Ford Motor Company 2013 Annual Report

Delivering Profitable Growth for All

Go Further

Operating Highlights

Revenues	**2013**	2012
Worldwide wholesale unit volumes by automotive segment (in thousands)		
North America	**3,088**	2,784
South America	**538**	498
Europe	**1,360**	1,353
Asia Pacific Africa	**1,344**	1,033
Total	**6,330**	5,668
Revenues (in millions)		
Automotive	**$ 139,369**	$ 126,567
Financial Services	**7,548**	6,992
Total	**$ 146,917**	$ 133,559

Financial Results		
Income before income taxes (in millions)		
Automotive	**$ 5,329**	$ 6,010
Financial Services	**1,672**	1,710
Total	**$ 7,001**	$ 7,720

Amounts Attributable to Ford Motor Company		
Net income (in millions)	**$ 7,155**	$ 5,665
Diluted net income per share of Common and Class B Stock	**$ 1.76**	$ 1.42

Cash and Spending		
Automotive capital spending		
Amount (in billions)	**$ 6.6**	$ 5.5
As a percentage of Automotive revenues	**4.7%**	4.3%
Automotive cash at year end (in billions)		
Automotive gross cash (a)	**$ 24.8**	$ 24.3
– Cash net of Automotive debt	**9.1**	10.0

Shareholder Value		
Dividends paid per share	**$ 0.40**	$ 0.20
Total shareholder returns % (b)	**22%**	23%

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

Content

On the Cover

Ford Motor Company created a framework for the development of vehicles that customers truly want and value with its One Ford plan. The result is a full lineup of cars, utilities and trucks that meet and exceed driver expectations across global markets. Pictured on the front cover (clockwise from top left) are: EcoSport, Mustang, all-new F-150, Transit, Focus, Kuga, C-MAX Hybrid with hands-free liftgate and Fusion Energi Plug-In Hybrid. Pictured on the back cover (clockwise from top left) are: Focus Electric, Fusion, Fiesta, Explorer, 1.0-liter EcoBoost® engine, SmartGauge with EcoGuide, F-150 and SYNC® display screen.

Behind the Blue Oval

Ford Motor Company's One Ford strategic business plan is centered around the company's four pillars: Quality, Green, Safe and Smart. From the dependable toughness of Ford's iconic F-Series trucks to the fuel-efficiency of the company's EcoBoost® engine lineup, from smart technologies such as SYNC connectivity and lane-keeping alert, to the use of high-strength steel to improve vehicle safety ratings, Ford delivers cars, utilities and trucks equipped with features and technologies today's drivers want and value.

Quality

Ford is committed to achieving world-class vehicle quality and desirability. Standardized global manufacturing processes are in place, and Ford operates with the goal of achieving continuous improvement.

Best practices are shared worldwide. In 2013, for example, Ford added its industry-leading 3-Wet paint process to four more plants on three continents, reducing plant emissions and improving vehicle durability with a chip- and stain-resistant finish.

Success stories include J.D. Power and Associates honoring Lincoln MKZ with its APEAL award, and the 2013 Fusion and 2013 F-250 and F-350 trucks ranking No. 1 in their segments in Strategic Vision's Quality Index study.

Green

From building greener products to adopting greener operations, Ford has shown a commitment to reducing its impact on the environment.

Ford's EcoBoost® engine technology, as well as its hybrid and all-electric vehicles, stands as evidence of the company's commitment to promoting a greener lifestyle on the road.

Ford has also adopted rigorous manufacturing standards to reduce the company's overall environmental impact. By cutting energy and water use, as well as emissions and waste, Ford continues to demonstrate that building better products begins with building a better world.

Safe

Ford is a recognized safety leader in the industry with technologies that play an important role in helping drivers avoid crashes.

Blind Spot Information System®, lane-keeping alert and active park assist are just a few of the driver-assist features that have helped Ford earn top ratings from the National Highway Traffic Safety Administration and the Insurance Institute for Highway Safety.

Ford continues to pioneer new technologies such as inflatable seat belts, next-generation airbags and its innovative MyKey® system. In 2013, Ford also celebrated the 10th year of its Ford Driving Skills for Life program, a global training initiative that teaches safe driving practices.

Smart

Delivering industry-leading technology solutions that enhance the experience of owning, driving and riding in a Ford car, utility or truck is a top priority for the company.

SYNC® with MyFord Touch remains an industry-leading driver connectivity technology and evolves with each next-generation upgrade. The EcoBoost® engine lineup continues to put Ford at the forefront of fuel-efficiency and performance. Hybrid and all-electric options have become an essential part of Ford's vehicle portfolio.

Identifying what today's drivers want and creating vehicles that meet those demands positions Ford as one of the world's premier automakers.

A Message from the Executive Chairman

Ford Motor Company completed one of its best years ever in 2013.

Led by record profits in North America and Asia Pacific Africa, we achieved our fifth year in a row of positive net income. We are now rated investment grade by four of the major credit rating agencies.

Our strong performance enabled us to double the quarterly dividend in 2013, and subsequently raise it by 25 percent in the first quarter of 2014.

After achieving one of our best years, we are now embarked on one of our most ambitious years, building a strong foundation for future growth and profitability.

In 2014 we plan to go further by launching the most vehicles worldwide in a single year in our history. Included in these launches will be all-new versions of two iconic Ford vehicles, Mustang and F-150.

Celebrating its 50th anniversary this year, Mustang will be available for the first time in key markets in Europe and Asia. The all-new F-150, part of America's best-selling F-Series lineup, is the toughest, smartest and most capable F-150 ever – setting the standard for the future of trucks.

To support these product launches we are continuing with our largest manufacturing expansion in the last 50 years. We will increase capacity or add production in six of our U.S. assembly plants, and are opening two new plants in Asia, one in South America and one in Europe.

Our focus continues to be on producing vehicles that are best-in-class in quality, environmental impact, safety and innovative technology. The record number of new vehicles we will introduce this year supports our goals of increased global sales and market share, as well as our ongoing commitment to reducing the environmental impact of our vehicles.

Our environmental commitment included the sale of more than 85,000 hybrid, plug-in hybrid and all-electric vehicles in the United States in 2013, the first full year all six of our electrified vehicles were available. That represented a sales increase of nearly 150 percent from the prior year.

We also introduced a Ford Fusion Hybrid automated research vehicle with the University of Michigan and State Farm to study autonomous driving and other advanced technologies. This vehicle builds on a decade of automated driving research at Ford and represents a vital step toward our vision for the future of mobility. We are a leader in wireless automotive communication technology, which will make driving safer, ease traffic congestion and sustain the environment.

Our employees around the world are working together to meet the needs of our customers and the issues confronting our world. We have completed one of the most profitable and successful years in our history, and are building a foundation for even greater success in the future. We have a strong leadership team, a great plan and growing momentum. I look forward to progress and profitability for all.

Thank you for your continued support of our efforts.

William Clay Ford, Jr.
Executive Chairman
March 13, 2014

A Message from the President and CEO

One team. One plan. One goal.

Our One Ford plan continues to deliver. The comprehensive strategy we outlined in our message to shareholders seven years ago continues to inspire us as we transform Ford into an exciting, viable company delivering profitable growth for all.

Guided by our plan, we are working together to serve all markets with a full family of vehicles – small, medium and large; cars, utilities and trucks – each with the best quality, fuel efficiency, safety, smart design and value.

In 2013, we achieved one of the best years in the history of our 111-year-old company, driven by our highest Automotive pre-tax profit in more than a decade and continued solid profit from Ford Credit.

Our strong product lineup led to record full-year profits in North America. Asia Pacific Africa also achieved record profits as we continue to grow aggressively with an expanding portfolio of global products. South America continues to execute its strategy of expanding the product line-up, and despite the impact of unfavorable external factors we delivered an about breakeven result in 2013. Europe continues to implement its transformation plan, achieving lower losses for 2013 compared with 2012 despite higher restructuring costs and lower industry volume.

While we celebrate our strong performance in 2013, we are even more excited by the fact that we have only just begun to see the full potential of our One Ford plan. 2014 represents the next major step in our plan.

Great Products

We will introduce the most vehicles in a single year in our history in 2014, with Ford and Lincoln launching 23 new or significantly refreshed vehicles to customers around the world to help us build on our strong sales momentum.

In 2013, Ford was America's best-selling vehicle brand for the fourth consecutive year, and Ford F-Series continued as the country's best-selling truck for the 37th year in a row and best-selling vehicle for the 32nd consecutive year.

Ford had the largest U.S. market share point gain of any automaker in 2013. Our business is undergoing unprecedented growth in China, where our sales increased nearly 50 percent and set a new record.

We also achieved market share gains in South America and Asia Pacific Africa, as well as higher retail sales share in Europe compared with 2012.

Our global sales increased 12 percent in 2013 compared with 2012, as customers took delivery of more than 6 million new Ford and Lincoln vehicles. Our strong global performance

Ford's Senior Management Team

The senior management team continues to successfully advance the company's One Ford global plan. Pictured from left to right (front row): Hau Thai-Tang, David Leitch, Joe Hinrichs, Stephen Odell, Felicia Fields and John Fleming. (back row) Nick Smither, Robert Brown, Ray Day, Jim Farley, Bernard Silverstone, Mark Fields, Alan Mulally, David Schoch, Raj Nair, Bennie Fowler, Bob Shanks and Ziad Ojakli.

was led by Focus, which was the best-selling nameplate in the world for the first nine months of 2013 (the latest data available). Focus was joined by Fiesta to give Ford two of the top five best-selling nameplates worldwide.

We expect to serve even more customers and achieve global sales growth of another 25 percent in the years ahead with a product portfolio that is more balanced than ever.

Strong Business

To meet this growth, we will continue our most ambitious manufacturing expansion in 50 years with two new plants in China, one new plant in Brazil and one new plant in Turkey, as well as increasing capacity or adding production in six of

our U.S. assembly plants. We also are creating 11,000 new jobs globally in 2014 – more than we have created in any year in more than a decade.

We made progress in delivering profitable growth in 2013, achieving a full year pre-tax profit of $8.6 billion (excluding special items), or $1.62 per share on an after-tax basis. We achieved our fifth year in a row of positive net income, and 18th consecutive quarter of operating profit.

In 2013 we made $5 billion in cash contributions to our worldwide funded pension plans, and our underfunded position improved by about $10 billion compared with year-end 2012. We also made record profit-sharing payments to our U.S. hourly employees as part of the UAW-Ford collective bargaining agreement. In addition, we doubled the shareholder dividend to 10 cents a share before raising it to 12.5 cents a share in the first quarter of 2014.

Better World

In addition to creating great products and a strong business, we have a proud heritage of making the world a better place. As we expand and realign globally and introduce new products, we are contributing solutions to economic development, energy security and independence, and environmental sustainability. For example, today in the United States we offer eight Ford brand vehicles that deliver 40 mpg or better – more than any of our competitors' brands.

Community service is another important part of our heritage. Ford Motor Company Fund and Community Services, our philanthropic organization, has donated more than $1.5 billion in its 65-year history. Our Ford Volunteer Corps, which will celebrate its 10th anniversary next year, encourages salaried employees to volunteer in their communities. During the eighth annual Ford Global Week of Caring in 2013, approximately 10,000 members of the Ford Volunteer Corps worked on more than 200 projects on six continents.

Going Further to Deliver Profitable Growth for All

We expect 2014 to be another solid year for Ford Motor Company and a critical building block as we invest around the world for profitable growth beyond 2014. As a result of our record number of new product launches, we expect North American pre-tax profit to be lower in 2014 than in 2013. The payoff will be higher volume and revenue opportunities into 2015 and beyond.

Results in 2014 for South America are expected to be about the same as in 2013 at about breakeven. In Europe, we expect results to improve compared with 2013 as we continue the successful implementation of our transformation plan to achieve profitability in the region in 2015.

Our investments in growth in Asia Pacific during the last several years helped us to achieve record market share and profits in 2013. We will continue to execute our growth strategy for the region in 2014, and expect pre-tax profit to be about the same as in 2013.

Overall, total company pre-tax profit, excluding special items, is projected at $7 billion to $8 billion.

Our One Ford plan is driving solid results and profitable growth for all, and we are confident it will continue to do so in the future.

Thank you for your support of our efforts.

Alan R. Mulally
President and Chief Executive Officer
March 13, 2014

Ford Transit and Ford Transit Connect

Board of Directors and Executives

Board of Directors

Stephen G. Butler (1,5)
Kimberly A. Casiano (1,3,5)
Anthony F. Earley, Jr. (2,3,5)
Edsel B. Ford II (3,4)
William Clay Ford, Jr. (3,4)
Richard A. Gephardt (3,5)
James P. Hackett (3,5)
James H. Hance, Jr. (1,4,5)

William W. Helman IV (3,4,5)
Jon M. Huntsman, Jr. (2,3,5)
John C. Lechleiter (2,5)
Richard A. Manoogian (2,5)
Ellen R. Marram (2,3,5)
Alan R. Mulally (4)
Homer A. Neal (3,4,5)
Gerald L. Shaheen (1,5)

John L. Thornton (2,4,5)
William Clay Ford (Director Emeritus)

Committee Membership
(1) Audit
(2) Compensation
(3) Sustainability
(4) Finance
(5) Nominating and Governance

Executive Officer Group

William Clay Ford, Jr.
Executive Chairman and Chairman of the Board

Alan R. Mulally
President and Chief Executive Officer

Mark Fields
Chief Operating Officer

James D. Farley, Jr.
Executive Vice President, Global Marketing, Sales and Service and Lincoln

John Fleming
Executive Vice President, Global Manufacturing and Labor Affairs

Joseph R. Hinrichs
Executive Vice President and President, The Americas

Stephen T. Odell
Executive Vice President and President, Europe, Middle East and Africa

Robert L. Shanks
Executive Vice President and Chief Financial Officer

Raymond F. Day
Group Vice President, Communications

Felicia J. Fields
Group Vice President, Human Resources and Corporate Services

Bennie W. Fowler
Group Vice President, Quality and New Model Launch

David G. Leitch
Group Vice President and General Counsel

Raj Nair
Group Vice President, Global Product Development

Ziad S. Ojakli
Group Vice President, Government and Community Relations

Stuart J. Rowley
Vice President and Controller

David L. Schoch
Group Vice President and President, Asia Pacific

Bernard B. Silverstone
Group Vice President, Chairman and Chief Executive Officer, Ford Motor Credit Company

Nicholas J. Smither
Group Vice President and Chief Information Officer

Hau Thai-Tang
Group Vice President, Global Purchasing

Other Vice Presidents

Steven R. Armstrong
President, Ford South America

Joseph Bakaj
Product Development, Ford of Europe

Birgit Behrendt
Global Programs and Purchasing Operations

Stephen E. Biegun
International Governmental Affairs

Robert D. Brown
Sustainability, Environment and Safety Engineering

Marin A. Burela
President, Changan Ford Automobile Corporation, Ltd.

Moray Callum
Design

Roelant de Waard
Marketing, Sales and Service, Ford of Europe

William P. Dirksen
Labor Affairs

Robert J. Fascetti
Powertrain Engineering

John V. Felice
U.S. Marketing, Sales and Service

Elena A. Ford
Global Dealer and Consumer Experience

Kumar A. Galhotra
Engineering

Bruce Hettle
North America Manufacturing

Gary A. Johnson
Manufacturing, Ford Asia Pacific

Burt Jordan
Global Vehicle and Powertrain Purchasing and Supplier Diversity

John T. Lawler
Chairman and Chief Executive Officer, Ford Motor China

Paul A. Mascarenas
Chief Technical Officer, Research and Advanced Engineering

Barb J. Samardzich
Chief Operating Officer, Ford of Europe

Neil M. Schloss
Treasurer

Frederiek Toney
President, Global Ford Customer Service Division

Jeffery C. Wood
Manufacturing, Ford of Europe

Trevor Worthington
Product Development, Asia Pacific

ONE FORD
ONE TEAM • ONE PLAN • ONE GOAL

ONE FORD:
ONE Ford expands on the company's four-point business plan for achieving success globally. It encourages focus, teamwork and a single global approach, aligning employee efforts toward a common definition of success and optimizing their collective strengths worldwide. The elements of ONE Ford are:

ONE TEAM:
ONE Ford emphasizes the importance of working together as one team to achieve automotive leadership, which is measured by the satisfaction of our customers, employees and essential business partners, such as our dealers, investors, suppliers, unions/councils and communities.

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

ONE GOAL:
The goal of ONE Ford is to create an exciting and viable company delivering profitable growth for all.

Shareholder Information

Corporate Headquarters
Ford Motor Company
One American Road
Dearborn, MI 48126
(313) 322-3000

Shareholder Account Assistance
Computershare Trust Company, our transfer agent, maintains the records for our registered stockholders and can help you with a variety of stockholder-related services. Computershare offers the DirectSERVICE Investment and Stock Purchase Program. This shareholder-paid program provides an alternative to traditional retail brokerage methods of purchasing, holding and selling Ford Common Stock. You can contact Computershare through the following methods:

Ford Motor Company
c/o Computershare Trust Company, N.A.
P.O. Box 43087
Providence, RI 02940-3087

Telephone: (800) 279-1237 (U.S. and Canada)
(781) 575-2732 (International)
E-mail: fordteam@computershare.com
Website: www.computershare.com

Stock Exchanges
Ford Common Stock is listed and traded on the New York Stock Exchange in the United States and on stock exchanges in Belgium and France.

The NYSE trading symbol is:

F Listed NYSE THE NEW YORK STOCK EXCHANGE

F Common Stock

Investor Information
Investor information including this report, quarterly financial results, press releases and various other reports are available online at www.shareholder.ford.com.

Alternatively, individual investors may contact us at:

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Shareholder Relations
One American Road
Dearborn, MI 48126

Telephone: (800) 555-5259 (U.S. and Canada)
(313) 845-8540 (International)
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Security analysts and institutional investors may contact:

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Fax: (313) 845-6073
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Annual Meeting
The 2014 Annual Meeting of Shareholders will be held in Wilmington, Delaware on May 8, 2014. A notice of the meeting and instructions for voting will be mailed to shareholders in advance.

Lincoln MKC

Financial Content*

* Financial information contained herein (pages 10 - 147) is excerpted from the Annual Report on Form 10-K for the year ended December 31, 2013 of Ford Motor Company, which is available on our website at www.shareholder.ford.com.

OVERVIEW

Revenue

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

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

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

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

Costs and Expenses

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

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

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

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

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

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

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

Key Economic Factors and Trends Affecting the Automotive Industry

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

Excess Capacity. According to IHS Automotive, an automotive research firm, the estimated automotive industry global production capacity for light vehicles of about 107 million units exceeded global production by about 23 million units in 2013. In North America and Europe, the two regions where the majority of industry revenue and profits are earned, excess capacity as a percent of production in 2013 was an estimated 7% and 34%, respectively. In China, the auto industry also witnessed excess capacity at 31% of production in 2013, as manufacturers competed to capitalize on China's future market potential. According to production capacity data projected by IHS Automotive, global excess capacity conditions could continue for several years at an average of about 25 million units per year during the period from 2014 to 2018.

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

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

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

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

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

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

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

Trends and Strategies

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

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

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

Aggressively Restructure to Operate Profitably

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

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

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

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

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

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

<u>Accelerate Development of New Products Our Customers Want and Value</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance Our Plan and Improve Our Balance Sheet

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

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

Work Together Effectively as One Team

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

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

RESULTS OF OPERATIONS

TOTAL COMPANY

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

Total Company results are shown below:

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

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

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

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

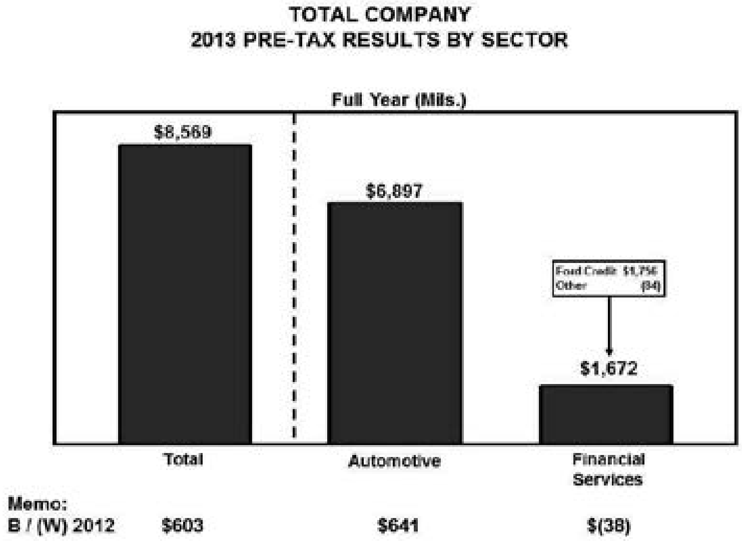
	2013 (Mils.)	2012 (Mils.)	2011 (Mils.)
Personnel and Dealer-Related Items			
Separation-related actions (a)	$ (856)	$ (481)	$ (176)
Mercury discontinuation/Other dealer actions	—	(71)	(151)
Total Personnel and Dealer-Related Items	(856)	(552)	(327)
Other Items			
U.S. pension lump-sum program	(594)	(250)	—
FCTA -- subsidiary liquidation	(103)	(4)	—
CFMA restructuring	—	625	—
Loss on sale of two component businesses	—	(174)	—
AAI consolidation (b)	—	136	—
FordSollers gain	—	—	401
Belgium pension settlement	—	—	(109)
Debt reduction actions	—	—	(60)
Other	(15)	(27)	13
Total Other Items	(712)	306	245
Total Special Items	$ (1,568)	$ (246)	$ (82)

(a) For 2013, primarily related to separation costs for personnel at the Genk and U.K. facilities.
(b) The special item of $136 million is comprised of the $155 million gain from the consolidation of AAI (see Note 23 of the Notes to the Financial Statements), less a related $19 million adjustment for sales in September 2012 of Ford-brand vehicles produced by AAI.

Not shown in the table above are tax benefits of $2.2 billion, $315 million, and $14.2 billion for 2013, 2012, and 2011, respectively, that we consider to be special items. For 2013, these included the impact of a favorable increase in deferred tax assets related to investments in our European operations and the release of valuation allowances held against U.S. state and local deferred tax assets. For 2011, these primarily consisted of the release of almost all of the valuation allowance against our net deferred tax assets in the United States, Canada, and Spain.

Discussion of Automotive sector, Financial Services sector, and total Company results of operations below is on a pre-tax basis and excludes special items unless otherwise specifically noted. References to records by Automotive segments —North America, South America, Europe, and Asia Pacific Africa—are since at least 2000 when we began reporting results for these segments.

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



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

AUTOMOTIVE SECTOR

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

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

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

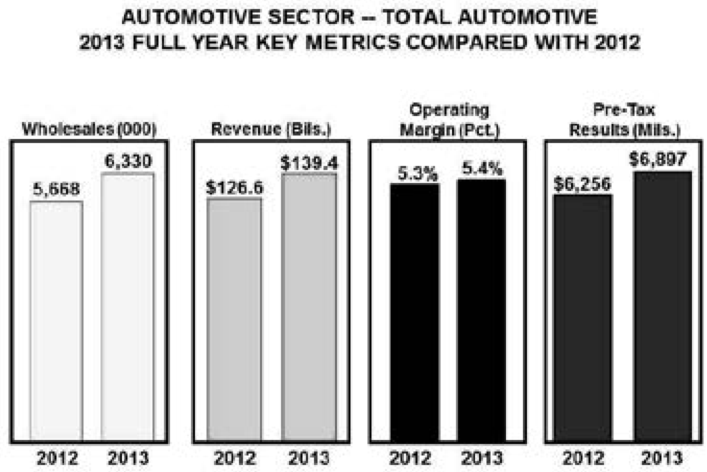
- *Other Costs* - Primarily measures profit variance driven by absolute change in cost categories that typically do not have a directly proportionate relationship to production volume. These include mainly structural costs, described below, as well as all other costs, which include items such as litigation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

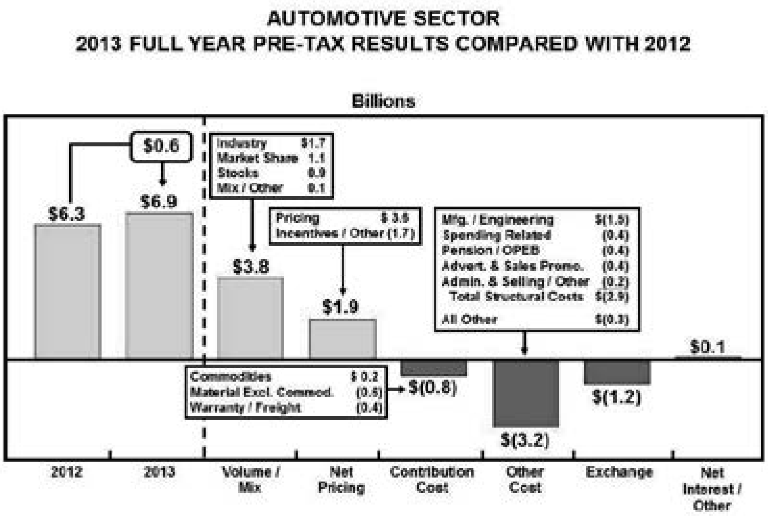
- *Exchange* - Primarily measures profit variance driven by one or more of the following: (i) impact of gains or losses arising from transactions denominated in currencies other than the functional currency of the locations, including currency transactions, (ii) effect of remeasuring income, assets,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

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

2013 Compared with 2012

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





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

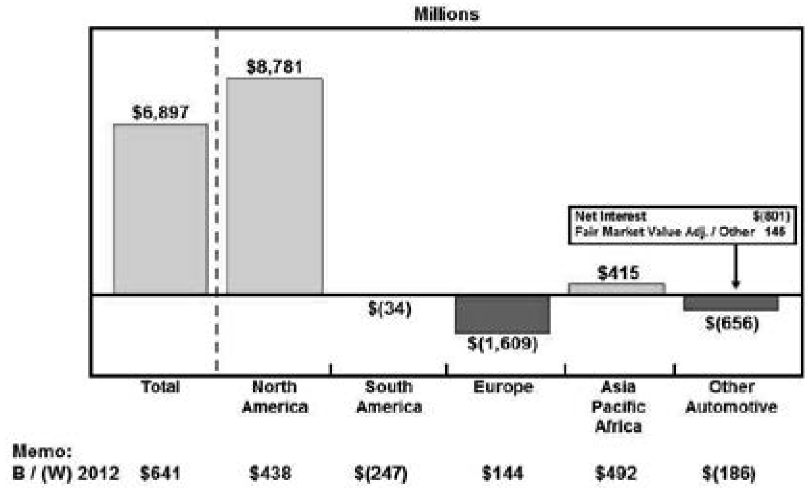
Total costs and expenses for our Automotive sector for 2013 and 2012 was $135.2 billion and $122 billion, respectively, a difference of $13.2 billion. An explanation of the change is shown below (in billions):

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

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

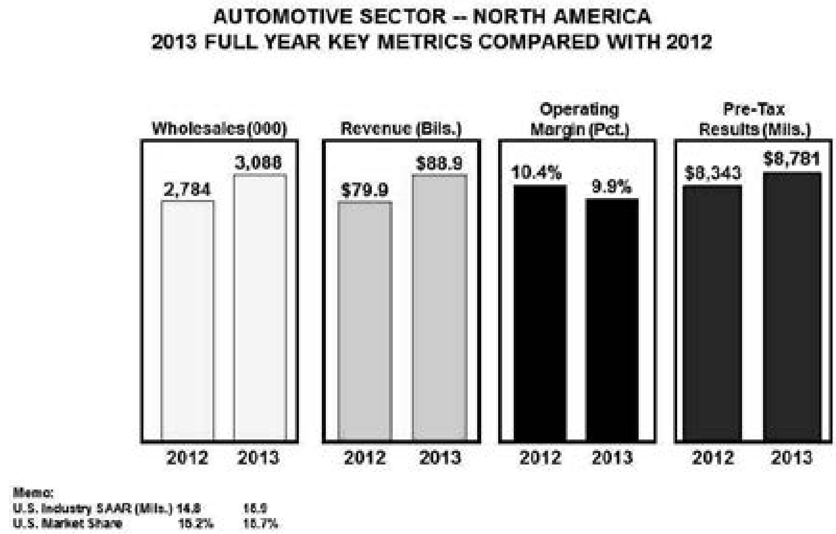
Results by Automotive Segment. Details by segment of *Income before income taxes* are shown below for 2013.

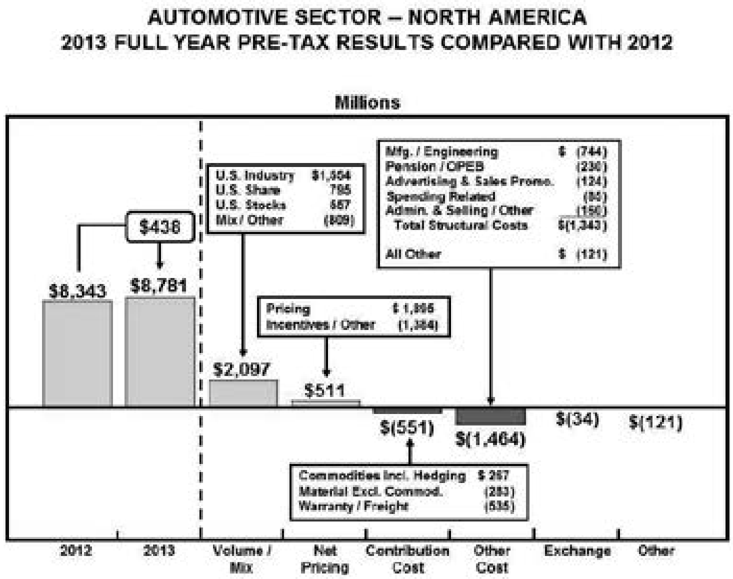
AUTOMOTIVE SECTOR
2013 FULL YEAR PRE-TAX RESULTS BY SEGMENT



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

North America Segment. The charts below detail key metrics and the change in 2013 pre-tax results compared with 2012 by causal factor.





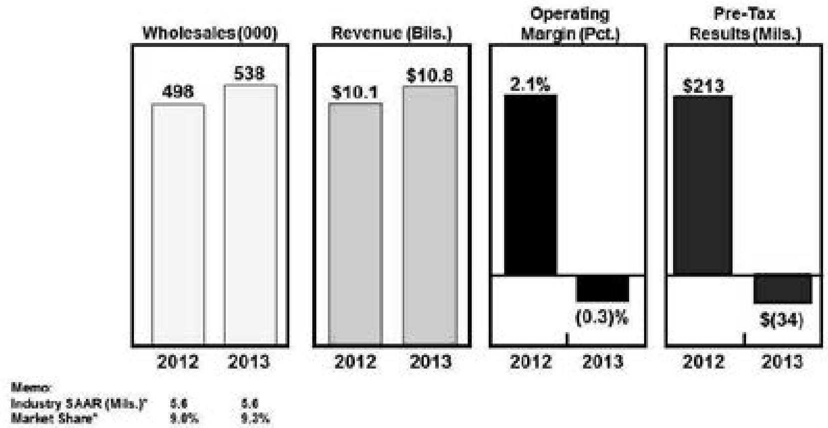
North America continued to perform well, driven by a strong industry, our strong product line-up, growth in U.S. market share, continued discipline in matching production to real demand, and a lean cost structure—even as we invested more in product and capacity for future growth.

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

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

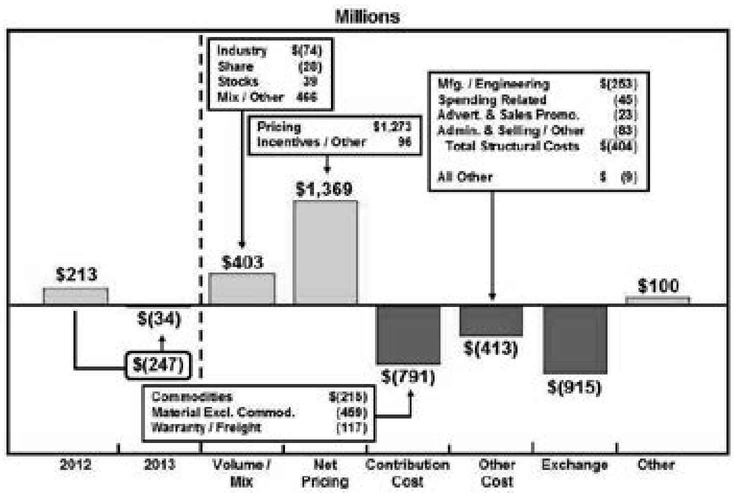
South America Segment. The charts below detail key metrics and the change in 2013 pre-tax results compared with 2012 by causal factor.

AUTOMOTIVE SECTOR -- SOUTH AMERICA
2013 FULL YEAR KEY METRICS COMPARED WITH 2012



* South America Industry SAAR and market share are based, in part, on estimated vehicle registrations for the six markets we track

AUTOMOTIVE SECTOR -- SOUTH AMERICA
2013 FULL YEAR PRE-TAX RESULTS COMPARED WITH 2012

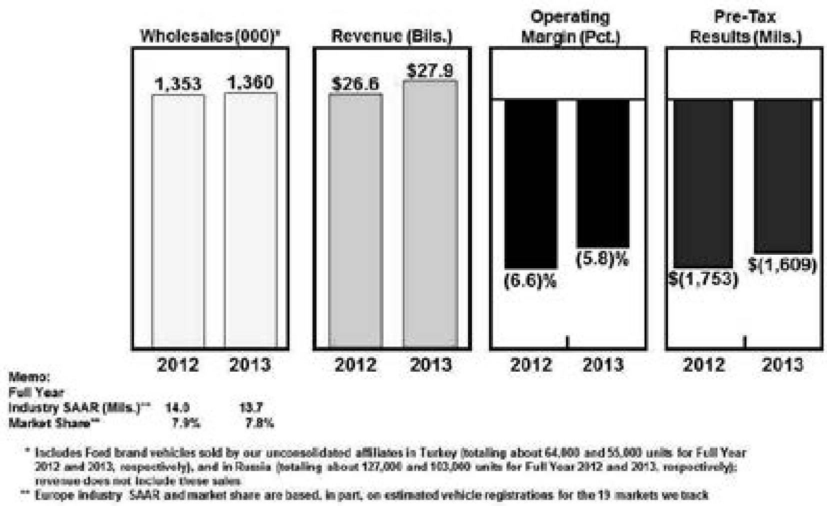


In South America we are continuing to execute our strategy of expanding our product line-up and progressively replacing legacy products with global One Ford offerings.

