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Ford Motor Company's impact on the U.S. and global economies is broad and diverse. Our success as a company directly affects millions of people, including employees, retirees, dealers, investors and suppliers. We also have indirect economic impact on the hundreds of communities in which we operate worldwide.

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

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

This section first briefly discusses the current business environment, our recent economic progress and our materiality analysis. The bulk of the section then addresses our financial recovery plan, including our progress in implementing the above four priorities. (Note that the risks and competitive factors discussed in our Annual Report on Form 10-K and Form 8-K may affect the implementation of these plans). The section also includes information on shareholder relations and Ford Motor Credit Company, as well as two case studies: one on our development of additional plants in Asia, and one on the economic impacts of the auto industry.

Assessing Materiality

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

Within this broad topic, there was less focus on issues of managing downsizing and the potential bankruptcy of competitors or suppliers than in 2008/9, when a materiality analysis was last undertaken. Health care costs, legacy costs and access to capital also declined in importance, likely because of actions Ford has taken to manage these issues. Issues of cost and risk management and product competitiveness remained at the highest level of importance to the Company and stakeholders. "Product competitiveness" encompasses Ford's strategy related to products and sales, including product mix, market share and meeting customer demands for more fuel-efficient products, among other issues.

Vehicle quality, Ford's manufacturing efficiency and our emerging-market products and services strategy were also of significant concern to internal and external stakeholders. This section reports on all of these key material issues.

Current Business Environment

In 2010, the global economy continued to recover from a severe recession and challenging economic conditions in major markets. Ford also continued to improve its own financial condition significantly, building on the momentum gained in 2009. We achieved full-year profitability in 2010, with every business segment reporting better results than in 2009. We are continuing to introduce new products that are well received in the marketplace, and to increase productivity and reduce key costs to operate even more efficiently. We also substantially reduced our debt burden in 2010 and early 2011, helping us have more cash on our balance sheet than debt earlier

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than we expected.

Despite our progress, mixed overall economic conditions continued to impact our business. Unemployment, for example, remained high in many countries, including the U.S., where the unemployment rate was 9.4 percent as of December 2010. Global GDP grew by more than 3 percent last year, with the U.S. GDP expanding by 2.8 percent as compared to 2009. The pace of global economic activity varied substantially from country to country, with China growing more than 10 percent while peripheral European markets (e.g., Greece, Ireland, Portugal) experienced tepid growth associated with excessive government debt and weak banking systems.

The auto sector overall experienced moderate growth in 2010. Worldwide vehicle sales (including passenger cars, commercial vehicles and all trucks of medium- and heavy-duty gross vehicle weights) were estimated at 74 million units, which exceeded the prior peak in sales in 2007, before the recession began. Some markets continued to have government-sponsored scrap page programs and other aggressive new-vehicle incentives intended to stabilize sales and automotive production. Given how important the auto sector is to the core vitality of national economies, this support was important not only for the industry, but also for its customers, suppliers, local communities and other stakeholders. U.S. new-vehicle sales have improved from a low point of 9.8 million units (seasonally adjusted at annual rate) in the second quarter of 2009 to 12.7 million units by the fourth quarter of 2010.

Looking ahead to 2011, general economic indicators suggest that global economic growth will be in the 3 to 4 percent range. Improving conditions in the U.S. likely will bring the unemployment rate down gradually. Several emerging markets, such as China, India and Brazil, are experiencing rising inflation, which may lead to weaker economic growth. While economic growth could be slower in these markets during 2011, economic activity will continue to expand at a rate much faster than what is expected in the U.S. and Europe.

A further recovery in the U.S. auto sector is projected during 2011, with full-year sales predicted to reach 13 to 13.5 million units in 2011, and in Europe full-year sales are predicted to be in the 14.5 to 15.5 million unit range. Other markets are recovering at different speeds, due to differences in the pace of economic activity, interest rates and other important factors influencing the cost of vehicle ownership.

At Ford, we are looking forward to continued growth in 2011. We are investing in new products to meet growing consumer demand. And we are making significant investments in our manufacturing operations; in the U.S., we are retooling plants to produce more fuel-efficient vehicles, while in Asia, we are building new facilities and adding workforce to meet growing consumer demand.

The rest of this Economy section addresses our continued economic progress and our future plans to maintain this momentum.

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ECONOMY
- Progress
- Restructuring Our Business
- Delivering New Products
- Financing Our Plan and Improving Our Balance Sheet
- Working as One Team
- Shareholder Relations
- Ford Motor Credit Company
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Progress

Some of our major financial and product achievements in 2010 and the first quarter of 2011 include the following.

- In 2010, we exceeded our profitability expectations with an $8.3 billion pre-tax profit[1] and generated $4.4 billion in Automotive operating-related cash flow. Every business segment reported a profit in 2010 and improved results over 2009.
- We gained market share in the U.S. in 2010, the first two-year consecutive increase since 1993. Our full-year market share was16.4 percent in 2010, up 1.1 points over 2009. Sales were up 19 percent over 2009, the largest sales percentage increase of any full-line automaker in the U.S.
- We achieved positive Automotive gross cash net of debt in 2010, earlier than we anticipated.
- We are making substantial investments in plants and job creation in all of our global regions. In 2010, we announced more than $9 billion in global investments for future growth, including $4.5 billion in North and South America, $2.9 billion in Europe and $1.7 billion in our Asia Pacific and Africa region.
- We continued to introduce new vehicles with best-in-class fuel economy, including the 2011 Ford Edge, Explorer, F-150 and Lincoln MKX, which all have unsurpassed fuel economy in their respective segments. In addition, all of our incoming vehicle models are getting better fuel efficiency than their outgoing model counterparts – for each and every vehicle line.
- We received a number of prestigious vehicle awards in 2010 and 2011. For example, the all-new Ford Explorer was named “Truck of the Year” at the North American International Auto Show, the Ford Focus was named the official car of the Consumer Electronics Show, and the Ford Figo was awarded Indian Car of the Year 2011 by a leading jury of automobile journalists. The Figo also was named Bloomberg UTV Autocar Car of the Year 2011 and ET ZigWheels Car of the Year 2010.
- Ford quality continued to improve in 2010. In the U.S., Ford tied with Honda for the fewest number of “things gone wrong” after three months in service among all full-line automakers. Ford also reduced “things gone wrong” in Europe, Asia Pacific and Africa, and South America.[2]
- We completed the full repayment of our hourly retiree health care obligations to the Voluntary Employee Beneficiary Association, an independent trust established as part of collective bargaining between Ford and the UAW.
- Ford won the “Business Turnaround of the Year” award from the 2010 American Business Awards, which are judged by more than 200 executives from across the U.S. The award recognized our efforts to turn the corner during 2009 in the face of a global economic and financial crisis, as well as unprecedented events in the U.S. automotive industry.

1. Excluding special items. For more information on Ford’s 2010 financial results, please see our annual 10-K SEC filing and our 2010 Fourth Quarter and Full Year Earnings Review.
2. “Things gone wrong” is measured as part of the Global Quality Research Survey (GQRS), which is conducted quarterly for Ford by the RDA Group, a market research and consulting firm.

Related Links

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- Ford’s Goals, Commitments and Status
- Sustaining Ford
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Vehicle Websites:
- Ford Edge
- Ford Explorer
- Ford F-150
- Ford Focus
- Ford Figo
- Lincoln MKX

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Restructuring Our Business

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

Our restructuring efforts, though painful, have been highly successful. In 2010, we continued to build on momentum gained in 2009. We achieved full-year profitability that exceeded our expectations and improved performance in every business unit compared to 2009. We continued to reduce debt, becoming cash positive in 2011. We are also delivering best-in-class products that consumers want.

We have achieved these results by sticking steadfastly to our "ONE Ford" plan, which focuses on building a strong business, great products and a better world. The ONE Ford plan offers a detailed set of business objectives and systems for achieving those objectives, as well as a vision for delivering positive results for all our stakeholders, including our suppliers, our dealers and the communities in which we work.

- Restructuring Progress
- Investing in Operations
- Working with the UAW
- Steps to Reduce Health Care Costs
- Working with Dealers
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- Working as One Team
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Restructuring Progress

We continue to work hard to restructure our business to achieve and maintain profitability, by delivering products customers want and value and by reducing our cost structure. Though this transition has been painful, it has begun to pay off. In 2010 and early 2011 we achieved some important results from our restructuring plan. For example:

- We exceeded our profitability expectations with an $8.3 billion pre-tax profit[1] and generated $4.4 billion in Automotive operating-related cash flow. Every business segment reported a profit in 2010 and improved its results compared to 2009.
- We gained market share in the U.S. again in 2010, the first two-year consecutive increase since 1993. Our full-year market share was16.4 percent in 2010, up 1.1 points over 2009. Sales were up 19 percent compared to 2009, the largest sales percentage increase of any full-line automaker in the U.S.
- Sales gains in the U.S. were led by the Ford Fusion sedan, which saw a sales increase of 21 percent compared to 2009; the Ford Taurus, with sales up 51 percent compared to 2009; the Ford Edge, with sales up 34 percent compared to 2009; and the Ford F-series, with sales up 28 percent compared to 2009.
- In 2010 we discontinued production of the Mercury brand, in order to fully devote our financial, product development, production and marketing, sales and service resources toward further growing the core Ford brand while enhancing Lincoln. As part of this effort, we are planning to add seven all-new or significantly redesigned Lincoln models in the next three years, including the first-ever Lincoln C-sized vehicle.
- We also completed the sale of Volvo, to sharpen our focus on the core Ford brand around the world.
- In 2010, Ford reduced Automotive debt by $14.5 billion, or 43 percent, which will lower our annualized interest expenses by more than $1 billion.
- Ford ended 2010 with positive Automotive gross cash net of debt. Automotive gross cash exceeded debt by $1.4 billion, an improvement of $10.1 billion from year-end 2009.
- We are investing more than $2.5 billion in our U.S. plants, retooling them to build more fuel-efficient vehicles.
- We will be adding more than 7,000 jobs in our U.S. operations during 2011 and 2012.
- We are investing more than $1.7 billion in new plants and plant improvements to increase our production capacity in the Asia Pacific and Africa region.

1. Excluding special items. For more information on Ford's 2010 financial results please see our annual 10-K SEC filing and our 2010 Fourth Quarter and Full Year Earnings Review.

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Vehicle Websites:
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- Ford Taurus
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Investing in Operations

As part of our ongoing efforts to restructure our business to regain and maintain profitable operations, we have reduced and realigned our vehicle assembly capacity to bring it more in line with demand and shifting customer preferences. These efforts have been highly successful, and we are now reinvesting in North American plants and adding jobs in the U.S. We are also building new plants around the world to meet growing demand in our global markets.

In North America, we are transforming some of our traditional truck plants to produce smaller, more fuel-efficient vehicles. For example, we are converting assembly plants from the production of large SUVs and trucks to the production of small cars, to support what we believe is a permanent shift in consumer preferences to smaller, more fuel-efficient vehicles. We are also upgrading plants to produce more fuel-efficient engines and transmissions. These investments include the following.

- We are making an incremental $850 million investment in Michigan-based plants between 2011 and 2013 to support expanded manufacturing capabilities for new fuel-efficient, six-speed transmissions. These investments will be spread across a number of plants, including Van Dyke Transmission, Sterling Axle, Livonia Transmission and Dearborn Truck.
- We are investing $600 million to redevelop our Louisville Assembly plant to build the next-generation Ford Escape. When the Louisville plant reopens in late 2011, it will be our most flexible high-capacity plant, capable of building six different vehicles on a single line without requiring down time for retooling. Ford worked closely with state and local officials in planning this investment. The Commonwealth of Kentucky and the city of Louisville have committed up to $240 million in tax incentives during the next 10 years, based on current and potential future investments and job creation at the Company's two Kentucky facilities –Louisville Assembly and the Kentucky Truck Plant.
- In 2010, we invested $400 million in our Chicago Assembly and Stamping plants to launch production of the all-new 2011 Ford Explorer, which has up to 30 percent better fuel economy than the outgoing model and best-in-class fuel economy in the full-size SUV segment. This investment supported the addition of a second production shift at the Chicago Assembly Plant, which brought 1,200 new jobs to the Chicago area.
- We also are investing $400 million in our Kansas City Assembly Plant, to ready the plant for the production of a new vehicle, yet to be announced. This plant currently builds the Ford F-150 and the Ford Escape. The Escape will shift production to our Louisville Assembly Plant in 2011. The $400 million investment will pay for installing a new body shop, new tooling and other upgrades. The Kansas City plant will continue to produce the Ford F-150 on a separate production line. We worked closely with state and local officials in planning our continued investment in this state. Our investments were supported in part by the 2010 Missouri Manufacturing Jobs Act, which provides tax incentives for certified automotive manufacturers that commit to new investments and job retention in Missouri and to suppliers who create new jobs in the state.

These investments in American plants and more fuel-efficient vehicles add to the $550 million we previously announced to transform the Michigan Assembly Plant (MAP) from a large SUV factory to a state-of-the-art car plant. MAP is now building the new Focus, which began arriving in showrooms during the first quarter of 2011. The plant will also build the Company's Battery Electric Focus, beginning later this year, and the next-generation Ford C-MAX Hybrid and C-MAX Energi Plug-In Hybrid vehicles starting in 2012.

Many of these investments in our U.S. facilities are supported by loans Ford received from the U.S. Department of Energy to accelerate the production of more fuel-efficient vehicles. For more information on these loans, please see Ford's Green Partnerships with Federal and State Governments.

We also will be adding more than 7,000 new hourly and salaried jobs throughout 2011 and 2012 the U.S. This includes nearly 4,000 hourly jobs at several U.S. plants and 750 salaried engineering jobs in product development and manufacturing, which we expect to add in 2011. In 2012, we expect to add the remainder of the 7,000 new jobs through at least 2,500 more new hourly manufacturing positions.

Our improved financial performance has allowed us to begin growing our workforce. These gains come, however, after having made some significant and painful employee reductions over the past few years as part of our efforts to restructure our business and right-size our Company. Since 2005, we have reduced employment levels in our Ford North America business unit by about 58,800. As of December 31, 2010, our Ford North America business unit had approximately 74,900 salaried and hourly employees, including employees at Automotive Components Holdings facilities, compared with approximately 133,700 salaried and hourly employees on December 31,

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- Case Study: Michigan Assembly Plant: A Symbol of Ford's Transformation
- Operations

2005.

As part of the restructuring process, we closed plants to reduce capacity and better match demand. Since 2005 we have sold or closed eight Ford plants. We closed the Cleveland Casting Plant in 2010, and two additional plant closures will take effect by end of 2011 – the Twin Cities Assembly Plant and St. Thomas (Ontario) Assembly Plant.

We have also been working to sell or close the majority of the Automotive Components Holdings (ACH) plants that remain in our portfolio. We sold our ACH manufacturing plant in Utica, Michigan, in 2010. To date, we have sold and/or closed 10 ACH plants. We plan to close another plant in Indianapolis in the near future. We are exploring our options for the remaining ACH plants (Milan, Sheldon Road, Saline and Sandusky), and intend to transition these businesses to the supply base as soon as practicable.

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

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

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

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

In March 2011 we sold the former Norfolk Assembly Plant in Norfolk, Virginia, to Jacoby Development, Inc. As part of the transaction, Jacoby, in turn, sold a portion of the 100-acre former Ford plant to Belgium-based Katoen Natie (KTN), a global logistics provider. KTN will invest $12 million to establish a new warehousing and distribution operation, including $10.5 million to purchase the portion of the former Ford plant and refurbish the 662,000-square-foot former body shop, and $1.5 million for new equipment. The project is expected to create 225 new jobs. Ford worked closely with the City of Norfolk and the Commonwealth of Virginia to ensure the best use of the site, which is the largest privately owned, industrial-zoned, contiguous property in Norfolk.

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1. These employee numbers do not include dealer personnel. Also, 2009 employee numbers have been adjusted to reflect the new accounting standard on the deconsolidation of many of our variable interest entities.

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Working with the UAW

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

As part of this agreement, Ford agreed to "in-source" 1,559 jobs to the UAW by 2012. We are currently on track to add more than 2,100 UAW jobs into our U.S. plants by the end of 2012, exceeding our commitment by about 35 percent.

Ford shared profits with its U.S. hourly Ford employees as a result of the Company's financial performance during 2010. The average amount – about $5,000 for eligible full-time hourly employees – is the largest payment Ford has been in a position to make since 2000.

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Steps to Reduce Health Care Costs

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

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

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

The One Ford Health Strategy and its central theme of building a wellness culture are globally focused. Though national systems of care vary from country to country, high-quality, cost-effective health care and a healthy, productive workforce are common goals. In the U.S., the Patient Protection and Affordable Care Act (PPACA) signed into law by President Obama expanded access to care and makes real progress toward reform. Though the law includes various measures intended to manage cost increases, we need to continue to develop ways to control rising costs while providing high-quality services; these are areas where Ford continues to actively participate in designing solutions.

