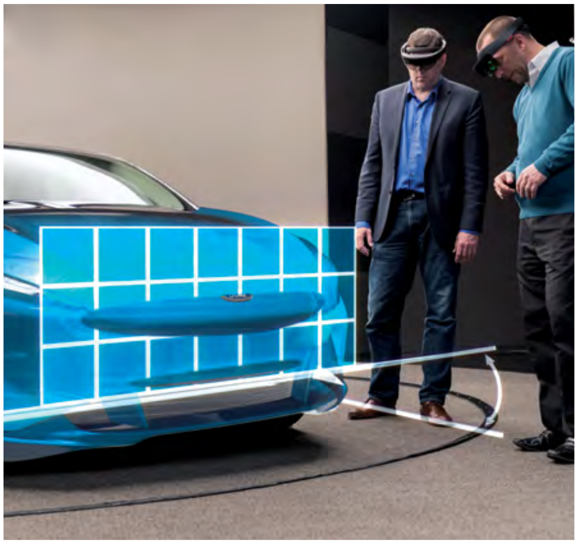



















FORD MOTOR COMPANY

2017 ANNUAL REPORT





On the Cover

From cruising down the highway in a 1966 Mustang to taking the entire family on a road trip in an all-new 2018 Expedition, Ford customers have passion for their vehicles. It is that same emotion that drives Ford Motor Company's commitment to become the world's most trusted mobility company, designing smart vehicles for a smart world.

Whether building America's best-selling truck, expanding Chariot shuttle service to New York City, or moving forward on the company's vision to re-energize congested cities by developing new ways to connect and move, Ford will always keep the customer at the center of the products and services it creates.

Our Annual Report is available online at **annualreport.ford.com**

FINANCIAL HIGHLIGHTS

(in billions, except for percentages)	2016	**2017**
Automotive Segment		
Revenue	$ 141.5	**$ 145.7**
Operating margin	6.7%	**5.0%**
Operating cash flow	$ 6.4	**$ 3.9**
Ford Credit		
Pre-tax profit	$ 1.9	**$ 2.3**
Total Company		
Net income attributable to Ford Motor Company	$ 4.6	**$ 7.6**
Adjusted pre-tax profit (a)	$ 10.4	**$ 8.4**

(a) See pages 25 and 79 of Ford's 2017 Form 10-K for definition and reconciliation to GAAP.

LETTER FROM THE EXECUTIVE CHAIRMAN

WILLIAM CLAY FORD, JR.

2017 was a year of change and transition for Ford Motor Company. We took a major step forward in defining our future to become the world's most trusted mobility company. To achieve this vision, we are moving from a position of strength to transform our company for the future.

In 2017 we achieved our eighth consecutive year of solid earnings and positive operating-related cash flow. Our consistent profitability has enabled us to distribute more than $15 billion to our shareholders since 2012. While we are pleased and proud to deliver these substantial profits, we know that business as usual is no longer good enough in the rapidly changing business environment.

We are aggressively reducing costs and reallocating capital to the products and markets with the highest potential for growth and returns. As we improve the efficiency and focus of our business for today, we also are accelerating our efforts to be a leader in the smart vehicles and mobility services of tomorrow.

Our goal is to become the world's most trusted mobility company. To do that, we are taking an approach to the design and development of our products and services that is focused not just on new technologies but also on improving people's lives. The human impact of the mobility revolution will transform the way we access work, health care, education and much more.

We plan to begin production of fully autonomous vehicles for commercial use, such as ride hailing or package delivery, by 2021. We are working with Lyft, Domino's Pizza and Postmates to optimize the customer experience and business function these vehicles provide. We also are developing a range of mobility options that include micro-transit systems and traffic management software that helps ease congestion in cities and provides access to mobility for more people, including the underserved.

In addition, we are placing an even greater emphasis on our electrified vehicle strategy to help reduce CO_2 emissions and improve fuel economy. To speed up the design and development of battery electric vehicles, in 2017 we created "Team Edison," a dedicated electric vehicle team that is bringing together technology, product development and advanced manufacturing to create leading-edge battery electric vehicles for customers around the world. We also recently announced a joint venture with Zotye, a pioneer in the Chinese all-electric vehicle segment. Our goal with the JV is to develop and manufacture all-electric vehicles and create a new sales and service network. These moves will help us expand our electric vehicle lineup with a total of 40 vehicles globally – including 16 full battery electric vehicles by 2022.

Our new President and CEO, Jim Hackett, is the right person to lead us during this transformative period for the auto industry. He is a true visionary who brings a unique, human-centered leadership approach to our culture, products and services that will unlock the potential of our people and our business.

We have many strengths to leverage as we move forward, including our proven ability to integrate hardware and software in complex devices and our more than 100 years of experience in the mass production of vehicles. But perhaps our greatest strength is the trust that people have in our company and our employees, who take that responsibility very seriously.

"Our goal is to become the world's most trusted mobility company."

The hard work and community spirit of our employees, a culture of caring and a determination to build a better world have enabled us to earn this trust over time. In a time of revolution and disruption, trust becomes more important than ever, and it is the one thing we will not change as we transform our company.

To continue earning your trust, our Board of Directors, leadership team and employees are passionately committed to delivering business results, creating value for the future and improving people's lives around the world.

Thank you for your continued support of our efforts.

William Clay Ford, Jr.
Executive Chairman
March 15, 2018

2018 Ford Expedition

2018 Ford EcoSport

2018 Ford F-150

2018 Ford Mustang

LETTER FROM OUR PRESIDENT AND CEO

JIM HACKETT

A decade ago, Ford Motor Company emerged from the Great Recession by restructuring and re-energizing its business. Our success – and the rebirth of Detroit – was an inspiration to our country and the world. We went on to deliver record profits. Our comeback was a reminder of why Ford has endured and thrived for more than a century.

In 2018, we find ourselves at a new crossroads, not only for our company but for our entire industry. During the Great Recession, the company faced an existential crisis. Happily, that is no longer the case. In fact, Ford is thriving and has a strong balance sheet. We have enviable strongholds. Our truck, SUV and commercial vehicle businesses continue to grow. Our consistent performance has allowed us to distribute more than $15 billion to shareholders since 2012.

"Our consistent performance has allowed us to distribute more than $15 billion to shareholders since 2012."

We are proud of what we have accomplished. But, as always, we are preparing for what's next, and we are clearly entering a period of radical disruption. Our traditional automotive competitors are improving. New competitors are entering the sector. Breakthrough technologies are transforming nearly every aspect of the vehicles we build and how people use them, demanding a rethink of how we design transportation systems.

This is an exciting time. And I want to tell you that we are moving confidently into this future. In times of disruption, we see great opportunities – and we will not cede this future to anyone.

OWNING THE FUTURE

So how does Ford plan to own this future?

Our strategic decisions will be guided by five high-level principles:

1. Ford will prepare for disruption by becoming fit.
2. We will be in the vehicle business – moving both people and goods.
3. Our vehicles will be smart and connected.
4. These smart vehicles will thrive in a new transportation operating system.
5. Ford will capitalize on new business opportunities within this transportation operating system.

"Put simply, we are focused on classic Ford virtues: simplicity, agility, efficiency, responsiveness and accountability."

It begins with operational fitness. Over time, even the strongest companies can lose their competitive edge, allow costs to creep up, or fail to adapt quickly to changing times. We will not let this happen.

To ensure that Ford is fit to win, we are orienting the company around six fitness redesign initiatives: streamlining product development, reducing material costs, improving manufacturing efficiency, reducing complexity, implementing new marketing techniques and building a world-class IT system. We are making significant progress as we seek to increase shareholder value and invest in the future.

Put simply, we are focused on classic Ford virtues: simplicity, agility, efficiency, responsiveness and accountability. This commitment will allow us to realize our vision for our future:

"Ford Motor Company was built on the belief that freedom of movement drives human progress. It's a belief that has always fueled our passion to create great cars and trucks. And today, it drives our commitment to become the world's most trusted

Ford Intensifies China Growth Plan

2018 Lincoln Navigator

mobility company, designing smart vehicles that help people move more safely, confidently and freely."

Over the course of 2018, we will share more about how we are improving our day-to-day business and making investments to realize our vision of smart vehicles for a smart world. As we

"At the same time, we advanced our autonomous vehicle plan, building out a robust business model and rapidly growing our capabilities."

focus on delivering these new technologies and solutions in a human-centered way, our work on autonomous and electric vehicles, vehicle connectivity, mobility services and ride sharing is gathering momentum. This has great potential to create value for shareholders.

2017 HIGHLIGHTS

2017 was a critical year. There were many highlights, but nothing was more important than the pivot we made in our vision for the company.

Significantly, we developed a plan to ensure that all of our new vehicles in the U.S. will be connected by 2019. By 2020, 90 percent of our vehicles will be connected globally.

Ford Tests Microsoft HoloLens

Princeton Lightwave

Exoskeleton Technology Pilot

2019 Ford Ranger

At the same time, we advanced our autonomous vehicle plan, building out a robust business model and rapidly growing our capabilities. We expanded our investment in Flat Rock, Michigan — our initial manufacturing hub for AVs. And we continued to dramatically accelerate our electric vehicle plans with the formation of Team Edison, a dedicated global electric vehicle organization focused on bringing to market profitable, exciting electric vehicles and ownership experiences.

"Ford was the best-selling brand in the U.S. for the eighth straight year, and our F-Series franchise marked its 41st year as America's best-selling pickup."

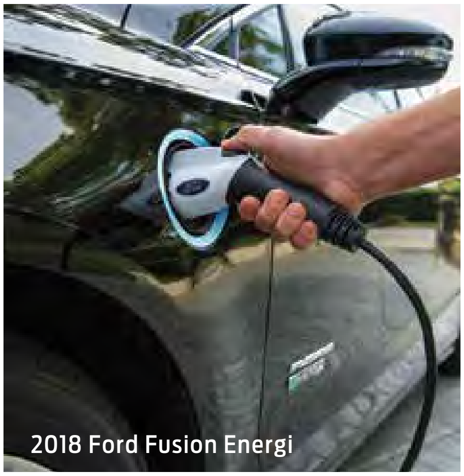
Ford was the best-selling brand in the U.S. for the eighth straight year, and our F-Series franchise marked its 41st year as America's best-selling pickup. We launched 11 more vehicles globally, including a new F-150, EcoSport, Focus Electric, all-new Fiesta and all-new Expedition, and an all-new Lincoln Navigator.

Most importantly, we are committed to providing value to our shareholders with expected distributions totaling about $3.1 billion in 2018.

I know we can capitalize on this opportunity to transform Ford into the company that will lead this new era of mobility. I am excited, and hope you all are as well.

Jim Hackett
President and Chief Executive Officer
March 15, 2018

The Living Street



2018 Ford Fusion Energi

Bill Ford and Jim Hackett's direct reports (as of February 28, 2018, pictured from left to right): Bradley Gayton, Joy Falotico, Bob Shanks, Joe Hinrichs, Jim Hackett, Jim Farley, Marcy Klevorn, Ziad Ojakli, Ken Washington and Mark Truby

BOARD OF DIRECTORS

William Clay Ford, Jr.

Executive Chairman and Chairman of the Board

Stephen G. Butler

Kimberly A. Casiano

Anthony F. Earley, Jr.

Edsel B. Ford II

James P. Hackett

William W. Helman IV

William E. Kennard

John C. Lechleiter

Ellen R. Marram

John L. Thornton

John B. Veihmeyer

Lynn M. Vojvodich

John S. Weinberg

COMPANY OFFICERS

Steven Armstrong
Group Vice President and President, Europe, Middle East & Africa

Joseph Bakaj
Vice President, Product Development, Ford of Europe

Paul Ballew
Vice President and Global Chief Data and Analytics Officer

Birgit A. Behrendt
Vice President, Joint Ventures, Alliances and Commercial Affairs, Ford of Europe

Stephen E. Biegun
Vice President, International Governmental Affairs

Moray S. Callum
Vice President, Design

Linda G. Cash
Vice President, Quality and New Model Launch

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

William P. Dirksen
Vice President, Labor Affairs

Lisa Drake
Vice President, Global Powertrain Purchasing and Global Purchasing Operations

Joy Falotico
Group Vice President, Lincoln and Chief Marketing Officer

James D. Farley, Jr.
Executive Vice President and President, Global Markets

David Filipe
Vice President, Powertrain Engineering

Peter D. Fleet
Group Vice President and President, Asia Pacific

Elena A. Ford
Vice President, Global Dealer and Consumer Experience

Kumar A. Galhotra
Group Vice President and President, Ford North America

Bradley M. Gayton
Group Vice President, Chief Administrative Officer and General Counsel

James P. Hackett
President and Chief Executive Officer

Nigel C. Harris
Vice President and President, Changan Ford Automobile Corporation, Ltd.

Bruce Hettle
Group Vice President, Manufacturing and Labor Affairs

Joseph R. Hinrichs
Executive Vice President and President, Global Operations

James P. Holland
Vice President, Vehicle Component and Systems Engineering

Gary A. Johnson
Vice President, North America Manufacturing

Burt R. Jordan
Vice President, Global Vehicle and Powertrain Purchasing and Supplier Diversity

Kenneth R. Kent
Vice President and Treasurer

Marcy S. Klevorn
Executive Vice President and President, Mobility

Mark LaNeve
Vice President, U.S. Marketing, Sales and Service

John Lawler
Vice President and Controller, and CFO, Global Markets

Jeff Lemmer
Vice President and Chief Operating Officer, Information Technology

Sherif Marakby
Vice President, Autonomous Vehicles and Electrification

David McClelland
Vice President, Ford Motor Company, and Chief Executive Officer, Ford Motor Credit Company

Cathy O'Callaghan*
Vice President and Corporate Controller, and CFO, Global Markets

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

Mark Ovenden
Vice President, Marketing, Sales and Service, Asia Pacific

Kimberly L. Pittel
Group Vice President, Sustainability, Environment and Safety Engineering

Stuart J. Rowley
Vice President and Chief Operating Officer, Ford North America

William P. Russo
Vice President, Manufacturing, Asia Pacific

Neil M. Schloss
Vice President and Chief Financial Officer, Mobility

Bob Shanks
Executive Vice President and Chief Financial Officer

Musa Tariq
Vice President and Chief Brand Officer

Hau Thai-Tang
Executive Vice President, Product Development and Purchasing

Frederiek Toney
Vice President and President, Global Ford Customer Service Division

Mark Truby
Vice President, Communications

Kenneth E. Washington
Vice President, Research and Advanced Engineering and Chief Technology Officer

Lyle A. Watters
Vice President and President, Ford South America

Dale Wishnousky
Vice President, Manufacturing, Ford of Europe

Trevor Worthington
Vice President, Product Development, Asia Pacific

**Effective June 1, 2018*

City of Tomorrow

CORPORATE GOVERNANCE

Ford has a long history of operating under sound corporate governance practices. Our corporate officers and board of directors, and the entire Ford team, are dedicated to serving the interests of our shareholders and creating long-term value. Our creating value roadmap is designed to ensure that our business manages risk and continues to operate in a transparent and accountable way.

- Our optimized leadership structure allows the CEO to focus on leading the organization while the chairman focuses on leading the board. This, combined with a lead independent director, ensures management adequately addresses matters identified by the board. Our board includes a diverse range of international experience in finance, technology, manufacturing, marketing and government.
- Our global leadership team meets regularly in business plan and special attention review meetings to monitor the business environment. This process includes a review of the status of the business, risks and opportunities, and specific plans to address them.
- Our executives' compensation is tied to performance against defined metrics that are aligned with our strategic objectives to incentivize and focus executive behavior on strengthening our business for the long term.
- Our shareholders are asked to approve executive compensation with an annual say-on-pay vote; investors supported the compensation of named executives with approximately 97 percent of votes cast "for" in 2015, 2016 and 2017.
- We promote a culture of compliance and ethics across our business and around the world, formalized in company policies and reinforced by management.

To read our latest proxy statement, visit corporate.ford.com.

SUSTAINABILITY

We are committed to having a positive impact on the world, while remaining a successful business.

Contributing to a better world has always been a core value at Ford, and our commitment to sustainability is a key part of who we are. Ford's dedication to sustainability has never been stronger as we further strengthen our automotive business and accelerate a strategic shift to capitalize on emerging opportunities.

Each June, we release our Sustainability Report, which details our performance and progress toward our sustainability and corporate responsibility goals. Since 2000, we have reported on how we are working to improve our business, our supply chain and our communities. In our 2016-17 report, we highlighted several areas we are focused on to help make people's lives better around the world:

- We are expanding our electrified portfolio to 40 electrified vehicles globally, including 16 full battery electric vehicles, and we have increased planned investments in electrification to over $11 billion by 2022.
- We believe that access to clean water is a human right, and we have a long-term goal of using zero drinkable water in any manufacturing processes. We received CDP's highest rating for our corporate water management for the third year in a row.
- We reduced our manufacturing CO_2 emissions by 52 percent per vehicle produced between 2010 and 2016, and our average energy use by 25 percent.
- Ford is reducing the environmental footprint of its supply chain with an enhanced Partnership for a Cleaner Environment program that has grown to more than 40 suppliers in 40 countries.
- We expanded our true zero-waste-to-landfill program to 82 Ford facilities around the world – 49 manufacturing facilities and 33 non-manufacturing facilities – where absolutely no waste goes to landfill.
- 2017 marked 10 years since we first used soybean-based foam in our vehicles. 18.5 million vehicles and half a trillion soybeans later, we have saved more than 228 million pounds of carbon dioxide from entering the atmosphere.

To read our latest Sustainability Report, visit sustainability.ford.com.

FORD MOTOR COMPANY

ANNUAL REPORT

ON FORM 10-K

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

☑ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2017

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission file number 1-3950

Ford Motor Company

(Exact name of Registrant as specified in its charter)

Delaware	**38-0549190**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
One American Road, Dearborn, Michigan	**48126**
(Address of principal executive offices)	*(Zip Code)*

313-322-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☑

As of June 30, 2017, Ford had outstanding 3,900,795,510 shares of Common Stock and 70,852,076 shares of Class B Stock. Based on the New York Stock Exchange Composite Transaction closing price of the Common Stock on that date ($11.19 per share), the aggregate market value of such Common Stock was $43,649,901,757. Although there is no quoted market for our Class B Stock, shares of Class B Stock may be converted at any time into an equal number of shares of Common Stock for the purpose of effecting the sale or other disposition of such shares of Common Stock. The shares of Common Stock and Class B Stock outstanding at June 30, 2017 included shares owned by persons who may be deemed to be "affiliates" of Ford. We do not believe, however, that any such person should be considered to be an affiliate. For information concerning ownership of outstanding Common Stock and Class B Stock, see the Proxy Statement for Ford's Annual Meeting of Stockholders currently scheduled to be held on May 10, 2018 (our "Proxy Statement"), which is incorporated by reference under various Items of this Report as indicated below.

As of January 31, 2018, Ford had outstanding 3,902,499,580 shares of Common Stock and 70,852,076 shares of Class B Stock. Based on the New York Stock Exchange Composite Transaction closing price of the Common Stock on that date ($10.97 per share), the aggregate market value of such Common Stock was $42,810,420,393.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Where Incorporated
Proxy Statement*	Part III (Items 10, 11, 12, 13, and 14)

* As stated under various Items of this Report, only certain specified portions of such document are incorporated by reference in this Report.

Exhibit Index begins on page 99

FORD MOTOR COMPANY
ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2017

Table of Contents
(continued)

PART I.

ITEM 1. *Business.*

Ford Motor Company was incorporated in Delaware in 1919. We acquired the business of a Michigan company, also known as Ford Motor Company, which had been incorporated in 1903 to produce and sell automobiles designed and engineered by Henry Ford. We are a global company based in Dearborn, Michigan. With about 202,000 employees worldwide, the Company designs, manufactures, markets, and services a full line of Ford cars, trucks, sport utility vehicles ("SUVs"), electrified vehicles, and Lincoln luxury vehicles, provides financial services through Ford Motor Credit Company LLC ("Ford Credit"), and is pursuing leadership positions in electrification, autonomous vehicles, and mobility solutions.

In addition to the information about Ford and our subsidiaries contained in this Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Form 10-K Report" or "Report"), extensive information about our Company can be found at http://corporate.ford.com, including information about our management team, our brands and products, and our corporate governance principles.

The corporate governance information on our website includes our Corporate Governance Principles, Code of Ethics for Senior Financial Personnel, Code of Ethics for the Board of Directors, Code of Corporate Conduct for all employees, and the Charters for each of the Committees of our Board of Directors. In addition, any amendments to our Code of Ethics or waivers granted to our directors and executive officers will be posted on our corporate website. All of these documents may be accessed by going to our corporate website, or may be obtained free of charge by writing to our Shareholder Relations Department, Ford Motor Company, One American Road, P.O. Box 1899, Dearborn, Michigan 48126-1899.

Our recent periodic reports filed with the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge at http://shareholder.ford.com. This includes recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, as well as any amendments to those Reports. Recent Section 16 filings made with the SEC by the Company or any of our executive officers or directors with respect to our Common Stock also are made available free of charge through our website. We post each of these documents on our website as soon as reasonably practicable after it is electronically filed with the SEC. Our reports filed with the SEC also may be found on the SEC's website at www.sec.gov.

The foregoing information regarding our website and its content is for convenience only and not deemed to be incorporated by reference into this Report nor filed with the SEC.

OVERVIEW

Segments. We have four operating segments that represent the primary businesses reported in our consolidated financial statements: Automotive, Financial Services, Ford Smart Mobility LLC, and Central Treasury Operations.

Automotive Segment. Our Automotive segment primarily includes the sale of Ford and Lincoln vehicles, service parts, and accessories worldwide, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories. The segment includes five regional business units: North America, South America, Europe, Middle East & Africa, and Asia Pacific.

Financial Services Segment. The Financial Services segment primarily includes our vehicle-related financing and leasing activities at Ford Credit.

All Other. Ford Smart Mobility LLC and Central Treasury Operations are combined in All Other. See Note 24 of the Notes to the Financial Statements for more information regarding All Other.

In the first quarter of 2018, we will change our reportable segments to better reflect the manner in which we now manage our business, including resource allocation and assessment. We will report our results in three operating segments that represent the primary businesses reported in our consolidated financial statements. These operating segments will be Automotive, Mobility, and Ford Credit. Net income will comprise the financial results of these operating segments, Corporate Other (which includes corporate governance costs, interest income on our cash, and portfolio gains and losses), Interest on Debt, Special Items, and Taxes.

AUTOMOTIVE SEGMENT

General

Our vehicle brands are Ford and Lincoln. In 2017, we sold approximately 6,607,000 vehicles at wholesale throughout the world. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("Item 7") for a discussion of our calculation of wholesale unit volumes.

Substantially all of our vehicles, parts, and accessories are sold through distributors and dealers (collectively, "dealerships"), the substantial majority of which are independently owned. At December 31, 2017, the approximate number of dealerships worldwide distributing our vehicle brands was as follows:

Brand	Number of Dealerships at December 31, 2017
Ford	10,345
Ford-Lincoln (combined)	820
Lincoln	263
Total	11,428

We do not depend on any single customer or a few customers to the extent that the loss of such customers would have a material adverse effect on our business.

In addition to the products we sell to our dealerships for retail sale, we also sell vehicles to our dealerships for sale to fleet customers, including commercial fleet customers, daily rental car companies, and governments. We also sell parts and accessories, primarily to our dealerships (which in turn sell these products to retail customers) and to authorized parts distributors (which in turn primarily sell these products to retailers). We also offer extended service contracts.

The worldwide automotive industry is affected significantly by general economic conditions over which we have little control. Vehicles are durable goods, and consumers have latitude in determining whether and when to replace an existing vehicle. The decision whether to purchase a vehicle may be affected significantly by slowing economic growth, geopolitical events, and other factors (including the cost of purchasing and operating cars, trucks, and SUVs and the availability and cost of financing and fuel). As we have seen in the United States and Europe, in particular, the number of cars, trucks, and SUVs sold may vary substantially from year to year. Further, the automotive industry is a highly competitive business that has a wide and growing variety of product offerings from a growing number of manufacturers.

Our wholesale unit volumes vary with the level of total industry demand and our share of that industry demand. Our wholesale unit volumes also are influenced by the level of dealer inventory. Our share is influenced by how our products are perceived in comparison to those offered by other manufacturers based on many factors, including price, quality, styling, reliability, safety, fuel efficiency, functionality, and reputation. Our share also is affected by the timing and frequency of new model introductions. Our ability to satisfy changing consumer preferences with respect to type or size of vehicle, as well as design and performance characteristics, affects our sales and earnings significantly.

As with other manufacturers, the profitability of our business is affected by many factors, including:

- Wholesale unit volumes
- Margin of profit on each vehicle sold - which in turn is affected by many factors, such as:
  - Market factors - volume and mix of vehicles and options sold, and net pricing (reflecting, among other factors, incentive programs)
  - Costs of components and raw materials necessary for production of vehicles
  - Costs for customer warranty claims and additional service actions
  - Costs for safety, emissions, and fuel economy technology and equipment
- A high proportion of relatively fixed structural costs, so that small changes in wholesale unit volumes can significantly affect overall profitability

Our industry has a very competitive pricing environment, driven in part by industry excess capacity, which is concentrated in Europe and Asia but affects other markets because much of this capacity can be redirected to other markets. Prior to its recent strengthening, the decline in the value of the yen over the last several years also has contributed significantly to competitive pressures in many of our markets. For the past several decades, manufacturers typically have given price discounts and other marketing incentives to maintain market share and production levels.

Competitive Position. The worldwide automotive industry consists of many producers, with no single dominant producer. Certain manufacturers, however, account for the major percentage of total sales within particular countries, especially their countries of origin. Key competitors with global presence include Fiat Chrysler Automobiles, General Motors Company, Groupe PSA, Honda Motor Company, Hyundai-Kia Automotive Group, Renault-Nissan B.V., Suzuki Motor Corporation, Toyota Motor Corporation, and Volkswagen AG Group.

Seasonality. We manage our vehicle production schedule based on a number of factors, including retail sales (i.e., units sold by our dealerships to their customers at retail) and dealer stock levels (i.e., the number of units held in inventory by our dealerships for sale to their customers). Historically, we have experienced some seasonal fluctuation in the business, with production in many markets tending to be higher in the first half of the year to meet demand in the spring and summer (typically the strongest sales months of the year).

Backlog Orders. We generally produce and ship our products on average within approximately 20 days after an order is deemed to become firm. Therefore, no significant amount of backlog orders accumulates during any period.

Raw Materials. We purchase a wide variety of raw materials from numerous suppliers around the world for use in production of our vehicles. These materials include base metals (e.g., steel, iron castings, and aluminum), precious metals (e.g., palladium), energy (e.g., natural gas), and plastics/resins (e.g., polypropylene). We believe we have adequate supplies or sources of availability of raw materials necessary to meet our needs. There always are risks and uncertainties with respect to the supply of raw materials, however, which could impact availability in sufficient quantities to meet our needs. See the “Overview” section of Item 7 for a discussion of commodity and energy price trends, and “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” (“Item 7A”) for a discussion of commodity price risks.

Intellectual Property. We own or hold licenses to use numerous patents, copyrights, and trademarks on a global basis. Our policy is to protect our competitive position by, among other methods, filing U.S. and international patent applications to protect technology and improvements that we consider important to the development of our business. We have generated a large number of patents, and expect this portfolio to continue to grow as we actively pursue additional technological innovation. We have approximately 57,000 active patents and pending patent applications globally, with an average age for patents in our active patent portfolio of just under five years. In addition to this intellectual property, we also rely on our proprietary knowledge and ongoing technological innovation to develop and maintain our competitive position. Although we believe these patents, patent applications, and know-how, in the aggregate, are important to the conduct of our business, and we obtain licenses to use certain intellectual property owned by others, none is individually considered material to our business. We also own numerous trademarks and service marks that contribute to the identity and recognition of our Company and its products and services globally. Certain of these marks are integral to the conduct of our business, a loss of any of which could have a material adverse effect on our business.

Warranty Coverage, Field Service Actions, and Customer Satisfaction Actions. We provide warranties on vehicles we sell. Warranties are offered for specific periods of time and/or mileage, and vary depending upon the type of product and the geographic location of its sale. Pursuant to these warranties, we will repair, replace, or adjust all parts on a vehicle that are defective in factory-supplied materials or workmanship during the specified warranty period. In addition to the costs associated with this warranty coverage provided on our vehicles, we also incur costs as a result of field service actions (i.e., safety recalls, emission recalls, and other product campaigns), and for customer satisfaction actions.

For additional information regarding warranty and related costs, see “Critical Accounting Estimates” in Item 7 and Note 23 of the Notes to the Financial Statements.

Wholesales

Wholesales consist primarily of vehicles sold to dealerships. For the majority of such sales, we recognize revenue when we ship the vehicles to our customers (i.e., the dealerships) from our manufacturing facilities. See the “Overview” section in Item 7 for additional discussion of revenue recognition practices. Wholesales in each region and in certain key markets within each region during the past three years were as follows:

	Wholesales (a) (in thousands of units)		
	2015	**2016**	**2017**
United States	2,677	2,588	2,566
Canada	285	313	308
Mexico	93	103	82
North America	3,073	3,019	2,967
Brazil	250	182	215
Argentina	94	101	115
South America	381	325	373
United Kingdom	447	428	418
Germany	261	283	277
Russia	38	45	54
Turkey	128	116	116
Europe	1,530	1,539	1,582
Middle East & Africa	187	161	119
China	1,160	1,267	1,215
Australia	71	82	78
India	78	86	88
ASEAN (b)	80	106	122
Asia Pacific (c)	1,464	1,607	1,566
Total Company	6,635	6,651	6,607

(a) Wholesale unit volume includes sales of medium and heavy trucks. Wholesale unit volume includes all Ford and Lincoln badged units (whether produced by Ford or by an unconsolidated affiliate) that are sold to dealerships, units manufactured by Ford that are sold to other manufacturers, units distributed for other manufacturers, and local brand units produced by our unconsolidated Chinese joint venture Jiangling Motors Corporation, Ltd. (“JMC”) that are sold to dealerships. Vehicles sold to daily rental car companies that are subject to a guaranteed repurchase option (i.e., rental repurchase), as well as other sales of finished vehicles for which the recognition of revenue is deferred (e.g., consignments), also are included in wholesale unit volume. Revenue from certain vehicles in wholesale unit volume (specifically, Ford badged vehicles produced and distributed by our unconsolidated affiliates, as well as JMC brand vehicles) are not included in our revenue.

(b) ASEAN includes Philippines, Thailand, and Vietnam.

(c) Asia Pacific market share includes Ford brand and JMC brand vehicles produced and sold by our unconsolidated affiliates.

Retail Sales, Industry Volume, and Market Share

Retail sales, industry volume, and market share in each region and in certain key markets within each region during the past three years were as follows:

	Retail Sales (a) (in millions of units)			Industry Volume (b) (in millions of units)			Market Share (c) (as a percentage)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
United States	2.6	2.6	2.6	17.8	17.9	17.5	14.7%	14.6%	14.8%
Canada	0.3	0.3	0.3	1.9	2.0	2.1	14.4	15.4	14.9
Mexico	0.1	0.1	0.1	1.4	1.6	1.6	6.4	6.2	5.3
North America	3.0	3.0	3.0	21.5	21.8	21.5	14.0	13.9	13.9
Brazil	0.3	0.2	0.2	2.6	2.1	2.2	10.4%	9.2%	9.6%
Argentina	0.1	0.1	0.1	0.6	0.7	0.9	14.9	13.6	12.8
South America	0.4	0.3	0.4	4.2	3.7	4.2	9.6	8.8	8.9
United Kingdom	0.4	0.4	0.4	3.1	3.1	3.0	14.3%	14.0%	13.8%
Germany	0.3	0.3	0.3	3.5	3.7	3.8	7.3	7.6	7.7
Russia	0.0	0.0	0.1	1.6	1.5	1.6	2.4	2.9	3.1
Turkey	0.1	0.1	0.1	1.0	1.0	1.0	12.6	11.4	11.9
Europe	1.5	1.5	1.6	19.2	20.1	20.9	7.7	7.7	7.5
Middle East & Africa	0.2	0.2	0.1	4.3	3.7	3.6	4.4%	4.5%	3.9%
China	1.1	1.3	1.2	23.8	27.5	28.2	4.7%	4.6%	4.2%
Australia	0.1	0.1	0.1	1.2	1.2	1.2	6.1	6.9	6.6
India	0.1	0.1	0.1	3.5	3.7	4.0	2.1	2.4	2.2
ASEAN (d)	0.1	0.1	0.1	1.4	1.5	1.6	6.0	7.0	7.6
Asia Pacific (e)	1.4	1.6	1.5	39.5	43.4	44.8	3.6	3.7	3.4
Global	N/A	N/A	N/A	88.7	92.7	94.9	7.3%	7.2%	7.0%
Total Company	6.5	6.7	6.6	N/A	N/A	N/A	N/A	N/A	N/A

(a) Retail sales represents primarily sales by dealers and is based, in part, on estimated vehicle registrations; includes medium and heavy trucks.
(b) Industry volume is an internal estimate based on publicly-available data collected from various government, private, and public sources around the globe; includes medium and heavy trucks.
(c) Market share represents reported retail sales of our brands as a percent of total industry volume in the relevant market or region.
(d) ASEAN includes Philippines, Thailand, and Vietnam.
(e) Asia Pacific market share includes Ford brand and JMC brand vehicles produced and sold by our unconsolidated affiliates.

U.S. Sales by Type

The following table shows 2017 U.S. retail sales volume and U.S. wholesales segregated by truck, SUV, and car sales. U.S. retail sales volume reflects transactions with (i) retail and fleet customers (as reported by dealers), (ii) government, and (iii) Ford management. U.S. wholesales reflect sales to dealers.

	U.S. Retail Sales	U.S. Wholesales
Trucks	1,123,416	1,114,304
SUVs	867,909	869,725
Cars	595,390	581,754
Total Vehicles	2,586,715	2,565,783

FINANCIAL SERVICES SEGMENT

Ford Motor Credit Company LLC

Our wholly-owned subsidiary Ford Credit offers a wide variety of automotive financing products to and through automotive dealers throughout the world. The predominant share of Ford Credit's business consists of financing our vehicles and supporting our dealers. Ford Credit earns its revenue primarily from payments made under retail installment sale and lease contracts that it originates and purchases; interest rate supplements and other support payments from us and our subsidiaries; and payments made under dealer financing programs.

As a result of these financing activities, Ford Credit has a large portfolio of finance receivables and operating leases which it classifies into two portfolios—"consumer" and "non-consumer." Finance receivables and operating leases in the consumer portfolio include products offered to individuals and businesses that finance the acquisition of our vehicles from dealers for personal and commercial use. Retail financing includes retail installment sale contracts for new and used vehicles and direct financing leases for new vehicles to retail and commercial customers, including leasing companies, government entities, daily rental companies, and fleet customers. Finance receivables in the non-consumer portfolio include products offered to automotive dealers. Ford Credit makes wholesale loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing, as well as loans to dealers to finance working capital and improvements to dealership facilities, finance the purchase of dealership real estate, and finance other dealer vehicle programs. Ford Credit also purchases receivables generated by us and our subsidiaries, primarily related to the sale of parts and accessories to dealers and certain used vehicles from daily rental fleet companies. Ford Credit also provides financing to us for vehicles that we lease to our employees.

Ford Credit does business in the United States and Canada through business centers. Outside of the United States, Europe is Ford Credit's largest operation. Ford Credit's European operations are managed primarily through its United Kingdom-based subsidiary, FCE Bank plc ("FCE"). Within Europe, FCE's largest markets are the United Kingdom and Germany, representing 59% of FCE's finance receivables and operating leases at year-end 2017.

The following table shows Ford Credit's financing shares of new Ford and Lincoln vehicle retail sales in the United States and new Ford vehicles sold in Europe, as well as its wholesale financing shares of new Ford and Lincoln vehicles acquired by dealers in the United States and new Ford vehicles acquired by dealers in Europe:

	Years Ended December 31,		
	2015	**2016**	**2017**
United States - Financing Share			
Retail installment and lease share of Ford retail sales (excl. Fleet)	65%	56%	55%
Wholesale	76	76	76
Europe - Financing Share (incl. Fleet)			
Retail installment and lease share of total Ford sales	37%	37%	37%
Wholesale	98	98	98

See Item 7 and Notes 10, 11, and 13 of the Notes to the Financial Statements for a detailed discussion of Ford Credit's receivables, credit losses, allowance for credit losses, loss-to-receivables ratios, funding sources, and funding strategies. See Item 7A for discussion of how Ford Credit manages its financial market risks.

We routinely sponsor special retail and lease incentives to dealers' customers who choose to finance or lease our vehicles from Ford Credit. In order to compensate Ford Credit for the lower interest or lease payments offered to the retail customer, we pay the discounted value of the incentive directly to Ford Credit when it originates the retail finance or lease contract with the dealer's customer. These programs increase Ford Credit's financing volume and share. See Note 2 of the Notes to the Financial Statements for information about our accounting for these programs.

We have an Amended and Restated Relationship Agreement with Ford Credit, pursuant to which, if Ford Credit's managed leverage for a calendar quarter were to be higher than 11.5:1 (as reported in its most recent periodic report), Ford Credit could require us to make or cause to be made a capital contribution to it in an amount sufficient to have caused such managed leverage to have been 11.5:1. No capital contributions have been made pursuant to this agreement. The agreement also allocates to Ford Credit $3 billion of commitments under our corporate credit facility. In a separate agreement with FCE, Ford Credit has agreed to maintain FCE's net worth in excess of $500 million. No payments have been made pursuant to that agreement.

GOVERNMENTAL STANDARDS

Many governmental standards and regulations relating to safety, fuel economy, emissions control, noise control, vehicle recycling, substances of concern, vehicle damage, and theft prevention are applicable to new motor vehicles, engines, and equipment manufactured for sale. In addition, manufacturing and other automotive assembly facilities are subject to stringent standards regulating air emissions, water discharges, and the handling and disposal of hazardous substances. The most significant of the standards and regulations affecting us are discussed below:

Vehicle Emissions Control

U.S. Requirements – Federal and California Emission Standards. The federal Clean Air Act imposes stringent limits on the amount of regulated pollutants that lawfully may be emitted by new vehicles and engines produced for sale in the United States. Pursuant to the Clean Air Act, California may establish its own vehicle emission standards, which can then be adopted by other states. Both the U.S. Environmental Protection Agency ("EPA") and the California Air Resources Board ("CARB") have established tailpipe and evaporative emissions standards for light and medium duty vehicles that become increasingly stringent through the 2025 model year. Thirteen states, primarily located in the Northeast and Northwest, have adopted the California standards. Compliance with both the federal and California standards could be challenging.

Both federal and California regulations require motor vehicles to be equipped with on-board diagnostic ("OBD") systems that monitor emission-related systems and components. As OBD requirements become more complex and challenging over time, they could lead to increased vehicle recalls and warranty costs. Compliance with automobile emission standards depends in part on the widespread availability of high-quality and consistent automotive fuels that the vehicles were designed to use. Fuel variables that can affect vehicle emissions include ethanol content, octane ratings, and the use of metallic-based fuel additives, among other things. Legislative, regulatory, and judicial developments related to fuel quality at both the national and state levels could affect vehicle manufacturers' warranty costs as well as their ability to comply with vehicle emission standards.