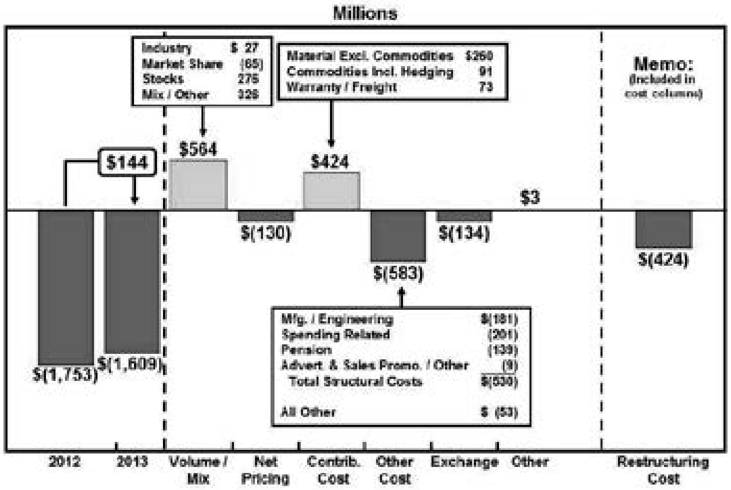
As shown above, full-year wholesale volume and revenue both improved 8% compared with last year. Operating margin was negative 0.3%, and the pre-tax loss was $34 million, both lower than positive results a year ago. The decrease in pre-tax profit for 2013 compared with 2012 is more than explained by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

Europe Segment. The charts below detail key metrics and the change in 2013 pre-tax results compared with 2012 by causal factor.

AUTOMOTIVE SECTOR -- EUROPE
2013 FULL YEAR KEY METRICS COMPARED WITH 2012



AUTOMOTIVE SECTOR -- EUROPE
2013 FULL YEAR PRE-TAX RESULTS COMPARED WITH 2012



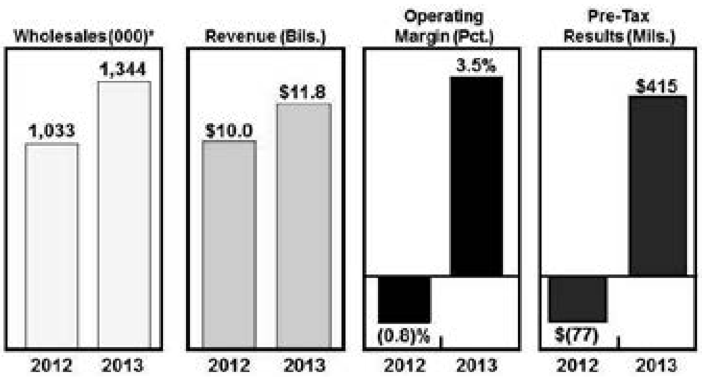
The improvement in Europe's 2013 results, as shown above, reflect our continued implementation of our transformation plan.

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

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

Asia Pacific Africa Segment. The charts below detail key metrics and the change in 2013 pre-tax results compared with 2012 by causal factor.

AUTOMOTIVE SECTOR -- ASIA PACIFIC AFRICA
2013 FULL YEAR KEY METRICS COMPARED WITH 2012

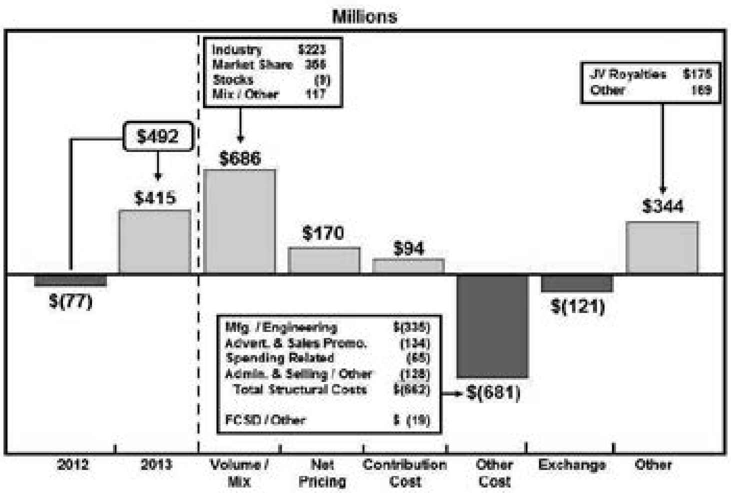


Memo:	2012	2013
Industry SAAR (Mils.)**	32.8	35.9
Market Share**	2.8%	3.5%

* Includes Ford brand and Jiangling Motors Corporation ("JMC") brand vehicles produced in China by unconsolidated affiliates (totaling about 619,000 and 909,000 units for Full Year 2012 and 2013, respectively); revenue does not include these sales

** Asia Pacific Africa industry SAAR and market share, are based, in part, on estimated vehicle sales for the 11 markets we track; market share includes Ford brand and JMC brand vehicles produced in China by unconsolidated affiliates

AUTOMOTIVE SECTOR -- ASIA PACIFIC AFRICA
2013 FULL YEAR PRE-TAX RESULTS COMPARED WITH 2012



Our strategy in Asia Pacific Africa continues to be to grow aggressively with an expanding portfolio of global One Ford products with manufacturing hubs in China, India, and ASEAN.

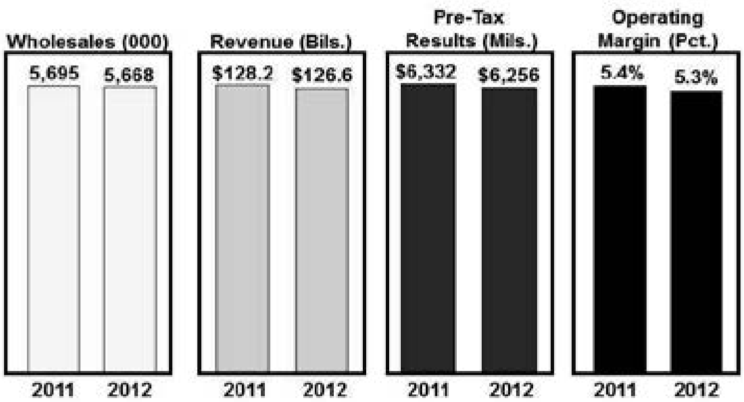
As shown above, full-year wholesale volume and revenue improved 30% and 17%, respectively, compared with a year ago. Operating margin was 3.5% and pre-tax profit was $415 million, both substantially improved from last year's results. The improvement in 2013 pre-tax results is explained by favorable market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

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

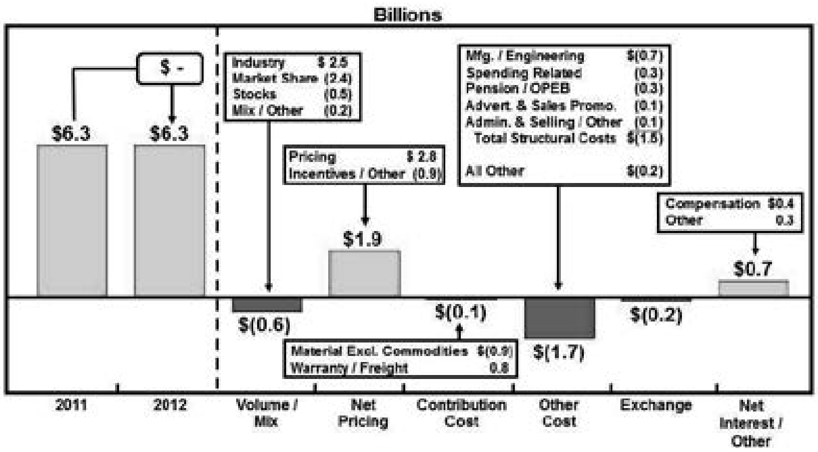
2012 Compared with 2011

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

AUTOMOTIVE SECTOR -- TOTAL AUTOMOTIVE
2012 FULL YEAR KEY METRICS COMPARED WITH 2011



AUTOMOTIVE SECTOR
2012 FULL YEAR PRE-TAX RESULTS COMPARED WITH 2011



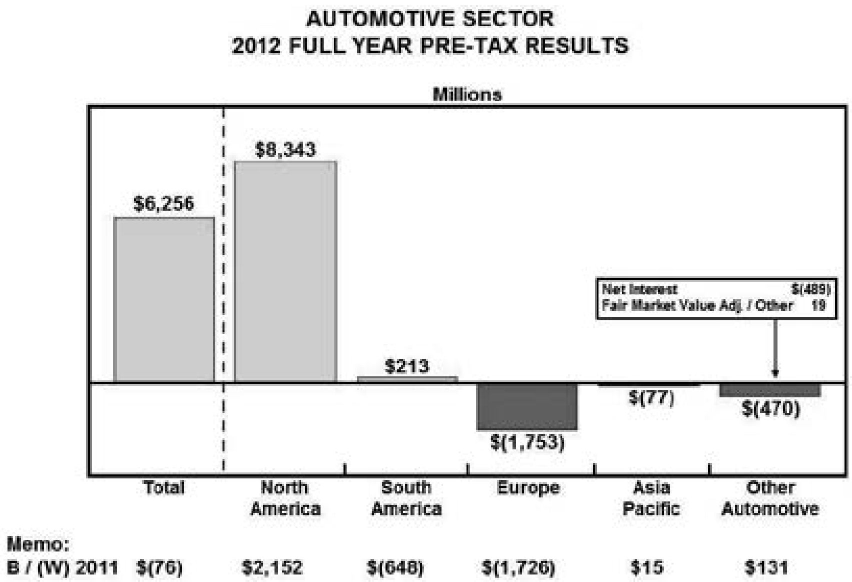
As shown above, all four key metrics were about equal for 2012 compared with 2011, with pre-tax profit primarily reflecting higher net pricing and lower compensation costs (primarily the non-repeat of 2011 UAW ratification bonuses), offset by higher costs, mainly structural, and unfavorable volume and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

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

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

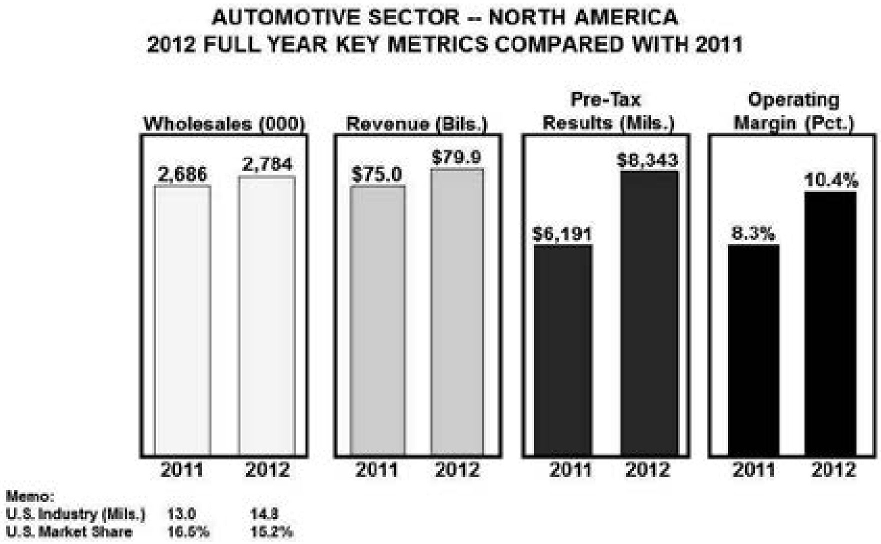
(a) Our key cost change elements are measured primarily at present-year exchange; in addition, costs that vary directly with volume, such as material, freight and warranty costs, are measured at present-year volume and mix. Excludes special items.

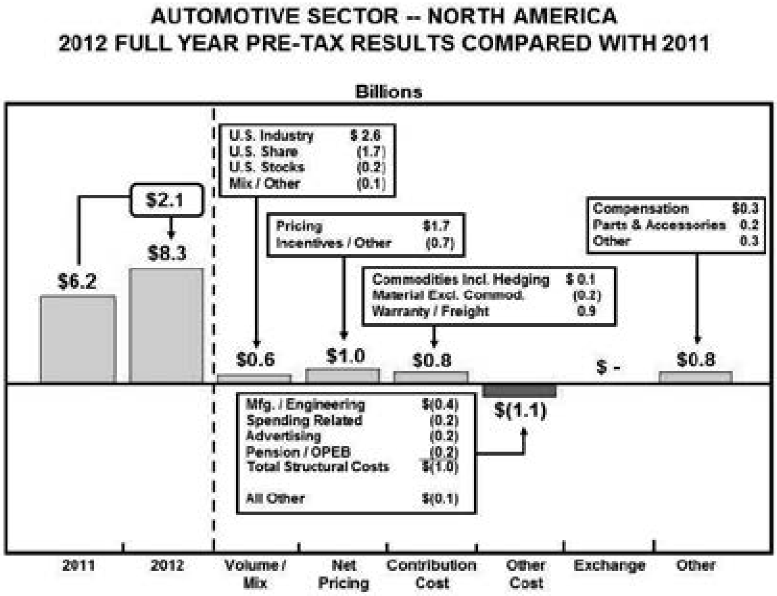
Results by Automotive Segment. Details by segment of *Income before income taxes* are shown below for 2012.



Total Automotive pre-tax profit in 2012 was more than explained by profit from North America. South America was profitable and Asia Pacific Africa incurred a small loss, while Europe reported a substantial loss. The loss in Other Automotive was more than explained by net interest expense.

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

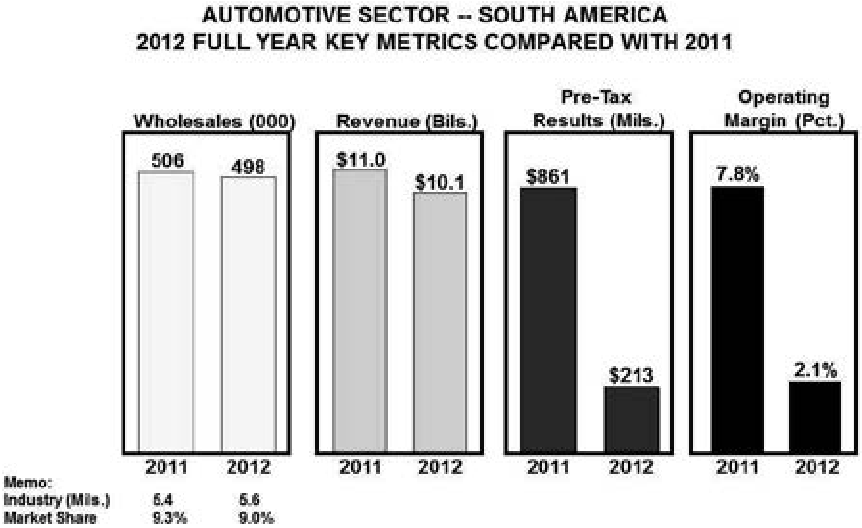


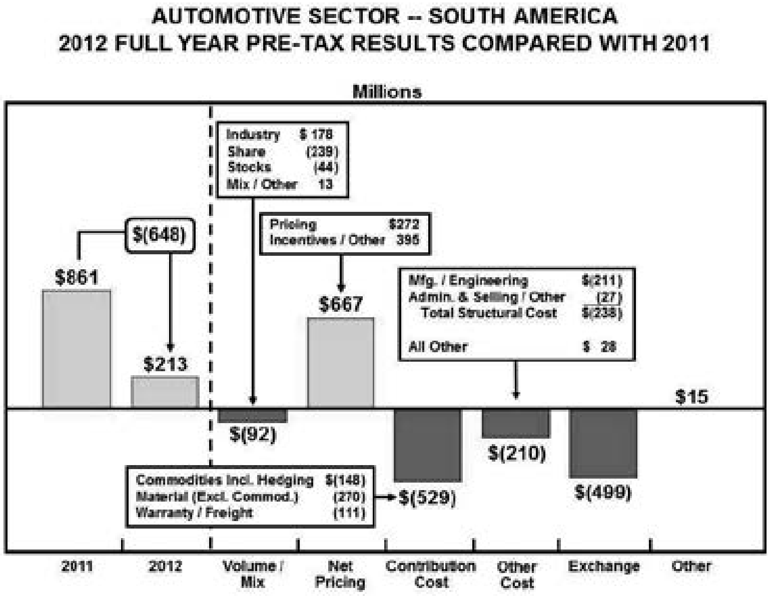


As shown above, all four key metrics increased for 2012 compared with 2011. The increase in pre-tax profit for 2012 compared with 2011 primarily reflected favorable market factors, lower contribution costs, and lower compensation costs (primarily the non-repeat of 2011 UAW ratification bonuses), offset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

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

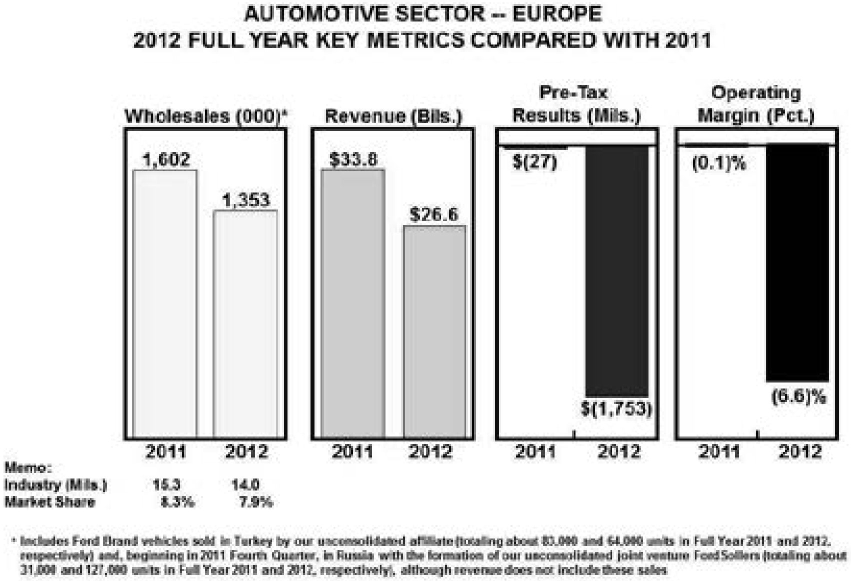
South America Segment. The charts below detail key metrics and the change in 2012 pre-tax results compared with 2011 by causal factor.

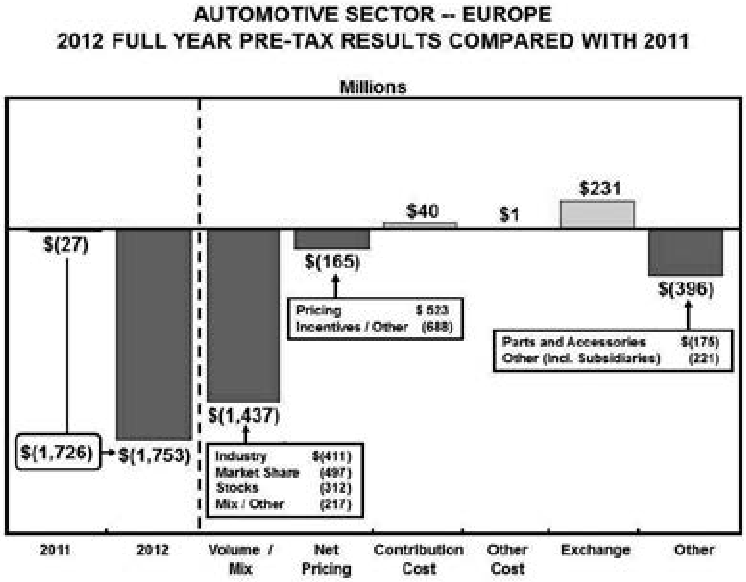




As shown above, all four key metrics decreased for 2012 compared with 2011. The decrease in pre-tax profit for 2012 compared with 2011 primarily reflects higher costs and unfavorable exchange, primarily in Brazil, offset partially by higher net pricing.

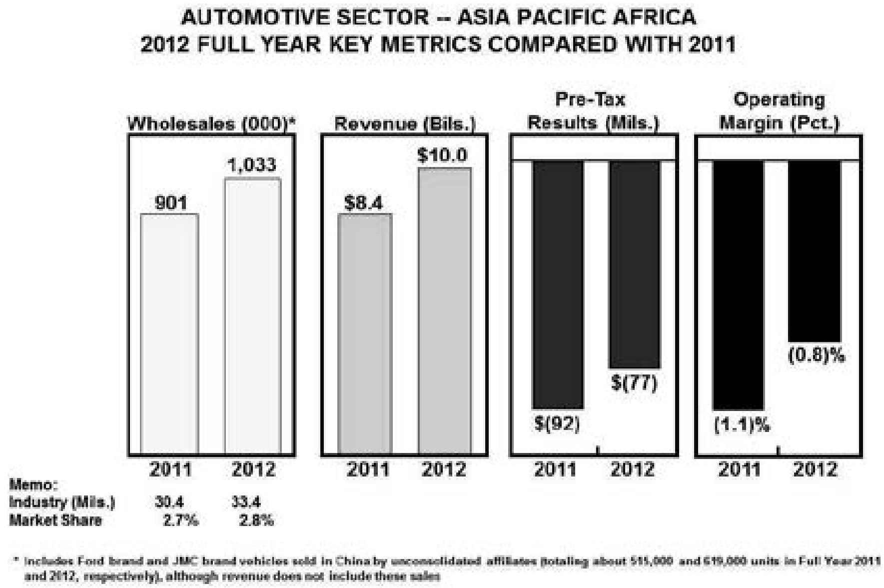
Europe Segment. The charts below detail key metrics and the change in 2012 pre-tax results compared with 2011 by causal factor.

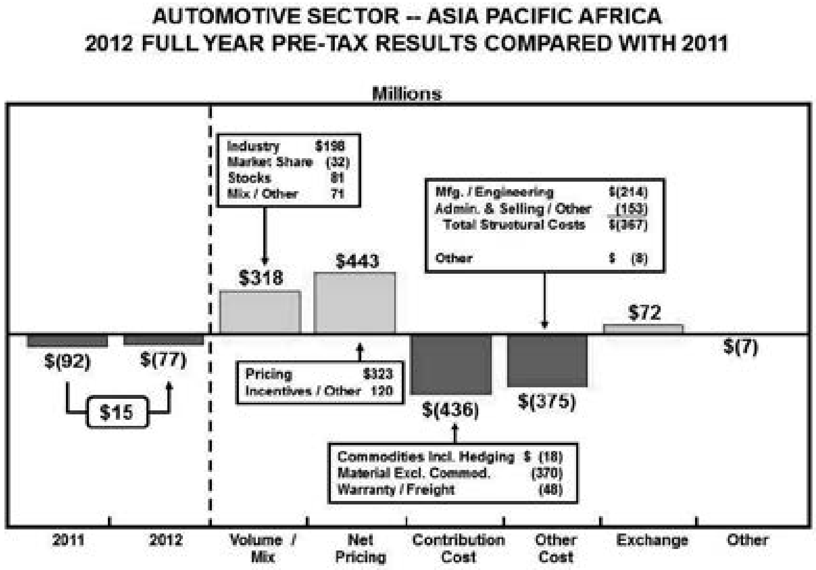




All four key metrics declined for 2012 compared with 2011. The decline in wholesales and revenue primarily reflected lower industry sales and market share, and reductions in dealer stocks. Exchange was also a contributing factor adversely affecting net revenue. The decline in 2012 pre-tax results compared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

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





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

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

FINANCIAL SERVICES SECTOR

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

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

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

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

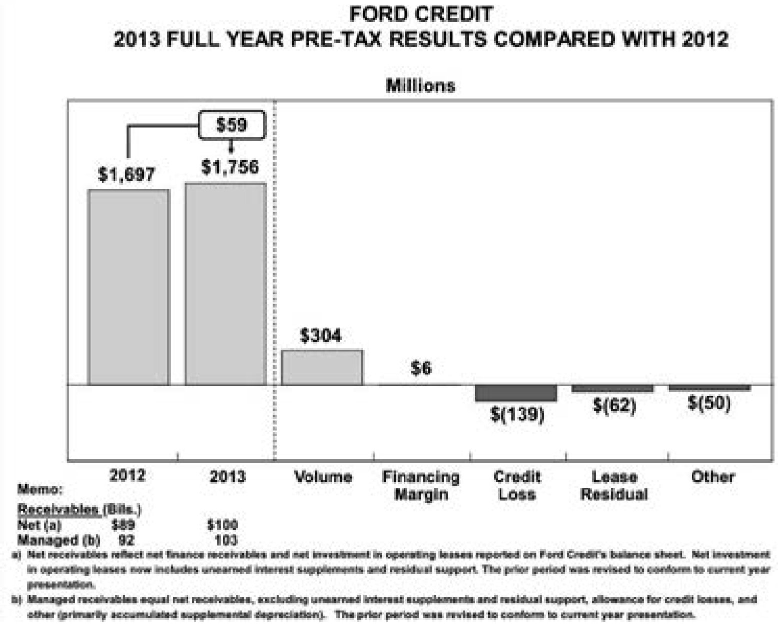
- *Credit Loss:*
  - Credit loss measures changes in the provision for credit losses. For analysis purposes, management splits the provision for credit losses primarily into net charge-offs and the change in the allowance for credit losses.
  - Net charge-off changes are primarily driven by the number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

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

- *Other:*
  - Primarily includes operating expenses, other revenue, and insurance expenses.
  - Changes in operating expenses are primarily driven by salaried personnel costs, facilities costs, and costs associated with the origination and servicing of customer contracts.
  - In general, other revenue changes are primarily driven by changes in earnings related to market valuation adjustments to derivatives (primarily related to movements in interest rates), which are included in unallocated risk management, and other miscellaneous items.

2013 Compared with 2012

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



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

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

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

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

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

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

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

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

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

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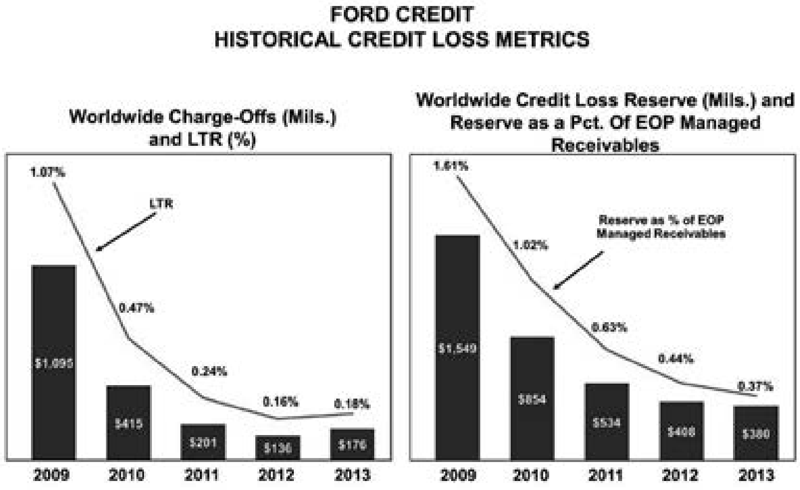
(a) Dealer financing primarily includes wholesale loans to dealers to finance the purchase of vehicle inventory.
(b) At December 31, 2013 and 2012, includes consumer receivables before allowance for credit losses of $27.7 billion and $29.3 billion, respectively, and non-consumer receivables before allowance for credit losses of $23.9 billion and $21.6 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be reported in Ford Credit's consolidated financial statements. In addition, at December 31, 2013 and 2012, includes net investment in operating leases before allowance for credit losses of $8.1 billion and $6.3 billion, respectively, that have been included in securitization transactions but continue to be reported in Ford Credit's financial statements. The receivables and net investment in operating leases are available only for payment of the debt issue by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay Ford Credit's other obligations or the claims of its other creditors. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions. See Note 16 of the Notes to the Financial Statements for more information regarding securitization transactions.
(c) Beginning in the fourth quarter, Ford Credit changed its accounting method to include unearned interest supplements and residual support in *Net investment in operating leases*. These amounts are amortized to *Depreciation on vehicles subject to operating leases*. The prior period was revised to conform to current year presentation. There is no change to profit before income tax or net income.
(d) The prior period was revised to conform to current year presentation.

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

Credit Losses. The charts below detail annual trends of charge-offs (credit losses, net of recoveries), loss-to-receivables ("LTR") ratios (charge-offs divided by average managed receivables), credit loss reserve, and Ford Credit's credit loss reserve as a percentage of end-of-period ("EOP") managed receivables:



Ford Credit's charge-offs were up from its record-low in 2012, primarily reflecting higher severity and lower recoveries in North America, and higher losses in International. The LTR ratio was up 2 basis points from 2012 and is Ford Credit's second lowest on record.

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

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

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

North America Retail Operating Lease Experience

Ford Credit uses various statistics to monitor its residual risk:

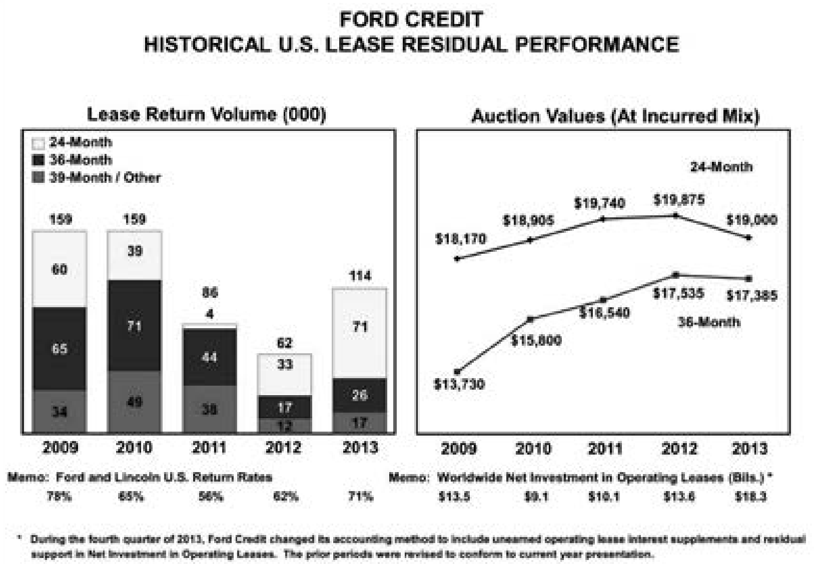
- Placement volume measures the number of leases Ford Credit purchases in a given period;
- Termination volume measures the number of vehicles for which the lease has ended in a given period; and
- Return volume reflects the number of vehicles returned to Ford Credit by customers at lease end.

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

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

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

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



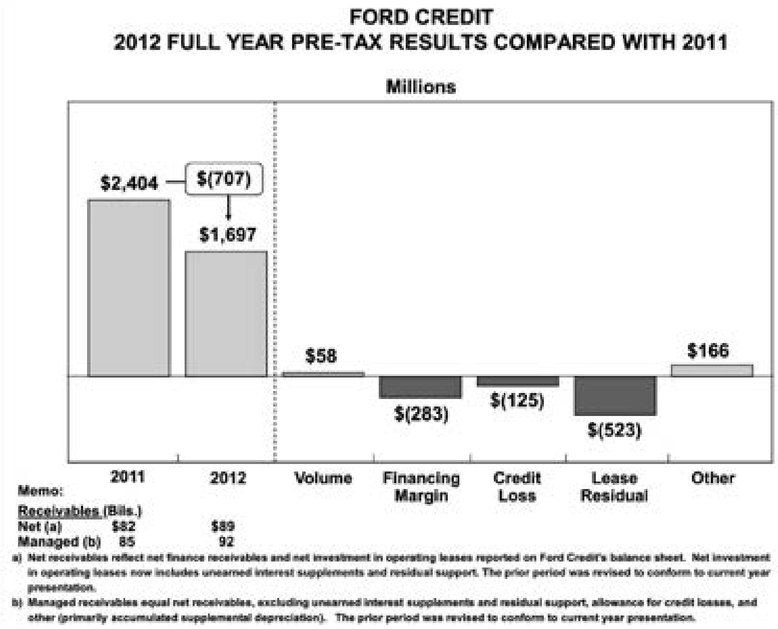
Ford Credit’s lease return volumes in 2013 were up significantly from 2012, reflecting primarily the higher lease placements in 2011 relative to prior years. Its 2013 lease return rate was 71%, up 9 percentage points compared with 2012 reflecting lower auction values.

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

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

2012 Compared with 2011

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



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

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

LIQUIDITY AND CAPITAL RESOURCES

Automotive Sector

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

We assess the appropriate long-term target for total Automotive liquidity, comprised of gross cash and the revolving credit facility, to be about $30 billion, which is an amount we believe is sufficient to support our business priorities and to protect our business. Our Automotive gross cash and Automotive liquidity targets could be reduced over time based on improved operating performance and changes in our risk profile.

For a discussion of risks to our liquidity, see "Item 1A. Risk Factors," of our Annual Report on Form 10-K for year ended December 31, 2013, as well as Note 29 of the Notes to the Financial Statements regarding commitments and contingencies that could impact our liquidity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Services Sector

Ford Credit

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

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

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

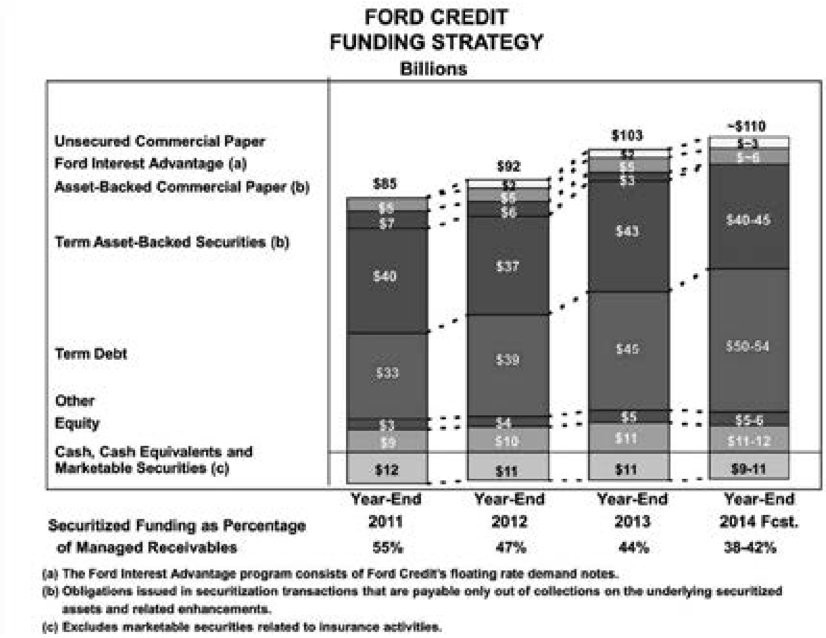
Funding Sources. Ford Credit's funding sources include primarily securitization transactions (including other structured financings) and unsecured debt. Ford Credit issues both short- and long-term debt that is held by both institutional and retail investors, with long-term debt having an original maturity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

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

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

In addition to enhancing Ford Credit's liquidity and diversifying its funding sources, one of the main reasons that securitization remains a primary funding source has been the cost advantage its securitization transactions offer over its unsecured long-term debt funding. As its credit ratings improve, Ford Credit expects to increase the mix of unsecured funding. During 2013, the weighted average spread of the triple-A rated notes offered in Ford Credit's U.S. public retail securitization transactions ranged from 9 to 25 basis points over the relevant benchmark rates and its U.S. institutional unsecured long-term debt transaction spreads ranged from 78 to 159 basis points over the relevant benchmark rates.

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



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

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

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

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

(a) Includes Rule 144A offerings.

