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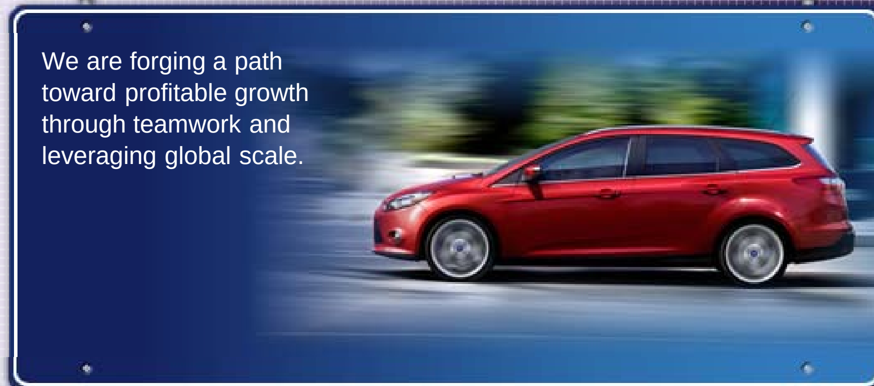
Sustaining Ford

2009 HIGHLIGHTS:

- Doubled our hybrid vehicle production, and on the way to delivering our first pure battery electric and plug-in hybrids



After enduring several of the most difficult years in our Company's history, Ford turned a corner in 2009. In the face of a global economic and financial crisis, as well as unprecedented events in the U.S. automotive industry, Ford achieved $2.7 billion of net income, its first full year of positive net income since 2005, and a $17.5 billion improvement over 2008.

Despite the continued economic slump of 2009, which included the bankruptcies of two of our domestic competitors and a nearly 40 percent cumulative drop in new vehicle sales in the United States since 2005, we gained market share in most of our business units across the globe, including our first full-year market share gain in the United States since 1995.

Based on our improving performance, the gradually strengthening economy and our present assumptions, we now expect to deliver solid profits in 2010 with positive Automotive operating-related cash flow.

Our progress in 2009 offers the strongest proof yet that our business strategy is successful and that we are forging a path toward profitable growth through teamwork and leveraging global scale. Three years ago, we created the "ONE Ford" plan to guide our business toward better times. We cascaded the plan across our global organization. And we are executing the plan.

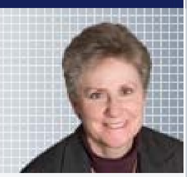
Ford is steadfastly focused on creating a strong business that builds great products that contribute to a better world. As part of our plan, we continue to press forward to globalize vehicle platforms that can be adapted to meet specific regional needs. Flexible manufacturing capabilities allow us to bring products to market with greater speed and efficiency than ever before.

Our commitment to innovation is supported by four principles that inform and guide every design and engineering effort: to be best in class in quality, safety, fuel efficiency and the "smart technologies" that make the driving and riding experience easier and more enjoyable. We are working to continually raise the bar on quality and safety. Fuel efficiency and smart technologies are strategically important because green technology and smart innovations are helping us serve our customers and differentiate Ford.

Our sustainability strategy has helped us to understand the global challenges driving the need for innovation in these areas and positions us to succeed in delivering them. We believe that we have been able to weather these last difficult years because our business strategy and our sustainability strategy are aligned and intertwined.

But we're far from complacent and we're continuing to address adverse conditions. Notwithstanding many positive signs of an economic recovery, the global business environment remains

PERSPECTIVES ON SUSTAINABILITY



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Senior Investment Strategist and President of the Global Markets Institute at Goldman Sachs

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extraordinarily challenging, with increasingly intense competition from other automakers. We know the road ahead won't be easy.

We are focused on our future and our ultimate objective: profitable growth for all. Our ONE Ford transformation plan was developed in 2007 to create a leaner, more-efficient global enterprise. It is anchored by four key priorities:

- Aggressive restructuring to operate profitably at current demand and changing model mix
- Accelerated development of new products our customers want and value
- Financing the plan and improving our balance sheet
- Working together effectively as one team to leverage our global assets

While we are well on our way, it's clear that our ONE Ford transformation is not yet complete. By continuing to work together and staying focused, we believe we can deliver a future that includes benefits for our stakeholders, including our employees, our investors, our business partners, our suppliers and our dealers. When Ford succeeds, so do the broader communities in which we operate.