In the meantime, we are encouraged that the PPACA includes provisions that address three key areas that we had previously identified as essential elements for maximizing the value of health care service through a combination of quality, appropriateness and costs:

- **Wellness and Prevention** – As a country, we must focus on prevention and wellness, and make sure that employers can offer creative incentives that work to engage people in healthy behaviors. We need to shift the focus from paying for sick care to preventing illness. This requires allowing employers greater flexibility for incentives that reward people who meet important health goals or demonstrate meaningful effort, not just agree to participate in a program. At Ford, we are doing our part to spread education and tools that effectively encourage people to take an active part in their health care. Salaried health care plans, for example, now integrate financial incentives linked to engagement in improving health behaviors and in making informed choices as a health care consumer. The PPACA increases employers' flexibility in designing wellness and prevention programs.
- **Health Information Technology** – We need a national technology infrastructure that allows the consolidation of a patient's medical records, so that the most appropriate care is given wherever treatment is provided. To accomplish this, we need electronic medical records at every doctor's office and hospital, and they all need to be connected. We also need tools to improve the accuracy and safety of prescription drug dispensing, such as electronic prescribing (ePrescribing). Ford is a key participant in the Southeast Michigan ePrescribing Initiative, one of the largest employer-driven ePrescribing initiatives. This initiative has helped Michigan become second in the nation in the use of electronic prescriptions. The PPACA includes a provision that addresses the need for a national standard and protocols for health information technology implementation.
- **Understanding What Works** – By studying the cost and quality of health care and its effect on health status, we can deliver more effective care. New innovations in technology and drugs are key drivers of cost increases. Therefore, before new innovations are widely implemented, they must be compared to the standard practice to really know whether and how much additional value they bring. The comparative effectiveness study provisions in the PPACA are a good start, but findings must be translated for consumers and combined with cost considerations to help inform their decisions.

We have taken steps to reduce our own health care costs. Effective January 1, 2010, for example, we are no longer obligated to provide retiree health care benefits to hourly UAW employees, retirees and their dependents. Effective January 1, 2007, and January 1, 2008, respectively, Company contributions for U.S. salaried retirees who are not eligible for Medicare are capped at 2006 levels, and Company contributions for U.S. salaried retirees who are eligible for Medicare are capped at $1,800 per member per year. Since 2005, health care contributions paid by Ford's U.S. active salaried employees have increased each year.

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

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Working with Dealers

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

As we have with all of our stakeholders, Ford is taking a proactive, collaborative approach to working with our dealers to appropriately size our dealer network to match our sales, market share and dealer sales objectives. Ford's dealer network revitalization plan focuses our efforts on the largest 130 metropolitan market areas, which represents more than half of Ford's retail sales. Customer convenience factors such as driving distance, location and the appearance of the facility are taken into consideration as part of our analysis. This continues to be an ongoing process. Ford is not mandating dealer consolidations nor competitive cost actions. Instead, Ford and its dealers are working together to continue finding solutions that make Ford and its dealers competitive and best positioned to support customers.

In 2010 we discontinued production of Mercury vehicles, which will affect our existing Mercury dealers. We will work closely with Mercury dealers and customers during the transition, including providing existing Mercury owners with continued access to parts and service support at Ford and Lincoln dealers and by honoring current warranties, including Ford's Extended Service Plans. As of December 31, 2010, we had successfully resolved Mercury franchise agreements for 96 percent of Mercury franchise holders.

In the U.S. at year-end 2005, we had 4,396 Ford, Lincoln and Mercury dealers, with 2,242 of those dealers in our largest 130 markets. As of year-end 2010, we had 3,424 Ford and Lincoln dealers (a reduction from 3,553 at the end of 2009). We will continue to work collaboratively with our dealers to reduce our dealer network to match our sales, market share and dealer sales objectives. Globally we had 12,000 Ford and Lincoln dealers as of December 31, 2010.

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Working with Suppliers

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

We continue to work to strengthen our supply base in the U.S., which represents 80 percent of our North American purchases. As part of this process, we have been reducing the total number of production suppliers eligible for major global sourcing. In 2004 we had about 3,300 suppliers, while as of year-end 2010 we had more than 1,400. We have identified about 850 of these as long-term suppliers eligible for new major sourcing, which moves us toward our goal of 750 suppliers. We are also expanding our Aligned Business Framework (ABF) supplier program. In 2010 and early 2011, we had 75 production and 27 non-production ABF suppliers from around the world. We believe that our efforts at consolidation will result in more business for our major suppliers, which is increasingly important with the decline in industry sales volume.

As we move aggressively to global vehicle platforms, our sourcing from common suppliers for the total global volume of a vehicle's components is dramatically increasing. As a result, a smaller number of suppliers are receiving a greater volume of the purchases we make to support our global vehicle platforms. Ford has been working with its supply base to encourage global growth. For some suppliers, this means expanding to become global or entering into licensing agreements or joint ventures to extend their reach. It also means that a smaller number of suppliers will receive a greater volume of the purchases made by Ford. This again results in stronger suppliers achieving (and Ford realizing) greater economies of scale, as components are sourced across global platforms for the life of those platforms.

We are also "pre-sourcing" many parts to our ABF suppliers to help them plan and invest for long-term production volumes. For example, instead of asking for multiple bids from suppliers on components (a practice known as market-testing), Ford is pre-sourcing a greater percent of the commodities for the new Ford Focus with its preferred suppliers, consistent with ABF principles. Pre-sourcing saves time and money for Ford and its suppliers and drives longer-term relationships between Ford and the suppliers who typically provide 65 to 70 percent of vehicle components. Pre-sourcing helps provide suppliers with an ongoing flow of business, which gives them assurance to invest in new facilities around the world to support Ford globally.

In our U.S. operations, we have paid specific attention to strengthening our minority- and women-owned suppliers with purchases of approximately $3.8 billion in goods and services in 2010. Our consolidation efforts have resulted, and will continue to result, in more business for our major suppliers, which will increase their financial strength.

We require all of our suppliers to ensure that our products – no matter where they are made – are manufactured under conditions that demonstrate respect for the people who make them. We expect our suppliers to fully comply with local laws and our Code of Basic Working Conditions, and we verify that compliance with third-party audits. More importantly, we want to ensure that suppliers have the management systems in place to ensure continued compliance over time. A primary focus for this has been on training and education in the interpretation and application of legal standards and international best practices for working conditions in the supply chain. As of the end of 2010, we had trained 318,593 workers and managers at Tier 1 suppliers. Those suppliers have in turn cascaded this training to 56,284 Tier 2 suppliers.

See our new Supply Chain section for more on our work with suppliers.

Related Links

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- Human Rights in the Supply Chain: Ford's Global Working Conditions Program
- Supplier Diversity Development

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Delivering New Products

Our financial turnaround has been based largely on our ability to deliver high-quality, innovative and desirable products everywhere we operate, including in both mature and rapidly growing markets. To further our progress, we are continually improving quality and customer satisfaction and anticipating and responding to changes in customer demand. We have aligned our product development, manufacturing and marketing organizations worldwide to deliver the right products to the right markets as efficiently as possible. (Please see our Global Products chart for an overview of our product offerings around the world.)

We are committed to introducing new products that consumers want and value, and we are receiving very positive reactions from consumers, the media and independent evaluators in response to the products we introduced in 2010. We plan to build on this strength in 2011. Our global product strategy is to serve all major markets with a complete family of products that have best-in-class design, quality, "green," safety and smart features.

To meet these global goals, in 2010 we delivered 24 new or redesigned vehicles to key markets around the world with class-leading fuel economy, quality, safety and technology. We plan to refresh all regional showrooms showcasing geographically available models approximately one-and-a-half times over the 2010–2014 period.

This section reports on our efforts to deliver the products customers want. Specifically, it discusses our efforts to track changing customer needs, deliver more fuel-efficient vehicles, offer "smart" technologies and ensure customer satisfaction and quality. The section also summarizes our sales highlights for 2010 and discusses our efforts to build customer awareness of our products.

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Understanding Changing Customer Needs

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Vehicle Websites:

- Lincoln MKX Hybrid

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

Our marketing experts use an intensive research and analysis process to understand who our potential customers are, what they value and what they want in a vehicle. We define a "brand DNA" and "target customer" for each of our main brands. Ultimately each individual product is also assigned its own specific DNA and target customer. The brand DNA and target customer profiles go beyond simple demographic information such as age, gender and income; we build complete profiles of our target customers, from what they like to do to what music they listen to and where they shop. This approach helps us to pinpoint targets for each vehicle we produce. Using a fully developed, typical customer as the focus for vehicle development brings our market research data to life and keeps everyone on the product development team focused on designing a vehicle that meets customers' needs and desires.

We develop our target customer profiles based on psychological traits and archetypes that transcend national characteristics and customer desires. This is a critical part of our drive to develop truly global vehicles that appeal to customers in multiple markets. Toward this end, we are focusing more on the emotional and psychological elements of how customers choose their vehicles as well as the traditional economic criteria of price and features. In addition to developing vehicles that deliver best-in-class features and price for value, our goal is to develop vehicles that fulfill the dreams and aspirations of each target customer group. We believe this approach not only helps us to understand our customers better, it helps us develop vehicles that capture the imaginations, dreams and loyalty of our customers across the globe. Of course, we are keenly aware that economic pressures will push the boundaries of brand loyalties, forcing us to work even harder to define our potential customers and build vehicles they can afford.

As we contemplate the economic pressures and other external factors that will influence our business, we know that we cannot predict the future. However, we can prepare for a broad range of possibilities through "futuring" exercises that help us to ensure we have robust strategies in place, whatever the future might bring. Therefore, in addition to product- and brand-specific market research, we have an office dedicated to tracking shifts in social, technological, economic, environmental and political arenas. This Global Consumer Trends and Futuring team is part of our ongoing effort to identify trends that will impact the future of consumers' values, attitudes and beliefs. The team collaborates with internal subject-matter experts and external thought leaders to ensure that we have a truly global and diverse view of the world. Ultimately, our goal is to see changes on the horizon and respond to them in a way that gives Ford a sustainable competitive advantage in terms of our product portfolio and business strategies. The rest of this section discusses some of the trends that currently guide our thinking regarding consumers and their future needs, wants and desires. These trends include:

- Increasing interest in safety and security
- Increasing demand for more fuel-efficient vehicles
- Growing consumer interest in "ethical consumption," or a desire to buy products from companies that reflect one's own environmental and social values
- An increasing focus on "careful consumption," in which consumers have to balance their values, passions and preferences with practical purchases, as the global economic recession continues
- Expanding interest in vehicles that help consumers meet their increasing desire for information and connectivity and make the most of their time
- A changing definition of luxury

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Safety and Security

Personal safety and security are at the forefront of consumers' concerns. It is essential that we deliver quality products that instill peace of mind for our customers. Ford offers a wide range of active and passive safety features. Electronic stability control, inflatable rear-seat safety belts and MyKey® are examples of our safety features. For more information, please see the Vehicle Safety and Driver-Assist Technologies section.

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Demand for Fuel Efficiency

Rising fuel prices, energy security issues and global climate change have accelerated consumer interest in cleaner, more-efficient vehicles. In newly developed and emerging markets such as Brazil, Russia, India and China, small vehicles (i.e., in the sub-B, B and C segments) make up the largest portion of new sales. For example, small cars account for 60 percent of the industry-wide vehicle sales volume in the Asia Pacific and Africa region. 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. (These offerings include the new Ford Fiesta and Focus models, which are based on our global platforms.)

In the U.S.-based 2010 New Vehicle Customer Survey, fuel economy was chosen as the feature most influencing drivers' next vehicle purchase decision. It ranked higher than pricing incentives and advanced safety technologies. Seventy-five percent of respondents ranked fuel economy as extremely or very influential in their next vehicle purchase decision, similar to the 74 percent level found in 2009, but below the 81 percent found in the 2008 survey. Average fuel prices in 2010 were 34 cents higher than in 2009, but still 56 cents lower than in 2008. As evidence of the overall trend toward more fuel-efficient vehicles, the crossover segment has doubled in market share since 2005, while the traditional truck-based SUV market share is less than half of what it was in 2005. This shift in demand is also visible in the changes in sales by vehicle segment since 2005 (see U.S. Sales by Segment chart).

Responding to this increasing demand for fuel-efficient vehicles is at the heart of our financial recovery plan and our product development plans. We are maintaining our commitment that all of our new vehicles will be best in class or among the leaders in their segment for fuel economy. And we are continuing to design and introduce advanced technologies that improve fuel efficiency, reduce emissions and lessen dependence on foreign oil. Elsewhere in this report we describe our response to the increasing demand for fuel economy and our plans to improve fuel economy with advanced technologies.

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Ethical Consumption

Customers are increasingly interested in buying products from brands and companies that reflect their environmental and social values – a trend we call "ethical consumption." Ethical consumers are integrating ethical, religious, political, environmental and other beliefs in the purchasing decisions they make. They want to feel good about their consumption choices. In fact, ethical consumption is often driven by how it makes consumers feel about themselves and the world around them. Therefore, these consumers tend to buy products from companies with values that they believe reflect their own. As a result, companies have to be aware of the values they express in their actions, products and communications.

In addition, as many social and environmental issues – like climate change – have worked their way into mainstream consumer consciousness, corporations are being held to rising standards, shaped by the recognition that seemingly small actions can have personal and environmental health and wellness impacts. Increased access to information and corporate transparency are also driving purchases based on ethical issues.

While customers generally are not willing to compromise on performance or affordability, they do want products that come from ethical companies and have positive environmental and social impacts. Being a good corporate citizen, and making a positive impact on our stakeholders, communities and the planet as a whole, have been integral parts of Ford's century-long heritage. Ford was recently named one of the world's most ethical companies by the Ethisphere Institute. The fact that this kind of list exists – and perhaps more importantly that publicly traded companies on the list continue to outperform both the FTSE 100 and the S&P 500 – illustrates the relevance of corporate ethics and values to consumer choices. This sustainability report is one of the channels we use to share the Ford story about our commitment to sustainability with consumers and stakeholders.

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Careful Consumption

At the same time that consumers' interest in ethical consumption grows, they are also facing very challenging economic conditions. We are therefore seeing a trend toward "careful consumption." Careful consumers balance their values, passions and preferences with practicality when making purchasing decisions. The careful consumer's purchase decisions tend to be more planned and considered, and less spontaneous or impulse driven. People who used to pay extra for a wide range of sustainable products may now have to make tradeoffs between buying to meet their social and environmental values and buying what they can afford. People are still considering sustainability in their purchase decisions, but these choices are also being limited by increasingly difficult economic realities.

Value – in terms of style, safety and quality – is paramount to many consumers. Because buyers are holding on to their older vehicles for longer periods of time, long-term durability is also a key priority.

In recognition of the careful consumption trend, Ford is delivering products that evoke passion while still delivering practicality in terms of the essentials. For example, we are developing more fuel-efficient vehicles that will reduce overall operating costs by lowering lifetime fuel costs. We are introducing high-end technological innovations like the SYNC® entertainment and communication system as standard equipment in many of our vehicles. And in 2010, we introduced a complimentary maintenance program for our Lincoln vehicles. The program is designed to enhance the four-year, 50,000-mile bumper-to-bumper manufacturer's warranty and covers oil and filter changes, tire rotations and multipoint inspections for up to eight service visits. As always, we are also reducing operating costs by increasing the quality and long-term durability of all our vehicles.

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Information Access

More and more people are demanding access to information and a connection to their social networks while in their cars. People have come to see their cars as more than just modes of transportation; they want their vehicles to help them stay informed and connected. This can be driven by an emotional desire for connection and a practical desire for productivity. People who drive to work spend, on average, more than an hour every day in their cars – and they want to be able to use that time productively and safely. Consumers today want to be able to connect with the outside world from within their vehicles, and they want access to the information they need to get things done while on the move.

Ford is responding to these demands by developing and implementing a wide range of cutting-edge, "drive smart" technologies that increase in-vehicle connectivity, productivity and efficiency, in an effort to make our customers' lives easier. MyFord Touch™ with SYNC® is the centerpiece of this effort. It allows our customers to have hands-free, voice-activated access to their phones and MP3 players inside their cars.

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The Changing Definition of Luxury

The "era of excess" that was the 1990s and early 2000s came to an abrupt end in the wake of the global economic recession of 2008. Today, most consumers are weary of conspicuous consumption; indeed some people regard ostentatious displays of wealth with suspicion or disdain. Products and services in the luxury realm are less about impressing others and more about expressing oneself. As a result, luxury products have to be smarter and more innovative than in the past. Ford is responding to this changing definition of luxury in several ways. For example, we are committed to transforming the Lincoln brand, product range and experience to ensure that we deliver luxury cars with sophisticated design, high fuel efficiency and innovative technologies. The Lincoln MKZ hybrid, for example, is the most fuel-efficient luxury sedan on the market. In the future, we will also introduce a C-sized Lincoln model that will provide both excellent fuel economy and luxurious design and features. We also introduced MyLincoln Touch™, an innovative new driver-vehicle interface system.

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Delivering More Fuel-Efficient Vehicles

Consumer demand for more fuel-efficient and cleaner vehicles continues to grow. Ford has taken a multipronged approach to meeting this demand. We are making progress by adding advanced technology to all our products and offering high-value, attractive models that are smaller, lighter and more fuel efficient, encouraging customers to shift their purchasing behavior. Our overall approach and the technologies we're using are set out in Ford's Sustainable Technologies and Alternative Fuels Plan, and some of our best in class fuel efficient vehicles are highlighted in the climate change section.