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

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

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

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

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

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

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

Cash, Cash Equivalents, and Marketable Securities. At December 31, 2013, Ford Credit's cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) totaled $10.8 billion, compared with $10.9 billion at year-end 2012. In the normal course of its funding activities, Ford Credit may generate more proceeds than are required for its immediate funding needs. These excess amounts are maintained primarily as highly liquid investments, which provide liquidity for its short-term funding needs and give it flexibility in the use of its other funding programs. Ford Credit's cash, cash equivalents, and marketable securities are held primarily in highly liquid investments, which provide for anticipated and unanticipated cash needs. Ford Credit's cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) primarily include U.S. Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions and non-U.S. central banks, corporate investment-grade securities, A-1/P-1 (or higher) rated commercial paper, debt obligations of a select group of non-U.S. governments, non-U.S. government agencies, supranational institutions, and money market funds that carry the highest possible ratings. Within Ford Credit's cash, cash equivalents, and marketable securities, it did not hold investments in government obligations of Greece, Ireland, Italy, Portugal, or Spain at December 31, 2013. The maturity of these investments ranges from about 90 days to up to about one year and is adjusted based on market conditions and liquidity needs. Ford Credit monitors its cash levels and average maturity on a daily basis. Cash, cash equivalents, and marketable securities include amounts to be used only to support Ford Credit's securitization transactions of $4.4 billion and $3 billion at December 31, 2013 and 2012, respectively.

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

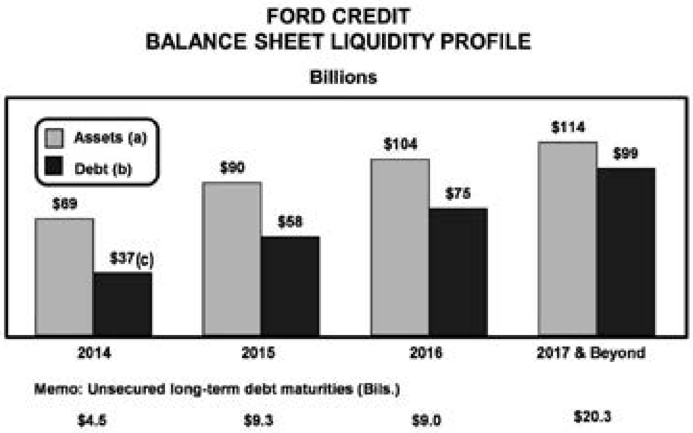
Committed Liquidity Programs. Ford Credit and its subsidiaries, including FCE, have entered into agreements with a number of bank-sponsored asset-backed commercial paper conduits ("conduits") and other financial institutions. Such counterparties are contractually committed, at Ford Credit's option, to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

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

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

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

Balance Sheet Liquidity Profile. Ford Credit defines its balance sheet liquidity profile as the cumulative maturities, including the impact of prepayments, of its finance receivables, investment in operating leases, and cash, less the cumulative debt maturities over upcoming annual periods. The following chart shows its cumulative maturities for the periods presented at December 31, 2013:



(a) Includes finance receivables net of unearned income, investment in operating leases net of accumulated depreciation, cash and cash equivalents, and marketable securities (excludes marketable securities related to insurance activities).
(b) Retail and lease ABS are treated as amortizing immediately to match the underlying assets.
(c) Includes all of the wholesale ABS term and conduit maturities of $8.7 billion that otherwise contractually extend to 2015 and beyond.

Ford Credit's balance sheet is inherently liquid because of the short-term nature of its finance receivables, investment in operating leases, and cash. Maturities of investment in operating leases consist primarily of rental payments attributable to depreciation over the remaining life of the lease and the expected residual value at lease termination. Maturities of finance receivables and investment in operating leases in the chart above include expected prepayments for Ford Credit's retail installment sale contracts and investment in operating leases. The 2014 finance receivables maturities in the chart above also include all of the wholesale receivables maturities that are otherwise extending beyond 2014. The chart above also reflects the following adjustments to debt maturities to match all of the asset-backed debt maturities with the underlying asset maturities:

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

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

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

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

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

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

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

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

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

____
(a) Includes debt issued in securitization transactions and payable only out of collections on the underlying securitized assets and related enhancements. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions.
(b) Excludes marketable securities related to insurance activities.
(c) Primarily related to market valuation adjustments to derivatives due to movements in interest rates. Adjustments to debt are related to designated fair value hedges and adjustments to equity are related to retained earnings.
(d) Equals total adjusted debt over total adjusted equity.

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

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

Total Company

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

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

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

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

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

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

NRSRO RATINGS

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

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

2013 PLANNING ASSUMPTIONS AND KEY METRICS

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

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

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

PRODUCTION VOLUMES (a)

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

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

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

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

OUTLOOK

Business Environment

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

Total Company

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

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

(a) Excludes special items

North America

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

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

South America

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

Europe

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

Middle East and Africa

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

Asia Pacific

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

Net Interest Expense

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

Ford Credit

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

2014 Planning Assumptions and Key Metrics

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

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

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

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

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

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

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

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

ONE FORD PLAN

We remain focused on delivering the key aspects of the One Ford plan, which are unchanged:
- Aggressively restructure to operate profitably at the current demand and changing model mix;
- Accelerate development of new products our customers want and value;
- Finance our plan and improve our balance sheet; and
- Work together effectively as one team, leveraging our global assets.

Risk Factors

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

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

We cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise. For additional discussion, see "Item 1A. Risk Factors" in our Annual Report on Form 10-K for year ended December 31, 2013.

CRITICAL ACCOUNTING ESTIMATES

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

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

Warranty and Product Recalls

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

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

Pensions and Other Postretirement Employee Benefits

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

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

- *Discount rates.* Our discount rate assumption is based primarily on the results of a cash flow matching analysis, which matches the future cash outflows for each major plan to a yield curve comprised of high-quality bonds specific to the country of the plan. Benefit payments are discounted at the rates on the curve and a single discount rate specific to the plan is determined.
- *Expected long-term rate of return on plan assets.* Our expected long-term rate of return assumption reflects historical returns and long-run inputs from a range of advisors for capital market returns, inflation, bond yields, and other variables, adjusted for specific aspects of our investment strategy such as asset mix. The assumption is based on consideration of all inputs, with a focus on long-term trends to avoid short-term market influences.
- *Salary growth.* Our salary growth assumption reflects our long-term actual experience, outlook, and assumed inflation.
- *Inflation.* Our inflation assumption is based on an evaluation of external market indicators, including real gross domestic product growth and central bank inflation targets.
- *Expected contributions.* Our expected amount and timing of contributions is based on an assessment of minimum requirements, cash availability, and other considerations (e.g., funded status, avoidance of regulatory premiums and levies, and tax efficiency).
- *Retirement rates.* Retirement rates are developed to reflect actual and projected plan experience.
- *Mortality rates.* Mortality rates are developed to reflect actual and projected plan experience.
- *Health care cost trends*. Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends.

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

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

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

Pension Plans

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

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

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

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

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

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

Factor	Basis Point Change	Increase/(Decrease) in December 31, 2013 Funded Status: U.S. Plans	Increase/(Decrease) in December 31, 2013 Funded Status: Non-U.S. Plans
Discount rate - obligation	+/- 100 bps.	$4,300/(5,300)	$4,200/(4,800)
Interest rate - fixed income assets	+/- 100	(3,500)/4,300	(1,200)/1,500
Net impact on funded status		$800/(1,000)	$3,000/(3,300)

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

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

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

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

Other Postretirement Employee Benefits

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

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

Income Taxes

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

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

We must also assess the likelihood that we will be able to recover our deferred tax assets against future sources of taxable income. GAAP requires a reduction of the carrying amount of deferred tax assets by recording a valuation allowance if, based on all available evidence, it is more likely than not (defined as a likelihood of more than 50%) that all or a portion of such assets will not be realized.

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

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

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

Allowance for Credit Losses

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

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

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

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

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

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

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

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

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

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

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

Accumulated Depreciation on Vehicles Subject to Operating Leases

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

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

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

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

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

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

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

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

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

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

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

AGGREGATE CONTRACTUAL OBLIGATIONS

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

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

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

(a) Amount includes, prior to adjustment noted above, $695 million for the Automotive sector and $21,812 million for the Financial Services sector for the current portion of long-term debt. See Note 15 of the Notes to the Financial Statements for additional discussion.
(b) Automotive sector excludes unamortized debt discounts/premiums of $(255) million. Financial Services sector excludes unamortized debt discounts of $(91) million and adjustments of $103 million related to designated fair value hedges of the debt.
(c) Excludes amortization of debt discounts/premiums.
(d) Amounts represent our estimate of contractually obligated deficit contributions to U.K. plans. See Note 14 for further information regarding our expected 2014 pension contributions and funded status.

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

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

Quantitative and Qualitative Disclosures About Market Risk

OVERVIEW

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

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

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

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

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

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

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

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

AUTOMOTIVE MARKET AND COUNTERPARTY RISK

Our Automotive sector frequently has expenditures and receipts denominated in foreign currencies, including the following: purchases and sales of finished vehicles and production parts, debt and other payables, subsidiary dividends, and investments in foreign operations. These expenditures and receipts create exposures to changes in exchange rates. We also are exposed to changes in prices of commodities used in our Automotive sector and changes in interest rates.

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

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

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

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

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

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

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

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

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

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

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

FORD CREDIT MARKET RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Ford Motor Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, equity and cash flows, including pages 66 through 144, present fairly, in all material respects, the financial position of Ford Motor Company and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting in this Annual Report. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying sector balance sheets and the related sector statements of income and of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan
February 18, 2014

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

	For the years ended December 31,		
	2013	2012	2011
Revenues			
Automotive	$ 139,369	$ 126,567	$ 128,168
Financial Services	7,548	6,992	7,437
Total revenues	146,917	133,559	135,605
Costs and expenses			
Automotive cost of sales	125,234	112,992	113,611
Selling, administrative, and other expenses	13,176	11,494	10,884
Financial Services interest expense	2,860	3,115	3,614
Financial Services provision for credit and insurance losses	208	77	(36)
Total costs and expenses	141,478	127,678	128,073
Automotive interest expense	829	713	817
Automotive interest income and other income/(loss), net (Note 19)	974	1,599	1,091
Financial Services other income/(loss), net (Note 19)	348	365	375
Equity in net income of affiliated companies	1,069	588	500
Income before income taxes	7,001	7,720	8,681
Provision for/(Benefit from) income taxes (Note 22)	(147)	2,056	(11,541)
Net income	7,148	5,664	20,222
Less: Income/(Loss) attributable to noncontrolling interests	(7)	(1)	9
Net income attributable to Ford Motor Company	$ 7,155	$ 5,665	$ 20,213
AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 24)			
Basic income	$ 1.82	$ 1.48	$ 5.33
Diluted income	1.76	1.42	4.94
Cash dividends declared	0.40	0.15	0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the years ended December 31,		
	2013	2012	2011
Net income	$ 7,148	$ 5,664	$ 20,222
Other comprehensive income/(loss), net of tax (Note 18)			
Foreign currency translation	(506)	142	(720)
Derivative instruments	215	6	(152)
Pension and other postretirement benefits	4,914	(4,268)	(3,553)
Net holding gains/(losses)	—	—	2
Total other comprehensive income/(loss), net of tax	4,623	(4,120)	(4,423)
Comprehensive income	11,771	1,544	15,799
Less: Comprehensive income/(loss) attributable to noncontrolling interests	(7)	(1)	7
Comprehensive income attributable to Ford Motor Company	$ 11,778	$ 1,545	$ 15,792

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
SECTOR INCOME STATEMENT
(in millions)

	For the years ended December 31,		
	2013	2012	2011
AUTOMOTIVE			
Revenues	$ 139,369	$ 126,567	$ 128,168
Costs and expenses			
Cost of sales	125,234	112,992	113,611
Selling, administrative, and other expenses	9,997	9,006	9,060
Total costs and expenses	135,231	121,998	122,671
Interest expense	829	713	817
Interest income and other income/(loss), net (Note 19)	974	1,599	1,091
Equity in net income of affiliated companies	1,046	555	479
Income before income taxes — Automotive	5,329	6,010	6,250
FINANCIAL SERVICES			
Revenues	7,548	6,992	7,437
Costs and expenses			
Interest expense	2,860	3,115	3,614
Depreciation on vehicles subject to operating leases (Note 7)	2,411	1,795	1,140
Operating and other expenses	768	693	684
Provision for credit and insurance losses	208	77	(36)
Total costs and expenses	6,247	5,680	5,402
Other income/(loss), net (Note 19)	348	365	375
Equity in net income of affiliated companies	23	33	21
Income before income taxes — Financial Services	1,672	1,710	2,431
TOTAL COMPANY			
Income before income taxes	7,001	7,720	8,681
Provision for/(Benefit from) income taxes (Note 22)	(147)	2,056	(11,541)
Net income	7,148	5,664	20,222
Less: Income/(Loss) attributable to noncontrolling interests	(7)	(1)	9
Net income attributable to Ford Motor Company	$ 7,155	$ 5,665	$ 20,213

The accompanying notes are part of the financial statements.

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

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 14,468	$ 15,659
Marketable securities	22,100	20,284
Finance receivables, net (Note 6)	77,481	70,991
Other receivables, net	9,828	10,878
Net investment in operating leases (Note 7)	19,984	15,303
Inventories (Note 9)	7,708	7,362
Equity in net assets of affiliated companies (Note 10)	3,679	3,246
Net property (Note 12)	27,616	24,942
Deferred income taxes (Note 22)	13,315	15,185
Other assets	5,847	5,556
Total assets	$ 202,026	$ 189,406
LIABILITIES		
Payables	$ 19,531	$ 19,308
Other liabilities and deferred revenue (Note 13)	40,462	48,259
Debt (Note 15)	114,688	105,058
Deferred income taxes (Note 22)	598	470
Total liabilities	175,279	173,095
Redeemable noncontrolling interest (Note 17)	331	322
EQUITY		
Capital stock (Note 24)		
Common Stock, par value $.01 per share (3,913 million shares issued of 6 billion authorized)	39	39
Class B Stock, par value $.01 per share (71 million shares issued of 530 million authorized)	1	1
Capital in excess of par value of stock	21,422	20,976
Retained earnings	23,658	18,077
Accumulated other comprehensive income/(loss) (Note 18)	(18,231)	(22,854)
Treasury stock	(506)	(292)
Total equity attributable to Ford Motor Company	26,383	15,947
Equity attributable to noncontrolling interests	33	42
Total equity	26,416	15,989
Total liabilities and equity	$ 202,026	$ 189,406

The following table includes assets to be used to settle liabilities of the consolidated variable interest entities ("VIEs"). These assets and liabilities are included in the consolidated balance sheet above. See Note 11 for additional information on our VIEs.

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 4,198	$ 2,911
Finance receivables, net	45,796	47,515
Net investment in operating leases	8,116	6,308
Other assets	5	4
LIABILITIES		
Other liabilities and deferred revenue	$ 88	$ 134
Debt	40,728	40,245

The accompanying notes are part of the financial statements.

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

	December 31, 2013	December 31, 2012
ASSETS		
Automotive		
Cash and cash equivalents	$ 4,959	$ 6,247
Marketable securities	20,157	18,178
Total cash and marketable securities	25,116	24,425
Receivables, less allowances of $132 and $115	5,641	5,361
Inventories (Note 9)	7,708	7,362
Deferred income taxes	1,574	3,488
Net investment in operating leases (Note 7)	1,384	1,415
Other current assets	1,034	1,124
Total current assets	42,457	43,175
Equity in net assets of affiliated companies (Note 10)	3,546	3,112
Net property (Note 12)	27,492	24,813
Deferred income taxes	13,283	13,325
Other assets	2,824	2,033
Non-current receivable from Financial Services (Note 1)	724	—
Total Automotive assets	90,326	86,458
Financial Services		
Cash and cash equivalents	9,509	9,412
Marketable securities	1,943	2,106
Finance receivables, net (Note 6)	80,816	75,770
Net investment in operating leases (Note 7)	18,600	13,888
Equity in net assets of affiliated companies (Note 10)	133	134
Other assets	3,149	3,450
Receivable from Automotive (Note 1)	907	252
Total Financial Services assets	115,057	105,012
Intersector elimination	(1,631)	(252)
Total assets	$ 203,752	$ 191,218
LIABILITIES		
Automotive		
Payables	$ 18,035	$ 18,151
Other liabilities and deferred revenue (Note 13)	16,537	15,358
Deferred income taxes	267	81
Debt payable within one year (Note 15)	1,257	1,386
Current payable to Financial Services (Note 1)	907	252
Total current liabilities	37,003	35,228
Long-term debt (Note 15)	14,426	12,870
Other liabilities and deferred revenue (Note 13)	21,665	30,549
Deferred income taxes	430	514
Total Automotive liabilities	73,524	79,161
Financial Services		
Payables	1,496	1,157
Debt (Note 15)	99,005	90,802
Deferred income taxes	1,627	1,687
Other liabilities and deferred income (Note 13)	2,260	2,352
Payable to Automotive (Note 1)	724	—
Total Financial Services liabilities	105,112	95,998
Intersector elimination	(1,631)	(252)
Total liabilities	177,005	174,907
Redeemable noncontrolling interest (Note 17)	331	322
EQUITY		
Capital stock (Note 24)		
Common Stock, par value $.01 per share (3,913 million shares issued of 6 billion authorized)	39	39
Class B Stock, par value $.01 per share (71 million shares issued of 530 million authorized)	1	1
Capital in excess of par value of stock	21,422	20,976
Retained earnings	23,658	18,077
Accumulated other comprehensive income/(loss) (Note 18)	(18,231)	(22,854)
Treasury stock	(506)	(292)
Total equity attributable to Ford Motor Company	26,383	15,947
Equity attributable to noncontrolling interests	33	42
Total equity	26,416	15,989
Total liabilities and equity	$ 203,752	$ 191,218

The accompanying notes are part of the financial statements.

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

	For the years ended December 31,		
	2013	2012	2011
Cash flows from operating activities of continuing operations			
Net cash provided by/(used in) operating activities (Note 25)	$ 10,444	$ 9,045	$ 9,784
Cash flows from investing activities of continuing operations			
Capital spending	(6,597)	(5,488)	(4,293)
Acquisitions of finance receivables and operating leases	(45,822)	(38,445)	(35,239)
Collections of finance receivables and operating leases	33,966	31,570	33,337
Purchases of securities	(119,993)	(95,135)	(68,723)
Sales and maturities of securities	118,247	93,749	70,795
Cash change due to initial consolidation of businesses	9	191	—
Proceeds from sale of business	—	66	333
Settlements of derivatives	(217)	(737)	353
Proceeds from sales of retail finance receivables (Note 23)	495	—	—
Elimination of cash balances upon disposition of discontinued/held-for-sale operations	—	—	(69)
Other	181	(61)	465
Net cash provided by/(used in) investing activities	(19,731)	(14,290)	(3,041)
Cash flows from financing activities of continuing operations			
Cash dividends	(1,574)	(763)	—
Purchases of Common Stock	(213)	(125)	—
Changes in short-term debt	(2,927)	1,208	2,841
Proceeds from issuance of other debt	40,543	32,436	35,921
Principal payments on other debt	(27,953)	(29,210)	(43,095)
Other	257	159	92
Net cash provided by/(used in) financing activities	8,133	3,705	(4,241)
Effect of exchange rate changes on cash and cash equivalents	(37)	51	(159)
Net increase/(decrease) in cash and cash equivalents	$ (1,191)	$ (1,489)	$ 2,343
Cash and cash equivalents at January 1	$ 15,659	$ 17,148	$ 14,805
Net increase/(decrease) in cash and cash equivalents	(1,191)	(1,489)	2,343
Cash and cash equivalents at December 31	$ 14,468	$ 15,659	$ 17,148

The accompanying notes are part of the financial statements.

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

	For the years ended December 31,					
	2013		2012		2011	
	Automotive	Financial Services	Automotive	Financial Services	Automotive	Financial Services
Cash flows from operating activities of continuing operations						
Net cash provided by/(used in) operating activities (Note 25)	$ 7,738	$ 3,352	$ 6,266	$ 2,043	$ 9,368	$ 418
Cash flows from investing activities of continuing operations						
Capital spending	(6,566)	(31)	(5,459)	(29)	(4,272)	(21)
Acquisitions of finance receivables and operating leases (excluding wholesale and other)	—	(43,424)	—	(36,531)	—	(33,252)
Collections of finance receivables and operating leases (excluding wholesale and other)	—	33,966	—	31,570	—	33,337
Net change in wholesale and other receivables	—	(3,044)	—	(1,178)	—	(1,989)
Purchases of securities	(89,676)	(30,317)	(73,100)	(22,035)	(44,353)	(24,370)
Sales and maturities of securities	87,799	30,448	70,202	23,748	43,525	27,270
Cash change due to initial consolidation of businesses	9	—	191	—	—	—
Proceeds from sale of business	—	—	54	12	310	23
Settlements of derivatives	(284)	67	(788)	51	135	218
Proceeds from sales of retail finance receivables (Note 23)	—	495	—	—	—	—
Investing activity (to)/from Financial Services	445	—	925	—	2,903	—
Elimination of cash balances upon disposition of discontinued/held-for-sale operations	—	—	—	—	(69)	—
Other	162	19	(49)	(12)	280	185
Net cash provided by/(used in) investing activities	(8,111)	(11,821)	(8,024)	(4,404)	(1,541)	1,401
Cash flows from financing activities of continuing operations						
Cash dividends	(1,574)	—	(763)	—	—	—
Purchases of Common Stock	(213)	—	(125)	—	—	—
Changes in short-term debt	(133)	(2,794)	154	1,054	(396)	3,237
Proceeds from issuance of other debt	2,250	38,293	1,553	30,883	2,452	33,469
Principal payments on other debt	(1,439)	(26,514)	(810)	(28,601)	(8,058)	(35,037)
Financing activity to/(from) Automotive	—	(445)	—	(925)	—	(2,903)
Other	287	(30)	31	128	70	22
Net cash provided by/(used in) financing activities	(822)	8,510	40	2,539	(5,932)	(1,212)
Effect of exchange rate changes on cash and cash equivalents	(93)	56	—	51	(231)	72
Net increase/(decrease) in cash and cash equivalents	$ (1,288)	$ 97	$ (1,718)	$ 229	$ 1,664	$ 679
Cash and cash equivalents at January 1	$ 6,247	$ 9,412	$ 7,965	$ 9,183	$ 6,301	$ 8,504
Net increase/(decrease) in cash and cash equivalents	(1,288)	97	(1,718)	229	1,664	679
Cash and cash equivalents at December 31	$ 4,959	$ 9,509	$ 6,247	$ 9,412	$ 7,965	$ 9,183

The accompanying notes are part of the financial statements.

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

	Equity/(Deficit) Attributable to Ford Motor Company							
	Capital Stock	Cap. in Excess of Par Value of Stock	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss) (Note 18)	Treasury Stock	Total	Equity/ (Deficit) Attributable to Non-controlling Interests	Total Equity/ (Deficit)
Balance at December 31, 2010	$ 38	$ 20,803	$ (7,038)	$ (14,313)	$ (163)	$ (673)	$ 31	$ (642)
Net income	—	—	20,213	—	—	20,213	9	20,222
Other comprehensive income/(loss), net of tax	—	—	—	(4,421)	—	(4,421)	(2)	(4,423)
Common stock issued (including share-based compensation impacts)	—	102	—	—	—	102	—	102
Treasury stock/other	—	—	—	—	(3)	(3)	5	2
Cash dividends declared	—	—	(190)	—	—	(190)	—	(190)
Balance at December 31, 2011	$ 38	$ 20,905	$ 12,985	$ (18,734)	$ (166)	$ 15,028	$ 43	$ 15,071
Balance at December 31, 2011	$ 38	$ 20,905	$ 12,985	$ (18,734)	$ (166)	$ 15,028	$ 43	$ 15,071
Net income	—	—	5,665	—	—	5,665	(1)	5,664
Other comprehensive income/(loss), net of tax	—	—	—	(4,120)	—	(4,120)	—	(4,120)
Common stock issued (including share-based compensation impacts)	2	71	—	—	—	73	—	73
Treasury stock/other	—	—	—	—	(126)	(126)	—	(126)
Cash dividends declared	—	—	(573)	—	—	(573)	—	(573)
Balance at December 31, 2012	$ 40	$ 20,976	$ 18,077	$ (22,854)	$ (292)	$ 15,947	$ 42	$ 15,989
Balance at December 31, 2012	$ 40	$ 20,976	$ 18,077	$ (22,854)	$ (292)	$ 15,947	$ 42	$ 15,989
Net income	—	—	7,155	—	—	7,155	(7)	7,148
Other comprehensive income/(loss), net of tax	—	—	—	4,623	—	4,623	—	4,623
Common stock issued (including share-based compensation impacts)	—	446	—	—	—	446	—	446
Treasury stock/other	—	—	—	—	(214)	(214)	(2)	(216)
Cash dividends declared	—	—	(1,574)	—	—	(1,574)	—	(1,574)
Balance at December 31, 2013	$ 40	$ 21,422	$ 23,658	$ (18,231)	$ (506)	$ 26,383	$ 33	$ 26,416

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1. PRESENTATION

For purposes of this report, "Ford," the "Company," "we," "our," "us" or similar references mean Ford Motor Company and our consolidated subsidiaries and our consolidated VIEs of which we are the primary beneficiary, unless the context requires otherwise.

We prepare our financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). We present the financial statements on both a consolidated basis and on a sector basis for our Automotive and Financial Services sectors. The additional information provided in the sector statements enables the reader to better understand the operating performance, financial position, cash flows, and liquidity of our two very different businesses. We eliminate all intercompany items and transactions in the consolidated and sector balance sheets. In certain circumstances, presentation of these intercompany eliminations or consolidated adjustments differ between the consolidated and sector financial statements. These line items are reconciled below under "Reconciliations between Consolidated and Sector Financial Statements" or in related footnotes.

We reclassified certain prior year amounts on our consolidated financial statements to conform to current year presentation.

Adoption of New Accounting Standards

Balance Sheet - Offsetting. On January 1, 2013, we adopted the new accounting standard that requires disclosures about offsetting and related arrangements for derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions. See Note 4 and Note 16 for further disclosure regarding balance sheet offsetting.

Intangibles - Goodwill and Other. On January 1, 2013, we adopted the new accounting standard that provides the option to evaluate qualitative factors to determine whether a calculated impairment test for indefinite-lived intangible assets is necessary. The adoption of this accounting standard did not impact our consolidated financial statements.

Comprehensive Income - Reporting of Reclassification Adjustments. During 2012, we early adopted the new accounting standard that requires us to disclose significant amounts reclassified out of each component of *Accumulated other comprehensive income/(loss)* ("AOCI") and the affected income statement line item only if the item reclassified is required to be reclassified to net income in its entirety. See Note 18 for further disclosure regarding the significant amounts reclassified out of AOCI.

NOTE 1. PRESENTATION *(Continued)*

Reconciliations between Consolidated and Sector Financial Statements

Sector to Consolidated Deferred Tax Assets and Liabilities. The difference between the total assets and total liabilities as presented on our sector balance sheet and consolidated balance sheet is the result of netting deferred income tax assets and liabilities. The reconciliation between the totals for the sector and consolidated balance sheets was as follows (in millions):

	December 31, 2013	December 31, 2012
Sector balance sheet presentation of deferred income tax assets		
Automotive sector current deferred income tax assets	$ 1,574	$ 3,488
Automotive sector non-current deferred income tax assets	13,283	13,325
Financial Services sector deferred income tax assets (a)	184	184
Total	15,041	16,997
Reclassification for netting of deferred income taxes	(1,726)	(1,812)
Consolidated balance sheet presentation of deferred income tax assets	$ 13,315	$ 15,185
Sector balance sheet presentation of deferred income tax liabilities		
Automotive sector current deferred income tax liabilities	$ 267	$ 81
Automotive sector non-current deferred income tax liabilities	430	514
Financial Services sector deferred income tax liabilities	1,627	1,687
Total	2,324	2,282
Reclassification for netting of deferred income taxes	(1,726)	(1,812)
Consolidated balance sheet presentation of deferred income tax liabilities	$ 598	$ 470

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(a) Financial Services deferred income tax assets are included in *Financial Services other assets* on our sector balance sheet.

NOTE 1. PRESENTATION *(Continued)*

Sector to Consolidated Cash Flow. We present certain cash flows from wholesale and other receivables, interest supplements and residual support, and the acquisition of intersector debt differently on our sector and consolidated statements of cash flows. The reconciliation between totals for the sector and consolidated cash flows for the years ended December 31 was as follows (in millions):

	2013	2012	2011
Automotive net cash provided by/(used in) operating activities	$ 7,738	$ 6,266	$ 9,368
Financial Services net cash provided by/(used in) operating activities	3,352	2,043	418
Total sector net cash provided by/(used in) operating activities (Note 25)	11,090	8,309	9,786
Reclassifications from investing to operating cash flows			
Purchases/Collections of wholesale receivables (a)	(2,971)	(1,235)	(2,010)
Purchases/Collections of other receivables (b)	(73)	57	21
Payments of interest supplements and residual support (c)	2,398	1,914	1,987
Consolidated net cash provided by/(used in) operating activities	$ 10,444	$ 9,045	$ 9,784
Automotive net cash provided by/(used in) investing activities	$ (8,111)	$ (8,024)	$ (1,541)
Financial Services net cash provided by/(used in) investing activities	(11,821)	(4,404)	1,401
Total sector net cash provided by/(used in) investing activities	(19,932)	(12,428)	(140)
Reclassifications from investing to operating cash flows			
Purchases/Collections of wholesale receivables (a)	2,971	1,235	2,010
Purchases/Collections of other receivables (b)	73	(57)	(21)
Payments of interest supplements and residual support (c)	(2,398)	(1,914)	(1,987)
Reclassifications from investing to financing cash flows			
Maturity of Financial Services sector debt held by Automotive sector (d)	—	(201)	—
Elimination of investing activity to/(from) Financial Services in consolidation	(445)	(925)	(2,903)
Consolidated net cash provided by/(used in) investing activities	$ (19,731)	$ (14,290)	$ (3,041)
Automotive net cash provided by/(used in) financing activities	$ (822)	$ 40	$ (5,932)
Financial Services net cash provided by/(used in) financing activities	8,510	2,539	(1,212)
Total sector net cash provided by/(used in) financing activities	7,688	2,579	(7,144)
Reclassifications from investing to financing cash flows			
Maturity of Financial Services sector debt held by Automotive sector (d)	—	201	—
Elimination of investing activity to/(from) Financial Services in consolidation	445	925	2,903
Consolidated net cash provided by/(used in) financing activities	$ 8,133	$ 3,705	$ (4,241)

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(a) In addition to the cash flow from vehicles sold by us, the cash flow from wholesale finance receivables (being reclassified from investing to operating) includes dealer financing by Ford Credit of used and non-Ford vehicles. One hundred percent of cash flows from these wholesale finance receivables have been reclassified for consolidated presentation as the portion of these cash flows from used and non-Ford vehicles is impracticable to separate.
(b) Includes cash flows of other receivables purchased/collected by the Financial Services sector from certain divisions and subsidiaries of the Automotive sector.
(c) Payments from Automotive sector to Ford Credit on behalf of the retail customer that represent interest supplements and residual support.
(d) Cash inflows related to these transactions are reported as financing activities on the consolidated statement of cash flows and investing activities on the sector statement of cash flows.

NOTE 1. PRESENTATION *(Continued)*

Certain Transactions Between Automotive and Financial Services Sectors

Intersector transactions occur in the ordinary course of business. Additional detail regarding certain transactions and the effect on each sector's balance sheet was as follows (in billions):

	December 31, 2013		December 31, 2012	
	Automotive	Financial Services	Automotive	Financial Services
Finance receivables, net (a)		$ 3.3		$ 4.8
Unearned interest supplements and residual support (b)		(3.1)		(2.6)
Wholesale receivables/Other (c)		0.8		0.8
Net investment in operating leases (d)		0.6		0.5
Intersector receivables/(payables) (e)	$ (0.2)	0.2	$ (0.3)	0.3

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(a) Automotive sector receivables (generated primarily from vehicle and parts sales to third parties) sold to Ford Credit. These receivables are classified as *Other receivables, net* on our consolidated balance sheet and *Finance receivables, net* on our sector balance sheet.
(b) We pay amounts to Ford Credit at the point of retail financing or lease origination that represent interest supplements and residual support.
(c) Primarily wholesale receivables with entities that are consolidated subsidiaries of Ford.
(d) Sale-leaseback agreement between Automotive and Financial Services sectors relating to vehicles that we lease to our employees.
(e) Amounts owed to the Financial Services sector by Automotive sector, or vice versa.

Venezuelan Operations

On February 13, 2013, the Venezuelan government effected a devaluation of the bolivar, from an exchange rate of 4.3 bolivars to the U.S. dollar to an exchange rate of 6.3 bolivars to the U.S. dollar. This resulted in a remeasurement loss of $186 million in the first quarter. For periods subsequent to the date of the devaluation, assets, liabilities, and results of operations from our Venezuelan subsidiary are remeasured at this new exchange rate.

At December 31, 2013, we had a bolivar denominated net monetary position of $749 million, including $765 million of bolivar denominated cash and cash equivalents. Based on our net monetary position at December 31, 2013, a further devaluation from an exchange rate of 6.3 bolivars to the U.S. dollar to an exchange rate of 12 bolivars to the U.S. dollar would have resulted in a balance sheet remeasurement loss of approximately $360 million.

At December 31, 2013, our investment in our Venezuelan subsidiary (which includes undistributed earnings) was $881 million. Also, at December 31, 2013, it had $300 million of U.S. dollar currency exchange requests pending with and in transit to the governmental controlled currency exchange, including $295 million payable to other Ford consolidated affiliates.

The operating environment in Venezuela continues to be challenging. Foreign exchange control regulations have affected our Venezuelan operation's ability to pay dividends and obligations denominated in U.S. dollars, and are constraining parts availability and our ability to maintain normal production. Recent developments in Venezuela, including price controls and a very limited and uneven supply of foreign currency to support production, have affected adversely our business and results of operations. These and other restrictions could limit our ability to benefit from our investment and maintain a controlling interest in our Venezuelan subsidiary.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES

For each accounting topic that is addressed in its own footnote, the description of the accounting policy may be found in the related footnote. The other significant accounting policies are described below.

Use of Estimates

The preparation of financial statements requires us to make estimates and assumptions that affect our results during the periods reported. Estimates are used to account for certain items such as marketing accruals, warranty costs, employee benefit programs, etc. Estimates are based on assumptions that we believe are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ.

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries using the local currency as their functional currency are translated to U.S. dollars using end-of-period exchange rates and any resulting translation adjustments are reported in *Other comprehensive income/(loss).* Upon sale or upon complete or substantially complete liquidation of an investment in a foreign subsidiary, the accumulated amount of translation adjustments related to that entity is reclassified to net income as part of the recognized gain or loss on the investment.

Gains or losses arising from transactions denominated in currencies other than the affiliate's functional currency, the effect of remeasuring assets and liabilities of foreign subsidiaries using U.S. dollars as their functional currency, and the results of our foreign currency hedging activities are reported in *Automotive cost of sales, Selling, administrative, and other expenses,* and *Automotive interest income and other income/(loss), net.* The pre-tax gains/(losses) of this activity for 2013, 2012, and 2011 was $(349) million, $(426) million, and $4 million, respectively.