The California vehicle emissions program also includes requirements for manufacturers to produce and deliver for sale zero-emission vehicles ("ZEVs"). The current ZEV regulations mandate substantial annual increases in the production and sale of battery-electric, fuel cell, and plug-in hybrid vehicles through the 2025 model year. By the 2025 model year, approximately 15% of a manufacturer's total California sales volume will need to be made up of such vehicles. Compliance with ZEV rules could have a substantial adverse effect on our sales volumes and profits. We are concerned that the market and infrastructure in California may not support the large volume of advanced-technology vehicles that manufacturers will be required to produce, especially if gasoline prices remain relatively low. We also are concerned about enforcement of the ZEV mandate in other states that have adopted California's ZEV program, where the existence of a market for such vehicles is even less certain.

European Requirements. European Union ("EU") directives and related legislation limit the amount of regulated pollutants that may be emitted by new motor vehicles and engines sold in the EU. Stringent new Stage 6 emission standards took effect for vehicle registrations starting in September 2014, and a second phase introduced a new laboratory test cycle for CO_2 and emissions in September 2017. These standards drive the need for additional diesel exhaust after-treatment, which adds cost to, and potentially impacts, the diesel CO_2 advantage. The mandatory Real Driving Emission ("RDE") rules require manufacturers to conduct on-road emission tests using portable emission analyzers. These on-road emission tests complement the laboratory-based tests. In September 2017, manufacturers began to reduce the divergence between the regulatory limit that is tested in laboratory conditions and the values of RDE tests ("conformity factors"). The costs associated with conducting the RDE tests and complying with the conformity factors are significant. A second step for RDEs to further reduce the conformity factors becomes mandatory for new vehicle type approvals by authorities starting in January 2020. Europe is in the process of finalizing the RDE in-use surveillance rules with proposals to allow third parties to conduct testing and to define a process to challenge the product compliance with authorities. The WVTA (Whole Vehicle Type Approval) Regulations are being adapted to cover increased market surveillance, and the EU Commission announced that in 2018 it will begin to discuss air quality modeling scenarios for the next steps of emission standards post Stage 6.

There is an increasing trend of city access restrictions for internal combustion engine powered vehicles, in particular in European cities that do not meet air quality limits. Depending on city and country, the conditions for access will vary (e.g., different emission limits or vehicle requirements), which indirectly impact residual values and sales of internal combustion powered vehicles prior to restrictions being agreed. There might also be a need to retrofit emission after-treatment of vehicles. There are also discussions in several European countries to ban the registration of internal combustion powered vehicles in the future.

Other National Requirements. Many countries, in an effort to address air quality concerns, are adopting previous versions of European or United Nations Economic Commission for Europe ("UN-ECE") mobile source emission regulations. Some countries have adopted more advanced regulations based on the most recent version of European or U.S. regulations; for example, in December 2016, the China Ministry of Environmental Protection ("MEP") finalized emission regulations based on European Stage VI emission standards for light duty vehicles and U.S. evaporative emissions and OBD requirements. The China Stage VI standards incorporate two levels of stringency. Stage one is slated for implementation by July 1, 2020, and the more stringent stage two level is slated for implementation by July 1, 2023. In 2018, the MEP will continue to focus on the development of detailed test procedures for RDE and OBD.

Korea and Taiwan have adopted very stringent U.S.-based standards for gasoline vehicles and European-based standards for diesel vehicles. Although these countries have adopted regulations based on UN-ECE or U.S. standards, there may be some unique testing provisions that require emission-control systems to be redesigned for these markets. Canadian criteria emissions regulations are largely aligned with U.S. requirements.

In October 2016, the Canadian Province of Quebec passed legislation enabling regulation of a ZEV mandate. Final regulations were published in December 2017, and came into effect in January 2018. Quebec's final regulations are more stringent than those in place in California and the other U.S. ZEV mandate states.

Not all countries have adopted appropriate fuel quality standards to accompany the stringent emission standards adopted. This could lead to compliance problems, particularly if OBD or in-use surveillance requirements are implemented.

Brazil and Chile have introduced stringent emission and OBD standards based on the European Stage 5 standards for light duty vehicles and Stage V standards for heavy duty vehicles. In Brazil, all light duty vehicles are required to meet U.S.-based PROCONVE L6 standards and more stringent OBD standards for diesel light duty vehicles were introduced in 2017. Argentina implemented European Stage 5 standards for all new light duty vehicles in 2017 and European Stage V standards for heavy duty vehicles in 2018.

Global Developments. Beginning in September 2015, EPA and CARB have pursued enforcement actions against a major competitor in connection with its use of "defeat devices" in hundreds of thousands of light-duty diesel vehicles. These actions have resulted in settlements involving billions of dollars for environmental remediation and civil penalties, as well as indictments of and guilty pleas from several employees on charges of committing federal crimes. The competitor continues to face various class action suits, as well as numerous claims and investigations by various U.S. states and other nations. Defeat devices are elements of design (typically embedded in software) that improperly cause the emission control system to function less effectively during normal on-road driving than during an official laboratory emissions test, without justification. They are prohibited by law in many jurisdictions, and we do not use defeat devices in our vehicles.

The investigations by EPA and CARB of our competitor have led to increased scrutiny of automakers' emission testing by regulators around the world. EPA began carrying out additional non-standard tests as part of its vehicle certification program, following an announcement in September 2015. The EU accelerated efforts to finalize its RDE testing program as described above. In 2016, several European countries, including France and Germany, conducted non-standard emission tests and published the results. In some cases, this supplemental testing has triggered investigations of other manufacturers for possible defeat devices. Testing is expected to continue on an ongoing basis. In the United States, plaintiffs' attorneys are pursuing consumer class action lawsuits based on alleged excessive emissions from cars and trucks, which could, in turn, prompt further investigations by regulators.

Vehicle Fuel Economy and Greenhouse Gas Standards

U.S. Requirements – Light Duty Vehicles. Federal law requires that light duty vehicles meet minimum corporate average fuel economy ("CAFE") standards set by the National Highway Traffic Safety Administration ("NHTSA"). Manufacturers are subject to substantial civil penalties if they fail to meet the CAFE standard in any model year, after taking into account all available credits for the preceding three model years and expected credits for the five succeeding model years. The law requires NHTSA to promulgate and enforce separate CAFE standards applicable to each manufacturer's fleet of domestic passenger cars, imported passenger cars, and light duty trucks.

EPA also regulates vehicle greenhouse gas ("GHG") emissions under the Clean Air Act. Because the vast majority of GHGs emitted by a vehicle are the result of fuel combustion, GHG emission standards effectively are fuel economy standards. Thus, it is necessary for NHTSA and EPA to coordinate with each other on their fuel economy and GHG standards, respectively, to avoid potential inconsistencies.

In 2010, EPA and NHTSA jointly promulgated regulations establishing the "One National Program" of CAFE and GHG regulations for light duty vehicles for the 2012-2016 model years. In 2012, EPA and NHTSA jointly promulgated regulations extending the One National Program framework through the 2025 model year. These rules require manufacturers to achieve increasingly stringent standards reaching approximately 50 mpg by the 2025 model year. Each manufacturer's specific task depends on the mix of vehicles it sells. The rules include the opportunity for manufacturers to earn credits for technologies that achieve real-world CO_2 reductions and fuel economy improvements that are not captured by the EPA fuel economy test procedures. Manufacturers also can earn credits for GHG reductions not specifically tied to fuel economy, such as improvements in air conditioning systems.

The existing One National Program standards will be difficult to meet if fuel prices remain relatively low and market conditions do not drive consumers to purchase electric vehicles and other highly fuel-efficient vehicles in large numbers. We are concerned about the commercial feasibility of meeting future model year GHG and CAFE standards, particularly the 2022-2025 standards, because of the many unknowns regarding technology development, market conditions, and other factors so far into the future.

The One National Program rules provided for a midterm evaluation process under which, by April 2018, EPA and NHTSA would re-evaluate their standards for model years 2022-2025 in order to ensure that those standards are feasible and optimal in light of intervening events. In January 2017, EPA announced an accelerated decision to maintain the GHG standards originally set for those model years–that decision is currently under reconsideration by EPA. NHTSA is continuing to conduct its evaluation with respect to the model year 2022-2025 standards. It is expected that by April 2018 EPA and NHTSA will either announce a decision to maintain the existing GHG and fuel economy standards, or commence a rulemaking to set revised standards.

If the agencies seek to impose and enforce fuel economy and GHG standards that are misaligned with market conditions, we likely would be forced to take various actions that could have substantial adverse effects on our sales volume and profits. Such actions likely would include restricting offerings of selected engines and popular options; increasing market support programs for our most fuel-efficient cars and light trucks; and ultimately curtailing the production and sale of certain vehicles such as high-performance cars, utilities, and/or full-size light trucks, in order to maintain compliance.

California has asserted the right to regulate motor vehicle GHG emissions, and other states have asserted the right to adopt the California standards. With the adoption of the federal One National Program standards discussed above, California and the other states have agreed that compliance with the federal program would satisfy compliance with any purported state GHG requirements for the 2012–2025 model years. This avoids a patchwork of potentially conflicting federal and state GHG standards. Should California and other states ever renew their efforts to enforce state-specific motor vehicle GHG rules, this would impose significant costs on automotive manufacturers.

U.S. Requirements – Heavy Duty Vehicles. EPA and NHTSA have jointly promulgated GHG and fuel economy standards for heavy duty vehicles (generally, vehicles over 8,500 pounds gross vehicle weight rating) through the 2027 model year. In our case, the standards primarily affect our heavy duty pickup trucks and vans, plus vocational vehicles such as shuttle buses and delivery trucks. As the heavy duty standards increase in stringency, it may become more difficult to comply while continuing to offer a full lineup of heavy duty trucks.

European Requirements. In December 2008, the EU approved regulation of passenger car CO_2 emissions, with a 2012-2015 phase-in period, that limits the industry fleet average to a maximum of 130 grams per kilometer ("g/km"), using a sliding scale (the EU target slope) based on vehicle weight. This regulation provides different CO_2 targets for each manufacturer based on the respective average vehicle weight for its fleet of vehicles initially registered in a calendar year. Limited credits are available for CO_2 off-cycle technologies ("eco-innovations"), certain alternative fuels, and vehicles with CO_2 emissions below 50 g/km for a period of time. A penalty system applies to manufacturers failing to meet the individual CO_2 targets. Pooling agreements between manufacturers are possible under certain conditions. Starting in 2020, an EU industry target of 95 g/km has been set, for which 95% of a manufacturer's fleet has to comply; by 2021, 100% of a manufacturer's fleet has to comply. Outside of the EU, Switzerland, for example, has introduced similar rules, which began phasing-in in July 2012, although the stringency of the industry average emission target is significantly higher in a volatile market. We face the risk of advance premium payment requirements if, for example, unexpected market fluctuation within a quarter negatively impacts our average fleet performance.

In separate legislation, "complementary measures" have been mandated, including requirements related to fuel economy indicators, gear shift indicators, tire pressure monitoring systems, low rolling resistance tires, and more-efficient low-CO_2 mobile air conditioning systems. The EU Commission introduced in 2011 a CO_2 target for commercial light duty vehicles to be at an EU industry average of 175 g/km starting in 2014 and 147 g/km starting in 2020 (with a similar 2020 ruling in Switzerland). For "multi-stage vehicles" (e.g., our Transit chassis cabs), the base manufacturer (e.g., Ford) is fully responsible for the CO_2 performance of the final up-fitted vehicles. The EU legislation for light commercial vehicles also includes a penalty system, super-credits for vehicles below 50 g/km (granted between 2014 and 2017), and limited credits for CO_2 off-cycle eco-innovations, pooling, etc., similar to the passenger car CO_2 regulation.

The EU Commission has proposed revised rules for the years 2021 to 2024 and 2025/2030 that include a further tightening of CO_2 limits for passenger cars and light commercial vans, including expected shares of zero and low emission vehicles. Heavy duty vehicles will be addressed in a separate regulation.

The United Nations developed a new technical regulation for passenger car emissions and CO_2. This new world light duty test procedure ("WLTP") is focused primarily on better aligning laboratory CO_2 and fuel consumption figures with customer-reported figures. The introduction of WLTP in Europe started in September 2017 and is likely to require updates to CO_2 labeling, thereby impacting taxes in countries with a CO_2 tax scheme as well as the above-mentioned CO_2 fleet regulations for passenger cars and light commercial vehicles. Costs associated with new or incremental testing for WLTP could be significant.

Some European countries have implemented or are considering other initiatives for reducing CO_2 vehicle emissions, including fiscal measures and CO_2 labeling. For example, the United Kingdom, France, Germany, Spain, Portugal, and the Netherlands, among others, have introduced taxation based on CO_2 emissions. The EU CO_2 requirements are likely to trigger further measures. To limit GHG emissions, the EU directive on mobile air conditioning currently requires the replacement of the current refrigerant with a lower "global warming potential" refrigerant for new vehicle types, and for all newly registered vehicles starting in January 2017. A refrigerant change adds considerable costs along the whole manufacturing chain.

Other National Requirements. The Canadian federal government has regulated vehicle GHG emissions under the Canadian Environmental Protection Act, beginning with the 2011 model year. In October 2014, the Canadian federal government published the final changes to the regulation for light duty vehicles, which maintain alignment with U.S. EPA vehicle GHG standards for the 2017–2025 model years. The final regulation for 2014–2018 heavy duty vehicles was published in February 2013. Part 1 draft regulations for the 2021 model year and beyond were published in March 2017 and are in line with U.S. requirements.

Mexico adopted fuel economy/CO_2 standards, based on the U.S. One National Program framework, that took effect in 2014. Recently, the government agreed to carryover 2016 model year standards into the 2017 and 2018 model years. Standards for the 2019 model year and later are being developed.

Many Asia Pacific countries (such as Australia, China, India, South Korea, Taiwan, and Vietnam) are developing or enforcing fuel efficiency or labeling targets. For example, South Korea has set fuel efficiency targets for 2020, with incentives for early adoption. In September 2017, China published the Method for Parallel Administration on Corporate Average Fuel Consumption of Passenger Car and New Energy Vehicle ("NEV") Credit, which aims to improve fuel efficiency and to set targets for new energy vehicles. The fuel efficiency targets and NEV mandate will impact the cost of vehicle technology in the future.

In South America, Brazil introduced a voluntary vehicle energy-efficiency labeling program, indicating fuel consumption rates for all light-duty vehicles. Brazil has required inclusion of emission classification on fuel economy labels since January 2016. Brazil also published a new automotive regime establishing a minimum absolute CAFE value as a function of Fleet Corporate Average Mass for 2017 light duty vehicles with a spark ignition engine in order to qualify for industrialized products tax reduction. Additional tax reductions are available if further fuel efficiency improvements are achieved and maintained through 2020. Penalties are applied if the energy efficiency levels are not maintained. Brazil reduced the import tax on electric and hybrid cars. The tax rate, which was 35%, will vary from zero to 7%, depending on a vehicle's energy efficiency. Discussion on new fuel efficiency requirements has started. Chile introduced a tax based on urban fuel consumption and NOx emission for light and medium vehicles beginning in late 2014. In general, fuel efficiency targets may impact the cost of technology of our models in the future.

In the Middle East, the Kingdom of Saudi Arabia introduced new light duty vehicle fuel economy standards, which are patterned after the U.S. CAFE standard structure, with fuel economy targets following the design of the U.S. 2012–2016 fuel economy standards. The standards became effective on January 1, 2016 and became fully phased in at the end of 2017.

Vehicle Safety

U.S. Requirements. The National Traffic and Motor Vehicle Safety Act of 1966 (the "Safety Act") regulates vehicles and vehicle equipment in two primary ways. First, the Safety Act prohibits the sale in the United States of any new vehicle or equipment that does not conform to applicable vehicle safety standards established by NHTSA. Meeting or exceeding many safety standards is costly, in part because the standards tend to conflict with the need to reduce vehicle weight in order to meet emission and fuel economy standards. Second, the Safety Act requires that defects related to motor vehicle safety be remedied through safety recall campaigns. A manufacturer is obligated to recall vehicles if it determines the vehicles do not comply with a safety standard. Should we or NHTSA determine that either a safety defect or noncompliance issue exists with respect to any of our vehicles, the cost of such recall campaigns could be substantial.

Other National Requirements. The EU and many countries have established vehicle safety standards and regulations, and are likely to adopt additional or more stringent requirements in the future. The European General Safety Regulation introduced UN-ECE regulations, which will be required for the European Type Approval process. EU regulators also are focusing on active safety features such as lane departure warning systems, electronic stability control, and automatic brake assist. Globally, governments generally have been adopting UN-ECE based regulations with minor variations to address local concerns. Any difference between North American and UN-ECE based regulations can add complexity and costs to the development of global platform vehicles, and we continue to support efforts to harmonize regulations to reduce vehicle design complexity while providing a common level of safety performance; several recently launched bilateral negotiations on free trade can potentially contribute to this goal. New safety and recall requirements in China, India, and Gulf Cooperation Council countries also may add substantial costs and complexity to our global recall practice. In South America, additional safety requirements are being introduced or proposed in Argentina, Brazil, Chile, Colombia, Ecuador, and Uruguay, influenced by The New Car Assessment Program for Latin America and the Caribbean ("Latin NCAP"), which may be a driver for similar actions in other countries. In Canada, regulatory requirements are currently aligned with U.S. regulations. However, under the Canadian Motor Vehicle Safety Act the Minister of Transport has broad powers to order manufacturers to submit a notice of defect or non-compliance when the Minister considers it would be in the interest of safety. In China, a new mandatory Event Data Recorder regulation is under development that is more complex than U.S. requirements, and in China, Malaysia, and South Korea, mandatory e-Call requirements have been drafted.

New Car Assessment Programs. Organizations around the globe rate and compare motor vehicles in New Car Assessment Programs ("NCAPs") to provide consumers with additional information about the safety of new vehicles. NCAPs use crash tests and other evaluations that are different than what is required by applicable regulations, and use stars to rate vehicle safety, with five stars awarded for the highest rating and one for the lowest. Achieving high NCAP ratings can add complexity and cost to vehicles. China finalized the 2018 NCAP protocol with more stringent Pedestrian Protection and Automatic Emergency Braking requirements compared to the United States and Europe. China will also launch a new safety assessment, China Insurance Vehicle Safety Index ("CIVSI"), that is similar to the U.S. IIHS in 2018. Taiwan may also draft NCAP requirements in 2018.

EMPLOYMENT DATA

The approximate number of individuals employed by us and entities that we consolidated as of December 31, 2016 and 2017 was as follows (in thousands):

	2016	2017
Automotive		
North America	101	100
South America	15	14
Europe	52	54
Middle East & Africa	3	3
Asia Pacific	23	23
Financial Services		
Ford Credit	7	7
Other		
Ford Smart Mobility LLC	-	1
Total	201	202

Substantially all of the hourly employees in our Automotive operations are represented by unions and covered by collective bargaining agreements. In the United States, approximately 99% of these unionized hourly employees in our Automotive segment are represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW" or "United Auto Workers"). At December 31, 2017, approximately 56,400 hourly employees in the United States were represented by the UAW. Approximately 1.5% of our U.S. salaried employees are represented by unions. Many non-management salaried employees at our operations outside of the United States also are represented by unions.

In 2017, we entered into collective bargaining agreements (covering wages, benefits and/or other employment provisions) with unions in Argentina, Australia, Brazil, Britain, France, Mexico, Taiwan, and Thailand.

In 2018, we will negotiate collective bargaining agreements (covering wages, benefits and/or other employment provisions) with unions in Argentina, Brazil, Germany, India, Mexico, Russia, Spain, and Thailand.

ENGINEERING, RESEARCH, AND DEVELOPMENT

We engage in engineering, research, and development primarily to improve the performance (including fuel efficiency), safety, and customer satisfaction of our products, and to develop new products and services. Engineering, research, and development expenses for 2015, 2016, and 2017 were $6.7 billion, $7.3 billion, and $8 billion, respectively.

ITEM 1A. *Risk Factors.*

We have listed below (not necessarily in order of importance or probability of occurrence) the most significant risk factors applicable to us:

Ford's long-term competitiveness depends on the successful execution of fitness actions. We have announced fitness redesign plans to transform the operational fitness of our business by becoming more customer centric and adopting processes that emphasize simplicity, speed and agility, efficiency, and accountability. If these fitness actions are not successful, we may not be able to materially lower costs in the near term or improve our competitiveness in the long term, which could have an adverse effect on our profitability.

Industry sales volume, particularly in the United States, Europe, or China, could decline if there is a financial crisis, recession, or significant geopolitical event. Because we, like other manufacturers, have a high proportion of relatively fixed structural costs, relatively small changes in industry sales volume can have a substantial effect on our cash flow and profitability. If industry vehicle sales were to decline to levels significantly below our planning assumption, particularly in the United States, Europe, or China, due to a financial crisis, recession, or significant geopolitical event, the decline could have a substantial adverse effect on our financial condition, results of operations, and cash flow. For a discussion of economic trends, see the "Overview" section of Item 7.

Ford's new and existing products and mobility services are subject to market acceptance. Although we conduct extensive market research before launching new or refreshed vehicles and introducing new services, many factors both within and outside our control affect the success of new or existing products and services in the marketplace. Offering vehicles and services that customers want and value can mitigate the risks of increasing price competition and declining demand, but products and services that are perceived to be less desirable (whether in terms of price, quality, styling, safety, overall value, fuel efficiency, or other attributes) can exacerbate these risks. With increased consumer interconnectedness through the internet, social media, and other media, mere allegations relating to quality, safety, fuel efficiency, corporate social responsibility, or other key attributes can negatively impact our reputation or market acceptance of our products or services, even where such allegations prove to be inaccurate or unfounded. Further, our ability to successfully grow through investments in the area of mobility and electrification depends on many factors, including advancements in technology, regulatory changes, and other factors that are difficult to predict, that may significantly affect the future of autonomous vehicles and mobility services. Rapid changes to our industry, including the introduction of new types of competitors who may possess technological innovations, increase the significance that we are able to anticipate, develop, and deliver products and services that customers desire.

Ford's results are dependent on sales of larger, more profitable vehicles, particularly in the United States. A shift in consumer preferences away from larger, more profitable vehicles (including trucks and SUVs) at levels beyond our current planning assumption—whether because of spiking fuel prices, a decline in the construction industry, government actions or incentives, or other reasons—could result in an immediate and substantial adverse effect on our financial condition and results of operations.

Ford may face increased price competition resulting from industry excess capacity, currency fluctuations, or other factors. The global automotive industry is intensely competitive, with manufacturing capacity far exceeding current demand. According to the December 2017 report issued by IHS Automotive, the global automotive industry is estimated to have had excess capacity of about 35 million units in 2017, an increase of about 4 million units from the prior year. Industry overcapacity has resulted in many manufacturers offering marketing incentives on vehicles in an attempt to maintain and grow market share; these incentives historically have included a combination of subsidized financing or leasing programs, price rebates, and other incentives. As a result, we are not necessarily able to set our prices to offset higher costs of marketing incentives, commodity or other cost increases, or the impact of adverse currency fluctuations, including pricing advantages foreign competitors may have because of their weaker home market currencies. Continuation of or increased excess capacity could have a substantial adverse effect on our financial condition and results of operations.

Fluctuations in commodity prices, foreign currency exchange rates, and interest rates can have a significant effect on results. As a resource-intensive manufacturing operation, we are exposed to a variety of market risks, including the effects of changes in commodity prices, foreign currency exchange rates, and interest rates. We monitor and manage these exposures as an integral part of our overall risk management program, which recognizes the unpredictability of markets and seeks to reduce potentially adverse effects on our business. Changes in commodity prices, currency exchange rates, and interest rates cannot always be predicted, hedged, or offset with price increases to eliminate earnings volatility. As a result, significant changes in commodity prices, foreign currency exchange rates, or interest rates could have a substantial adverse effect on our financial condition and results of operations. See "Overview" to Item 7 and Item 7A for additional discussion of currency, commodity price, and interest rate risks.

With a global footprint, Ford's results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events. With the increasing interconnectedness of global economic and financial systems, a financial crisis, natural disaster, geopolitical crisis, or other significant event in one area of the world can have an immediate and material adverse impact on markets around the world. Concerns persist regarding the overall stability of the European Union, given the diverse economic and political circumstances of individual European currency area ("euro area") countries. These concerns have been exacerbated by Brexit. We have a sterling revenue exposure and a euro cost exposure; a sustained weakening of sterling against euro may have an adverse effect on our profitability. Further, the United Kingdom may be at risk of losing access to free trade agreements for goods and services with the European Union and other countries, which may result in increased tariffs on U.K. imports and exports that could have an adverse effect on our profitability.

We have operations in various markets with volatile economic or political environments and are pursuing growth opportunities in a number of newly developed and emerging markets. These investments may expose us to heightened risks of economic, geopolitical, or other events, including governmental takeover (i.e., nationalization) of our manufacturing facilities or intellectual property, restrictive exchange or import controls, disruption of operations as a result of systemic political or economic instability, outbreak of war or expansion of hostilities, and acts of terrorism, each of which could have a substantial adverse effect on our financial condition and results of operations. Further, the U.S. government, other governments, and international organizations could impose additional sanctions that could restrict us from doing business directly or indirectly in or with certain countries or parties, which could include affiliates.

Ford's production, as well as Ford's suppliers' production, could be disrupted by labor disputes, natural or man-made disasters, financial distress, production difficulties, or other factors. A work stoppage or other limitation on production could occur at Ford's or its suppliers' facilities for any number of reasons, including as a result of disputes under existing collective bargaining agreements with labor unions or in connection with negotiation of new collective bargaining agreements, or as a result of supplier financial distress or other production constraints or difficulties, or for other reasons. Many components used in our vehicles are available only from a single supplier and therefore cannot be re-sourced quickly or inexpensively to another supplier (due to long lead times, new contractual commitments that may be required by another supplier before ramping up to provide the components or materials, etc.). Such single-source suppliers also could threaten to disrupt our production as leverage in negotiations. A significant disruption to our production schedule could have a substantial adverse effect on our financial condition and results of operations.

Ford's ability to maintain a competitive cost structure could be affected by labor or other constraints. Substantially all of the hourly employees in our Automotive operations in the United States and Canada are represented by unions and covered by collective bargaining agreements. These agreements provide guaranteed wage and benefit levels throughout the contract term and some degree of income security, subject to certain conditions. As a practical matter, these agreements may restrict our ability to close plants and divest businesses. A substantial number of our employees in other regions are represented by unions or government councils, and legislation or custom promoting retention of manufacturing or other employment in the state, country, or region may constrain as a practical matter our ability to sell or close manufacturing or other facilities.

Pension and other postretirement liabilities could adversely affect Ford's liquidity and financial condition. We have defined benefit retirement plans in the United States that cover many of our hourly and salaried employees. We also provide pension benefits to non-U.S. employees and retirees, primarily in Europe. In addition, we and certain of our subsidiaries sponsor plans to provide other postretirement benefits ("OPEB") for retired employees (primarily health care and life insurance benefits). See Note 17 of the Notes to the Financial Statements for more information about these plans. These benefit plans impose significant liabilities on us and could require us to make additional cash contributions, which could impair our liquidity. If our cash flows and capital resources were insufficient to meet any pension or OPEB obligations, we could be forced to reduce or delay investments and capital expenditures, suspend dividend payments, seek additional capital, or restructure or refinance our indebtedness.

***Economic and demographic experience for pension and other postretirement benefit plans (e.g., discount rates or investment returns) could be worse than Ford has assumed*.** The measurement of our obligations, costs, and liabilities associated with benefits pursuant to our pension and other postretirement benefit plans requires that we estimate the present value of projected future payments to all participants. We use many assumptions in calculating these estimates, including assumptions related to discount rates, investment returns on designated plan assets, and demographic experience (e.g., mortality and retirement rates). We generally remeasure these estimates at each year end and recognize any gains or losses associated with changes to our plan assets and liabilities in the year incurred. To the extent actual results are less favorable than our assumptions, we may recognize a substantial remeasurement loss in our results. For discussion of our assumptions, see "Critical Accounting Estimates" in Item 7 and Note 17 of the Notes to the Financial Statements.

Ford's vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs. Government safety standards require manufacturers to remedy defects related to vehicle safety through safety recall campaigns, and a manufacturer is obligated to recall vehicles if it determines that the vehicles do not comply with a safety standard. NHTSA's enforcement strategy has shifted to a significant increase in civil penalties levied and the use of consent orders requiring direct oversight by NHTSA of certain manufacturers' safety processes, a trend that could continue. Should we or government safety regulators determine that a safety or other defect or a noncompliance exists with respect to certain of our vehicles prior to the start of production, the launch of such vehicle could be delayed until such defect is remedied. The costs associated with any protracted delay in new model launches necessary to remedy such defects, or the cost of recall campaigns or warranty costs to remedy such defects in vehicles that have been sold, could be substantial. Such recall and customer satisfaction actions may relate to defective components we receive from suppliers. The cost to complete a recall or customer satisfaction action could be exacerbated to the extent such action relates to a global platform. Furthermore, launch delays or recall actions could adversely affect our reputation or market acceptance of our products as discussed above under "*Ford's new and existing products and mobility services are subject to market acceptance*."

Safety, emissions, fuel economy, and other regulations affecting Ford may become more stringent. The worldwide automotive industry is governed by a substantial amount of government regulation, which often differs by state, region, and country. Government regulation has arisen, and proposals for additional regulation are advanced, primarily out of concern for the environment (including concerns about global climate change and its impact), vehicle safety, and energy independence. For example, as discussed above under "Item 1. Business - Governmental Standards," in the United States the CAFE standards for light duty vehicles increase sharply to approximately 50 mpg by the 2025 model year; EPA's parallel CO_2 emission regulations impose similar standards. California's ZEV rules also mandate steep increases in the sale of electric vehicles and other advanced technology vehicles through the 2025 model year; even more burdensome regulations are likely to follow. In addition, many governments regulate local product content and/or impose import requirements as a means of creating jobs, protecting domestic producers, and influencing the balance of payments.

We are continuing to make changes to our product cycle plan to improve the fuel economy of our petroleum-powered vehicles and to offer more electrified vehicles with lower GHG emissions. There are limits on our ability to achieve fuel economy improvements over a given time frame, however, primarily relating to the cost and effectiveness of available technologies, consumer acceptance of new technologies and changes in vehicle mix, willingness of consumers to absorb the additional costs of new technologies, the appropriateness (or lack thereof) of certain technologies for use in particular vehicles, the widespread availability (or lack thereof) of supporting infrastructure for new technologies, and the human, engineering, and financial resources necessary to deploy new technologies across a wide range of products and powertrains in a short time. The current fuel economy, CO_2, and ZEV standards will be difficult to meet if fuel prices remain relatively low and market conditions do not drive consumers to purchase electric vehicles and other highly fuel-efficient vehicles in large numbers.

The U.S. government has pursued an enforcement action against a major competitor in connection with its alleged use of "defeat devices" in hundreds of thousands of light duty diesel vehicles, collecting billions of dollars for environmental remediation projects and civil penalties. Several of the competitor's employees have been indicted on charges of committing federal crimes. The competitor also faces various class action suits, as well as numerous claims and investigations by various U.S. states and other nations. The emergence of this issue has led to increased scrutiny of automaker emission testing by regulators around the world, which in turn has triggered investigations of other manufacturers. These events have led to new regulations, more stringent enforcement programs, requests for field actions, and/or delays in regulatory approvals. The cost to comply with existing government regulations is substantial and additional regulations or changes in consumer preferences that affect vehicle mix could have a substantial adverse impact on our financial condition and results of operations. In addition, a number of governments, as well as non-governmental organizations, publicly assess vehicles to their own protocols. The protocols could change aggressively, and any negative perception regarding the performance of our vehicles subjected to such tests could reduce future sales. For more discussion of the impact of standards on our global business, see the "Governmental Standards" discussion in "Item 1. Business" above.

Ford could experience unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise. We spend substantial resources ensuring that we comply with governmental safety regulations, mobile and stationary source emissions regulations, and other standards. Compliance with governmental standards, however, does not necessarily prevent individual or class actions, which can entail significant cost and risk. In certain circumstances, courts may permit tort claims even where our vehicles comply with federal and/or other applicable law. Furthermore, simply responding to actual or threatened litigation or government investigations of our compliance with regulatory standards, whether related to our products or business or commercial relationships, may require significant expenditures of time and other resources. Litigation also is inherently uncertain, and we could experience significant adverse results. In addition, adverse publicity surrounding an allegation may cause significant reputational harm that could have a significant adverse effect on our sales.

Ford's receipt of government incentives could be subject to reduction, termination, or clawback. We receive economic benefits from national, state, and local governments in various regions of the world in the form of incentives designed to encourage manufacturers to establish, maintain, or increase investment, workforce, or production. These incentives may take various forms, including grants, loan subsidies, and tax abatements or credits. The impact of these incentives can be significant in a particular market during a reporting period. For example, most of our manufacturing facilities in South America are located in Brazil, where the state or federal governments have historically offered, and continue to offer, significant incentives to manufacturers to encourage capital investment, increase manufacturing production, and create jobs. As a result, the performance of our South American operations has been impacted favorably by government incentives to a substantial extent. In Brazil, however, the federal government has levied assessments against us concerning our calculation of federal incentives we received, and certain states have challenged the grant to us of tax incentives by the State of Bahia. A decrease in, expiration without renewal of, or other cessation or clawback of government incentives for any of our business units, as a result of administrative decision or otherwise, could have a substantial adverse impact on our financial condition and results of operations. See Note 2 of the Notes to the Financial Statements for discussion of our accounting for government incentives, and "Item 3. Legal Proceedings" for a discussion of tax proceedings in Brazil and the potential requirement for us to post collateral.

Operational systems, security systems, and vehicles could be affected by cyber incidents. We rely on information technology networks and systems, including in-vehicle systems and mobile devices, some of which are managed by suppliers, to process, transmit, and store electronic information that is important to the operation of our business and our vehicles. Despite security measures, we are at risk for interruptions, outages, and breaches of: (i) operational systems (including business, financial, accounting, product development, consumer receivables, data processing, or manufacturing processes); (ii) facility security systems; and/or (iii) in-vehicle systems or mobile devices. Such cyber incidents could materially disrupt operational systems; result in loss of trade secrets or other proprietary or competitively sensitive information; compromise the privacy of personal information of customers, employees, or others; jeopardize the security of our facilities; affect the performance of in-vehicle systems; and/or impact the safety of our vehicles. A cyber incident could be caused by malicious third parties using sophisticated, targeted methods to circumvent firewalls, encryption, and other security defenses, including hacking, fraud, trickery, or other forms of deception. We have been the target of these types of attacks in the past and such attacks are likely to occur in the future. The techniques used for attacks by third parties change frequently and may become more sophisticated, which may cause cyber incidents to be difficult to detect for long periods of time. Our networks and in-vehicle systems may also be affected by computer viruses or breaches due to the negligence or misconduct of employees, contractors, and/or others who have access to our networks and systems. A significant cyber incident could impact production capability, harm our reputation, and/or subject us to regulatory actions or litigation.

Ford Credit's access to debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts could be affected by credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors. Ford Credit's ability to obtain unsecured funding at a reasonable cost is dependent on its credit ratings or its perceived creditworthiness. Ford Credit's ability to obtain securitized funding under its committed asset-backed liquidity programs and certain other asset-backed securitization transactions is subject to having a sufficient amount of assets eligible for these programs, as well as Ford Credit's ability to obtain appropriate credit ratings and, for certain committed programs, derivatives to manage the interest rate risk. Over time, and particularly in the event of any credit rating downgrades, market volatility, market disruption, or other factors, Ford Credit may reduce the amount of receivables it purchases or originates because of funding constraints. In addition, Ford Credit may be limited in the amount of receivables it purchases or originates in certain countries or regions if the local capital markets, particularly in developing countries, do not exist or are not adequately developed. Similarly, Ford Credit may reduce the amount of receivables it purchases or originates if there is a significant decline in the demand for the types of securities it offers or Ford Credit is unable to obtain derivatives to manage the interest rate risk associated with its securitization transactions. A significant reduction in the amount of receivables Ford Credit purchases or originates would significantly reduce its ongoing profits and could adversely affect its ability to support the sale of Ford vehicles.

Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles. Credit risk is the possibility of loss from a customer's or dealer's failure to make payments according to contract terms. Credit risk (which is heavily dependent upon economic factors including unemployment, consumer debt service burden, personal income growth, dealer profitability, and used car prices) has a significant impact on Ford Credit's business. The level of credit losses Ford Credit may experience could exceed its expectations and adversely affect its financial condition and results of operations. In addition, Ford Credit projects expected residual values (including residual value support payments from Ford) and return volumes for the vehicles it leases. Actual proceeds realized by Ford Credit upon the sale of returned leased vehicles at lease termination may be lower than the amount projected, which would reduce the profitability of the lease transaction. Among the factors that can affect the value of returned lease vehicles are the volume of vehicles returned, economic conditions, marketing programs, and quality or perceived quality, safety, fuel efficiency, or reliability of the vehicles. Actual return volumes may be influenced by these factors, as well as by contractual lease-end values relative to auction values. Each of these factors, alone or in combination, has the potential to adversely affect Ford Credit's profitability if actual results were to differ significantly from Ford Credit's projections. See "Critical Accounting Estimates" in Item 7 for additional discussion.

Ford Credit could face increased competition from banks, financial institutions, or other third parties seeking to increase their share of financing Ford vehicles. No single company is a dominant force in the automotive finance industry. Most of Ford Credit's competitors in the United States use credit aggregation systems that permit dealers to send, through standardized systems, retail credit applications to multiple finance sources to evaluate financing options offered by these sources. Also, direct on-line or large dealer group financing options provide consumers with alternative finance sources and/or increased pricing transparency. All of these financing alternatives drive greater competition based on financing rates and terms. Competition from such institutions and alternative finance sources could adversely affect Ford Credit's profitability and the volume of its retail business. In addition, Ford Credit may face increased competition on wholesale financing for Ford dealers.

Ford Credit could be subject to new or increased credit regulations, consumer or data protection regulations, or other regulations. As a finance company, Ford Credit is highly regulated by governmental authorities in the locations in which it operates, which can impose significant additional costs and/or restrictions on its business. In the United States, for example, Ford Credit's operations are subject to regulation, supervision, and licensing under various federal, state, and local laws and regulations, including the federal Truth-in-Lending Act, Consumer Leasing Act, Equal Credit Opportunity Act, and Fair Credit Reporting Act.

The Dodd-Frank Act directs federal agencies to adopt rules to regulate the consumer finance industry and the capital markets and gives the Consumer Financial Protection Bureau ("CFPB") broad rule-making and enforcement authority for a wide range of consumer financial protection laws that regulate consumer finance businesses, such as Ford Credit's retail automotive financing business. Exercise of these powers by the CFPB may increase the costs of, impose additional restrictions on, or otherwise adversely affect companies in the automotive finance business. The CFPB has authority to supervise and examine the largest nonbank automotive finance companies, such as Ford Credit, for compliance with consumer financial protection laws.

ITEM 1B. ***Unresolved Staff Comments.***

None.

ITEM 2. ***Properties.***

Our principal properties include manufacturing and assembly facilities, distribution centers, warehouses, sales or administrative offices, and engineering centers.

We own substantially all of our U.S. manufacturing and assembly facilities. Our facilities are situated in various sections of the country and include assembly plants, engine plants, casting plants, metal stamping plants, transmission plants, and other component plants. Most of our distribution centers are leased (we own approximately 40% of the total square footage, and lease the balance). The majority of the warehouses that we operate are leased, although many of our manufacturing and assembly facilities contain some warehousing space. Substantially all of our sales offices are leased space. Approximately 98% of the total square footage of our engineering centers and our supplementary research and development space is owned by us.