Related Links

This Report:

- Ford's Sustainable Technologies and Alternative Fuels Plan
- Vehicle: Best in Class Fuel-Efficient Vehicles
- Understanding Changing Customer Needs

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Balancing Our Portfolio Profitably

To meet the demand for more fuel-efficient vehicles and increase our financial health, we have been balancing the portfolio of vehicles we sell to better represent consumer demand for a variety of vehicle sizes and capabilities. We are leveraging our global product strengths to deliver six new world-class small and medium-sized vehicles to the U.S. over the next four years. And, we are targeting sales leadership in "people movers" and crossovers by adding new vehicles (such as the Ford Flex) and redefining existing vehicles (such as the Ford Explorer). Through these actions, we have aligned our product mix more closely with the broader industry.

In 2004, cars and crossovers represented only 35 percent of Ford sales volumes, with trucks and SUVs claiming 65 percent. By 2010 we had nearly reversed that balance, with car and crossover sales representing up to 57 percent of our overall sales volumes.

The 2012 Ford Focus

Small cars like the Ford Fiesta and Ford Focus now represent one in five new vehicle sales in the U.S., up from 14 percent of the market in 2004. Although we believe that the shift to smaller, more fuel-efficient vehicles is permanent, trucks, vans and SUVs will continue to be an important part of our North American offerings, in order to meet our customers' needs. We intend to maintain our leadership position in these segments by focusing our investment on fuel-efficient vehicles, such as the new Ford Transit Connect, as well as all-new powertrains with advanced technology that improve efficiency and save consumers money at the pump.

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

- Leveraging the high volume of our global Focus-sized ("C-sized") platform vehicles, such that we will produce more than 2 million units per year globally by 2012
- Increasing the volume of Ford Focus models alone to more than 850,000 units per year by 2012
- Improving revenues on smaller vehicles by offering exciting exterior and interior designs, with class-leading fuel economy, safety performance, craftsmanship and technology. The improvements across all Ford vehicles are improving customers' perceptions of the Ford brand
- Improving costs on smaller vehicles to competitive levels through reduced complexity and global purchasing scale
- Improving fixed costs through more efficient utilization of manufacturing and supply base capacity and the sharing of engineering and tooling costs globally

The new Ford Fiesta and all-new Ford Focus platforms are good examples of how we are increasing small-car profitability without compromising on quality, safety, style or features. The Fiesta, which went on sale in Europe in 2008 and became available globally in 2010, is the first major product to come out of our new global product development process. Leveraging and integrating our global operations is one key element in making small cars more profitably. The Focus platform will form the basis for 10 new compact models by 2012. We plan to introduce at least six of the new models in the U.S., where we have converted truck assembly plants in Wayne,

Related Links

This Report:

- Delivering More Fuel-Efficient Vehicles
- Understanding Changing Customer Needs

Vehicle Websites:

- Ford Fiesta
- Ford Focus
- Ford C-Max

Michigan, and Louisville, Kentucky, to build small cars. The global Focus went on sale in the U.S. in early 2011;a battery electric version, called the Focus Electric, will go on sale later in 2011. In addition, the C-MAX – a seven-passenger, multi-activity vehicle that is based on the Focus platform – will come to the U.S. in the near future. The C-MAX will use a four-cylinder, 1.6L EcoBoost™ engine. In addition, a five-passenger C-MAX will be available in hybrid and plug-in hybrid versions in 2012 in the U.S. and 2013 in Europe.

Our smaller cars are already proving very successful in the marketplace. The Fiesta has exceeded our expectations and is drawing new buyers to the Ford brand. The car is among the top sellers in the B segment (subcompact), and its retail share has increased steadily since introduction. In recent months, Ford's share of the combined B/C-segment has increased 50 percent to almost 10 percent – the highest in more than six years. In addition, average transaction prices for Fiesta are the highest in the B-car segment.

"Drive Smart" Technologies

Ford has introduced a wide range of "smart" technologies that increase access to information, entertainment and communication options while driving. These new technologies give drivers a new level of vehicle efficiency, productivity and connectivity, making their lives easier. Furthermore, we are responding to customers' increasing demand for excellent value by offering these premium technologies on a wide range of our vehicles, not just our luxury vehicles. The all-new 2010 Ford Taurus provides a good example. This vehicle won Edmunds.com's first-ever "Technology Breakthrough Award," for setting the standard for technology that's practical, intuitive and offers exceptional value to consumers while making driving safer and more convenient. In addition, Ford earned our third-consecutive invitation to keynote the International Consumer Electronics Show, confirming the Company's place among the world's leading electronics and technology innovators. At the 2011 show, Ford President and Chief Executive Officer Alan Mulally introduced the Ford Focus battery electric vehicle and Ford's entry into the growing smart-phone-to-vehicle connectivity movement with MyFord Mobile™ (described in detail below).

Ford's "drive smart" innovations also reflect our commitment to work with industry leaders in communications, information and entertainment technologies to deliver the best-possible technologies for our vehicles. For example, we joined with the companies IDEO and Smart Design to research a new smart dashboard display system for our hybrid vehicles. We worked with Microsoft, DEWALT, Master Lock, Garmin and Sprint to deliver our new Ford Work Solutions™ system. And we worked with SIRIUS to add even more features to our voice-activated navigation system.

The remainder of this section describes in detail some of our new "smart" technologies.

MyFord Touch™ (and MyLincoln Touch™) Driver Connect Technology with SYNC® delivers a new approach to in-vehicle controls, displays and interfaces and provides access to ever-expanding in-vehicle functionality while minimizing driver distraction and improving interior aesthetics.[1] MyFord Touch replaces many of the traditional vehicle buttons, knobs and gauges with voice commands, LCD screens and five-way buttons that drivers can customize.

MyFord Touch™

This technology will be available across our full range of vehicles, from affordable small cars to high-end luxury vehicles. It debuted on the 2011 Ford Edge and Lincoln MKX crossovers, followed by the 2011 Ford Explorer and 2012 Ford Focus in North America. By 2015, approximately 80 percent of Ford's North American models will offer MyFord Touch, with similar percentages predicted for the world market. MyFord Touch with SYNC will be launched in Europe in 2012, initially on the Ford Focus.

MyFord Touch won the Gold-level award in the Transportation: In-Car Driving Aidscategory at the 2011 Edison awards, which recognize innovations that touch people's everyday lives. The technology was also recognized at the 2010 Consumer Electronics Show with Popular Mechanics' "Editor's Choice" award and CNET's "Best of the Consumer Electronics Show" award.

We are now adding a range of additional functionality to the MyFord Touch system. In 2010, for example, we announced an "**EcoRoute**" function for MyFord Touch that uses historic and real-time traffic information to recommend routes that could increase fuel economy by as much as 15 percent. The EcoRoute system was introduced initially on the Ford Edge and Lincoln MKX. It will be standard on all MyFord Touch and MyLincoln Touch equipped vehicles going forward.

Related Links

This Report:

- Battery Electric Vehicles (BEVs)
- Understanding Changing Customer Needs

Vehicle Websites:

- Ford Taurus
- Ford Focus
- Ford Explorer
- Ford Edge
- Lincoln MKX

In addition, Ford is the first automaker to offer **HD Radio™ with iTunes™ tagging**. This system is available on 2011 model year Ford vehicles equipped with MyFord Touch or MyLincoln Touch with the latest generation of SYNC. HD Radio captures free digital radio broadcasts, which eliminate static, fadeout and other problems associated with conventional analog radio signals, resulting in FM audio comparable to near-CD quality and AM audio that sounds like today's FM broadcasts. iTunes tagging allows drivers to capture a song they hear on the HD Radio receiver for later purchase through iTunes.

SYNC is Ford's award-winning, hands-free communications and connectivity system that uses customers' Bluetooth™-capable mobile phones to deliver personalized traffic reports, precise turn-by-turn driving directions and up-to-date information, including business listings, news, sports and weather – without requiring a built-in navigation system. As of January 2011, more than 3 million Ford and Lincoln vehicles have the SYNC system.

In 2010 and 2011, Ford introduced a wide range of additional capabilities to SYNC, including the following:

- **Improved voice-recognition technology.** MyFord Touch with SYNC relies on voice-recognition software. Ford has been working with Nuance Communications, a speech technology leader, to continuously improve the voice-recognition capabilities of these systems. SYNC can now recognize more than 10,000 top-level commands, 100 times more than when it was first introduced in 2007. These improvements mean that drivers can accomplish what they want with fewer steps and without having to learn a single, specific command for each task.
- **Wi-Fi® capability.** By plugging in a USB modem, SYNC can now turn a Ford vehicle into a wireless hotspot. There is no extra charge for this service, as part of SYNC. This system includes safety features to prohibit users and devices not authorized by the driver. In addition, the Wi-Fi capability is only available when the vehicle is in park.
- **Voice texting capability.** SYNC is the industry's first in-car connectivity system that allows drivers to not only listen to incoming texts on compatible cellular phones, but reply via voice commands using 15 preset responses that can be personalized.

Via SYNC, Ford also now offers a variety of services that involve a smart phone-to-vehicle connection. For example, **SYNCAppLink™** enables voice control of smartphone applications, or "apps." This application programming interface allows the hands-free use of popular apps such as Pandora internet radio, Stitcher news radio and the Twitter client OpenBeak. AppLink was introduced on the Ford Fiesta and will be available on the 2012 Ford Mustang. AppLink was the Silver award winner at the 2011 Edison award in the Transportation: In-Car Driving Aids category, which recognizes innovations that improve people's everyday lives.

SYNCAppLink™ allowing voice control for the Pandora internet radio app

In 2010, Ford released its **Software Development Kit (SDK)** to a new set of smartphone app developers so they can modify existing apps to work hands-free using voice recognition through Ford SYNC. This will continue our efforts to forge more open collaborative bonds with the wireless, consumer electronics and app developer communities to create a better, smarter in-car connectivity experience that leverages the mobile devices customers own.

Through **SYNC with Traffic, Directions and Information (TDI)**, users can say the command "services" to access a wide range of cloud-based, on-demand, voice-activated features and information – including turn-by-turn directions, traffic, news coverage, sports reports, weather forecasts and business searches. In 2010, we added new services at no additional charge to current and future SYNC TDI users, including horoscopes, stock quotes and movies and travel information. The latter function provides a direct connection to 150 airlines, 50 hotel chains and 11 of the largest rental car companies in the U.S. SYNC TDI is available on the 2010 and 2011 Ford Focus, Fusion, Taurus, Mustang, Escape, Edge, Flex, Explorer, Sport Trac, Expedition and F-Series; the 2011 Ford Fiesta; and the 2010 and 2011 Lincoln MKX, MKS, MKZ, MKT and Navigator.

Send to SYNC, is a cloud-based smartphone connection that allows users to send traffic, maps and other information from their phone or the internet to their in-vehicle SYNC systems, when not in the vehicle. For example, drivers could search for directions online or on their phone and then send the resulting map directly to their vehicle, where they can access it using SYNC TDI.

We also introduced the **SYNC Destinations** smartphone app, which provides users with

recommended departure time, travel time and estimated time of arrival based on current and expected traffic conditions along their route.

Finally, **enhanced 911 Assist™** can provide operators with the ability to receive a vehicle's exact GPS coordinates in the event of an accident. Ford 911 Assist with GPS location is a subscription-free, no-additional-cost feature to customers for the life of their vehicle. It launched on all 2011 MyFord and MyLincoln Touch equipped vehicles and select 2011 SYNC-equipped models.

In addition to all of the SYNC-related technologies and features, Ford is also offering a variety of other new "smart" technologies on our vehicles. For example, the Ford Focus Electric will feature **MyFord Mobile**, which will allow drivers to connect to and communicate with their electric vehicle through their smartphones or a secure website. Using this technology, Focus Electric drivers will be able to plan trips, monitor the vehicle's state of charge, receive various alerts for vehicle charging, as well as several other features designed to simplify the electric vehicle ownership experience.

Hands-free lift gate is an industry-first technology that allows customers to unlock and open the rear hatch even when their hands are full. As long as the driver has the vehicle's key fob, a gentle leg motion below the center of the rear bumper activates sensors that cue the system to unlock and raise the rear liftgate. The hands-free liftgate will debut in the seven-passenger Ford C-MAX multi-activity vehicle.

Voice-activated navigation with **SIRIUS XM Traffic™ and SIRIUS XM Travel Link™** allows drivers to access up-to-the-minute, voice-activated information on traffic conditions, weather, area gas prices, sports scores and movie listings. The system responds to voice commands for destination programming and route selection. In addition, it provides enhanced route guidance features such as street name announcements, as well as detailed freeway exit, turn and ramp position lane guidance. Once the high-occupancy vehicle (HOV) option is engaged and a destination is entered, the system will map routes using more than 2,500 miles of HOV carpool routes throughout some of North America's most-congested metropolitan areas.

SmartGauge™ with EcoGuide is a dashboard display in the Ford Fusion and Lincoln MKZ Hybrids that gives drivers information to help them maximize fuel efficiency. The system provides information on current fuel economy, fuel economy history, odometer reading, engine coolant temperature, fuel level, battery charge status, electric vehicle mode, tachometer, engine output power, battery output power, power to wheels, engine pull-up threshold and accessory power consumption. Drivers can use the system to track their long-term fuel economy progress and illustrate it either with a traditional chart or using an innovative display of "growing leaves and vines." The more efficient a customer is, the more lush the leaves and vines, creating a visual reward for the driver's efforts. In addition, the real-time system feedback allows drivers to assess and modify their driving habits to achieve maximum fuel economy.

EcoMode provides drivers of non-hybrid vehicles with information on the fuel efficiency of their driving. This system monitors the key parameters for optimal fuel consumption that drivers can affect by changing their driving behavior, including gear shifting, anticipation (i.e., driving as consistently and smoothly as possible) and motorway driving (i.e., driving with the most efficient speed on highways and country roads). In addition, the system considers the percentage of cold-engine short trips. Through this monitoring process, Ford EcoMode generates a driver profile with a scoring system for these driving parameters and offers information on how to improve fuel economy over time. This process can be translated into driver advice that can help make the best use of the vehicle's technology. The system was introduced in Europe on the second-generation Ford Focus ECOnetic and in North America on the all-new Ford Focus. It is standard on the Focus SE, SEL and Titanium models.

Ford EcoMode in the 2012 Ford Focus

Finally, **Ford Work Solutions™** is a suite of four in-vehicle technologies that offers drivers connectivity, flexibility and security to better run key aspects of their business from their Ford truck or van.[2] The suite includes high-speed Internet access, radio-frequency identification tracking for real-time tool inventory, a cable locking system to secure items in the truck bed and a fleet management system in the in-dash computer. These technologies were developed through hands-on research with contractors and skilled tradespeople around the U.S. to ensure the technologies met their needs. At the 2010 Consumer Electronics Show, the Ford Work Solutions in-

dash computer won “Best of Innovations” in the category of In-Vehicle Accessories.

1. Driving while distracted can result in loss of vehicle control. Only use Sync, MyFord Touch and other devices, even with voice commands, when it is safe to do so. Some features may be locked out while the vehicle is in gear.
2. Some features may be locked out while the vehicle is in gear.

Customer Satisfaction and Quality

Quality and customer satisfaction together are a central mission of all of our employees. Ford has consistently improved quality over the past decade. In 2010, we tied as the highest-quality full-line automaker in North America, according to the Global Quality Research System assessment of initial vehicle quality.[1] The Ford brand also had the highest quality of any non-luxury brand in the J.D. Power and Associates Initial Quality Study.

Delivering high-quality vehicles is of paramount importance to customers' willingness to consider our vehicles; it also affects their satisfaction and loyalty. Quality is also important to our costs – high-quality vehicles have lower warranty repair costs. We include quality as one of the four design principles[2] that guide the entire design and manufacturing process for our vehicles. It is also central to our sales and service operations. As part of our efforts to improve quality, we have built three key kinds of quality into the brand DNA of all our vehicles: basic quality, or the fundamental reliability of the vehicle; performance quality, which includes attributes such as fuel economy and quietness; and excitement quality, or those unexpected convenience features that surprise and delight customers.

Measuring Quality and Customer Satisfaction

We track our progress in achieving this mission through a combination of internal and external measurements that assess how we are doing and where we can improve. The Global Quality Research System (GQRS), which tracks "things gone wrong," is our primary quality survey. It is implemented for us by the RDA Group, a market research and consulting firm based in Bloomfield Hills, Michigan. We also subscribe to J.D. Power and Associates' Initial Quality Survey and APEAL study. And, we track warranty claims and costs internally. In 2009 and 2010, we saw an improvement in both the internal and external measurements of quality. By several measures, our quality is now competitive with the highest-rated brands. Global and regional quality improvements are detailed in this section.

Global Quality System

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

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

Once vehicles pass these virtual quality tests, we undertake extensive testing of actual vehicle prototypes for both manufacturing and performance quality.

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

We use a Six Sigma process to resolve quality problems. In 2007, we completed our effort to integrate Six Sigma quality methodology into the Company's core processes. We now have Quality Functional Leaders who assist every organization within the Company in the implementation of Six Sigma problem-solving methods to improve quality and eliminate waste. Around the world, we have 95,000 Six Sigma "green belts," more than 10,000 "black belts" and 550 "master black belts" – Ford employees trained in how to apply Six Sigma principles and methodologies.

1. The GQRS study is conducted on a quarterly basis, with scores assessed from survey responses collected from vehicle owners by the RDA Group, a consulting firm.
2. The other principles are safety, smart technology, and fuel efficiency and green design.