Trade Receivables

Trade receivables, recorded on our consolidated balance sheet in *Other receivables, net*, consist primarily of Automotive sector receivables for vehicles, parts, and accessories. Trade receivables initially are recorded at the transaction amount. We record an allowance for doubtful accounts representing our estimate of the probable losses. At every reporting period, we assess the adequacy of our allowance for doubtful accounts taking into consideration recoveries received during that period. Additions to the allowance for doubtful accounts are made by recording charges to bad debt expense reported in *Automotive cost of sales*. Receivables are charged to the allowance for doubtful accounts when an account is deemed to be uncollectible.

Net Intangible Assets

We capitalize and amortize our finite-lived intangible assets over their estimated useful lives. Indefinite-lived intangible assets are not amortized, but are tested for impairment annually or more frequently if events or circumstances indicate the asset may be impaired. Our intangible assets are comprised primarily of license and advertising agreements, land rights, patents, customer contracts, and technology. Our indefinite-lived intangibles have been tested for impairment in 2013 and no impairment was required.

The net carrying amount of our intangible asset was $85 million and $87 million at December 31, 2013 and 2012, respectively, and is reported in *Other Assets* on our balance sheet. Pre-tax amortization expense was $11 million, $10 million, and $12 million at December 31, 2013, 2012, and 2011, respectively. Amortization for intangible assets is forecasted to be $11 million in 2014 and each year thereafter.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

Long-Lived Asset Impairment

We test long-lived asset groups for recoverability, at the operating segment level when changes in circumstances indicate the carrying value may not be recoverable. Events that trigger a test for recoverability include material adverse changes in projected revenues and expenses, significant underperformance relative to historical and projected future operating results, significant negative industry or economic trends, and a significant adverse change in the manner in which an asset group is used or in its physical condition. When a triggering event occurs, a test for recoverability is performed, comparing projected undiscounted future cash flows to the carrying value of the asset group. If the test for recoverability identifies a possible impairment, the asset group's fair value is measured relying primarily on a discounted cash flow methodology. An impairment charge is recognized for the amount by which the carrying value of the asset group exceeds its estimated fair value. When an impairment loss is recognized for assets to be held and used, the adjusted carrying amount of those assets is depreciated over their remaining useful life.

Revenue Recognition — Automotive Sector

Automotive revenue is generated primarily by sales of vehicles, parts, and accessories. Revenue is recorded when all risks and rewards of ownership are transferred to our customers (generally dealers and distributors). For the majority of our sales, this occurs when products are shipped from our manufacturing facilities. When vehicles are shipped to customers or vehicle modifiers on consignment, revenue is recognized when the vehicle is sold to the ultimate customer. When we give our dealers the right to return eligible parts for credit, we reduce the related revenue for expected returns.

We sell vehicles to daily rental car companies subject to guaranteed repurchase options. These vehicles are accounted for as operating leases. At the time of sale, the proceeds are recorded as deferred revenue in *Other liabilities and deferred revenue*. The difference between the proceeds and the guaranteed repurchase amount is recognized in *Automotive revenues* over an average term of eight months, using a straight-line method. The cost of the vehicles is recorded in *Net investment in operating leases* and the difference between the cost of the vehicle and the estimated auction value is depreciated in *Automotive cost of sales* over the term of the lease. Proceeds from the sale of the vehicle at auction are recognized in *Automotive revenues* at the time of sale.

Revenue Recognition — Financial Services Sector

Financial Services revenue is generated primarily from interest on finance receivables (including direct financing leases) and is recognized using the interest method, including the accretion of certain direct origination costs that are deferred. Revenue from rental payments received on operating leases is recognized on a straight-line basis over the term of the lease. The accrual of interest on finance receivables and revenue on operating leases is discontinued at the earlier of the time a receivable or account is determined to be uncollectible, at bankruptcy status notification, or greater than 120 days past due.

Retail and Lease Incentives

We offer special retail financing and lease incentives to dealers' customers who choose to finance or lease Ford- or Lincoln-brand vehicles from Ford Credit. The estimated cost for these incentives is recorded as a revenue reduction to *Automotive revenues* when the vehicle is sold to the dealer. See Note 1 for additional information regarding transactions between Automotive and Financial Services sectors. We pay the discounted value of the incentive directly to Ford Credit on behalf of the retail customer upon acquisition of the retail finance or lease contract to compensate Ford Credit for the lower interest or lease rates offered to the retail customer. The Financial Services sector recognized revenue of $1.5 billion, $1.6 billion, and $2.1 billion in 2013, 2012, and 2011, respectively, for special financing consistent with the earnings process of the underlying receivable, and lower depreciation of $946 million, $850 million, and $889 million in 2013, 2012 and 2011, respectively, related to leasing programs.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

Sales and Marketing Incentives

Sales and marketing incentives generally are recognized by the Automotive sector as revenue reductions in *Automotive revenues*. The incentives generally take the form of cash payments to dealers and dealers' customers. The reduction to revenue is accrued at the later of the date the related vehicle is sold or the date the incentive program is both approved and communicated. We generally estimate these accruals using incentive programs that are approved as of the balance sheet date and are expected to be effective at the beginning of the subsequent period.

Supplier Price Adjustments

We frequently negotiate price adjustments with our suppliers throughout a production cycle, even after receiving production material. These price adjustments relate to changes in design specifications or other commercial terms such as economics, productivity, and competitive pricing. We recognize price adjustments when we reach final agreement with our suppliers. In general, we avoid direct price changes in consideration of future business; however, when these occur, our policy is to defer the financial statement impact of any such price change given explicitly in consideration of future business where guaranteed volumes are specified.

Raw Material Arrangements

We may, at times, negotiate prices for and facilitate the purchase of raw materials on behalf of our suppliers. These raw material arrangements, which take place independently of any purchase orders issued to our suppliers, are negotiated at arms' length and do not involve volume guarantees. When we pass the risks and rewards of ownership to our suppliers, including inventory risk, market price risk, and credit risk for the raw material, we record both the cost of the raw material and the income from the subsequent sale to the supplier in *Automotive cost of sales*.

Government Incentives

We receive incentives from U.S. and non-U.S. governmental entities in the form of tax rebates or credits, grants, and loans. Government incentives are recorded in the financial statements in accordance with their purpose, either as a reduction of expense or a reduction of the cost of the capital investment. A discount is calculated on government loans with a below-market interest rate. The benefit of these incentives generally is recorded when all conditions as specified in the agreement are fulfilled.

Selected Other Costs

Engineering, research, and development costs are included in *Automotive cost of sales*; advertising costs are included in *Selling, administrative, and other expenses*. Engineering, research, and development costs are expensed as incurred when performed internally or when performed by a supplier if we guarantee reimbursement. Advertising costs are expensed as incurred. Engineering, research, development, and advertising expenses for the years ended December 31 were as follows (in billions):

	2013	2012	2011
Engineering, research, and development	$ 6.4	$ 5.5	$ 5.3
Advertising	4.4	4.0	4.1

Presentation of Sales and Sales-Related Taxes

We collect and remit taxes assessed by different governmental authorities that are both imposed on and concurrent with a revenue-producing transaction between us and our customers. These taxes may include, but are not limited to, sales, use, value-added, and some excise taxes. We report the collection of these taxes on a net basis (excluded from revenues).

NOTE 3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

Income Taxes - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. In July 2013, the Financial Accounting Standards Board ("FASB") issued a new accounting standard that requires an unrecognized tax benefit to be presented as a decrease in a deferred tax asset where a net operating loss, a similar tax loss, or a tax credit carryforward exists and certain criteria are met. The new accounting standard is effective as of January 1, 2014 and is consistent with our present practice.

Foreign Currency Matters - Parent's Accounting for Cumulative Translation Adjustment. In March 2013, the FASB issued a new accounting standard that clarifies the applicable guidance for a parent company's accounting for the release of the cumulative translation adjustment into net income upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The new accounting standard is effective as of January 1, 2014 and is consistent with our present practice.

Liabilities - Obligations Resulting from Joint and Several Liability Arrangements. In February 2013, the FASB issued a new accounting standard that provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements. This new accounting standard is effective as of January 1, 2014 and we do not expect this standard to have a material impact on our consolidated financial statements or financial statement disclosures.

NOTE 4. FAIR VALUE MEASUREMENTS

Cash equivalents, marketable securities, and derivative financial instruments are presented on our financial statements on a recurring basis at fair value, while other assets and liabilities are measured at fair value on a nonrecurring basis, such as when we have an asset impairment.

Fair Value Measurements

In measuring fair value, we use various valuation methodologies and prioritize the use of observable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

- Level 1 - inputs include quoted prices for identical instruments and are the most observable
- Level 2 - inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves
- Level 3 - inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

We review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

Valuation Methodologies

Cash and Cash Equivalents. Included in *Cash and cash equivalents* are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as *Cash and cash equivalents*. Time deposits, certificates of deposit, and money market accounts that meet the above criteria are reported at par value on our balance sheet and are excluded from the tables below.

NOTE 4. FAIR VALUE MEASUREMENTS *(Continued)*

Marketable Securities. Investments in securities with a maturity date greater than three months at the date of purchase and other securities for which there is more than an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal are classified as *Marketable securities*. We generally measure fair value using prices obtained from pricing services. Pricing methodologies and inputs to valuation models used by the pricing services depend on the security type (i.e., asset class). Where possible, fair values are generated using market inputs including quoted prices (the closing price in an exchange market), bid prices (the price at which a buyer stands ready to purchase), and other market information. For fixed income securities that are not actively traded, the pricing services use alternative methods to determine fair value for the securities, including quotes for similar fixed-income securities, matrix pricing, discounted cash flow using benchmark curves, or other factors. In certain cases, when market data are not available, we may use broker quotes to determine fair value.

An annual review is performed on the security prices received from our pricing services, which includes discussion and analysis of the inputs used by the pricing services to value our securities. We also compare the price of certain securities sold close to the quarter end to the price of the same security at the balance sheet date to ensure the reported fair value is reasonable.

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

We have entered into repurchase agreements with certain counterparties where we are the transferee. These agreements allow us to offset our entire gross exposure in the event of default or breach of contract. The gross value of these assets and liabilities reflected on our balance sheet at December 31, 2013 and December 31, 2012 was $228 million and $51 million, respectively.

Derivative Financial Instruments. Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We estimate the fair value of these instruments using industry-standard valuation models such as a discounted cash flow. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates, commodity prices, and the contractual terms of the derivative instruments. The discount rate used is the relevant interbank deposit rate (e.g., LIBOR) plus an adjustment for non-performance risk. The adjustment reflects the full credit default swap ("CDS") spread applied to a net exposure, by counterparty, considering the master netting agreements and any posted collateral. We use our counterparty's CDS spread when we are in a net asset position and our own CDS spread when we are in a net liability position. In certain cases, market data are not available and we use broker quotes and models (e.g., Black-Scholes) to determine fair value. This includes situations where there is lack of liquidity for a particular currency or commodity or when the instrument is longer dated.

Ford Credit's two Ford Upgrade Exchange Linked securitization transactions ("FUEL Notes") had derivative features that included a mandatory exchange to Ford Credit unsecured notes when Ford Credit's senior unsecured debt received two investment grade credit ratings among Fitch, Moody's, and S&P, and a make-whole provision. Ford Credit estimated the fair value of these features by comparing the fair value of the FUEL Notes to the value of a hypothetical debt instrument without these features. In the second quarter of 2012, Ford Credit received two investment grade credit ratings, thereby triggering the mandatory exchange feature and the FUEL Notes derivatives were extinguished.

Finance Receivables. We measure finance receivables at fair value for purposes of disclosure (see Note 6) using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to present value based on assumptions regarding credit losses, pre-payment speed, and applicable spreads to approximate current rates. Our assumptions regarding pre-payment speed and credit losses are based on historical performance. The fair value of finance receivables is categorized within Level 3 of the hierarchy.

On a nonrecurring basis, we also measure at fair value retail contracts greater than 120 days past due or deemed to be uncollectible, and individual dealer loans probable of foreclosure. We use the fair value of collateral, adjusted for estimated costs to sell, to determine the fair value of our receivables. The collateral for a retail receivable is the vehicle financed, and for dealer loans is real estate or other property.

NOTE 4. FAIR VALUE MEASUREMENTS *(Continued)*

The fair value of collateral for retail receivables is calculated based on the number of contracts multiplied by the loss severity and the probability of default ("POD") percentage, or the outstanding receivable balances multiplied by the average recovery value ("ARV") percentage to determine the fair value adjustment.

The fair value of collateral for dealer loans is determined by reviewing various appraisals, which include total adjusted appraised value of land and improvements, alternate use appraised value, broker's opinion of value, and purchase offers. The fair value adjustment is calculated by comparing the net carrying value of the dealer loan and the estimated fair value of collateral.

The fair value of retail and dealer loans measured on a non-recurring basis was $61 million and $80 million at December 31, 2013 and December 31, 2012, respectively. Changes in the significant unobservable inputs will not materially affect the fair value of these loans. The fair value adjustment recorded to expense for these receivables was $20 million, $25 million and $37 million in 2013, 2012 and 2011, respectively.

Debt. We measure debt at fair value for purposes of disclosure (see Note 15) using quoted prices for our own debt with approximately the same remaining maturities, where possible. Where quoted prices are not available, we estimate fair value using discounted cash flows and market-based expectations for interest rates, credit risk, and the contractual terms of the debt instruments. For certain short-term debt with an original maturity date of one year or less, we assume that book value is a reasonable approximation of the debt's fair value. The fair value of debt is categorized within Level 2 of the hierarchy.

NOTE 4. FAIR VALUE MEASUREMENTS *(Continued)*

Input Hierarchy of Items Measured at Fair Value on a Recurring Basis

The following tables categorize the fair values of items measured at fair value on a recurring basis on our balance sheet (in millions):

	December 31, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Automotive Sector								
Assets								
Cash equivalents – financial instruments								
U.S. government	$ —	$ 9	$ —	$ 9	$ —	$ —	$ —	$ —
U.S. government-sponsored enterprises	—	24	—	24	—	718	—	718
Non-U.S. government	—	200	—	200	—	139	—	139
Non-U.S. government agencies (a)	—	—	—	—	—	365	—	365
Total cash equivalents – financial instruments (b)	—	233	—	233	—	1,222	—	1,222
Marketable securities								
U.S. government	3,752	—	—	3,752	4,493	—	—	4,493
U.S. government-sponsored enterprises	—	6,596	—	6,596	—	5,459	—	5,459
Non-U.S. government agencies (a)	—	5,423	—	5,423	—	4,794	—	4,794
Corporate debt	—	2,623	—	2,623	—	1,871	—	1,871
Mortgage-backed and other asset-backed	—	295	—	295	—	25	—	25
Equities	341	—	—	341	142	—	—	142
Non-U.S. government	—	1,115	—	1,115	—	1,367	—	1,367
Other liquid investments (c)	—	12	—	12	—	27	—	27
Total marketable securities	4,093	16,064	—	20,157	4,635	13,543	—	18,178
Derivative financial instruments								
Foreign currency exchange contracts	—	557	—	557	—	218	—	218
Commodity contracts	—	22	1	23	—	19	4	23
Total derivative financial instruments (d)	—	579	1	580	—	237	4	241
Total assets at fair value	$ 4,093	$ 16,876	$ 1	$ 20,970	$ 4,635	$ 15,002	$ 4	$ 19,641
Liabilities								
Derivative financial instruments								
Foreign currency exchange contracts	$ —	$ 399	$ —	$ 399	$ —	$ 486	$ —	$ 486
Commodity contracts	—	17	2	19	—	112	12	124
Total derivative financial instruments (d)	—	416	2	418	—	598	12	610
Total liabilities at fair value	$ —	$ 416	$ 2	$ 418	$ —	$ 598	$ 12	$ 610

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(a) Includes notes issued by non-U.S. government agencies, as well as notes issued by supranational institutions.
(b) Excludes time deposits, certificates of deposit, money market accounts, and other cash equivalents reported at par value on our balance sheet totaling $2.7 billion and $3 billion at December 31, 2013 and 2012, respectively, for the Automotive sector. In addition to these cash equivalents, our Automotive sector also had cash on hand totaling $2 billion and $2 billion at December 31, 2013 and 2012, respectively.
(c) Includes certificates of deposit and time deposits subject to changes in value.
(d) See Note 16 for additional information regarding derivative financial instruments.

NOTE 4. FAIR VALUE MEASUREMENTS *(Continued)*

	December 31, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Services Sector								
Assets								
Cash equivalents – financial instruments								
U.S. government	$ —	$ —	$ —	$ —	$ 200	$ —	$ —	$ 200
U.S. government-sponsored enterprises	—	—	—	—	—	20	—	20
Non-U.S. government	—	24	—	24	—	103	—	103
Corporate debt	—	—	—	—	—	1	—	1
Total cash equivalents – financial instruments (a)	—	24	—	24	200	124	—	324
Marketable securities								
U.S. government	418	—	—	418	620	—	—	620
U.S. government-sponsored enterprises	—	25	—	25	—	12	—	12
Non-U.S. government agencies	—	128	—	128	—	95	—	95
Corporate debt	—	1,273	—	1,273	—	1,155	—	1,155
Mortgage-backed and other asset-backed	—	43	—	43	—	67	—	67
Non-U.S. government	—	56	—	56	—	142	—	142
Other liquid investments (b)	—	—	—	—	—	15	—	15
Total marketable securities	418	1,525	—	1,943	620	1,486	—	2,106
Derivative financial instruments								
Interest rate contracts	—	584	—	584	—	1,291	—	1,291
Foreign currency exchange contracts	—	1	—	1	—	9	—	9
Cross-currency interest rate swap contracts	—	—	—	—	—	—	—	—
Total derivative financial instruments (c)	—	585	—	585	—	1,300	—	1,300
Total assets at fair value	$ 418	$ 2,134	$ —	$ 2,552	$ 820	$ 2,910	$ —	$ 3,730
Liabilities								
Derivative financial instruments								
Interest rate contracts	$ —	$ 305	$ —	$ 305	$ —	$ 256	$ —	$ 256
Foreign currency exchange contracts	—	25	—	25	—	8	—	8
Cross-currency interest rate swap contracts	—	176	—	176	—	117	—	117
Total derivative financial instruments (c)	—	506	—	506	—	381	—	381
Total liabilities at fair value	$ —	$ 506	$ —	$ 506	$ —	$ 381	$ —	$ 381

(a) Excludes time deposits, certificates of deposit, and money market accounts reported at par value on our balance sheet totaling $6.7 billion and $6.5 billion at December 31, 2013 and 2012, respectively. In addition to these cash equivalents, we also had cash on hand totaling $2.8 billion and $2.6 billion at December 31, 2013 and 2012, respectively.
(b) Includes certificates of deposit and time deposits subject to changes in value.
(c) See Note 16 for additional information regarding derivative financial instruments.

NOTE 5. RESTRICTED CASH

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in *Other assets* on our balance sheet.

Our Automotive sector restricted cash balances primarily include various escrow agreements related to legal, insurance, customs, and environmental matters. The December 31, 2012 balance included cash collateral required to be held against loans from the European Investment Bank ("EIB"). Our Financial Services sector restricted cash balances primarily include cash held to meet certain local governmental and regulatory reserve requirements and cash held under the terms of certain contractual agreements.

Restricted cash does not include required minimum balances or cash securing debt issued through securitization transactions.

Restricted cash balances were as follows (in millions):

	December 31, 2013	December 31, 2012
Automotive sector	$ 14	$ 172
Financial Services sector	172	172
Total Company	$ 186	$ 344

NOTE 6. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES

Our Financial Services sector finance receivables primarily relate to Ford Credit, but also include the Other Financial Services segment and certain intersector eliminations.

Our Financial Services sector segments our finance receivables into North America and International "consumer" and "non-consumer" portfolios. The receivables are generally secured by the vehicles, inventory, or other property being financed.

Finance receivables are recorded at the time of origination or purchase at fair value and are subsequently reported at amortized cost, net of any allowance for credit losses.

Consumer Portfolio. Receivables in this portfolio include products offered to individuals and businesses that finance the acquisition of Ford and Lincoln vehicles from dealers for personal or commercial use. Retail financing includes retail installment contracts for new and used vehicles and direct financing leases with retail customers, government entities, daily rental companies, and fleet customers.

Non-Consumer Portfolio. Receivables in this portfolio include products offered to automotive dealers. The products include:

- *Dealer financing* – wholesale loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing, and loans to dealers to finance working capital and improvements to dealership facilities, finance the purchase of dealership real estate, and finance other dealer programs. Wholesale financing is approximately 95% of our dealer financing
- *Other financing* – purchased receivables primarily related to the sale of parts and accessories to dealers

NOTE 6. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES *(Continued)*

Finance receivables, net were as follows (in millions):

	December 31, 2013			December 31, 2012		
	North America	International	Total Finance Receivables	North America	International	Total Finance Receivables
Consumer						
Retail financing, gross	$ 40,902	$ 10,797	$ 51,699	$ 39,504	$ 10,460	$ 49,964
Less: Unearned interest supplements	(1,255)	(247)	(1,502)	(1,264)	(287)	(1,551)
Consumer finance receivables	39,647	10,550	50,197	38,240	10,173	48,413
Non-Consumer						
Dealer financing	22,072	7,833	29,905	19,429	7,242	26,671
Other	732	339	1,071	689	386	1,075
Non-Consumer finance receivables	22,804	8,172	30,976	20,118	7,628	27,746
Total recorded investment	$ 62,451	$ 18,722	$ 81,173	$ 58,358	$ 17,801	$ 76,159
Recorded investment in finance receivables	$ 62,451	$ 18,722	$ 81,173	$ 58,358	$ 17,801	$ 76,159
Less: Allowance for credit losses	(280)	(77)	(357)	(309)	(80)	(389)
Finance receivables, net (a)	$ 62,171	$ 18,645	$ 80,816	$ 58,049	$ 17,721	$ 75,770
Net finance receivables subject to fair value (b)			$ 79,149			$ 73,618
Fair value			80,838			75,618

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(a) At December 31, 2013 and 2012, *Finance receivables, net* on the consolidated balance sheet were $77.5 billion and $71 billion, respectively. The balance is comprised of Financial Services sector finance receivables of $80.8 billion and $75.8 billion, respectively, net of $3.3 billion and $4.8 billion, respectively, of receivables purchased by Financial Services sector from Automotive sector, which are reclassified to *Other receivables, net.*
(b) At December 31, 2013 and 2012, excludes $1.7 billion and $2.2 billion, respectively, of certain receivables (primarily direct financing leases) that are not subject to fair value disclosure requirements.

Excluded from finance receivables at December 31, 2013 and 2012, was $196 million and $183 million, respectively, of accrued uncollected interest, which we report in *Other assets* on the balance sheet.

Included in the recorded investment in finance receivables at December 31, 2013 and 2012 were North America consumer receivables of $21.8 billion and $23 billion and non-consumer receivables of $18.9 billion and $17.1 billion, respectively, and International consumer receivables of $5.9 billion and $6.6 billion and non-consumer receivables of $5 billion and $4.5 billion, respectively, that secure certain debt obligations. The receivables are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay the other obligations of our Financial Services sector or the claims of Ford Credit's other creditors. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions (see Notes 11 and 15).

NOTE 6. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES *(Continued)*

Contractual maturities of total finance receivables outstanding at December 31, 2013 reflect contractual repayments due from customers or borrowers as follows (in millions):

	Due in Year Ending December 31,				
	2014	2015	2016	Thereafter	Total
North America					
Consumer					
Retail financing, gross	$ 11,808	$ 10,134	$ 8,487	$ 10,473	$ 40,902
Non-Consumer					
Dealer financing	20,375	581	152	964	22,072
Other	729	2	1	—	732
Total North America	$ 32,912	$ 10,717	$ 8,640	$ 11,437	$ 63,706
International					
Consumer					
Retail financing, gross	$ 3,842	$ 3,363	$ 2,207	$ 1,385	$ 10,797
Non-Consumer					
Dealer financing	6,962	809	44	18	7,833
Other	339	—	—	—	339
Total International	$ 11,143	$ 4,172	$ 2,251	$ 1,403	$ 18,969

Our finance receivables are pre-payable without penalty, so prepayments may cause actual maturities to differ from contractual maturities. The above table, therefore, is not to be regarded as a forecast of future cash collections. For wholesale receivables, which are included in dealer financing, maturities stated above are estimated based on historical trends, as maturities on outstanding amounts are scheduled upon the sale of the underlying vehicle by the dealer.

Investment in direct financing leases, which are included in consumer receivables, were as follows (in millions):

	December 31, 2013			December 31, 2012		
	North America	International	Total Direct Financing Leases	North America	International	Total Direct Financing Leases
Total minimum lease rentals to be received	$ 216	$ 1,468	$ 1,684	$ 58	$ 1,466	$ 1,524
Initial direct costs	4	15	19	1	16	17
Estimated residual values	—	143	143	—	851	851
Less: Unearned income	(22)	(116)	(138)	(7)	(152)	(159)
Less: Unearned interest supplements	—	(40)	(40)	—	(82)	(82)
Recorded investment in direct financing leases	198	1,470	1,668	52	2,099	2,151
Less: Allowance for credit losses	(2)	(5)	(7)	(1)	(8)	(9)
Net investment in direct financing leases	$ 196	$ 1,465	$ 1,661	$ 51	$ 2,091	$ 2,142

Future minimum rental payments due from direct financing leases at December 31, 2013 were as follows (in millions):

	2014	2015	2016	2017	Thereafter
North America	$ 73	$ 52	$ 50	$ 28	$ 13
International	568	459	272	139	30

Aging

For all finance receivables, we define “past due” as any payment, including principal and interest, that is at least 31 days past the contractual due date. The recorded investment of consumer receivables greater than 90 days past due and still accruing interest was $14 million and $13 million at December 31, 2013 and 2012, respectively. The recorded investment of non-consumer receivables greater than 90 days past due and still accruing interest was $21 million and $5 million at December 31, 2013 and 2012, respectively.

NOTE 6. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES *(Continued)*

The aging analysis of our finance receivables balances at December 31 were as follows (in millions):

	2013			2012		
	North America	International	Total	North America	International	Total
Consumer						
31-60 days past due	$ 715	$ 39	$ 754	$ 783	$ 50	$ 833
61-90 days past due	88	17	105	97	18	115
91-120 days past due	18	9	27	21	9	30
Greater than 120 days past due	37	26	63	52	29	81
Total past due	858	91	949	953	106	1,059
Current	38,789	10,459	49,248	37,287	10,067	47,354
Consumer finance receivables	39,647	10,550	50,197	38,240	10,173	48,413
Non-Consumer						
Total past due	49	40	89	29	11	40
Current	22,755	8,132	30,887	20,089	7,617	27,706
Non-Consumer finance receivables	22,804	8,172	30,976	20,118	7,628	27,746
Total recorded investment	$ 62,451	$ 18,722	$ 81,173	$ 58,358	$ 17,801	$ 76,159

Credit Quality

Consumer Portfolio. When originating all classes of consumer receivables, we use a proprietary scoring system that measures the credit quality of the receivables using several factors, such as credit bureau information, consumer credit risk scores (e.g., FICO score), and contract characteristics. In addition to our proprietary scoring system, we consider other individual consumer factors, such as employment history, financial stability, and capacity to pay.

Subsequent to origination, we review the credit quality of retail financing based on customer payment activity. As each customer develops a payment history, we use an internally-developed behavioral scoring model to assist in determining the best collection strategies which allows us to focus collection activity on higher-risk accounts. These models are used to refine our risk-based staffing model to ensure collection resources are aligned with portfolio risk. Based on data from this scoring model, contracts are categorized by collection risk. Our collection models evaluate several factors, including origination characteristics, updated credit bureau data, and payment patterns.

Credit quality ratings for consumer receivables are based on aging. Refer to the aging table above.

Consumer receivables credit quality ratings are as follows:

- *Pass* – current to 60 days past due
- *Special Mention* – 61 to 120 days past due and in intensified collection status
- *Substandard* – greater than 120 days past due and for which the uncollectible portion of the receivables has already been charged-off, as measured using the fair value of collateral

Non-Consumer Portfolio. We extend credit to dealers primarily in the form of lines of credit to purchase new Ford and Lincoln vehicles as well as used vehicles. Payment is required when the dealer has sold the vehicle. Each non-consumer lending request is evaluated by taking into consideration the borrower's financial condition and the underlying collateral securing the loan. We use a proprietary model to assign each dealer a risk rating. This model uses historical dealer performance data to identify key factors about a dealer that we consider most significant in predicting a dealer's ability to meet its financial obligations. We also consider numerous other financial and qualitative factors of the dealer's operations including capitalization and leverage, liquidity and cash flow, profitability, and credit history with ourselves and other creditors. A dealer's risk rating does not reflect any guarantees or a dealer owner's net worth.

NOTE 6. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES *(Continued)*

Dealers are assigned to one of four groups according to risk ratings as follows:

- *Group I* – strong to superior financial metrics
- *Group II* – fair to favorable financial metrics
- *Group III* – marginal to weak financial metrics
- *Group IV* – poor financial metrics, including dealers classified as uncollectible

We suspend credit lines and extend no further funding to dealers classified in Group IV.

We regularly review our model to confirm the continued business significance and statistical predictability of the factors and update the model to incorporate new factors or other information that improves its statistical predictability. In addition, we regularly audit dealer inventory and dealer sales records to verify that the dealer is in possession of the financed vehicles and is promptly paying each receivable following the sale of the financed vehicle. The frequency of on-site vehicle inventory audits depends on the dealer's risk rating. Under our policies, on-site vehicle inventory audits of low-risk dealers are conducted only as circumstances warrant in North America and at least annually internationally, and audits of higher-risk dealers are conducted with increased frequency based on risk ratings worldwide. We perform a credit review of each dealer at least annually and adjust the dealer's risk rating, if necessary.

The credit quality of non-consumer receivables is evaluated based on our internal dealer risk rating analysis. A dealer has the same risk rating for its entire dealer financing regardless of the type of financing.

The credit quality analysis of our dealer financing receivables at December 31 was as follows (in millions):

	2013			2012		
	North America	International	Total	North America	International	Total
Dealer Financing						
Group I	$ 18,357	$ 5,051	$ 23,408	$ 16,526	$ 4,551	$ 21,077
Group II	3,289	2,092	5,381	2,608	1,405	4,013
Group III	424	649	1,073	277	1,279	1,556
Group IV	2	41	43	18	7	25
Total recorded investment	$ 22,072	$ 7,833	$ 29,905	$ 19,429	$ 7,242	$ 26,671

Impaired Receivables. Impaired consumer receivables include accounts that have been rewritten or modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code that are considered to be troubled debt restructurings ("TDRs"), as well as all accounts greater than 120 days past due. Impaired non-consumer receivables represent accounts with dealers that have weak or poor financial metrics or dealer financing that has been modified in TDRs. The recorded investment of consumer receivables that were impaired at December 31, 2013 and 2012 was $435 million, or 0.9% of consumer receivables, and $422 million, or 0.9% of consumer receivables, respectively. The recorded investment of non-consumer receivables that were impaired at December 31, 2013 and 2012 was $71 million, or 0.2% of non-consumer receivables, and $47 million, or 0.2% of the non-consumer receivables, respectively. Impaired finance receivables are evaluated both collectively and specifically. See Note 8 for additional information related to the development of our allowance for credit losses.

Non-Accrual Receivables. The accrual of revenue is discontinued at the earlier of the time a receivable is determined to be uncollectible, at bankruptcy status notification, or greater than 120 days past due. Accounts may be restored to accrual status only when a customer settles all past-due deficiency balances and future payments are reasonably assured. For receivables in non-accrual status, subsequent financing revenue is recognized only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

The recorded investment of consumer receivables in non-accrual status was $238 million, or 0.5% of our consumer receivables at December 31, 2013, and $304 million, or 0.6% of consumer receivables at December 31, 2012. The recorded investment of non-consumer receivables in non-accrual status was $41 million, or 0.1% of our non-consumer receivables at December 31, 2013, and $29 million, or 0.1% of non-consumer receivables at December 31, 2012.

NOTE 6. FINANCIAL SERVICES SECTOR FINANCE RECEIVABLES *(Continued)*

Troubled Debt Restructurings. A restructuring of debt constitutes a TDR if we grant a concession to a borrower for economic or legal reasons related to the debtor's financial difficulties that we otherwise would not consider. Consumer and non-consumer receivables that have a modified interest rate below market rate or that were modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code, except non-consumer receivables that are current with minimal risk of loss, are considered to be TDRs. We do not grant concessions on the principal balance of our receivables. If a receivable is modified in a reorganization proceeding, all payment requirements of the reorganization plan need to be met before remaining balances are forgiven. The outstanding recorded investment at time of modification for consumer receivables that are considered to be TDRs was $233 million, or 0.5% of consumer receivables and $249 million, or 0.5% of consumer receivables during the years ended December 31, 2013 and 2012, respectively. The annual subsequent default rate of TDRs that were previously modified in TDRs within the last twelve months and resulted in repossession for consumer receivable was 5.8% and 5.8% of TDRs at December 31, 2013 and 2012, respectively. There were no non-consumer receivables involved in TDRs during the year ended December 31, 2013 and the outstanding recorded investment of non-consumer receivables involved in TDRs was de minimis during the year ended December 31, 2012.

Finance receivables involved in TDRs are specifically assessed for impairment. An impairment charge is recorded as part of the provision to the allowance for credit losses for the amount that the recorded investment of the receivable exceeds its estimated fair value. Estimated fair value is based on either the present value of the expected future cash flows of the receivable discounted at the contract's original effective interest rate, or, for receivables where foreclosure is probable, the fair value of the collateral adjusted for estimated costs to sell. The allowance for credit losses related to all active consumer TDRs was $23 million and $19 million at December 31, 2013 and 2012, respectively. The allowance for credit losses related to all active non-consumer TDRs was de minimis at December 31, 2013 and 2012.

NOTE 7. NET INVESTMENT IN OPERATING LEASES

Net investment in operating leases on our balance sheet consists primarily of lease contracts for vehicles with retail customers, daily rental companies, government entities, and fleet customers. Assets subject to operating leases are depreciated using the straight-line method over the term of the lease to reduce the asset to its estimated residual value. Estimated residual values are based on assumptions for used vehicle prices at lease termination and the number of vehicles that are expected to be returned.

The net investment in operating leases was as follows (in millions):

	December 31, 2013	December 31, 2012
Automotive Sector		
Vehicles, net of depreciation	$ 1,384	$ 1,415
Financial Services Sector		
Vehicles and other equipment, at cost (a)	21,738	16,258
Accumulated depreciation	(3,115)	(2,347)
Allowance for credit losses	(23)	(23)
Total Financial Services sector	18,600	13,888
Total Company	$ 19,984	$ 15,303

(a) Includes Ford Credit's operating lease assets of $8.1 billion and $6.3 billion at December 31, 2013 and 2012, respectively, for which the related cash flows have been used to secure certain lease securitization transactions. Cash flows associated with the net investment in operating leases are available only for payment of the debt or other obligations issued or arising in the securitization transactions; they are not available to pay other obligations or the claims of other creditors.

