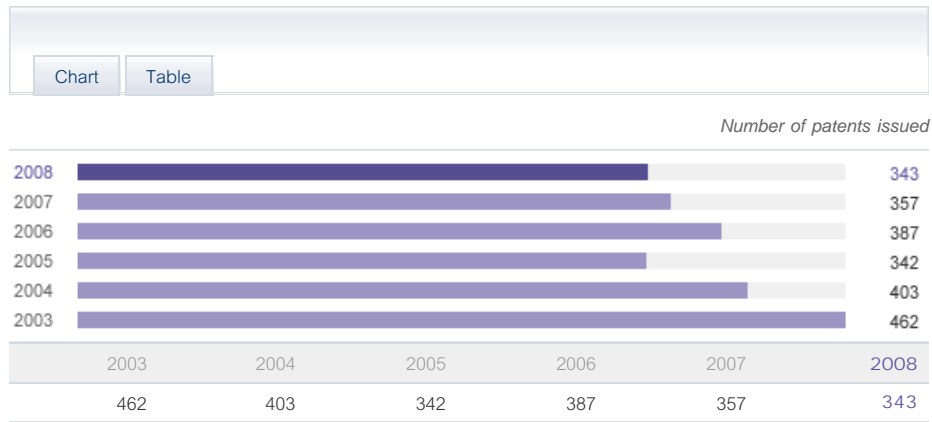
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A. ▼ U.S. Utility Patents Issued to Ford and Subsidiaries

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### A. U.S. Utility Patents Issued to Ford and Subsidiaries



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### Notes to the Data

#### ▲ Chart A

Utility patents are patents that cover the useful features of an invention and these are measures of technological innovation. We have generated a large number of patents related to the operation of our business and expect this portfolio to continue to grow as we actively pursue additional technological innovation. The average age for patents in our active patent portfolio is five years.

## Case Studies

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    - The New Ford Fusion
    - Developing the Technologies Customers Want

### [Economic Impacts of the Auto Industry](#)

The automotive industry is a major contributor to national and global economies. In 2008, the industry employed approximately 2.6 million people in the United States and contributed almost 4 percent of the national Gross Domestic Product.

[▶▶ READ MORE](#)

### [The New Ford Fusion](#)



The new Ford Fusion and Fusion Hybrid deliver superior performance on all of the features that matter most to consumers, including best-in-class fuel economy, unsurpassed quality and safety, excellent value and exclusive smart technologies. And, they are fun to drive.

[▶▶ READ MORE](#)

### [Developing the Technologies Customers Want](#)

These days, many drivers view in-car connectivity not as an option, but as a must-have. To meet this demand, Ford has partnered with Microsoft to develop SYNC®, a voice-activated in-vehicle computer system that integrates Ford vehicles with the popular portable devices of today and can be upgraded to support the devices of tomorrow.

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## Economic Impacts of the Auto Industry

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    - The New Ford Fusion
    - Developing the Technologies Customers Want

The automotive industry is a major contributor to national and global economies. Since 2000, total spending on new vehicles in the United States has accounted for 4 percent of U.S. Gross Domestic Product – or nearly \$500 billion. In 2008, the industry employed 2.6 million people at automotive manufacturers, supplier businesses and dealerships. Of this total, more than 800,000 worked directly for automakers and suppliers. Wage and salary compensation in the industry is substantial. In the United States, for example, the average weekly earnings of automotive production workers are double the average weekly earnings for all of private hourly production workers.

Motor vehicles and auto parts represent the single largest export sector in the United States, with more than \$121 billion worth exported in 2008. The auto industry also leads U.S. manufacturing industries in research and development investment. For example, Ford spent approximately \$22 billion on research and development activities the United States from 2006 to 2008.

The influence of the automotive industry is quite broad. In the United States, the auto industry supports jobs and economic benefits through related employment at dealers, suppliers and service shops, and through the expenditures of people employed by those industries, accounting for five jobs in the U.S. for each job at an automaker.<sup>1</sup> This is the highest multiplier of any industry in the U.S. economy, and the industry is sufficiently large that its growth or contraction can be detected by changes in the GDP. Studies have shown that, if the domestic auto industry were to fail, up to 3 million direct and indirect jobs would be lost in the first year.<sup>2</sup> This same study showed that the loss of the domestic auto industry would also reduce personal income in the United States by more than \$398 billion over three years and would cost the government more than \$156.4 billion over three years, due to increased transfer payments, decline in social security income and decline in personal income tax.

### RELATED LINKS

In This Report:  
 Economy: Progress  
 Our Value Chain and Its Impacts

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1. Sean McAlinden, Center for Automotive Research, personal communication.
2. David Cole, et al. 2008. *CAR Research Memorandum: The Impact on the U.S. Economy of a Major Contraction of the Detroit Three Automakers*. This report is available at the [Center for Automotive Research Web site](#).