In addition, we maintain and operate manufacturing plants, assembly facilities, parts distribution centers, and engineering centers outside of the United States. We own substantially all of our non-U.S. manufacturing plants, assembly facilities, and engineering centers. The majority of our parts distribution centers outside of the United States are either leased or provided by vendors under service contracts.

We and the entities that we consolidated as of December 31, 2017 use nine regional engineering, research, and development centers, and 61 manufacturing plants as shown in the table below:

Automotive Business Units	Plants
North America	31
South America	8
Europe	16
Middle East & Africa	2
Asia Pacific	4
Total	61

Included in the number of plants shown above are plants that are operated by us or our consolidated joint ventures that support our Automotive segment. The significant consolidated joint ventures and the number of plants each owns are as follows:

- *Ford Lio Ho Motor Company Ltd. ("FLH")* — a joint venture in Taiwan among Ford (70% partner), the Lio Ho Group (25% partner), and individual shareholders (5% ownership in aggregate) that assembles a variety of Ford vehicles sourced from Ford. In addition to domestic assembly, FLH imports Ford brand built-up vehicles from the Asia Pacific region, Europe, and the United States. The joint venture operates one plant in Taiwan.

- *Ford Sollers Netherlands B.V. ("Ford Sollers")* — a 50/50 joint venture between Ford and Sollers OJSC ("Sollers"), in which Ford has control. The joint venture primarily is engaged in manufacturing a range of Ford passenger cars and light commercial vehicles for sale in Russia, and has an exclusive right to manufacture, assemble, and distribute certain Ford vehicles in Russia through the licensing of certain trademarks and intellectual property rights. The joint venture has been approved to participate in Russia's industrial assembly regime, which qualifies it for reduced import duties for parts imported into Russia. The joint venture operates three manufacturing facilities and one engine plant in Russia.

- *Ford Vietnam Limited* — a joint venture between Ford (75% partner) and Diesel Song Cong One Member Limited Liability Company (a subsidiary of the Vietnam Engine and Agricultural Machinery Corporation, which in turn is majority owned (87.43%) by the State of Vietnam represented by the Ministry of Industry and Trade) (25% partner). Ford Vietnam Limited assembles and distributes a variety of Ford passenger and commercial vehicle models. The joint venture operates one plant in Vietnam.

In addition to the plants that we operate directly or that are operated by our consolidated joint ventures, additional plants that support our Automotive segment are operated by unconsolidated joint ventures of which we are a partner. These plants are not included in the number of plants shown in the table above. The most significant of the automotive unconsolidated joint ventures are as follows:

- *AutoAlliance (Thailand) Co., Ltd. ("AAT")* — a 50/50 joint venture between Ford and Mazda that owns and operates a manufacturing plant in Rayong, Thailand. AAT produces Ford and Mazda products for domestic and export sales.

- *Changan Ford Automobile Corporation, Ltd. ("CAF")* — a 50/50 joint venture between Ford and Chongqing Changan Automobile Co., Ltd. ("Changan"). CAF operates five assembly plants, an engine plant, and a transmission plant in China where it produces and distributes an expanding variety of Ford passenger vehicle models.

- *Changan Ford Mazda Engine Company, Ltd. ("CFME")* — a joint venture among Ford (25% partner), Mazda (25% partner), and Changan (50% partner). CFME is located in Nanjing, and produces engines for Ford and Mazda vehicles manufactured in China.

- *Ford Otomotiv Sanayi Anonim Sirketi ("Ford Otosan")* — a joint venture in Turkey among Ford (41% partner), the Koc Group of Turkey (41% partner), and public investors (18%) that is the sole supplier to us of the Transit, Transit Custom, and Transit Courier commercial vehicles for Europe and is our sole distributor of Ford vehicles in Turkey. Ford Otosan also manufactures the Cargo truck for the Turkish and certain export markets and certain engines and transmissions, as well as certain components mainly for the Transit for supply to other regions. The joint venture owns three plants, a parts distribution depot, and a new research and development center in Turkey.

- *Getrag Ford Transmissions GmbH ("GFT")* — a 50/50 joint venture with Getrag International GmbH, a German company belonging to Magna Powertrain GmbH. GFT operates plants in Halewood, England; Cologne, Germany; Bordeaux, France; and Kechnec, Slovakia to produce, among other things, manual transmissions for our Europe business unit.

- *JMC* — a publicly-traded company in China with Ford (32% shareholder) and Jiangling Holdings, Ltd. (41% shareholder) as its controlling shareholders. Jiangling Holdings, Ltd. is a 50/50 joint venture between Changan and Jiangling Motors Company Group. The public investors in JMC own 27% of its total outstanding shares. JMC assembles Ford Transit, Ford Everest, Ford engines, and non-Ford vehicles and engines for distribution in China and in other export markets. JMC operates two assembly plants and one engine plant in Nanchang, and is constructing a new passenger vehicle assembly plant in Nanchang. JMC also operates a plant in Taiyuan that assembles heavy duty trucks and engines.

The facilities described above are, in the opinion of management, suitable and adequate for the manufacture and assembly of our and our joint ventures' products.

The furniture, equipment, and other physical property owned by our Financial Services operations are not material in relation to the operations' total assets.

ITEM 3. *Legal Proceedings.*

The litigation process is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. See Note 23 of the Notes to the Financial Statements for a discussion of loss contingencies. Following is a discussion of our significant pending legal proceedings:

PRODUCT LIABILITY MATTERS

We are a defendant in numerous actions in state and federal courts within and outside of the United States alleging damages from injuries resulting from (or aggravated by) alleged defects in our vehicles. In many, no monetary amount of damages is specified or the specific amount alleged is the jurisdictional minimum. Our experience with litigation alleging a specific amount of damages suggests that such amounts, on average, bear little relation to the actual amount of damages, if any, that we will pay in resolving such matters.

In addition to pending actions, we assess the likelihood of incidents that likely have occurred but not yet been reported to us. We also take into consideration specific matters that have been raised as claims but have not yet proceeded to litigation. Individual product liability matters which, if resolved unfavorably to the Company, likely would involve a significant cost would be described herein. Currently there are no such matters to report.

ASBESTOS MATTERS

Asbestos was used in some brakes, clutches, and other automotive components from the early 1900s. Along with other vehicle manufacturers, we have been the target of asbestos litigation and, as a result, are a defendant in various actions for injuries claimed to have resulted from alleged exposure to Ford parts and other products containing asbestos. Plaintiffs in these personal injury cases allege various health problems as a result of asbestos exposure, either from component parts found in older vehicles, insulation or other asbestos products in our facilities, or asbestos aboard our former maritime fleet. We believe that we are targeted more aggressively in asbestos suits because many previously-targeted companies have filed for bankruptcy, or emerged from bankruptcy relieved of liability for such claims.

Most of the asbestos litigation we face involves individuals who claim to have worked on the brakes of our vehicles. We are prepared to defend these cases and believe that the scientific evidence confirms our long-standing position that there is no increased risk of asbestos-related disease as a result of exposure to the type of asbestos formerly used in the brakes on our vehicles. The extent of our financial exposure to asbestos litigation remains very difficult to estimate and could include both compensatory and punitive damage awards. The majority of our asbestos cases do not specify a dollar amount for damages; in many of the other cases the dollar amount specified is the jurisdictional minimum, and the vast majority of these cases involve multiple defendants, sometimes more than one hundred. Many of these cases also involve multiple plaintiffs, and often we are unable to tell from the pleadings which plaintiffs are making claims against us (as opposed to other defendants). Annual payout and defense costs may become significant in the future.

ENVIRONMENTAL MATTERS

We have received notices under various federal and state environmental laws that we (along with others) are or may be a potentially responsible party for the costs associated with remediating numerous hazardous substance storage, recycling, or disposal sites in many states and, in some instances, for natural resource damages. We also may have been a generator of hazardous substances at a number of other sites. The amount of any such costs or damages for which we may be held responsible could be significant.

We have one environmental legal proceeding to which a governmental authority is a party and in which we believe there is the possibility of monetary sanctions in excess of $100,000:

Notice of Violation to Ford Chicago Assembly Plant. On August 17, 2015, U.S. EPA issued a notice of violation to our Chicago Assembly Plant. EPA alleges that the plant violated several requirements related to its air permit. Monetary sanctions, if any, have not yet been determined.

CLASS ACTIONS

In light of the fact that very few of the purported class actions filed against us in the past have ever been certified by the courts as class actions, in general we list those actions that (i) have been certified as a class action by a court of competent jurisdiction (and any additional purported class actions that raise allegations substantially similar to an existing and certified class), and (ii) likely would involve a significant cost if resolved unfavorably to the Company. At this time, we have no such purported class actions filed against us.

OTHER MATTERS

Brazilian Tax Matters. Two Brazilian states and the Brazilian federal tax authority currently have outstanding substantial tax assessments against Ford Brazil related to state and federal tax incentives Ford Brazil receives for its operations in the Brazilian state of Bahia. All assessments have been appealed to the relevant administrative court of each jurisdiction. Our appeals with the State of São Paulo and the federal tax authority remain at the administrative level. In the State of Minas Gerais, where three cases are pending, one remains at the administrative level and two have been appealed to the judicial court. To proceed with an appeal within the judicial court system, an appellant may be required to post collateral. To date we have not been required to post any collateral.

The state assessments are part of a broader conflict among various states in Brazil. The federal legislature enacted laws designed to encourage the states to end that conflict, and in 2017 the states reached an agreement on a framework for resolution. We expect the amount of any remaining assessments by the states to be resolved under that framework. The federal assessments are outside the scope of the legislation.

Transit Connect Customs Ruling. On March 8, 2013, U.S. Customs and Border Protection ("CBP") ruled that Transit Connects imported as passenger wagons and later converted into cargo vans are subject to the 25% duty applicable to cargo vehicles, rather than the 2.5% duty applicable to passenger vehicles. As a result of the ruling, CBP is requiring Ford to pay the 25% duty upon importation of Transit Connects that will be converted to cargo vehicles, and is seeking the difference in duty rates for prior imports. Our protest of the ruling within CBP was denied, and we filed a challenge in the U.S. Court of International Trade ("CIT"). On August 9, 2017, the CIT ruled in our favor. On October 6, 2017, CBP filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit. If we prevail on appeal, we will receive a refund of the contested amounts paid, plus interest.

ITEM 4. *Mine Safety Disclosures.*

Not applicable.

ITEM 4A. ***Executive Officers of Ford.***

Our executive officers are as follows, along with each executive officer's position and age at February 1, 2018:

Name	Position	Position Held Since	Age
William Clay Ford, Jr. (a)	Executive Chairman and Chairman of the Board	September 2006	60
James P. Hackett (b)	President and Chief Executive Officer	May 2017	62
James D. Farley, Jr.	Executive Vice President and President, Global Markets	June 2017	55
Joseph R. Hinrichs	Executive Vice President and President, Global Operations	June 2017	51
Marcy Klevorn	Executive Vice President and President, Mobility	June 2017	58
Raj Nair	Executive Vice President and President, North America	June 2017	53
Bob Shanks	Executive Vice President and Chief Financial Officer	April 2012	65
Hau Thai-Tang	Executive Vice President, Product Development and Purchasing	June 2017	51
Steven Armstrong	Group Vice President and President, Europe, Middle East & Africa	June 2017	53
Joy Falotico	Group Vice President – Chairman and Chief Executive Officer, Ford Motor Credit Co.	October 2016	50
Peter Fleet	Group Vice President and President, Asia Pacific	July 2017	50
Kumar Galhotra	Group Vice President, Lincoln and Chief Marketing Officer	November 2017	52
Bradley M. Gayton	Group Vice President, Chief Administrative Officer and General Counsel	June 2017	54
Bruce Hettle	Group Vice President – Manufacturing and Labor Affairs	January 2016	56
Ziad S. Ojakli	Group Vice President – Government and Community Relations	January 2004	50
Kimberly Pittel	Group Vice President – Sustainability, Environment & Safety Engineering	January 2017	58
John Lawler	Vice President and Controller & Chief Financial Officer, Global Markets	June 2017	51

(a) Also a Director, Chair of the Office of the Chairman and Chief Executive, Chair of the Finance Committee, and a member of the Sustainability Committee of the Board of Directors.

(b) Also a Director and member of the Office of the Chairman and Chief Executive and the Finance Committee of the Board of Directors.

Except as noted below, each of the officers listed above has been employed by Ford or its subsidiaries in one or more capacities during the past five years. Prior to becoming President and Chief Executive Officer of Ford, James P. Hackett was the Chief Executive Officer of Steelcase Inc. until March 2014; a member of Ford's Board of Directors from 2013 to 2016; and the chairman of Ford Smart Mobility LLC from March 2016 to May 2017.

Under our by-laws, executive officers are elected by the Board of Directors at an annual meeting of the Board held for this purpose or by a resolution to fill a vacancy. Each officer is elected to hold office until a successor is chosen or as otherwise provided in the by-laws.

PART II.

ITEM 5. *Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

Our Common Stock is listed on the New York Stock Exchange in the United States.

The table below shows the high and low sales prices for our Common Stock, and the dividends we paid per share of Common and Class B Stock, for each quarterly period in 2016 and 2017:

	2016				2017			
Ford Common Stock price per share (a)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
High	$ 14.00	$ 14.22	$ 14.04	$ 13.20	$ 13.27	$ 11.70	$ 12.06	$ 12.81
Low	11.02	12.00	11.90	11.07	11.41	10.67	10.47	11.87
Dividends per share of Ford Common and Class B Stock	0.40	0.15	0.15	0.15	0.20	0.15	0.15	0.15

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

As of January 31, 2018, stockholders of record of Ford included approximately 120,626 holders of Common Stock and 3 holders of Class B Stock.

In the second quarter of 2017, we completed a modest anti-dilutive share repurchase program to offset the dilutive effect of share-based compensation granted during 2017. The plan authorized repurchases of up to 11.8 million shares of Ford Common Stock.

ITEM 6. *Selected Financial Data.*

The following table sets forth selected financial data for each of the last five years (dollar amounts in millions, except for per share amounts):

SUMMARY OF INCOME	**2013**	**2014**	**2015**	**2016**	**2017**
Total revenues	$ 146,917	$ 144,077	$ 149,558	$ 151,800	$ 156,776
Income before income taxes	$ 14,371	$ 1,234	$ 10,252	$ 6,796	$ 8,148
Provision for/(Benefit from) income taxes	2,425	4	2,881	2,189	520
Net income	11,946	1,230	7,371	4,607	7,628
Less: Income/(Loss) attributable to noncontrolling interests	(7)	(1)	(2)	11	26
Net income attributable to Ford Motor Company	$ 11,953	$ 1,231	$ 7,373	$ 4,596	$ 7,602
Earnings Per Share Attributable to Ford Motor Company Common and Class B Stock					
Average number of shares of Ford Common and Class B Stock outstanding (in millions)	3,935	3,912	3,969	3,973	3,975
Basic income	$ 3.04	$ 0.31	$ 1.86	$ 1.16	$ 1.91
Diluted income	2.94	0.31	1.84	1.15	1.90
Cash dividends declared	0.40	0.50	0.60	0.85	0.65
Common Stock price range (NYSE Composite Intraday)					
High	18.02	18.12	16.74	14.22	13.27
Low	12.10	13.26	10.44	11.02	10.47
BALANCE SHEET DATA AT YEAR-END					
Total assets	$ 202,204	$ 208,615	$ 224,925	$ 237,951	$ 257,808
Automotive debt	$ 15,683	$ 13,824	$ 12,839	$ 15,907	$ 15,931
Financial Services debt	99,005	105,347	120,015	127,063	138,356
Total equity	$ 26,173	$ 24,465	$ 28,657	$ 29,187	$ 34,918

ITEM 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

OVERVIEW

Non-GAAP Financial Measures That Supplement GAAP Measures

We use both generally accepted accounting principles ("GAAP") and non-GAAP financial measures for operational and financial decision making, and to assess Company and segment business performance. The non-GAAP measures listed below are intended to be considered by users as supplemental information to their equivalent GAAP measures, to aid investors in better understanding our financial results. We believe that these non-GAAP measures provide useful perspective on underlying business results and trends, and a means to assess our period-over-period results. These non-GAAP measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. These non-GAAP measures may not be the same as similarly titled measures used by other companies due to possible differences in method and in items or events being adjusted.

- *Company Adjusted Pre-tax Profit (Most Comparable GAAP Measure: Net Income Attributable to Ford)* – The non-GAAP measure is useful to management and investors because it allows users to evaluate our pre-tax results excluding pre-tax special items. Pre-tax special items consist of (i) pension and other postretirement employee benefits ("OPEB") remeasurement gains and losses that are not reflective of our underlying business results, (ii) significant restructuring actions related to our efforts to match production capacity and cost structure to market demand and changing model mix, and (iii) other items that we do not necessarily consider to be indicative of earnings from ongoing operating activities. When we provide guidance for adjusted pre-tax profit, we do not provide guidance on a net income basis because the GAAP measure will include potentially significant special items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end, including pension and OPEB remeasurement gains and losses.

- *Adjusted Earnings Per Share (Most Comparable GAAP Measure: Earnings Per Share)* – Measure of Company's diluted net earnings per share adjusted for impact of pre-tax special items (described above) and tax special items. The measure provides investors with useful information to evaluate performance of our business excluding items not indicative of the underlying run rate of our business. When we provide guidance for adjusted earnings per share, we do not provide guidance on an earnings per share basis because the GAAP measure will include potentially significant special items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end, including pension and OPEB remeasurement gains and losses.

- *Adjusted Effective Tax Rate (Most Comparable GAAP Measure: Effective Tax Rate)* – Measure of Company's tax rate excluding pre-tax special items (described above) and tax special items. The measure provides an ongoing effective rate which investors find useful for historical comparisons and for forecasting. When we provide guidance for adjusted effective tax rate, we do not provide guidance on an effective tax rate basis because the GAAP measure will include potentially significant special items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end, including pension and OPEB remeasurement gains and losses.

- *Company Operating Cash Flow (Most Comparable GAAP Measure: Net Cash Provided By / (Used In) Operating Activities)* - Measure of Company's operating cash flow excluding Ford Credit's operating cash flows. The measure contains elements management considers operating activities, including Automotive and Mobility capital spending and settlement of derivatives. The measure excludes cash outflows for Automotive and Mobility funded pension contributions, separation payments, and other items that are considered operating cash outflows under U.S. GAAP. This measure is useful to management and investors because it is consistent with management's assessment of the Company's operating cash flow performance.

- *Ford Credit Managed Receivables (Most Comparable GAAP Measure: Net Finance Receivables plus Net Investment in Operating Leases)* – Measure of Ford Credit's total net receivables, excluding unearned interest supplements and residual support, allowance for credit losses, and other (primarily accumulated supplemental depreciation). The measure is useful to management and investors as it closely approximates the customer's outstanding balance on the receivables, which is the basis for earning revenue.

- *Ford Credit Managed Leverage (Most Comparable GAAP Measure: Financial Statement Leverage)* – Ford Credit's debt-to-equity ratio adjusted (i) to exclude cash, cash equivalents, and marketable securities (other than amounts related to insurance activities), and (ii) for derivative accounting. The measure is useful to investors because it reflects the way Ford Credit manages its business. Cash, cash equivalents, and marketable securities are deducted because they generally correspond to excess debt beyond the amount required to support operations and on-balance sheet securitization transactions. Derivative accounting adjustments are made to asset, debt, and equity positions to reflect the impact of interest rate instruments used with Ford Credit's term-debt issuances and securitization transactions. Ford Credit generally repays its debt obligations as they mature, so the interim effects of changes in market interest rates are excluded in the calculation of managed leverage.

Revenue

Our Automotive segment revenue is generated primarily by sales of vehicles, parts, and accessories. Revenue is recorded when control is transferred to our customers (generally, our dealers and distributors). For the majority of sales, this occurs when products are shipped from our manufacturing facilities. This is not the case, however, with respect to vehicles produced for sale to daily rental car companies with an obligation to repurchase the vehicle for a guaranteed amount, exercisable at the option of the customer. These vehicles are accounted for as operating leases, with lease revenue and profits recognized over the term of the lease. Proceeds from the sale of vehicles at auction are recognized in revenue upon transfer of control of the vehicle to the customer.

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

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

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

Costs and Expenses

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

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

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

- *Contribution Costs* – these costs typically vary with production volume. These costs include material, commodity, warranty, and freight and duty costs.

- *Structural Costs* – these costs typically do not have a directly proportionate relationship to production volume. These costs include manufacturing, engineering, spending-related, advertising and sales promotion, administrative and selling, and pension and OPEB costs.

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

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

Cost of sales and *Selling, administrative, and other expenses* for full-year 2017 were $142.9 billion. Our Automotive segment's material and commodity costs make up the largest portion of these costs and expenses, representing in 2017 about two-thirds of the total amount. Structural costs are the largest piece of the remaining balance. Although material costs are our largest absolute cost, our margins can be affected significantly by changes in any category of costs.

Key Economic Factors and Trends Affecting the Automotive Industry

Currency Exchange Rate Volatility. The U.S. Federal Reserve raised its policy interest rate three times in 2017, after single rate increases in 2015 and 2016. Central banks in other developed markets have also initiated or signaled the end of an extended period of monetary policy easing. The related shifts in capital flows have contributed to increased volatility for both developed and emerging market currencies globally. Emerging markets also face differing inflation backdrops and, in some cases, political instability, contributing to unpredictable movements in the value of their exchange rates. In addition to direct impacts on the financial flows of global automotive companies, currency movements can also impact pricing of vehicles exported to overseas markets, most notably in the case of the yen. In most markets, exchange rates are market-determined, and all are impacted by many different macroeconomic and policy factors, and thus likely to remain volatile. However, in some markets, exchange rates are heavily influenced or controlled by governments.

Excess Capacity. According to IHS Automotive, an automotive research firm, the estimated automotive industry global production capacity for light vehicles of about 130 million units exceeded global production by about 35 million units in 2017. In North America and Europe, two regions where a significant share of industry revenue is earned, excess capacity as a percent of production was an estimated 17% and 20%, respectively, in 2017. In China, the auto industry also witnessed excess capacity at 57% of production in 2017, as manufacturers compete to capitalize on China's future market potential. According to production capacity data projected by IHS Automotive, global excess capacity conditions could continue for several years at an average of about 40 million units per year during the period from 2018 to 2023.

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

Commodity and Energy Price Changes. The price of oil has increased since late 2017, supported by global demand growth and an extended agreement among oil-producing nations to maintain modest output reductions. Still, oil prices remain well below prior peaks. In addition, after several years of low prices, stronger global demand has put upward pressure on other commodity prices, including steel, aluminum, and other metals used in the manufacturing of our vehicles.

Vehicle Profitability. Our financial results depend on the profitability of the vehicles we sell, which may vary significantly by vehicle line. In general, larger vehicles tend to command higher prices and be more profitable than smaller vehicles, both across and within vehicle segments. For example, in North America, our larger, more profitable vehicles had an average contribution margin that was about 135% of our total average contribution margin across all vehicles, whereas our smaller vehicles had significantly lower contribution margins. In addition, government regulations aimed at reducing emissions and increasing fuel efficiency may increase the cost of vehicles by more than the perceived benefit to the consumer. Given the backdrop of excess capacity, these regulations could dampen contribution margins.

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

Other Economic Factors. Although in recent months interest rates have risen, mature market government bond yields and inflation have remained lower than expected. At the same time, government deficits and debt remain at high levels in many major markets. The eventual implications of higher government deficits and debt, with potentially higher long-term interest rates, may drive a higher cost of capital over our planning period. Higher interest rates and/or taxes to address the higher deficits also may impede real growth in gross domestic product and, therefore, vehicle sales over our planning period.

Trends and Strategies

Cities are becoming more congested. Fortunately, vehicles that move people in city infrastructures are becoming smarter. Our opportunity is to leverage the capability of smart vehicles in smart environments to attack the congestion problem through a new transportation operating system.

We also have an opportunity to improve logistics. Currently, there is an inefficient operating system for the delivery of goods. The growth of internet sales has resulted in more deliveries, which is compounding the problem of city congestion. We can imagine a world where smart vehicles in a smart world improve traffic flow, reduce congestion, and improve logistics.

In response to these trends, we refined our strategy in 2017 to focus on resetting revenue and attacking costs in the short-term, and redesigning our business to compete and win in the future. To that end, we have identified five priorities:

1. Rapidly improving our fitness to lower costs, release capital, and finance growth
2. Accelerating the introduction of connected, smart vehicles and services
3. Re-allocating capital to where we can win in the future
4. Continuously innovating to create the most human-centered mobility solutions
5. Empowering our team to work together effectively to compete and win

In 2017, we took several actions to help achieve these priorities, including:

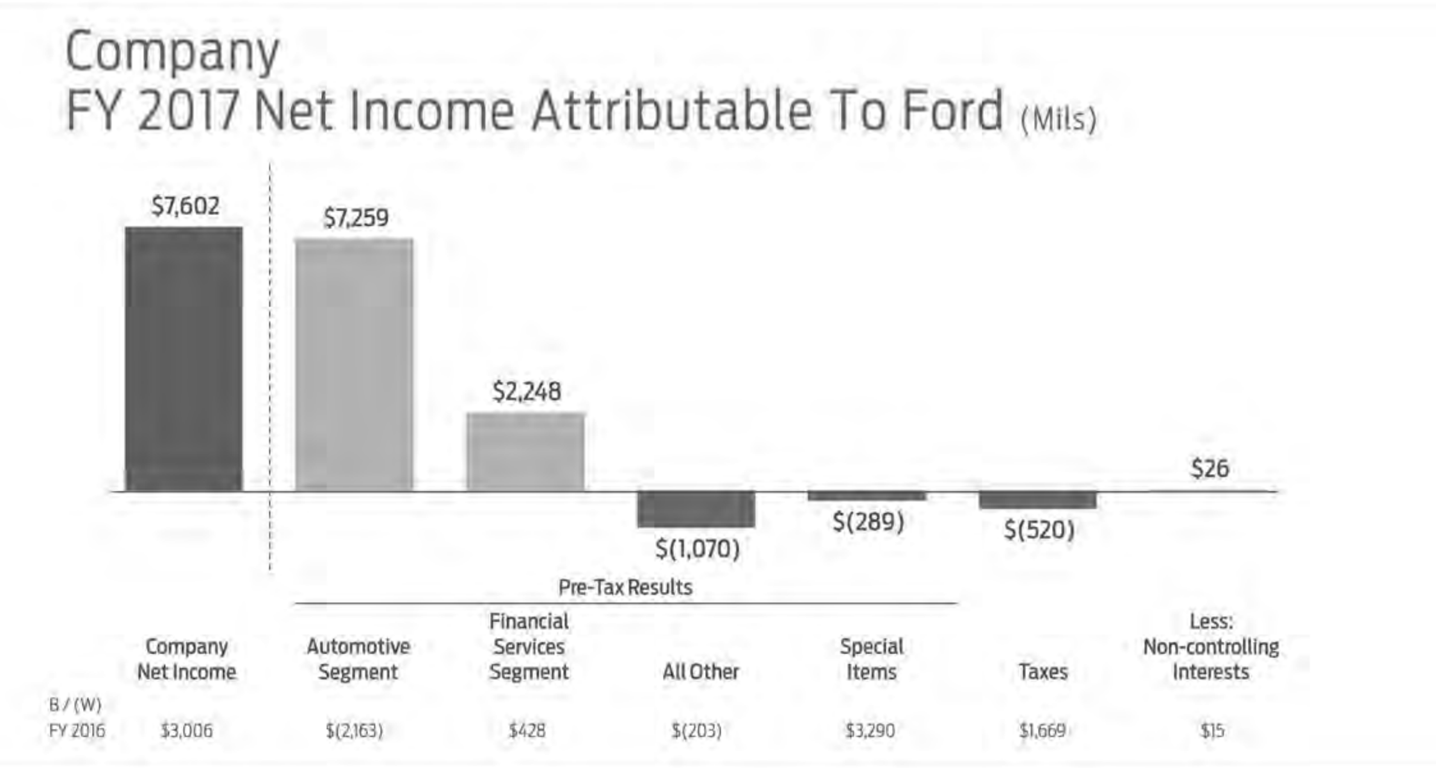
- We launched fitness redesign efforts that are focused on customer centricity, simplicity, speed and agility, efficiency, and accountability
- We announced collaborations with Dominos, Lyft, and Postmates in the United States to support autonomous vehicle development and testing. We also announced collaborations with Mahindra in India and Zotye in China to provide access to technology, capabilities, and scale that will enhance our competitive position
- We invested in Autonomic to accelerate growth in digital services
- We announced a plan to achieve 100% connectivity for new vehicles in the United States by 2019 and 90% globally by 2020
- We announced that we are shifting toward a lower volume passenger car lineup in North America and Europe, and we are playing to our strengths by investing in authentic off-roaders and high performance city crossovers
- We announced a plan to launch a performance SUV battery electric vehicle that offers at least a 300-mile range

At the start of 2018, we announced a plan to increase our investment in electrification—expected to be over $11 billion by 2022—to substantially increase the number of battery electric vehicles we offer around the world. And we will have more to announce in 2018 as we remain focused on designing smart vehicles for a smart world that help people move more safely, confidently, and freely.

RESULTS OF OPERATIONS - 2017

TOTAL COMPANY

Net income attributable to Ford. The chart below shows our net income attributable to Ford for full year 2017:



Net income attributable to Ford for full year 2017 was $7.6 billion or $1.90 diluted earnings per share of Common and Class B Stock, an increase of $3 billion or $0.75 per share compared with 2016, due to the significantly lower remeasurement loss on pension and OPEB plans and favorable tax planning actions. Full year 2017 pre-tax results of our Automotive segment, Financial Services segment, All Other, Special Items, and Taxes are discussed in the following sections in "Results of Operations - 2017."

Revenue. Company revenue for full year 2017 was $156.8 billion, $5 billion higher than 2016.

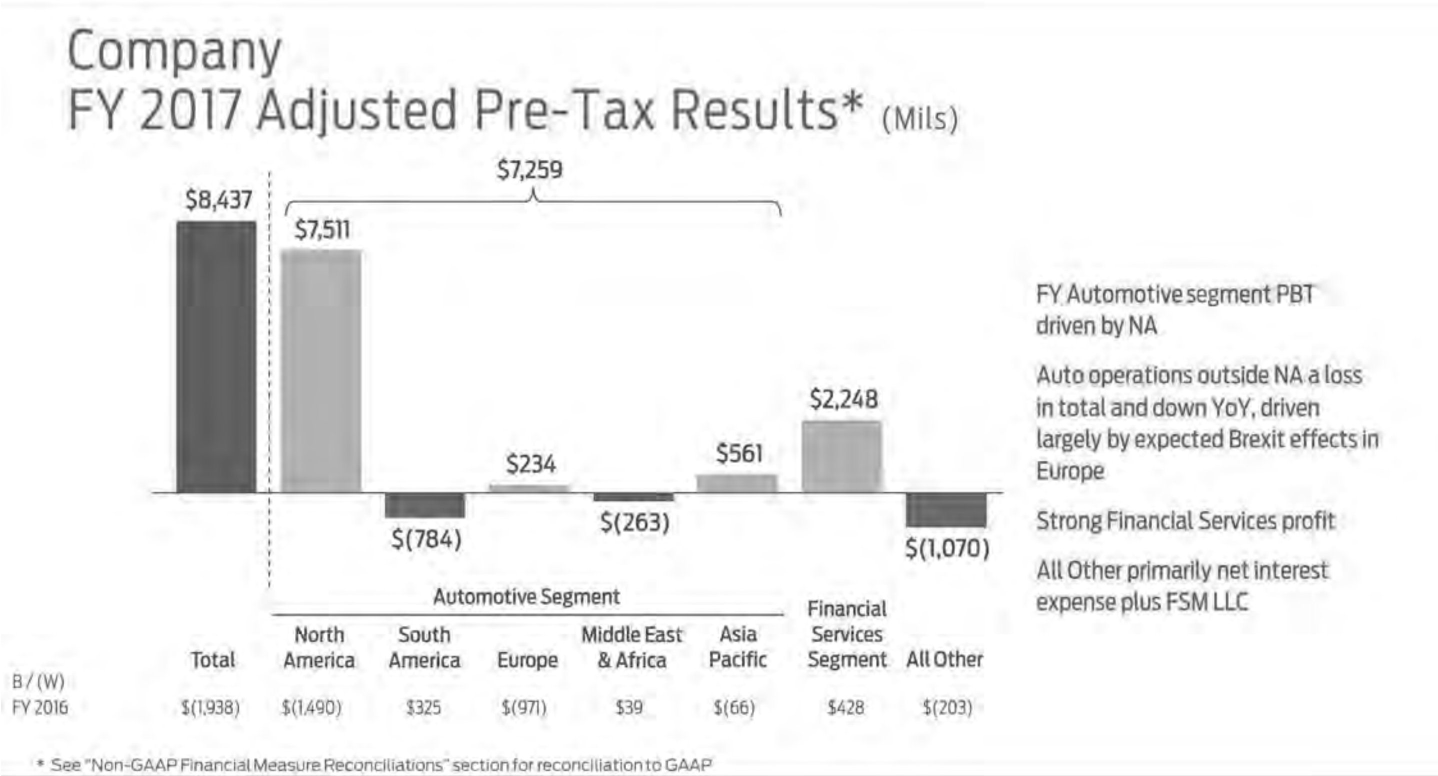
Cost of sales and *Selling, administrative, and other expenses* for full year 2017 were $142.9 billion, an increase of $5.7 billion compared with 2016. The detail for the change is shown below (in billions):

	Lower/(Higher)
Volume and mix, exchange, and other	$ (3.9)
Contribution costs	
Material excluding commodities	(0.1)
Commodities	(1.2)
Freight and other	0.1
Warranty	—
Structural costs	(0.7)
Special items	0.1
Total	$ (5.7)

Equity. At December 31, 2017, total equity attributable to Ford was $34.9 billion, an increase of $5.7 billion compared with December 31, 2016. The detail for this change is shown below (in billions):

	Increase/ (Decrease)
Net income	$ 7.6
Shareholder distributions	(2.7)
Other comprehensive income	—
Adoption of accounting standards	0.6
Common Stock issued (including share-based compensation impacts)	0.2
Total	$ 5.7

The chart below shows our full year 2017 total Company adjusted pre-tax results and pre-tax results of our Automotive segment by regional business unit, our Financial Services segment, and All Other.



Our Company adjusted pre-tax profit for full year 2017 was $8.4 billion, a decrease of $1.9 billion from 2016. Our Company adjusted pre-tax profit consisted of Automotive segment profit of $7.3 billion, a strong profit of $2.2 billion in the Financial Services segment, and a loss of $1.1 billion in All Other.

Automotive results were driven by North America. In total, our Automotive operations outside North America generated a loss of $252 million, $673 million lower than in 2016 driven largely by expected Brexit effects in Europe.

Our adjusted earnings per share of Common and Class B Stock was $1.78, an increase of $0.02 per share, due to favorable tax planning actions.

AUTOMOTIVE SEGMENT

In general, we measure year-over-year change in Automotive segment pre-tax results using the causal factors listed below, with net pricing and cost variances calculated at present-year volume and mix and exchange:

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

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

- *Structural Costs* – primarily measures profit variance driven by absolute change in cost categories that typically do not have a directly proportionate relationship to production volume. Structural costs include the following cost categories:
  - *Manufacturing, Including Volume Related* – consists primarily of costs for hourly and salaried manufacturing personnel, plant overhead (such as utilities and taxes), and new product launch expense. These costs could be affected by volume for operating pattern actions such as overtime, line-speed, and shift schedules
  - *Engineering* – consists primarily of costs for engineering personnel, prototype materials, testing, and outside engineering services
  - *Spending-Related* – consists primarily of depreciation and amortization of our manufacturing and engineering assets, but also includes asset retirements and operating leases
  - *Advertising and Sales Promotions* – includes costs for advertising, marketing programs, brand promotions, customer mailings and promotional events, and auto shows
  - *Administrative and Selling* – includes primarily costs for salaried personnel and purchased services related to our staff activities and selling functions, as well as associated information technology costs
  - *Pension and OPEB* – consists primarily of past service pension costs and other postretirement employee benefit costs

- *Exchange* – primarily measures profit variance driven by one or more of the following: (i) transactions denominated in currencies other than the functional currencies of the relevant entities, (ii) effects of converting functional currency income to U.S. dollars, (iii) effects of remeasuring monetary assets and liabilities of the relevant entities in currencies other than their functional currency, or (iv) results of our foreign currency hedging

- *Other* – includes a variety of items, such as parts and services profits, royalties, government incentives and compensation-related changes

In addition, definitions and calculations used in this report include:

- *Wholesales and Revenue* – wholesale unit volumes include all Ford and Lincoln badged units (whether produced by Ford or by an unconsolidated affiliate) that are sold to dealerships, units manufactured by Ford that are sold to other manufacturers, units distributed by Ford for other manufacturers, and local brand units produced by our China joint venture, Jiangling Motors Corporation, Ltd. ("JMC"), that are sold to dealerships. Vehicles sold to daily rental car companies that are subject to a guaranteed repurchase option (i.e., rental repurchase), as well as other sales of finished vehicles for which the recognition of revenue is deferred (e.g., consignments), also are included in wholesale unit volumes. Revenue from certain vehicles in wholesale unit volumes (specifically, Ford badged vehicles produced and distributed by our unconsolidated affiliates, as well as JMC brand vehicles) are not included in our revenue

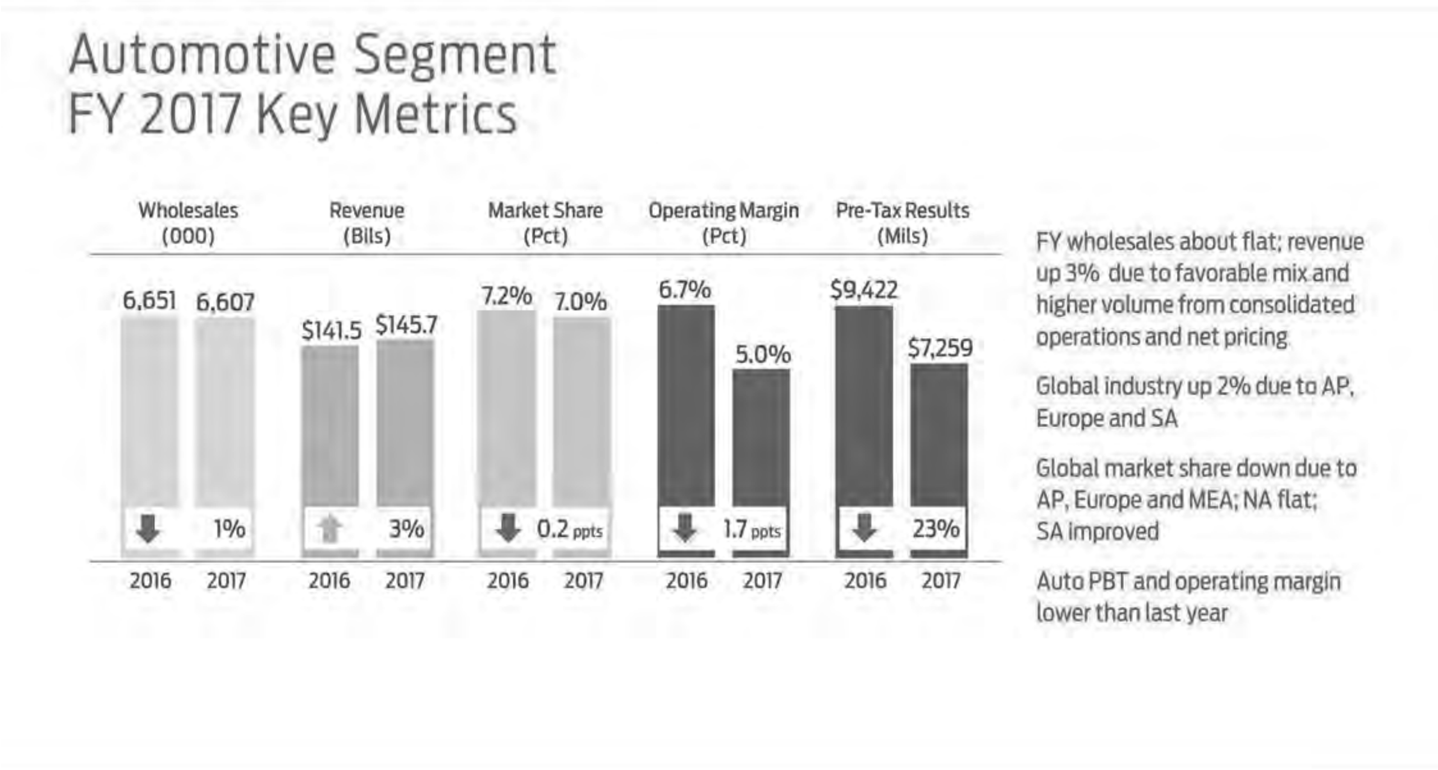
- *Automotive Segment Operating Margin* – defined as Automotive segment pre-tax profit divided by Automotive segment revenue

- *Industry Volume and Market Share* – based, in part, on estimated vehicle registrations; includes medium and heavy duty trucks

- A*utomotive Cash* – includes cash, cash equivalents, and marketable securities

References to Automotive records for operating cash flow, operating margin, and business units are since at least 2000.