Related Links

This Report:

- Global and Regional Quality Improvements
- Economy Data: Product, Quality and Service

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Global and Regional Quality Improvements

The following are key measures of our vehicle quality:

Global Warranty Spending

- Over the last three years, Ford has reduced its warranty repair rate by 40 percent in each region around the world.
- Global warranty spending per unit declined 13 percent in 2010, compared to 2009.
- Global warranty costs dropped by $400 million, or 18 percent, over the last three years (from year-end 2007 to year-end 2010). Plans are in place to achieve another 8 percent improvement in warranty spending by 2015.

GQRS Initial Quality (Three Months in Service) Report

2010

- Ford and Honda were statistically equal and had the fewest number of vehicle defects or "things gone wrong" (TGW) among full-line manufacturers in 2010.
- Owners of Ford, Lincoln and Mercury vehicles reported 1,140 TGW per 1,000 vehicles, a 6 percent improvement over 2009 and the 6th consecutive year of improvement – a feat matched only by Nissan among full-line manufacturers.
- Customer satisfaction rose to 82 percent, a 2 percentage-point gain over 2009 and statistically better than Toyota and Honda.
- In the U.S., the following models led their respective segments in the GQRS quality survey:
  - Ford Fusion Hybrid – Satisfaction Leader, C/D car
  - Mercury Milan Hybrid – TGW Leader, C/D car
  - Mercury Mountaineer – TGW Leader, Medium Traditional Utility
  - Ford Expedition – Satisfaction Leader, Large Utility
  - Ford Mustang – TGW Leader, Sports Car
  - Mercury Mariner Hybrid – TGW Leader, Small Utility
  - Ford E-Series – TGW Leader, Full-Size Bus/Van
  - Ford Explorer Sport Trac – Satisfaction Leader, Medium Traditional Utility

Residual Value Improvements

- Resale values increased by 15 percent year-over-year on Ford brand vehicles with one to five years on the road – outpacing the industry average by 2 percentage points (luxury units excluded).
- Resale values increased by 14 percent year-over-year on Ford brand vehicles with one to three years on the road – outpacing the industry average by 3 percentage points (luxury units excluded).
- Ford had the best residual values of any U.S. automaker in 2010 (luxury vehicles excluded), and several 2010 model year vehicles had better residual values than foreign competitors.
- The resale value of a 2010 Ford Taurus increased 34 percent, or $5,849, after one year in service, compared to the 2009 model.
- The resale value of a 2010 Ford Fusion V6 increased 22 percent, or $2,950, after one year in service, compared to the 2009 model.
- Ford's predicted resale prices are higher than Chevy, Toyota and Volkswagen in the 2011 model year, based on the Auto Lease Guide (ALG) May/June 2011 36-month residual forecast.

In North America in 2010, in addition to the progress noted above:

- The number of Ford, Lincoln and Mercury safety recalls decreased from 8 in 2009 to 7 in 2010, while the number of affected units decreased from 4.5 million to 600,000. Note that all but 12,000 of the 4.5 million vehicles recalled in 2009 were older models (1992–2003) that were equipped with faulty Texas Instruments speed control deactivation switches. Although the data shows the majority of the vehicles equipped with these switches do not pose a significant safety risk, we recalled them to reassure customers and eliminate any future concerns.

Related Links

This Report:

- Economy Data: Product, Quality and Service

Vehicle Websites:

- Ford Fusion Hybrid
- Mercury Milan Hybrid
- Mercury Mountaineer
- Ford Expedition
- Ford Mustang
- Mercury Mariner Hybrid
- Ford E-Series
- Ford Explorer Sport Trac

- Warranty spending decreased by 10 percent, compared to 2009.
- Ford's customer satisfaction with sales improved 2 points from 2009 and 4 points since 2005. In addition, customer satisfaction with service satisfaction improved 1 point compared to 2009 and 9 points since 2005.

In Europe in 2010:

- Full-year TGW decreased by 12 percent compared to 2009.
- Overall customer satisfaction increased 1 percentage point compared to 2009, to 60 percent.
- Sales satisfaction with dealer or retailer increased by 8 percentage points from 2009. Service satisfaction with dealer or retailer increased by 4 percentage points during the same period.
- Warranty spending decreased by 23 percent compared to 2009.

In Asia Pacific and Africa in 2010:

- Full-year TGW decreased by 11 percent compared to 2009.
- Full-year customer satisfaction increased by 1 percentage point compared to 2009, to 49 percent.
- A new APA sales and service satisfaction survey was launched in late 2010. Full year 2011 data will be available in early 2012.
- Warranty spending decreased by 17 percent compared to 2009.

In South America in 2010:

- Full-year TGW improved by 4 percent compared to 2009.
- Full-year customer satisfaction decreased by 1 percentage point compared to 2009, to 67 percent.
- Warranty spending decreased by 10 percent compared to 2009.

Owner Loyalty

Owner loyalty is a measure of customers disposing of one Ford product and buying a new Ford product. In the U.S., Ford achieved the highest increase in owner loyalty of any automotive company – an increase to 51.6 percent in 2010 compared to 42.1 percent in 2009. In Europe, Ford owner loyalty decreased from 49 percent in 2009 to 45 percent in 2010.

Quality Awards and Ratings

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

J.D. Power and Associates 2010 Initial Quality Study℠ 1

- In 2010, for the first time, the Ford brand had the highest initial quality among all non-luxury brands in J.D. Power and Associates' Initial Quality Study (IQS). The Ford brand moved to 5th place among all brands, from 8th last year. This is the highest-rank position Ford has achieved in the IQS since ranking 23rd in 2004.
- The Lincoln brand ranked 8th in Initial Quality among nameplates, up from 26th place in 2009.
- The Ford Focus achieved "Highest Ranked Compact Car" in Initial Quality.
- The Ford Mustang earned "Highest Ranked Midsize Sporty Car" in Initial Quality.
- The Ford Taurus was named "Highest Ranked Large Car" in Initial Quality.
- The Hermosillo Assembly Plant earned a Silver Plant Quality Award for North/South America.

J.D. Power and Associates 2010 Automotive Performance, Execution and Layout (APEAL) Study℠ 2

Ford received segment awards in J.D. Power and Associates' 2010 Automotive Performance, Execution and Layout (APEAL) Study for the following five models, which ranked highest in their respective segments: the Ford Fusion, Taurus, Flex, Expedition and Explorer Sport Trac. The APEAL Study measures customer satisfaction with design, content and vehicle performance.

J.D. Power and Associates 2011 Vehicle Dependability Study℠ 3

In 2011, in J.D. Power and Associates Vehicle Dependability Study:

- Lincoln had the highest numerical score among nameplates in dependability measured at three years in service, moving up from 2nd last year.
- The Lincoln MKZ was ranked highest in the Entry Premium Car segment.
- The Lincoln Navigator ranked highest in the Large Premium Crossover/SUV segment.
- The Ford Fusion ranked highest in the Midsize Car segment.
- And the Ford Mustang ranked highest in the Midsize Sporty Car segment.

Interior Quietness Awards

According to the RDA Group's GQRS survey:

- In 2010, Ford maintained its lead over Honda and Toyota in key measures of interior quietness.
- The Ford F-150 ranked first in customer satisfaction with quietness and had the lowest wind noise troubles in its segment.
- The Ford Fusion Hybrid outperformed its segment competitors in interior quietness customer satisfaction.
- The Lincoln MKZ performed better than the Lexus IS and ES models to achieve a segment-topping rank for interior quietness satisfaction.

Kelley Blue Book Awards

- The 2010 Ford Fusion Hybrid, Taurus and Flex are among the "Top 10 Family Cars for 2010," according to the editors of Kelley Blue Book's website.
- In 2010, Ford remained the "most-considered" among 37 new-vehicle brands tracked in the Kelley Blue Book Market Intelligence study.
- The 2011 Ford Taurus, Super Duty and Mustang GT earned Kelley Blue Book's kbb.com Best Resale Value Awards in the full-size car, full-size pickup and high-performance car categories, respectively. This award recognizes vehicles expected to maintain the greatest proportion of their original list price after five years of ownership.

Strategic Vision Awards

- Four Ford vehicles topped their segments in Strategic Vision's 2010 Total Quality Index, the most of any brand: the Fusion for midsize car, the Taurus for large car, the Flex for midsize

Related Links

This Report:
- Vehicle Safety and Driver-Assist Technologies

Vehicle Websites:
- Ford Focus
- Ford Mustang
- Ford Taurus
- Ford Fusion
- Ford F-150
- Ford Fusion Hybrid
- Ford Flex
- Lincoln MKX
- Lincoln Navigator

External Websites:
- J.D. Power
- Kelley Blue Book

crossover utility and the F-150 for full-size pickup.

- Five Ford vehicles topped their segments in Strategic Vision's 2010 Total Value Award™ Index: the Fusion for midsize car, the Lincoln MKT for luxury multi-function vehicle, the Flex for midsize crossover utility, the F-150 for full-size pickup and the Ford F250/350 for heavy-duty pickup.

Automotive Lease Guide (ALG)

- Since 2008, Ford cars and trucks have improved the most of any brand in the Automotive Lease Guide's "Perceived Quality Survey," released in the fall of 2010.
- In the ALG's "Residual Value Awards," the Super Duty was the only winner among domestic manufacturers for the second year in a row.

American Customer Satisfaction Index (ACSI)

- Ford Motor Company and our brands fared very well in the 2010 American Customer Satisfaction Index.
- The Company's ACSI scores, up 5 percent this year, have risen a total of 10 percent over four years, the second-best jump in that short a span since the annual surveys began in 1994.
- Lincoln-Mercury had the highest customer satisfaction of any automotive brand and gained 1 percentage point over 2009, to 89 percent.
- Ford brand customer satisfaction decreased by 1 percentage point since 2009, to 82 percent. However, Ford brand customer satisfaction has increased by 6 percentage points since 2005.

AutoPacific

- Seven Ford, Lincoln and Mercury vehicles won their segments in AutoPacific's 2010 "Vehicle Satisfaction Awards:" the Taurus in the large-car segment, the Mercury Milan Hybrid in the hybrid car segment, the F-150 in the large light-duty pickup segment, the Ford Expedition in the large utility segment, the Lincoln MKT in the premium luxury crossover segment, the Ford Edge in the premium mid-sized crossover segment and the Ford Escape in the midsize crossover SUV segment.
- Ford was the 2010 AutoPacific winner for "Ideal Popular Brand and Top Brand Overall." The following vehicles won their segments for AutoPacific's 2010 "Ideal Vehicle Awards:" the Taurus SHO for large car, the Lincoln MKZ for luxury midsize car, the Fusion for premium midsize car, the Fusion Hybrid for hybrid car, the F-150 for large light-duty pickup, the F-250 for heavy-duty pickup, the Explorer for premium midsize SUV, the Lincoln MKT EcoBoost™ for premium luxury crossover and the Flex EcoBoost for large crossover.
- In the Popular Brand category, the Ford Taurus won AutoPacific's 2010 Motorist Choice Award for "High Tech," while the Taurus SHO won the Performance category. In the Premium Brand category, the Lincoln Navigator won for "Cargo Hauler."

For information on our vehicle safety accomplishments, please see the Vehicle Safety and Driver-Assist Technologies section.

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1. Source: J.D. Power and Associates 2010 Initial Quality Study.SM For award information, visit JDPower.com.
2. Source: J.D. Power and Associates 2010 Automotive Performance, Execution and Layout Study (APEAL).SM For award information, visit JDPower.com.
3. Source: J.D. Power and Associates 2011 Vehicle Dependability Study.SM For award information, visit JDPower.com.

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Regional Performance Highlights

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- Sustaining Ford
- Case Study: Sustainable Growth in Asia
- Investing in Operations
- Facilities
- Mobility Solutions
- EcoBoost™

In 2010, economies around the world began a slow economic recovery. Auto sales globally experienced moderate growth in 2010. Worldwide vehicle sales (including passenger cars, commercial vehicles and all trucks of medium- and heavy-duty gross vehicle weights) were estimated at 74 million units, which exceeded the prior peak in sales in 2007, before the recession began. Auto sales in Europe, however, were lower than in 2009.

Ford experienced strong sales and market growth in many of our regional markets. This section outlines our sales performance in our major regional markets and our plans for investments and new product launches.

U.S.

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

We are also introducing new products faster. We delivered on our promise to have 100 percent new or freshened product by 2010. Over the next four years there will be no letup in our cadence. By 2014, we plan to have up to 130 percent of our portfolio be new or freshened.

Ford's sales in the U.S. were up 19 percent in 2010 compared to 2009, the largest increase of any full-line manufacturer. Ford's market share for 2010 was 16.4 percent, up 1.1 percentage points over 2009 and 2.2 points over 2008. Our improvement in overall market share is primarily the result of favorable acceptance of our redesigned products, a product focus on industry growth segments, and customers' increasing awareness and acceptance of our commitment to leadership in quality, fuel efficiency, safety, smart technologies and value. Our market share gain was led by strong sales of the Ford Fusion sedan, which increased sales by 21 percent over 2009; the Ford Taurus, which increased by 51 percent over 2009; the Ford Edge crossover, which increased by 34 percent over 2009; and the Ford F-series pickup truck, which increased by 28 percent over 2009. The F-series was the top-selling vehicle in the U.S. for the 29th year in a row and the top-selling pickup truck for the 34th year in a row.

We hope to build on these sales successes in the coming years by continuing to introduce exciting new products. The new Ford Transit Connect was introduced in the second quarter of 2009 and was awarded the 2010 North American Truck of the Year at the North American International Auto Show. The 2011 Ford Fiesta was revealed in North America in the fourth quarter of 2009 as a new offering and went on sale in the summer of 2010. The 2011 Ford Mustang debuted with a new family of V6 and V8 engines that deliver best-in-class performance and fuel economy and arrived in dealerships in the spring of 2010.

2010 was an aggressive product-introduction year, during which we substantially increased the amount of new vehicle introductions by volume over 2009 (which itself had many new product introductions). For 2010, these introductions included the all-new Ford Fiesta, Explorer, Super Duty, Edge and F-150 EcoBoost™ option, the Lincoln MKX and a hybrid version of the Lincoln MXZ. In 2011 we are introducing the all-new Ford Focus – the fourth vehicle in the Ford and Lincoln portfolio delivering 40 mpg or better – along with the Transit Connect Electric and the first I-4 EcoBoost offerings of the Explorer and Edge.

U.S. Product Sales by Segment

	Industry	Ford
Cars		
Small	21.9%	13.9%
Medium	15.5%	12.8%

Large	5.3%	6.8%
Premium	6.9%	2.5%
Total U.S. car sales	**49.6%**	**36.0%**
Trucks		
Compact pickup	2.2%	2.9%
Bus/van	5.7%	7.0%
Full-size pickup	11.7%	27.3%
Sport utility	24.3%	24.7%
Premium utility	4.9%	1.9%
Medium/heavy	1.6%	0.2%
Total U.S. truck sales	**50.4%**	**64.0%**
Total U.S. vehicle sales	**100.0%**	**100.0%**

Note: These numbers include Ford, Lincoln and Mercury vehicle sales in the U.S.

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Europe

In 2010, Ford remained the second-bestselling passenger car brand in Europe. In the U.K., Ford's largest European market, we were the top-selling car and commercial vehicle brand for the 34th and 45th year respectively. Ford was also the total sales market leader in Denmark, Hungary, Ireland and Turkey for the full-year 2010, and remained the No.1 imported brand in Italy and the Czech Republic.

Even with these successes, it was a difficult year for the entire automotive industry in Europe. December 2010 marked the ninth consecutive month of lower sales in the 19 main European markets.[1] Total industry sales were approximately 15.3 million units in 2010, more than half a million units below the 2009 level. Ford lost overall market share slightly in the 19 main European markets, ending the year at 8.4 percent market share, down 0.7 percentage points from year-end 2009. However, Ford gained market share in Sweden and Denmark.

In 2010, Ford's share of the Turkish market increased by 0.7 percentage points to 15.8 percent, the ninth year in a row that the Ford brand led the market in sales in Turkey. Sales in Turkey increased by 37,000 units to 123,800 in 2010 – a 42.6 percent increase over 2009. In 2010, we announced plans to invest $630 million with Ford Otosan in Kocaeli, Turkey, for future Ford Transit production.

Ford also improved sales in Russia and Eastern Europe in 2010. In Russia, Ford's 2010 sales were at 90,100, up by 9.8 percent or 8,000 units compared to 2009. Over the next several years, we expect industry sales volumes in Russia to grow rapidly and perhaps even exceed sales volumes in Germany, Europe's largest market.

Ford KA Titanium+

In 2010, we introduced or revealed 11 new vehicles in Europe, including the Ford Fiesta and Ka models, the freshened Galaxy, S-MAX and Mondeo, a new Focus ECOnetic, and the next-generation Ford C-MAX. We also introduced an expanded range of fuel-efficient powertrains, including the new Ford EcoBoost 2.0L and 1.6L engines and further improved TDCi diesel powertrains. In the first quarter of 2010, we also announced a $2.3 billion investment in UK manufacturing facilities over the next five years to support the production of low-carbon-emission vehicles.

Overall, our vehicles have been very well received in the European marketplace. Our three bestselling vehicles in 2010 were the Fiesta, which sold 399,600 units; the Focus, which sold 258,300 units; and the Transit, which sold 128,900 units. The Transit's 2010 segment share was the highest since 2006. In the UK, the Ford Fiesta, Focus, Galaxy and Transit led their respective

segments in sales.