## The New Ford Fusion

The new Ford Fusion and Fusion Hybrid deliver superior performance on all of the features that matter most to consumers. They offer best-in-class fuel economy, unsurpassed quality and safety, excellent value and exclusive smart technologies. And, they are fun to drive. With these vehicles, Ford is delivering on its commitment to produce vehicles with fuel-efficiency leadership, superior quality and advanced technology, and on our plan to once again be a leader in the U.S. car market.

Key Features	2010 FORD FUSION SE	2010 CAMRY LE	2010 MALIBU LT
MSRP*	19,995	24,200	23,200
Standard Technology	47%	47%	46%
Standard Safety	49%	48%	48%
Standard Driver Assist	✓	42%	44%
Standard Security	✓	49%	47%
Standard Power Windows	✓	49%	47%
Standard Power Locks	✓	49%	47%
Standard Power Mirrors	✓	49%	47%
Standard Power Seats	✓	49%	47%
Standard Power Windows	✓	49%	47%
Standard Power Locks	✓	49%	47%
Standard Power Mirrors	✓	49%	47%
Standard Power Seats	✓	49%	47%
Standard Power Windows	✓	49%	47%
Standard Power Locks	✓	49%	47%
Standard Power Mirrors	✓	49%	47%
Standard Power Seats	✓	49%	47%
MSRP*	19,995	24,200	23,200
MSRP*	19,995	24,200	23,200

\*MSRP excludes taxes, title, license, and dealer fees.

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Key Features	2010 FORD FUSION HYBRID	2010 CAMRY HYBRID	2010 MALIBU HYBRID
MSRP*	27,995	29,200	28,200
Standard Technology	47%	47%	46%
Standard Safety	49%	48%	48%
Standard Driver Assist	✓	42%	44%
Standard Security	✓	49%	47%
Standard Power Windows	✓	49%	47%
Standard Power Locks	✓	49%	47%
Standard Power Mirrors	✓	49%	47%
Standard Power Seats	✓	49%	47%
Standard Power Windows	✓	49%	47%
Standard Power Locks	✓	49%	47%
Standard Power Mirrors	✓	49%	47%
Standard Power Seats	✓	49%	47%
MSRP*	27,995	29,200	28,200
MPG City	41	48	48
MPG Highway	36	44	44

\*MSRP excludes taxes, title, license, and dealer fees.

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The 2010 Fusion gas and hybrid models both deliver the best fuel economy in their segments,<sup>1</sup> making them the most fuel-efficient midsize sedans available in the United States. The Fusion gas model equipped with the 2.5-liter I-4 engine gets 34 mpg in highway driving, at least 3 mpg better than the Honda Accord and 2 mpg better than the Toyota Camry. The Fusion Hybrid, which gets 41 mpg city and 36 highway, has better fuel economy than any of the other midsize sedan hybrids. It beats the Toyota Camry Hybrid by 8 mpg city, 2 mpg highway and even beats the much smaller Honda Civic Hybrid by 1 mpg in city driving. The Fusion Hybrid contains Ford's next-generation hybrid propulsion technology, including a smaller, lighter nickel metal hydride battery that produces 20 percent more power than Ford's previous hybrid system. This technology also allows the vehicle to travel up to 47 miles per hour in pure electric mode – faster than the Toyota Camry and all other hybrids currently on the road.

The new Fusion also provides customers with superior value, a criterion that is very important to consumers in these difficult economic times. The Fusion offers a reasonable purchase price, high residual values and hybrid tax credits, combined with unsurpassed fuel economy and quality, which significantly lower the cost of ownership and make the Fusion and Fusion Hybrid leaders in value. The Fusion gas and hybrid models both offer the best value in their segments, with starting prices of \$19,995 and \$27,995 respectively. These base model prices include a wide range of safety features and smart technologies – usually found only on premium vehicles – are standard equipment. The Fusion's value is further bolstered by stronger residual values. According to Automotive Leasing Guide, a California-based consulting and data-gathering firm, the base 2010 Fusion is projected to retain 50 percent of its original value at the end of a conventional three-year lease term. For the consumer, stronger residual values mean higher trade-in values, which further increases overall value. In addition, the Fusion Hybrid is eligible for federal tax credits of \$1,700 for customers who purchase between April 1, 2009, and September 30, 2009, and \$850 for customers who purchase between October 1, 2009, and March 31, 2010.

The Fusion also has unsurpassed quality. It ranks better than the Toyota Camry, Honda Accord and Nissan Altima for initial quality, according to the Global Quality Research System survey, a third-party quality survey conducted by RDA Associates.

And, the new Fusion is a leader in safety. The 2010 Fusion was named a Top Safety Pick by the Insurance Institute for Highway Safety. To receive this rating, vehicles must earn the top "good" ratings

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in the Institute's offset frontal and side crash tests, as well as in a rear crash-test simulation that evaluates seat and head restraints. They also must offer electronic stability control. The Fusion has exclusive safety features, including Blind Spot Information System with Cross Traffic Alert, which alerts drivers to vehicles in blind spots and approaching the vehicle's path when backing up, as well as 911 Assist, which places a call directly to 911 emergency services in the event of an airbag-deploying accident. Additional standard safety features include six air bags (dual-stage driver and front-passenger air bags, chest side air bags for front-seat occupants and side-impact air curtains) and stability control.