The charts on the following pages detail full year 2017 key metrics and the change in full year 2017 pre-tax results compared with full year 2016 by causal factor for our Automotive segment and its business units — North America, South America, Europe, Middle East & Africa, and Asia Pacific.



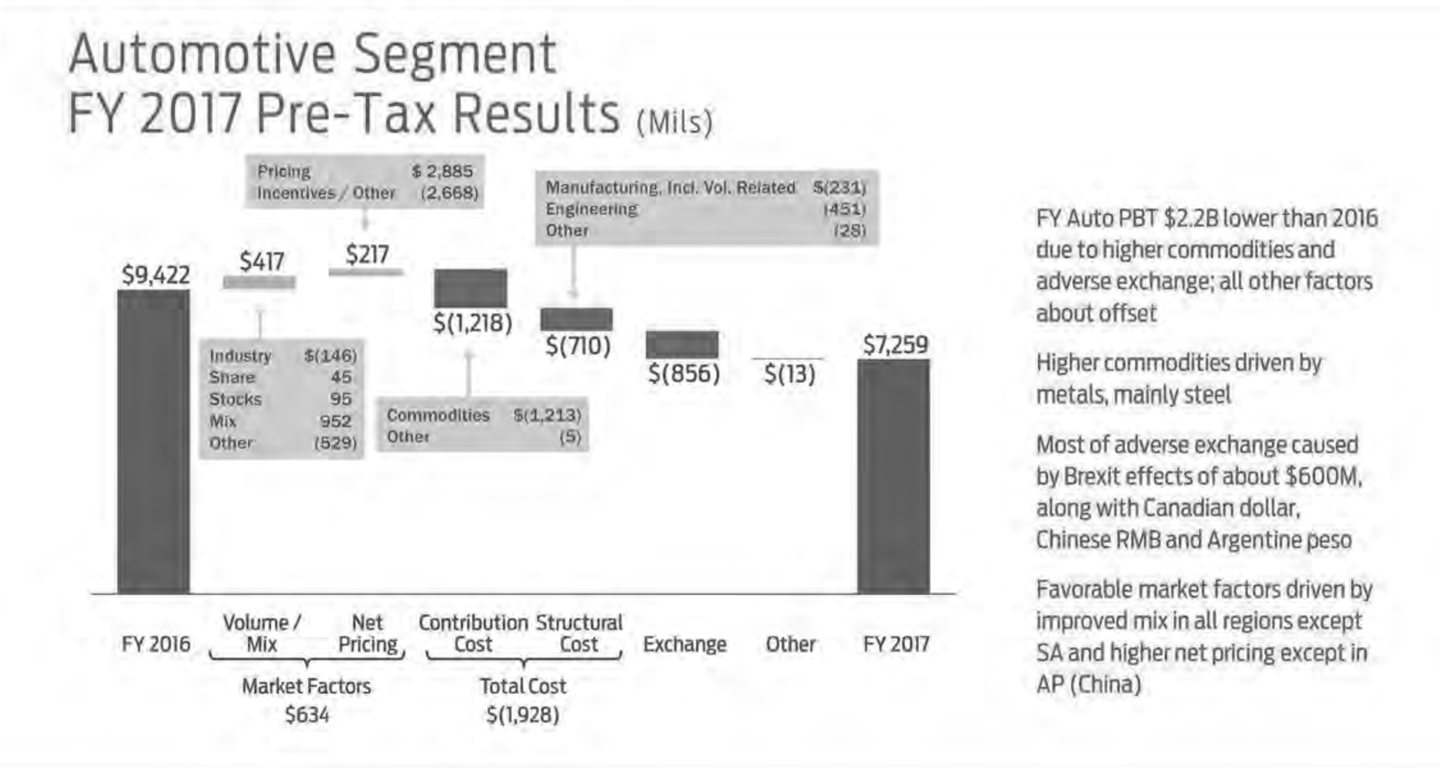
Shown above are the key financial metrics for our Automotive segment for full year 2017.

Wholesale volumes were about flat while Automotive revenue was up 3% due to favorable mix, higher volume from consolidated operations, and favorable net pricing.

Global industry volume, estimated at 94.9 million units, was up 2.2 million units or 2% compared to a year ago. The increase was driven by Asia Pacific, Europe, and South America.

Global market share, at 7%, was down two-tenths of a percentage point, reflecting lower share in Asia Pacific, Europe, and Middle East & Africa. Market share was up in South America and flat in North America.

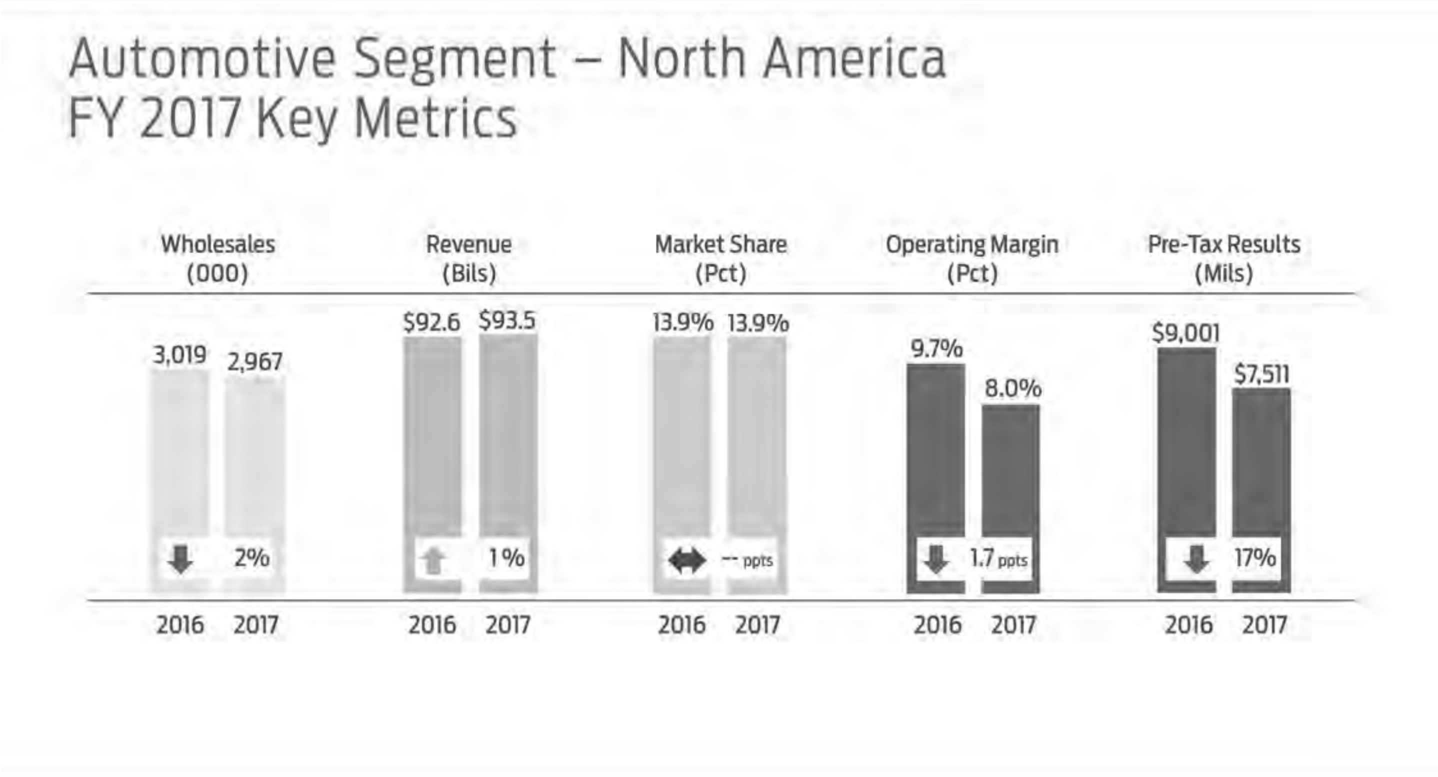
Our Automotive operating margin was 5% and pre-tax profit was $7.3 billion. Both metrics were lower than a year ago.



Shown above are the factors that contributed to the $2.2 billion decline in full year Automotive segment pre-tax profit. The lower profit was primarily explained by higher commodities and adverse exchange. All other factors about offset.

Higher commodities were driven by metals, primarily steel, and adverse exchange was driven by the sterling, reflecting Brexit effects of about $600 million, along with the Canadian dollar, Chinese renminbi, and Argentine peso.

Favorable market factors were driven by improved mix in all regions, excluding South America, and higher net pricing in all regions, except Asia Pacific, reflecting negative industry pricing in China.

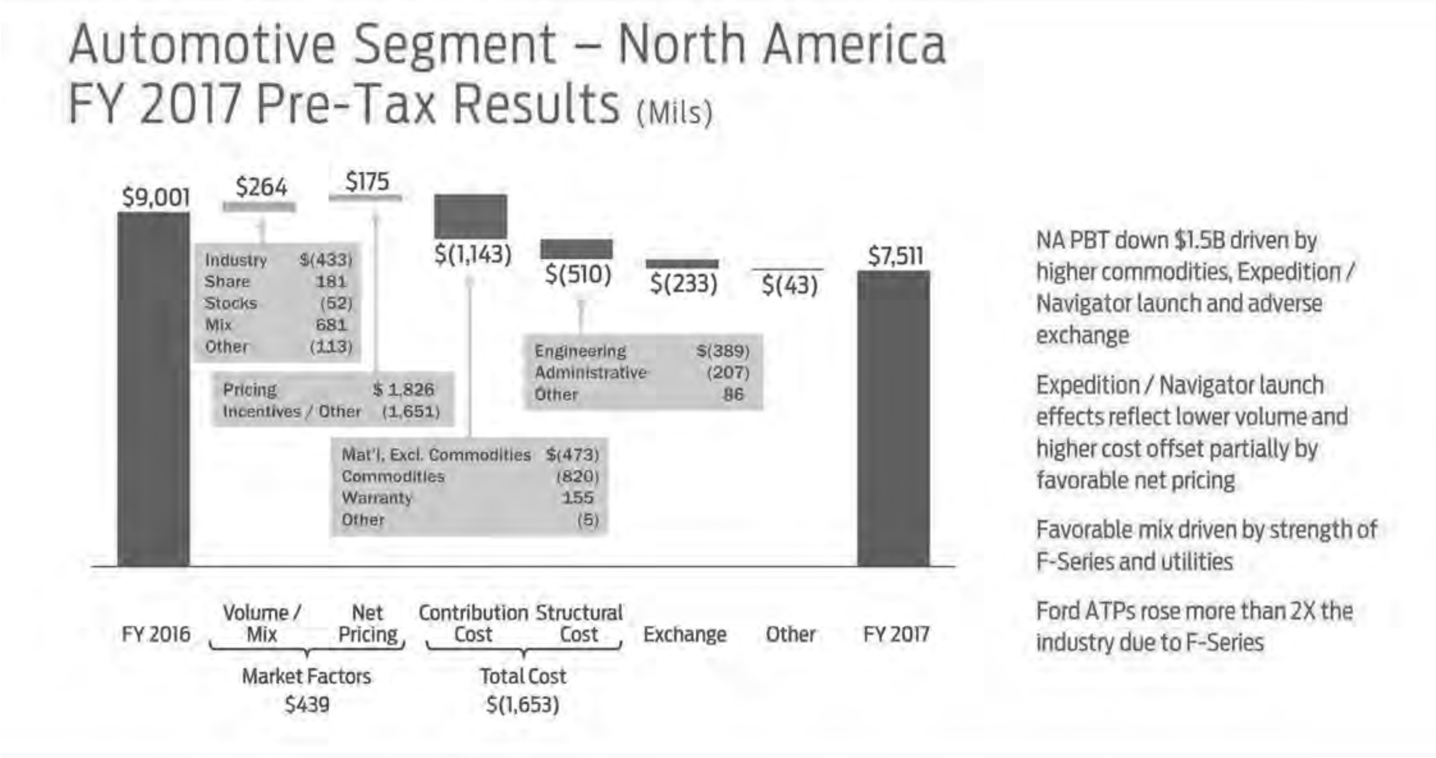


In 2017, North America generated a full year pre-tax profit of $7.5 billion with an operating margin of 8%.

Wholesale volume was down 2% while revenue was up 1% from a year ago.

North America and U.S. industry volume, at 21.5 million units and 17.5 million units, respectively, were each down 300,000 units.

Our North America market share was flat, with U.S. share up two-tenths of a point to 14.8%. The increase was driven by F-Series (with share up four-tenths), utilities, and Lincoln.



North America's full year 2017 pre-tax profit was $1.5 billion lower than a year ago. The decrease was driven by higher commodities, mainly steel and other metals; Expedition/Navigator launch effects, reflecting lower volume and higher costs, both product and structural costs, offset partially by favorable net pricing; and adverse exchange driven primarily by the Canadian dollar.

The higher engineering expense primarily reflects utilities, autonomous vehicles, and commercial vehicles.

The favorable mix was driven by the strength of F-Series and utilities.

Within the United States, average retail transaction prices were $1,300 per vehicle higher compared to a year ago, more than double the industry average increase. (Average retail transaction prices are based on J.D. Power and Associates PIN data). Our incentives were up slightly as a percent of revenue, but less than the industry average.

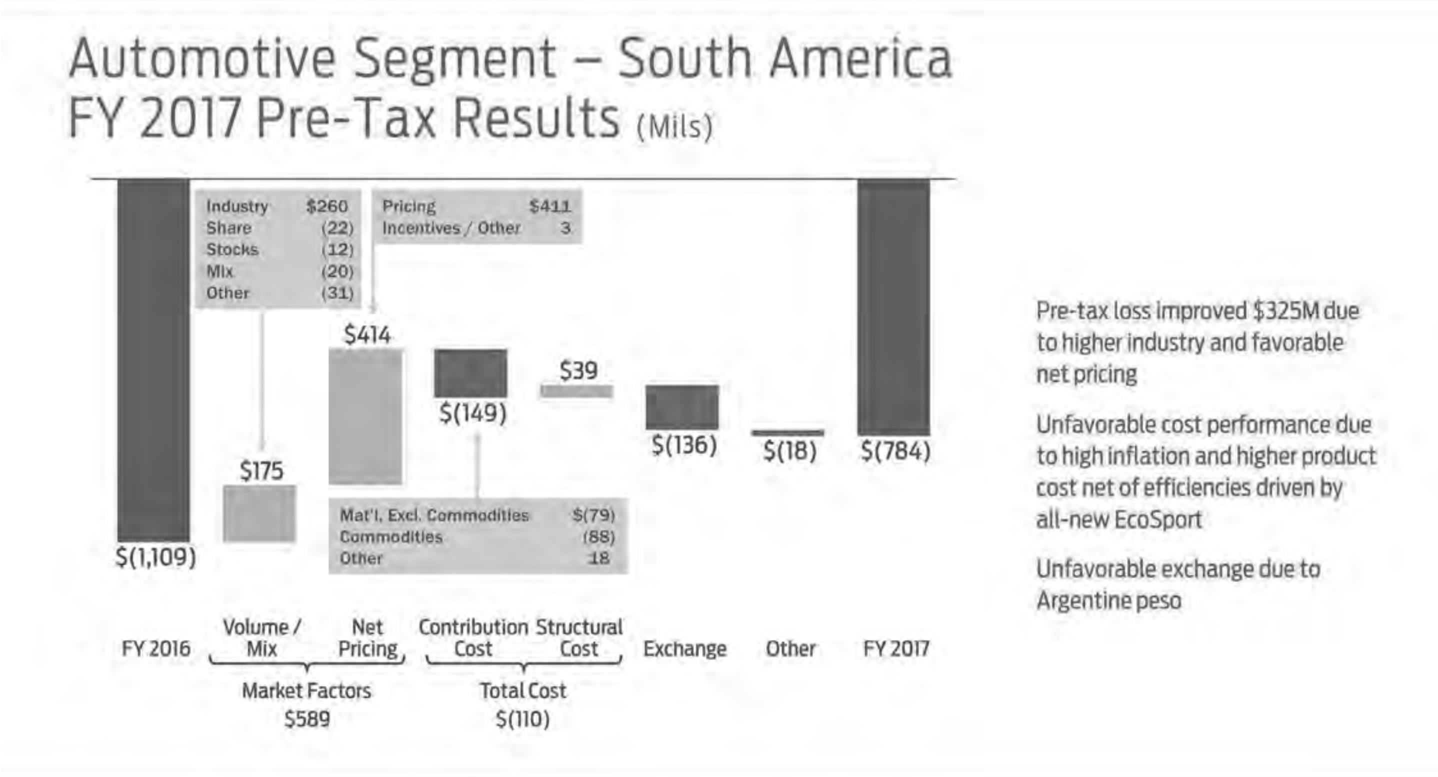
In 2017, South America generated a pre-tax loss of $784 million, an improvement of $325 million, or 29%, from a year ago.

All full year key metrics were improved from a year ago, as macroeconomic conditions continue to show signs of improvement.

Wholesale volume increased by 15% and revenue was up 21% from a year ago.

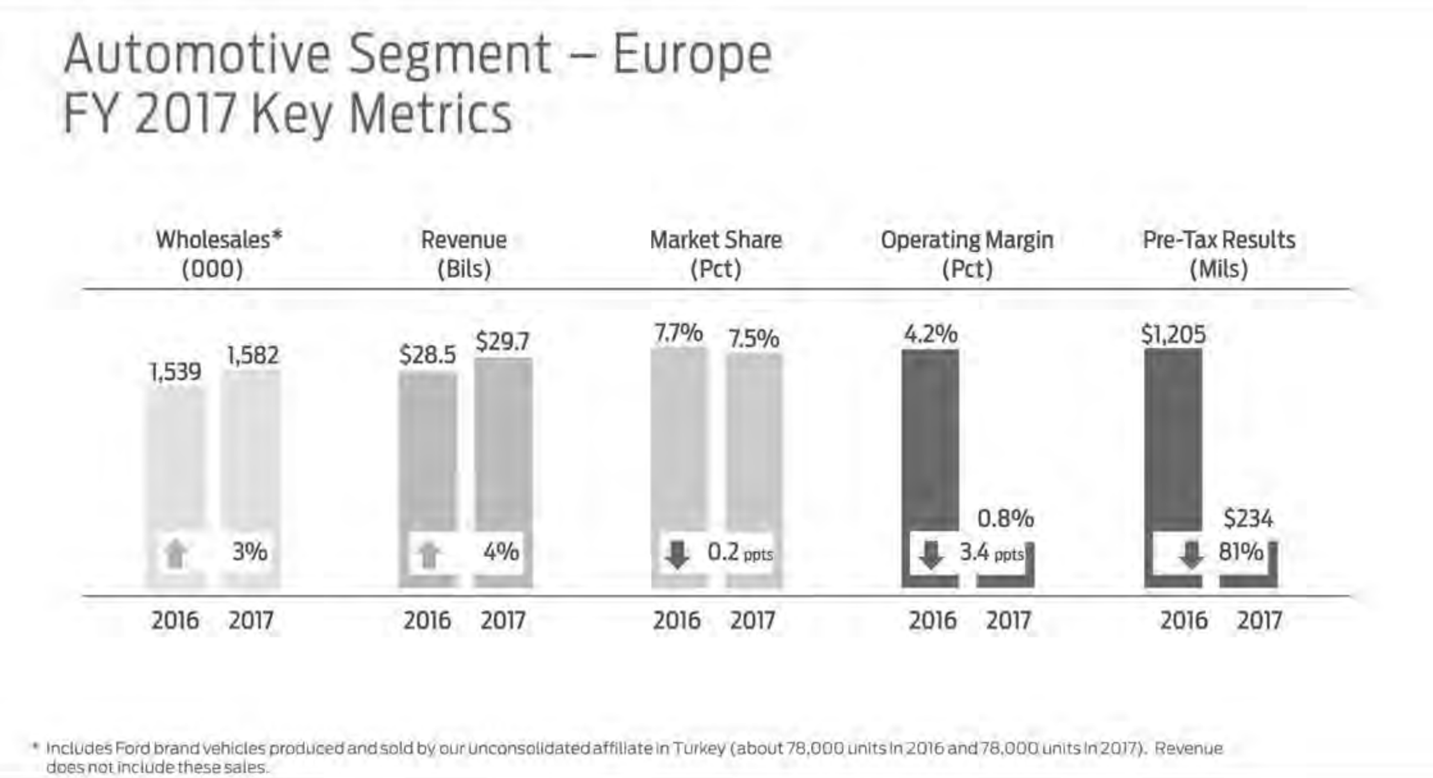
Industry volume for the region, at 4.2 million units, was 13% higher than 2016 due to growth in Brazil and Argentina.

Our market share for the region, at 8.9%, was up one-tenth of a percentage point due to the strong performance of Ka in Brazil.



South America's full year 2017 pre-tax loss improved $325 million compared to a year ago due to higher industry volume and favorable net pricing. This was partially offset by unfavorable cost performance due to the effects of high inflation and higher product costs net of efficiencies, driven by the all-new EcoSport.

Unfavorable exchange was primarily due to the weaker Argentine peso.

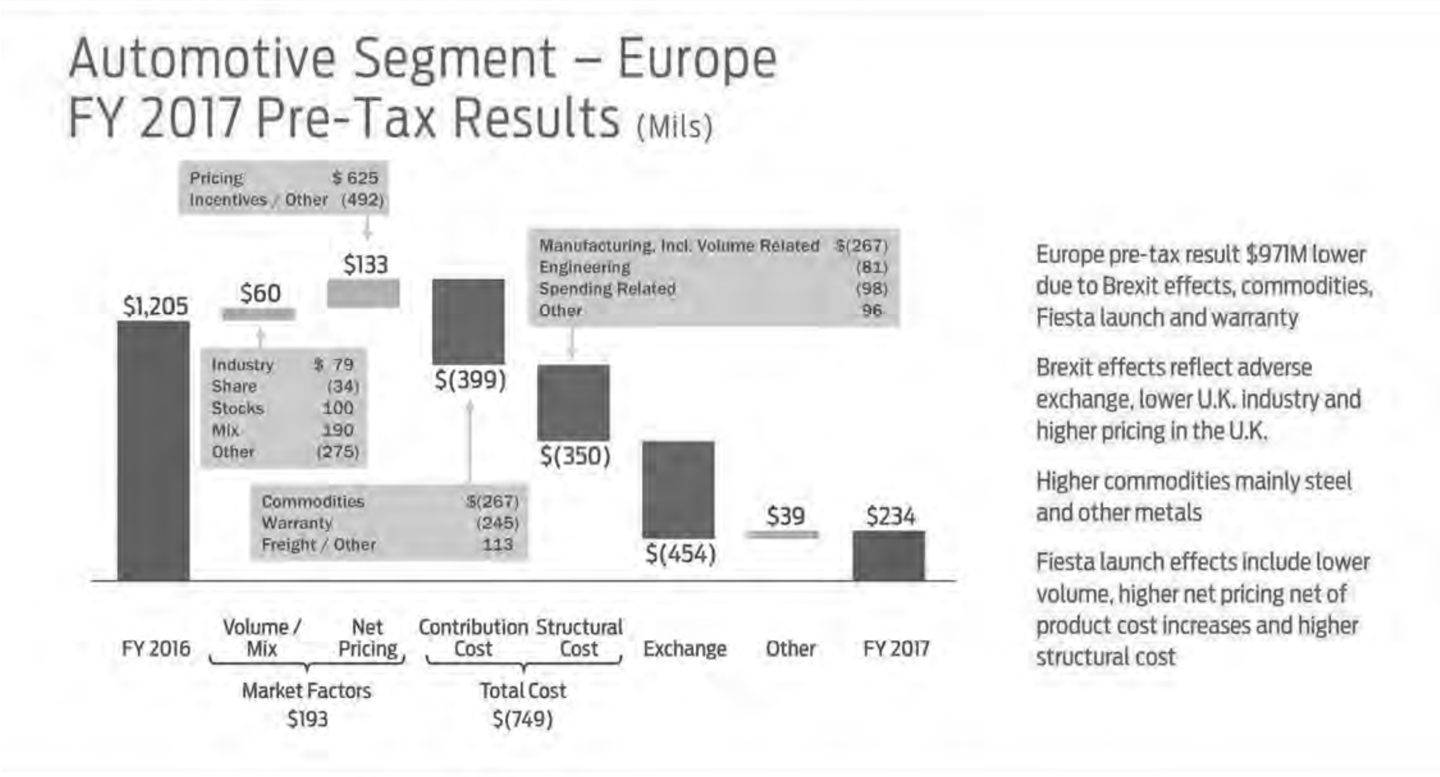


In 2017, Europe delivered a full year pre-tax profit of $234 million and an operating margin of 0.8%, both down sharply from a year ago.

Wholesale volume increased by 3% and revenue was up 4% from a year ago.

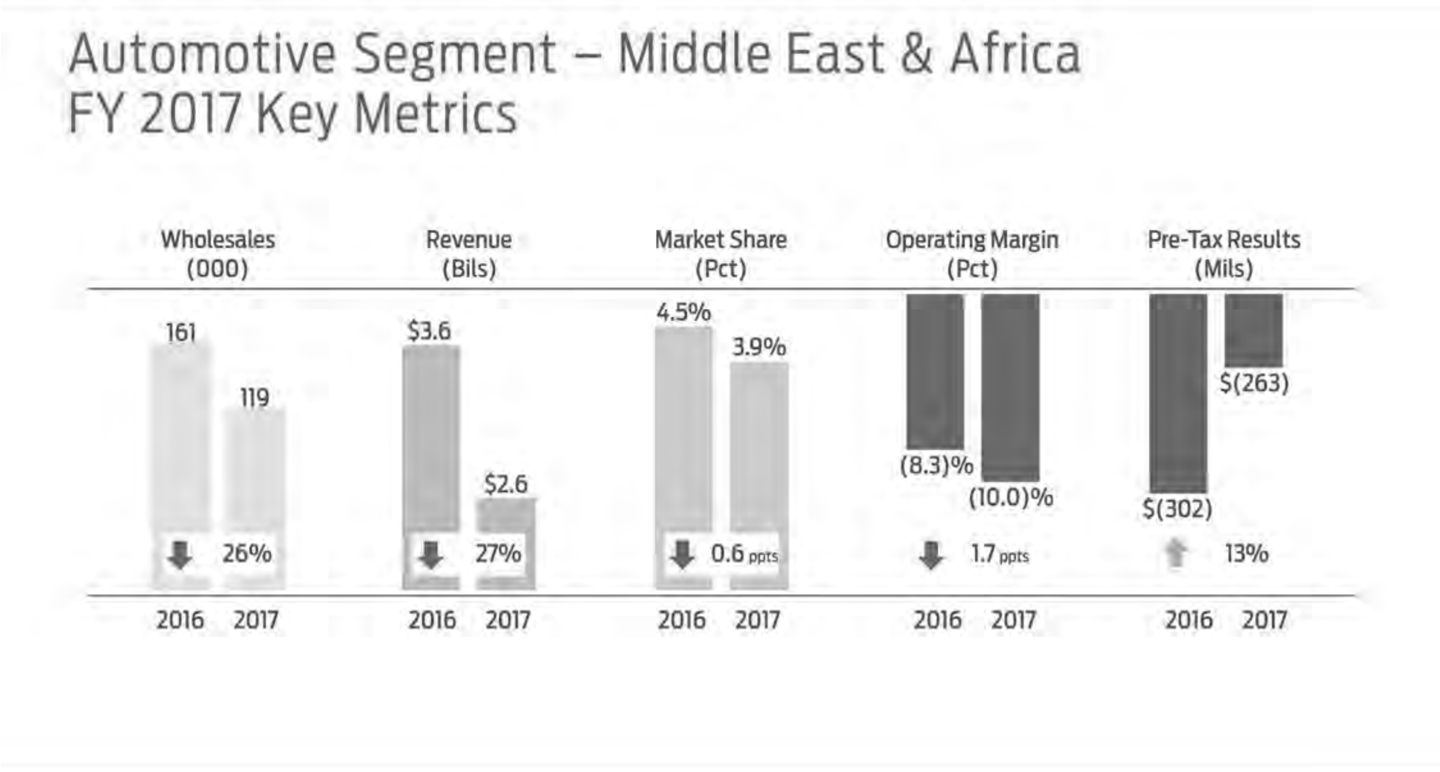
Europe industry volume, at 20.9 million units, was 4% higher than a year ago.

Europe’s market share, at 7.5%, was down two-tenths of a percentage point reflecting limited product availability, primarily due to the all-new Fiesta launch ramp-up.



Europe's full year 2017 pre-tax profit was $971 million lower than a year ago driven by Brexit effects, reflecting the weaker sterling and lower U.K. industry, offset partially by favorable net pricing in the United Kingdom; higher commodities, mainly steel and other metals; Fiesta launch effects, reflecting lower volume and higher costs, both product and structural costs, offset partially by favorable net pricing; and higher warranty costs.

Although not shown, results in Russia continued to improve.

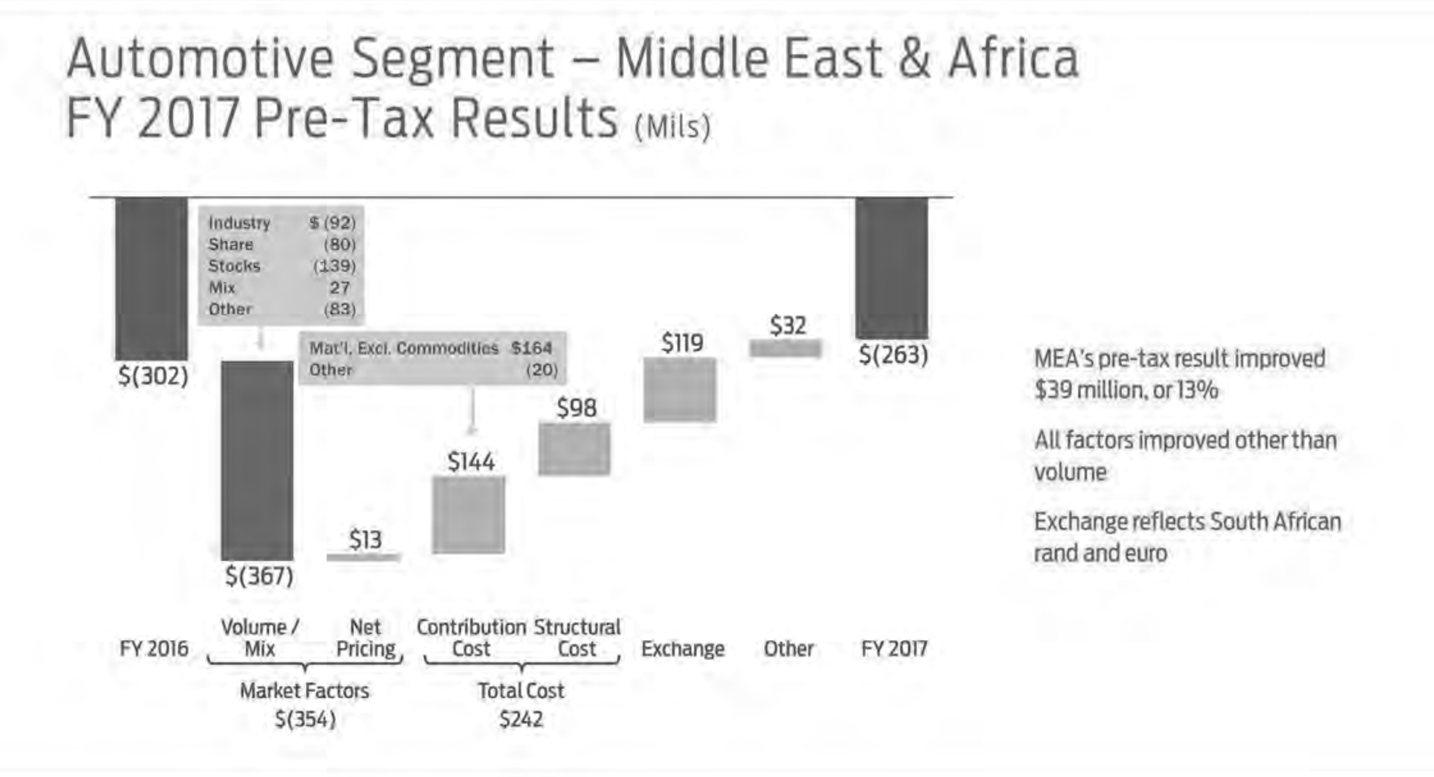


In 2017, Middle East & Africa generated a pre-tax loss of $263 million, an improvement of $39 million, or 13%, from a year ago.

Wholesale volume was lower than a year ago, as the sharp and sustained decline of the Middle East industries required the distributors to adjust their stock level in line with the lower industry level.

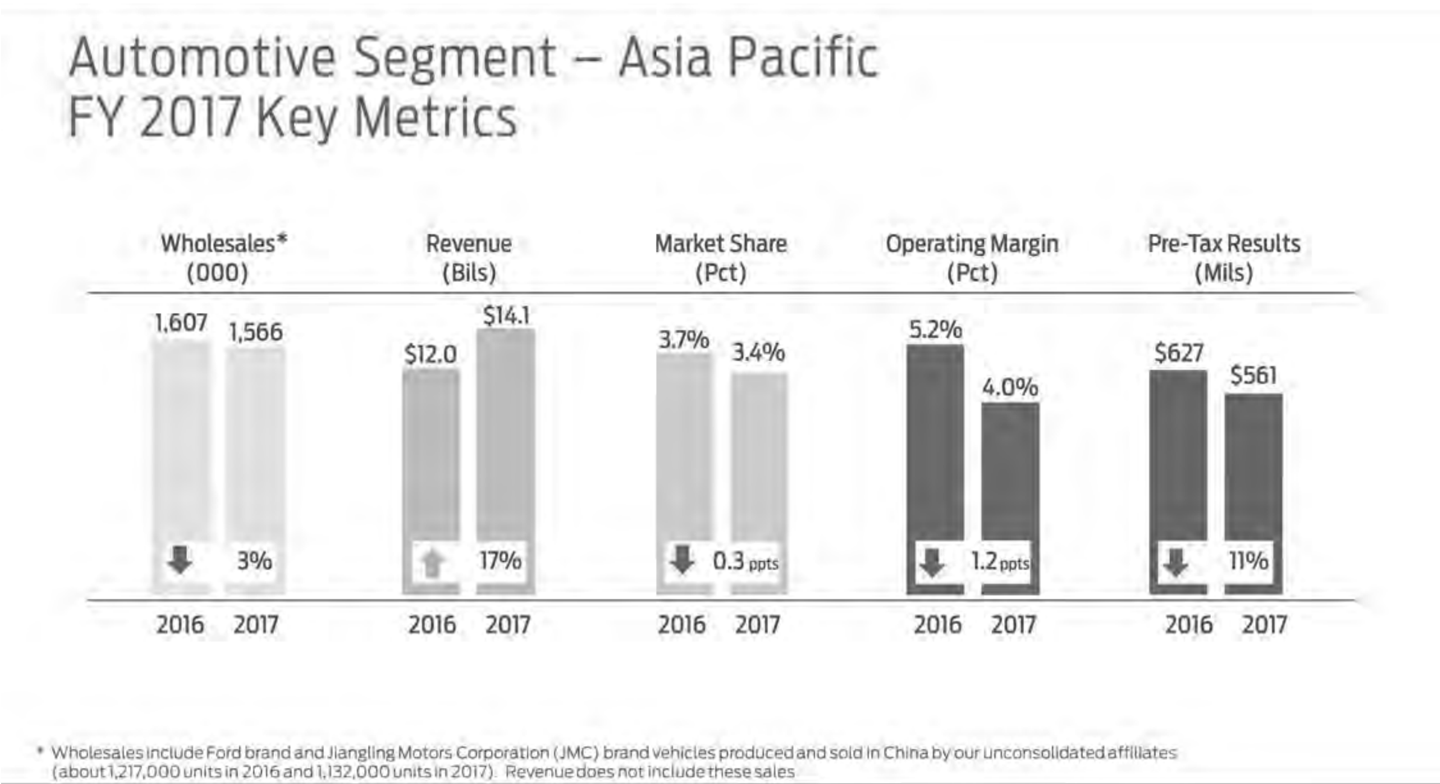
Industry volume for the region, at 3.6 million units, was down 100,000 units from 2016. Within this, the markets where we participate declined 300,000 units.

Our market share was 3.9%, down six-tenths of a percentage point due to unfavorable market mix and market performance in the Middle East.



Middle East & Africa's full year 2017 pre-tax result improved $39 million from a year ago. All factors improved other than volume.

Favorable cost performance and exchange, reflecting the stronger South African rand and euro, offset lower volume.



In 2017, Asia Pacific generated a pre-tax profit of $561 million and an operating margin of 4%, both down from a year ago.