NOTE 7. NET INVESTMENT IN OPERATING LEASES *(Continued)*

Financial Services Sector

Operating lease depreciation expense (which includes gains and losses on disposal of assets) for the years ended December 31 was as follows (in millions):

	2013	2012	2011
Operating lease depreciation expense	$ 2,411	$ 1,795	$ 1,140

Included in *Financial Services revenues* are rents on operating leases. The amounts contractually due for minimum rentals on operating leases as of December 31, 2013 are as follows (in millions):

	2014	2015	2016	2017	Thereafter	Total
Minimum rentals on operating leases	$ 2,618	$ 2,217	$ 1,578	$ 221	$ 49	$ 6,683

NOTE 8. FINANCIAL SERVICES SECTOR ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses represents our estimate of the probable loss on the collection of finance receivables and operating leases as of the balance sheet date. The adequacy of the allowance for credit losses is assessed quarterly and the assumptions and models used in establishing the allowance are evaluated regularly. Because credit losses may vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain. The majority of credit losses are attributable to Ford Credit's consumer receivables portfolio.

Additions to the allowance for credit losses are made by recording charges to *Provision for credit and insurance losses* on the sector income statement. The uncollectible portion of finance receivables and operating leases are charged to the allowance for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is 120 days delinquent, taking into consideration the financial condition of the customer, borrower, or lessee, the value of the collateral, recourse to guarantors, and other factors. In the event we repossess the collateral, the receivable is written off and we record the collateral at its estimated fair value less costs to sell and report it in *Other assets* on the balance sheet. Recoveries on finance receivables and operating leases previously charged-off as uncollectible are credited to the allowance for credit losses.

Consumer

We estimate the allowance for credit losses on our consumer receivables and on our operating leases using a combination of measurement models and management judgment. The models consider factors such as historical trends in credit losses and recoveries (including key metrics such as delinquencies, repossessions, and bankruptcies), the composition of the present portfolio (including vehicle brand, term, risk evaluation, and new/used vehicles), trends in historical and projected used vehicle values, and economic conditions. Estimates from these models rely on historical information and may not fully reflect losses inherent in the present portfolio. Therefore, we may adjust the estimate to reflect management judgment regarding observable changes in recent economic trends and conditions, portfolio composition, and other relevant factors.

We make projections of two key assumptions to assist in estimating the consumer allowance for credit losses:

- Frequency - number of finance receivables and operating lease contracts that are expected to default over the loss emergence period, measured as repossessions
- Loss severity - expected difference between the amount of money a customer owes when the finance contract is charged off and the amount received, net of expenses from selling the repossessed vehicle, including any recoveries from the customer

NOTE 8. FINANCIAL SERVICES SECTOR ALLOWANCE FOR CREDIT LOSSES *(Continued)*

Collective Allowance for Credit Losses. The collective allowance is evaluated primarily using a collective loss-to-receivables ("LTR") model that, based on historical experience, indicates credit losses have been incurred in the portfolio even though the particular accounts that are uncollectible cannot be specifically identified. The LTR model is based on the most recent years of history. Each LTR is calculated by dividing credit losses by average end-of-period finance receivables or average end-of-period operating leases, excluding unearned interest supplements and allowance for credit losses. An average LTR is calculated for each product and multiplied by the end-of-period balances for that given product.

The loss emergence period ("LEP") is a key assumption within our models and represents the average amount of time between when a loss event first occurs and when it is charged off. This time period starts when the consumer begins to experience financial difficulty. It is evidenced, typically through delinquency, before eventually resulting in a charge-off. The LEP is a multiplier in the calculation of the collective consumer allowance for credit losses.

For accounts greater than 120 days past due, the uncollectible portion is charged-off such that the remaining recorded investment is equal to the estimated fair value of the collateral less costs to sell.

Specific Allowance for Impaired Receivables. Consumer receivables involved in TDRs are specifically assessed for impairment. A specific allowance is estimated based on the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate or the fair value of any collateral adjusted for estimated costs to sell.

After establishing the collective and specific allowance for credit losses, if management believes the allowance does not reflect all losses inherent in the portfolio due to changes in recent economic trends and conditions, or other relevant factors, an adjustment is made based on management judgment.

Non-Consumer

We estimate the allowance for credit losses for non-consumer receivables based on historical LTR ratios, expected future cash flows, and the fair value of collateral.

Collective Allowance for Credit Losses. We estimate an allowance for non-consumer receivables that are not specifically identified as impaired using a LTR model for each financing product based on historical experience. This LTR is an average of the most recent historical experience and is calculated consistent with the consumer receivables LTR approach. All accounts that are specifically identified as impaired are excluded from the calculation of the non-specific or collective allowance.

Specific Allowance for Impaired Receivables. Dealer financing is evaluated by segmenting individual loans by the risk characteristics of the loan (such as the amount of the loan, the nature of the collateral, and the financial status of the debtor). The loans are analyzed to determine whether individual loans are impaired, and a specific allowance is estimated based on the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate or the fair value of the collateral adjusted for estimated costs to sell.

After establishing the collective and the specific allowance for credit losses, if management believes the allowance does not reflect all losses inherent in the portfolio due to changes in recent economic trends and conditions, or other relevant factors, an adjustment is made based on management judgment.

NOTE 8. FINANCIAL SERVICES SECTOR ALLOWANCE FOR CREDIT LOSSES *(Continued)*

Following is an analysis of the allowance for credit losses related to finance receivables and net investment in operating leases for the years ended December 31 (in millions):

	2013				
	Finance Receivables			Net Investment in Operating Leases	Total Allowance
	Consumer	Non-Consumer	Total		
Allowance for credit losses					
Beginning balance	$ 360	$ 29	$ 389	$ 23	$ 412
Charge-offs	(289)	(15)	(304)	(68)	(372)
Recoveries	144	5	149	47	196
Provision for credit losses	112	12	124	22	146
Other (a)	—	(1)	(1)	(1)	(2)
Ending balance	$ 327	$ 30	$ 357	$ 23	$ 380
Analysis of ending balance of allowance for credit losses					
Collective impairment allowance	$ 304	$ 28	$ 332	$ 23	$ 355
Specific impairment allowance	23	2	25	—	25
Ending balance	327	30	357	23	$ 380
Analysis of ending balance of finance receivables and net investment in operating leases					
Collectively evaluated for impairment	49,762	30,905	80,667	18,623	
Specifically evaluated for impairment	435	71	506	—	
Recorded investment	50,197	30,976	81,173	18,623	
Ending balance, net of allowance for credit losses	$ 49,870	$ 30,946	$ 80,816	$ 18,600	

(a) Represents amounts related to translation adjustments.

	2012				
	Finance Receivables			Net Investment in Operating Leases	Total Allowance
	Consumer	Non-Consumer	Total		
Allowance for credit losses					
Beginning balance	$ 457	$ 44	$ 501	$ 40	$ 541
Charge-offs	(316)	(8)	(324)	(47)	(371)
Recoveries	171	12	183	49	232
Provision for credit losses	45	(19)	26	(19)	7
Other (a)	3	—	3	—	3
Ending balance	$ 360	$ 29	$ 389	$ 23	$ 412
Analysis of ending balance of allowance for credit losses					
Collective impairment allowance	$ 341	$ 27	$ 368	$ 23	$ 391
Specific impairment allowance	19	2	21	—	21
Ending balance	360	29	389	23	$ 412
Analysis of ending balance of finance receivables and net investment in operating leases					
Collectively evaluated for impairment	47,991	27,699	75,690	13,911	
Specifically evaluated for impairment	422	47	469	—	
Recorded investment	48,413	27,746	76,159	13,911	
Ending balance, net of allowance for credit losses	$ 48,053	$ 27,717	$ 75,770	$ 13,888	

(a) Represents amounts related to translation adjustments.

NOTE 9. INVENTORIES

All inventories are stated at the lower of cost or market. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out ("LIFO") basis. LIFO was used for 20% and 18% of total inventories at December 31, 2013 and 2012, respectively. Cost of other inventories is determined by costing methods that approximate a first-in, first-out ("FIFO") basis.

Inventories were as follows (in millions):

	December 31, 2013	December 31, 2012
Raw materials, work-in-process, and supplies	$ 3,613	$ 3,697
Finished products	5,058	4,614
Total inventories under FIFO	8,671	8,311
Less: LIFO adjustment	(963)	(949)
Total inventories	$ 7,708	$ 7,362

NOTE 10. EQUITY IN NET ASSETS OF AFFILIATED COMPANIES

We use the equity method of accounting for our investments in entities over which we do not have control, but over whose operating and financial policies we are able to exercise significant influence.

Ownership Percentages and Investment Balances

The following table reflects our ownership percentages and carrying value of our equity method investments (in millions, except percentages):

	Ownership Percentage	Investment Balance	
Automotive Sector	December 31, 2013	December 31, 2013	December 31, 2012
Changan Ford Automobile Corporation, Ltd ("CAF")	50.0%	$ 1,429	$ 990
Jiangling Motors Corporation, Ltd ("JMC") (a)	32.0	535	419
FordSollers Netherlands B.V. ("FordSollers")	50.0	376	407
Ford Otomotiv Sanayi Anonim Sirketi ("Ford Otosan")	41.0	336	394
AutoAlliance (Thailand) Co., Ltd.	50.0	395	391
Getrag Ford Transmissions GmbH ("GFT")	50.0	249	242
Tenedora Nemak, S.A. de C.V.	6.8	79	73
Ford Romania S.A. ("Ford Romania") (a)	100.0	—	63
Changan Ford Mazda Engine Company, Ltd.	25.0	59	50
DealerDirect LLC	97.7	25	25
OEConnection LLC	50.0	28	20
Blue Diamond Truck, S. de R.L. de C.V.	25.0	8	11
Percepta, LLC	45.0	9	9
Ford Performance Vehicles Pty Ltd.	49.0	—	5
Automotive Fuel Cell Cooperation Corporation	49.9	8	5
Blue Diamond Parts, LLC	25.0	3	4
Other	Various	7	4
Total Automotive sector		3,546	3,112
Financial Services Sector			
Forso Nordic AB	50.0	72	71
FFS Finance South Africa (Pty) Limited	50.0	43	39
RouteOne LLC	30.0	14	20
CNF-Administradora de Consorcio Nacional Ltda.	33.3	4	4
Total Financial Services sector		133	134
Total Company		$ 3,679	$ 3,246

(a) See Note 23 for additional information.

We received $529 million, $610 million, and $316 million of dividends from these affiliated companies for the years ended December 31, 2013, 2012, and 2011, respectively.

NOTE 10. EQUITY IN NET ASSETS OF AFFILIATED COMPANIES *(Continued)*

Summarized Financial Results of Unconsolidated Affiliates

A summary of 100% of the financial results of our equity method investees in the aggregate is as follows (in millions):

Summarized Balance Sheet	December 31, 2013	December 31, 2012
Current assets	$ 10,424	$ 9,561
Non-current assets	13,872	12,059
Total assets	$ 24,296	$ 21,620
Current liabilities	$ 11,130	$ 10,172
Non-current liabilities	4,986	4,662
Total liabilities	$ 16,116	$ 14,834
Equity attributable to non-controlling interests	$ 6	$ 24

	For the years ended December 31,		
Summarized Income Statement	2013	2012	2011
Total revenue	$ 38,736	$ 33,051	$ 31,178
Income before income taxes	2,815	1,896	1,822
Net income	2,587	1,616	1,512

Related Party Transactions

In the ordinary course of business we buy/sell various products and services including vehicles, parts, and components to/from our equity method investees. In addition, we receive royalty income.

Transactions with equity method investees reported on our consolidated income statement and balance sheet were as follows (in millions):

	For the years ended December 31,		
Income Statement	2013	2012	2011
Sales	$ 6,421	$ 5,491	$ 4,957
Purchases	10,536	10,007	9,907
Royalty income	526	369	224

Balance Sheet	December 31, 2013	December 31, 2012
Receivables	$ 953	$ 1,179
Payables	724	707

NOTE 11. VARIABLE INTEREST ENTITIES

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support, or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

We have the power to direct the activities of an entity when our management has the ability to make key operating decisions, such as decisions regarding capital or product investment or manufacturing production schedules. We have the power to direct the activities of our special purpose entities when we have the ability to exercise discretion in the servicing of financial assets, issue additional debt, exercise a unilateral call option, add assets to revolving structures, or control investment decisions.

Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against our general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs.

Automotive Sector

VIEs of Which We are Not the Primary Beneficiary

GFT is a joint venture that constitutes a significant VIE of which we are not the primary beneficiary as we do not have the power to direct its economically-significant activities. As a result, GFT was not consolidated. GFT is a 50/50 joint venture with Getrag International GmbH. Ford and its related parties purchase a majority of the joint venture's output.

We also have suppliers and dealers that are VIEs of which we are not the primary beneficiary. Although we have provided financial support, we do not have any key decision making power related to their businesses.

Our maximum exposure to loss from VIEs of which we are not the primary beneficiary was as follows (in millions):

	December 31, 2013	December 31, 2012	Change in Maximum Exposure
Investments	$ 264	$ 242	$ 22
Supplier and dealer arrangements	7	5	2
Total maximum exposure	$ 271	$ 247	$ 24

Financial Services Sector

VIEs of Which We are the Primary Beneficiary

Our Financial Services sector uses special purpose entities to issue asset-backed securities in transactions to public and private investors, bank conduits, and government-sponsored entities or others who obtain funding from government programs. We have deemed most of these special purpose entities to be VIEs. The asset-backed securities are backed by finance receivables and interests in net investments in operating leases. The assets continue to be consolidated by us. We retain interests in our securitization VIEs, including subordinated securities issued by the VIEs, rights to cash held for the benefit of the securitization investors, and rights to receive the excess cash flows not needed to pay the debt issued by, and other obligations of the securitization entities that are parties to those securitization transactions.

The transactions create and pass along risks to the variable interest holders, depending on the assets securing the debt and the specific terms of the transactions. We aggregate and analyze the asset-backed securitization transactions based on the risk profile of the product and the type of funding structure, including:

- Retail - consumer credit risk and pre-payment risk
- Wholesale - dealer credit risk
- Net investments in operating lease - vehicle residual value risk, consumer credit risk, and pre-payment risk

NOTE 11. VARIABLE INTEREST ENTITIES *(Continued)*

As a residual interest holder, we are exposed to the underlying residual and credit risk of the collateral, and are exposed to interest rate risk in some transactions. The amount of risk absorbed by our residual interests generally is represented by and limited to the amount of overcollaterization of the assets securing the debt and any cash reserves.

We have no obligation to repurchase or replace any securitized asset that subsequently becomes delinquent in payment or otherwise is in default, except when representations and warranties about the eligibility of the securitized assets are breached, or when certain changes are made to the underlying asset contracts. Securitization investors have no recourse to us or our other assets and have no right to require us to repurchase the investments. We generally have no obligation to provide liquidity or contribute cash or additional assets to the VIEs and do not guarantee any asset-backed securities. We may be required to support the performance of certain securitization transactions, however, by increasing cash reserves.

Although not contractually required, we regularly support our wholesale securitization programs by repurchasing receivables of a dealer from a VIE when the dealer's performance is at risk, which transfers the corresponding risk of loss from the VIE to us. In order to continue to fund the wholesale receivables, we also may contribute additional cash or wholesale receivables if the collateral falls below required levels. The balances of cash related to these contributions were $0 and $0 at December 31, 2013 and 2012, respectively, and ranged from $0 to $177 million during 2013 and $0 to $373 million during 2012. In addition, while not contractually required, we may purchase the commercial paper issued by Ford Credit's FCAR Owner Trust asset-backed commercial paper program ("FCAR").

The following table includes assets to be used to settle the liabilities of the consolidated VIEs. We may retain debt issued by consolidated VIEs and this debt is excluded from the table below. We hold the right to the excess cash flows from the assets that are not needed to pay liabilities of the consolidated VIEs. The assets and debt reflected on our consolidated balance sheet were as follows (in billions):

	December 31, 2013		
	Cash and Cash Equivalents	Finance Receivables, Net and Net Investment in Operating Leases	Debt
Finance receivables			
Retail	$ 1.9	$ 22.9	$ 20.3
Wholesale	1.9	22.9	14.8
Total finance receivables	3.8	45.8	35.1
Net investment in operating leases	0.4	8.1	5.6
Total	$ 4.2	$ 53.9	$ 40.7

	December 31, 2012		
	Cash and Cash Equivalents	Finance Receivables, Net and Net Investment in Operating Leases	Debt
Finance receivables			
Retail	$ 2.2	$ 27.0	$ 23.2
Wholesale	0.3	20.5	12.8
Total finance receivables	2.5	47.5	36.0
Net investment in operating leases	0.4	6.3	4.2
Total (a)	$ 2.9	$ 53.8	$ 40.2

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(a) Certain notes issued by the VIEs to affiliated companies served as collateral for accessing the European Central Bank ("ECB") open market operations program. This external funding of $145 million at December 31, 2012 was not reflected as debt of the VIEs and is excluded from the table above, but was included in our consolidated debt. The finance receivables backing this external funding are included in the table above.

NOTE 11. VARIABLE INTEREST ENTITIES *(Continued)*

Interest expense on securitization debt related to consolidated VIEs was $563 million, $760 million, and $994 million in 2013, 2012, and 2011, respectively.

VIEs that are exposed to interest rate or currency risk have reduced their risks by entering into derivative transactions. In certain instances, we have entered into offsetting derivative transactions with the VIE to protect the VIE from the risks that are not mitigated through the derivative transactions between the VIE and its external counterparty. In other instances, we have entered into derivative transactions with the counterparty to protect the counterparty from risks absorbed through derivative transactions with the VIEs. See Note 16 for additional information regarding the accounting for derivatives.

Our exposures based on the fair value of derivative instruments with external counterparties related to consolidated VIEs that support our securitization transactions were as follows (in millions):

	December 31, 2013		December 31, 2012	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Derivatives of the VIEs	$ 5	$ 88	$ 4	$ 134
Derivatives related to the VIEs	23	30	74	63
Total exposures related to the VIEs	$ 28	$ 118	$ 78	$ 197

Derivative expense/(income) related to consolidated VIEs that support Ford Credit's securitization programs for the years ended December 31 was as follows (in millions):

	2013	2012	2011
VIEs	$ 3	$ 227	$ 31
Related to the VIEs	16	(5)	11
Total derivative expense/(income) related to the VIEs	$ 19	$ 222	$ 42

VIEs of Which We are Not the Primary Beneficiary

We have an investment in Forso Nordic AB, a joint venture determined to be a VIE of which we are not the primary beneficiary. The joint venture provides retail and dealer financing in its local markets and is financed by external debt and additional subordinated debt provided by the joint venture partner. The operating agreement indicates that the power to direct economically significant activities is shared with the joint venture partner, and the obligation to absorb losses or right to receive benefits resides primarily with the joint venture partner. Our investment in the joint venture is accounted for as an equity method investment and is included in *Equity in net assets of affiliated companies*. Our maximum exposure to any potential losses associated with this VIE is limited to our equity investment, and amounted to $72 million and $71 million at December 31, 2013 and 2012, respectively.

NOTE 12. NET PROPERTY AND LEASE COMMITMENTS

Net Property

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

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

Net property was as follows (in millions):

Automotive Sector	**December 31, 2013**	**December 31, 2012**
Land	$ 440	$ 423
Buildings and land improvements	10,325	10,249
Machinery, equipment and other	34,830	35,040
Software	2,069	1,813
Construction in progress	2,110	1,783
Total land, plant and equipment and other	49,774	49,308
Accumulated depreciation	(31,476)	(32,835)
Net land, plant and equipment and other	18,298	16,473
Tooling, net of amortization	9,194	8,340
Total Automotive sector	27,492	24,813
Financial Services sector (a)	124	129
Total Company	$ 27,616	$ 24,942

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

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

	2013	**2012**	**2011**
Depreciation and other amortization	$ 2,110	$ 1,794	$ 1,759
Tooling amortization	1,954	1,861	1,774
Total	$ 4,064	$ 3,655	$ 3,533
Maintenance and rearrangement	$ 1,422	$ 1,352	$ 1,431

Conditional Asset Retirement Obligations

We accrue for costs related to legal obligations to perform certain activities in connection with the retirement, abandonment, or disposal of our assets for which the fair value can be reasonably estimated. These conditional asset retirement obligations relate to the estimated costs for asbestos abatement and the removal of other regulated building materials.

NOTE 12. NET PROPERTY AND LEASE COMMITMENTS *(Continued)*

The liability for our conditional asset retirement obligations which are recorded in *Other liabilities and deferred revenue* was as follows (in millions):

	December 31, 2013	December 31, 2012
Beginning balance	$ 267	$ 266
Liabilities settled	(5)	(8)
Revisions to estimates	(16)	9
Ending balance	$ 246	$ 267

Lease Commitments

We lease land, buildings, and equipment under agreements that expire over various contractual periods. Minimum non-cancellable operating lease commitments at December 31, 2013 were as follows (in millions):

	2014	2015	2016	2017	2018	Thereafter	Total
Automotive sector	$ 199	$ 168	$ 128	$ 95	$ 58	$ 134	$ 782
Financial Services sector	47	43	38	28	17	18	191
Total Company	$ 246	$ 211	$ 166	$ 123	$ 75	$ 152	$ 973

Operating lease expense for the years ended December 31 was as follows (in millions):

	2013	2012	2011
Automotive sector	$ 411	$ 404	$ 416
Financial Services sector	105	106	124
Total Company	$ 516	$ 510	$ 540

NOTE 13. OTHER LIABILITIES AND DEFERRED REVENUE

Other liabilities and deferred revenue were as follows (in millions):

	December 31, 2013	December 31, 2012
Automotive Sector		
Current		
Dealer and dealers' customer allowances and claims	$ 7,730	$ 6,779
Deferred revenue	2,817	2,796
Employee benefit plans	1,706	1,504
Accrued interest	262	277
Other postretirement employee benefits ("OPEB")	387	409
Pension	327	387
Other	3,308	3,206
Total Automotive other liabilities and deferred revenue	16,537	15,358
Non-current		
Pension	9,288	18,400
OPEB	5,502	6,398
Dealer and dealers' customer allowances and claims	2,028	2,036
Deferred revenue	2,534	2,044
Employee benefit plans	789	767
Other	1,524	904
Total Automotive other liabilities and deferred revenue	21,665	30,549
Total Automotive sector	38,202	45,907
Financial Services Sector	2,260	2,352
Total Company	$ 40,462	$ 48,259

NOTE 14. RETIREMENT BENEFITS

We, and certain of our subsidiaries, provide retirement benefits including the following:

Defined Benefit Pension Plans. We have defined benefit pension plans in the United States, Canada, United Kingdom, Germany and other locations covering hourly and salaried employees. The largest portion of our worldwide obligation is associated with our U.S. plans. The vast majority of our worldwide defined benefit plans are closed to new participants.

In general, our defined benefit pension plans are funded (i.e., have restricted assets from which benefits are paid). Our unfunded defined benefit pension plans are treated on a “pay as you go” basis with benefit payments from general Company cash. These unfunded plans primarily include certain plans in Germany and U.S. defined benefit plans for senior management.

OPEB. We have defined benefit OPEB plans, primarily certain health care and life insurance benefits, in the United States, Canada, and other locations covering hourly and salaried employees. The largest portion of our worldwide obligation is associated with our U.S. plans. Our OPEB plans are unfunded and the benefits are paid from general Company cash.

Defined Contribution and Savings Plans. We have also established defined contribution and savings plans in the United States and other locations for hourly and salaried employees. Contributions to these plans, if any, are made from general Company cash and are expensed as incurred. The expense for our worldwide defined contribution and savings plans was $238 million, $181 million, and $135 million for the years ended December 31, 2013, 2012, and 2011, respectively. This includes the expense for Company-matching contributions to our primary employee savings plan in the United States of $99 million, $70 million, and $54 million for the years ended December 31, 2013, 2012, and 2011, respectively.

Defined benefit pension and OPEB plan obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date. The measurement of projected future benefits is dependent on the provisions of each specific plan, demographics of the group covered by the plan, and other key measurement assumptions. For plans that provide benefits dependent on salary assumptions, we include a projection of salary growth in our measurements. No assumption is made regarding any potential changes to benefit provisions beyond those to which we are presently committed (e.g., in existing labor contracts).

The net periodic benefit costs associated with the Company's defined benefit pension and OPEB plans are determined using assumptions regarding the benefit obligation and the market-related value of plan assets (where applicable) as of the beginning of each year. We have elected to use a market-related value of plan assets to calculate the expected return on assets in net periodic benefit costs. The market-related value recognizes changes in the fair value of plan assets in a systematic manner over five years. Net periodic benefit costs are recorded in *Automotive cost of sales* and *Selling, administrative, and other expenses*. The funded status of the benefit plans, which represents the difference between the benefit obligation and fair value of plan assets, is calculated on a plan-by-plan basis. The benefit obligation and related funded status are determined using assumptions as of the end of each year. The impact of plan amendments and actuarial gains and losses are recorded in *Accumulated other comprehensive income/(loss)*, and generally are amortized as a component of net periodic cost over the remaining service period of our active employees. Unamortized gains and losses are amortized only to the extent they exceed 10% of the higher of the market-related value of assets or the benefit obligation of the respective plan (i.e., outside of corridor).

Curtailment gains or losses are recorded when an event occurs that significantly reduces the expected years of future service or eliminates the accrual of defined benefits for the future services of a significant number of employees. We record a curtailment gain when the employees who are entitled to the benefits terminate their employment; we record a curtailment loss when it becomes probable a loss will occur. Upon a settlement, we recognize the proportionate amount of the unamortized gains and losses if the cost of all settlements during the year exceeds the interest component of net periodic cost for the affected plan. Expense from curtailments and settlements is recorded in *Automotive cost of sales* and *Selling, administrative, and other expenses*.

NOTE 14. RETIREMENT BENEFITS *(Continued)*

Defined Benefit Plans – Expense and Status

The following table summarizes the assumptions used to determine expense and benefit obligation:

	Pension Benefits				U.S. OPEB	
	U.S. Plans		Non-U.S. Plans			
	2013	2012	2013	2012	2013	2012
Weighted Average Assumptions at December 31						
Discount rate	4.74%	3.84%	4.07%	3.92%	4.65%	3.80%
Expected long-term rate of return on assets	6.89	7.38	6.63	6.74	—	—
Average rate of increase in compensation	3.80	3.80	3.41	3.41	3.80	3.80
Assumptions Used to Determine Net Benefit Cost for the Year Ended December 31						
Discount rate	3.84%	4.64%	3.92%	4.84%	3.80%	4.60%
Expected long-term rate of return on assets	7.38	7.50	6.74	6.77	—	—
Average rate of increase in compensation	3.80	3.80	3.41	3.39	3.80	3.80

The measurement date for all of our worldwide postretirement benefit plans is December 31. The pre-tax expense for our defined benefit pension and OPEB plans for the years ended December 31 was as follows (in millions):

	Pension Benefits						Worldwide OPEB		
	U.S. Plans			Non-U.S. Plans					
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Service cost	$ 581	$ 521	$ 467	$ 484	$ 372	$ 327	$ 64	$ 67	$ 63
Interest cost	1,914	2,208	2,374	1,137	1,189	1,227	256	290	327
Expected return on assets	(2,816)	(2,873)	(3,028)	(1,382)	(1,340)	(1,404)	—	—	—
Amortization of:									
Prior service costs/(credits)	174	220	343	66	72	72	(283)	(545)	(612)
(Gains)/Losses	655	425	194	686	412	301	158	129	94
Separation programs/other	10	7	1	242	162	170	—	2	10
(Gains)/Losses from curtailments and settlements	594	250	—	5	—	111	(2)	(11)	(26)
Net expense/(income)	$ 1,112	$ 758	$ 351	$ 1,238	$ 867	$ 804	$ 193	$ (68)	$ (144)

NOTE 14. RETIREMENT BENEFITS *(Continued)*

The year-end status of these plans was as follows (in millions):

	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2013	2012	2013	2012	2013	2012
Change in Benefit Obligation						
Benefit obligation at January 1	$ 52,125	$ 48,816	$ 30,702	$ 25,163	$ 6,810	$ 6,593
Service cost	581	521	484	372	64	67
Interest cost	1,914	2,208	1,137	1,189	256	290
Amendments	—	(39)	(1)	222	—	(156)
Separation programs and other	(75)	(40)	141	202	(11)	3
Curtailments	—	—	—	—	—	—
Settlements	(3,089)	(1,123)	(51)	—	—	—
Plan participant contributions	26	27	25	36	27	29
Benefits paid	(3,120)	(3,427)	(1,416)	(1,420)	(421)	(454)
Foreign exchange translation	—	—	229	803	(131)	47
Divestiture	—	—	—	—	—	—
Actuarial (gain)/loss	(5,180)	5,182	(399)	4,135	(705)	391
Benefit obligation at December 31	43,182	52,125	30,851	30,702	5,889	6,810
Change in Plan Assets						
Fair value of plan assets at January 1	42,395	39,414	21,713	19,198	—	—
Actual return on plan assets	1,539	5,455	1,689	1,637	—	—
Company contributions	3,535	2,134	1,852	1,629	—	—
Plan participant contributions	26	27	25	36	—	—
Benefits paid	(3,120)	(3,427)	(1,416)	(1,420)	—	—
Settlements	(3,089)	(1,123)	(51)	—	—	—
Foreign exchange translation	—	—	49	641	—	—
Divestiture	—	—	—	—	—	—
Other	(69)	(85)	(18)	(8)	—	—
Fair value of plan assets at December 31	41,217	42,395	23,843	21,713	—	—
Funded status at December 31	$ (1,965)	$ (9,730)	$ (7,008)	$ (8,989)	$ (5,889)	$ (6,810)
Amounts Recognized on the Balance Sheet						
Prepaid assets	$ 443	$ —	$ 219	$ 85	$ —	$ —
Other liabilities	(2,408)	(9,730)	(7,227)	(9,074)	(5,889)	(6,810)
Total	$ (1,965)	$ (9,730)	$ (7,008)	$ (8,989)	$ (5,889)	$ (6,810)
Amounts Recognized in Accumulated Other Comprehensive Loss (pre-tax)						
Unamortized prior service costs/(credits)	$ 764	$ 938	$ 417	$ 487	$ (959)	$ (1,263)
Unamortized net (gains)/losses	6,179	11,349	9,902	11,375	1,701	2,594
Total	$ 6,943	$ 12,287	$ 10,319	$ 11,862	$ 742	$ 1,331
Pension Plans in which Accumulated Benefit Obligation Exceeds Plan Assets at December 31						
Accumulated benefit obligation	$ 25,828	$ 50,821	$ 15,393	$ 21,653		
Fair value of plan assets	23,498	42,395	9,518	14,625		
Accumulated Benefit Obligation at December 31	$ 42,078	$ 50,821	$ 28,312	$ 28,136		
Pension Plans in which Projected Benefit Obligation Exceeds Plan Assets at December 31						
Projected benefit obligation	$ 25,906	$ 52,125	$ 23,653	$ 29,984		
Fair value of plan assets	23,498	42,395	16,426	20,910		
Projected Benefit Obligation at December 31	$ 43,182	$ 52,125	$ 30,851	$ 30,702		

NOTE 14. RETIREMENT BENEFITS *(Continued)*

Pension Plan Contributions

Our policy for funded pension plans is to contribute annually, at a minimum, amounts required by applicable laws and regulations. We may make contributions beyond those legally required.

In 2013, we contributed $5 billion to our worldwide funded pension plans (including $3.4 billion in discretionary contributions to our U.S. plans) and made $400 million of benefit payments to participants in unfunded plans. During 2014, we expect to contribute about $1.5 billion from Automotive cash and cash equivalents to our worldwide funded plans (most of which are mandatory contributions) and to make $400 million of benefit payments to participants in unfunded plans, for a total of about $1.9 billion. Based on current assumptions and regulations, we do not expect to have a legal requirement to fund our major U.S. pension plans in 2014.

Curtailments and Settlements

In April 2012, we announced a program to offer voluntary lump-sum pension payout options to eligible salaried U.S. retirees and former salaried employees that, if accepted, would settle our obligation to them. The program provided participants with a one-time choice of electing to receive a lump-sum settlement of their remaining pension benefit. As part of this voluntary lump-sum program, the Company settled $4.2 billion of its pension obligations for U.S. salaried retirees ($1.2 billion in 2012 and $3 billion in 2013) with an equal amount paid from plan assets. As a result, we recorded settlement losses of $844 million ($250 million in 2012 and $594 million in 2013) reflecting the accelerated recognition of unamortized losses in the salaried plan proportionate to the obligation that was settled. These settlement charges were recorded in *Automotive cost of sales* and *Selling, administrative, and other expenses* with a corresponding balance sheet reduction in *Accumulated other comprehensive income/(loss)*.

In 2011, we recognized a settlement loss of $109 million associated with the partial settlement of a Belgium pension plan.

Business Restructurings

In October 2012, we announced a plan to restructure our European manufacturing operations as discussed in Note 21. In 2013, we recognized pension-related employee separation costs of $180 million which are recorded in *Automotive cost of sales* and *Selling, administrative, and other expenses*.

Estimated Future Benefit Payments and Amortization

The following table presents estimated future gross benefit payments (in millions):

	Gross Benefit Payments		
	Pension		
	U.S. Plans	Non-U.S. Plans	Worldwide OPEB
2014	$ 3,190	$ 1,380	$ 420
2015	3,150	1,380	380
2016	3,110	1,390	380
2017	3,060	1,430	370
2018	3,030	1,450	370
2019 - 2023	14,810	7,820	1,850

The amounts in *Accumulated other comprehensive income/(loss)* that are expected to be recognized as components of net expense/(income) during 2014 are as follows (in millions):

	Pension Benefits			
	U.S. Plans	Non-U.S. Plans	Worldwide OPEB	Total
Prior service cost/(credit)	$ 155	$ 56	$ (231)	$ (20)
(Gains)/Losses	207	598	98	903

NOTE 14. RETIREMENT BENEFITS *(Continued)*

Pension Plan Asset Information

Investment Objective and Strategies. Our investment objectives for the U.S. plans are to minimize the volatility of the value of our U.S. pension assets relative to U.S. pension liabilities and to ensure assets are sufficient to pay plan benefits. As disclosed previously, in 2012 we adopted a broad global pension de-risking strategy, including a U.S. investment strategy that increases the matching characteristics of our assets relative to our liabilities. Our U.S. target asset allocations, which we expect to reach over the next few years as the plans achieve full funding, are 80% fixed income and 20% growth assets (primarily alternative investments, which include hedge funds, real estate, private equity, and public equity). Our largest non-U.S. plans (Ford U.K. and Ford Canada) have similar investment objectives to the U.S. plans. We expect to reach similar target asset allocations for these plans as they achieve full funding over the next few years, subject to legal requirements in each country.

Investment strategies and policies for the U.S. plans and the largest non-U.S. plans reflect a balance of risk-reducing and return-seeking considerations. The objective of minimizing the volatility of assets relative to liabilities is addressed primarily through asset - liability matching, asset diversification, and hedging. The fixed income target asset allocation matches the bond-like and long-dated nature of the pension liabilities. Assets are broadly diversified within asset classes to achieve risk-adjusted returns that in total lower asset volatility relative to the liabilities. Our rebalancing policies ensure actual allocations are in line with target allocations as appropriate. Strategies to address the goal of ensuring sufficient assets to pay benefits include target allocations to a broad array of asset classes, and strategies within asset classes that provide adequate returns, diversification, and liquidity.