In 2011, we are continuing to introduce exciting new vehicles, including the all-new Ford Focus in Europe. We will be introducing at least 20 new products and derivatives in Europe over the next three years. These include an all-new Ford Kuga and B-segment vehicle, as well as a completely freshened commercial vehicle range starting with the Ford Ranger later this year. Plus, Ford will launch its first all-electric vehicle in Europe in 2011 – the Transit Connect Electric. The Focus Electric follows next year.

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Asia Pacific and Africa

Our Asia Pacific and Africa region encompasses 12 markets – including Australia, China, India, Thailand and South Africa – on three continents. The fastest-growing markets for automobiles are in rapidly developing countries like China and India. In 2010, in fact, 90 percent of Ford's sales growth in the region came from China (62 percent) and India (28 percent). We expect 70 percent of our growth in the next 10 years to come from the Asia Pacific and Africa region.

Total industry auto sales for the region were 30.7 million units in 2010, up 6.2 million or 25.1 percent from 2009. All major markets in this region reported large sales increases over 2009, with the exception of Vietnam. Industry sales in the region are expected to increase to an estimated 50 million units by 2020. To meet this growing demand, we will launch more than 50 new vehicles and powertrains in Asia Pacific and Africa by 2015.

We have invested $4 billion since 2006 in the region and employ more than 25,000 people here. We are expanding our production capacity in China, India, Thailand and the rest of Asia, as well as launching new products in these and other markets to meet consumer needs and remain competitive. For more details on our plans to build new plants in Asia, please see Case Study: Sustainable Growth in Asia.

Ford's retail sales in the Asia Pacific and Africa region were up 32 percent in 2010 compared to 2009, to 743,958 units from 564,799 units. For information on Ford's wholesale sales in the region, please see Sustaining Ford.

Asia Pacific and Africa Market Share[2]

Major Markets	2010 Combined Car and Truck Market Share	Percentage Points Better/(Worse) than 2009
Australia	9.2%	(1.1)
China*	2.5%	No change
India	2.6%	1.3
South Africa**	7.7%	0.1
Taiwan**	6.1%	No change

* China market figures include JMC Ford brand vehicles (does not include non-Ford JMC vehicles).
** South Africa and Taiwan market share figures include Ford vehicles only, not Mazda.

2010 retail sales for China were 465,072, up 113,096 units or 32 percent from 2009. These sales figures include Ford-badged and non-Ford badged vehicles produced and distributed by our two Chinese joint ventures: Changan Ford Mazda Automobile Corporation, Ltd. (CFMA) and Jiangling Motors Corporation, Ltd. (JMC). The CFMA joint venture began production in 2003 and currently builds Ford, Volvo and Mazda models. The JMC joint venture assembles Ford and JMC vehicles for distribution in China.

We are continuing to increase our presence in China, with more investment in manufacturing capacity, the introduction of new products and the expansion of distribution channels. Ford currently has three vehicle manufacturing plants in China: one CFMA plant in Chongqing, one CFMA plant in Nanjing and one JMC plant in Nanchang.

In 2010, we announced a $300 million investment to build a new plant in partnership with JMC in Nanchang. This plant will be capable of building 300,000 vehicles per year. Also in 2010, we began building a new CFMA plant in Chongqing. This state-of-the-art manufacturing facility, which is scheduled for completion in 2012, represents an investment of almost $500 million. The flexible facility will begin production of Ford's next-generation Focus in 2012 and will be capable of producing a diversified range of products in the future. The plant will have an initial production capacity of 150,000 vehicles per year. It will include Ford's environmentally friendly and energy-efficient "three-wet" paint technology. When this plant comes online in the first quarter of 2012, Ford will have a production capacity in China of 600,000 passenger vehicles per year. We have also announced plans to build a third new plant in China – an engine plant also located in Chongqing and built in partnership with CFMA. This plant, which represents an additional $500 million investment, will add an additional 400,000 engine units annually, more than doubling CFMA's existing engine capacity of 350,000. Construction of the new engine plant is planned to begin next year, with engine production starting in 2013.

We are also increasing our introduction of new products in China. Ford will introduce four new vehicles in the Chinese market over the next three years, including the new Focus. We introduced the fuel-efficient EcoBoost engine and PowerShift transmission technologies in China in 2010, further expanding Ford's commitment to delivering more sustainable transportation in all the

markets we serve. In 2010, we also added 100 new dealerships in China, bringing our total number of outlets here to 340. The newer dealerships are located primarily in the fast-growing second- and third-tier cities located in western and northern China.

In India, we had a record sales year in 2010, and we are continuing to expand production capacity and new vehicle introductions. 2010 sales in India were up 168 percent, led by strong sales of the Ford Figo, Fusion and Ikon. To meet the growing demand, we plan to introduce eight new vehicles in India by the middle of the decade.

Ford Figo

We are in the process of significantly increasing our presence in India with more investment in manufacturing capacity. We have invested $500 million to expand our current manufacturing facility in Chennai, India. This investment was used to build a fully integrated and flexible engine manufacturing plant that began production of the all-new Ford Figo – described below – in 2010. The new facility will be capable of producing 250,000 engines per year. The plant will also be equipped with Ford's environmentally friendly and energy-efficient three-wet paint technology. Overall, the plant's annual vehicle production capacity will be doubled to 200,000 units after the expansion, which is also expected to create 1,000 new jobs. We are also strengthening our service support in India by expanding our sales and service network across the country. Our dealer network has increased to more than 170 across more than100 cities in India.

In 2010, Ford introduced the Figo, an all-new four-door hatchback small car. This vehicle was designed with the help of Ford's Indian design and engineering team to meet the needs of Indian and other markets. It represents Ford's continued commitment to delivering exciting, high-quality and fuel-efficient products in growing markets like India and the rest of Asia. The Figo has been highly successful in its first year of sales. It has received multiple prestigious industry awards, including being selected Indian Car of the Year 2011 by a leading jury of automobile journalists; winning the Bloomburg UTV Autocar Car of the Year 2011, Value for Money Car 2011, and Premium Compact Car of the Year 2011; and winning ET ZigWheels Best Premium Hatchback and Car of the Year 2010. Ford was also named the top manufacturer overall for 2011 in India in the Bloomberg UTV Autocar awards.

In 2010, we also launched in India a new model of the Ford Endeavor luxury SUV, a 4X2 automatic with 3.0L156 PS (154 horsepower/115 kW) Duratorq® TDCi engine. This vehicle delivers best-in-class fuel economy among diesel automatic luxury SUV offerings in India.

In Thailand, Ford's 2010 sales were up 78.7 percent over 2009. To meet growing demand in the region, construction is underway in Thailand for a new $450 million Ford assembly plant scheduled for completion in 2012. The plant will include many of Ford's state-of-the-art flexible manufacturing and environmental processes, including the three-wet paint process, which reduces energy use and volatile organic compound emissions. The plant will also feature an on-site wastewater treatment facility, energy-efficient lighting, daylighting, natural ventilation and local and recycled materials. The plant will also boost the local economy. Ford is expected to purchase $800 million in local components. The plant could also provide up to 11,000 new local direct and indirect jobs. The facility will begin producing the Ford Focus for Asian markets in 2012.

In addition, Ford and Mazda Motor Corporation recently announced an additional investment of $350 million in their Auto Alliance Thailand joint venture, to support the production of next-generation pickup trucks. We have already invested $500 million in a new, highly flexible, small passenger car plant through Auto Alliance Thailand. In 2010, this facility began producing the new Fiesta for other major Asian markets.

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South America

Ford is the fourth-largest automaker in South America, where our principal markets include Brazil, Argentina and Venezuela. Ford's 2010 market share for the region was 9.8 percent, down 0.4 percentage points from 2009.

South America Market Share

Major Markets	2010 Combined Car and Truck Market Share	Percentage Points Better/(Worse) than 2009
Total South America	9.8%	(0.4)*
Brazil	10.4%	0.1
Argentina	12.4%	(0.9)
Venezuela	18.5%	(2.4)

* The South American market share is based, in part, on estimated vehicle registrations for our six markets in that region.

We continue to launch new products to meet the needs of our South American customers. In 2010, we brought a flexible-fuel version of the European-based Ford Focus to Brazil and also launched the North American Edge and Fiesta in Brazil. We are making our largest-ever investment in Brazil operations in a five-year period, by investing R$4.5 billion from 2011 to 2015 to accelerate the delivery of more fuel-efficient, high-quality vehicles, which customers in Brazil desire. South America will have versions of Ford's global small and midsize vehicles by 2013, including Fiesta- and Focus-sized small cars and utilities, Fusion- and Mondeo-sized midsize cars and utilities, compact pickups and commercial vans.

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

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1. The main 19 European markets are: Austria, Belgium, Britain, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and Switzerland. Ford reports sales for Estonia, Latvia and Lithuania through our Finnish National Sales Company, so sales data for the Baltic states are included within the 19 European markets. The list of 19 does not include Turkey or Russia. Also, the market share data does not include Volvo.
2. Includes sales of Ford-brand vehicles and market share for certain unconsolidated affiliates, particularly in China.

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Building Customer Awareness

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- Case Study: Social Media Guidelines

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Vehicle Websites:
- Ford Fiesta
- Ford Focus
- Ford Explorer

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

These communication efforts – coupled with delivering products with world-class quality, fuel economy, technology and other features – are paying off. We saw increases in favorable opinion and purchase consideration for our products across the U.S., Brazil, the UK and China.

We track consumers' familiarity with, opinion and consideration of, and shopping and purchase intentions for our vehicles as part of our brand value and awareness tracking. Tracking these elements helps us to understand how consumers view our vehicles and where we need to focus our product development and communications efforts to improve consumers' perceptions of and interest in our vehicles.

Social Media

In 2010 and 2011, we are continuing our innovative use of social media to connect with customers and get the word out earlier than ever about our new products. Social media channels, such as Twitter, Facebook, YouTube and blogs, are increasing in importance and influence, especially with the so-called "millennial generation" – those born from the late 1970s through the late 1990s. Between 2009 and 2010, internet and mobile media were the only marketing channels to grow in "share of time spent." Globally, social media use increased by 82 percent last year.

Ford launched its first major social media campaign in 2009 – the "Fiesta Movement," which supported the launch of the Ford Fiesta in the U.S. Through this program, Ford selected more than 100 online "influencers" to drive a Fiesta for six months before launch and relate their experiences in real time through social media sites such as Facebook, Twitter, Flickr and YouTube.

We built on the success and positive experience of the Fiesta Movement in the launch of the 2011 Ford Explorer and 2012 Ford Focus. Our initial reveal for the all-new Explorer was done on Facebook, rather than at an auto show or in a television advertisement. As we neared the launch date, we received many similar questions from thousands of fans, so we used those inquiries to create a responsive video series in which we personally answered the questions and highlighted the vehicle in a personal way. We also used the opportunity to gain customer insights on how to develop the creative effort for new Explorer advertising, which focuses on the joy, freedom and family time of the American road trip. The next phase of our social media launch of the Explorer – called Go! Do! Adventures! – invites everyone to suggest (through the Explorer Facebook page and other partner sites) how they would use the Explorer to create their dream road trip. Explorer fans can submit entries in the form of essays, photos and videos, telling us what dream or adventure the Explorer could help them live out. Based on these entries, we are choosing a number of people to actually live out their adventure for a week. We will capture their experiences and turn them into short films to be distributed online and offline. We will also develop them into a one-hour TV special and traditional television advertisements.

To launch the all-new Ford Focus, we began a campaign called "Focus Rally: America" on Super Bowl Sunday. Instead of running a typical television ad about the vehicle itself, we ran an ad to launch this social media event. Focus Rally: America was a five-week, interactive reality show (in the form of a cross-country rally) developed by the creators of CBS's Amazing Race and broadcast on Hulu. For the show, we recruited six pairs of people to complete tasks around the country, often using the technology features of the Focus to achieve their goals. The show launched on February 1 on Hulu and was available in real time on YouTube, Facebook and Twitter.

We are also actively using Twitter to engage with consumers on all matters, including customer

service. We answer questions, provide information and give customers help when needed. Twitter remains the best resource for real-time assessment of what people are saying about us and provides us with a valuable platform for listening.

And, we are making it easier for visitors to our Ford websites to find third-party content about Ford online, particularly with the ever-evolving "The Ford Story" site. We hope that integrating third-party information into our sites will provide a valuable service to consumers and will show our confidence in the vehicles we're producing.

Through these and other innovative communication methods, we are seeking to stimulate user discussions about our products.

Opportunities for discussions and information monitoring on the Internet are countless. So, in addition to the institutionalized efforts of our Communications and Marketing divisions, we are empowering some of our employees to communicate about Ford on the web by making our "digital participation guidelines" more widely available and giving employees the information they need to communicate successfully in these arenas. We think that allowing employees to have open and real communications within their digital communities sends a clear message that Ford is committed to forging relationships online and being accessible to its audiences. For more on the guidelines, see the social media case study in the Governance section.

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Other Nontraditional Marketing

We use a range of other nontraditional marketing and communications efforts to increase awareness of our products and engage consumers and stakeholders. Through our "Drive One" campaign in North America, for example, we offer opportunities for people to experience our vehicles first-hand. The goal of Drive One is to encourage people who might not otherwise be considering a Ford product to see for themselves what we offer. Drive One is based on our belief that, when people drive our vehicles, they will have more positive opinions of our products and will be more likely to buy them. The campaign highlights Ford's four key brand pillars: safety, quality, green technologies and smart technologies.

Based on the Drive One approach, we hosted our first-ever "global test-drive" event to launch the all-new Focus. For this event, we chose 50 consumers from around the world and flew them to Spain for a two-day driving experience in Focus prototypes, even before the car was in dealerships. We chose the test drivers through our Focus Facebook page. We also asked them to record their experiences and their views and share with others directly through their social networks.

In a similar vein, we hosted a Built Ford Tough Roundup to launch the new 2011 F-150. This test-drive campaign gave thousands of potential customers the opportunity to test drive the new 2011 Ford F-150 months before it arrived in dealer showrooms. The program allowed people to see how the truck compares to competitor vehicles in an acceleration drive, and to test how the new EcoBoost™ engine performed when towing a trailer. The program traveled to seven cities in 2010, including Dallas, Houston, Detroit, Atlanta, Orlando, Los Angeles and Aberdeen, Maryland.

We believe that supporting causes that are important to our customers is a key way to show our commitment to social responsibility and strengthen our community ties. We emphasize this approach through one of our Drive One efforts, the "Drive One 4 UR School" campaign. Through this program, participants test-drive a Ford Explorer, Focus, Fiesta or other new Ford vehicle and help raise money for their local high school. For each test-drive that occurs during the single-day events, Ford donates $20 (up to a total of $6,000 per event) to fund sporting and other activities at the designated school. Since the program's inception in 2007, and as of December 2010, more than 1,500 Drive One 4 UR School events have taken place across the country, raising more than $5 million to support high schools nationwide. These events have enabled more than 255,000 participants to test-drive Ford products and have proven especially beneficial in getting non-Ford owners into Ford vehicles, as approximately 70 percent of participants did not currently own a Ford product. Feedback from participants shows that both purchase consideration and favorable opinion of the Ford brand improved after individuals had a chance to get behind the wheel and experience the Ford vehicle lineup first-hand. We are continuing this approach with global 2012 Focus launch. We wanted to create a unique program where real-world consumers can be the first to test drive the all-new Focus while also having a great opportunity to give back to the charities they are passionate about. Ford wanted the world to know that when you start up a Focus, you "start more than a car." In doing so, we have donated more than $400,000 to charities globally and are continuing to create a buzz in local markets while the participants drive the Focus and awareness.

We are also working to improve the effectiveness of our auto show presence around the world. Approximately 24 million people attend auto shows in the U.S. alone, so these are important opportunities to engage and share information with potential customers. At all of the major auto shows, we now use a wide range of interactive exhibits that help us better engage visitors and provide the kind of hands-on experiences that keep people at our exhibits longer and influence customer decision making. In fact, our exhibits are now the most interactive of any automaker. At the 2011 North American International Auto Show in Detroit, for example, we had 22 interactive exhibits, including slot car racing, live games and shows, vehicle simulators, and electric vehicle rides on an elevated track. Our exhibits revolve around our core brand attributes of fuel economy, quality, safety and smart technologies. For example, the displays included a hands-on experience with the Fusion Hybrid's SmartGauge™ with EcoGuide technology, as well as interactive touch tables illustrating the environmental benefits of both soy-based seat cushions and EcoBoost

engines.

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Traditional Advertising

Finally, we use traditional advertising to inform consumers about our products and our corporate performance. We use three primary advertising strategies: corporate-level communications about Ford Motor Company, advertising about our brands and specific products, and dealer-level product advertising. The goal of these advertising strategies is to sell vehicles. But just as important, we are aiming to increase general awareness about the excellence of our products and our corporate performance among people who are not yet in the market for a vehicle. To develop new products, we respond to market demands through our market research and product development efforts. Through our advertising, we hope to increase interest in and preference for our vehicles and our Company based on the excellence of our products and the positive actions of the Company.