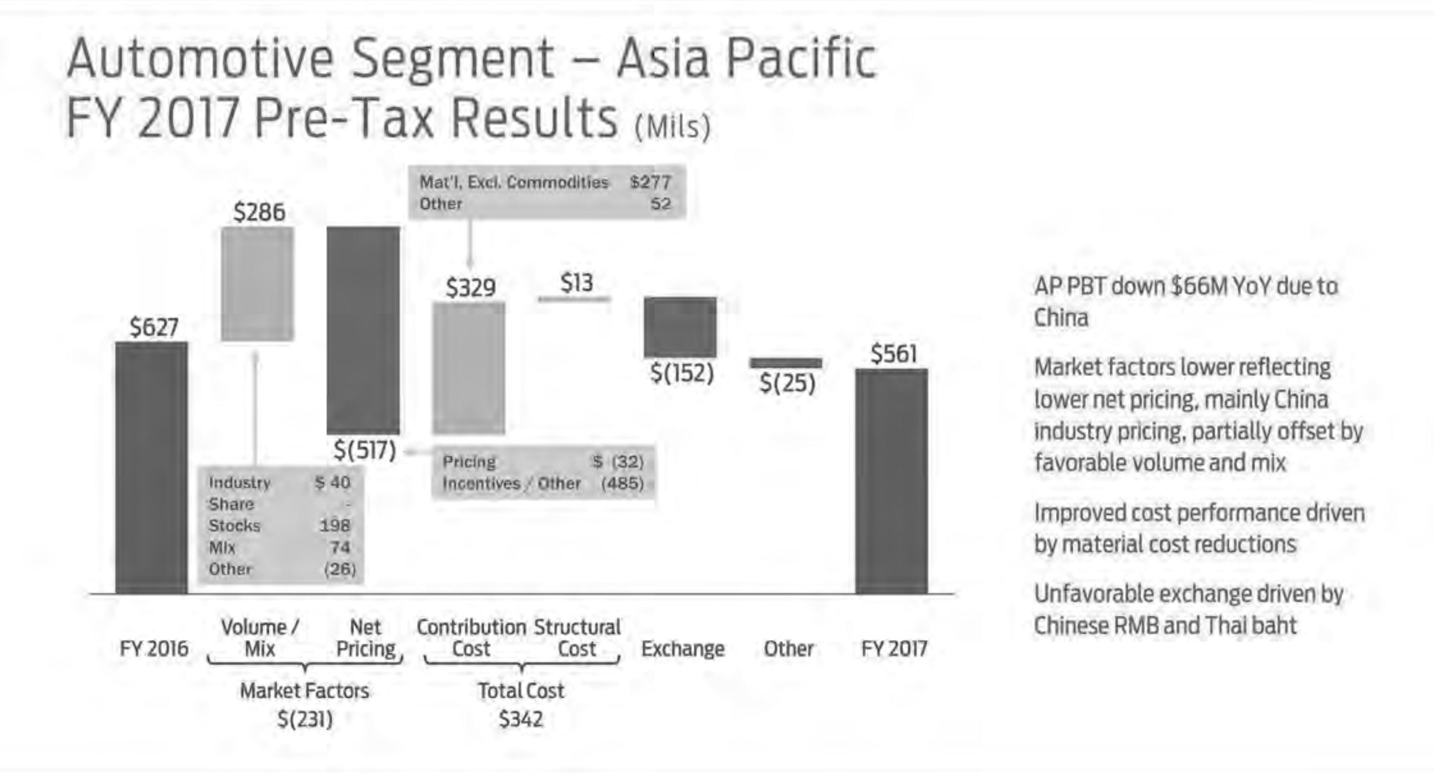
Wholesale volume was down 3% while revenue from consolidated operations was up 17%.

Asia Pacific industry volume was 44.8 million units, up 1.4 million units from 2016, including a 700,000 unit increase in China industry volume, estimated at 28.2 million units, and a 300,000 unit increase in India industry volume, estimated at 4 million units.

Our Asia Pacific market share was 3.4%, down three-tenths of a percentage point. China share decreased four-tenths of a percentage point to 4.2%, reflecting increased competitive entries, primarily in the SUV segment.

Asia Pacific achieved record full-year Lincoln sales in China, up 55% from a year ago.

Our China joint ventures contributed $916 million to pre-tax profit, reflecting our equity share of the unconsolidated JVs' after-tax earnings. This was $523 million lower than last year. Net income margin was 10.9%, down 3.7 percentage points. The decline in margin reflects negative industry pricing in China and a higher mix of vehicles with engine displacement of 1.6 liters or lower.



Asia Pacific's full year 2017 pre-tax profit was $66 million lower than a year ago due to market performance in China and unfavorable exchange.

Lower net pricing compared to a year ago reflects negative pricing trends in China.

Favorable cost performance reflects our continued focus on material cost reductions.

Unfavorable exchange was driven by the Chinese renminbi and Thai baht.

FINANCIAL SERVICES SEGMENT

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

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

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

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

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

- *Exchange:*
  - Reflects changes in pre-tax results driven by the effects of converting functional currency income to U.S. dollars

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

In addition, the following definitions and calculations apply to Ford Credit when used in this report:

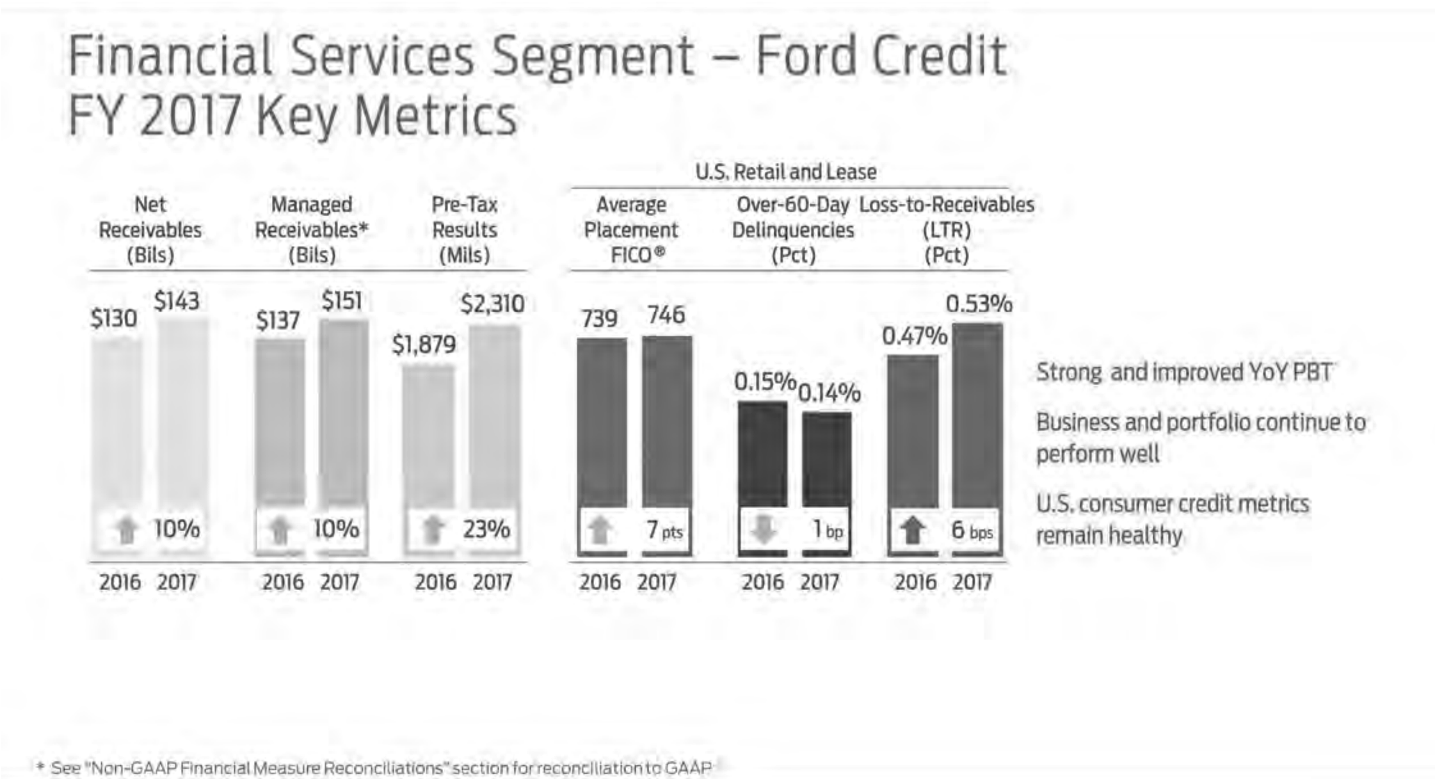
- *Cash* (as shown on the Funding Structure, Liquidity Sources, and Leverage charts) – Cash, cash equivalents, and marketable securities, excluding amounts related to insurance activities

- *Securitizations* (as shown on the Public Term Funding Plan chart) – Public securitizations, Rule 144A offerings sponsored by Ford Credit, and widely distributed offerings by Ford Credit Canada

- *Term Asset-Backed Securities* (as shown on the Funding Structure chart) – Obligations issued in securitization transactions that are payable only out of collections on the underlying securitized assets and related enhancements

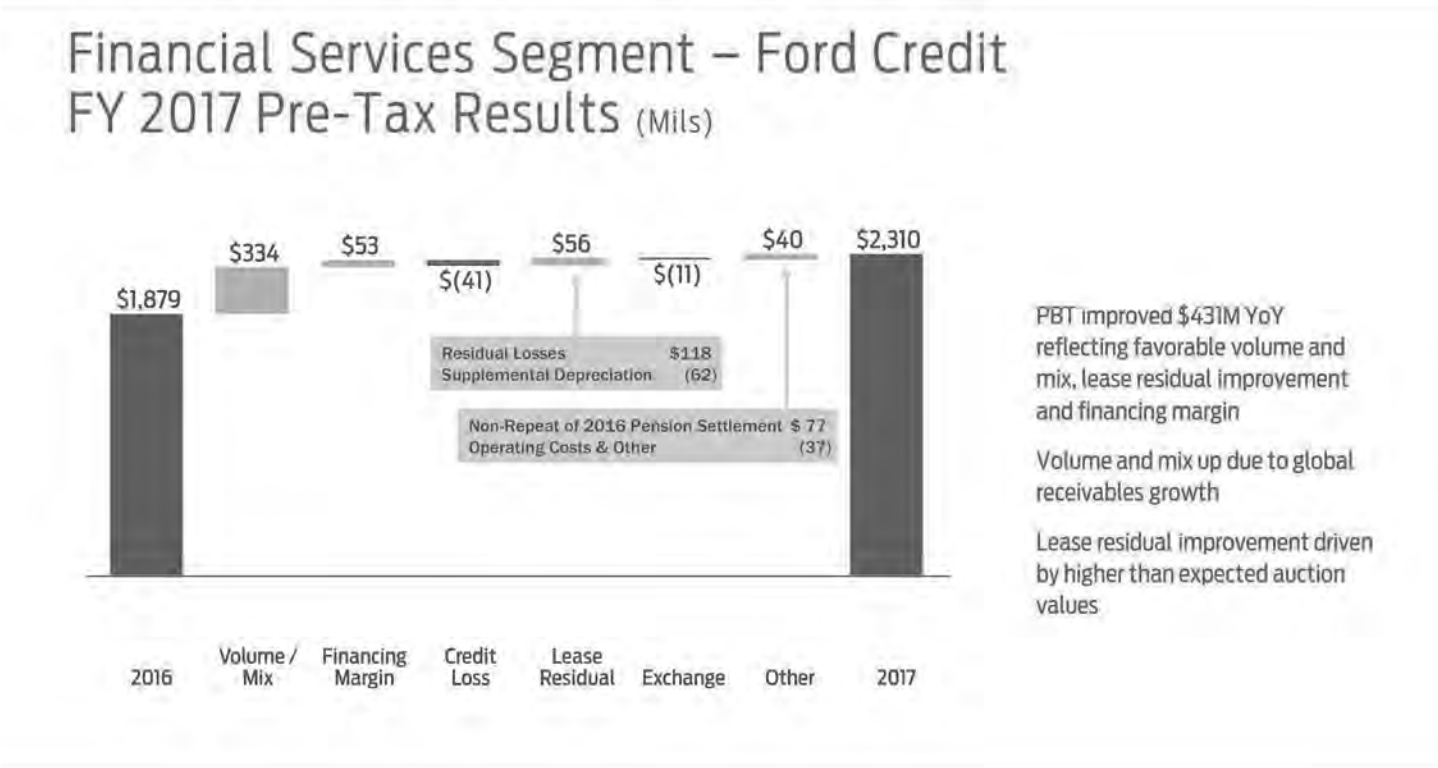
- *Total Debt* (as shown on the Leverage chart) – Debt on Ford Credit's balance sheet. Includes debt issued in securitizations and payable only out of collections on the underlying securitized assets and related enhancements. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions

- *Total Net Receivables* (as shown on the Key Metrics and Receivables Reconciliation charts) – Includes finance receivables (retail and wholesale) sold for legal purposes and net investment in operating leases included in securitization transactions that do not satisfy the requirements for accounting sale treatment. These receivables and operating leases are reported on Ford Credit's balance sheet and are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay the other obligations of Ford Credit or the claims of Ford Credit's other creditors



In 2017, Ford Credit's full year pre-tax profit was $2.3 billion. Receivables were higher with growth globally led by retail receivables.

Average placement FICO scores remained strong, and Ford Credit's origination, servicing, and collection practices continued to be disciplined and consistent. The loss-to-receivables ratio of 53 basis points was up 6 basis points and within expectations.



Ford Credit's full year 2017 pre-tax profit was $431 million higher than 2016, led primarily by receivables growth, lease residual performance, and financing margin.

The improvement in lease residual performance was driven by higher than expected auction values.

ALL OTHER

All Other is a combination of Central Treasury Operations and Ford Smart Mobility LLC, two operating segments that did not meet the quantitative thresholds in this reporting period to qualify as reportable segments.

The Central Treasury Operations segment is primarily engaged in decision making for investments, risk management activities, and providing financing for the Automotive segment. Interest income (excluding interest earned on our extended service contract portfolio that is included in our Automotive segment), interest expense, gains and losses on cash equivalents and marketable securities, and foreign exchange derivatives associated with intercompany lending are included in the results of Central Treasury Operations. The underlying assets and liabilities, primarily cash and cash equivalents, marketable securities, debt, and derivatives, remain with the Automotive segment.

Ford Smart Mobility LLC is a subsidiary formed to design, build, grow, and invest in mobility services. Designed to compete like a start-up company, Ford Smart Mobility LLC designs and builds mobility services on its own, and collaborates with start-ups and tech companies.

In 2017, pre-tax results for All Other were a loss of $1.1 billion, a $203 million greater loss compared with a year ago. This increase is primarily explained by higher net interest expense and Ford Smart Mobility LLC's results.

SPECIAL ITEMS

Our pre-tax and tax special items were as follows:

Company Special Items

(Mils)	FY 2016	FY 2017
Pension and OPEB gain / (loss)		
Year end net pension and OPEB remeasurement loss	$ (2,985)	$ (162)
Other pension remeasurement loss	(11)	-
Pension curtailment gain	-	354
Separation-related actions	(304)	(297)
Other Items		
San Luis Potosi plant cancellation	(199)	41
Japan, Indonesia market closure	(80)	-
Next-generation Focus footprint change	-	(225)
Total pre-tax special items	$ (3,579)	$ (289)
Tax special items	$ 1,121	$ 775
Memo:		
Special items impact on earnings per share*	$ (0.61)	$ 0.12

* Includes related tax effect on special items and tax special items

TAXES

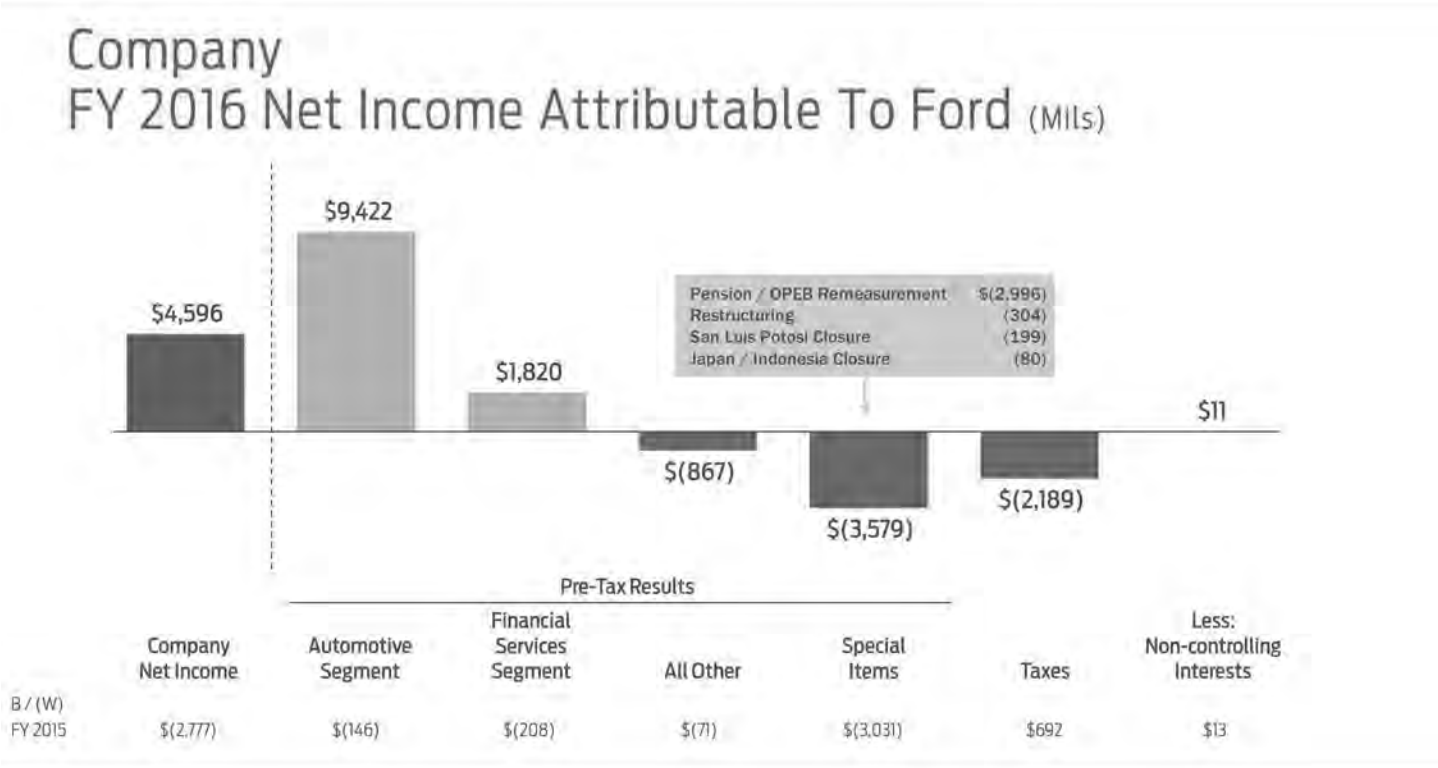
Our provision for income taxes for full year 2017 was $520 million, resulting in an effective tax rate of 6.4%, both lower than 2016, reflecting benefits for foreign tax credits expected to be realized in the foreseeable future, non-U.S. restructuring, and the impact of the Tax Cuts and Jobs Act of 2017.

Our full year 2017 adjusted effective tax rate, which excludes special items, was 15.3%, reflecting the same benefits from foreign tax credits mentioned above.

RESULTS OF OPERATIONS - 2016

TOTAL COMPANY

Net income attributable to Ford. The chart below shows our net income attributable to Ford for full year 2016:



Net income attributable to Ford for full year 2016 was $4.6 billion or $1.15 diluted earnings per share of Common and Class B Stock, a decrease of $2.8 billion or $0.69 per share compared with 2015. Full year 2016 pre-tax results of our Automotive segment, Financial Services segment, All Other, and Special Items, as well as Taxes are discussed in the following sections in "Results of Operations - 2016."

Revenue. Company revenue for full year 2016 was $151.8 billion, $2.2 billion higher than a year ago.

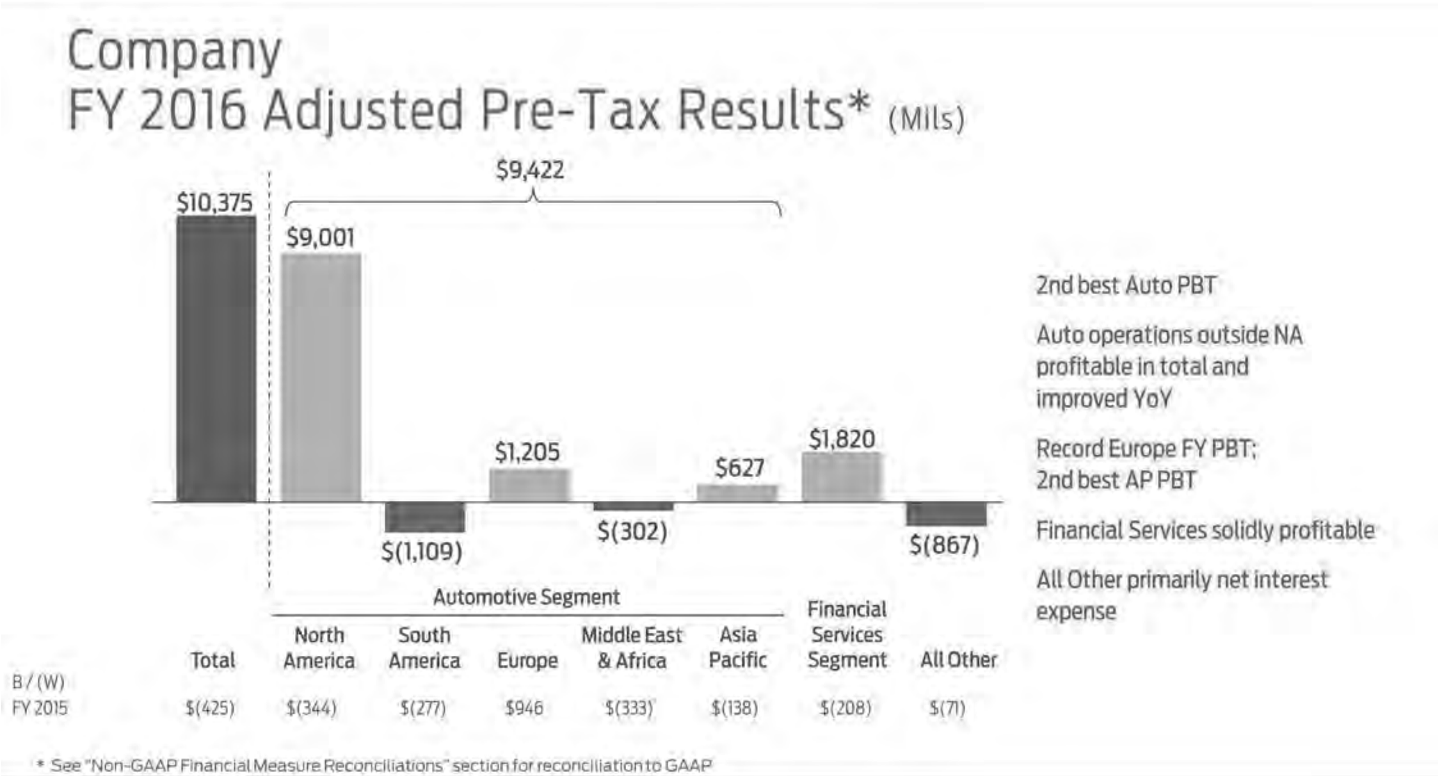
Cost of sales and *Selling, administrative, and other expenses* for the full year 2016 were $137.2 billion, an increase of about $1.9 billion compared with 2015. The detail for the change is shown below (in billions):

	Lower/(Higher)
Volume and mix, exchange, and other	$ (0.1)
Contribution costs	
Material excluding commodities	(0.3)
Commodities	0.9
Warranty and other	(0.4)
Structural costs	(1.5)
Special items	(0.5)
Total	$ (1.9)

Equity. At December 31, 2016, total equity attributable to Ford was $29.2 billion, an increase of $0.5 billion compared with December 31, 2015. The detail for this change is shown below (in billions):

	Increase/ (Decrease)
Net income	$ 4.6
Dividends	(3.4)
Other comprehensive income	(0.8)
Compensation-related equity issuances	0.2
Treasury stock share repurchases	(0.1)
Total	$ 0.5

The chart below shows our full year 2016 total Company adjusted pre-tax results and pre-tax results of our Automotive segment by regional business unit, our Financial Services segment, and All Other, which is mainly net interest expense.



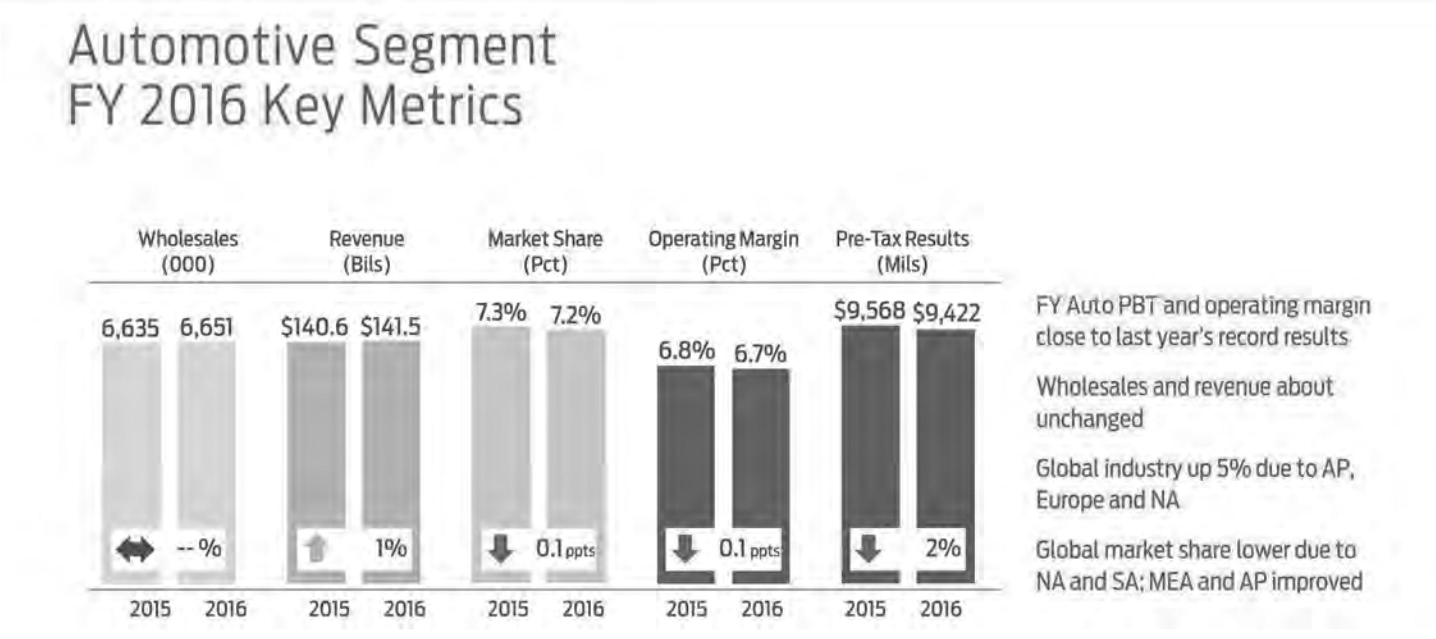
Our total Company adjusted pre-tax profit for full year 2016 was $10.4 billion, or $1.76 of adjusted earnings per share of Common and Class B Stock, a decrease of $425 million or $0.17 per share compared with 2015. Our total Company adjusted pre-tax profit consisted of our second-best Automotive segment profit of $9.4 billion, a solid profit of $1.8 billion in the Financial Services segment, and a loss of $867 million in All Other.

Automotive results were driven by North America, a record profit in Europe, and the second-best profit in Asia Pacific.

In total, our Automotive operations outside North America delivered a full year profit of $421 million, $198 million higher than in 2015.

AUTOMOTIVE SEGMENT

The charts on the following pages detail full year 2016 key metrics and the change in full year 2016 pre-tax results compared with full year 2015 by causal factor for our Automotive segment and its business units — North America, South America, Europe, Middle East & Africa, and Asia Pacific.

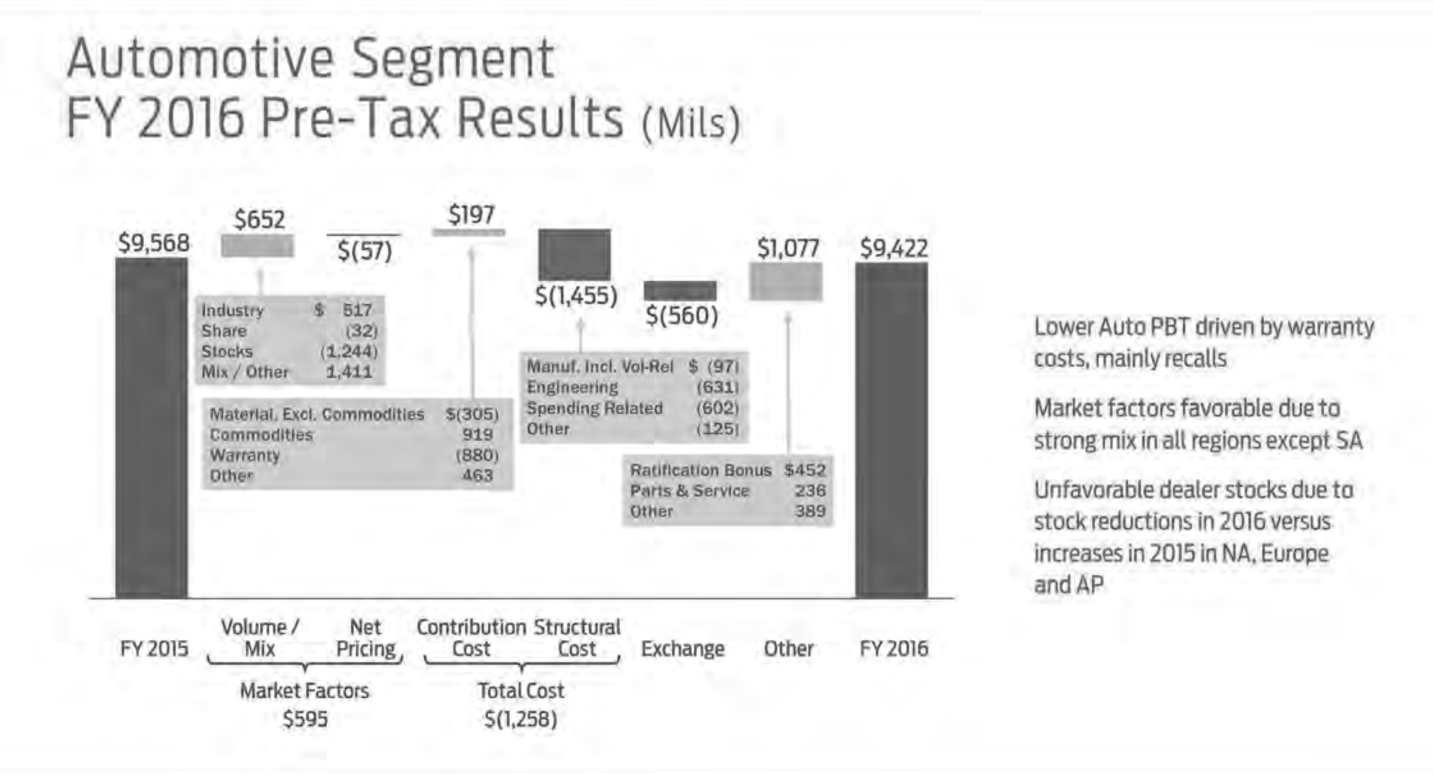


Shown above are the key financial metrics for our Automotive segment for full year 2016. Wholesales and revenue were about the same as 2015 with all other metrics down, consistent with our expectations for the year.

Global industry volume, estimated at 91.4 million units, was up 3.2 million units or 4%. The increase was driven by industry gains in Asia Pacific, Europe, and North America.

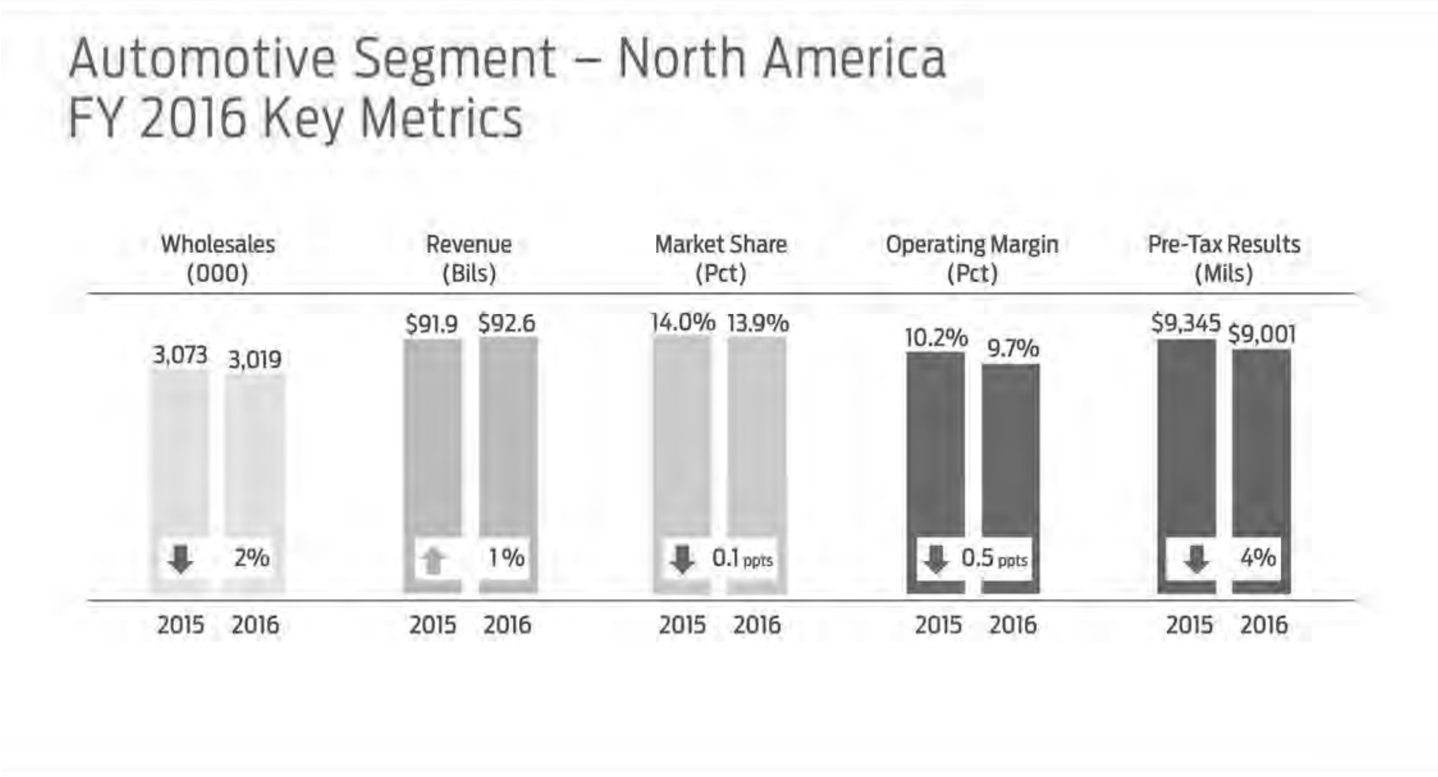
Global market share was down one-tenth of a percentage point driven by lower market share in North America and South America. Market share was flat in Europe and higher in Middle East & Africa and Asia Pacific.

Our Automotive operating margin was 6.7% and pre-tax profit was $9.4 billion. Both metrics were the second-best for a full year and only slightly lower than our record performance in 2015.



Shown above are the factors that contributed to the $146 million decline in full year 2016 Automotive segment pre-tax profit. The lower profit was more than explained by higher warranty costs, including about $600 million for the door latch recall we announced in the third quarter of 2016.

Market factors were favorable, driven by strong mix in all regions except South America. This more than offset unfavorable dealer stock changes which reflected stock reductions this year compared to increases in 2015 in North America, Europe, and Asia Pacific.

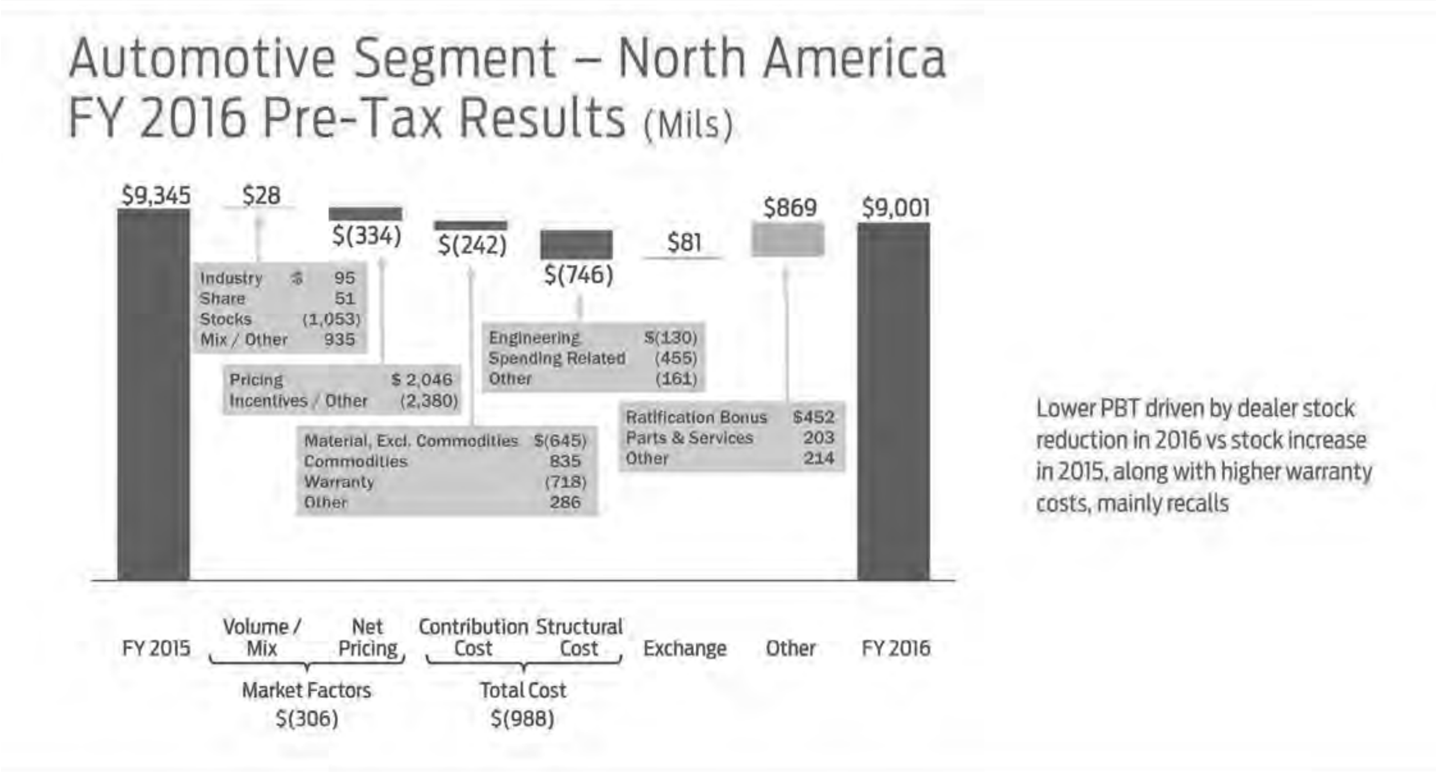


North America generated a full year 2016 pre-tax profit of $9 billion with an operating margin of 9.7%.

North America industry, at 21.8 million units, was up 300,000 units, reflecting increases in Mexico, the United States, and Canada. U.S. industry, at 17.9 million units, was up 100,000 units.