All assets are externally managed and most assets are actively managed. Managers are not permitted to invest outside of the asset class (e.g., fixed income, public equity, alternatives) or strategy for which they have been appointed. We use investment guidelines and recurring audits as tools to ensure investment managers invest solely within the investment strategy they have been provided.

Derivatives are permitted for fixed income investment and public equity managers to use as efficient substitutes for traditional securities and to manage exposure to interest rate and foreign exchange risks. Interest rate and foreign currency derivative instruments are used for the purpose of hedging changes in the fair value of assets that result from interest rate changes and currency fluctuations. Interest rate derivatives also are used to adjust portfolio duration. Derivatives may not be used to leverage or to alter the economic exposure to an asset class outside the scope of the mandate an investment manager has been given. Alternative investment managers are permitted to employ leverage (including through the use of derivatives or other tools) that may alter economic exposure.

Significant Concentrations of Risk. Significant concentrations of risk in our plan assets relate to interest rate, equity, and operating risk. In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to fixed income investments that are exposed to interest rate risk. Rate increases generally will result in a decline in fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities.

In order to ensure assets are sufficient to pay benefits, a portion of plan assets is allocated to growth assets that are expected over time to earn higher returns with more volatility than fixed income investments which more closely match pension liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style, and process. Within alternative investments, risk is similarly mitigated by constructing a portfolio that is broadly diversified by asset class, investment strategy, manager, style, and process.

Operating risks include the risks of inadequate diversification and weak controls. To mitigate these risks, investments are diversified across and within asset classes in support of investment objectives. Policies and practices to address operating risks include ongoing manager oversight (e.g., style adherence, team strength, firm health, and internal risk controls), plan and asset class investment guidelines and instructions that are communicated to managers, and periodic compliance and audit reviews to ensure adherence.

At year-end 2013, Ford securities comprised less than 1% of our plan assets.

NOTE 14. RETIREMENT BENEFITS *(Continued)*

Expected Long-Term Rate of Return on Assets. The long-term return assumption at year-end 2013 is 6.89% for the U.S. plans, 7.25% for the U.K. plans, and 6.31% for the Canadian plans, and averages 6.63% for all non-U.S. plans. A generally consistent approach is used worldwide to develop this assumption. This approach considers various sources, primarily inputs from a range of advisors for long-term capital market returns, inflation, bond yields, and other variables, adjusted for specific aspects of our investment strategy by plan. Historical returns also are considered where appropriate.

At December 31, 2013, our actual 10-year annual rate of return on pension plan assets was 9% for the U.S. plans, 7.7% for the U.K. plans, and 5.8% for the Canadian plans. At December 31, 2012, our actual 10-year annual rate of return on pension plan assets was 11.1% for the U.S. plans, 8.7% for the U.K. plans, and 6.4% for the Canadian plans.

Fair Value of Plan Assets. Pension assets are recorded at fair value, and include primarily fixed income and equity securities, derivatives, and alternative investments, which include hedge funds, private equity, and real estate. Fixed income and equity securities may each be combined into commingled fund investments. Commingled funds are valued to reflect the pension fund's interest in the fund based on the reported year-end net asset value ("NAV"). Alternative investments are valued based on year-end reported NAV, with adjustments as appropriate for lagged reporting of 1 month to 6 months.

Fixed Income - Government and Agency Debt Securities and Corporate Debt Securities. U.S. government and government agency obligations, non-U.S. government and government agency obligations, municipal securities, supranational obligations, corporate bonds, bank notes, floating rate notes, and preferred securities are valued based on quotes received from independent pricing services or from dealers who make markets in such securities. Pricing services utilize matrix pricing, which considers readily available inputs such as the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as dealer-supplied prices, and generally are categorized as Level 2 inputs in the fair value hierarchy. Securities categorized as Level 3 typically are priced by dealers and pricing services that use proprietary pricing models which incorporate unobservable inputs. These inputs primarily consist of yield and credit spread assumptions.

Fixed Income - Agency and Non-Agency Mortgage and Other Asset-Backed Securities. U.S. and non-U.S. government agency mortgage and asset-backed securities, non-agency collateralized mortgage obligations, commercial mortgage securities, residential mortgage securities, and other asset-backed securities are valued based on quotes received from independent pricing services or from dealers who make markets in such securities. Pricing services utilize matrix pricing, which considers prepayment speed assumptions, attributes of the collateral, yield or price of bonds of comparable quality, coupon, maturity and type, as well as dealer-supplied prices, and generally are categorized as Level 2 inputs in the fair value hierarchy. Securities categorized as Level 3 typically are priced by dealers and pricing services that use proprietary pricing models which incorporate unobservable inputs. These inputs primarily consist of prepayment curves, discount rates, default assumptions, and recovery rates.

Equities. Equity securities are valued based on quoted prices and are primarily exchange-traded. Securities for which official close or last trade pricing on an active exchange is available are classified as Level 1 in the fair value hierarchy. If closing prices are not available, securities are valued at the last quoted bid price or may be valued using the last available price and typically are categorized as Level 2. Level 3 securities often are thinly traded or delisted, with unobservable pricing data.

Derivatives. Exchange-traded derivatives for which market quotations are readily available are valued at the last reported sale price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1. Over-the-counter derivatives typically are valued by independent pricing services and categorized as Level 2. Level 3 derivatives typically are priced by dealers and pricing services that use proprietary pricing models which incorporate unobservable inputs, including extrapolated or model-derived assumptions such as volatilities and yield and credit spread assumptions.

Alternative Assets. Hedge funds generally hold liquid and readily-priced securities, such as public equities, exchange-traded derivatives, and corporate bonds. Since hedge funds do not have readily-available market quotations, they are valued using the NAV provided by the investment sponsor or third party administrator. Hedge fund assets typically are categorized as Level 3 in the fair value hierarchy due to the inherent restrictions on redemptions that may affect our ability to sell the investment at its NAV in the near term. Valuations may be lagged 1 month to 3 months. For 2013 and 2012, we made adjustments of $(10) million and $33 million, respectively, to adjust for hedge fund-lagged valuations.

NOTE 14. RETIREMENT BENEFITS *(Continued)*

Private equity and real estate investments are less liquid. External investment managers typically report valuations reflecting initial cost or updated appraisals, which are adjusted for cash flows, and realized and unrealized gains/losses. Private equity and real estate funds do not have readily available market quotations, and therefore are valued using the NAV provided by the investment sponsor or third party administrator. These assets typically are categorized as Level 3 in the fair value hierarchy, due to the inherent restrictions on redemptions that may affect our ability to sell the investment at its NAV in the near term. Valuations may be lagged 1 month - 6 months. The NAV will be adjusted for cash flows (additional investments or contributions, and distributions) through year-end. We may make further adjustments for any known substantive valuation changes not reflected in the NAV. For 2013 and 2012, we made adjustments of $123 million and $56 million, respectively, to adjust for private equity-lagged valuations. For 2013 and 2012, we made adjustments of $0 and $24 million, respectively, to adjust for real estate-lagged valuations.

The Ford-Werke GmbH ("Ford-Werke") funded defined benefit plan is funded through a group insurance contract and exists in a pooled structure with other policy holders. The contract value represents the value of the underlying assets held by the insurance company (primarily bonds) at the guaranteed rate of return. The adjustment to fair value to recognize contractual returns is a significant unobservable input; therefore the contract is Level 3.

NOTE 14. RETIREMENT BENEFITS *(Continued)*

The fair value of our pension benefits plan assets (including dividends and interest receivables of $349 million and $99 million for U.S. and non-U.S. plans, respectively) by asset category was as follows (in millions):

	December 31, 2013							
	U.S. Plans				Non-U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset Category								
Equity								
U.S. companies	$ 3,724	$ 22	$ 3	$ 3,749	$ 2,711	$ 229	$ —	$ 2,940
International companies	2,288	76	1	2,365	2,983	214	2	3,199
Derivative financial instruments (a)	—	—	—	—	—	—	—	—
Total equity	6,012	98	4	6,114	5,694	443	2	6,139
Fixed Income								
U.S. government	3,610	—	—	3,610	30	—	—	30
U.S. government-sponsored enterprises (b)	—	4,127	—	4,127	—	11	—	11
Non-U.S. government	—	2,115	—	2,115	—	6,880	67	6,947
Corporate bonds (c)								
Investment grade	—	15,058	—	15,058	—	1,229	55	1,284
High yield	—	1,254	—	1,254	—	337	21	358
Other credit	—	48	—	48	—	37	13	50
Mortgage/other asset-backed	—	1,287	33	1,320	—	238	14	252
Commingled funds	—	304	—	304	—	471	—	471
Derivative financial instruments (a)	(23)	41	—	18	—	(5)	—	(5)
Total fixed income	3,587	24,234	33	27,854	30	9,198	170	9,398
Alternatives								
Hedge funds (d)	—	—	2,778	2,778	—	—	1,657	1,657
Private equity (e)	—	—	2,626	2,626	—	—	352	352
Real estate (f)	—	—	610	610	—	—	601	601
Total alternatives	—	—	6,014	6,014	—	—	2,610	2,610
Cash and cash equivalents (g)	—	1,477	—	1,477	—	950	—	950
Other (h)	(273)	30	1	(242)	(465)	13	5,198	4,746
Total assets at fair value	$ 9,326	$ 25,839	$ 6,052	$ 41,217	$ 5,259	$ 10,604	$ 7,980	$ 23,843

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(a) Net derivative position.
(b) Debt securities primarily issued by U.S. government-sponsored enterprises ("GSEs").
(c) "Investment grade" bonds are those rated Baa3/BBB- or higher by at least two rating agencies; "High yield" bonds are those rated below investment grade; "Other credit" refers to non-rated bonds.
(d) For U.S. Plans, funds investing in diverse hedge fund strategies with the following composition of underlying hedge fund investments within the U.S. pension plans at December 31, 2013: global macro (32%), event-driven (26%), equity long/short (22%), multi-strategy (11%) and relative value (9%). For non-U.S. Plans, funds investing in diversified portfolio of underlying hedge funds. At December 31, 2013, the composition of underlying hedge fund investments (within the U.K. and Canada pension plans) was: event-driven (35%), equity long/short (35%), multi-strategy (12%), global macro (12%) and relative value (6%).
(e) For U.S. Plans, diversified investments in private equity funds with the following strategies: buyout (61%), venture capital (26%), mezzanine/distressed (7%), and other (6%). Allocations are estimated based on latest available data for managers reflecting June 30, 2013 holdings. For non-U.S. Plans, investments in private investment funds (funds of funds) pursuing strategies broadly classified as venture capital and buyouts.
(f) For investment in private property funds broadly classified as core (49%), value-added and opportunistic (51%). For non-U.S. Plans, investment in private property funds broadly classified as core (40%), value-added and opportunistic (60%). Also includes investment in real assets.
(g) Primarily short-term investment funds to provide liquidity to plan investment managers and cash held to pay benefits.
(h) For U.S. Plans, primarily cash related to net pending security (purchases)/sales and net pending foreign currency purchases/(sales). For non-U.S. Plans, primarily Ford-Werke, plan assets (insurance contract valued at $4,077 million) and cash related to net pending security (purchases)/sales and net pending foreign currency purchases/(sales).

NOTE 14. RETIREMENT BENEFITS *(Continued)*

The fair value of our pension benefits plan assets (including dividends and interest receivables of $274 million and $84 million for U.S. and non-U.S. plans, respectively) by asset category was as follows (in millions):

	December 31, 2012							
	U.S. Plans				Non-U.S.Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset Category								
Equity								
U.S. companies	$ 7,544	$ 48	$ 15	$ 7,607	$ 3,221	$ 223	$ —	$ 3,444
International companies	4,971	133	3	5,107	3,424	188	1	3,613
Derivative financial instruments (a)	—	—	—	—	—	—	—	—
Total equity	12,515	181	18	12,714	6,645	411	1	7,057
Fixed Income								
U.S. government	2,523	—	—	2,523	99	—	—	99
U.S. government-sponsored enterprises (b)	—	3,236	3	3,239	—	6	—	6
Non-U.S. government	—	2,884	32	2,916	—	5,841	41	5,882
Corporate bonds (c)								
Investment grade	—	10,581	80	10,661	—	1,147	22	1,169
High yield	—	1,386	14	1,400	—	268	1	269
Other credit	—	28	50	78	—	13	6	19
Mortgage/other asset-backed	—	1,183	115	1,298	—	168	28	196
Commingled funds	—	477	—	477	—	504	—	504
Derivative financial instruments (a)	(31)	(105)	—	(136)	—	3	(1)	2
Total fixed income	2,492	19,670	294	22,456	99	7,950	97	8,146
Alternatives								
Hedge funds (d)	—	—	3,121	3,121	—	—	1,142	1,142
Private equity (e)	—	—	2,412	2,412	—	—	236	236
Real estate (f)	—	—	457	457	—	1	329	330
Total alternatives	—	—	5,990	5,990	—	1	1,707	1,708
Cash and cash equivalents (g)	—	1,844	57	1,901	—	867	—	867
Other (h)	(681)	15	—	(666)	(751)	16	4,670	3,935
Total assets at fair value	$ 14,326	$ 21,710	$ 6,359	$ 42,395	$ 5,993	$ 9,245	$ 6,475	$ 21,713

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(a) Net derivative position.
(b) Debt securities primarily issued by GSEs.
(c) "Investment grade" bonds are those rated Baa3/BBB- or higher by at least two rating agencies; "High yield" bonds are those rated below investment grade; "Other credit" refers to non-rated bonds.
(d) For U.S. Plans, funds investing in diverse hedge fund strategies (primarily commingled fund of funds) with the following composition of underlying hedge fund investments within the U.S. pension plans at December 31, 2012: global macro (39%), event-driven (21%), equity long/short (17%), relative value (13%), and multi-strategy (10%). For non-U.S. Plans, funds investing in diversified portfolio of underlying hedge funds (commingled fund of funds). At December 31, 2012, the composition of underlying hedge fund investments (within the U.K. and Canada pension plans) was: event-driven (36%), equity long/short (26%), multi-strategy (14%), global macro (13%) and relative value (11%).
(e) For U.S. Plans, diversified investments in private equity funds with the following strategies: buyout (60%), venture capital (25%), mezzanine/distressed (8%), and other (7%). Allocations are estimated based on latest available data for managers reflecting June 30, 2012 holdings. For non-U.S. Plans, investments in private investment funds (funds of funds) pursuing strategies broadly classified as venture capital and buyouts.
(f) For U.S. Plans, Investment in private property funds broadly classified as core (54%), value-added and opportunistic (46%). For non-U.S. Plans, investment in private property funds broadly classified as core (31%), value-added and opportunistic (69%). Also includes investment in real assets.
(g) Primarily short-term investment funds to provide liquidity to plan investment managers and cash held to pay benefits.
(h) For U.S. Plans, primarily cash related to net pending trade purchases/sales and net pending foreign exchange purchases/sales. For non-U.S. Plans, primarily Ford-Werke, plan assets (insurance contract valued at $3,609 million) and cash related to net pending trade purchases/sales and net pending foreign exchange purchases/sales.

NOTE 14. RETIREMENT BENEFITS *(Continued)*

The following table summarizes the changes in Level 3 pension benefits plan assets measured at fair value on a recurring basis for the year ended December 31, 2013 (in millions):

	2013					
		Return on plan assets				
U.S. Plans:	Fair Value at January 1, 2013	Attributable to Assets Held at December 31, 2013	Attributable to Assets Sold	Net Purchases/ (Settlements)	Transfers Into/ (Out of) Level 3	Fair Value at December 31, 2013
Asset Category						
Equity						
U.S. companies	$ 15	$ —	$ —	$ —	$ (12)	$ 3
International companies	3	—	—	(2)	—	1
Total equity	18	—	—	(2)	(12)	4
Fixed Income						
U.S. government	—	—	—	—	—	—
U.S. government-sponsored enterprises	3	—	—	—	(3)	—
Non-U.S. government	32	—	(1)	(28)	(3)	—
Corporate bonds						
Investment grade	80	—	(4)	(33)	(43)	—
High yield	14	—	(1)	(12)	(1)	—
Other credit	50	—	(7)	(26)	(17)	—
Mortgage/other asset-backed	115	—	7	7	(96)	33
Derivative financial instruments	—	—	—	—	—	—
Total fixed income	294	—	(6)	(92)	(163)	33
Alternatives						
Hedge funds	3,121	295	(40)	(598)	—	2,778
Private equity	2,412	345	—	(131)	—	2,626
Real estate	457	45	—	108	—	610
Total alternatives	5,990	685	(40)	(621)	—	6,014
Other	57	1	2	(55)	(4)	1
Total Level 3 fair value	$ 6,359	$ 686	$ (44)	$ (770)	$ (179)	$ 6,052
Non-U.S. Plans:						
Asset Category						
Equity						
U.S. companies	$ —	$ —	$ —	$ —	$ —	$ —
International companies	1	—	—	—	1	2
Total equity	1	—	—	—	1	2
Fixed Income						
U.S. government	—	—	—	—	—	—
U.S. government-sponsored enterprises	—	—	—	—	—	—
Non-U.S. government	41	(7)	—	33	—	67
Corporate bonds						
Investment grade	22	(1)	(1)	32	3	55
High yield	1	—	—	19	1	21
Other credit	6	—	—	7	—	13
Mortgage/other asset-backed	28	—	2	1	(17)	14
Derivative financial instruments	(1)	—	—	1	—	—
Total fixed income	97	(8)	1	93	(13)	170
Alternatives						
Hedge funds	1,142	114	10	391	—	1,657
Private equity	236	34	—	82	—	352
Real estate	329	42	—	230	—	601
Total alternatives	1,707	190	10	703	—	2,610
Other (a)	4,670	528	—	—	—	5,198
Total Level 3 fair value	$ 6,475	$ 710	$ 11	$ 796	$ (12)	$ 7,980

(a) Primarily Ford-Werke plan assets (insurance contract valued at $4,077 million).

NOTE 14. RETIREMENT BENEFITS *(Continued)*

The following table summarizes the changes in Level 3 pension benefits plan assets measured at fair value on a recurring basis for the year ended December 31, 2012 (in millions):

	2012					
		Return on plan assets				
U.S. Plans	Fair Value at January 1, 2012	Attributable to Assets Held at December 31, 2012	Attributable to Assets Sold	Net Purchases/ (Settlements)	Transfers Into/ (Out of) Level 3	Fair Value at December 31, 2012
Asset Category						
Equity						
U.S. companies	$ 15	$ —	$ —	$ —	$ —	$ 15
International companies	3	—	3	(3)	—	3
Total equity	18	—	3	(3)	—	18
Fixed Income						
U.S. government	—	—	—	—	—	—
U.S. government-sponsored enterprises	8	—	—	(5)	—	3
Non-U.S. government	169	2	5	(137)	(7)	32
Corporate bonds						
Investment grade	33	5	(4)	14	32	80
High yield	11	1	1	4	(3)	14
Other credit	17	5	—	28	—	50
Mortgage/other asset-backed	54	1	3	43	14	115
Derivative financial instruments	6	(3)	(9)	10	(4)	—
Total fixed income	298	11	(4)	(43)	32	294
Alternatives						
Hedge funds	2,968	189	(6)	(30)	—	3,121
Private equity	2,085	201	—	126	—	2,412
Real estate	362	31	1	63	—	457
Total alternatives	5,415	421	(5)	159	—	5,990
Other	(2)	2	—	67	(10)	57
Total Level 3 fair value	$ 5,729	$ 434	$ (6)	$ 180	$ 22	$ 6,359
Non-U.S. Plan						
Asset Category						
Equity						
U.S. companies	$ —	$ —	$ —	$ —	$ —	$ —
International companies	1	—	—	—	—	1
Total equity	1	—	—	—	—	1
Fixed Income						
U.S. government	—	—	—	—	—	—
U.S. government-sponsored enterprises	—	—	—	—	—	—
Non-U.S. government	122	1	9	(31)	(60)	41
Corporate bonds						
Investment grade	11	1	1	4	5	22
High yield	—	—	—	1	—	1
Other credit	—	—	—	6	—	6
Mortgage/other asset-backed	6	—	—	14	8	28
Derivative financial instruments	(6)	—	(3)	—	8	(1)
Total fixed income	133	2	7	(6)	(39)	97
Alternatives						
Hedge funds	1,053	79	10	—	—	1,142
Private equity	123	14	—	99	—	236
Real estate	160	4	(1)	166	—	329
Total alternatives	1,336	97	9	265	—	1,707
Other (a)	4,358	312	—	—	—	4,670
Total Level 3 fair value	$ 5,828	$ 411	$ 16	$ 259	$ (39)	$ 6,475

(a) Primarily Ford-Werke plan assets (insurance contract valued at $3,609 million).

NOTE 15. DEBT AND COMMITMENTS

Our debt consists of short-term and long-term secured and unsecured debt securities, convertible debt securities, and unsecured and secured borrowings from banks and other lenders. Debt issuances are placed directly by us or through securities dealers or underwriters and are held by institutional and retail investors. In addition, Ford Credit sponsors securitization programs that provide short-term and long-term asset-backed financing through institutional investors in the U.S. and international capital markets.

Debt is recorded on our balance sheet at par value adjusted for unamortized discount or premium and adjustments related to designated fair value hedges (see Note 16 for policy detail). Discounts, premiums, and costs directly related to the issuance of debt are amortized over the life of the debt or to the put date and are recorded in *Interest expense* using the effective interest method. Gains and losses on the extinguishment of debt are recorded in *Automotive interest income and other income/(expense), net* and *Financial Services other income/(loss), net*.

NOTE 15. DEBT AND COMMITMENTS *(Continued)*

The carrying value of Total Company debt was $114.7 billion and $105.1 billion at December 31, 2013 and 2012, respectively. The following table details the carrying value of our debt by Automotive sector and Financial Services sector (in millions):

			Interest Rates			
			Average Contractual (a)		Average Effective (b)	
Automotive Sector	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Debt payable within one year						
Short-term	$ 562	$ 484	1.5%	1.5%	1.5%	1.5%
Long-term payable within one year						
U.S. Department of Energy ("DOE") Advanced Technology Vehicles Manufacturing ("ATVM") Incentive	591	591				
Other debt	104	311				
Total debt payable within one year	1,257	1,386				
Long-term debt payable after one year						
Public unsecured debt securities (c)	6,799	5,420				
Unamortized (discount)/premium	(148)	(100)				
Convertible notes	908	908				
Unamortized (discount)/premium	(110)	(142)				
DOE ATVM Incentive Program	4,424	5,014				
EIB Credit Facilities (d)	1,295	729				
Other debt	1,255	1,048				
Unamortized (discount)/premium	3	(7)				
Total long-term debt payable after one year	14,426	12,870	4.4%	4.6%	4.7%	5.1%
Total Automotive sector	$ 15,683	$ 14,256				
Fair value of Automotive sector debt (e)	$ 17,301	$ 14,867				
Financial Services Sector						
Short-term debt						
Asset-backed commercial paper	$ 3,364	$ 5,752				
Other asset-backed short-term debt	1,963	3,762				
Floating rate demand notes	5,319	4,890				
Commercial paper	2,003	1,686				
Other short-term debt	2,345	1,655				
Total short-term debt	14,994	17,745	1.5%	1.1%	1.5%	1.1%
Long-term debt						
Unsecured debt						
Notes payable within one year	4,475	5,830				
Notes payable after one year	38,914	32,503				
Asset-backed debt						
Notes payable within one year	17,337	13,801				
Notes payable after one year	23,273	20,266				
Unamortized (discount)/premium	(91)	(134)				
Fair value adjustments (f)	103	791				
Total long-term debt	84,011	73,057	3.1%	3.8%	3.3%	4.1%
Total Financial Services sector	$ 99,005	$ 90,802				
Fair value of Financial Services sector debt (e)	$ 102,399	$ 94,578				

(a) Average contractual rates reflect the stated contractual interest rate with the exception of commercial paper, which is issued at a discount.
(b) Average effective rates reflect the average contractual interest rate plus amortization of discounts, premiums, and issuance fees.
(c) Public unsecured debt securities at December 31, 2013 increased by about $1.4 billion from December 31, 2012, primarily reflecting the issuance of $2 billion of 4.75% *Notes due January 15, 2043*, offset partially by the redemption of about $600 million of *7.5% Notes due June 10, 2043*.
(d) Includes debt of Ford Romania which was consolidated on January 1, 2013. See Note 23 for additional information.
(e) The fair value of debt includes $377 million and $484 million of Automotive sector short-term debt and $9.7 billion and $8.4 billion of Financial Services sector short-term debt at December 31, 2013 and 2012, respectively, carried at cost which approximates fair value. All debt is categorized within Level 2 of the fair value hierarchy. See Note 4 for additional information.
(f) Adjustments related to designated fair value hedges of unsecured debt.

NOTE 15. DEBT AND COMMITMENTS *(Continued)*

The fair value of debt presented above reflects interest accrued but not yet paid. Interest accrued on Automotive debt is reported in *Automotive other liabilities and deferred revenue* and was $195 million and $194 million at December 31, 2013 and 2012, respectively. Interest accrued on Financial Services debt is reported in *Financial Services other liabilities and deferred income* and was $633 million and $744 million at December 31, 2013 and 2012, respectively. See Note 4 for fair value methodology.

Maturities

The following table summarizes contractual maturities including capital leases at December 31, 2013 (in millions):

	2014	2015	2016	2017	2018	Thereafter	Total Debt Maturities
Automotive Sector							
Public unsecured debt securities	$ —	$ 165	$ —	$ —	$ 361	$ 6,273	$ 6,799
Convertible notes	—	—	883	—	—	25	908
DOE ATVM Incentive Program	591	591	591	591	591	2,060	5,015
Short-term and other debt (a)	666	1,772	289	73	71	345	3,216
Total (b)	1,257	2,528	1,763	664	1,023	8,703	15,938
Financial Services Sector							
Unsecured debt	14,142	9,048	8,955	7,445	5,612	7,854	53,056
Asset-backed debt	22,664	11,994	7,836	2,746	497	200	45,937
Total (b)	36,806	21,042	16,791	10,191	6,109	8,054	98,993
Total Company (b)	$ 38,063	$ 23,570	$ 18,554	$ 10,855	$ 7,132	$ 16,757	$ 114,931

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(a) Primarily non-U.S. affiliate debt and includes the EIB secured loans.
(b) Excludes discounts, premiums and adjustments, if any, related to designated fair value hedges of unsecured debt.

NOTE 15. DEBT AND COMMITMENTS *(Continued)*

Automotive Sector

Public Unsecured Debt Securities

Our public, nonconvertible unsecured debt securities outstanding were as follows (in millions):

	Aggregate Principal Amount Outstanding	
Title of Security	**December 31, 2013**	**December 31, 2012**
4 7/8% Debentures due March 26, 2015	$ 165	$ 160
6 1/2% Debentures due August 1, 2018	361	361
8 7/8% Debentures due January 15, 2022	86	86
6.55% Debentures due October 3, 2022 (a) (e)	—	15
7 1/8% Debentures due November 15, 2025	209	209
7 1/2% Debentures due August 1, 2026	193	193
6 5/8% Debentures due February 15, 2028	104	104
6 5/8% Debentures due October 1, 2028 (b)	638	638
6 3/8% Debentures due February 1, 2029 (b)	260	260
5.95% Debentures due September 3, 2029 (a) (e)	—	8
6.15% Debentures due June 3, 2030 (a) (e)	—	10
7.45% GLOBLS due July 16, 2031 (b)	1,794	1,794
8.900% Debentures due January 15, 2032	151	151
9.95% Debentures due February 15, 2032	4	4
5.75% Debentures due April 2, 2035 (a)	40	40
7.50% Notes due June 10, 2043 (c)	—	593
7.75% Debentures due June 15, 2043	73	73
7.40% Debentures due November 1, 2046	398	398
9.980% Debentures due February 15, 2047	181	181
7.70% Debentures due May 15, 2097	142	142
4.75% Notes due January 15, 2043	2,000	—
Total public unsecured debt securities (d)	$ 6,799	$ 5,420

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(a) Unregistered industrial revenue bonds.
(b) Listed on the Luxembourg Exchange and on the Singapore Exchange.
(c) Listed on the New York Stock Exchange; this debt was redeemed as of February 4, 2013.
(d) Excludes 9.215% *Debentures due September 15, 2021* with an outstanding balance at December 31, 2013 of $180 million. The proceeds from these securities were on-lent by Ford to Ford Holdings to fund Financial Services activity and are reported as *Financial Services debt*.
(e) Redeemed as of November 25, 2013.

Convertible Notes

At December 31, 2013, we had outstanding $883 million and $25 million principal amount of 4.25% Senior Convertible Notes due November 15, 2016 ("2016 Convertible Notes") and December 15, 2036 ("2036 Convertible Notes"), respectively.

Subject to certain limitations relating to the price of Ford Common Stock, the 2016 Convertible Notes are convertible into shares of Ford Common Stock, based on a conversion rate (subject to adjustment) of 112.8203 shares per $1,000 principal amount of 2016 Convertible Notes (which is equal to a conversion price of $8.86 per share). Upon conversion of the 2016 Convertible Notes, we have the right to deliver, in lieu of shares of Ford Common Stock, either cash or a combination of cash and Ford Common Stock. We may terminate the conversion rights of holders under the 2016 Convertible Notes at any time on or after November 20, 2014 if the closing price of Ford Common Stock exceeds 130% of the then-applicable conversion price for 20 trading days during the consecutive 30-trading-day period prior to notice of termination.

NOTE 15. DEBT AND COMMITMENTS *(Continued)*

In December 2013, we elected to terminate the conversion rights of holders under the 2036 Convertible Notes in accordance with their terms effective as of the close of business on January 21, 2014.

Liability, equity, and if-converted components of our Convertible Notes are summarized as follows (in millions):

			Total Effective Interest Rate	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Liability component				
4.25% Debentures due November 15, 2016	$ 768	$ 768	9.2%	9.2%
4.25% Debentures due November 15, 2016 (underwriter option)	115	115	8.6%	8.6%
Subtotal Convertible Debt due November 15, 2016	883	883		
4.25% Debentures due December 15, 2036	25	25	10.5%	10.5%
Unamortized discount	(110)	(142)		
Net carrying amount	$ 798	$ 766		
Equity component of outstanding debt (a)	$ (225)	$ (225)		
Share value in excess of principal value, if converted (b)	673	384		

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(a) Recorded in *Capital in excess of par value of stock.*
(b) Based on share price of $15.43 and $12.95 as of December 31, 2013 and 2012, respectively.

We recognized interest cost on our Convertible Notes as follows (in millions):

	2013	2012	2011
Contractual interest coupon	$ 39	$ 38	$ 38
Amortization of discount	32	30	27
Total interest cost on Convertible Notes	$ 71	$ 68	$ 65

DOE ATVM Incentive Program

In September 2009, we entered into a Loan Arrangement and Reimbursement Agreement with the DOE, pursuant to which the DOE agreed to (i) arrange a 13-year multi-draw term loan facility under the ATVM Program in the aggregate principal amount of up to $5.9 billion, (ii) designate us as a borrower under the ATVM Program, and (iii) cause the Federal Financing Bank to enter into the Note Purchase Agreement for the purchase of notes to be issued by us evidencing such loans. The proceeds of the ATVM loan have been used to finance certain costs for fuel efficient, advanced technology vehicles. The principal amount of the ATVM loan bears interest at a blended rate based on the U.S. Treasury yield curve at the time each draw was made (with the weighted-average interest rate on all such draws still outstanding being about 2.3% per annum).

NOTE 15. DEBT AND COMMITMENTS *(Continued)*

EIB Credit Facilities

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

Automotive Credit Facilities

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

At December 31, 2013, the utilized portion of the revolving credit facility was $83 million, representing amounts utilized as letters of credit.

At December 31, 2013, we had $802 million of local credit facilities to foreign Automotive affiliates, of which $99 million has been utilized. Of the $802 million of committed credit facilities, $487 million expires in 2014, $277 million expires in 2015, and $38 million thereafter.

Financial Services Sector

Asset-Backed Debt

Ford Credit engages in securitization transactions to fund operations and to maintain liquidity. Ford Credit's securitization transactions are recorded as asset-backed debt and the associated assets are not de-recognized and continue to be included on our financial statements.

The finance receivables and cash flows related to operating leases that have been included in securitization transactions are only available for payment of the debt and other obligations issued or arising in the securitization transactions. They are not available to pay Ford Credit's other obligations or the claims of its other creditors. Ford Credit does, however, hold the right to the excess cash flows not needed to pay the debt and other obligations issued or arising in each of the securitization transactions. The debt is the obligation of Ford Credit's consolidated securitization entities and not Ford Credit's legal obligation or that of its other subsidiaries.

NOTE 15. DEBT AND COMMITMENTS *(Continued)*

The following table shows the assets and liabilities related to our asset-backed debt arrangements that are included on our financial statements for the years ended December 31 (in billions):

	2013		
	Cash and Cash Equivalents	Finance Receivables, Net and Net Investment in Operating Leases	Related Debt
VIEs (a)			
Finance receivables	$ 3.8	$ 45.8	$ 35.1
Net investment in operating leases	0.4	8.1	5.6
Total	$ 4.2	$ 53.9	$ 40.7
Non-VIE			
Finance receivables (b)	$ 0.2	$ 5.6	$ 5.2
Total securitization transactions			
Finance receivables	$ 4.0	$ 51.4	$ 40.3
Net investment in operating leases	0.4	8.1	5.6
Total	$ 4.4	$ 59.5	$ 45.9

	2012		
	Cash and Cash Equivalents	Finance Receivables, Net and Net Investment in Operating Leases	Related Debt
VIEs (a)			
Finance receivables	$ 2.5	$ 47.5	$ 36.0
Net investment in operating leases	0.4	6.3	4.2
Total	$ 2.9	$ 53.8	$ 40.2
Non-VIE			
Finance receivables (b)	$ 0.1	$ 3.5	$ 3.3
Total securitization transactions			
Finance receivables	$ 2.6	$ 51.0	$ 39.3
Net investment in operating leases	0.4	6.3	4.2
Total	$ 3.0	$ 57.3	$ 43.5

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(a) Includes assets to be used to settle liabilities of the consolidated VIEs. See Note 11 for additional information on Financial Services sector VIEs.
(b) Certain notes issued by the VIEs to affiliated companies served as collateral for accessing the ECB open market operations program. This external funding of $145 million at December 31, 2012 was not reflected as debt of the VIEs and is excluded from the table above, but was included on our consolidated debt. The finance receivables backing this external funding are included in the table above.

Financial Services sector asset-backed debt also included $0 and $64 million at December 31, 2013 and 2012, respectively, that is secured by property.

Credit Facilities

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

NOTE 15. DEBT AND COMMITMENTS *(Continued)*

At December 31, 2013, FCAR's bank liquidity facilities available to support FCAR's asset-backed commercial paper, subordinated debt, or its purchase of Ford Credit's asset-backed securities was $3.5 billion, down from $6.3 billion at December 31, 2012. This reduction has been offset by increases in other committed liquidity programs, leaving Ford Credit's total sources of liquidity largely unchanged.