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

We are also improving alignment between our public relations efforts and our marketing efforts, to improve the effectiveness of all our communications. In 2010, a key focus of our communications was improving customer awareness of our quality and fuel-economy achievements. For example, we launched a new ad series for the Ford Fiesta in which Fiesta Movement agents – those who had been given a Fiesta to drive in advance of the U.S. product launch – describe how the Fiesta delivers best-in-class fuel economy and "smart" technologies, including the voice-activated SYNC® multimedia communications system. We are also highlighting that we make the first consumer car that delivers over 300 hp and yet achieves 31 mpg – the new Ford Mustang V6. And, we are emphasizing the introduction of the EcoBoost engine lineup, including new I-4 and V6 engines, which can deliver 10 to 20 percent better fuel economy and up to 15 percent fewer carbon dioxide emissions than larger-displacement engines.

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Increasing Consumer Awareness of Environmental Issues

Ford is also working to increase consumer awareness of key vehicle-related environmental issues, including how drivers can help to improve the environmental performance of their own vehicles.

In 2010, we launched a website to help consumers understand the different electrified vehicle options. The site provides jargon-free explanations of the differences between hybrid electric vehicles (HEVs), plug-in hybrid vehicles (PHEVs) and pure battery electric vehicles (BEVs), including details on the technologies that make them possible such as battery chemistry, charge ports and regenerative braking. The site is part of Ford's relentless efforts to educate consumers about the choices offered by the Company's range of electrified vehicles and to help potential buyers determine which electrified option might best suit their specific driving habits and needs. Consumers who visit the site can review videos, text and cutaway diagrams that illustrate the differences between vehicles like the Ford Fusion Hybrid, the Ford Focus Electric and planned Ford plug-in hybrids. The site does not offer opinions on which vehicle technology is better. Rather, it provides clear explanations about how gasoline, hybrid, plug-in hybrid and battery electric vehicles work, to help consumers decide which vehicle could be the best option for them.

Our efforts to educate consumers about environmental issues are being recognized nationally. In 2010, Ford won Nielsen's first Automotive Green Marketer of the Year award. The honor is given to brands that help shape consumer awareness of environmental themes.

We are also educating drivers about environmental issues while they drive. For example, Ford's new, advanced in-vehicle system – MyFord Touch™ – offers an array of real-time information on fuel-economy performance that can coach drivers to get more miles to the gallon and save on fuel costs. In addition, the MyFord Touch map-based navigation system offers an Eco-Route option that quickly calculates the most fuel-efficient route a driver can take to get from point A to point B.

MyFord Touch also enables drivers to monitor and track their vehicle's real-time fuel economy performance and mile-per-gallon averages for the past five, 10 and 30 minutes, in the form of a bar chart next to the fuel gauge on the display. Drivers can customize the amount of information provided to meet their needs and hone their eco-driving skills over time.

MyFord Touch is built on the fuel-efficiency "coaching" concept Ford pioneered in its SmartGauge™ with EcoGuide instrument cluster tool for the 2010 Fusion Hybrid. This tool is also available on the all-new 2011 Lincoln MKZ Hybrid. The system provides real-time fuel economy data and promotes fuel-efficient driving by showing a graphic of growing leaves and flowers.

We are launching a similar system in Europe called Ford EcoMode. Similar to EcoGuide, EcoMode helps educate the driver to achieve improved real-world fuel economy. It was first introduced on the Ford Focus ECOnetic and will be implemented as an option in more European Ford models in

the future.

We have also developed eco-driving tips that help drivers improve their fuel economy by almost 25 percent. We provide these tips on our website and through a Ford Driving Skills for Life online training program. We started providing eco-driving training in 2000 in Europe and have since expanded it to the U.S. and Asia. For more information on our eco-driving training programs, please see the Climate Change section.

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Financing Our Plan and Improving Our Balance Sheet

To deliver on our new product plans, our sustainability efforts and our plans to remain profitable, we have to continue to improve our balance sheet. During 2010, we generated positive Automotive operating-related cash flow of $4.4 billion. This contributed to our ability to reduce Automotive debt by $14.5 billion in 2010, from a total of $33.6 billion at the end of 2009 to $19.1 billion at the end of 2010. This represents a 43 percent reduction in debt, which will lower our annualized interest expenses by more than $1 billion. Even with our substantial debt reduction actions in 2010, we were able to maintain a significant level of Automotive gross cash (i.e., cash and cash equivalents and marketable securities) and ended 2010 net cash positive, with Automotive gross cash exceeding total Automotive debt by $1.4 billion – an improvement of $10.1 billion from year-end 2009.

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Working as One Team

As part of our "One Team" approach, Ford has implemented a disciplined business plan process to regularly review our business environment, risks and opportunities, as well as our strategy and our plan. Through this process we also identify areas of our plan that need special attention and pursue opportunities to improve our plan. Everyone is included and contributes, openness is encouraged, and our leaders are responsible and accountable. We use facts and data to make our decisions, and high-performance teamwork is a performance criteria. We follow this process every week, every month and every quarter, driving continuous improvement. We believe this process gives us a clear picture of our business in real time and the ability to respond quickly and decisively to new issues and changing conditions – as we have done in the face of rapid changes in the market and business environment over the past few years.

At our weekly business plan meeting, management teams review every element of the business, both by business unit and by skill team. We also look at every metric of our business, from research and development to marketing to evolving emissions standards. Each item is coded red, yellow or green, and the team collaborates to turn reds (indicating problems) into greens as quickly as possible. This has been an important shift within Ford's corporate culture, in which potential problems were previously not always identified early enough. Now, defects are addressed before cars reach showrooms, and production levels are trimmed at the first sign of trouble.

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

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

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Increasing Global Integration

Our core business strategy focuses on developing truly global vehicles that share common platforms, design elements, technologies and materials across our global markets. This approach is key to delivering high-quality, innovative and desirable products quickly and cost effectively. To make this strategy a reality, we have globally integrated our product development, manufacturing, purchasing and marketing efforts.

Going forward, we will be delivering more vehicles worldwide from fewer platforms. We have already reduced the number of global vehicle nameplates from 97 in 2006 to 59 in 2008 and then to 38 in 2010. Eventually, we will improve to 25 to 30 models globally, although we have not set a specific timetable to do that. In 2007, we had 27 different vehicle platforms, with 29 percent of our total production volume produced from core platforms. By 2014, we will have reduced our platforms to 13. By then, more than 80 percent of our volume globally will be produced off of core platforms, up from about 50 percent in 2009.

We have fully implemented our ONE Ford global product development system to deliver global platforms and customer-focused programs rapidly and efficiently across multiple markets. We use a hub-and-spoke approach, in which 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 – spokes – which help deliver products tuned to local-market customer preferences while maintaining global design DNA.

With our ONE Ford plan, we are working to make all small- and medium-sized Ford vehicles on common platforms by 2013. This will include Fiesta- and Focus-sized small cars and utilities, Fusion- and Mondeo-sized midsize cars and utilities, compact pickups and commercial vans. In 2012, for example, we expect to produce more than 2 million vehicles from our global “C-car” (Focus-sized) platform. In North America alone, we expect to increase production of C-platform vehicles from 200,000 to 850,000 annually. We have already delivered on our promise to introduce at least 10 high-quality, fuel-efficient vehicles on this platform; they include the Focus sedan, hatchback, wagon and ST versions; the Focus Electric; the C-MAX five-passenger and seven-passenger versions; the C-MAX Energi Plug-In Hybrid; the C-MAX Hybrid; and a next-generation global utility vehicle to replace the Ford Kuga and Ford Escape. (The latter will be based on the Vertak concept vehicle revealed at the North American International Auto Show). By 2015, our global “B-car” (Fiesta-sized) platform will underpin 2 million vehicles. In 2010, we also unveiled our new global Ranger compact pickup truck. This new vehicle is based on our global small truck platform and will be sold in more than 180 markets. Leveraging global product programs has helped increase our overall product development efficiency by a projected 66 percent between 2006 and 2012.

We have also made changes to our Global Marketing organization to create a more consistent and compelling connection with customers worldwide, while better leveraging the Company’s global assets and capabilities. In 2010, we named Jim Farley, formerly Ford group vice president, Global Marketing and Canada, Mexico and South America operations, as Ford’s global leader for marketing, sales and service around the world. This marks the first time Ford has had a single global leader for marketing, sales and service. We are also taking many of our core marketing processes global. In 2010, for example, we expanded our Brand Equity and Awareness Tracking system to cover 45 global markets, up from 25 last year. This system, which tracks consumer familiarity and favorable opinion of our brands, as well as consideration, shopping and purchase intention, allows us to assess key elements of how consumers perceive our brand across our global markets. We are also implementing digitally based virtual market research technology throughout our global markets. This technology will allow us to test vehicle concepts in markets across the globe without shipping physical prototypes from one market to another. These global market research processes will help us develop truly global vehicles that appeal to consumers across national and regional borders.

These efforts to increase the global integration of our operations follow key restructuring efforts undertaken in 2007 and 2008. At that time, we reorganized senior leaders in the product development and purchasing organizations to assign global responsibility for key vehicle segments and major purchasing functions. We also globally integrated our regional research and product development organizations.

We are also increasing the global integration of our Quality Operating System. In 2008, for example, we completed the global implementation of a standardized quality system that replaced former regional systems. By requiring standardized processes and implementation everywhere we operate, we can continue to expand our world-class quality. Through our global product strategy and a single global management team, we are leveraging our assets, implementing best practices and a systematic approach to quality, and utilizing common components for the advantage of scale. The new integrated approach can be seen in the new Fiesta, our first of this generation of global cars under our ONE Ford plan. Selling one high-volume version of this vehicle helps us

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- Ford Focus
- Ford Mondeo
- Ford Fusion
- Focus Electric
- Ford C-Max
- Ford C-Max Energi
- Ford C-Max Hybrid
- Ford Ranger

reduce defects and improve overall craftsmanship. In North America, Europe and Asia, we will launch our all-new C-cars in 2011 that will compare very favorably to competitive models with respect to attributes such as wind noise, steering feel, ride and handling, braking response, door closing sensation, performance feel and seat comfort.

We are also continuing the global implementation of EcoBoost™, our new fuel-efficient engine technology. This technology launched in the U.S. in 2009 on the Lincoln MKS, Lincoln MKT, Ford Taurus SHO and Ford Flex, all of which use a 3.5L V6 EcoBoost engine. We have since introduced this engine on the 2011 F-150. In early 2010, we began implementing EcoBoost in Europe, where we introduced a 2.0L I-4 EcoBoost engine on the Ford Galaxy, Mondeo and S-MAX and a 1.6L I-4 EcoBoost engine on the Ford C-MAX and Grand C-MAX. In 2011 the all-new Focus will also offer the 1.6L I-4 EcoBoost. In 2011, the 2.0L EcoBoost will make its North American debut in the Ford Explorer and Edge. We also introduced EcoBoost for the first time in the Asia Pacific and Africa region in 2010 with the 2.0L EcoBoost engine on the Ford Mondeo in China. In 2011, we will introduce the 2.0L EcoBoost on the Mondeo followed by the Falcon in 2012 in Australia. We will continue to migrate EcoBoost technology aggressively across our product lineup in all regions. By 2013, Ford will have annual volumes of 1.5 million EcoBoost engines globally.

We are also implementing our highly successful SYNC® in-vehicle communication and entertainment system globally. We will begin introducing SYNC in the Asia Pacific and Africa region on the Ford Edge in 2011 and on the Ford Focus in 2012. We plan to implement SYNC in Europe in 2012, initially on the Focus. To date, Ford has built more than 3 million SYNC-equipped vehicles. We are also continuing to add features to the SYNC system. (See the "Drive Smart" Technologies section for details.)

In addition, we are continuing to standardize materials and parts across vehicle lines. This standardization will not only reduce costs, it will increase quality by reducing the number of different parts we test and manufacture. Four years ago we started commodity business plan teams to find the most effective materials and parts standardization opportunities. This approach was further intensified under the collaboration model of ONE Ford. Each commodity plan features detailed assessments of technology developments, cost drivers, sourcing strategies and global supplier assessments.

We maintain global strategies for the top 138 commodities that go into our vehicles. These 138 commodities, from seats to brake discs to powertrain components, represent about 85 percent of our externally purchased commodity costs.

This approach has proven its success with our new Focus, which is built on our global C-segment platform. Parts commonality on the new Focus increased significantly from prior vehicle programs, reaching 80 percent. In addition, about three-quarters of the supply base for the new Focus will be the same wherever the car is built. Moreover, instead of asking for multiple bids from suppliers on components, a practice known as "market-testing," Ford pre-sourced 75 percent of the commodities for the new Ford Focus with its preferred suppliers – more than the Company ever has before. The Ford Fiesta also has a high percentage of common parts; the U.S. Fiesta shares 60 percent of its parts with the European and Asia Pacific versions of the car.

We are also simplifying how we work with our suppliers by reducing complexity and expanding parts commonality, leading to lower development costs and greater economies of scale for the Company's global supply base. Increasing global integration of platforms and parts not only improves our own bottom line and quality, it also improves our suppliers'. For example, by using the same parts across all geographic regions, suppliers can use the same parts for derivatives off a single vehicle platform. This interchangeability of major parts can increase volume per part, allowing suppliers to improve quality and spread the cost of the parts across more vehicles.

Going forward, it will be typical for our global programs to include 80 percent parts commonality, greater than 75 percent pre-sourcing to global suppliers and 100 percent common manufacturing and assembly processes.

By leveraging our global operations, we will be able to deploy our global product development capital and engineering resources to fewer vehicle platforms, drivetrains and powertrains. This commonality of platforms, drivetrains and powertrains, in turn, will reduce complexity in our vehicles and processes. All of these efforts will reduce costs and increase quality. The efficiency and flexibility gains enabled by our ONE Ford plan will allow us to refresh all regional showrooms approximately one-and-a-half times over the 2010–2014 period.

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Improving New Product Development Process

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

In our flexible body shops, where sheet metal comes together to form the vehicle's body, more than 80 percent of the body tooling can be programmed to weld a variety of body styles without delays caused by tooling changeover, and we can adjust the mix between models without restrictions. Under traditional systems, unique tooling is required to weld each individual vehicle body style. Running a different body style down the same line traditionally requires considerable additional downtime for physical tooling changeover. Our flexible manufacturing strategy dramatically reduces physical tooling constraints through the use of the programmable tooling technologies that eliminate the need to replace model-specific tooling for locating, clamping and welding. This saves time and limits disruption to the plant's operations.

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

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

We are also leveraging our plant flexibility to facilitate our transformation to a more balanced portfolio of vehicles. For example, our investment in flexible manufacturing enabled us to move our SUV production from the Michigan Truck Plant into the Kentucky Truck Plant. We were able to consolidate the vehicle lines formerly produced in Michigan into the Kentucky plant in less than three months. The Kentucky plant now produces the full array of Ford's F-Series Super Duty® truck products, as well as the Expedition, Expedition EL, Navigator and Navigator L.

Our investment in flexible manufacturing also is allowing us to more quickly and cost-effectively convert the former Michigan Truck Plant to a car plant (now known as the Michigan Assembly Plant), which began producing the global Ford Focus for the North American market in 2010 for introduction into our dealerships in the first quarter of 2011. This plant utilizes programmable equipment in its body shop, which allows the Company to run multiple body styles down the same production line without requiring considerable downtime for changeover of tooling.

In recent years, Ford has made important strides in assembly plant body shop flexibility in plants such as Chicago Assembly, Oakville Assembly and Kentucky Truck, where significantly different products are built on a common system. Nearly all of our U.S. assembly plants will have flexible body shops by 2012, to enable quick responses to changing consumer demands. And, nearly half of our transmission and engine plants will be flexible, capable of manufacturing various combinations of transmission and engine families.

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

Virtual Manufacturing

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

Ford has a range of industry-leading virtual manufacturing and product tools. Many of these are

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

Ford is also the first automaker in North America to use a new virtual technology that allows engineers to "see" unwanted sounds and eliminate them during vehicle development, to further reduce in-vehicle noise. Quiet vehicle cabins are an important element of the customer driving experience and customers' perceptions of overall quality. The technology, called "Noise Vision," uses a small sphere equipped with more than 30 highly sensitive microphones and 12 special cameras. Powerful software reads data from Noise Vision and creates a computerized image showing interior noise "hot spots," including wind noise, a squeak or rattle, or unwanted feedback from the engine or the road. Ford began using this technology to develop new vehicles for the 2010 model year.

Noise Vision has significantly reduced vehicle development time and costs while improving quality. It has allowed Ford's North American NVH (noise, vibration and harshness) engineers to reduce wind tunnel testing time by 200 hours each year – saving more than $300,000 in testing costs. The success of this new technology is also reflected in improved quality ratings. According to one third-party quality survey, Ford has the fewest wind noise, squeak and rattle issues of any full-line vehicle manufacturer. In addition, the RDA Group's Global Quality Research System found that Ford brands have higher interior quietness customer satisfaction scores than our Asian counterparts.

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

Virtual manufacturing also significantly reduces the time and costs required to develop new vehicles, and it improves quality. Thanks to our use of virtual manufacturing, product development time is approximately 14 months shorter than it was in 2004. Virtual manufacturing is also a cornerstone of our product globalization strategy, in that it allows us to design one product and one process for multiple applications. As part of our integrated, closed-loop feedback and learning process, manufacturing engineers track issues we discover when actually building vehicles and add preventative solutions into the virtual design standards for all future vehicles. We began tracking the number of manufacturing issues in 2005 as a baseline for improvement. As a result of using virtual manufacturing, we have reduced potential manufacturing engineering changes by more than 85 percent.