Our North America market share was down one-tenth of a percentage point, with U.S. share down by one-tenth of a point to 14.6%. The decrease was driven by lower retail sales, mainly cars. F-Series retail share was a partial offset, improving two-tenths from 2015.

Included in North America's profit is about $600 million for the door latch recall we announced in the third quarter of 2016, which negatively impacted North America's operating margin by six-tenths of a percentage point.



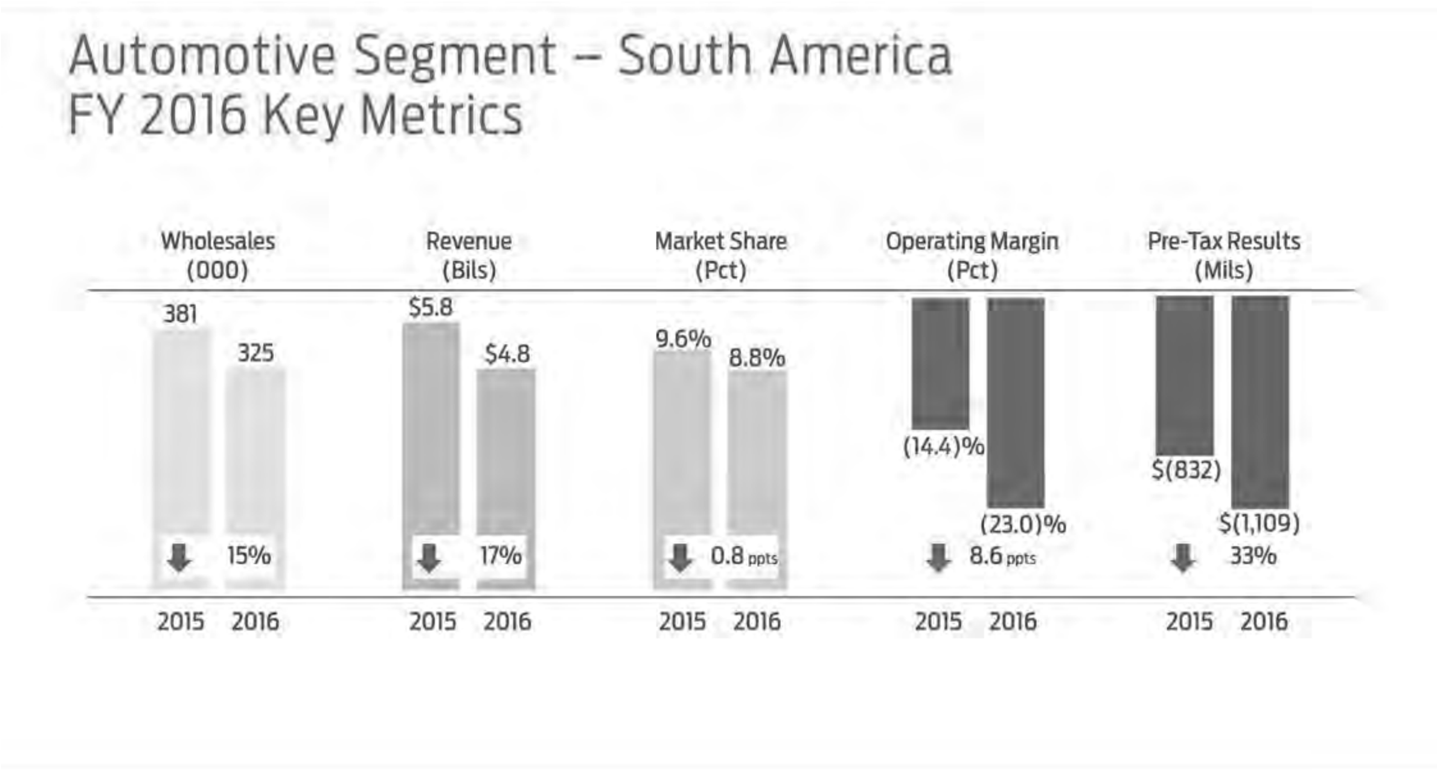
North America's full year pre-tax 2016 profit was $344 million lower than 2015 driven by unfavorable stock changes and higher recall costs.

The unfavorable stock changes reflect decreases in dealer stock this year compared to increases in 2015 when we were building F-150 stock after the Kansas City plant launch. It also reflects actions to align production to demand for several vehicles.

The higher product costs reflect primarily the impact of our first major refresh of the Super Duty.

The non-repeat of 2015's one-time ratification bonus related to the UAW agreement was a partial offset.

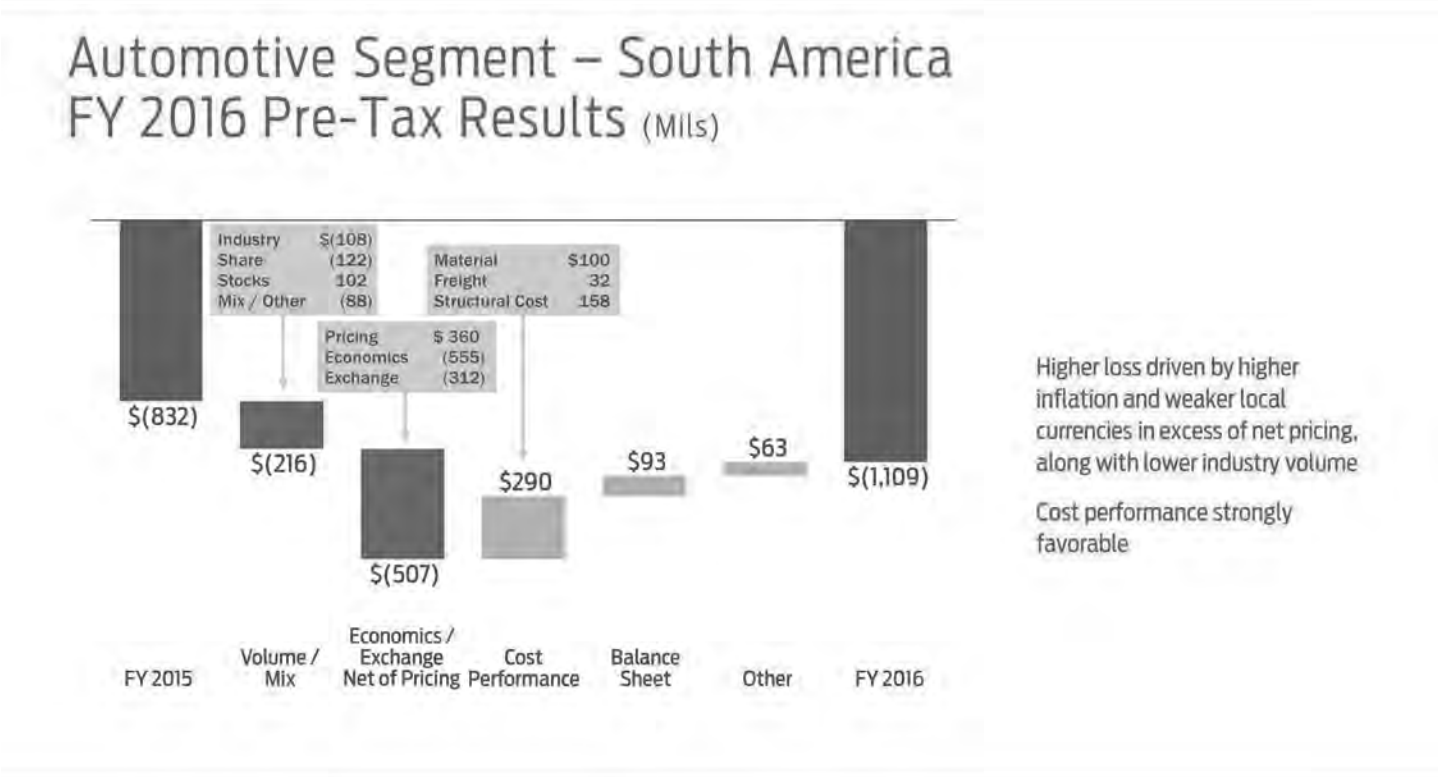
Within the United States, average retail transaction prices were $1,300 per vehicle higher compared to 2015, more than double the industry average increase. (Average retail transaction prices are based on J.D. Power and Associates PIN data). Our incentives were up as a percent of revenue, but less than the industry average.



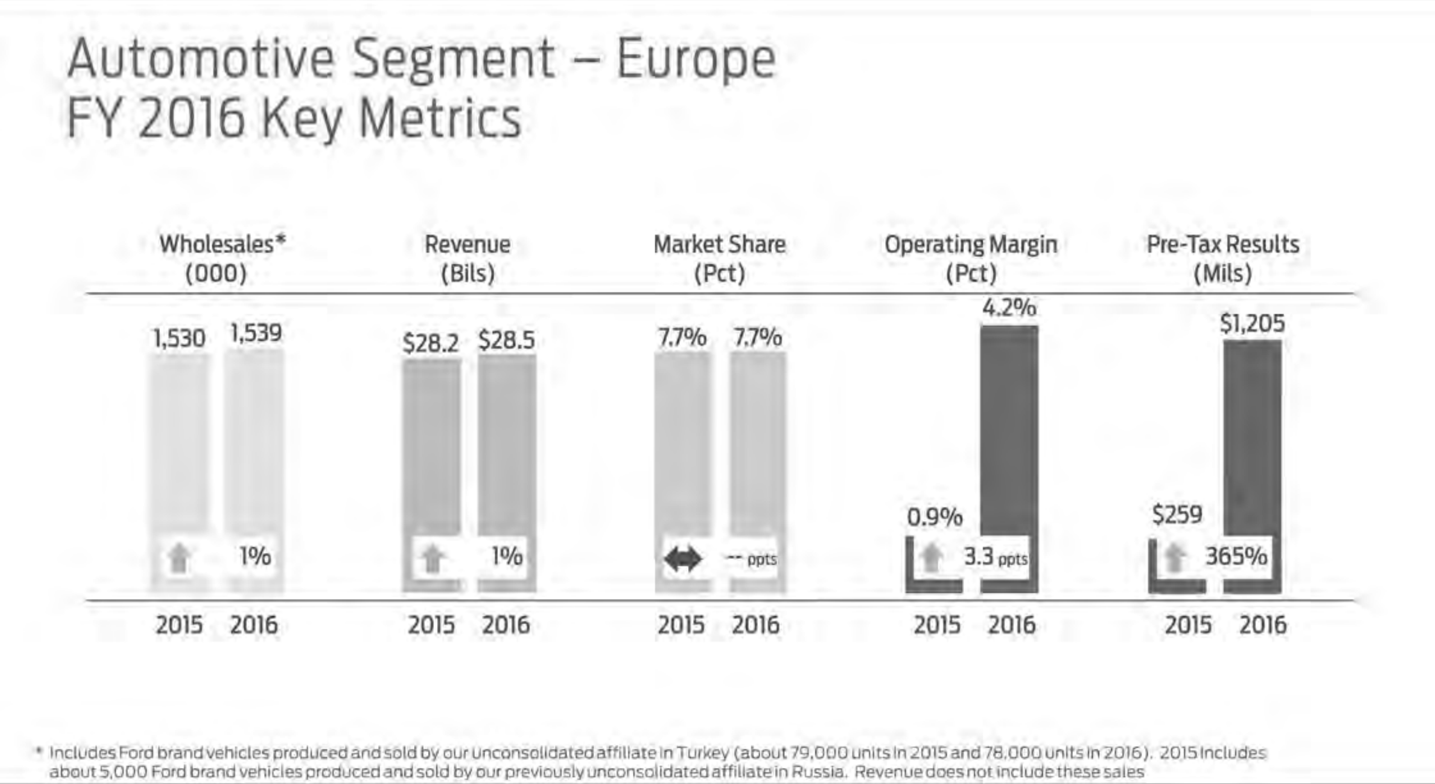
All full year 2016 key metrics were lower than 2015, reflecting the difficult external environment.

Industry volume for the region, at 3.7 million units, was 500,000 units lower than 2015 due to Brazil.

Our market share for the region, at 8.8%, was down eight-tenths of a percentage point, reflecting our continued focus on optimizing more profitable share amid higher industry discounting.



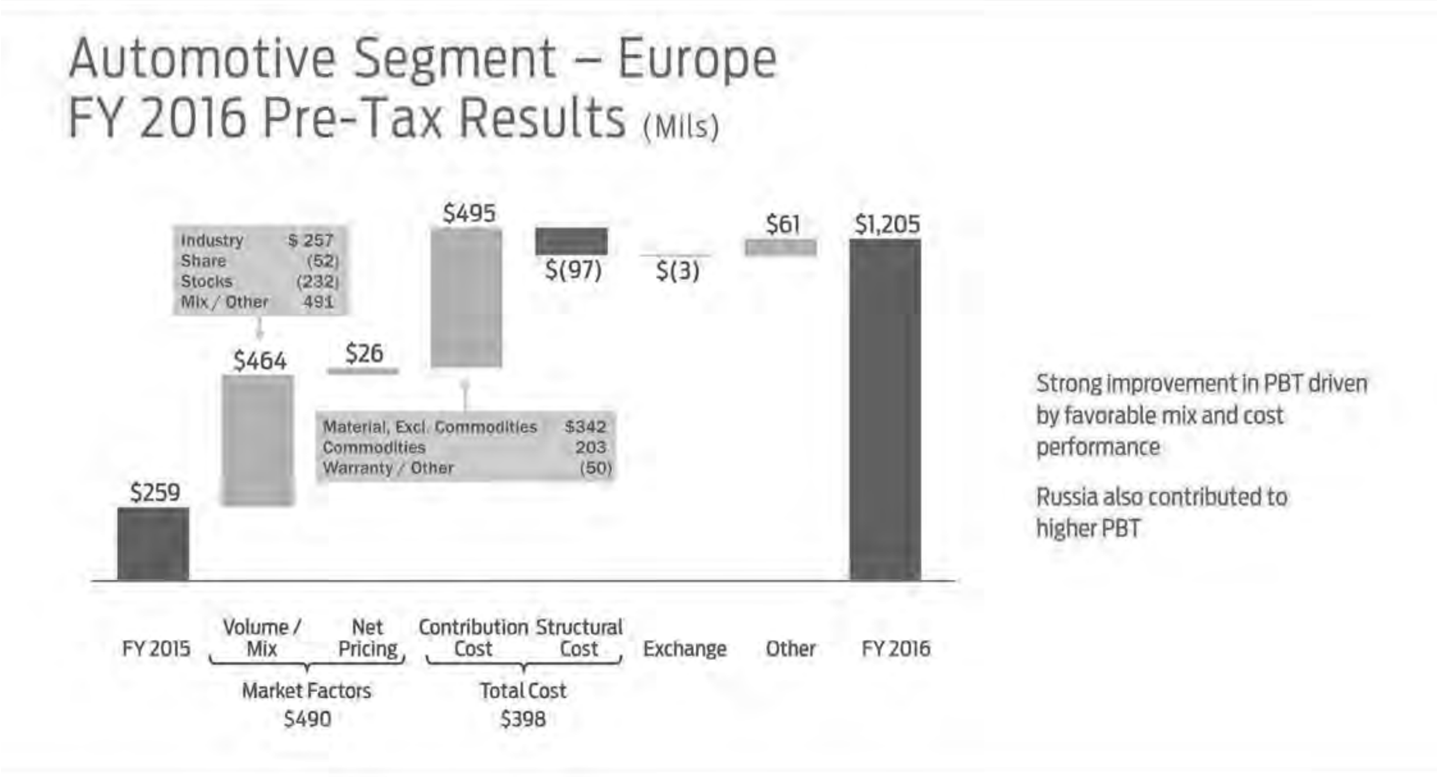
South America's full year 2016 loss was $277 million greater than in 2015. This was more than explained by the unfavorable effects of high local inflation and weaker local currencies exceeding higher net pricing and favorable cost performance.



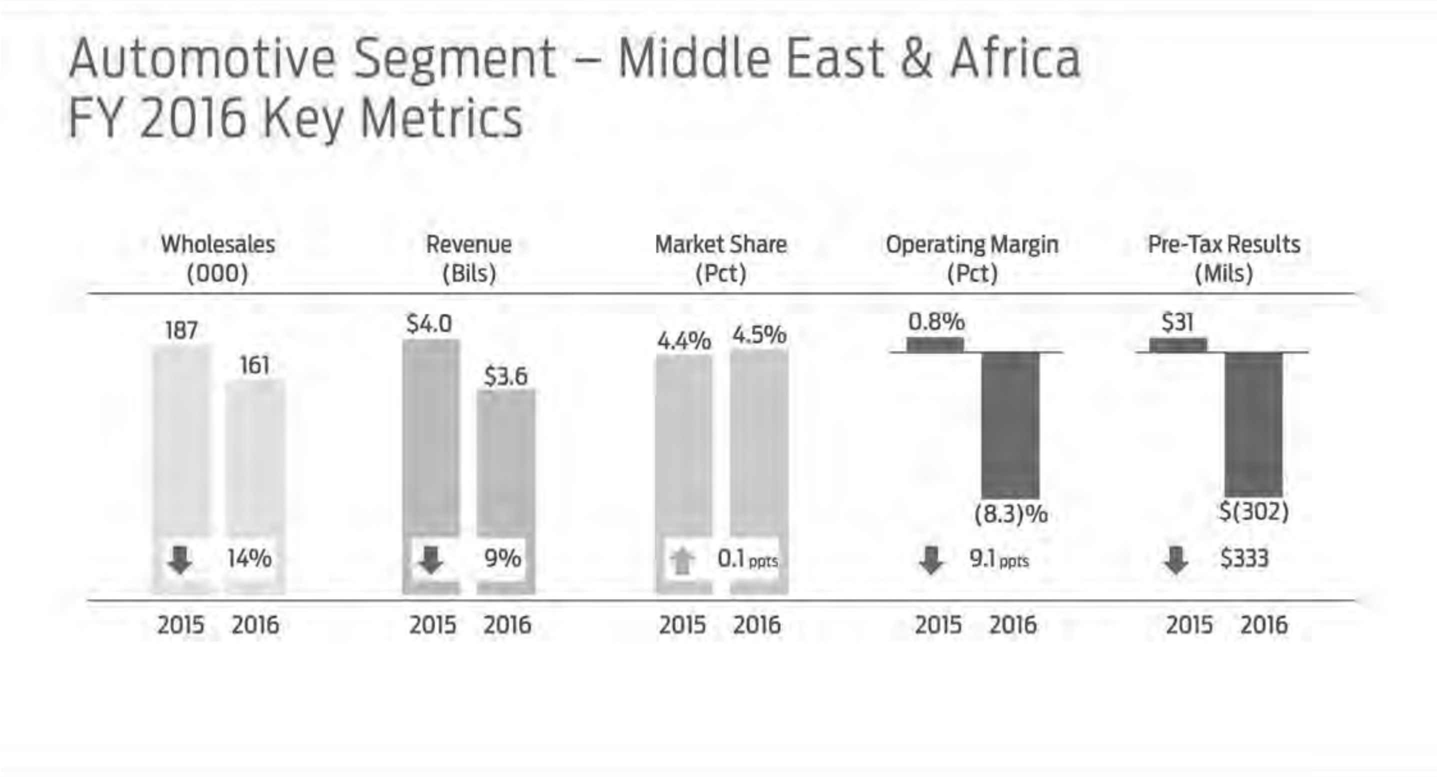
Europe delivered a record full year profit of $1.2 billion and a record operating margin of 4.2% in 2016, both up sharply from 2015.

Europe industry volume, at 20.1 million units, was 5% higher than 2015.

Europe's market share, at 7.7%, was unchanged from 2015.

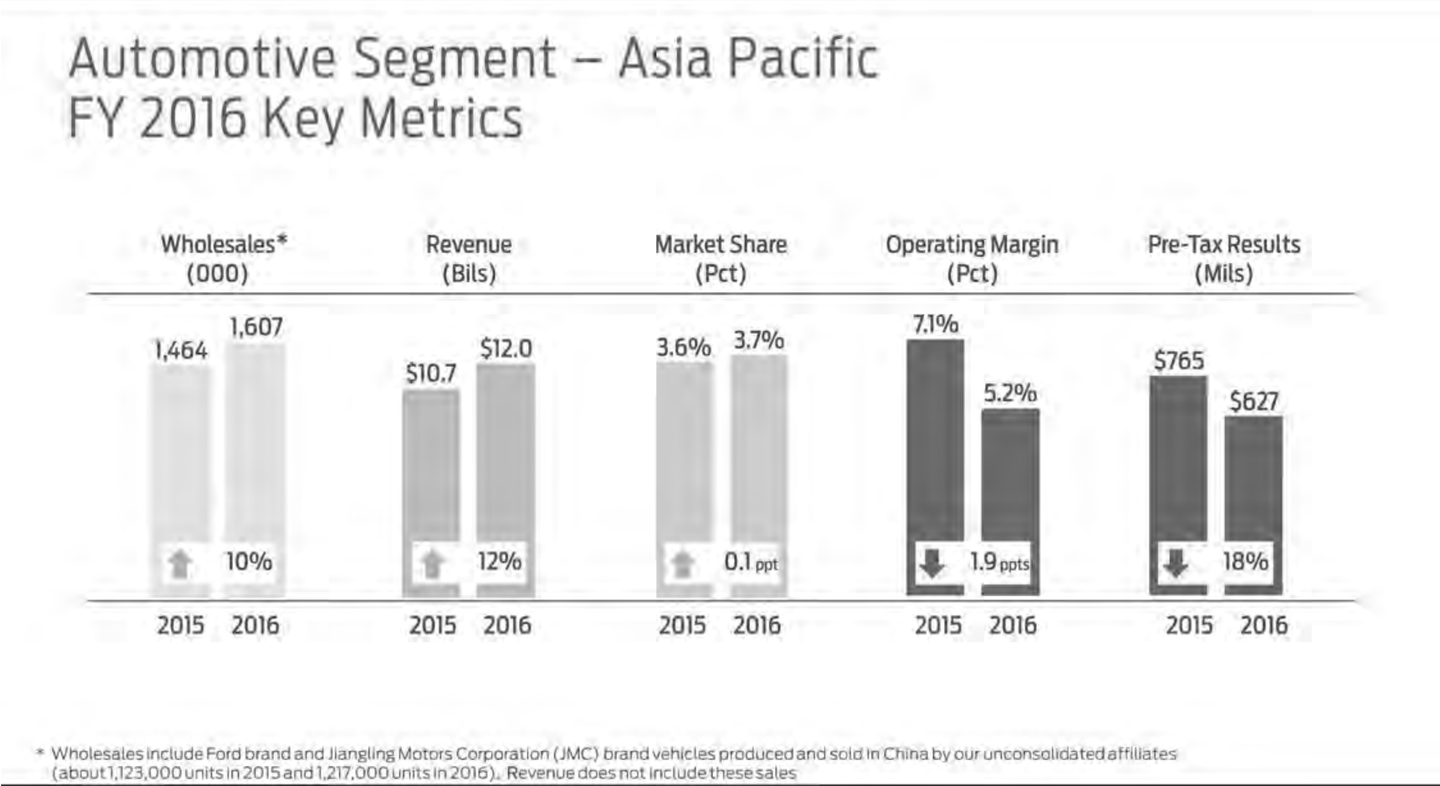


Europe's full year 2016 pre-tax profit improved $946 million from 2015. This was driven by favorable mix, reflecting increasing demand for our higher trim series across all major vehicle lines, and improved cost performance, reflecting our continued focus on material cost reductions. Improved results in Russia also contributed to Europe's favorable year-over-year profit improvement.



Middle East & Africa's operating margin and pre-tax results in 2016 were down sharply from 2015, reflecting difficult external conditions resulting in lower volume and unfavorable exchange, primarily the South African rand.

Industry volume for the region, at 3.6 million units, was down 700,000 units from 2015. Lower industry volume was the primary driver in the 14% reduction in our wholesale volume. Our market share for the region was 4.5%, up one-tenth of a percentage point.



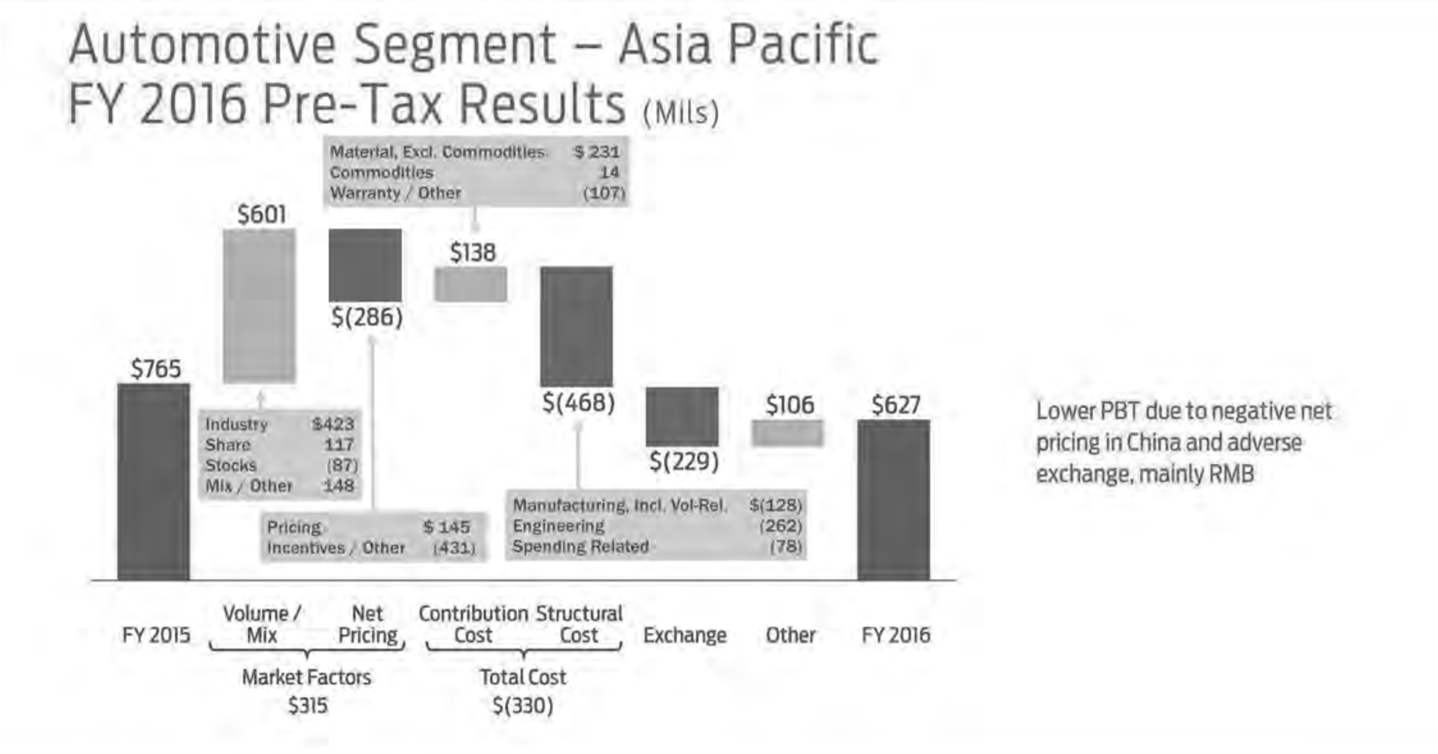
In 2016, Asia Pacific generated its second-best full year pre-tax profit.

Wholesale volume increased by 10% while revenue from consolidated operations was up 12%.

Asia Pacific industry was 42.1 million units, up 3.0 million units from 2015, primarily explained by a 2.9 million unit increase in China industry volume, estimated at 26.4 million units. The increase was driven by the government purchase tax incentive for vehicles with engine displacements of 1.6 liters or lower.

Our Asia Pacific market share was 3.8%, up two-tenths of a percentage point. The improvement in share was driven by new product introductions, including Taurus, Edge, Lincoln MKX, and Lincoln MKZ.

Our China joint ventures contributed $1.4 billion to Asia Pacific's pre-tax profit, reflecting our equity share of the unconsolidated JVs' after-tax earnings; this was $75 million lower than in 2015. Our China joint ventures' net income margin was 14.6%, a reduction of 1 percentage point from 2015. The decline in margin reflects negative industry pricing in China and a higher mix of vehicles with engine displacement of 1.6 liters or lower.



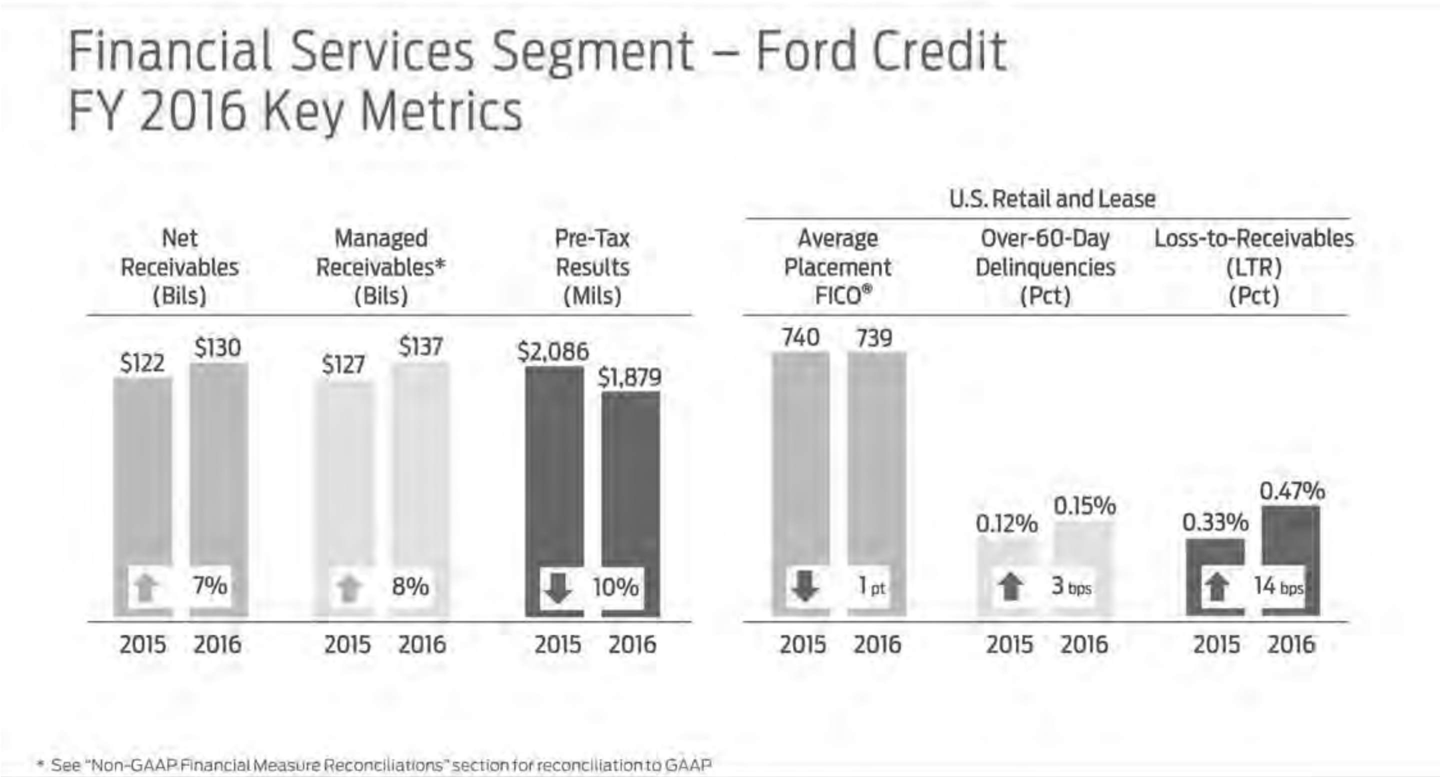
Asia Pacific's full year 2016 profit was $627 million, down $138 million from 2015, reflecting lower net pricing, adverse exchange effects (mainly a weaker Chinese renminbi), and unfavorable cost performance.

Lower net pricing in 2016 compared to 2015 reflected continued negative pricing trends in China.

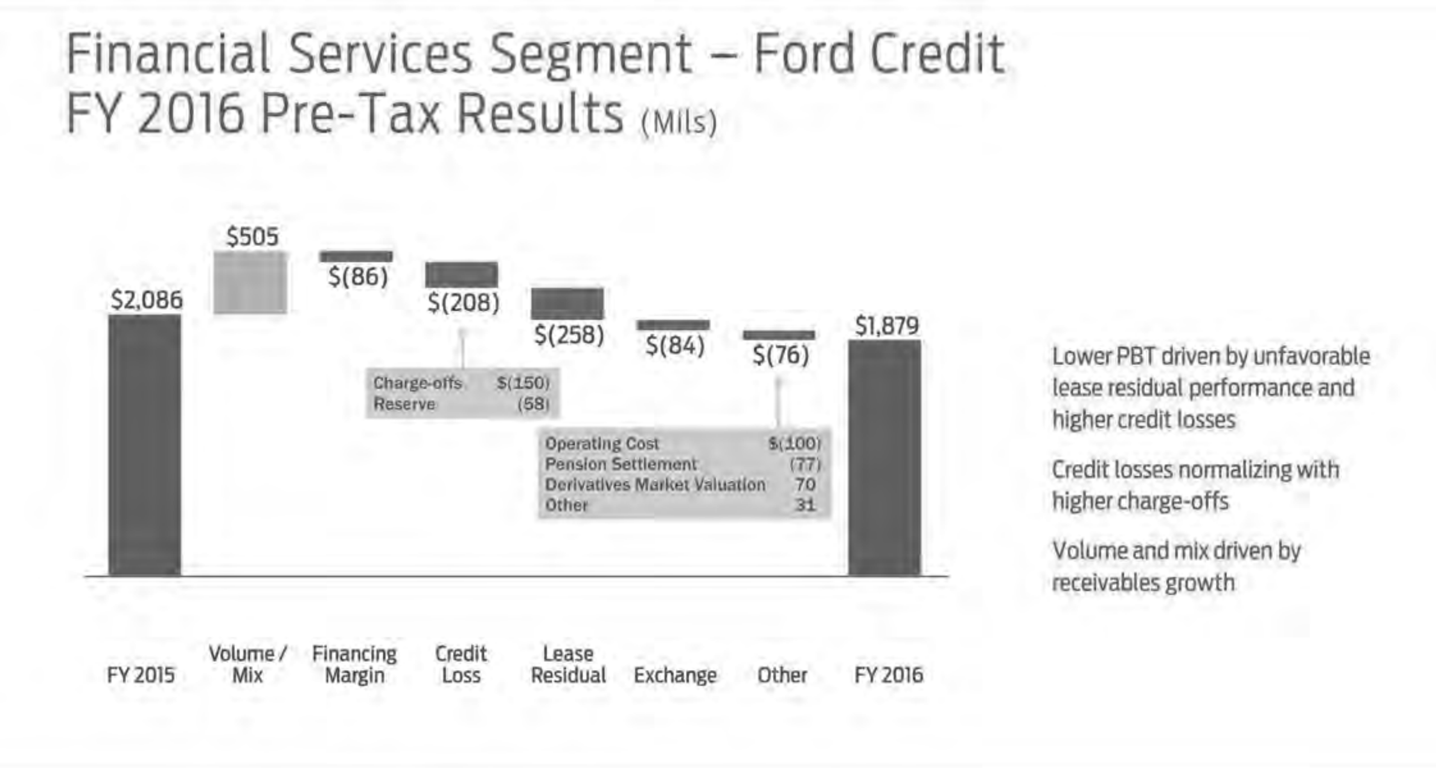
Unfavorable cost performance was driven by cost increases to support higher volumes and continued investment for future product and regulatory actions. The investments in structural cost were offset partially by our continued focus on material cost efficiencies.

Volume and mix were up reflecting higher industry volume in China and improved mix from new product launches.

FINANCIAL SERVICES SEGMENT



Ford Credit's receivables in 2016 were higher than 2015, in line with expectations, and while full year pre-tax profit was lower, it remained solid at $1.9 billion. Portfolio performance remained robust, despite higher LTRs. Origination, servicing, and collection practices remained disciplined and consistent.



Ford Credit's lower full year 2016 pre-tax profit is primarily explained by unfavorable lease residual performance and credit losses. Favorable volume and mix, driven by growth in consumer and non-consumer finance receivables globally and operating leases in North America, was a partial offset. Lease residual performance primarily reflects higher depreciation in North America as we expect lower auction values in the future. Credit loss performance primarily reflects higher charge-offs in North America.

ALL OTHER

Our full year 2016 All Other pre-tax results were a loss of $867 million, a $71 million higher loss compared with 2015. This increase is more than explained by higher net interest expense, offset partially by lower net losses on cash equivalents and marketable securities.

SPECIAL ITEMS

Our pre-tax and tax special items were as follows:

Company Special Items

(Mils)	FY 2015	FY 2016
Pension and OPEB remeasurement gain / (loss)		
Year end net pension and OPEB remeasurement loss	$ (698)	$ (2,985)
Other pension remeasurement loss	-	(11)
Separation-related actions	-	(304)
Other Items		
Nemak IPO	150	-
San Luis Potosi plant cancellation	-	(199)
Japan, Indonesia market closure	-	(80)
Total pre-tax special items	$ (548)	$ (3,579)
Tax special items*	$ 205	$ 1,121
Memo:		
Special items impact on earnings per share	$ (0.09)	$ (0.61)

* Includes related tax effect on special items and tax special items

TAXES

Our provision for income taxes for full year 2016 was $2.2 billion, resulting in an effective tax rate of 32.2%.

Our full year 2016 adjusted effective tax rate, which excludes special items, was 31.9%.

LIQUIDITY AND CAPITAL RESOURCES

Balance Sheet Summary

(Bils)	2016 Dec 31	2017 Dec 31
Automotive Segment		
Cash, cash equivalents and marketable securities	$ 27.5	$ 26.5
Available credit lines*	10.8	10.9
Total liquidity	$ 38.3	$ 37.4
Debt	$ 15.9	$ 15.9
Cash net of debt	11.6	10.6
Ford Credit		
Managed receivables**	$ 137	$ 151
Debt	126	138
Liquidity	27	30
Managed leverage** (to 1)	9.2	8.0
Total Company Period End Balance Sheet Underfunded Status		
U.S. pension	$ 3.8	$ 2.2
Non-U.S. pension	5.1	4.4
Total global pension	$ 8.9	$ 6.6
Total unfunded OPEB	$ 5.9	$ 6.2

Auto cash and liquidity balances strong

Ford Credit well capitalized with strong liquidity. Managed leverage at low end of target range due to U.S. tax reform effects

* Total available committed Automotive credit lines (including local lines available to foreign affiliates)
** See "Non-GAAP Financial Measure Reconciliations" for Managed Receivables GAAP reconciliation and "Liquidity Capital Resources" for Managed Leverage GAAP reconciliation

Automotive Segment

Liquidity. One of our key priorities is to maintain a strong balance sheet, while at the same time having resources available to invest in and grow our business. Based on our planning assumptions, we believe we have sufficient liquidity and capital resources to continue to invest in new products and services that customers want and value, transform and grow our business, pay our debts and obligations as and when they come due, pay a sustainable regular dividend at the current level, and provide protection within an uncertain global economic environment.

Our key balance sheet metrics include total cash, cash equivalents, and marketable securities (collectively “Automotive cash”), Automotive liquidity, which includes Automotive cash and total available committed credit lines, and cash net of debt.