Committed Liquidity Programs

Ford Credit and its subsidiaries, including FCE, have entered into agreements with a number of bank-sponsored, asset-backed commercial paper conduits ("conduits") and other financial institutions. Such counterparties are contractually committed, at Ford Credit's option, to purchase from it eligible retail or wholesale assets or to purchase or make advances under asset-backed securities backed by retail, lease, or wholesale assets for proceeds of up to $29.4 billion ($18.4 billion retail, $5.7 billion wholesale, and $5.3 billion lease assets) at December 31, 2013, of which about $5.4 billion are commitments to FCE. These committed liquidity programs have varying maturity dates, with $24.5 billion (of which about $5 billion relates to FCE commitments) having maturities within the next twelve months and the remaining balance having maturities between January 2015 and December 2015. Ford Credit plans to achieve capacity renewals to protect its global funding needs, optimize capacity utilization, and maintain sufficient liquidity.

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

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, our operations are exposed to global market risks, including the effect of changes in foreign currency exchange rates, certain commodity prices, and interest rates. To manage these risks, we enter into various derivatives contracts:

- Foreign currency exchange contracts, including forwards and options, that are used to manage foreign exchange exposure;
- Commodity contracts, including forwards and options, that are used to manage commodity price risk;
- Interest rate contracts including swaps, caps, and floors that are used to manage the effects of interest rate fluctuations; and
- Cross-currency interest rate swap contracts that are used to manage foreign currency and interest rate exposures on foreign-denominated debt.

Our derivatives are over-the-counter customized derivative transactions and are not exchange-traded. We review our hedging program, derivative positions, and overall risk management strategy on a regular basis.

Derivative Financial Instruments and Hedge Accounting. Derivatives are recorded on the balance sheet at fair value and presented on a gross basis.

We have elected to apply hedge accounting to certain derivatives. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period.

Some derivatives do not qualify for hedge accounting; for others, we elect not to apply hedge accounting. Regardless, we only enter into transactions that we believe will be highly effective at offsetting the underlying economic risk.

Cash Flow Hedges. Our Automotive sector has designated certain forward contracts as cash flow hedges of forecasted transactions with exposure to foreign currency exchange risk.

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(Continued)*

The effective portion of changes in the fair value of cash flow hedges is deferred in *Accumulated other comprehensive income/(loss)* and is recognized in *Automotive cost of sales* when the hedged item affects earnings. The ineffective portion is reported in *Automotive cost of sales* in the period of measurement. Our policy is to de-designate cash flow hedges prior to the time forecasted transactions are recognized as assets or liabilities on the balance sheet and report subsequent changes in fair value through *Automotive cost of sales*. If it becomes probable that the originally-forecasted transaction will not occur, the related amount included in *Accumulated other comprehensive income/(loss)* is reclassified and recognized in earnings. The majority of our cash flow hedges mature in two years or less.

Fair Value Hedges. Our Financial Services sector uses derivatives to reduce the risk of changes in the fair value of debt. We have designated certain receive-fixed, pay-float interest rate swaps as fair value hedges of fixed-rate debt. The risk being hedged is the risk of changes in the fair value of the hedged debt attributable to changes in the benchmark interest rate. If the hedge relationship is deemed to be highly effective, we record the changes in the fair value of the hedged debt related to the risk being hedged in *Financial Services debt* with the offset in *Financial Services other income/(loss), net*. The change in fair value of the related derivative (excluding accrued interest) also is recorded in *Financial Services other income/(loss), net.* Net interest settlements and accruals on fair value hedges are excluded from the assessment of hedge effectiveness and are reported in *Interest expense*. The cash flows associated with fair value hedges are reported in *Net cash provided by/(used in) operating activities* on our statement of cash flows.

Hedge ineffectiveness is the difference between the change in fair value of the derivative instrument and the change in fair value of the hedged item attributable to changes in the benchmark interest rate. Ineffectiveness is recorded directly to income.

When a fair value hedge is de-designated, or when the derivative is terminated before maturity, the fair value adjustment to the hedged debt continues to be reported as part of the carrying value of the debt and is amortized over its remaining life.

Derivatives Not Designated as Hedging Instruments. Our Automotive sector reports changes in the fair value of derivatives not designated as hedging instruments through *Automotive cost of sales*. Cash flows associated with non-designated or de-designated derivatives are reported in *Net cash provided by/(used in) investing activities* on our statements of cash flows.

Our Financial Services sector reports net interest settlements and accruals and changes in the fair value of interest rate swaps not designated as hedging instruments in *Financial Services other income/(loss) net*. Foreign currency revaluation on accrued interest along with gains and losses on foreign exchange contracts and cross currency interest rate swaps are reported in *Financial Services other income/(loss) net*. Cash flows associated with non-designated or de-designated derivatives are reported in *Net cash provided by/(used in) investing activities* on our statements of cash flows.

Normal Purchases and Normal Sales Classification. We have elected to apply the normal purchases and normal sales classification for physical supply contracts that are entered into for the purpose of procuring commodities to be used in production over a reasonable period in the normal course of our business.

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(Continued)*

Income Effect of Derivative Financial Instruments

The following table summarizes by hedge designation the pre-tax gains/(losses) recorded in Other comprehensive income/(loss) ("OCI"), reclassified from *Accumulated other comprehensive income/(loss)* ("AOCI") to income and/or recognized directly in income for the years ended December 31 (in millions):

	2013			2012			2011		
	Gains/ (Losses) Recorded in OCI	Gains/ (Losses) Reclassified from AOCI to Income	Gains/ (Losses) Recognized in Income	Gains/ (Losses) Recorded in OCI	Gains/ (Losses) Reclassified from AOCI to Income	Gains/ (Losses) Recognized in Income	Gains/ (Losses) Recorded in OCI	Gains/ (Losses) Reclassified from AOCI to Income	Gains/ (Losses) Recognized in Income
Automotive Sector									
Cash flow hedges									
Foreign currency exchange contracts	$ 317	$ (80)	$ (3)	$ (371)	$ (377)	$ 1	$ (100)	$ 119	$ (3)
Derivatives not designated as hedging instruments									
Foreign currency exchange contracts			$ (26)			$ (138)			$ 20
Commodity contracts			(84)			(65)			(423)
Other – warrants			—			(4)			(1)
Total			$ (110)			$ (207)			$ (404)
Financial Services Sector									
Fair value hedges									
Interest rate contracts									
Net interest settlements and accruals excluded from the assessment of hedge effectiveness			$ 254			$ 177			$ 217
Ineffectiveness (a)			(44)			16			(30)
Total			$ 210			$ 193			$ 187
Derivatives not designated as hedging instruments									
Interest rate contracts			$ (33)			$ (14)			$ (5)
Foreign currency exchange contracts			21			(70)			(48)
Cross-currency interest rate swap contracts			(88)			(150)			(3)
Other (b)			—			(81)			65
Total			$ (100)			$ (315)			$ 9

(a) For 2013, 2012, and 2011, hedge ineffectiveness reflects change in fair value on derivatives of $658 million loss, $228 million gain, and $433 million gain, respectively, and change in value on hedged debt attributable to the change in benchmark interest rate of $614 million gain, $212 million loss, and $463 million loss, respectively.
(b) Reflects gains/(losses) for derivative features included in the FUEL Notes (see Note 4).

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(Continued)*

Balance Sheet Effect of Derivative Financial Instruments

The following table summarizes the notional amount and estimated fair value of our derivative financial instruments (in millions):

	December 31, 2013			December 31, 2012		
	Notional	Fair Value of Assets	Fair Value of Liabilities	Notional	Fair Value of Assets	Fair Value of Liabilities
Automotive Sector						
Cash flow hedges						
Foreign currency exchange contracts	$ 16,238	$ 413	$ 189	$ 17,663	$ 150	$ 357
Derivatives not designated as hedging instruments						
Foreign currency exchange contracts	11,599	144	210	9,225	68	129
Commodity contracts	3,006	23	19	1,854	23	124
Total derivatives not designated as hedging instruments	14,605	167	229	11,079	91	253
Total Automotive sector derivative financial instruments	$ 30,843	$ 580	$ 418	$ 28,742	$ 241	$ 610
Financial Services Sector						
Fair value hedges						
Interest rate contracts	$ 18,778	$ 360	$ 179	$ 16,754	$ 787	$ 8
Derivatives not designated as hedging instruments						
Interest rate contracts	69,863	224	126	68,919	504	248
Foreign currency exchange contracts	2,410	1	25	2,378	9	8
Cross-currency interest rate swap contracts	2,620	—	176	3,006	—	117
Total derivatives not designated as hedging instruments	74,893	225	327	74,303	513	373
Total Financial Services sector derivative financial instruments	$ 93,671	$ 585	$ 506	$ 91,057	$ 1,300	$ 381

Notional amounts are presented on a gross basis. The notional amounts of the derivative financial instruments do not represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates, or commodity volumes and prices.

On our consolidated balance sheet, derivative assets are reported in *Other assets* for Automotive and Financial Services sectors, and derivative liabilities are reported in *Payables* for our Automotive sector and in *Other liabilities and deferred revenue* for our Financial Services sector.

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(Continued)*

Counterparty Risk and Collateral

The use of derivatives exposes us to the risk that a counterparty may default on a derivative contract. We establish exposure limits for each counterparty to minimize this risk and provide counterparty diversification. Substantially all of our derivative exposures are with counterparties that have an investment grade rating. The aggregate fair value of our derivative instruments in asset positions on December 31, 2013 was $1.2 billion, representing the maximum loss that we would recognize at that date if all counterparties failed to perform as contracted. We enter into master agreements with counterparties that may allow for netting of exposures in the event of default or termination of the counterparty agreement due to breach of contract.

The gross and net amounts of derivative assets and liabilities were as follows (in millions):

	December 31, 2013		December 31, 2012	
	Fair Value of Assets	Fair Value of Liabilities	Fair Value of Assets	Fair Value of Liabilities
Automotive Sector				
Gross derivative amounts recognized in balance sheet	$ 580	$ 418	$ 241	$ 610
Gross derivative amounts not offset in the balance sheet that are eligible for offsetting	(359)	(359)	(218)	(218)
Net amount	$ 221	$ 59	$ 23	$ 392
Financial Services Sector				
Gross derivative amounts recognized in balance sheet	$ 585	$ 506	$ 1,300	$ 381
Gross derivative amounts not offset in the balance sheet that are eligible for offsetting	(296)	(296)	(222)	(222)
Net amount	$ 289	$ 210	$ 1,078	$ 159

We may receive or pledge cash collateral with certain counterparties based on our net position with regard to foreign currency and commodity derivative contracts, which is reported in *Other Assets* or *Payables* on our consolidated balance sheet. As of December 31, 2013 and 2012, we did not receive or pledge any cash collateral.

We include an adjustment for non-performance risk in the measurement of fair value of derivative instruments. Our adjustment for non-performance risk is relative to a measure based on an unadjusted inter-bank deposit rate (e.g., LIBOR). For our Automotive sector, at December 31, 2013 and 2012, our adjustment decreased derivative assets by $1 million and $1 million, respectively, and decreased derivative liabilities by $1 million and $1 million, respectively. For our Financial Services sector, at December 31, 2013 and 2012, our adjustment increased derivative assets by $2 million and decreased derivative assets by $14 million, respectively, and decreased derivative liabilities by $25 million and $5 million, respectively. See Note 4 for more detail on valuation methodologies.

NOTE 17. REDEEMABLE NONCONTROLLING INTEREST

AutoAlliance International, Inc. ("AAI") is a 50/50 joint venture between Ford and Mazda Motor Corporation ("Mazda") that operates an automobile assembly plant in Flat Rock, Michigan. On September 1, 2012, we granted to Mazda a put option to sell and received a call option to purchase from Mazda the 50% equity interest in AAI that is held by Mazda ("the Option"). The Option is exercisable at a price of $339 million and is recorded as a redeemable noncontrolling interest in the mezzanine section of our balance sheet. Mazda's share in AAI is redeemable by Ford or Mazda for a three-year period commencing on September 1, 2015. The following table summarizes the change in our redeemable noncontrolling interest for the years ended December 31 (in millions):

	2013	2012
Beginning balance (a)	$ 322	$ 319
Accretion to the redemption value of noncontrolling interest (recognized in *Interest expense)*	9	3
Ending balance	$ 331	$ 322

(a) The 2012 beginning balance reflects the fair value of redeemable noncontrolling interest at September 1, 2012, the date of the AAI consolidation. See Note 23 for additional information.

NOTE 18. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The following table summarizes the changes in the accumulated balances for each component of AOCI attributable to Ford Motor Company for the years ended December 31 (in millions):

	2013	2012	2011
Foreign currency translation			
Beginning balance	$ (1,241)	$ (1,383)	$ (665)
Net gains/(losses) on foreign currency translation (net of tax benefit of $53 and tax of $0 and $2)	(617)	157	(697)
Reclassifications to net income (a)	111	(15)	(21)
Other comprehensive income/(loss), net of tax (b)	(506)	142	(718)
Ending balance	$ (1,747)	$ (1,241)	$ (1,383)
Derivative instruments (c)			
Beginning balance	$ (175)	$ (181)	$ (29)
Net gains/(losses) on derivative instruments (net of tax of $141 and tax benefit of $115 and $29)	176	(256)	(71)
Reclassifications to net income (net of tax of $41 and $115 and tax benefit of $38) (d)	39	262	(81)
Other comprehensive income/(loss), net of tax	215	6	(152)
Ending balance	$ 40	$ (175)	$ (181)
Pension and other postretirement benefits			
Beginning balance	$ (21,438)	$ (17,170)	$ (13,617)
Prior service cost arising during the period (net of tax of $0 and tax benefit of $1 and $35)	2	(31)	56
Net gains/(losses) arising during the period (net of tax of $1,883 and tax benefit of $2,238 and $1,461)	3,521	(4,693)	(4,229)
Amortization of prior service costs/(credits) included in net income (net of tax benefit of $21, $100, and $183) (e)	(24)	(164)	(40)
Amortization of (gains)/losses included in net income (net of tax of $653, $404, and $69) (e)	1,445	812	631
Translation impact on non-U.S. plans	(30)	(192)	29
Other comprehensive income/(loss), net of tax	4,914	(4,268)	(3,553)
Ending balance	$ (16,524)	$ (21,438)	$ (17,170)
Net holding gains/(losses)			
Beginning balance	$ —	$ —	$ (2)
Reclassifications to net income	—	—	2
Ending balance	$ —	$ —	$ —
Total AOCI ending balance at December 31	$ (18,231)	$ (22,854)	$ (18,734)

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(a) The accumulated translation adjustments related to an investment in a foreign subsidiary are reclassified to net income upon sale or upon complete or substantially complete liquidation of the entity and are recognized in *Automotive interest income and other income/(loss), net* or *Financial Services other income/(loss), net.*
(b) There were losses of $2 million attributable to noncontrolling interests in 2011.
(c) We expect to reclassify existing net gains of $147 million from *Accumulated other comprehensive income/(loss)* to *Automotive cost of sales* during the next twelve months as the underlying exposures are realized.
(d) Gains/(losses) on cash flow hedges are reclassified from AOCI to income when the hedged item affects earnings and is recognized in *Automotive cost of sales.* See Note 16 for additional information.
(e) These AOCI components are included in the computation of net periodic pension cost. See Note 14 for additional information.

NOTE 19. OTHER INCOME/(LOSS)

Automotive Sector

The following table summarizes amounts included in *Automotive interest income and other income/(loss), net* for the years ended December 31 (in millions):

	2013	2012	2011
Interest income	$ 163	$ 272	$ 387
Realized and unrealized gains/(losses) on cash equivalents and marketable securities	190	85	(77)
Gains/(Losses) on changes in investments in affiliates	(113)	594	436
Gains/(Losses) on extinguishment of debt	(18)	—	(60)
Royalty income	577	414	266
Other	175	234	139
Total	$ 974	$ 1,599	$ 1,091

Financial Services Sector

The following table summarizes amounts included in *Financial Services other income/(loss), net* for the years ended December 31 (in millions):

	2013	2012	2011
Interest income (investment-related)	$ 50	$ 70	$ 84
Realized and unrealized gains/(losses) on cash equivalents and marketable securities	—	16	15
Gains/(Losses) on changes in investments in affiliates	5	(8)	51
Gains/(Losses) on extinguishment of debt	(1)	(14)	(68)
Insurance premiums earned	119	105	100
Other	175	196	193
Total	$ 348	$ 365	$ 375

NOTE 20. SHARE-BASED COMPENSATION

At December 31, 2013, a variety of share-based compensation grants and awards were outstanding for employees (including officers). All share-based compensation plans are approved by the shareholders.

We have share-based compensation outstanding under two Long-Term Incentive Plans ("LTIP"): the 1998 LTIP and the 2008 LTIP. No further grants may be made under the 1998 LTIP. All outstanding share-based compensation under the 1998 LTIP continues to be governed by the terms and conditions of the existing agreements for those grants. Grants may continue to be made under the 2008 LTIP through April 2018. Under the 2008 LTIP, the number of shares of Common Stock that may be granted as share-based compensation in any year is limited to 2% of our issued and outstanding Common Stock as of December 31 of the prior calendar year. Any unused portion is available for later years. The limit may be increased up to 3% in any year, with a corresponding reduction in shares available for grants in future years. At December 31, 2013 the number of unused shares carried forward was 217 million shares.

We primarily issue two types of share-based compensation awards: restricted stock units ("RSUs") and stock options.

We grant time-based and performance-based RSUs to our employees. RSUs provide the recipients with the right to shares of Common Stock after a restriction period. We measure the fair value using the closing price of our Common Stock on grant date.

Time-based RSUs generally have a graded vesting feature whereby one-third of each grant of RSUs vests after the first anniversary of the grant date, one-third after the second anniversary, and one-third after the third anniversary. Performance-based RSUs have a performance period (usually one year) followed by a restriction period (usually two years).

NOTE 20. SHARE-BASED COMPENSATION *(Continued)*

We also grant stock options to our employees. We measure the fair value of our stock options using the Black-Scholes option-pricing model, using historical volatility and our determination of the expected term. The expected term of stock options is the time period that the stock options are expected to be outstanding. Historical data are used to estimate option exercise behaviors and employee termination experience.

Stock options generally have a vesting feature whereby one-third of each grant of stock options are exercisable after the first anniversary of the grant date, one-third after the second anniversary, and one-third after the third anniversary. Stock options expire 10 years from the grant date.

Expense for RSUs and stock options is recorded in *Selling, administrative, and other expense* and is based on the fair value at grant date. RSU and stock option expense is recognized using the graded vesting method over the shorter of the vesting period or the time period an employee becomes eligible to retain the award at retirement. Performance-based RSU expense is recognized when it is probable and estimable as measured against the performance metrics over the performance and restriction periods, if any.

We measure the intrinsic value of RSUs and stock options by comparing the award price to the closing stock price at December 31.

We issue new shares of Common Stock upon vesting of RSUs and upon exercise of stock options.

Restricted Stock Units

RSU activity during 2013 was as follows (in millions, except for weighted average grant-date fair value):

	Shares	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value
Outstanding, beginning of year	18.2	$ 13.18	
Granted	10.8	12.77	
Vested	(7.7)	13.11	
Forfeited	(1.0)	12.52	
Outstanding, end of year	20.3	13.11	$ 313
RSU-stock expected to vest	20.0	N/A	309

The fair value and intrinsic value of RSUs was as follows (in millions, except RSU per unit amounts):

	2013	2012	2011
Fair value			
Granted	$ 138	$ 102	$ 123
Weighted average for multiple grant dates (per unit)	12.77	12.43	14.47
Vested	101	109	141
Intrinsic value			
Vested	$ 119	$ 329	$ 478

Compensation cost for RSUs for the years ended December 31 was as follows (in millions):

	2013	2012	2011
Compensation cost (a)	$ 81	$ 62	$ 84

(a) Net of tax benefit of $48 million, $36 million, and $49 million in 2013, 2012, and 2011, respectively.

As of December 31, 2013, there was approximately $58 million in unrecognized compensation cost related to non-vested RSUs. This expense will be recognized over a weighted average period of 1.8 years.

NOTE 20. SHARE-BASED COMPENSATION *(Continued)*

Stock Options

Stock option activity was as follows (in millions, except for weighted average exercise price):

	2013		2012	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	108.0	$ 9.14	144.4	$ 10.63
Granted	5.9	12.76	6.4	12.43
Exercised (a)	(33.1)	9.76	(7.6)	5.70
Expired	(1.6)	8.26	(35.2)	16.59
Forfeited	(0.1)	12.80	—	—
Outstanding, end of year	79.1	9.17	108.0	9.14
Exercisable, end of year	67.6	8.53	96.5	8.67

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(a) Exercised at option prices ranging from $1.96 to $16.49 during 2013 and option prices ranging from $1.96 to $12.49 during 2012.

The total grant date fair value of options that vested during the years ended December 31 was as follows (in millions):

	2013	2012	2011
Fair value of vested options	$ 41	$ 37	$ 36

We have 67.6 million fully-vested stock options, with a weighted-average exercise price of $8.53 and average remaining term of 3.6 years. We expect 11.3 million stock options (after forfeitures), with a weighted-average exercise price of $12.89 and average remaining term of 8.6 years, to vest in the future. The intrinsic value for vested and unvested options was $466 million and $28 million, respectively, for the year ended December 31, 2013.

We received approximately $323 million in proceeds from the exercise of stock options in 2013. The tax benefit realized was $11 million. An equivalent of about $511 million in new issues were used to settle exercised options. For options exercised during the years ended December 31, 2013, 2012, and 2011, the difference between the fair value of the Common Stock issued and the respective exercise price was $188 million, $44 million, and $54 million, respectively.

Compensation cost for stock options for the years ended December 31 was as follows (in millions):

	2013	2012	2011
Compensation cost (a)	$ 18	$ 26	$ 30

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(a) Net of tax benefit of $11 million, $16 million, and $17 million in 2013, 2012, and 2011, respectively.

As of December 31, 2013, there was about $10 million in unrecognized compensation cost related to non-vested stock options. This expense will be recognized over a weighted-average period of 1.7 years. A summary of the status of our non-vested shares and changes during 2013 follows (in millions, except for weighted average grant-date fair value):

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested, beginning of year	11.5	$ 6.79
Granted	5.9	5.03
Vested	(5.8)	7.04
Forfeited	(0.1)	5.30
Non-vested, end of year	11.5	5.78

NOTE 20. SHARE-BASED COMPENSATION *(Continued)*

The estimated fair value of stock options at the time of grant using the Black-Scholes option-pricing model was as follows:

	2013	2012	2011
Fair value per stock option	$ 5.03	$ 5.88	$ 8.48
Assumptions:			
Annualized dividend yield	3%	2%	—%
Expected volatility	52.2%	53.8%	53.2%
Risk-free interest rate	1.5%	1.6%	3.2%
Expected stock option term (in years)	7.7	7.2	7.1

Details on various stock option exercise price ranges as of December 31, 2013 were as follows (shares in millions):

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Shares	Weighted-Average Life (years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$1.96 – $2.84	15.5	5.2	$ 2.16	15.5	$ 2.16
$5.11 – $8.58	23.2	3.1	7.29	23.2	7.29
$10.11 – $12.98	29.1	5.3	12.58	19.1	12.56
$13.07 – $16.64	11.3	2.8	13.86	9.8	13.71
Total stock options	79.1			67.6	

NOTE 21. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES

We record costs associated with voluntary separations at the time of employee acceptance, unless the acceptance requires explicit approval by the Company. We record costs associated with involuntary separation programs when management has approved the plan for separation, the affected employees are identified, and it is unlikely that actions required to complete the separation plan will change significantly. When a plan of separation requires approval by or consultation with the relevant labor organization or government, the costs are recorded after the required approval or consultation process is complete. Costs associated with benefits that are contingent on the employee continuing to provide service are accrued over the required service period.

Additionally, under certain labor agreements, we are required to pay transitional benefits to our employees who are idled. For employees who will be temporarily idled, we expense the benefits on an as-incurred basis. For employees who will be permanently idled, we expense all of the future benefits payments in the period when it is probable that the employees will be permanently idled. Our reserve balance for these future benefit payments to permanently idled employees takes into account several factors: the demographics of the population at each affected facility, redeployment alternatives, estimate of benefits to be paid, and recent experience relative to voluntary redeployments.

Automotive Sector

Business Restructuring - Europe

In October 2012, we committed to commence a transformation plan for our Europe operations. As part of this plan, we closed two manufacturing facilities in the United Kingdom in 2013 and are in the process of closing our assembly plant in Genk, Belgium at the end of 2014. The Genk closure was subject to an information and consultation process with employee representatives, which was completed in June 2013.

NOTE 21. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES *(Continued)*

Separation-related costs, recorded in *Automotive cost of sales* and *Selling, administrative and other expenses*, include both the costs associated with voluntary separation programs in the United Kingdom and involuntary employee actions at Genk, as well as payments to suppliers. The following table summarizes the separation-related activity (excluding $180 million of pension-related costs discussed in Note 14) recorded in *Other liabilities and deferred revenue*, for the year ended December 31 (in millions):

	2013
Beginning balance	$ —
Changes in accruals	607
Payments	(131)
Foreign Currency translation	21
Ending balance	$ 497

Our current estimate of total separation-related costs for the U.K. and Genk facilities is approximately $1 billion, excluding approximately $200 million of pension-related costs. The separation related costs not yet recorded will be expensed as the employees and suppliers continue to support Genk plant operations.

NOTE 22. INCOME TAXES

In accordance with GAAP, we have elected to recognize accrued interest related to unrecognized tax benefits and tax-related penalties in the *Provision for/(Benefit from) income taxes* on our consolidated income statement.

Valuation of Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards on a taxing jurisdiction basis. We measure deferred tax assets and liabilities using enacted tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid.

Our accounting for deferred tax consequences represents our best estimate of the likely future tax consequences of events that have been recognized on our financial statements or tax returns and their future probability. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. If, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized, we record a valuation allowance.

NOTE 22. INCOME TAXES *(Continued)*

Components of Income Taxes

Components of income taxes excluding discontinued operations, cumulative effects of changes in accounting principles, other comprehensive income, and equity in net results of affiliated companies accounted for after-tax, were as follows:

	2013	2012	2011
Income before income taxes, excluding equity in net results of affiliated companies accounted for after-tax (in millions)			
U.S.	$ 6,523	$ 6,639	$ 6,043
Non-U.S.	(591)	493	2,138
Total	$ 5,932	$ 7,132	$ 8,181
Provision for/(Benefit from) income taxes (in millions)			
Current			
Federal	$ (19)	$ 4	$ (4)
Non-U.S.	302	270	298
State and local	(40)	3	(24)
Total current	243	277	270
Deferred			
Federal	(200)	2,076	(9,785)
Non-U.S.	321	(126)	(1,590)
State and local	(511)	(171)	(436)
Total deferred	(390)	1,779	(11,811)
Total	$ (147)	$ 2,056	$ (11,541)
Reconciliation of effective tax rate			
U.S. statutory rate	35.0 %	35.0%	35.0 %
Non-U.S. tax rates under U.S. rates	(1.5)	(1.6)	(1.5)
State and local income taxes	1.0	0.2	1.1
General business credits	(5.9)	0.3	(1.9)
Dispositions and restructurings	(26.0)	(1.7)	6.8
U.S. tax on non-U.S. earnings	(2.0)	(1.0)	(0.8)
Prior year settlements and claims	(0.2)	(1.8)	(0.2)
Tax-related interest	(0.2)	—	(0.9)
Tax-exempt income	(5.9)	(3.9)	(3.9)
Enacted change in tax rates	3.0	1.7	(0.1)
Valuation allowances	(0.8)	1.6	(172.3)
Other	1.0	—	(2.4)
Effective rate	(2.5)%	28.8%	(141.1)%

Included in “Dispositions and restructurings” is the recognition of deferred tax assets for investments in our European operations. Under GAAP, we do not recognize deferred tax assets related to stock investment in affiliates until it becomes apparent they will be realized in the foreseeable future. In the fourth quarter of 2013, we restructured certain of our European affiliates. We have made tax elections to include the operating results of these affiliates in our U.S. tax returns. As a result, we anticipate the realization of tax benefits related to stock investments in these European affiliates and have recorded deferred tax assets of $1.5 billion.

The American Taxpayer Relief Act of 2012 reinstated the U.S. federal research and development tax credit and U.S. tax deferral of certain foreign source income, retroactive to January 1, 2012. As a result, the tax provision for the period ended December 31, 2013 reflects a $233 million tax benefit related to the retroactive provisions of the Act.

NOTE 22. INCOME TAXES *(Continued)*

We historically have provided deferred taxes for the presumed repatriation to the United States of earnings from nearly all non-U.S. subsidiaries. During 2011, we determined that $6.9 billion of these non-U.S. subsidiaries' undistributed earnings are now indefinitely reinvested outside the United States. As management has determined that the earnings of these subsidiaries are not required as a source of funding for U.S. operations, such earnings are not planned to be distributed to the United States in the foreseeable future. As a result of this change in assertion, deferred tax liabilities related to undistributed foreign earnings decreased by $63 million.

As of December 31, 2013, $7.5 billion of non-U.S. earnings are considered indefinitely reinvested in operations outside the United States, for which deferred taxes have not been provided. These earnings have been subject to significant non-U.S. taxes; repatriation in their entirety would result in a residual U.S. tax liability of about $1 billion.

At the end of 2011, our U.S. operations had returned to a position of cumulative profits for the most recent 3-year period. We concluded that this record of cumulative profitability in recent years, our ten consecutive quarters of pre-tax operating profits, our successful completion of labor negotiations with the UAW, and our business plan showing continued profitability provided assurance that our future tax benefits more likely than not would be realized. Accordingly, at year-end 2011, we released almost all of our valuation allowance against net deferred tax assets for entities in the United States, Canada, and Spain.

Components of Deferred Tax Assets and Liabilities

The components of deferred tax assets and liabilities were as follows (in millions):

	December 31, 2013	December 31, 2012
Deferred tax assets		
Employee benefit plans	$ 4,907	$ 8,079
Net operating loss carryforwards	2,364	2,417
Tax credit carryforwards	5,675	4,973
Research expenditures	2,236	2,321
Dealer and dealers' customer allowances and claims	2,106	1,820
Other foreign deferred tax assets	1,567	1,790
Allowance for credit losses	143	146
All other	2,736	1,176
Total gross deferred tax assets	21,734	22,722
Less: valuation allowances	(1,633)	(1,923)
Total net deferred tax assets	20,101	20,799
Deferred tax liabilities		
Leasing transactions	1,138	1,145
Deferred income	2,075	2,094
Depreciation and amortization (excluding leasing transactions)	2,430	1,561
Finance receivables	723	616
Other foreign deferred tax liabilities	311	379
All other	707	289
Total deferred tax liabilities	7,384	6,084
Net deferred tax assets/(liabilities)	$ 12,717	$ 14,715

At December 31, 2013, we have a valuation allowance of $1.6 billion primarily for deferred tax assets related to our South America operations.

Operating loss carryforwards for tax purposes were $7.6 billion at December 31, 2013, resulting in a deferred tax asset of $2.4 billion. There is no expiration date for $4.2 billion of these losses. The remaining losses begin to expire in 2016, though a substantial portion expire beyond 2020. Tax credits available to offset future tax liabilities are $5.7 billion. A substantial portion of these credits have a remaining carryforward period of 10 years or more. Tax benefits of operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances.

NOTE 22. INCOME TAXES *(Continued)*

Other

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows for the years listed (in millions):

	2013	2012
Beginning balance	$ 1,547	$ 1,721
Increase – tax positions in prior periods	128	84
Increase – tax positions in current period	45	19
Decrease – tax positions in prior periods	(24)	(246)
Settlements	(79)	(31)
Lapse of statute of limitations	(54)	(14)
Foreign currency translation adjustment	1	14
Ending balance	$ 1,564	$ 1,547

The amount of unrecognized tax benefits at December 31, 2013 and 2012 that would affect the effective tax rate if recognized was $1.2 billion and $1.2 billion, respectively.

Examinations by tax authorities have been completed through 2004 in Germany, and through 2007 in Canada, the United States, and the United Kingdom. Although examinations have been completed in these jurisdictions, limited transfer pricing disputes exist for years dating back to 1996.

We recorded on our consolidated income statement approximately $11 million, $9 million, and $77 million in tax-related interest income for the years ended December 31, 2013, 2012, and 2011. As of December 31, 2013 and 2012, we had recorded a net payable of $83 million and $137 million, respectively, for tax-related interest.

NOTE 23. DISPOSITIONS, CHANGES IN INVESTMENTS IN AFFILIATES, AND ASSETS HELD FOR SALE

We classify assets and liabilities as held for sale ("disposal group") when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. We also consider whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current fair value, and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. We classify a disposal group as a discontinued operation when the criteria to be classified as held for sale have been met and we will not have any significant involvement with the disposal group after the sale.

When we classify a disposal group as held for sale, we test for impairment. An impairment charge is recognized when the carrying value of the disposal group exceeds the estimated fair value, less transaction costs. We also cease depreciation for assets classified as held for sale.

We aggregate the assets and liabilities of all held-for-sale disposal groups on the balance sheet for the period in which the disposal group is held for sale. To provide comparative balance sheets, we also aggregate the assets and liabilities for significant held-for-sale disposal groups on the prior-period balance sheet.

Automotive Sector

Dispositions

Automotive Components Holdings, LLC ("ACH"). During the second quarter of 2012, ACH completed the sales of its automotive interior trim components business and automotive lighting business resulting in pre-tax losses of $96 million and $77 million, respectively, reported in *Automotive interest income and other income/(loss), net*, and contractual obligations of $182 million and $15 million, respectively, associated with the pricing of products to be purchased over the term of the related purchase and supply agreements.

NOTE 23. DISPOSITIONS, CHANGES IN INVESTMENTS IN AFFILIATES, AND ASSETS HELD FOR SALE *(Continued)*

Changes in Investments in Affiliates

JMC. During the fourth quarter of 2013, we completed the acquisition of an additional 2% stake in JMC, a publicly-traded company in China that assembles Ford and non-Ford vehicles for distribution in China and other export markets. As a result, we recorded a $48 million increase in *Equity in net assets of affiliated companies*.

Liquidation of a Foreign Subsidiary. During the third quarter of 2013, we completed the liquidation of a foreign subsidiary holding company, Ford LRH, and, as a result, reclassified a foreign currency translation loss of $103 million related to the investment from *Accumulated other comprehensive income/(loss)* to *Automotive interest income and other income/(loss), net.*

Ford Romania. Effective January 1, 2013, the Romanian government ceded control and participation in our operations in Romania. As a result of acquiring full management control, we consolidated Ford Romania under the acquisition method of accounting. Prior to consolidation, our ownership in Ford Romania had been reflected at 100% under the equity method of accounting.

We measured the fair value of Ford Romania using the income approach. We used cash flows that reflect our approved business plan for Ford Romania and align with assumptions a market participant would make. We assumed a discount rate of 8% based on an appropriate weighted-average cost of capital, adjusted for perceived business risks.