We are also using virtual technology to improve our market research and design processes. We recently implemented a new product modeling process that uses high-quality digital animation of the vehicle to create virtual models of vehicle concepts and vehicles under development. The process allows designers and market researchers to use digital animation models instead of two-dimensional photos or expensive and time-consuming clay models. This allows more design creativity and flexibility, because design changes can be made "on the fly." It also improves the market research process. Seeing the test vehicle on a 25-foot screen allows the customer to better evaluate the options and offer opinions. It also allows for better comparisons with competitors' products, because both products can be presented in comparable digitized form. Virtual vehicle models significantly reduce market research costs and time because they reduce the need for creating and shipping multiple three-dimensional models. This process, which debuted on the 2010 Ford Taurus, will significantly improve the speed and cost of developing new vehicles. The program helped deliver the new Taurus 12 months sooner and cut research costs by nearly 50 percent.

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Shareholder Relations

We place high importance on our communications with our shareholders and on making sure we meet the highest levels of transparency. We value each of our shareholder's input, regardless of the level of shareholdings, and we give consideration to all information provided to us.

In our annual shareholder meeting, we bring shareholders together with our senior executives. There, shareholders are given an opportunity to make their opinions heard by the most senior leaders of the Company. Shareholders are given an opportunity to express an opinion on topics of interest, either in person at the meeting itself or by submitting proposals in advance. In addition, we have made sure our voting process provides shareholders with a variety of methods of voting, including via web, mail or telephone prior to the meeting or in attendance at the meeting itself.

We also take our financial disclosure process very seriously. We strive to provide information of value in our financial reports filed with the U.S. Securities and Exchange Commission (SEC), and via our quarterly earnings conference calls, monthly U.S. sales calls and participation at key automotive conferences. In addition, our website provides a valuable source of information for shareholders. The website, www.shareholder.ford.com, contains webcasts and presentations from prior conference calls, information on upcoming events and key news events, along with reports we have filed with the SEC and key information about our stock. We also provide an email alert service for people who want to keep abreast of any key new information posted to our site.

Finally, we have a dedicated Investor Relations team in place to maintain ongoing relationships with the financial community and to engage with individual shareholders. Our Investor Relations team may be reached directly at 800-555-5259 or stockinf@ford.com. We have engaged Computershare, an investor services company, to provide transfer agent services for individuals who wish to buy Ford common stock directly. Interested individuals may contact Computershare at 800-279-1237 or via our website at www.shareholder.ford.com.

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Ford Motor Credit Company

Established in 1959, Ford Motor Credit Company is a wholly owned subsidiary of Ford Motor Company that offers automotive financial services to dealerships and customers around the world. Ford Credit's focus is on supporting the sale of Ford vehicles. Its profits and dividends help support Ford's business, including vehicle development.

In North America, Ford Credit does business in every state in the U.S. and all provinces in Canada. Outside the U.S., FCE Bank is Ford Credit's largest operation, serving Europe. The biggest share of FCE's business is in the UK and Germany, with smaller operations in most other European countries. Ford Credit also operates in select markets in Asia, Africa, Central America and South America.

Ford Credit offers a wide variety of automotive financing, insurance and related products. Most financing falls into one of three categories:

- **Retail financing**: Purchasing customer retail installment sale and lease contracts from dealers and offering financing to commercial customers to lease or purchase vehicles.
- **Wholesale financing**: Making loans to dealers to purchase vehicle inventory.
- **Other financing**: Making loans to dealers for working capital, for improvements to dealership facilities, and to purchase or finance dealership real estate.

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

- **Credit Availability**: Ford Credit provides financing for qualified dealers and consumers, utilizing responsible financing and servicing practices. Ford Credit provides financing for customers across the credit spectrum and is committed to treating customers with fairness and respect.
- **Credit Approvals**: Ford Credit has used consistent and prudent credit standards and practices for many years to support Ford Motor Company dealers and customers. Because the company uses proprietary credit originations and collections systems, it can finance a broader range of customers than if it used credit scores alone.
- **Compliance**: Ford Credit uses responsible, consistent and transparent practices globally, and it has stringent procedures designed to ensure that customers are treated fairly and the financing process is understandable. Ford Credit believes it maintains all material licenses and permits required for current operations and is in compliance with all material laws and regulations applicable to the Company and its operations. Ford Credit monitors proposed changes to relevant legal and regulatory requirements in order to maintain its compliance. Through governmental relations efforts, Ford Credit also attempts to participate in the legislative and administrative rule-making process on regulatory initiatives that affect finance companies.
- **Consumer Education**: Ford Credit is a longstanding supporter of, and participant in, financial education through organizations such as AWARE (Americans Well-Informed on Automobile Retailing Economics) and Junior Achievement, as well as in community and educational forums globally. Ford Credit's website, www.fordcredit.com, includes information in English and Spanish to help consumers make informed decisions about vehicle financing.
- **Customer Privacy**: Ford Credit has a policy regarding customer information and privacy and uses systems and procedures to maintain the accuracy of customer information and to protect it from loss, misuse or alteration. Customer information is accessible to appropriate personnel who have a business need for the information. Ford Credit provides training and communications programs to educate personnel about privacy requirements. Beyond protecting customer privacy, Ford Credit continuously uses and works to develop robust processes to produce a superior service experience that ensures that customers are always treated fairly and respectfully.
- **Identity Theft**: Ford Credit is a founding member of the Identity Theft Assistance Center, a nonprofit industry association in which member institutions collaborate to protect their customers from fraud and help them recover if they become victims of ID theft.
- **Technology and Process Improvements**: Ford Credit continuously improves processes and uses technologies that drive efficiency and sustainability. These processes and technologies include: improved and online customer services that facilitate paperless invoices, electronic payments and online credit applications; electronic contract signing; electronic document storage; and software tools and telephony technologies to enhance responsiveness and increase satisfaction for dealers and customers.
- **Community**: Ford Credit has a longstanding commitment to the communities where it does business. This includes providing structured work experience programs for young people. Ford

Related Links

Ford Websites:
- Ford Credit

Credit employees also participate in numerous community activities globally, both during and outside the workday. Examples include personal finance training in schools and community organizations; environmental projects such as river cleanup, park and school beautification and recycling; Juvenile Diabetes Research Foundation walks; the Susan G. Komen Race for the Cure and other activities benefiting medical research or assistance organizations; and drives to collect items such as supplies for schools, food for the hungry, clothing for the needy and necessities for soldiers stationed far from home.

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Financial

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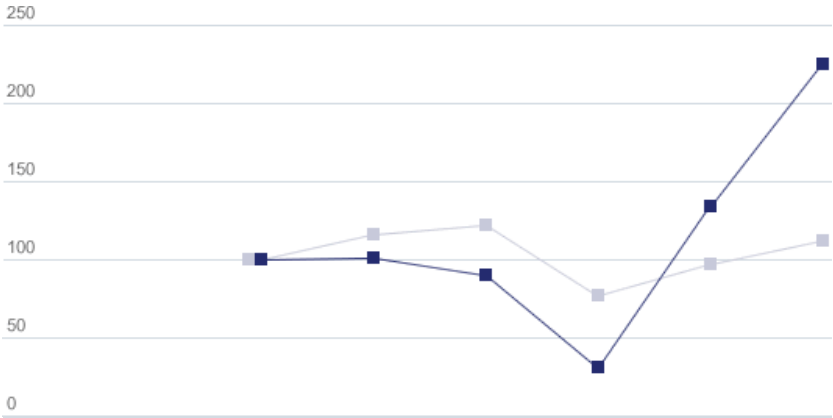
A. Cumulative Shareholder Return



	Base 2005	2006	2007	2008	2009	2010
S&P 500	100	116	122	77	97	112
Ford	100	101	90	31	134	225

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

Notes to Data | Analysis

Updated data to reflect 2005 base.

For more information, please see Ford's Annual Report.

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B. Selected Financial Indicators

	2005	2006	2007	2008	2009	2010
Sales and revenue ($ billion) †	176.8	160.1	172.5	146.3	116.3	129
Income/(loss) from continuing operations ($ billion) †	1.6	(12.6)	(2.8)	(14.7)	2.7	6.6
Net income/(loss) ($ billion) †	1.4	(12.6)	(2.7)	(14.7)	2.7	6.6
Stock price range (per share) ($)	7.57–14.75	6.06–9.48	6.65–9.7	1.01–8.79	1.50–10.37	9.75–17.42
Diluted per share amount of income/(loss) from continuing operations ($) †	0.86	(6.73)	(1.4)	(6.46)	0.86	1.66
Diluted per share amount of net income/(loss) ($) †	0.77	(6.72)	(1.38)	(6.46)	0.86	1.66
Cash dividends per share ($) †	0.4	0.25	0	0	0	0
Automotive gross cash ($ billion)[1]	25.1	33.9	34.6	13.4	24.9	20.5
Shareholder return (percent) ‡	(45)	1	(10.4)	(66)	337	67.9

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

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

Notes to Data | Analysis

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

For more information, please see Ford's 10-K and 8-K and Annual Report.

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C. Profile of Ford Investors

Percent

	2005	2006	2007	2008	2009	2010
Institutional Investors:	46	54	69	57	47	57
Top 15	27	34	38	33	28	29
Others	19	20	31	24	19	28
Employees and Management	19	19	13	12	9	7
Individuals[1]	35	27	18	31	44	36

Provided by third party

Notes to Data | Analysis

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

For more information, please see Ford's Annual Report.

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D. Worldwide Taxes Paid

$ million

	2005	2006	2007	2008	2009	2010
U.S. (Federal, State and Local)	1,317	1,121	1,299	780	674	617
Non U.S.	3,185	3,429	4,420	4,016	2,314	2,313
Total	**4,502**	**4,550**	**5,719**	**4,796**	**2,988**	**2,930**

Notes to Data | Analysis

Data for 2005 and 2006 exclude Federal refunds. Prior-year tax has been restated in order to include certain types of duty that were not included in the reports for prior years.

For more information, please see Ford's 10-K and 8-K.

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Product, Quality and Service

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A. GQRS Things Gone Wrong (TGW) (three months in service)

Chart | Table

Total things gone wrong per 1,000 vehicles

Total things gone wrong per 1,000 vehicles

2005	2006	2007	2008	2009	2010
1,846	1,586	1,405	1,287	1,206	1,140

Third party rating

Notes to Data | Analysis | Related Links

The Global Quality Research System (GQRS) is a Ford-sponsored competitive research survey. The GQRS is a good indicator of other quality results.

Ford and Honda were statistically equal and had the fewest number of vehicle defects or "things gone wrong" (TGW) among full-line manufacturers in 2010, capping six years of improvement. We have achieved these quality improvements by using our rigorous Global Quality Operating System, including cutting-edge virtual manufacturing.

In This Report:

- Customer Satisfaction and Quality

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B. GQRS Customer Satisfaction (three months in service)

Chart | Table

Percent satisfied

Percent satisfied

2005	2006	2007	2008	2009	2010
73	74	76	77	80	82

Third party rating

Notes to Data | Analysis | Related Links

The Global Quality Research System (GQRS) is a Ford-sponsored competitive research survey. The GQRS is a good indicator of other quality results.

Customer satisfaction rose to 82 percent, a 2 percentage-point gain over 2009 and statistically better than Toyota and Honda. This gain is largely the result of introducing high-quality, exciting new products.

In This Report:

- Customer Satisfaction and Quality

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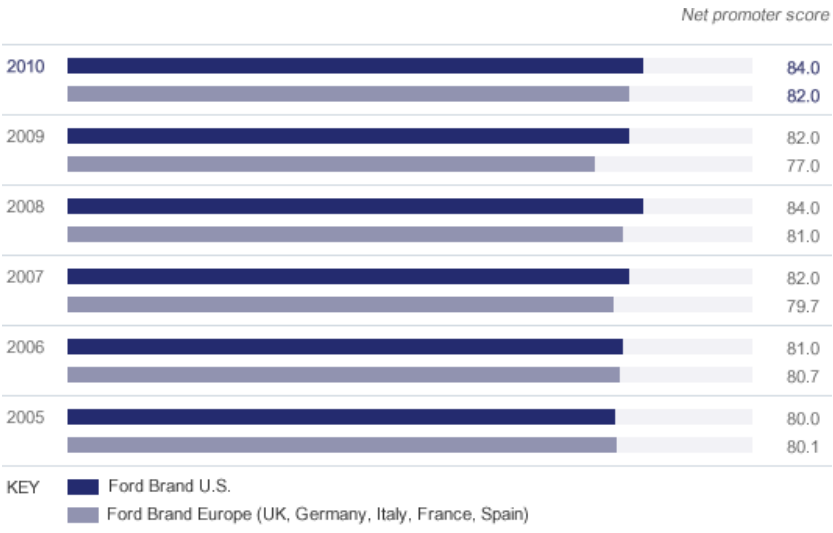
C. Sales Satisfaction with Dealer/Retailer

Chart | Table



Net promoter score

	2005	2006	2007	2008	2009	2010
Ford Brand U.S.	80.0	81.0	82.0	84.0	82.0	84.0
Ford Brand Europe (UK, Germany, Italy, France, Spain)	80.1	80.7	79.7	81.0	77.0	82.0

Related Links

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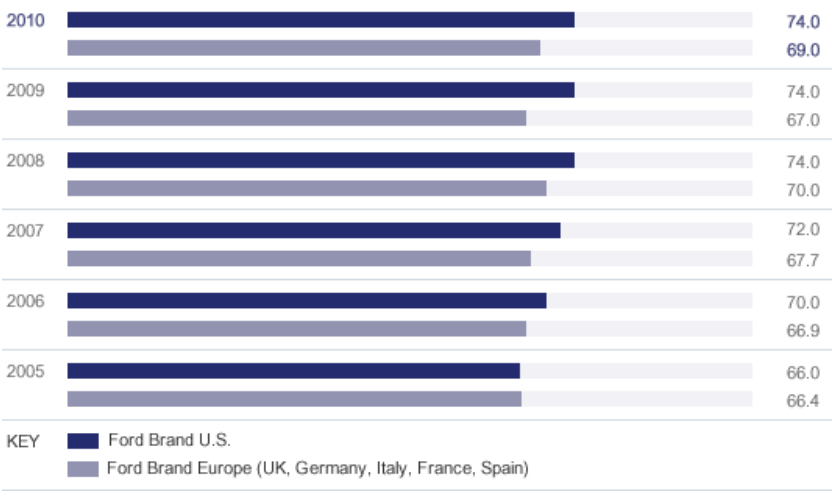
D. Service Satisfaction with Dealer/Retailer

Chart | Table

Net promoter score



Net promoter score

	2005	2006	2007	2008	2009	2010
Ford Brand U.S.	66.0	70.0	72.0	74.0	74.0	74.0
Ford Brand Europe (UK, Germany, Italy, France, Spain)	66.4	66.9	67.7	70.0	67.0	69.0

Notes to Data | Related Links

Prior to 2008, only warranty repair visits were measured. Starting in 2009, customer-paid repair and maintenance visits are also included. These additions have had a small negative impact on the 2009 score. The improvement from 2004 is significant.

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- Customer Satisfaction and Quality

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Market Share and Sales

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A. Ford Motor Company Market Share – United States

Chart | Table

Percent

2005	2006	2007	2008	2009	2010
18.2	17.1	15.6	14.2	15.3	16.4

Reported to regulatory authorities

Analysis | Related Links

Ford gained over a percentage point in market share in the U.S. in 2010, its second market share gain since 1995.

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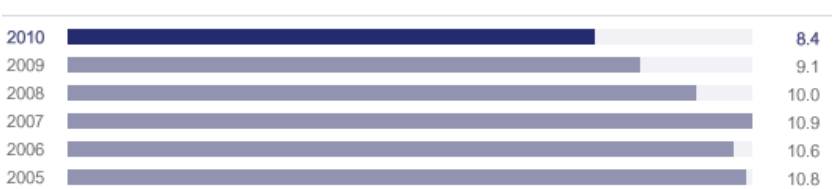
B. Ford Motor Company Market Share – Europe

Chart | Table



Percent

2005	2006	2007	2008	2009	2010
10.8	10.6	10.9	10.0	9.1	8.4

Reported to regulatory authorities

Notes to Data | Analysis | Related Links

Annual market share data through 2008 included Volvo.

Ford lost overall market share slightly in the 19 main European markets, ending the year at 8.4 percent market share, down 0.7 percentage points from year-end 2009. However, Ford gained market share in Sweden and Denmark.

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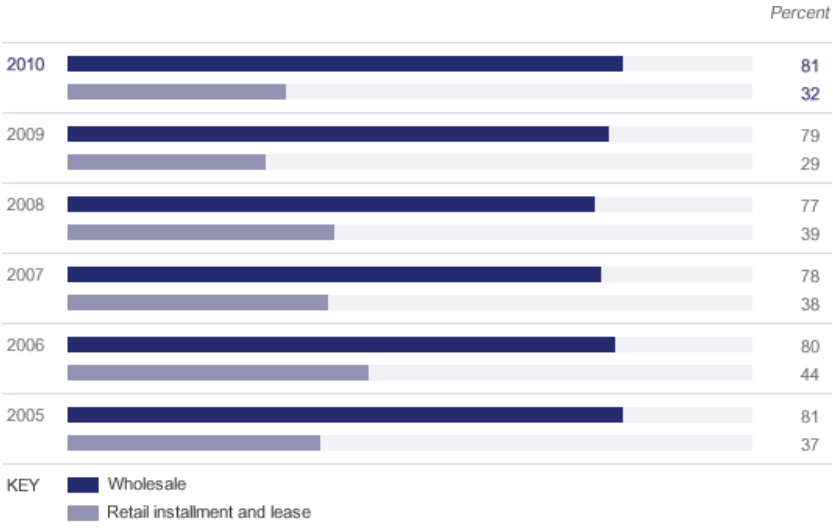
C. Ford Credit Financing Share – United States

Chart | Table



Percent

	2005	2006	2007	2008	2009	2010
Wholesale	81	80	78	77	79	81
Retail installment and lease	37	44	38	39	29	32

Reported to regulatory authorities

Notes to Data | Analysis | Related Links

These data include Ford, Lincoln and Mercury brands only.