At December 31, 2017, we had $26.5 billion of Automotive cash, of which about 90% was held by consolidated entities domiciled in the United States. We target to have an average ongoing Automotive cash balance of about $20 billion. We expect to have periods when we will be above or below this amount due to (i) future cash flow expectations, such as for investments in future opportunities, capital investments, debt maturities, pension contributions, or restructuring requirements, (ii) short-term timing differences, and (iii) changes in the global economic environment.

Our Automotive cash investments primarily include U.S. Department of Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions, corporate investment-grade securities, commercial paper rated A-1/P-1 or higher, and debt obligations of a select group of non-U.S. governments, non-U.S. governmental agencies, and supranational institutions. The average maturity of these investments is approximately one year, and is adjusted based on market conditions and liquidity needs. We monitor our Automotive cash levels and average maturity on a daily basis.

In addition to our target Automotive cash balance, we also target to maintain a corporate credit facility, discussed below, for our Automotive business of about $10 billion to protect against exogenous shocks. We assess the appropriate long-term target for total Automotive liquidity, which includes Automotive cash and the corporate credit facility, to be about $30 billion, which is an amount we believe is sufficient to support our business priorities and to protect our business. At December 31, 2017, we had $37.4 billion of Automotive liquidity. Our Automotive cash and Automotive liquidity targets could be reduced over time based on improved operating performance and changes in our risk profile.

Changes in Automotive Cash. Changes in Automotive cash are summarized below:

Automotive Segment Cash Flow

	FY		
(Bils)	2015	2016	2017
Cash at end of period	$ 23.6	$ 27.5	$ 26.5
Cash at beginning of period	21.7	23.6	27.5
Change in cash	$ 1.9	$ 3.9	$ (1.0)
Automotive segment pre-tax profits	$ 9.6	$ 9.4	$ 7.3
Capital spending	(7.1)	(6.9)	(7.0)
Depreciation and tooling amortization	4.3	4.7	5.0
Changes in working capital	0.6	0.5	-
All other and timing differences	(0.1)	(1.3)	(1.4)
Automotive operating cash flow	$ 7.3	$ 6.4	$ 3.9
Separation payments	(0.6)	(0.3)	(0.3)
Transactions with other segments	0.2	(0.1)	0.2
Other, including acquisitions and divestitures	(0.6)	0.1	(0.3)
Cash flow before other actions	$ 6.3	$ 6.1	$ 3.5
Changes in debt	(0.8)	2.5	(0.4)
Funded pension contributions	(1.1)	(1.2)	(1.4)
Shareholder distributions	(2.5)	(3.5)	(2.7)
Change in cash	$ 1.9	$ 3.9	$ (1.0)

In managing our Automotive business, we classify changes in Automotive cash into operating and other items. Operating items include: Automotive segment pre-tax profits, capital spending, depreciation and tooling amortization, changes in working capital, and all other and timing differences. Non-operating items include: separation payments, transactions with other segments, acquisitions and divestitures, changes in Automotive debt, contributions to funded pension plans, and shareholder distributions.

Automotive operating cash flow was $3.9 billion in 2017, more than explained by Automotive segment pre-tax profits. Automotive total cash outflow of $1 billion in 2017 includes $1.4 billion of funded pension contributions and $2.7 billion of shareholder distributions.

Capital spending was $7 billion in 2017 and is projected to be about $7.5 billion in 2018. Based on expected cash flows and the identification of additional opportunities for profitable growth, the ongoing amount of capital spending to support product development, growth, restructuring, and infrastructure is expected to be about $8 billion annually through 2021.

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

Available Credit Lines. Total committed Automotive credit lines at December 31, 2017 were $12.1 billion, consisting of $10.4 billion of our corporate credit facility and $1.7 billion of local credit facilities available to non-U.S. Automotive affiliates. At December 31, 2017, the utilized portion of the corporate credit facility was about $35 million, representing amounts utilized for letters of credit. At December 31, 2017, the utilized portion of the local credit facilities was about $1.1 billion.

Lenders under our corporate credit facility have commitments to us totaling $13.4 billion, with 75% of the commitments maturing on April 30, 2022 and 25% of the commitments maturing on April 30, 2020. We have allocated $3 billion of commitments to Ford Credit on an irrevocable and exclusive basis to support its liquidity. Any borrowings by Ford Credit under the corporate credit facility would be guaranteed by us.

The corporate credit facility is unsecured and free of material adverse change conditions to borrowing, restrictive financial covenants (for example, interest or fixed charge coverage ratio, debt-to-equity ratio, and minimum net worth requirements), and credit rating triggers that could limit our ability to obtain funding. The corporate credit facility contains a liquidity covenant that requires us to maintain a minimum of $4 billion in aggregate of domestic cash, cash equivalents, and loaned and marketable securities and/or availability under the facility. If our senior, unsecured, long-term debt does not maintain at least two investment grade ratings from Fitch, Moody's, and S&P (each as defined under "Credit Ratings" below), the guarantees of certain subsidiaries will be required.

Debt. Total Automotive debt at December 31, 2017 was $15.9 billion, unchanged from December 31, 2016.

U.S. Department of Energy ("DOE") Advanced Technology Vehicle Manufacturer ("ATVM") Incentive Program. See Note 18 of the Notes to the Financial Statements for information regarding the ATVM loan.

Leverage. We manage Automotive debt levels with a leverage framework to maintain strong, investment grade credit ratings through a normal business cycle. The leverage framework includes a ratio of Automotive debt, underfunded pension liabilities, operating leases, and other adjustments, divided by Automotive income before income tax, adjusted for depreciation, amortization, interest expense on Automotive debt, and other adjustments. Ford Credit's leverage is described in the Liquidity - Financial Services section of Item 7. Ford Credit is self-funding and its debt, which is used to fund its operations, is separate from our Automotive debt.

Financial Services Segment

Ford Credit

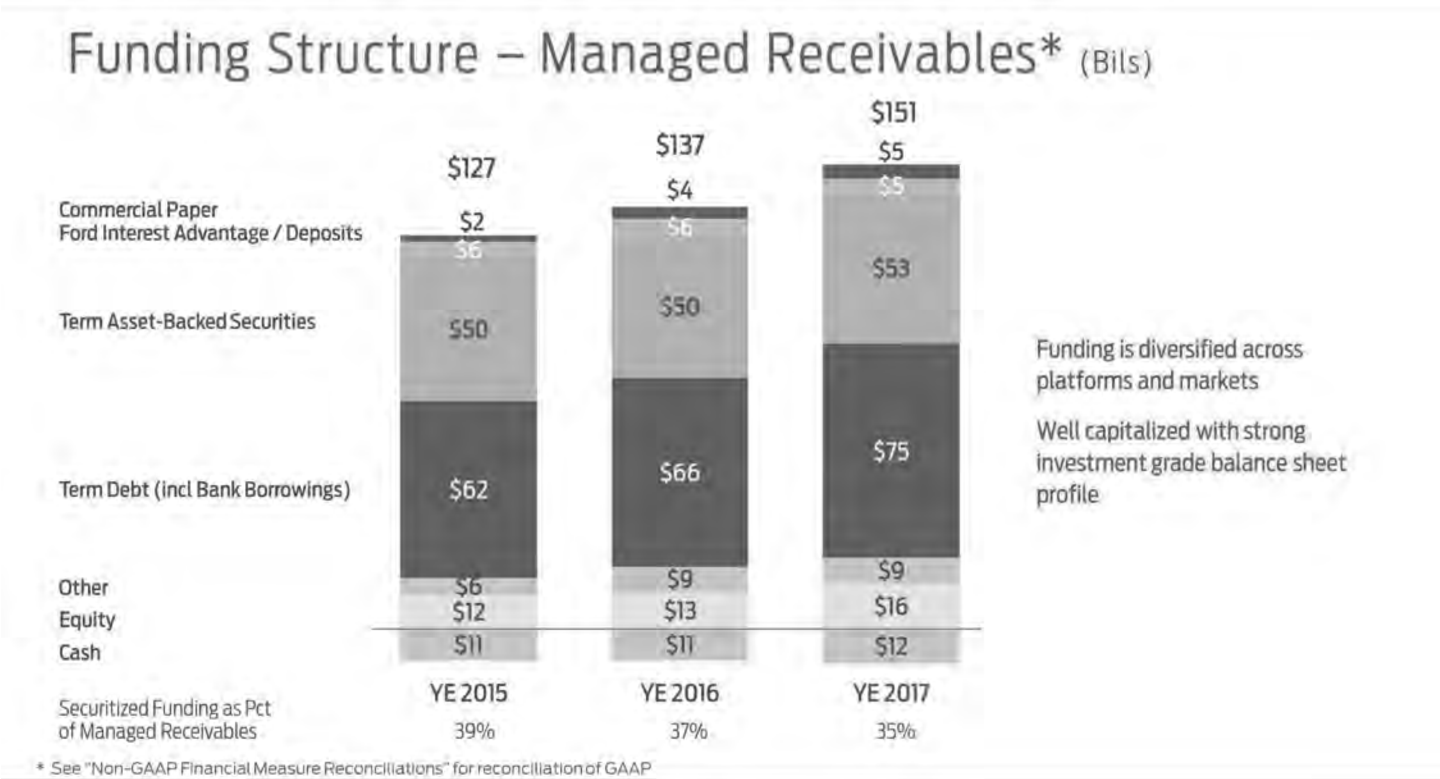
Funding Overview. Ford Credit's primary funding and liquidity objective is to be well capitalized with a strong, investment grade balance sheet and ample liquidity to support its financing activities and growth under a variety of market conditions, including short-term and long-term market disruptions. Ford Credit's funding strategy remains focused on diversification, and it plans to continue accessing a variety of markets, channels, and investors.

Ford Credit's liquidity profile continues to be diverse, robust, and focused on maintaining liquidity levels that meet its business and funding requirements. Ford Credit annually stress tests its balance sheet and liquidity to ensure that it continues to meet its financial obligations through economic cycles.

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

Ford Credit obtains short-term unsecured funding from the sale of floating rate demand notes under its Ford Interest Advantage program and by issuing unsecured commercial paper in the United States and other international markets. At December 31, 2017, the principal amount outstanding of Ford Interest Advantage notes, which may be redeemed at any time at the option of the holders thereof without restriction, was $5.5 billion. At December 31, 2017, the principal amount outstanding of Ford Credit's unsecured commercial paper was $4.9 billion, which primarily represents issuance under its commercial paper program in the United States. Ford Credit maintains multiple sources of readily available liquidity to fund the payment of its unsecured short-term debt obligations.

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



Managed receivables of $151 billion as of December 31, 2017 were funded primarily with term debt and term asset-backed securities. Securitized funding as a percent of managed receivables was 35%.

Ford Credit expects the mix of securitized funding to remain around 35%. The calendarization of the funding plan will result in quarterly fluctuations of the securitized funding percentage.

Public Term Funding Plan. The chart below shows Ford Credit's issuances for full-year 2015, 2016, and 2017, and its planned issuances for full-year 2018, excluding short-term funding programs:

Public Term Funding Plan* (Bils)

	2015 Actual	2016 Actual	2017 Actual	2018 Forecast
Unsecured – Currency of issuance (USD Equivalent)				
USD	$ 11	$ 9	$ 10	$ 10 - 12
CAD	1	1	2	1 - 2
EUR / GBP	4	3	3	2 - 3
Other	1	1	1	1
Total unsecured	$ 17	$ 14	$ 16	$ 14 - 18
Securitizations	$ 13	$ 13	$ 15	$ 13 - 15
Total public	$ 30	$ 28	$ 32	$ 27 - 33

* See "Financial Services Segment" section for definitions
Note: Results may not sum due to rounding

In 2017, Ford Credit completed $32 billion of public term funding. For 2018, Ford Credit projects full-year public term funding in the range of $27 billion to $33 billion. Ford Credit's total unsecured public term funding plan is categorized by currency of issuance. Ford Credit plans to issue its euro-denominated debt from the United States. Through February 7, 2018, Ford Credit has completed $4.3 billion of public term issuances.

Liquidity. The chart below shows Ford Credit's liquidity sources and utilization:

Liquidity Sources* (Bils)

	2015 Dec 31	2016 Dec 31	2017 Dec 31
Liquidity Sources			
Cash	$ 11.2	$ 10.8	$ 11.8
Committed ABS facilities	33.2	34.6	33.4
Other unsecured credit facilities	2.3	2.5	3.3
Ford corporate credit facility allocation	3.0	3.0	3.0
Total liquidity sources	$ 49.7	$ 50.9	$ 51.5
Utilization of Liquidity			
Securitization cash	$ (4.3)	$ (3.4)	$ (3.8)
Committed ABS facilities	(20.6)	(19.9)	(17.2)
Other unsecured credit facilities	(0.8)	(0.7)	(1.1)
Ford corporate credit facility allocation	–	–	–
Total utilization of liquidity	$ (25.7)	$ (24.0)	$ (22.1)
Gross liquidity	$ 24.0	$ 26.9	$ 29.4
Adjustments	(0.5)	0.1	0.1
Net liquidity available for use	$ 23.5	$ 27.0	$ 29.5

* See "Financial Services Segment" section for definitions

Ford Credit's liquidity available for use will fluctuate quarterly based on factors including near-term debt maturities, receivable growth, and timing of funding transactions. Ford Credit targets liquidity of at least $25 billion. At December 31, 2017, Ford Credit's liquidity available for use was $29.5 billion, $2.5 billion higher than year-end 2016.

Ford Credit's sources of liquidity include cash, committed asset-backed facilities, unsecured credit facilities, and the corporate credit facility allocation.

Ford Credit's balance sheet is inherently liquid because of the short-term nature of its finance receivables, investment in operating leases, and cash. Ford Credit ensures its cumulative debt maturities have a longer tenor than its cumulative asset maturities. This positive maturity profile is intended to provide Ford Credit with additional liquidity after all of its assets have been funded.

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

The chart below shows the calculation of Ford Credit's financial statement leverage and managed leverage:

Leverage (Bils)

	2015 Dec 31	2016 Dec 31	2017 Dec 31
Leverage Calculation			
Total debt*	$ 119.6	$ 126.5	$ 137.8
Adjustments for cash**	(11.2)	(10.8)	(11.8)
Adjustments for derivative accounting***	(0.5)	(0.3)	-
Total adjusted debt	$ 107.9	$ 115.4	$ 126.0
Equity****	$ 11.7	$ 12.8	$ 15.9
Adjustments for derivative accounting***	(0.3)	(0.3)	(0.1)
Total adjusted equity	$ 11.4	$ 12.5	$ 15.8
Financial statement leverage (to 1) (GAAP)	10.2	9.9	8.7
Managed leverage (to 1) (Non-GAAP)	9.5	9.2	8.0

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

** Cash and cash equivalents, and Marketable securities reported on Ford Credit's balance sheet, excluding amounts related to insurance activities

*** Related primarily to market valuation adjustments to derivatives due to movements in interest rates. Adjustments to debt are related to designated fair value hedges and adjustments to equity are related to retained earnings

**** Total shareholder's interest reported on Ford Credit's balance sheet

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

Ford Credit plans its managed leverage by considering prevailing market conditions and the risk characteristics of its business. At December 31, 2017, Ford Credit's financial statement leverage was 8.7:1, and managed leverage was 8.0:1. Ford Credit targets managed leverage in the range of 8:1 to 9:1.

Total Company

Pension Plan Contributions and Strategy. Our strategy is to reduce the risk of our funded defined benefit pension plans, including minimizing the volatility of the value of our pension assets relative to pension liabilities and the need for unplanned use of capital resources to fund the plans. The strategy reduces balance sheet, cash flow, and income exposures and, in turn, reduces our risk profile. We have made significant progress in implementing this strategy over the last several years. For example, we have limited liability growth by closing our funded plans to new participants and have reduced plan deficits through discretionary contributions. Going forward, we expect to:

- Limit our pension contributions to offset ongoing service cost or meet regulatory requirements, if any;
- Continue progressively re-balancing assets to more fixed income investments, with a target asset allocation of about 80% fixed income investments and 20% growth assets, which will provide a better matching of plan assets to the characteristics of the liabilities, thereby reducing our net exposure; and
- Evaluate strategic actions to reduce pension liabilities, such as plan design changes, curtailments, or settlements

Pension Update

	2016	2017	2017 B / (W) 2016
Year End Underfunded Status (Bils)			
U.S. plans	$ 3.8	$ 2.2	$ 1.6
Non-U.S. plans	5.1	4.4	0.7
Total underfunded status	$ 8.9	$ 6.6	$ 2.3
Year-End Discount Rate (Weighted Average)			
U.S. plans	4.03 %	3.60 %	(0.43) ppts
Non-U.S. plans	2.44	2.33	(0.11)
Actual Asset Returns			
U.S. plans	8.6 %	13.4 %	4.8 ppts
Non-U.S. plans	14.0	4.5	(9.5)
Pension Plan Contributions (Bils)			
Funded plans	$ 1.2	$ 1.4	$ (0.2)
All plans	1.5	1.8	(0.3)
Pension plan (expense) / income* (Bils)	$ 0.5	$ 0.6	$ 0.1
Pension & OPEB Special items (Bils)	$ (3.0)	$ 0.2**	$ 3.2

Underfunded status of pension plans at $6.6B

Funded status improved by $2.3B versus a year ago

Funded plans are now effectively fully funded

Expect 2018 funded pension contributions to be about $500M

* Excludes all pension-related special items, primarily remeasurement
** Reflects pension and OPEB remeasurement loss of about $0.2 billion and curtailment gain of about $0.4 billion

Worldwide, our defined benefit pension plans were underfunded by $6.6 billion at December 31, 2017, an improvement of $2.3 billion from December 31, 2016, primarily as a result of asset returns, demographics, and contributions offsetting lower discount rates. Of the $6.6 billion underfunded status at year-end 2017, $6.5 billion, or about 98%, is associated with our unfunded plans. These are "pay as you go," with benefits paid from general Company cash. These unfunded plans primarily include certain plans in Germany, and U.S. defined benefit plans for senior management.

The U.S. weighted-average discount rate decreased 43 basis points to 3.60% at year-end 2017 from 4.03% at year-end 2016. The non-U.S. weighted average discount rate decreased 11 basis points to 2.33% at year-end 2017 from 2.44% at year-end 2016.

Asset returns in 2017 for our U.S. plans were 13.4%, reflecting fixed income gains as long-term interest rates fell. The fixed income mix in our U.S. plans at year-end 2017 was 76%, one percentage point higher than year-end 2016. Asset returns for our non-U.S. plans were 4.5%, reflecting fixed income gains offset by unfavorable exchange. The fixed income mix in our non-U.S. plans at year-end 2017 was 80%, four percentage points higher than year-end 2016.

In 2017, we contributed $1.4 billion (most of which were mandatory contributions) to our global funded pension plans, an increase of $200 million compared with 2016. The contributions in 2017 included a pull-ahead of about $500 million of 2018 planned funding into the fourth quarter of 2017 to achieve a cash tax benefit. As a result of this pull-ahead, during 2018, we expect to contribute about $500 million (most of which are mandatory contributions) from Automotive cash to our global funded pension plans. We also expect to make about $350 million of benefit payments to participants in unfunded plans, for a combined total of $850 million. Based on current assumptions and regulations, we do not expect to have a legal requirement to fund our major U.S. plans in 2018. After 2018, we expect contributions to our global funded plans of about $1 billion per year, limited to ongoing service cost. Our global funded plans are now fully funded in aggregate, which is an important milestone demonstrating the effectiveness of our de-risking strategy and our commitment to a strong balance sheet.

For a detailed discussion of our pension plans, see Note 17 of the Notes to the Financial Statements.

Return on Invested Capital. We analyze total company performance using a Return on Invested Capital ("ROIC") financial metric based on an after-tax rolling five-year average, which we believe is appropriate given our industry's product and investment cycles. The following table contains the calculation of our ROIC for the years shown:

Return On Invested Capital Calculation (Bils)

	2013	2014	2015	2016	2017
Net Operating Profit After Tax (NOPAT)					
Pre-tax profit (incl. special items)	$ 14.4	$ 1.2	$ 10.3	$ 6.8	$ 8.1
Add back: Costs related to invested capital					
Automotive interest expense	0.8	0.8	0.8	0.9	1.1
Funding-related pension and OPEB costs*	(6.1)	3.4	(0.7)	1.6	(1.8)
Less: Cash taxes	(0.5)	(0.5)	(0.6)	(0.7)	(0.6)
Net operating profit after tax	$ 8.6	$ 5.0	$ 9.8	$ 8.6	$ 6.9
Invested capital					
Equity	$ 26.2	$ 24.5	$ 28.7	$ 29.2	$ 34.9
Redeemable non-controlling interest	0.3	0.3	0.1	0.1	0.1
Automotive debt	15.7	13.8	12.8	15.9	15.9
Net pension and OPEB liability	14.9	16.2	13.9	14.7	12.8
Invested capital (end of year)	$ 57.0	$ 54.8	$ 55.5	$ 59.9	$ 63.7
Average year invested capital	$ 56.5	$ 55.7	$ 55.1	$ 57.7	$ 61.8
Annual ROIC	15.2%	8.9%	17.7%	14.9%	11.2%
Five-year average ROIC**	17.4%	16.2%	15.7%	14.6%	13.5%

* Reflects total pension & OPEB (income) / expense except service cost
** Calculated as five-year average NOPAT divided by five-year average invested capital
Note: Results may not sum due to rounding

CREDIT RATINGS

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

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

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

The following rating actions were taken by these NRSROs since the filing of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017:

- On January 30, 2018, Moody's revised the outlook to negative from stable for Ford and Ford Credit and affirmed their ratings.

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

	NRSRO RATINGS						
	Ford			Ford Credit			NRSROs
	Issuer Default / Corporate / Issuer Rating	Long-Term Senior Unsecured	Outlook / Trend	Long-Term Senior Unsecured	Short-Term Unsecured	Outlook / Trend	Minimum Long-Term Investment Grade Rating
DBRS	BBB	BBB	Stable	BBB	R-2M	Stable	BBB (low)
Fitch	BBB	BBB	Stable	BBB	F2	Stable	BBB-
Moody's	N/A	Baa2	Negative	Baa2	P-2	Negative	Baa3
S&P	BBB	BBB	Stable	BBB	A-2	Stable	BBB-

2018 MAJOR EXTERNAL FACTORS ASSUMPTIONS

Based on the current environment, we have assumed the following for 2018:

Major External Factors Assumptions

	2017 Est.	2018	Change
Industry Volume (Mils.)			
Global	94.9	~97	Higher
U.S.	17.5	Low 17s	Slightly Lower
Brazil	2.2	Mid 2s	Higher
Europe	20.9	Low 21s	Slightly Higher
China*	28.2	Mid 28s	Slightly Higher
Key Commodities			Unfavorable
Key Currencies			Unfavorable

For 2018, We Expect External Factors To Be Mixed

* Total industry based on data provided by the Chinese Insurance Information Technology Co. (CIITC)

We have assumed the following industry volumes:

- U.S. volume in the low-17 million unit range, including medium-heavy trucks, slightly lower than 2017;
- Brazil volume in the mid-2 million unit range, up roughly 20 percent from 2017;
- Total Europe volume in the low-21 million unit range, up slightly from 2017; and
- China volume in the mid-28 million units range, up slightly from 2017

We expect prices of most key metals to rise in 2018 and remain above the 10-year historical mean. We also expect continued headwinds from currency exchange rates.

PRODUCTION VOLUMES

Our full year 2017 production volumes and first quarter 2018 forecast production volumes for our Automotive business units are as follows:

Automotive Segment Production Volumes

(000)	FY 2017 Actual		1Q 2018 Forecast	
	Units	O / (U) 2016	Units	O / (U) 2017
North America	3,041	(65)	805	(14)
South America	344	35	86	13
Europe	1,527	24	454	6
Middle East & Africa	98	11	24	3
Asia Pacific	1,611	(47)	357	(41)
Total	6,621	(42)	1,726	(33)

Key drivers of 1Q YoY:

AP – matching production to demand

OUTLOOK

2018 Company Guidance

Based on the current economic environment, our Company guidance for 2018 includes the following:

We expect Company revenue to be about flat to up modestly as favorable Company-specific drivers more than offset slightly lower volumes in the United States.

We expect adjusted EPS in the range of $1.45 to $1.70. The low end of the range reflects the normal volatility we could see from recalls and further pressure from exchange and commodity prices. It also recognizes potential challenges in fully delivering the recovery actions we have developed and deployed to offset the adverse year-over-year impact of commodities and exchange. We also expect:

- Automotive profit to be flat to lower than in 2017 with continued headwinds from commodities and exchange, and higher market factors driven by mix and net pricing;
- Mobility to have a higher loss due to increased investments in autonomous vehicles and mobility-related capabilities and services; and
- Ford Credit profit to remain strong but lower than 2017 due to adverse financing margin from interest rates and derivative revaluation.

We expect an adjusted effective tax rate in 2018 of about 15%, which is similar to 2017.

We expect to generate positive Company operating cash flow, though lower than 2017, driven by adverse working capital and unfavorable timing and other differences.

Cautionary Note on Forward-Looking Statements

Statements included or incorporated by reference herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts, and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including the following factors:

- Ford's long-term competitiveness depends on the successful execution of fitness actions;
- Industry sales volume, particularly in the United States, Europe, or China, could decline if there is a financial crisis, recession, or significant geopolitical event;
- Ford's new and existing products and mobility services are subject to market acceptance;
- Ford's results are dependent on sales of larger, more profitable vehicles, particularly in the United States;
- Ford may face increased price competition resulting from industry excess capacity, currency fluctuations, or other factors;
- Fluctuations in commodity prices, foreign currency exchange rates, and interest rates can have a significant effect on results;
- With a global footprint, Ford's results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events;
- Ford's production, as well as Ford's suppliers' production, could be disrupted by labor disputes, natural or man-made disasters, financial distress, production difficulties, or other factors;
- Ford's ability to maintain a competitive cost structure could be affected by labor or other constraints;
- Pension and other postretirement liabilities could adversely affect Ford's liquidity and financial condition;
- Economic and demographic experience for pension and other postretirement benefit plans (e.g., discount rates or investment returns) could be worse than Ford has assumed;
- Ford's vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs;
- Safety, emissions, fuel economy, and other regulations affecting Ford may become more stringent;
- Ford could experience unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- Ford's receipt of government incentives could be subject to reduction, termination, or clawback;
- Operational systems, security systems, and vehicles could be affected by cyber incidents;
- Ford Credit's access to debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts could be affected by credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;
- Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Ford Credit could face increased competition from banks, financial institutions, or other third parties seeking to increase their share of financing Ford vehicles; and
- Ford Credit could be subject to new or increased credit regulations, consumer or data protection regulations, or other regulations.

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

NON-GAAP FINANCIAL MEASURE RECONCILIATIONS

The following charts show our Non-GAAP financial measure reconciliations for: Adjusted Pre-Tax Profit, Adjusted Earnings Per Share, Adjusted Effective Tax Rate, and Ford Credit Managed Receivables. The GAAP reconciliation for Ford Credit Managed Leverage can be found in the Financial Services Segment section of "Liquidity and Capital Resources."

Company
Net Income Reconciliation To Adjusted Pre-Tax Profit

(Mils)	FY 2015	FY 2016	FY 2017
Net income attributable to Ford (GAAP)	$ 7,373	$ 4,596	$ 7,602
Income / (Loss) attributable to non-controlling interests	(2)	11	26
Net income	$ 7,371	$ 4,607	$ 7,628
Less: Provision for income taxes	(2,881)	(2,189)	(520)
Income before income taxes	$ 10,252	$ 6,796	$ 8,148
Less: Special items pre-tax	(548)	(3,579)	(289)
Adjusted pre-tax profit (Non-GAAP)	$ 10,800	$ 10,375	$ 8,437

Company
Earnings Per Share Reconciliation To Adjusted Earnings Per Share

	FY 2015	FY 2016	FY 2017
Diluted After-Tax Results (Mils)			
Diluted after-tax results (GAAP)	$ 7,373	$ 4,596	$ 7,602
Less: Impact of pre-tax and tax special items	(343)	(2,458)	486
Adjusted net income – diluted (Non-GAAP)	$ 7,716	$ 7,054	$ 7,116
Basic and Diluted Shares (Mils)			
Basic shares (average shares outstanding)	3,969	3,973	3,975
Net dilutive options and unvested restricted stock units	33	26	23
Diluted shares	4,002	3,999	3,998
Earnings per share – diluted (GAAP)	$ 1.84	$ 1.15	$ 1.90
Less: Net impact of adjustments	(0.09)	(0.61)	0.12
Adjusted earnings per share – diluted (Non-GAAP)	$ 1.93	$ 1.76	$ 1.78

Company
Effective Tax Rate Reconciliation To Adjusted Effective Tax Rate

	FY 2015	FY 2016	FY 2017
Pre-Tax Results (Mils)			
Income before income taxes (GAAP)	$ 10,252	$ 6,796	$ 8,148
Less: Impact of special items	(548)	(3,579)	(289)
Adjusted pre-tax profit (Non-GAAP)	$ 10,800	$ 10,375	$ 8,437
Taxes (Mils)			
Provision for income taxes (GAAP)	$ (2,881)	$ (2,189)	$ (520)
Less: Impact of special items	205	1,121	775
Adjusted provision for income taxes (Non-GAAP)	$ (3,086)	$ (3,310)	$ (1,295)
Tax Rate (Pct)			
Effective tax rate (GAAP)	28.1%	32.2%	6.4%
Adjusted effective tax rate (Non-GAAP)	28.6%	31.9%	15.3%

Financial Services Segment – Ford Credit
Total Net Receivables Reconciliation To Managed Receivables (Bils)

	2015 Dec 31	2016 Dec 31	2017 Dec 31
Financial Services finance receivables, net (GAAP)*	$ 90.7	$ 96.2	$ 108.4
Net investment in operating leases (GAAP)*	25.1	27.2	26.7
Consolidating adjustments**	6.1	6.8	7.6
Ford Credit total net receivables	$ 121.9	$ 130.2	$ 142.7
Unearned interest supplements and residual support	4.5	5.3	6.1
Allowance for credit losses	0.4	0.5	0.7
Other, primarily accumulated supplemental depreciation	0.4	0.9	1.0
Total managed receivables (Non-GAAP)	$ 127.2	$ 136.9	$ 150.5

* Includes finance receivables (retail and wholesale) sold for legal purposes and net investment in operating leases included in securitization transactions that do not satisfy the requirements for accounting sale treatment. These receivables and operating leases are reported on Ford Credit's balance sheet and are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay the other obligations of Ford Credit or the claims of Ford Credit's other creditors

** Primarily includes Automotive segment receivables purchased by Ford Credit which are classified to Trade and other receivables on our consolidated Balance Sheet. Also includes eliminations of intersegment transactions

2017 SUPPLEMENTAL FINANCIAL INFORMATION

The tables below provide supplemental consolidating financial information. The data is presented by our reportable segments, Automotive and Financial Services. All Other, Special Items, and Adjustments include our operating segments that did not meet the quantitative threshold to qualify as a reportable segment, special items (which primarily consists of our pension and OPEB remeasurement gains and losses), eliminations of intersegment transactions, and deferred tax netting.

Selected Income Statement Information. The following table provides supplemental income statement information by segment (in millions):

	For the year ended December 31, 2017			
	Automotive	Financial Services	All Other, Special Items, & Adjustments	Consolidated
Total revenues	$ 145,653	$ 11,113	$ 10	$ 156,776
Total costs and expenses	142,268	9,104	591	151,963
Interest expense on Automotive debt	—	—	1,133	1,133
Other income/(loss), net	2,705	207	355	3,267
Equity in net income of affiliated companies	1,169	32	—	1,201
Income/(loss) before income taxes	7,259	2,248	(1,359)	8,148
Provision for/(Benefit from) income taxes	2,365	(696)	(1,149)	520
Net income/(Loss)	4,894	2,944	(210)	7,628
Less: Income/(Loss) attributable to noncontrolling interests	26	—	—	26
Net income/(Loss) attributable to Ford Motor Company	$ 4,868	$ 2,944	$ (210)	$ 7,602

Selected Balance Sheet Information. The following tables provide supplemental balance sheet information by segment (in millions):

	December 31, 2017			
Assets	Automotive	Financial Services	All Other & Adjustments	Consolidated
Cash and cash equivalents	$ 8,930	$ 9,558	$ 4	$ 18,492
Marketable securities	17,554	2,881	—	20,435
Financial Services finance receivables, net	—	52,210	—	52,210
Trade and other receivables, less allowances	4,049	6,548	2	10,599
Inventories	10,277	—	—	10,277
Other assets	2,631	1,258	—	3,889
Receivable from other segments	57	1,948	(2,005)	—
Total current assets	43,498	74,403	(1,999)	115,902
Financial Services finance receivables, net	—	56,182	—	56,182
Net investment in operating leases	1,574	26,661	—	28,235
Net property	35,133	177	17	35,327
Equity in net assets of affiliated companies	2,984	101	—	3,085
Deferred income taxes	13,367	247	(2,641)	10,973
Other assets	6,329	1,702	73	8,104
Receivable from other segments	—	865	(865)	—
Total assets	$ 102,885	$ 160,338	$ (5,415)	$ 257,808
Liabilities				
Payables	$ 22,115	$ 1,162	$ 5	$ 23,282
Other liabilities and deferred revenue	18,278	1,403	16	19,697
Automotive debt payable within one year	3,356	—	—	3,356
Financial Services debt payable within one year	—	48,265	—	48,265
Payable to other segments	1,945	—	(1,945)	—
Total current liabilities	45,694	50,830	(1,924)	94,600
Other liabilities and deferred revenue	23,602	1,107	2	24,711
Automotive long-term debt	12,575	—	—	12,575
Financial Services long-term debt	—	90,091	—	90,091
Deferred income taxes	155	3,301	(2,641)	815
Payable to other segments	853	—	(853)	—
Total liabilities	$ 82,879	$ 145,329	$ (5,416)	$ 222,792

Selected Cash Flow Information. The following tables provide supplemental cash flow information by segment (in millions):

	For the year ended December 31, 2017			
Cash flows from operating activities	**Automotive**	**Financial Services**	**All Other & Adjustments**	**Consolidated**
Net income	$ 4,894	$ 2,944	$ (210)	$ 7,628
Depreciation and tooling amortization	4,963	4,159	—	9,122
Other amortization	134	(803)	—	(669)
Provision for credit and insurance losses	6	711	—	717
Pension and OPEB expense/(income)	(608)	—	—	(608)
Equity investment (earnings)/losses in excess of dividends received	271	(31)	—	240
Foreign currency adjustments	(395)	(8)	—	(403)
Net (gain)/loss on changes in investments in affiliates	(7)	—	—	(7)
Stock compensation	233	10	3	246
Net change in wholesale and other receivables	—	(836)	—	(836)
Provision for deferred income taxes	651	(883)	—	(232)
Decrease/(Increase) in intersegment receivables/payables	7	(28)	21	—
Decrease/(Increase) in accounts receivable and other assets	(1,824)	(470)	(3)	(2,297)
Decrease/(Increase) in inventory	(959)	—	—	(959)
Increase/(Decrease) in accounts payable and accrued and other liabilities	5,777	301	11	6,089
Other	307	(346)	104	65
Interest supplements and residual value support to Financial Services	(4,524)	4,524	—	—
Net cash provided by/(used in) operating activities	8,926	$ 9,244	$ (74)	$ 18,096
*Reconciling Adjustments to Automotive Segment Operating Cash Flows**				
Automotive capital spending	(7,001)			
Settlements of derivatives	217			
Funded pension contributions	1,434			
Separation payments	281			
Other	51			
Automotive Segment Operating Cash Flows	$ 3,908			

* We measure and evaluate our Automotive segment operating cash flow on a different basis than Net cash provided by/(used in) operating activities in our consolidated statement of cash flows. Automotive segment operating cash flow includes additional elements management considers to be related to our Automotive operating activities, primarily capital spending and non-designated derivatives, and excludes outflows for funded pension contributions, separation payments, and other items that are considered operating cash flows under U.S. GAAP. The table above quantifies the reconciling adjustments to Net cash provided by/(used in) operating activities for the period ended December 31, 2017.

	For the year ended December 31, 2017			
Cash flows from investing activities	**Automotive**	**Financial Services**	**All Other & Adjustments**	**Consolidated**
Capital spending	$ (7,001)	$ (45)	$ (3)	$ (7,049)
Acquisitions of finance receivables and operating leases	—	(59,354)	—	(59,354)
Collections of finance receivables and operating leases	—	44,641	—	44,641
Purchases of equity and debt securities	(21,665)	(5,898)	(4)	(27,567)
Sales and maturities of equity and debt securities	23,582	6,316	—	29,898
Settlements of derivatives	217	(117)	—	100
Other	(71)	17	(7)	(61)
Investing activity (to)/from other segments	231	—	(231)	—
Net cash provided by/(used in) investing activities	$ (4,707)	$ (14,440)	$ (245)	$ (19,392)

Cash flows from financing activities	**Automotive**	**Financial Services**	**All Other & Adjustments**	**Consolidated**
Cash dividends	$ (2,584)	$ —	$ —	$ (2,584)
Purchases of common stock	(131)	—	—	(131)
Net changes in short-term debt	69	1,160	—	1,229
Proceeds from issuance of other debt	807	44,994	—	45,801
Principal payments on other debt	(1,398)	(39,372)	—	(40,770)
Other	(46)	(105)	—	(151)
Financing activity to/(from) other segments	—	(315)	315	—
Net cash provided by/(used in) financing activities	$ (3,283)	$ 6,362	$ 315	$ 3,394
Effect of exchange rate changes on cash and cash equivalents	$ 174	$ 315	$ —	$ 489

CRITICAL ACCOUNTING ESTIMATES

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

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

Warranty and Field Service Actions

Nature of Estimates Required. We provide warranties on the products we sell. Separately, we also periodically perform field service actions related to safety recalls, emission recalls, and other product campaigns. Pursuant to these warranties and field service actions, we will repair, replace, or adjust all parts on a vehicle that are defective in factory-supplied materials or workmanship. We accrue the estimated cost of both basic warranty coverages and field service actions at the time of sale.

Assumptions and Approach Used. We establish estimates for warranty and field service action obligations using a patterned estimation model. We use historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. We reevaluate our estimate of warranty and field service obligations on a regular basis. Experience has shown that initial data for any given model year may be volatile; therefore, our process relies on long-term historical averages until sufficient data are available. As actual experience becomes available, we use the data to modify the historical averages in order to ensure that the estimate is within the range of likely outcomes. We then compare the resulting accruals with present spending rates to ensure that the balances are adequate to meet expected future obligations. Based on this data, we revise our estimates as necessary. Warranty coverages vary; therefore, our warranty accruals vary depending upon the type of product and the geographic location of its sale for specific periods of time and/or mileage. Field service actions are distinguishable from warranties in that they may occur in periods beyond the basic warranty coverage period. Our best estimate of the obligation related to field service actions includes expected future payments.

Due to the uncertainty and potential volatility of these factors, changes in our assumptions could materially affect our financial condition and results of operations. See Note 23 of the Notes to the Financial Statements for information regarding warranty and product recall related costs.

Pensions and Other Postretirement Employee Benefits

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

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

- *Discount rates.* Our discount rate assumption is based primarily on the results of a cash flow matching analysis, which matches the future cash outflows for each major plan to a yield curve based on high-quality bonds specific to the country of the plan. Benefit payments are discounted at the rates on the curve to determine the year-end obligations.