On top of all this, the Fusion is fun to drive and loaded with smart technologies. *USA Today* and *Car and Driver* magazine both rate the Fusion Hybrid as the most fun-to-drive hybrid available. Drivers of both the Fusion gas and hybrid models are also speaking up about the Fusion's "fun-to-drive" qualities on Facebook and other social media sites. As of March 2009, more than 50,000 enthusiasts have posted their thoughts about the Fusion on a variety of Web-based social networks.

A wide range of smart technologies are part of what make the Fusion and Fusion Hybrid so much fun to drive. Both vehicles are available with the next generation of [SYNC@](#) (the voice-activated entertainment and communication system), a Sony-branded audio system, [SIRIUS@ Travel Link™](#) (a voice-activated navigation system with the largest touch-screen in the midsize segment), ambient lighting and the [Easy Fuel™ capless fuel filler](#).

The Fusion Hybrid also has SmartGauge™ with EcoGuide, a dashboard display that gives drivers information to help them maximize the fuel efficiency of their hybrid vehicle. Through this system, drivers can display their long-term fuel efficiency as a traditional chart or with a unique display that "grows" a leafy vine as fuel efficiency increases. The more efficient a customer is, the more lush and beautiful the leaves and vines, creating a visual reward for the driver's efforts. The SmartGauge display also shows instant fuel economy, fuel-economy history, the odometer reading, engine coolant temperature, current vehicle gear and trip data, including trip fuel economy, time-elapsed fuel economy and miles to empty. The display was developed to minimize driver distractions while providing a high level of useful information. Ford partnered with IDEO and Smart Design, two world leaders in helping consumers connect with technology, to develop this instrument cluster.

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1. Midsize sedan segment as defined by R.L. Polk.



## Developing the Technologies Customers Want

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In the late 90s and early part of this century, Ford struggled with a thorny technological problem. We were able to develop new entertainment and communications devices for our vehicles. But they took years to produce, and were often outdated by the time we brought them to market.

The challenge was finding a faster, more nimble strategy that would allow us to create up-to-date features that could stay current with rapidly evolving technologies. In 2005, a team of Ford engineers set out to develop what was, in essence, a small, flexible personal computer that would enable drivers to stay connected. Software for new features could be developed in days rather than years.

As chance would have it, engineers from Microsoft Corp. were also developing a similar vehicle-based product, but they needed an automobile company as a partner. The ideas matched almost perfectly, and the two companies began collaborating in 2006 on a product that would come to be named SYNC™.

The partnership made perfect sense. We're a car company – not a computer giant. Teaming up with Microsoft allowed us to go beyond what vehicle manufacturers can typically do, delivering a much broader level of compatibility with cell phones, music players and other consumer electronics.

By the same token, Microsoft is a software company – not an automotive product designer. Ford engineers took the smart software solution from Microsoft and used it as a platform to deliver industry-leading integration and usability.

These days, many drivers view in-car connectivity not as an option, but as a must-have. SYNC, which debuted in 2007 and was on track to reach 1 million sales in early 2009, allows drivers to use voice commands for smarter – and safer – communications. The technology seamlessly integrates the Ford vehicle with the popular portable devices of today. Better still, it can be upgraded to support the devices of tomorrow.

The key to SYNC's success lies in its software, which can be quickly readjusted to keep pace with a motorist's shifting technological needs. Prior to SYNC, Ford relied on hardware devices that could take as long as two years to develop. And once the hardware was in the car, it couldn't be changed.

SYNC also benefited from a dramatic improvement in voice recognition software. During the course of SYNC development, voice recognition software soared from a vocabulary of hundreds of words to one of thousands, allowing us to create a system that can read and send text messages, download songs and place telephone calls so drivers can keep hands on wheels and eyes on roads. (See the [Vehicle Safety](#) section for more details on the safety features of SYNC.)



At a retail price of \$395, SYNC has brought affordable and extraordinary technology to the masses. Competitor systems that use similar technologies are bundled on cars that cost roughly three times as much as Ford vehicles. And the more affordably priced SYNC still does things that the luxury competitors cannot.

At Ford, we're constantly working on software updates to improve SYNC and add on new features that customers want to see implemented. Users simply log on to the [SYNC Web site](#), and download software updates to a USB-drive, which then gets plugged into their vehicle. SYNC owners have given us hundreds of good ideas for improvements and new features. In fact, we have received so many good ones that we can't address them all.

We recently added two new features – 911 Assist and the Vehicle Health Report – and will be offering new capabilities in 2009 that address just some of our customers' requests, including traffic, directions and information. In the future, Ford may open up SYNC development to authorized partners that would create other features to keep up with demand, particularly for niche markets.

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