For more information on Ford Credit, please visit www.fordcredit.com. For more information on Ford Credit financial information, visit the Ford Credit investor center.

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- Ford Motor Credit Company

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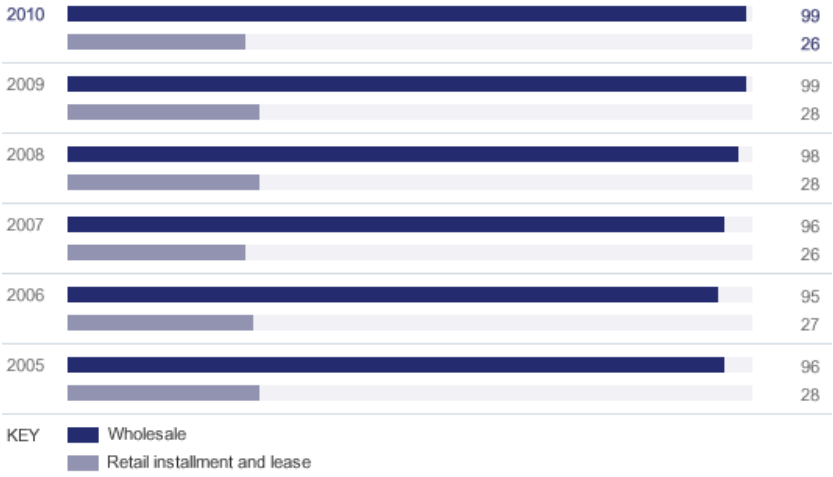
D. Ford Credit Financing Share – Europe

Chart | Table

Percent



Percent

	2005	2006	2007	2008	2009	2010
Wholesale	96	95	96	98	99	99
Retail installment and lease	28	27	26	28	28	26

Reported to regulatory authorities

Notes to Data | Analysis | Related Links

These data include Ford brand only.

For more information on Ford Credit, please visit www.fordcredit.com. For more information on Ford Credit financial information, visit the Ford Credit investor center.

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E. Summary of Vehicle Unit Sales

Chart | Table

Thousands

Thousands

2005	2006	2007	2008	2009	2010
6,767	6,597	6,553	5,407	4,817	5,524

Related Links

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- Regional Performance Highlights

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F. Ford Fleet Sales

Chart | Table

Units sold

Units sold

2005	2006	2007	2008	2009	2010
854,000	902,000	744,000	607,000	488,000	618,000

Reported to regulatory authorities

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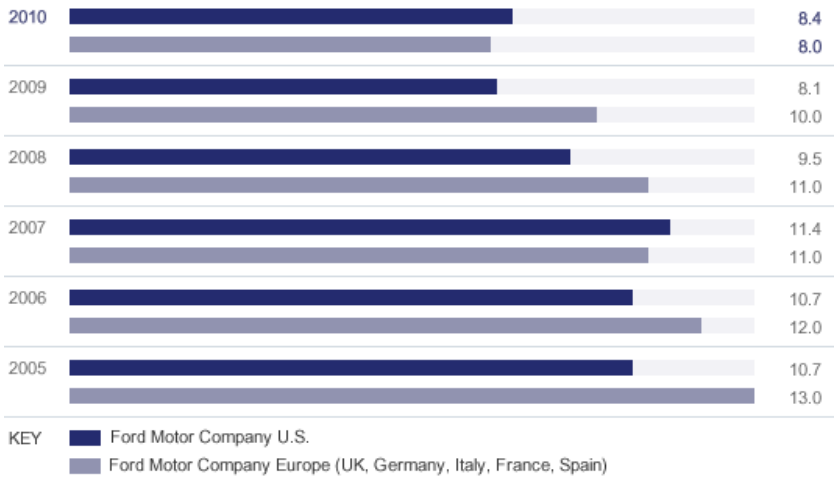
G. First-Time Ford Buyers (Owners Who Acquired a New Vehicle for the First Time)

Chart | Table

Percent of first-time buyers



Percent of first-time buyers

	2005	2006	2007	2008	2009	2010
Ford Motor Company U.S.	10.7	10.7	11.4	9.5	8.1	8.4
Ford Motor Company Europe (UK, Germany, Italy, France, Spain)	13.0	12.0	11.0	11.0	10.0	8.0

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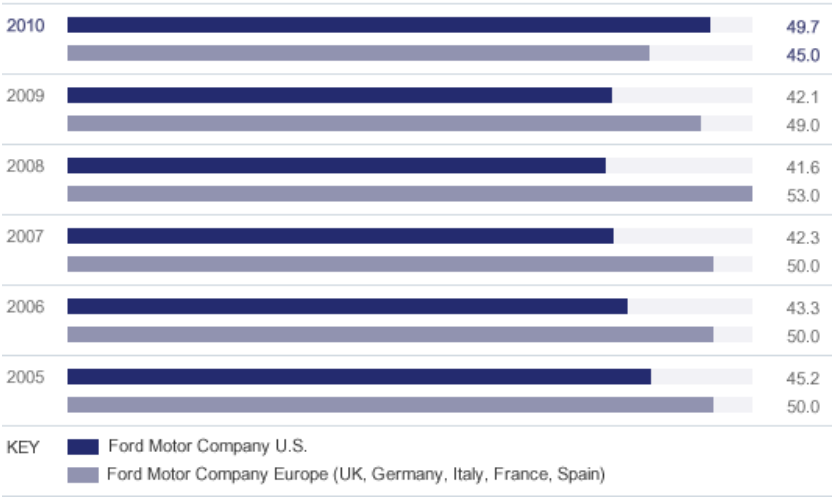
H. Owner Loyalty (Customers Disposing of a Ford Motor Company Product and Acquiring Another)

Chart | Table

Percent loyal to corporation



Percent loyal to corporation

	2005	2006	2007	2008	2009	2010
Ford Motor Company U.S.	45.2	43.3	42.3	41.6	42.1	49.7
Ford Motor Company Europe (UK, Germany, Italy, France, Spain)	50.0	50.0	50.0	53.0	49.0	45.0

Related Links

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Innovation

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

Chart | Table

Number of patents issued

Number of patents issued

2005	2006	2007	2008	2009	2010
342	387	357	343	325	430

Notes to Data

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

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Case Studies

IN THIS SECTION

Case Study: Economic Impacts of the Auto Industry

The automotive industry is a major contributor to national and global economies. From 2000 to 2010, the industry contributed an average of 3.6 percent of the U.S. Gross Domestic Product – or nearly $444 billion.

READ MORE

Case Study: Sustainable Growth in Asia

The largest – and fastest-growing – consumer demand for automobiles today is occurring in Asia, particularly in China and India. To meet that demand, we have been exponentially increasing our production capacity in China, India and Thailand, making significant investments to build new plants and enlarge existing facilities.

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Case Study: Economic Impacts of the Auto Industry

The automotive industry is a major contributor to national and global economies. From 2000 to 2010, the industry contributed an average of 3.6 percent of the U.S. Gross Domestic Product – or nearly $444 billion. In 2010, the industry employed approximately 2.3 million people in the U.S. at automotive manufacturers, supplier businesses and dealerships. Of this total, nearly 684,000 worked directly for automakers and suppliers. Wage and salary compensation in the industry is substantial. In the U.S., for example, the average weekly earnings of automotive production workers are double the average weekly earnings for all of the private hourly production workers.

Motor vehicles and auto parts represent the single-largest export sector in the U.S., with an average of $107 billion worth exported from 2005 to 2010. The auto industry is a leader among U.S. manufacturing industries in research and development investment, spending approximately $16 to $18 billion each year on research and product development. Ford alone spent approximately $16.8 billion on engineering, research and development activities in the U.S. from 2008 to 2010.[1]

The influence of the automotive industry is quite broad. In the U.S., the auto industry supports jobs and economic benefits through related employment at dealers, suppliers and service shops, and through the expenditures of people employed by those industries. One recent study found that approximately 8 million private-sector jobs are impacted by U.S. auto manufacturers, suppliers and dealers, and the industry contributes more than $500 billion in compensation annually.[2] The auto industry has one of the highest multipliers of any industry in the U.S. economy, and is sufficiently large that its growth or contraction can be detected by changes in the GDP. Studies have shown that, if the domestic auto industry were to fail, up to 3 million direct and indirect jobs would be lost in the first year.[3] This same study said the loss of the domestic auto industry would also reduce personal income in the U.S. by more than $398 billion over three years and would cost the government more than $156.4 billion over three years, due to increased transfer payments, decline in Social Security income and decline in personal income taxes.

1. Pre-2010 data adjusted to reflect the impact of the accounting standard on the consolidation of variable interest entities (VIEs).
2. Hill, Kim et al. 2010. *Contribution of the Automotive Industry to the Economies of All 50 States and the U.S.* Available at the Center for Automotive Research website.
3. David Cole, et al. 2008. *CAR Research Memorandum: The Impact on the U.S. Economy of a Major Contraction of the Detroit Three Automakers.* Available at the Center for Automotive Research website.

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- Society

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Case Study: Sustainable Growth in Asia

The largest – and fastest-growing – consumer demand for automobiles today is occurring in Asia, particularly in China and India. In 2010, auto sales in China alone reached more than 18 million – a stunning 10-fold increase from a decade earlier. And the numbers are only expected to grow. By 2020, annual vehicle sales in the Asia Pacific region will likely top 52 million vehicles.

At Ford, we project that 70 percent of our growth over the next decade will occur within the Asia Pacific region. To meet that demand, we have been exponentially increasing our production capacity in China, India and Thailand, making significant investments to build new plants and enlarge existing facilities. These expansions represent the largest growth our Company has witnessed in 40 or 50 years.

Our investments in the Asia Pacific region include the following:

- In Chennai, India, we are spending $500 million to double engine production capacity to 250,000 engines.
- In China, we are currently building two new plants: one in Chongqing with our joint venture partner Changan Ford Mazda Automotive (CFMA), and one in Nanchang with Jiangling Motors Corp (JMC). The $300 million Nanchang assembly plant will have the capacity to produce up to 300,000 Ford- and JMC-branded vehicles per year. In addition, we have recently signed a memorandum of understanding with CFMA to build a second new engine plant – this one for $500 million – in Chongqing.
- In Thailand, construction is underway on a new $450 million Ford assembly plant, scheduled for completion in 2012, to build the Ford Focus. And in 2010, Ford and Mazda Motor Corporation announced an additional investment of $350 million in our Auto Alliance Thailand (AAT) joint venture for pickup truck production.

As we make new investments, we look for ways to build plants that are economically, environmentally and socially sustainable – not only for Ford, but for the communities in which we operate. We are working to have positive impacts on the people who work and live near our plants by providing jobs and expanding economic opportunities. And we seek to have positive impacts on the environment by using best practices in the plants we build and by offering advanced, fuel-efficient vehicles to our Asian consumers.

Before building a new plant, our standard practice is to review a range of factors to determine the most suitable site. Ford Land's Site Selection Matrix includes criteria such as:

- The presence of wetlands
- Water and utility infrastructure, including water quality and the water table
- Soil and topography suitability
- The cost of water and other utilities
- Proximity to suppliers, landfills and industrial waste management capacity
- Logistics options, including rail and sea
- The availability of road infrastructure
- The availability of sanitation and wastewater treatment
- Employee commute time

Building Economic Opportunities

Our new plants will support local jobs and economic growth in Asia through direct employment and by creating economic opportunities for local suppliers and supporting businesses. For example, the expansion of our plant in Chennai, India, is expected to create 1,000 new local jobs. Our new Focus plant in Thailand is expected to provide up to 11,000 new jobs: 2,200 direct jobs with Ford, and 8,800 indirect jobs through our supplier and dealer networks. Once this latter plant is complete, we also expect to purchase $800 million in local components.

Our new Asian plants will also use our latest flexible manufacturing technologies, which allow us to shift production from one vehicle to another to meet changing customer demands with little time and money required for retooling. This means we will be better able to match our manufacturing capacity with demand to maintain production and support of local employment even if our markets change rapidly.

Reducing the Environmental Impacts of Our Plants

The construction of any new facility has the potential for environmental effects, ranging from impacts on land and nature to air and water emissions to increased demand for water and other

Related Links

This Report:

- Investing in Operations
- Manufacturing
- EcoBoost™
- Non-CO_2, Facility-Related Emissions

Vehicle Websites:

- Ford Fiesta
- Ford Figo
- Ford Mondeo

resources. We aim to minimize our environmental impacts by finding ways to reduce our use of water and other natural resources, and we attempt to mitigate biodiversity risks.

As part of our facility planning process, we have implemented new building standards that incorporate environmental best practices developed at our global facilities. We also consider LEED (Leadership in Energy Efficient Design) standards when developing new plants. Though we are not currently pursuing LEED certification for new manufacturing facilities, the standards provide useful guidance for designing energy-efficient and environmentally sustainable buildings and landscapes. Our building standards include:

- The use of advanced water-treatment technologies that allow for water reuse and that reduce water supply requirements, water discharges, the use of treatment chemicals and the generation of solid waste
- The application of dry metal machining to reduce oil use, wastewater generation, energy use and air emissions
- The advanced control of air compressors, high-efficiency lights and variable-drive electric motors to significantly reduce energy usage and monitor equipment performance
- Skylights and monitors to take advantage of natural light and reduce lighting energy requirements
- The recirculation of paint booth air and three-wet paint application to reduce the energy required for high-quality painting
- Advanced automated paint application equipment to reduce paint usage, air emissions and waste generation
- Reusable containers for shipping parts and materials
- The recovery of heat for process use from large electric motors
- The use of white roofing material to reduce energy use for cooling

Our new and expanded plants in India, Thailand, and Chongqing, China, will use our environmentally friendly "three-wet" paint process, which reduces carbon dioxide emissions by 15 percent and volatile organic compound (VOC) emissions by 10 percent from our paint shops. In addition to these environmental benefits, this process maintains industry-leading quality and reduces costs. Our new Focus assembly plant in Thailand will also feature an on-site wastewater treatment facility, energy-efficient lighting, natural ventilation in the body shop and final assembly buildings and the use of local and recycled materials. These plants will incorporate other environmentally friendly designs and technologies, including the following:

- New facilities in China are using advanced ultrafiltration water treatment technologies that enable improved treatment and reuse of the wastewater in the facility and significantly reduce the use of chemicals and the generation of solid waste associated with older treatment technologies. Additional benefits include reduced use of water and reduced waste water discharge volumes. The reclaimed water can be used for site irrigation, restrooms or even as process feed water, depending on the source of the wastewater and the secondary treatment technologies employed.
- High-efficiency lighting systems and daylighting are used in all of our new Asia Pacific and Africa region facilities, to reduce energy use and improve working conditions.
- Advanced energy management systems that control the use of electricity, motors and compressed air are included in the design of all new facilities in the Asia Pacific and Africa region, to provide power only when and where it is needed.
- Booth air recirculation is considered for every new assembly plant paint shop and often employed to reduce the energy needed to treat the paint booth supply air, which requires very precise temperature and humidity control. The new Focus plant in Chongqing and the new Transit Plant in Nanchang, both currently under construction, will employ paint booth recirculation.
- The new facilities are designed with significant green space, including vegetation irrigated with stormwater, pond water or in some cases recycled water from the facility. Stormwater management retention ponds are also used to keep any water-borne contaminants from leaving the site.
- Low- and no-VOC paints, floor coverings, wall coverings and other finishes are also being employed.

In 2010, to ensure continued improvement in environmental performance, Ford completed the full global implementation of an Environmental Operating System, which helps manage an ever-increasing range of external regulations and internal performance objectives more effectively and with fewer resources. As part of the environmental performance management process, manufacturing and environmental experts help each facility implement operational and infrastructure improvements that improve efficiency and reduce the use of electricity, fuel and water. We are making improvements all the time. For example, we have installed high-efficiency lights and motors, and advanced energy control and monitoring equipment, in our existing Asian plants.

Delivering More Sustainable Products

We are bringing fuel efficiency and low emissions to Asian consumers by offering our advanced environmental vehicle technologies. For example, we introduced the fuel-efficient EcoBoost™ engine and PowerShift transmission technologies in China in 2010 on the Ford Mondeo, and in Thailand, we introduced EcoBoost on the Fiesta. In India, we recently introduced the Ford Figo, which has highly fuel-efficient 1.4L TDCi diesel and 1.2L gas engine options. The diesel Figo has unsurpassed fuel economy in its segment. These vehicles show how we are delivering on our commitment to bring more sustainable transportation to all the markets we serve.

We have aggressive growth plans for the Asian region, so we will be equally aggressive in our efforts to develop in a sustainable, responsible manner. As we continue to announce and build new plants and expand vehicle production around the globe, we are working to make sure we are delivering on our promise to deliver both great products and a better world to all the communities in which we operate.