Our path toward long-term viability began well before the recent economic downturn. We have been fundamentally restructuring our operations in ways that impact every part of our business – from product innovation and fuel efficiency to labor relations and our interactions with suppliers and dealers. These last years have demonstrated how critical it is for Ford to stay focused on issues of sustainability, even in difficult economic times.

We recognized that our business model needed to change, and we have been changing it. One key element of our plan has been our increased focus on a more balanced portfolio that includes more small and midsize vehicles, to respond to consumer demands.

We've also been very clear about our product strategy to deliver improved fuel economy and reduced greenhouse gas emissions through affordable advanced technologies. We continue to make improvements in gasoline-powered vehicles through the use of EcoBoost™ engines, six-speed transmissions, electric power-assisted steering and other technologies. We doubled our hybrid vehicle production, and we're on the way to delivering the first of our pure battery electric and plug-in hybrid vehicles. It is a practical, comprehensive approach designed to provide affordable fuel economy to millions of drivers around the world.

Over the next few years, Ford is investing nearly $14 billion in advanced technology vehicles in the United States alone.

Our blueprint for sustainability, which highlights how we will meet our product carbon-dioxide-reduction goal, has positioned us to lead in the industry. And on the supply side, we are continuing to strengthen our U.S.-located supply base, instituting practices designed to increase collaboration, provide for data transparency and expand the volume of business with select suppliers – all with an eye toward building a more sustainable business model. We're also focused on improving transportation options for people in urban areas to promote sustainable mobility and build electric vehicles for these markets.

In 2010, we will deliver substantially more new or freshened products by volume than in 2009 globally, bringing to market an unprecedented volume of new products – with class-leading fuel efficiency, safety, smart design and value.

Offering vehicles with smaller environmental footprints, tackling the mobility challenges of rapidly growing urban centers, and tailoring our products and services to increasingly diverse global markets are not peripheral to Ford's future success – they are central to it.

Segment Shifts

As consumer preferences in North America have shifted from larger vehicles to smaller, more fuel-efficient models, we are responding. We have made a commitment and are taking steps to make our assembly plants "flexible" – that is, more nimble to enable us to adapt our vehicle production more swiftly to changing market preferences and needs. Thanks in part to significant investments in our manufacturing facilities, we're retooling three of our North American assembly plants that previously had built large trucks and SUVs to instead build smaller, more fuel-efficient vehicles on Ford's global platforms. For example, we're investing $550 million to transform our Michigan Assembly Plant – formerly the production site for the Ford Expedition and Lincoln Navigator SUVs – to one that will build Ford's next-generation global Focus for the North American market. This transformation is emblematic of the larger transformation under way at Ford. In the modern marketplace, we see flexibility and adaptability as critical to our success.

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We have been working hard these last few years to reverse the decades-long trend of losing money on the production of small cars in the United States. We have boosted production of smaller-sized vehicles in North America and globally, and we are improving costs to competitive levels. The strength of the new Ford Fiesta in markets from Europe to Africa to Asia is proof of the progress we are making in this area. (The Fiesta debuts in the United States in the summer of 2010.) We are also improving sales thanks to the increased production of vehicles with class-leading fuel economy, safety performance, quality and technology.

As part of our ONE Ford plan, we have shifted our entire business structure. We historically operated as four somewhat independent automotive companies around the globe – North America, South America, Europe and Asia Pacific – each with its own product development systems, manufacturing processes, suppliers and other duplicative structures. While this made sense in the past, such a structure led to unnecessary and inefficient processes and a failure to realize the substantial benefits of scale available to a global enterprise like ours.

As we expanded our brand portfolio around the world, our global enterprise became more difficult to manage, and we neglected to ensure that the Ford brand retained its strength in all markets and in all segments. The situation was especially acute in the United States where, in the 1990s, both Ford and our foreign and domestic competitors became increasingly dependent on sales of trucks and large SUVs.

While we did begin to refocus our North American portfolio in the early 2000s with a new line of midsize cars, we did not adequately predict the sizeable shifts in consumer preferences that were to come later in the decade. When fuel prices shot up rapidly in early 2008, consumers migrated toward small cars at a much faster pace than we and others in the industry anticipated.

In 2010, sales trends show that consumers are continuing to move toward smaller vehicles, which bodes well for our Company as we prepare for the U.S. launch of the Fiesta this summer.