The fair value of 100% of Ford Romania's identifiable net assets was $48 million as shown below (in millions):

	January 1, 2013
Assets	
Cash and cash equivalents	$ 9
Receivables	119
Inventories	70
Net property	927
Other assets	112
Total assets of Ford Romania	$ 1,237
Liabilities	
Payables	$ 232
Other liabilities	76
Debt	881
Total liabilities of Ford Romania	$ 1,189

The excess of our previously recorded equity interest of $63 million over fair value of the net assets acquired resulted in a pre-tax loss of $15 million recorded in *Automotive interest income and other income/(loss), net.*

AAI. During the third quarter of 2012, we acquired full management control of AAI and consolidated it under the acquisition method of accounting. At September 1, 2012, the fair value of 100% of AAI's identifiable net assets was $868 million. As part of the business combination, we recorded a redeemable noncontrolling interest at the then fair value of $319 million (see Note 17). As a result, the fair value attributable to our investment in AAI at September 1, 2012 was $549 million. The excess of this fair value over the carrying value of our previously recorded 50% unconsolidated equity interest resulted in a third quarter 2012 pre-tax gain of $155 million in *Automotive interest income and other income/ (loss), net.*

Changan Ford Mazda Automobile Corporation, Ltd ("CFMA"). Our Chinese joint venture, CFMA, whose members included Chongqing Changan Automobile Co., Ltd. ("Changan") (50% partner), Mazda (15% partner) and us (35% partner), produced and distributed in China an expanding variety of Ford passenger car models, as well as Mazda and Volvo models. On November 30, 2012, CFMA transferred its Nanjing operations to Changan Mazda Automobile Ltd. ("CMA"), and CFMA was renamed CAF. Immediately after the split, Ford and Mazda fully exchanged their respective interest in the two joint ventures. As a result, Ford now owns a 50% interest in CAF and Mazda owns a 50% interest in CMA; Changan remains a 50% partner in each joint venture. CMA will continue to assemble vehicles for CAF as a contract manufacturer until 2014.

NOTE 23. DISPOSITIONS, CHANGES IN INVESTMENTS IN AFFILIATES, AND ASSETS HELD FOR SALE *(Continued)*

Upon the exchange, we de-recognized the historical carrying value of our equity investment in CMA of $115 million, increased our equity investment in CAF by the fair value of the interest received of $740 million, and recognized a fourth quarter 2012 pre-tax gain of $625 million in *Automotive interest income and other income/(expense), net*.

Ford Russia. During the second quarter of 2011, we signed an agreement with Sollers OJSC establishing FordSollers, a 50/50 joint venture in Russia. On October 1, 2011, we contributed our wholly owned operations in Russia, consisting primarily of a manufacturing plant near St. Petersburg and access to our Russian dealership network, to the joint venture in exchange for a 50% interest. As a result, we deconsolidated Ford Russia's assets and liabilities, recorded an equity method investment in Ford Sollers at fair value, and recognized a pre-tax gain of $401 million reported in *Automotive interest income and other income/(loss), net*.

Financial Services Sector

Dispositions

Asia Pacific Markets. In 2011, Ford Credit recorded foreign currency translation adjustments of $60 million (including $72 million recorded in the fourth quarter of 2011) related to the strategic decision to exit retail and wholesale financing in certain Asia Pacific markets. These adjustments decreased *Accumulated other comprehensive income* (foreign currency translation) and increased pre-tax income, which was recorded to *Financial Services other income/(loss), net*.

Assets Held for Sale

Other Financial Services Segment. During April and August 2013, we executed agreements to sell certain Volvo-related retail financing receivables in tranches to a third-party financing company. We received cash proceeds of $495 million and recognized pre-tax gains of $6 million for receivables sold in 2013. The pre-tax gains are reported in *Financial Services other income(loss), net.* All servicing obligations were transferred to the third party upon sale of the receivables. As a consequence of the sale of receivables, we also recognized other expenses of $56 million. As of December 31, 2013, the remaining Volvo-related retail financing receivables of $3 million were considered assets held for sale as we have the intent to sell these receivables as part of future tranches under these same agreements. We determined a valuation allowance was not required, based on an analysis of the fair value of the remaining receivables. The receivables are included in *Other Assets.*

NOTE 24. CAPITAL STOCK AND AMOUNTS PER SHARE

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

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

We present both basic and diluted earnings per share ("EPS") amounts in our financial reporting. Basic EPS excludes dilution and is computed by dividing income available to Common and Class B Stock holders by the weighted-average number of Common and Class B Stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur from our share-based compensation, including "in-the-money" stock options and unvested restricted stock units, and conversion into Ford Common Stock of our outstanding convertible notes. Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

NOTE 24. CAPITAL STOCK AND AMOUNTS PER SHARE *(Continued)*

Dividend Declaration

On January 9, 2014, our Board of Directors declared a first quarter 2014 dividend on our Common and Class B Stock of $0.125 per share payable on March 3, 2014 to stockholders of record on January 31, 2014.

Effect of Dividends on Convertible Notes

As a result of dividends totaling $0.40 per share ($0.10 per share in each quarter of 2013) paid on our Common Stock, the conversion rates for our outstanding convertible notes (see Note 15) have been adjusted pursuant to their terms as follows:

	Conversion Rate - Shares of Ford Common Stock for Each $1,000 Principal Amount		
Security	**In Effect At January 1, 2013**	**After Adjustment Effective May 3, 2013**	**After Adjustment Effective November 1, 2013**
4.25% Senior Convertible Notes Due November 15, 2016	109.8554 shares	111.5339 shares	112.8203 shares
	In Effect At January 1, 2013	**After Adjustment Effective May 3, 2013**	**After Adjustment Effective November 1, 2013**
4.25% Senior Convertible Notes Due November 15, 2036	111.0495 shares	112.7462 shares	114.0466 shares

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

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

	2013	2012	2011
Basic and Diluted Income Attributable to Ford Motor Company			
Basic income	$ 7,155	$ 5,665	$ 20,213
Effect of dilutive 2016 Convertible Notes (a)	45	46	64
Effect of dilutive 2036 Convertible Notes (a)	1	2	2
Effect of dilutive Trust Preferred Securities (a) (b)	—	—	40
Diluted income	$ 7,201	$ 5,713	$ 20,319
Basic and Diluted Shares (c)			
Basic shares (average shares outstanding)	3,935	3,815	3,793
Net dilutive options and warrants	51	101	187
Dilutive 2016 Convertible Notes	98	96	95
Dilutive 2036 Convertible Notes	3	3	3
Dilutive Trust Preferred Securities (b)	—	—	33
Diluted shares	4,087	4,015	4,111

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

NOTE 25. OPERATING CASH FLOWS

The reconciliation of *Net income attributable to Ford Motor Company* to *Net cash provided by/(used in) operating activities* for the years ended December 31 was as follows (in millions):

	2013		
	Automotive	Financial Services	Total (a)
Net income attributable to Ford Motor Company	$ 5,755	$ 1,400	$ 7,155
Depreciation and tooling amortization	4,064	2,440	6,504
Other amortization	110	(158)	(48)
Provision for credit and insurance losses	2	208	210
Net (gain)/loss on extinguishment of debt	18	1	19
Net (gain)/loss on investment securities	(190)	—	(190)
Loss on retiree lump-sum settlements	594	—	594
Equity investment earnings in excess of dividends received	(529)	—	(529)
Foreign currency adjustments	227	1	228
Net (gain)/loss on changes in investments in affiliates	113	—	113
Stock compensation	152	7	159
Provision for deferred income taxes	(494)	(367)	(861)
Decrease/(Increase) in intersector receivables/payables	(136)	136	—
Decrease/(Increase) in accounts receivable and other assets	(1,401)	(568)	(1,969)
Decrease/(Increase) in inventory	(572)	—	(572)
Increase/(Decrease) in accounts payable and other liabilities	(1,332)	737	(595)
Other	1,357	(485)	872
Net cash provided by/(used in) operating activities	$ 7,738	$ 3,352	$ 11,090

	2012		
	Automotive	Financial Services	Total (a)
Net income attributable to Ford Motor Company	$ 4,466	$ 1,199	$ 5,665
Depreciation and tooling amortization	3,655	1,831	5,486
Other amortization	43	(325)	(282)
Provision for credit and insurance losses	6	77	83
Net (gain)/loss on extinguishment of debt	—	14	14
Net (gain)/loss on investment securities	(89)	(16)	(105)
Dividends in excess of equity investment earnings	20	—	20
Foreign currency adjustments	(121)	5	(116)
Net (gain)/loss on sale of businesses	183	4	187
Gain on changes in investments in affiliates	(780)	—	(780)
Stock compensation	134	6	140
Provision for deferred income taxes	1,444	545	1,989
Decrease/(Increase) in intersector receivables/payables	899	(899)	—
Decrease/(Increase) in accounts receivable and other assets	(2,335)	(162)	(2,497)
Decrease/(Increase) in inventory	(1,401)	—	(1,401)
Increase/(Decrease) in accounts payable and other liabilities	(520)	(34)	(554)
Other	662	(202)	460
Net cash provided by/(used in) operating activities	$ 6,266	$ 2,043	$ 8,309

(a) See Note 1 for a reconciliation of the sum of the sector net cash provided by/(used in) operating activities to the consolidated net cash provided by/(used in) operating activities.

NOTE 25. OPERATING CASH FLOWS *(Continued)*

	2011		
	Automotive	Financial Services	Total (a)
Net income attributable to Ford Motor Company	$ 18,447	$ 1,766	$ 20,213
Depreciation and tooling amortization	3,533	1,184	4,717
Other amortization	80	(541)	(461)
Provision for credit and insurance losses	2	(36)	(34)
Net (gain)/loss on extinguishment of debt	60	68	128
Net (gain)/loss on investment securities	76	6	82
Equity investment earnings in excess of dividends received	(169)	—	(169)
Foreign currency adjustments	(35)	(2)	(37)
Net (gain)/loss on sale of businesses	(410)	(11)	(421)
Stock compensation	163	8	171
Provision for deferred income taxes	(11,566)	495	(11,071)
Decrease/(Increase) in intersector receivables/payables	642	(642)	—
Decrease/(Increase) in accounts receivable and other assets	(1,658)	(284)	(1,942)
Decrease/(Increase) in inventory	(367)	—	(367)
Increase/(Decrease) in accounts payable and other liabilities	(168)	(1,431)	(1,599)
Other	738	(162)	576
Net cash provided by/(used in) operating activities	$ 9,368	$ 418	$ 9,786

(a) See Note 1 for a reconciliation of the sum of the sector net cash provided by/(used in) operating activities to the consolidated net cash provided by/(used in) operating activities.

Cash paid/(received) for interest and income taxes for continuing operations for the years ended December 31 was as follows (in millions):

	2013	2012	2011
Interest			
Automotive sector	$ 746	$ 693	$ 1,012
Financial Services sector	2,755	3,003	3,357
Total interest paid	$ 3,501	$ 3,696	$ 4,369
Income taxes	$ 538	$ 344	$ 268

NOTE 26. SEGMENT INFORMATION

Our operating activity consists of two operating sectors, Automotive and Financial Services. Segment selection is based on the organizational structure we use to evaluate performance and make decisions on resource allocation, as well as availability and materiality of separate financial results consistent with that structure.

Automotive Sector

Our Automotive sector is divided into four segments: 1) North America, 2) South America, 3) Europe, and 4) Asia Pacific Africa. Included in each segment, described below, are the associated costs to develop, manufacture, distribute, and service vehicles and parts.

North America segment primarily includes the sale of Ford- and Lincoln-brand vehicles and related service parts and accessories in North America (United States, Canada, and Mexico).

South America segment primarily includes the sale of Ford-brand vehicles and related service parts and accessories in South America.

Europe segment primarily includes the sale of Ford-brand vehicles, components, and related service parts and accessories in Europe, Turkey, and Russia.

Asia Pacific Africa segment primarily includes the sale of Ford-brand vehicles and related service parts and accessories in the Asia Pacific region and South Africa.

Revenue from Ford-brand and JMC-brand vehicles produced and distributed by our unconsolidated affiliates are not included in our revenue.

The Other Automotive component of the Automotive sector consists primarily of centrally-managed net interest expense and related fair market value adjustments.

Special items are presented as a separate reconciling item to reconcile segment results to consolidated results of the Company. These special items include (i) personnel and dealer-related items stemming from our efforts to match production capacity and cost structure to market demand and changing model mix, and (ii) certain infrequent significant items that we generally do not consider to be indicative of our ongoing operating activities. This presentation reflects the fact that management excludes these items from its review of the results of the operating segments for purposes of measuring segment profitability and allocating resources.

Transactions among Automotive segments generally are presented on a “where-sold,” absolute-cost basis, which reflects the profit/(loss) on the sale within the segment making the ultimate sale to an external entity. This presentation generally eliminates the effect of legal entity transfer prices within the Automotive sector for vehicles, components, and product engineering.

Financial Services Sector

The Financial Services sector includes the following segments: 1) Ford Credit, and 2) Other Financial Services. Ford Credit provides vehicle-related financing and leasing. Other Financial Services includes a variety of businesses including holding companies, real estate, and the financing of some Volvo vehicles in Europe. During 2013, we sold a substantial portion of our Volvo financing business, with the remaining Volvo-related retail financing receivables classified as assets held for sale in *Other assets*. See Note 23 for more information.

NOTE 26. SEGMENT INFORMATION *(Continued)*

Key operating data for our business segments for the years ended or at December 31 were as follows (in millions):

	Automotive Sector						
	Operating Segments				Reconciling Items		
	North America	South America	Europe	Asia Pacific Africa	Other Automotive	Special Items	Total
2013							
Revenues	$ 88,907	$ 10,844	$ 27,882	$ 11,736	$ —	$ —	$ 139,369
Income/(loss) before income taxes	8,781	(34)	(1,609)	415	(656)	(1,568)	5,329
Other disclosures:							
Depreciation and tooling amortization	2,128	272	1,312	352	—	—	4,064
Amortization of intangibles	9	—	1	1	—	—	11
Interest expense	—	—	—	—	829	—	829
Interest income	100	—	6	4	53	—	163
Cash outflow for capital spending	3,754	756	1,277	779	—	—	6,566
Unconsolidated affiliates							
Equity in net income	127	—	125	794	—	—	1,046
Total assets at December 31	59,038	7,056	15,264	8,968	—	—	90,326
2012							
Revenues	$ 79,943	$ 10,080	$ 26,546	$ 9,998	$ —	$ —	$ 126,567
Income/(loss) before income taxes	8,343	213	(1,753)	(77)	(470)	(246)	6,010
Other disclosures:							
Depreciation and tooling amortization	1,964	256	1,132	303	—	—	3,655
Amortization of intangibles	9	—	—	1	—	—	10
Interest expense	—	—	—	—	713	—	713
Interest income	72	—	—	—	200	—	272
Cash outflow for capital spending	3,150	668	1,112	529	—	—	5,459
Unconsolidated affiliates							
Equity in net income	127	—	113	315	—	—	555
Total assets at December 31	51,699	6,819	20,305	7,635	—	—	86,458
2011							
Revenues	$ 75,022	$ 10,976	$ 33,758	$ 8,412	$ —	$ —	$ 128,168
Income/(loss) before income taxes	6,191	861	(27)	(92)	(601)	(82)	6,250
Other disclosures:							
Depreciation and tooling amortization	1,769	265	1,225	274	—	—	3,533
Amortization of intangibles	9	2	—	1	—	—	12
Interest expense	—	—	—	—	817	—	817
Interest income	60	—	—	—	327	—	387
Cash outflow for capital spending	2,164	581	1,034	493	—	—	4,272
Unconsolidated affiliates							
Equity in net income	179	—	61	239	—	—	479
Total assets at December 31	46,038	6,878	19,737	6,133	—	—	78,786

NOTE 26. SEGMENT INFORMATION *(Continued)*

	Financial Services Sector				Total Company	
	Operating Segments		Reconciling Item			
	Ford Credit (a)	Other Financial Services	Elims	Total	Elims (b)	Total
2013						
Revenues	$ 7,805	$ 192	$ (449)	$ 7,548	$ —	$ 146,917
Income/(loss) before income taxes	1,756	(84)	—	1,672	—	7,001
Other disclosures:						
Depreciation and tooling amortization	2,422	18	—	2,440	—	6,504
Amortization of intangibles	—	—	—	—	—	11
Interest expense	2,730	130	—	2,860	—	3,689
Interest income (c)	50	—	—	50	—	213
Cash outflow for capital spending	16	15	—	31	—	6,597
Unconsolidated affiliates						
Equity in net income	23	—	—	23	—	1,069
Total assets at December 31	115,608	5,679	(6,230)	115,057	(3,357)	202,026
2012						
Revenues	$ 7,189	$ 267	$ (464)	$ 6,992	$ —	$ 133,559
Income/(loss) before income taxes	1,697	13	—	1,710	—	7,720
Other disclosures:						
Depreciation and tooling amortization	1,806	25	—	1,831	—	5,486
Amortization of intangibles	—	—	—	—	—	10
Interest expense	3,027	88	—	3,115	—	3,828
Interest income (c)	69	1	—	70	—	342
Cash outflow for capital spending	18	11	—	29	—	5,488
Unconsolidated affiliates						
Equity in net income	33	—	—	33	—	588
Total assets at December 31	104,596	7,698	(7,282)	105,012	(2,064)	189,406
2011						
Revenues	$ 7,662	$ 337	$ (562)	$ 7,437	$ —	$ 135,605
Income/(loss) before income taxes	2,404	27	—	2,431	—	8,681
Other disclosures:						
Depreciation and tooling amortization	1,154	30	—	1,184	—	4,717
Amortization of intangibles	—	—	—	—	—	12
Interest expense	3,507	107	—	3,614	—	4,431
Interest income (c)	83	1	—	84	—	471
Cash outflow for capital spending	15	6	—	21	—	4,293
Unconsolidated affiliates						
Equity in net income	21	—	—	21	—	500
Total assets at December 31	99,280	8,634	(7,302)	100,612	(2,012)	177,386

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(a) Prior-year revenues, depreciation, and total assets were reclassified to conform to current-year presentation.
(b) Includes intersector transactions occurring in the ordinary course of business and deferred tax netting.
(c) Interest income reflected on this line for Financial Services sector is non-financing related. Interest income in the normal course of business for Financial Services sector is reported in *Financial Services revenues*.

NOTE 27. GEOGRAPHIC INFORMATION

The following table shows Total Company revenues and long-lived assets, split geographically by our country of domicile, the United States, and other countries where our major subsidiaries are domiciled, for the years ended December 31 (in millions):

	2013		2012		2011	
	Revenues	Long-Lived Assets (a)	Revenues	Long-Lived Assets (a)	Revenues	Long-Lived Assets (a)
United States	$ 85,459	$ 28,276	$ 76,055	$ 22,986	$ 70,839	$ 18,514
United Kingdom	10,038	1,503	9,208	1,668	9,479	1,721
Canada	9,729	3,154	9,470	2,580	9,415	2,424
Germany	8,600	2,635	8,005	2,719	8,493	2,996
Mexico	1,992	1,910	1,818	1,990	1,920	1,419
All Other	31,099	8,738	29,003	6,887	35,459	5,817
Total Company	$ 146,917	$ 46,216	$ 133,559	$ 38,830	$ 135,605	$ 32,891

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(a) Includes *Net property* from our consolidated balance sheet and Financial Services *Net investment in operating leases* from the sector balance sheet.

NOTE 28. SELECTED QUARTERLY FINANCIAL DATA (unaudited)

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

	2013				2012			
Automotive Sector	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 33,858	$ 36,079	$ 33,857	$ 35,575	$ 30,525	$ 31,328	$ 30,247	$ 34,467
Income before income taxes	1,620	1,368	1,728	613	1,582	1,148	1,858	1,422
Financial Services Sector								
Revenues	$ 1,791	$ 1,844	$ 1,918	$ 1,995	$ 1,758	$ 1,709	$ 1,744	$ 1,781
Income before income taxes	503	451	363	355	456	447	388	419
Total Company								
Income before income taxes	$ 2,123	$ 1,819	$ 2,091	$ 968	$ 2,038	$ 1,595	$ 2,246	$ 1,841
Amounts Attributable to Ford Motor Company Common and Class B Shareholders								
Net income	$ 1,611	$ 1,233	$ 1,272	$ 3,039	$ 1,396	$ 1,040	$ 1,631	$ 1,598
Common and Class B per share from income from continuing operations								
Basic	$ 0.41	$ 0.31	$ 0.32	$ 0.77	$ 0.37	$ 0.27	$ 0.43	$ 0.42
Diluted	0.40	0.30	0.31	0.74	0.35	0.26	0.41	0.40

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

Results in the second, third, and fourth quarters of 2013 each include an unfavorable item for separation-related actions in Europe to support the Company's transformation plan of $430 million, $215 million, and $113 million, respectively (see Note 21).

Results in the fourth quarter of 2012 and the second, third, and fourth quarters of 2013 each include an unfavorable item related to the U.S. salaried lump-sum pension buyout program of $250 million, $294 million, $145 million and $155 million, respectively (see Note 14).

The net income attributable to Ford Motor Company of $3 billion in the fourth quarter of 2013 includes favorable tax special items of $2.1 billion, including the impact of a one-time favorable increase in deferred tax assets related to investments in European operations and the release of valuation allowances held against other deferred tax assets (see Note 22).

The pre-tax income of $1.8 billion in the fourth quarter of 2012 includes a $625 million gain related to the reorganization of our equity investment in CFMA (see Note 23).

NOTE 29. COMMITMENTS AND CONTINGENCIES

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

Guarantees and Indemnifications

Guarantees and indemnifications are recorded at fair value at their inception. We regularly review our performance risk under these arrangements, and in the event it becomes probable we will be required to perform under the guarantee or indemnification, the amount of probable payment is recorded.

We guarantee debt and lease obligations of certain joint ventures, as well as certain financial obligations of outside third parties, including suppliers, to support our business and economic growth. Expiration dates vary through 2033, and guarantees will terminate on payment and/or cancellation of the obligation. A payment by us would be triggered by failure of the joint venture or other third party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from the third party amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full, and may be limited in the event of insolvency of the third party or other circumstances.

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

The maximum potential payments and the carrying value of recorded liabilities related to guarantees and limited indemnities were as follows (in millions):

	December 31, 2013	December 31, 2012
Maximum potential payments	$ 659	$ 1,073
Carrying value of recorded liabilities related to guarantees and limited indemnities	5	17

Litigation and Claims

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

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

Litigation and claims are accrued when losses are deemed probable and reasonably estimable. In evaluating matters for accrual and disclosure purposes, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of our prevailing, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time.

NOTE 29. COMMITMENTS AND CONTINGENCIES *(Continued)*

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

For the remaining matters, where our historical experience with similar matters is of more limited value (i.e., "non-pattern matters"), we evaluate matters primarily based on the individual facts and circumstances. For non-pattern matters, we evaluate whether there is a reasonable possibility of a material loss in excess of any accrual that can be estimated. Our estimate of reasonably possible loss in excess of our accruals for all material matters currently reflects indirect tax and customs matters, for which we estimate the aggregate risk to be a range of up to about $2.9 billion.

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

Warranty

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

	2013	2012
Beginning balance	$ 3,656	$ 3,915
Payments made during the period	(2,302)	(2,254)
Changes in accrual related to warranties issued during the period	2,025	1,885
Changes in accrual related to pre-existing warranties	625	49
Foreign currency translation and other	(77)	61
Ending balance	$ 3,927	$ 3,656

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

Selected Financial Data

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

SUMMARY OF INCOME	2013	2012	2011	2010	2009
Total Company					
Revenues	$ 146,917	$ 133,559	$ 135,605	$ 128,122	$ 115,125
Income/(Loss) before income taxes	$ 7,001	$ 7,720	$ 8,681	$ 7,149	$ 2,599
Provision for/(Benefit from) income taxes	(147)	2,056	(11,541)	592	(113)
Income/(Loss) from continuing operations	7,148	5,664	20,222	6,557	2,712
Income/(Loss) from discontinued operations	—	—	—	—	5
Net income/(loss)	7,148	5,664	20,222	6,557	2,717
Less: Income/(Loss) attributable to noncontrolling interests	(7)	(1)	9	(4)	—
Net income/(loss) attributable to Ford Motor Company	$ 7,155	$ 5,665	$ 20,213	$ 6,561	$ 2,717
Automotive Sector					
Revenues	$ 139,369	$ 126,567	$ 128,168	$ 119,280	$ 103,868
Income/(Loss) before income taxes	5,329	6,010	6,250	4,146	785
Financial Services Sector					
Revenues	$ 7,548	$ 6,992	$ 7,437	$ 8,842	$ 11,257
Income/(Loss) before income taxes	1,672	1,710	2,431	3,003	1,814
Amounts Per Share Attributable to Ford Motor Company Common and Class B Stock					
Average number of shares of Ford Common and Class B Stock outstanding (in millions)	3,935	3,815	3,793	3,449	2,992
Basic income/(loss)	$ 1.82	$ 1.48	$ 5.33	$ 1.90	$ 0.91
Diluted income/(loss)	1.76	1.42	4.94	1.66	0.86
Cash dividends declared	0.40	0.15	0.05	—	—
Common Stock price range (NYSE Composite Intraday)					
High	18.02	13.08	18.97	17.42	10.37
Low	12.10	8.82	9.05	9.75	1.50
SECTOR BALANCE SHEET DATA AT YEAR-END					
Assets					
Automotive sector	$ 90,326	$ 86,458	$ 78,786	$ 64,606	$ 79,118
Financial Services sector	115,057	105,012	100,612	102,407	118,040
Intersector elimination	(1,631)	(252)	(1,112)	(2,083)	(3,224)
Total assets	$ 203,752	$ 191,218	$ 178,286	$ 164,930	$ 193,934
Debt					
Automotive sector	$ 15,683	$ 14,256	$ 13,094	$ 19,077	$ 33,610
Financial Services sector	99,005	90,802	86,595	85,112	98,671
Intersector elimination (a)	—	—	(201)	(201)	(646)
Total debt	$ 114,688	$ 105,058	$ 99,488	$ 103,988	$ 131,635
Total Equity/(Deficit)	$ 26,416	$ 15,989	$ 15,071	$ (642)	$ (7,782)

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

Employment Data

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

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

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

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

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

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

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

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

Management's Report on Internal Control Over Financial Reporting

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

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

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

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

New York Stock Exchange Required Disclosures

On June 6, 2013, Ford's Chief Executive Officer certified that he was not aware of any violation by the Company of the New York Stock Exchange Corporate Governance listing standards, other than has been notified to the Exchange pursuant to Section 303A.12(b), of which there was none.

Market for Common Equity and Related Stockholder Matters

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

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

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

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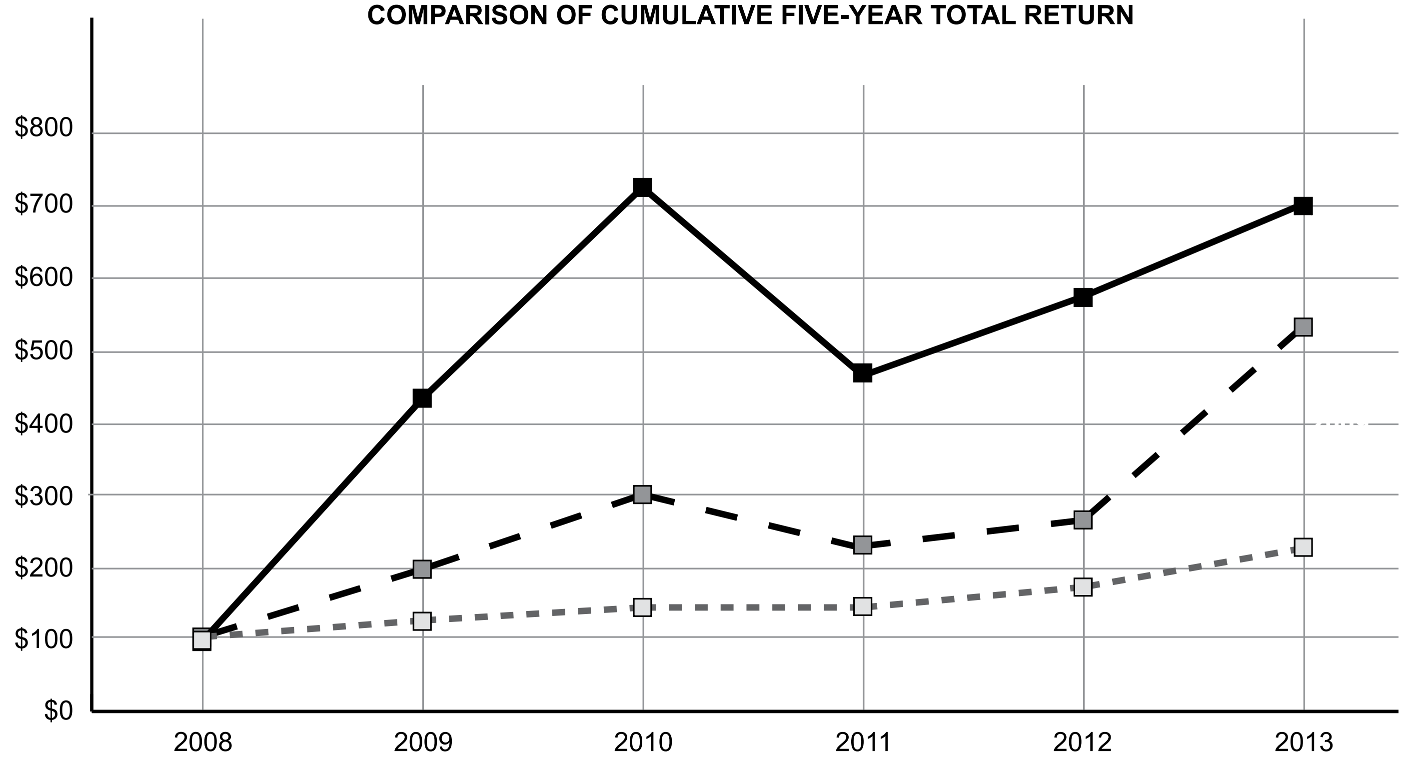
(a) New York Stock Exchange composite intraday prices as listed in the price history database available at www.NYSEnet.com.

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

Stock Performance Graph

The graph below shows over the past five years, the performance of our common stock against the Standard & Poor's 500 Stock Index and the Dow Jones Automobiles & Parts Titans 30 Index.



Total Return To Shareholders (Includes reinvestment of dividends)

Company / Index	Base Period Dec. 2008	Years Ending Dec. 2009	Dec. 2010	Dec. 2011	Dec. 2012	Dec. 2013
FORD MOTOR COMPANY	100	437	733	470	576	705
S&P 500	100	126	146	149	172	228
Dow Jones Automobiles & Parts Titans 30	100	194	301	226	267	532

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Company Information

Automotive Brand	Customer Assistance
Ford	800.392.3673 Ford.com FordOwner.com

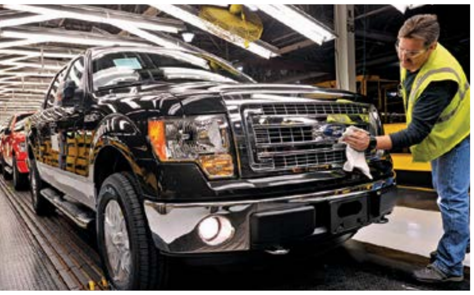
Automotive Brand	Customer Assistance
THE LINCOLN MOTOR COMPANY	800.521.4140 Lincoln.com LincolnOwner.com

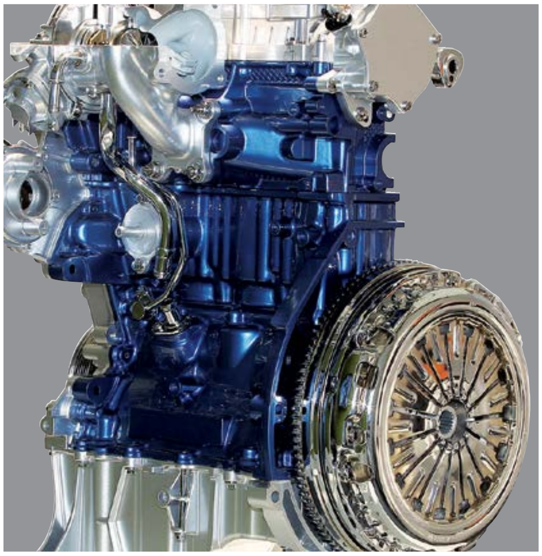
Financial Services	Operations	Customer Assistance
FORD CREDIT LINCOLN AUTOMOTIVE FINANCIAL SERVICES	**Ford Motor Credit Company** · A leading automotive financial services company founded in 1959 · Provides a wide variety of dealer and customer financing products and services globally in support of Ford Motor Company vehicle sales · As of year-end 2013, Ford Credit was financing about 5,200 Ford and Lincoln dealers and more than 3.8 million retail customers around the world	800.727.7000 FordCredit.com 888.498.8801 LincolnAFS.com

Customer Services	Operations	Customer Assistance
FORD SERVICE THE LINCOLN MOTOR COMPANY	**Service** A total service experience for Ford, Lincoln and Mercury owners available only at Ford and Lincoln stores — designed to deliver customer satisfaction and loyalty · Parts engineered to Ford Motor Company specifications · Technicians trained and certified specifically on Ford, Lincoln and Mercury vehicles · One-stop service for all vehicle maintenance and repair needs	Locate Ford and Lincoln Dealer Service at: FordOwner.com LincolnOwner.com Order Genuine Ford parts at: FordParts.com
Quick Lane TIRE & AUTO CENTER	**Quick Lane Tire & Auto Center** Ford Motor Company's all-makes quick service brand, successfully occupies a unique niche in the marketplace by offering customers "fast and dependable auto service". Fast comes in the form of all-makes-all-models service capabilities, no-appointment-necessary, service while you wait, evening and weekend hours, and competitive prices. Dependable comes in the form of factory-trained technicians and quality Motorcraft parts.	Locate Quick Lane Tire & Auto Center at: Quicklane.com
FORD PARTS Motorcraft	**Ford Parts and Motorcraft** New and remanufactured parts recommended by Ford Motor Company and available in Ford and Lincoln stores, Ford authorized distributors and thousands of major retail and repair locations	Order Motorcraft and Ford Genuine Parts at: FordParts.com
FORD ACCESSORIES LINCOLN ACCESSORIES	**Ford and Lincoln Accessories** Wide variety of original and licensed accessories are available, all designed to personalize Ford and Lincoln vehicles	Original and licensed accessories at: accessories.ford.com accessories.lincoln.com
Extended Service Plan LINCOLN EXTENDED SERVICE PLAN	**Ford and Lincoln Extended Service Plan (ESP)** Provides comprehensive vehicle service contracts and maintenance programs to support dealer and direct mail sales to Ford, Lincoln, and competitive-make owners	ESP 800.521.4144 FordOwner.com LincolnOwner.com

About the Company

Ford Motor Company, a global automotive industry leader based in Dearborn, Mich., manufactures or distributes automobiles across six continents. With about 181,000 employees and 65 plants worldwide, the company's automotive brands include Ford and Lincoln. The company provides financial services through Ford Motor Credit Company. For more information regarding Ford and its products worldwide, please visit www.corporate.ford.com.





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