Today, gas remains relatively inexpensive in the United States, but we think consumers will remember how higher gas prices impacted their wallets, and we believe the shift in buying patterns is more than a temporary fluke.

When we watch how our customers' aspirations and lifestyles change, monitor long-term trends and connect the dots, we succeed in bringing our customers the vehicles they really want and value. For example, while we anticipated a shift in U.S. consumer attitudes regarding the desire for cars with affordable fuel economy, we also appreciated that not everyone is ready for a hybrid. That's why we pursued two compatible plans. The result was our high-horsepower, high-mileage EcoBoost technology – developed on a parallel path to our popular hybrids.

Our innovative technologies have been well received within the industry, in the media and, most importantly, with our customers. Our challenge is to maintain – or even further improve – the pace of innovation that we set in 2009 to deliver even better vehicles each and every year, with even better technology. We're not delivering technology just for technology's sake. Every piece of technology that goes into a Ford product is there for one reason: it adds real value.

As customers look for more fuel-efficient choices, we intend to be there with more of the products they really want.

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Sales Trends

While overall industry sales and production levels remained low in the United States in 2009 compared to pre-recession levels, Ford saw growth in market share in most of our major markets. Government incentives, such as the popular "cash for clunkers" program in the United States and even larger scrappage programs in Europe (particularly Germany) helped boost what was otherwise a dismal year overall. In the United States, the Ford Focus was the top-selling Ford car under the cash for clunkers program. Reflecting the shifts in consumer preferences, three Ford Explorer models from the 1990s were among the vehicles most traded-in under the program.

Strong products drove Ford's full-year market share gains in North America, South America and Europe, while we maintained our share in the rapidly growing Asia Pacific Africa region.

In the United States, Ford, Lincoln and Mercury fourth-quarter 2009 sales were up 13 percent versus a year ago – leading to the first full-year market share gain since 1995. Fusion sales rose 22 percent, setting a new annual record, and the F-Series was the No. 1 selling truck for the 33rd straight year.

In Europe, fourth-quarter sales increased 19 percent. Led by the Fiesta, Focus and Ka, Ford strengthened its position as Europe's No. 2 brand. Ford Europe's market share of 9.1 percent increased a half point for the year, setting an 11-year high. In South America, meanwhile, Ford Brazil achieved its best-ever full-year sales in 2009 by selling 325,000 units – a 15 percent sales increase over levels from the previous year. And, in our Asia Pacific Africa region, fourth-quarter sales rose 53 percent, with full-year sales up 15 percent in the region. Ford sales in China led the full-year increase, up 45 percent from 2008.

We're extremely pleased that we were able to report a full-year 2009 pre-tax operating profit. And we're on track toward profitability for full-year 2010.

More and more, consumers are recognizing that Ford is different, and the real difference is our great products, stronger business and the better world we are creating – particularly our leadership in quality, fuel efficiency, safety, smart technologies and value.

(For more information, please see the Economy section of this report.)

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Workforce

We've had to make some difficult decisions over the last few years in order to match production capacity with demand for new vehicles. That meant significant reductions in employment levels in our North American business unit. The personnel reductions were painful for every person affected. But the results of these efforts are helping Ford to strengthen our competitive position and long-term financial viability. Since 2005, we have closed 12 manufacturing facilities in North America.

In 2009, we offered 42,000 hourly employees two opportunities to accept buyout and early retirement offers, which included payments of up to $70,000 for newer workers and up to $60,000 for those already eligible for retirement. Approximately 1,300 hourly employees accepted a buyout offer in 2009. We have attempted to handle workforce separations and plant closings with respect for the people and communities affected.

In March 2009, Ford-UAW membership ratified modifications to the existing collective bargaining agreement that significantly improved our competitiveness, saving us up to $500 million annually and bringing us near to competitive parity with the U.S. operations of foreign-owned automakers. The operational changes affected wage and benefit provisions, productivity, job security programs and capacity actions, allowing us to increase manufacturing efficiency and flexibility. In addition, modifications to an independent trust called the Voluntary Employee Beneficiary Association, or VEBA, allowed for smoothing of payment obligations and provided us the option, at our discretion, to satisfy up to approximately 50 percent of our future payment obligations to the VEBA trust in Ford Common Stock.

On November 1, 2009, the CAW announced that a majority of its members employed by Ford Canada had voted to ratify modifications to the terms of the existing collective bargaining agreement between Ford Canada and the CAW. One day later, the UAW announced that a majority of its members employed by Ford had voted against ratification of a tentative agreement that would have further modified the terms of the existing collective bargaining agreement between Ford and the UAW. The latest modifications were designed to closely match the modified collective bargaining agreements between the UAW and our domestic competitors, General Motors and Chrysler. (For more on this topic, see the Economy section of this report.)

Our improved financial performance has resulted in some tangible improvements for our workforce in 2010. We were able to pay profit sharing to 43,000 eligible United Auto Workers in 2009. We have reinstated a 401(k) matching program and we are awarding 2010 merit increases for eligible U.S. salaried employees.

In February 2009, our two top executives, Bill Ford and Alan Mulally, voluntarily agreed to accept a 30 percent reduction in salary for 2009 and 2010 and neither received a cash bonus in either of the last two years. Mr. Ford has requested that his compensation be set aside, to be paid only at a point when the Company's global automotive operations achieved full-year profitability.

2009 Sales and Highlights

Business Unit	2009 Wholesales (in thousands)	Percent Change from 2008	Highlights
Ford North America[1]	1,958	-16%	• Ford, Lincoln and Mercury brands collectively increased U.S. overall and retail market share 14 of the last 15 months as of December 2009, and posted the first full-year market share gain since 1995. • The new 2010 Fusion Hybrid was named *Motor Trend* magazine's Car of the Year and awarded the title of North American Car of the Year at the North American International Auto Show in January 2010. • Our combined car and truck market share (including all of our brands sold in these markets) in 2009 was 15.2% for Canada – up 2.6 percentage points from the previous year – which represents our highest full-year share since 2001 and made Ford the No. 1- selling brand in Canada. • The Ford Fusion, the most fuel-efficient midsize sedan sold in America, posted a full-year sales record in 2009 with 180,671 units sold. • The new Ford Transit Connect was introduced in North America in the second quarter of 2009 and was awarded the 2010 North American Truck of the Year at the North American International Auto Show. • The 2011 Ford Fiesta was revealed in North America in the fourth quarter of 2009 and will go on sale in the second quarter of 2010. • The F-Series pickup truck has been the best-selling truck in the United States for 33 straight years. • Ford has the most U.S. government five-star-rated vehicles and the most "Top Safety Picks" from the Insurance Institute of Highway Safety of any automaker.
Ford Europe	1,568	14%	• We improved our 2009 full-year market share to 9.1% in the 19 European markets we track – a 0.5 percentage point increase versus 2008 and our best market share since 1998. • The Ford Fiesta was the second best-selling model in Europe in 2009, reaching its best full-year sales since 1996. More than 15 months after its sales debut in autumn 2008, more than 675,000 customers have purchased the Fiesta globally. • In 2010, we will continue to build on our product momentum, with at least 11 vehicle reveals or launches, including the new Ford C-MAX and Grand C-MAX, the freshened Ford Galaxy, S-MAX, Mondeo and a new Focus ECOnetic.
Ford South America	443	2%	• In Brazil, 2009 industry sales were strong in comparison to other markets in South America due to government stimulus actions taken in response to the global economic slowdown. • In 2010, we are bringing a flex-fuel version of the European-based Ford Focus to Brazil; nine additional product introductions are planned for the region in 2010. • In 2009, the European-based Ford Focus came to Brazil, Argentina and Venezuela. • Ford is investing $2.57 billion in our Brazil operations between 2011 and 2015 to accelerate the delivery of more fuel-efficient, high-quality vehicles, and another $250 million in our Argentina operations from 2009 to 2012.
Ford Asia Pacific Africa[2]	523	14%	• In 2010, we will introduce the all-new Ford Fiesta five-door and four-door sedan, built in Rayong, Thailand. • The four-door Fiesta will join the five-door counterpart in Australia, New Zealand, South Africa and Taiwan. • The new Ford Figo commenced sales in the second quarter in India and later

in the year in South Africa.

- Ford is investing $500 million to expand our manufacturing facility in Chennai, India, to begin production of a new small car and to build a fully integrated and flexible engine manufacturing plant.

1. Includes sales of Mazda6 by our subsidiary, AAI.
2. Included in wholesale unit volumes of Ford Asia Pacific Africa are Ford-badged vehicles sold in China by unconsolidated affiliates totaling about 264,000 and 184,000 units in 2009 and 2008, respectively.