- *Expected long-term rate of return on plan assets.* Our expected long-term rate of return considers various sources, primarily inputs from a range of advisors for capital market returns, inflation, bond yields, and other variables, adjusted for specific aspects of our investment strategy by plan. Historical returns also are considered where appropriate. The assumption is based on consideration of all inputs, with a focus on long-term trends to avoid short-term market influences.

- *Salary growth.* Our salary growth assumption reflects our actual experience, long-term outlook, and assumed inflation.

- *Inflation.* Our inflation assumption is based on an evaluation of external market indicators, including real gross domestic product growth and central bank inflation targets.

- *Expected contributions.* Our expected amount and timing of contributions are based on an assessment of minimum requirements, cash availability, and other considerations (e.g., funded status, avoidance of regulatory premiums and levies, and tax efficiency).
- *Retirement rates.* Retirement rates are developed to reflect actual and projected plan experience.
- *Mortality rates.* Mortality rates are developed to reflect actual and projected plan experience.
- *Health care cost trends*. Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends.

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

See Note 17 of the Notes to the Financial Statements for more information regarding pension and OPEB costs and assumptions.

Pension Plans

Effect of Actual Results. The year-end 2017 weighted average discount rate was 3.60% for U.S. plans and 2.33% for non-U.S. plans, reflecting decreases of 43 and 11 basis points, respectively, compared with year-end 2016. In 2017, the U.S. actual return on assets was 13.4%, which was higher than the expected long-term rate of return of 6.75%. Non-U.S. actual return on assets was 4.5%, which was lower than the expected long-term rate of return of 5.19%. In total, these differences, in addition to demographic and other updates, resulted in a net gain of $131 million which has been recognized within net periodic benefit cost and reported as a special item.

For 2018, the expected long-term rate of return on assets is 6.75% for U.S. plans, unchanged from 2017, and 4.51% for non-U.S. plans, down about 70 basis points compared with a year ago, primarily reflecting an increased allocation to fixed income assets and a lower consensus on capital market return expectations from advisors.

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

Sensitivity Analysis. The December 31, 2017 pension funded status and 2018 expense are affected by year-end 2017 assumptions. Sensitivities to these assumptions may be asymmetric and are specific to the time periods noted. The effects of changes in the factors which generally have the largest impact on year-end funded status and pension expense are discussed below.

Discount rates and interest rates have the largest impact on our obligations and fixed income assets. The table below estimates the impact on our funded status of an increase/decrease in discount rates and interest rates (in millions):

	Basis Point	Increase/(Decrease) in December 31, 2017 Funded Status	
Factor	**Change**	**U.S. Plans**	**Non-U.S. Plans**
Discount rate - obligation	+/- 100 bps.	$5,000/$(6,200)	$5,000/$(6,500)
Interest rate - fixed income assets	+/- 100	(4,800)/5,900	(3,400)/4,400
Net impact on funded status		$200/$(300)	$1,600/$(2,100)

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

Interest rates and the expected long-term rate of return on assets have the largest impact on pension expense. These assumptions are generally set at each year-end for expense recorded throughout the following year. The table below estimates the impact on pension expense of a higher/lower assumption for these factors (in millions):

	Basis	Increase/(Decrease) in	
	Point	2018 Expense	
Factor	**Change**	**U.S. Plans**	**Non-U.S. Plans**
Interest rate - service cost and interest cost	+/- 25 bps.	$40/$(40)	$10/$(10)
Expected long-term rate of return on assets	+/- 25	(110)/110	(70)/70

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

Other Postretirement Employee Benefits

Effect of Actual Results. The weighted average discount rate used to determine the benefit obligation for worldwide OPEB plans at December 31, 2016 was 4%, compared with 3.61% at December 31, 2017, resulting in a worldwide loss of about $293 million which has been recognized within net periodic benefit cost and reported as a special item.

Sensitivity Analysis. Discount rates and interest rates have the largest impact on our OPEB obligation and expense. The table below estimates the impact on 2018 OPEB expense of higher/lower assumptions for these factors (in millions):

		Worldwide OPEB	
Factor	**Basis Point Change**	**(Increase)/ Decrease 2017 YE Obligation**	**Increase/ (Decrease) 2018 Expense**
Discount rate - obligation	+/- 100 bps.	$700/$(900)	N/A
Interest rate - service cost and interest cost	+/- 25	N/A	$5/$(5)

Income Taxes

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

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

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

We presently believe that a valuation allowance of $1.5 billion is required, primarily related to deferred tax assets in various non-U.S. operations. We believe that we ultimately will recover the remaining $10.2 billion of deferred tax assets. We have assessed recoverability of these assets and concluded that no valuation allowance is required.

For additional information regarding income taxes, see Note 7 of the Notes to the Financial Statements.

Allowance for Credit Losses

The allowance for credit losses represents Ford Credit's estimate of the probable credit loss inherent in finance receivables and operating leases as of the balance sheet date. The adequacy of Ford Credit's allowance for credit losses is assessed quarterly and the assumptions and models used in establishing the allowance are evaluated regularly. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain. See Note 11 of the Notes to the Financial Statements for more information regarding allowance for credit losses.

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

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

Assumptions Used. Ford Credit's allowance for credit losses is based on assumptions regarding:

- *Frequency.* The number of finance receivables and operating lease contracts that are expected to default over the loss emergence period, measured as repossessions; repossession ratio reflects the number of finance receivables and operating lease contracts that we expect will default over a period of time divided by the average number of contracts outstanding; and
- *Loss severity.* The expected difference between the amount a customer owes when the finance contract is charged off and the amount received, net of expenses, from selling the repossessed vehicle.

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

Ford Credit's largest markets also use a loss projection model to estimate losses inherent in the portfolio. The loss projection model applies recent monthly performance metrics, stratified by contract type (retail or lease), contract term (e.g., 60-month), and risk rating to Ford Credit's active portfolio to estimate the losses that have been incurred.

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

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

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

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

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

Assumption	Basis Point Change	Increase/ (Decrease)
Frequency - repossession ratio	+/- 10 bps	$41/$(41)
Loss severity per unit	+/- 100	5/(5)

Non-Consumer Portfolio. Ford Credit estimates the allowance for credit losses for non-consumer receivables based on historical LTR ratios, expected future cash flows, and the fair value of collateral.

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

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

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

Changes in Ford Credit's assumptions affect the *Financial Services interest, operating, and other expenses* on our income statement and the allowance for credit losses contained within *Financial Services finance receivables, net* and *Net investment in operating leases* on our balance sheet.

Accumulated Depreciation on Vehicles Subject to Operating Leases

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

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

Each lease customer has the option to buy the leased vehicle at the end of the lease or to return the vehicle to the dealer.

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

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

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

See Note 13 of the Notes to the Financial Statements for more information regarding accumulated depreciation on vehicles subject to operating leases.

Sensitivity Analysis. For returned vehicles, Ford Credit faces a risk that the amount it obtains from the vehicle sold at auction will be less than its estimate of the expected residual value for the vehicle. The impact of the change in assumptions on future auction values and return volumes would increase or decrease accumulated supplemental depreciation and depreciation expense over the remaining terms of the operating leases. The effect of the indicated increase/decrease in the assumptions for Ford Credit's U.S. Ford and Lincoln operating lease portfolio is as follows (in millions):

Assumption	Basis Point Change	Increase/ (Decrease)
Future auction values	+/- 100 bps	$(123)/$123
Return volumes	+/- 100	23/(23)

Adjustments to the amount of accumulated supplemental depreciation on operating leases would be reflected on our balance sheet as *Net investment in operating leases* and on the income statement in *Financial Services interest, operating, and other expenses.*

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Financial Accounting Standards Board ("FASB") has issued the following standards, which are not expected to have a material impact (with the exception of standards 2016-02 and 2016-13) to our financial statements or financial statement disclosures:

Standard		Effective Date (a)
2016-18	Statement of Cash Flows - Restricted Cash	January 1, 2018
2016-16	Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory	January 1, 2018
2016-15	Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments	January 1, 2018
2016-01	Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities	January 1, 2018 (b)
2017-12	Derivatives and Hedging	January 1, 2019 (b)
2017-08	Nonrefundable Fees and Other Costs - Premium Amortization on Purchased Callable Debt Securities	January 1, 2019
2016-02	Leases	January 1, 2019 (b) (c)
2016-13	Credit Losses - Measurement of Credit Losses on Financial Instruments	January 1, 2020 (b)

(a) Early adoption for each of the standards, except standard 2016-01, is permitted.
(b) For additional information, see Note 3 of the Notes to the Financial Statements.
(c) The FASB has issued the following update to the Leases standard: Accounting Standard Update ("ASU") 2018-01 (Land Easement Practical Expedient for Transition to Topic 842). We will adopt the new leases guidance effective January 1, 2019.

AGGREGATE CONTRACTUAL OBLIGATIONS

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

The table below summarizes our contractual obligations as of December 31, 2017 (in millions):

	Payments Due by Period				
	2018	2019 - 2020	2021 - 2022	Thereafter	Total
Non-Financial Services					
On-balance sheet					
Long-term debt (a)	$ 1,946	$ 2,216	$ 1,383	$ 9,208	$ 14,753
Interest payments relating to long-term debt	748	1,209	1,108	7,779	10,844
Capital leases (b)	48	109	19	12	188
Pension funding (c)	243	352	349	—	944
Off-balance sheet					
Purchase obligations	1,538	1,595	801	459	4,393
Operating leases	330	485	229	331	1,375
Total Non-Financial Services	4,853	5,966	3,889	17,789	32,497
Financial Services					
On-balance sheet					
Long-term debt (a)	31,115	53,679	26,259	10,405	121,458
Interest payments relating to long-term debt	2,859	3,783	1,647	1,057	9,346
Off-balance sheet					
Purchase obligations	4	18	—	—	22
Operating leases	7	11	7	6	31
Total Financial Services	33,985	57,491	27,913	11,468	130,857
Total Company	$ 38,838	$ 63,457	$ 31,802	$ 29,257	$ 163,354

(a) Excludes unamortized debt discounts/premiums, debt issuance costs, and fair value adjustments.
(b) Includes interest payments of $17 million.
(c) Amounts represent our estimate of contractually obligated deficit contributions to U.K. and Ford-Werke plans. See Note 17 for further information regarding our expected 2018 pension contributions and funded status.

The amount of unrecognized tax benefits for 2017 of $2.1 billion (see Note 7 of the Notes to the Financial Statements for additional discussion) is excluded from the table above. Final settlement of a significant portion of these obligations will require bilateral tax agreements among us and various countries, the timing of which cannot reasonably be estimated.

For additional information regarding operating lease obligations, pension and OPEB obligations, and long-term debt, see Notes 13, 17, and 18, respectively, of the Notes to the Financial Statements.

ITEM 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

OVERVIEW

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

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

Our Automotive and Financial Services segments are exposed to liquidity risk, including the possibility of having to curtail business or being unable to meet financial obligations as they come due because funding sources may be reduced or become unavailable. Our plan is to maintain funding sources to ensure liquidity through a variety of economic or business cycles. As discussed in greater detail in Item 7, our funding sources include sales of receivables in securitizations and other structured financings, unsecured debt issuances, equity and equity-linked issuances, and bank borrowings.

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

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

In accordance with our corporate risk management policies, we use derivative instruments, when available, such as forward contracts, swaps, and options that economically hedge certain exposures (foreign currency, commodity, and interest rates). We do not use derivative contracts for trading, market-making, or speculative purposes. In certain instances, we forgo hedge accounting, and in certain other instances, our derivatives do not qualify for hedge accounting. Either situation results in unrealized gains and losses that are recognized in income. For additional information on our derivatives, see Note 19 of the Notes to the Financial Statements.

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

AUTOMOTIVE MARKET RISK

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

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

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

The net fair value of foreign exchange forward contracts (including adjustments for credit risk), as of December 31, 2016, was an asset of $528 million compared with a liability of $22 million as of December 31, 2017. The potential decrease in fair value from a 10% adverse change in the underlying exchange rates, in U.S. dollar terms, would have been $2.7 billion at December 31, 2016, compared with $2.8 billion at December 31, 2017. The sensitivity analysis presented is hypothetical and assumes foreign exchange rate changes are instantaneous and adverse across all currencies. In reality, foreign exchange rates move in different magnitudes and at different times, and any changes in fair value would generally be offset by changes in the underlying exposure. See Note 19 of the Notes to the Financial Statements for more information regarding our foreign currency exchange contracts.

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

The net fair value of commodity forward contracts (including adjustments for credit risk) as of December 31, 2016 was an asset of $5 million compared with an asset of $33 million as of December 31, 2017. The potential decrease in fair value from a 10% adverse change in the underlying commodity prices, in U.S. dollar terms, would be $54 million at December 31, 2016, compared with $69 million at December 31, 2017.

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

Interest Rate Risk. Interest rate risk relates to the loss we could incur in our Automotive segment investment portfolios due to a change in interest rates. Our interest rate sensitivity analysis on the investment portfolios includes cash and cash equivalents and net marketable securities. At December 31, 2016, we had $27.5 billion in our Automotive segment investment portfolios, compared to $26.5 billion at December 31, 2017. We invest the portfolios in securities of various types and maturities, the value of which are subject to fluctuations in interest rates. The investment strategy is based on clearly defined risk and liquidity guidelines to maintain liquidity, minimize risk, and earn a reasonable return on the short-term investments. In investing our Automotive cash, safety of principal is the primary objective and risk-adjusted return is the secondary objective.

At any time, a rise in interest rates could have a material adverse impact on the fair value of our portfolios. Assuming a hypothetical increase in interest rates of one percentage point, the value of our portfolios would be reduced by about $243 million, as calculated as of December 31, 2016. This compares to $270 million, as calculated as of December 31, 2017. While these are our best estimates of the impact of the specified interest rate scenario, actual results could differ from those projected. The sensitivity analysis presented assumes interest rate changes are instantaneous, parallel shifts in the yield curve. In reality, interest rate changes of this magnitude are rarely instantaneous or parallel.

COUNTERPARTY RISK

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

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

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

FORD CREDIT MARKET RISK

Market risk for Ford Credit is the possibility that changes in interest and currency exchange rates will adversely affect cash flow and economic value.

Interest Rate Risk. Generally, Ford Credit's assets and the related debt have different re-pricing periods, and consequently, respond differently to changes in interest rates.

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

Debt consists primarily of short- and long-term unsecured debt and securitization debt. Ford Credit's unsecured term debt instruments are principally fixed-rate and require fixed and equal interest payments over the life of the instrument and a single principal payment at maturity.

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

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

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

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

Pre-tax cash flow sensitivity at December 31 was as follows (in millions):

Pre-Tax Cash Flow Sensitivity	**2016**	**2017**
One percentage point instantaneous *increase* in interest rates	$ 21	$ 14
One percentage point instantaneous *decrease* in interest rates (a)	(21)	(14)

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

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

Foreign Currency Risk. Ford Credit's policy is to minimize exposure to changes in currency exchange rates. To meet funding objectives, Ford Credit borrows in a variety of currencies, principally U.S. dollars, Canadian dollars, euros, sterling, and renminbi. Ford Credit faces exposure to currency exchange rates if a mismatch exists between the currency of receivables and the currency of the debt funding those receivables. When possible, receivables are funded with debt in the same currency, minimizing exposure to exchange rate movements. When a different currency is used, Ford Credit may use foreign currency swaps and foreign currency forwards to convert substantially all of its foreign currency debt obligations to the local country currency of the receivables. As a result of this policy, Ford Credit believes its market risk exposure, relating to changes in currency exchange rates at December 31, 2017, is insignificant.

Derivative Fair Values. The net fair value of Ford Credit's derivative financial instruments at December 31, 2016 was an asset of $743 million, compared to an asset of $625 million at December 31, 2017.

ITEM 8. *Financial Statements and Supplementary Data.*

The Report of Independent Registered Public Accounting Firm, our Financial Statements, the accompanying Notes to the Financial Statements, and the Financial Statement Schedule that are filed as part of this Report are listed under "Item 15. Exhibits and Financial Statement Schedules" and are set forth beginning on page FS-1 immediately following the signature pages of this Report.

Selected quarterly financial data for 2016 and 2017 are provided in Note 25 of the Notes to the Financial Statements.

ITEM 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

ITEM 9A. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures. James P. Hackett, our Chief Executive Officer ("CEO"), and Bob Shanks, our Chief Financial Officer ("CFO"), have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of December 31, 2017, and each has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by SEC rules and forms, and that such information is accumulated and communicated to the CEO and CFO to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2017. The assessment was based on criteria established in the framework *Internal Control - Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report included herein.

Changes in Internal Control over Financial Reporting. There were no changes in internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *Other Information.*

None.

PART III.

ITEM 10. *Directors, Executive Officers of Ford, and Corporate Governance.*

The information required by Item 10 regarding our directors is incorporated by reference from the information under the captions “Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Beneficial Stock Ownership” in our Proxy Statement. The information required by Item 10 regarding our executive officers appears as Item 4A under Part I of this Report. The information required by Item 10 regarding an audit committee financial expert is incorporated by reference from the information under the caption “Corporate Governance – Audit Committee Financial Expert and Auditor Rotation” in our Proxy Statement. The information required by Item 10 regarding the members of our Audit Committee of the Board of Directors is incorporated by reference from the information under the captions “Proxy Summary,” “Corporate Governance – Board Committee Functions,” “Corporate Governance – Audit Committee Financial Expert and Auditor Rotation,” and “Proposal 1 – Election of Directors” in our Proxy Statement. The information required by Item 10 regarding the Audit Committee’s review and discussion of the audited financial statements is incorporated by reference from information under the caption “Audit Committee Report” in our Proxy Statement. The information required by Item 10 regarding our codes of ethics is incorporated by reference from the information under the caption “Corporate Governance – Codes of Ethics” in our Proxy Statement. In addition, we have included in Item 1 instructions for how to access our codes of ethics on our website and our Internet address. Amendments to, and waivers granted under, our Code of Ethics for Senior Financial Personnel, if any, will be posted to our website as well.

ITEM 11. *Executive Compensation.*

The information required by Item 11 is incorporated by reference from the information under the following captions in our Proxy Statement: “Director Compensation in 2017,” “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Compensation Committee Interlocks and Insider Participation,” “Compensation of Executive Officers,” “Summary Compensation Table,” “Grants of Plan-Based Awards in 2017,” “Outstanding Equity Awards at 2017 Fiscal Year-End,” “Option Exercises and Stock Vested in 2017,” “Pension Benefits in 2017,” “Nonqualified Deferred Compensation in 2017,” and “Potential Payments Upon Termination or Change in Control.”

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information required by Item 12 is incorporated by reference from the information under the captions “Equity Compensation Plan Information” and “Corporate Governance – Beneficial Stock Ownership” in our Proxy Statement.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information required by Item 13 is incorporated by reference from the information under the captions “Certain Relationships and Related Party Transactions” and “Corporate Governance – Independence of Directors and Relevant Facts and Circumstances” in our Proxy Statement.

ITEM 14. *Principal Accounting Fees and Services.*

The information required by Item 14 is incorporated by reference from the information under the caption “Ratification of Independent Registered Public Accounting Firm” in our Proxy Statement.

PART IV.

ITEM 15. ***Exhibits and Financial Statement Schedules.***

(a) 1. Financial Statements – Ford Motor Company and Subsidiaries

The following are contained in this 2017 Form 10-K Report:

- Report of Independent Registered Public Accounting Firm.
- Consolidated Income Statement for the years ended December 31, 2015, 2016, and 2017.
- Consolidated Statement of Comprehensive Income for the years ended December 31, 2015, 2016, and 2017.
- Consolidated Balance Sheet at December 31, 2016 and 2017.
- Consolidated Statement of Cash Flows for the years ended December 31, 2015, 2016, and 2017.
- Consolidated Statement of Equity for the years ended December 31, 2015, 2016, and 2017.
- Notes to the Financial Statements.

The Report of Independent Registered Public Accounting Firm, the Consolidated Financial Statements, and the Notes to the Financial Statements listed above are filed as part of this Report and are set forth beginning on page FS-1 immediately following the signature pages of this Report.

(a) 2. Financial Statement Schedules

Designation	Description
Schedule II	Valuation and Qualifying Accounts

Schedule II is filed as part of this Report and is set forth on page FSS-1 immediately following the Notes to the Financial Statements referred to above. The other schedules are omitted because they are not applicable, the information required to be contained in them is disclosed elsewhere on our Consolidated Financial Statements, or the amounts involved are not sufficient to require submission.

(a) 3. Exhibits

Designation	Description	Method of Filing
Exhibit 3-A	Restated Certificate of Incorporation, dated August 2, 2000.	Filed as Exhibit 3-A to our Annual Report on Form 10-K for the year ended December 31, 2000.*
Exhibit 3-A-1	Certificate of Designation of Series A Junior Participating Preferred Stock filed on September 11, 2009.	Filed as Exhibit 3.1 to our Current Report on Form 8-K filed September 11, 2009.*
Exhibit 3-B	By-laws.	Filed as Exhibit 3.2 to our Form 8-A/A filed on September 11, 2015.*
Exhibit 4-A	Tax Benefit Preservation Plan ("TBPP") dated September 11, 2009 between Ford Motor Company and Computershare Trust Company, N.A.	Filed as Exhibit 4.1 to our Current Report on Form 8-K filed September 11, 2009.*
Exhibit 4-A-1	Amendment No. 1 to TBPP dated September 11, 2012.	Filed as Exhibit 4 to our Current Report on Form 8-K filed September 12, 2012.*
Exhibit 4-A-2	Amendment No. 2 to TBPP dated September 9, 2015.	Filed as Exhibit 4 to our Current Report on Form 8-K filed September 11, 2015.*
Exhibit 10-A	Executive Separation Allowance Plan, as amended and restated effective as of January 1, 2018**	Filed as Exhibit 10.1 to our Current Report on Form 8-K filed February 7, 2018.*
Exhibit 10-B	Deferred Compensation Plan for Non-Employee Directors, as amended and restated as of January 1, 2012.**	Filed as Exhibit 10-B to our Annual Report on Form 10-K for the year ended December 31, 2011.*
Exhibit 10-C	2014 Stock Plan for Non-Employee Directors**	Filed as Exhibit 10-C to our Annual Report on Form 10-K for the year ended December 31, 2013.*
Exhibit 10-D	Benefit Equalization Plan, as amended and restated effective as of January 1, 2018.**	Filed as Exhibit 10.2 to our Current Report on Form 8-K filed February 7, 2018.*
Exhibit 10-E	Description of financial counseling services provided to certain executives.**	Filed as Exhibit 10-F to our Annual Report on Form 10-K for the year ended December 31, 2002.*

Designation	Description	Method of Filing
Exhibit 10-F	Defined Benefit Supplemental Executive Retirement Plan, as amended and restated effective as of January 1, 2018.**	Filed as Exhibit 10.3 to our Current Report on Form 8-K filed February 7, 2018.*
Exhibit 10-F-1	Defined Contribution Supplemental Executive Retirement Plan, as amended and restated effective as of January 1, 2017.**	Filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.*
Exhibit 10-G	Description of Director Compensation as of July 13, 2006.**	Filed as Exhibit 10-G-3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.*
Exhibit 10-G-1	Amendment to Description of Director Compensation as of February 8, 2012.**	Filed as Exhibit 10-F-3 to our Annual Report on Form 10-K for the year ended December 31, 2011.*
Exhibit 10-G-2	Amendment to Description of Director Compensation as of July 1, 2013.**	Filed as Exhibit 10-G-2 to our Annual Report on Form 10-K for the year ended December 31, 2013.*
Exhibit 10-G-3	Amendment to Description of Director Compensation as of January 1, 2017.**	Filed as Exhibit 10-G-3 to our Annual Report on Form 10-K for the year ended December 31, 2016.*
Exhibit 10-H	2008 Long-Term Incentive Plan.**	Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.*
Exhibit 10-I	Description of Matching Gift Program and Vehicle Evaluation Program for Non-Employee Directors.**	Filed as Exhibit 10-I to our Annual Report on Form 10-K/A for the year ended December 31, 2005.*
Exhibit 10-J	Non-Employee Directors Life Insurance and Optional Retirement Plan as amended and restated as of December 31, 2010.**	Filed as Exhibit 10-I to our Annual Report on Form 10-K for the year ended December 31, 2010.*
Exhibit 10-K	Description of Non-Employee Directors Accidental Death, Dismemberment and Permanent Total Disablement Indemnity.**	Filed as Exhibit 10-S to our Annual Report on Form 10-K for the year ended December 31, 1992.*
Exhibit 10-K-1	Description of Amendment to Basic Life Insurance and Accidental Death & Dismemberment Insurance.**	Filed as Exhibit 10-K-1 to our Annual Report on Form 10-K for the year ended December 31, 2013.*
Exhibit 10-L	Description of Compensation Arrangements for Mark Fields.**	Filed as Exhibit 10-L to our Annual Report on Form 10-K for the year ended December 31, 2014.*
Exhibit 10-L-1	Executive Separation Waiver and Release Agreement between Ford Motor Company and Mark Fields dated May 21, 2017.**	Filed as Exhibit 10 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.*
Exhibit 10-M	Select Retirement Plan, as amended and restated effective as of January 1, 2018.**	Filed as Exhibit 10.4 to our Current Report on Form 8-K filed February 7, 2018.*
Exhibit 10-N	Deferred Compensation Plan, as amended and restated as of December 31, 2010.**	Filed as Exhibit 10-M to our Annual Report on Form 10-K for the year ended December 31, 2010.*
Exhibit 10-N-1	Suspension of Open Enrollment in Deferred Compensation Plan.**	Filed as Exhibit 10-M-1 to our Annual Report on Form 10-K for the year ended December 31, 2009.*
Exhibit 10-O	Annual Incentive Compensation Plan, as amended and restated as of March 1, 2008.**	Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.*
Exhibit 10-O-1	Amendment to the Ford Motor Company Annual Incentive Compensation Plan (effective as of December 31, 2008).**	Filed as Exhibit 10-N-1 to our Annual Report on Form 10-K for the year ended December 31, 2008.*
Exhibit 10-O-2	Annual Incentive Compensation Plan, as amended and restated effective as of March 1, 2018.**	Filed with this Report.
Exhibit 10-O-3	Annual Incentive Compensation Plan Metrics for 2016.**	Filed as Exhibit 10-O-4 to our Annual Report on Form 10-K for the year ended December 31, 2015.*
Exhibit 10-O-4	Annual Incentive Compensation Plan Metrics for 2017.**	Filed as Exhibit 10-O-4 to our Annual Report on Form 10-K for the year ended December 31, 2016.*
Exhibit 10-O-5	Performance-Based Restricted Stock Unit Metrics for 2013.**	Filed as Exhibit 10-N-9 to our Annual Report on Form 10-K for the year ended December 31, 2012.*
Exhibit 10-O-6	Performance-Based Restricted Stock Unit Metrics for 2014.**	Filed as Exhibit 10-O-9 to our Annual Report on Form 10-K for the year ended December 31, 2013.*
Exhibit 10-O-7	Performance-Based Restricted Stock Unit Metrics for 2015.**	Filed as Exhibit 10-O-11 to our Annual Report on Form 10-K for the year ended December 31, 2014.*
Exhibit 10-O-8	Performance-Based Restricted Stock Unit Metrics for 2016.**	Filed as Exhibit 10-O-9 to our Annual Report on Form 10-K for the year ended December 31, 2015.*
Exhibit 10-O-9	Performance-Based Restricted Stock Unit Metrics for 2017.**	Filed as Exhibit 10-O-10 to our Annual Report on Form 10-K for the year ended December 31, 2016.*
Exhibit 10-O-10	Executive Compensation Recoupment Policy.**	Filed as Exhibit 10-N-8 to our Annual Report on Form 10-K for the year ended December 31, 2010.*
Exhibit 10-O-11	Incremental Bonus Description.**	Filed as Exhibit 10-N-9 to our Annual Report on Form 10-K for the year ended December 31, 2010.*
Exhibit 10-P	1998 Long-Term Incentive Plan, as amended and restated effective as of January 1, 2003.**	Filed as Exhibit 10-R to our Annual Report on Form 10-K for the year ended December 31, 2002.*
Exhibit 10-P-1	Amendment to Ford Motor Company 1998 Long-Term Incentive Plan (effective as of January 1, 2006).**	Filed as Exhibit 10-P-1 to our Annual Report on Form 10-K/A for the year ended December 31, 2005.*
Exhibit 10-P-2	Form of Stock Option Terms and Conditions for Long-Term Incentive Plan.**	Filed with this Report.

Designation	Description	Method of Filing
Exhibit 10-P-3	Form of Stock Option Agreement for Long-Term Incentive Plan.**	Filed with this Report.
Exhibit 10-P-4	Form of Stock Option Agreement (ISO) for Long-Term Incentive Plan.**	Filed with this Report.
Exhibit 10-P-5	Form of Stock Option Agreement (U.K. NQO) for Long-Term Incentive Plan.**	Filed with this Report.
Exhibit 10-P-6	Form of Stock Option (U.K.) Terms and Conditions for Long-Term Incentive Plan.**	Filed with this Report.
Exhibit 10-P-7	Form of Restricted Stock Grant Letter.**	Filed with this Report.
Exhibit 10-P-8	Form of Final Award Notification Letter for Performance-Based Restricted Stock Units.**	Filed with this Report.
Exhibit 10-P-9	Form of Annual Equity Grant Letter V.1.**	Filed with this Report.
Exhibit 10-P-10	Form of Annual Equity Grant Letter V.2.**	Filed with this Report.
Exhibit 10-P-11	Long-Term Incentive Plan Restricted Stock Unit Agreement.**	Filed with this Report.
Exhibit 10-P-12	Long-Term Incentive Plan Restricted Stock Unit Terms and Conditions.**	Filed with this Report.
Exhibit 10-P-13	Form of Final Award Agreement for Performance-Based Restricted Stock Units under Long-Term Incentive Plan.**	Filed with this Report.
Exhibit 10-P-14	Form of Final Award Terms and Conditions for Performance-Based Restricted Stock Units under Long-Term Incentive Plan.**	Filed with this Report.
Exhibit 10-P-15	Form of Notification Letter for Time-Based Restricted Stock Units.**	Filed with this Report.
Exhibit 10-Q	Agreement dated January 13, 1999 between Ford Motor Company and Edsel B. Ford II.**	Filed as Exhibit 10-X to our Annual Report on Form 10-K for the year ended December 31, 1998.*
Exhibit 10-Q-1	Amendment dated May 5, 2010 to the Consulting Agreement between Ford Motor Company and Edsel B. Ford II.**	Filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.*
Exhibit 10-Q-2	Amendment dated January 1, 2012 to the Consulting Agreement between Ford Motor Company and Edsel B. Ford II.**	Filed as Exhibit 10-P-2 to our Annual Report on Form 10-K for the year ended December 31, 2011.*
Exhibit 10-R	Amended and Restated Relationship Agreement dated April 30, 2015 between Ford Motor Company and Ford Motor Credit Company LLC.	Filed as Exhibit 10.2 to our Current Report on Form 8-K filed May 1, 2015.*
Exhibit 10-S	Form of Trade Secrets/Non-Compete Statement between Ford and certain of its Executive Officers.**	Filed as Exhibit 10-V to our Annual Report on Form 10-K for the year ended December 31, 2003.*
Exhibit 10-T	Arrangement between Ford Motor Company and William C. Ford, Jr., dated February 24, 2009.**	Filed as Exhibit 10-V to our Annual Report on Form 10-K for the year ended December 31, 2008.*
Exhibit 10-U	2015 Incentive Compensation Grants - Exclusion of Pension & OPEB Accounting Change.**	Filed as Exhibit 10-U to our Annual Report on Form 10-K for the year ended December 31, 2015.*
Exhibit 10-V	Description of Company Practices regarding Club Memberships for Executives.**	Filed as Exhibit 10-BB to our Annual Report on Form 10-K for the year ended December 31, 2006.*
Exhibit 10-W	Accession Agreement between Ford Motor Company and James D. Farley, Jr. as of October 9, 2007.**	Filed as Exhibit 10-W to our Annual Report on Form 10-K for the year ended December 31, 2012.*
Exhibit 10-W-1	Form of James D. Farley, Jr. Agreement Amendment, effective as of October 12, 2008.**	Filed as Exhibit 10-W-1 to our Annual Report on Form 10-K for the year ended December 31, 2012.*
Exhibit 10-X	Amended and Restated Credit Agreement dated as of November 24, 2009.	Filed as Exhibit 99.2 to our Current Report on Form 8-K filed November 25, 2009.*
Exhibit 10-X-1	Seventh Amendment dated as of March 15, 2012 to our Credit Agreement dated as of December 15, 2006, as amended and restated as of November 24, 2009, and as further amended.	Filed as Exhibit 99.2 to our Current Report on Form 8-K filed March 15, 2012.*
Exhibit 10-X-2	Ninth Amendment dated as of April 30, 2013 to our Credit Agreement dated as of December 15, 2006, as amended and restated as of November 24, 2009, and as further amended.	Filed as Exhibit 10 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.*
Exhibit 10-X-3	Tenth Amendment dated as of April 30, 2014 to our Credit Agreement dated as of December 15, 2006, as amended and restated as of November 24, 2009, and as further amended.	Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.*
Exhibit 10-X-4	Eleventh Amendment dated as of April 30, 2015 to our Credit Agreement dated as of December 15, 2006, as amended and restated as of November 24, 2009, as amended and restated as of April 30, 2014, and as further amended, including the Third Amended and Restated Credit Agreement.	Filed as Exhibit 10.1 to our Current Report on Form 8-K filed May 1, 2015.*

Designation	Description	Method of Filing
Exhibit 10-X-5	Twelfth Amendment dated as of April 29, 2016 to our Credit Agreement dated as of December 15, 2006, as amended and restated as of November 24, 2009, as amended and restated as of April 30, 2014, and as further amended and restated as of April 30, 2015.	Filed as Exhibit 10 to our Current Report on Form 8-K filed April 29, 2016.*
Exhibit 10-X-6	Thirteenth Amendment dated as of April 28, 2017 to our Credit Agreement dated as of December 15, 2006, as amended and restated as of November 24, 2009, as amended and restated as of April 30, 2014, and as further amended and restated as of April 30, 2015.	Filed as Exhibit 10 to our Current Report on Form 8-K filed April 28, 2017.*
Exhibit 10-Y	Loan Arrangement and Reimbursement Agreement between Ford Motor Company and the U.S. Department of Energy dated as of September 16, 2009.	Filed as Exhibit 10.1 to our Current Report on Form 8-K filed September 22, 2009.*
Exhibit 10-Z	Note Purchase Agreement dated as of September 16, 2009 among the Federal Financing Bank, Ford Motor Company, and the U.S. Secretary of Energy.	Filed as Exhibit 10.2 to our Current Report on Form 8-K filed September 22, 2009.*
Exhibit 12	Calculation of Ratio of Earnings to Fixed Charges.	Filed with this Report.
Exhibit 21	List of Subsidiaries of Ford as of January 31, 2018.	Filed with this Report.
Exhibit 23	Consent of Independent Registered Public Accounting Firm.	Filed with this Report.
Exhibit 24	Powers of Attorney.	Filed with this Report.
Exhibit 31.1	Rule 15d-14(a) Certification of CEO.	Filed with this Report.
Exhibit 31.2	Rule 15d-14(a) Certification of CFO.	Filed with this Report.
Exhibit 32.1	Section 1350 Certification of CEO.	Furnished with this Report.
Exhibit 32.2	Section 1350 Certification of CFO.	Furnished with this Report.
Exhibit 101.INS	XBRL Instance Document.	***
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document.	***
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	***
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	***
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	***
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	***

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* Incorporated by reference as an exhibit to this Report (file number reference 1-3950, unless otherwise indicated).

** Management contract or compensatory plan or arrangement.

*** Submitted electronically with this Report in accordance with the provisions of Regulation S-T.

Instruments defining the rights of holders of certain issues of long-term debt of Ford and of certain consolidated subsidiaries and of any unconsolidated subsidiary, for which financial statements are required to be filed with this Report, have not been filed as exhibits to this Report because the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Ford and our subsidiaries on a consolidated basis. Ford agrees to furnish a copy of each of such instrument to the Securities and Exchange Commission upon request.

ITEM 16. ***Form 10-K Summary.***

None.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Ford has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FORD MOTOR COMPANY

By: /s/ John T. Lawler
John T. Lawler, Vice President and Controller
(principal accounting officer)

Date: February 8, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of Ford and in the capacities on the date indicated:

Signature	Title	Date
WILLIAM CLAY FORD, JR.* William Clay Ford, Jr.	Director, Chairman of the Board, Executive Chairman, Chair of the Office of the Chairman and Chief Executive, and Chair of the Finance Committee	February 8, 2018
JAMES P. HACKETT* James P. Hackett	Director, President and Chief Executive Officer (principal executive officer)	February 8, 2018
STEPHEN G. BUTLER* Stephen G. Butler	Director and Chair of the Audit Committee	February 8, 2018
KIMBERLY A. CASIANO* Kimberly A. Casiano	Director	February 8, 2018
ANTHONY F. EARLEY, JR.* Anthony F. Earley, Jr.	Director and Chair of the Compensation Committee	February 8, 2018
EDSEL B. FORD II* Edsel B. Ford II	Director	February 8, 2018
WILLIAM W. HELMAN IV* William W. Helman IV	Director and Chair of the Sustainability and Innovation Committee	February 8, 2018
WILLIAM E. KENNARD* William E. Kennard	Director and Chair of the Nominating and Governance Committee	February 8, 2018
JOHN C. LECHLEITER* John C. Lechleiter	Director	February 8, 2018
ELLEN R. MARRAM* Ellen R. Marram	Director	February 8, 2018
JOHN L. THORNTON* John L. Thornton	Director	February 8, 2018

Signature	Title	Date
JOHN B. VEIHMEYER* John B. Veihmeyer	Director	February 8, 2018
LYNN M. VOJVODICH* Lynn M. Vojvodich	Director	February 8, 2018
JOHN S. WEINBERG* John S. Weinberg	Director	February 8, 2018
BOB SHANKS* Bob Shanks	Executive Vice President and Chief Financial Officer (principal financial officer)	February 8, 2018
JOHN T. LAWLER* John T. Lawler	Vice President and Controller (principal accounting officer)	February 8, 2018
*By: /s/ JONATHAN E. OSGOOD Jonathan E. Osgood Attorney-in-Fact		February 8, 2018

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Ford Motor Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Ford Motor Company and its subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, cash flows and equity for each of the three years in the period ended December 31, 2017, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 8, 2018

We have served as the Company's auditor since 1946.

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

	For the years ended December 31,		
	2015	2016	**2017**
Revenues			
Automotive	$ 140,566	$ 141,546	**$ 145,653**
Financial Services	8,992	10,253	**11,113**
Other	—	1	**10**
Total revenues (Note 4)	149,558	151,800	**156,776**
Costs and expenses			
Cost of sales	124,446	126,183	**131,332**
Selling, administrative, and other expenses	10,763	10,972	**11,527**
Financial Services interest, operating, and other expenses	7,368	8,904	**9,104**
Total costs and expenses	142,577	146,059	**151,963**
Interest expense on Automotive debt	773	894	**1,133**
Non-Financial Services other income/(loss), net (Note 5)	1,854	(269)	**3,060**
Financial Services other income/(loss), net (Note 5)	372	438	**207**
Equity in net income of affiliated companies	1,818	1,780	**1,201**
Income before income taxes	10,252	6,796	**8,148**
Provision for/(Benefit from) income taxes (Note 7)	2,881	2,189	**520**
Net income	7,371	4,607	**7,628**
Less: Income/(Loss) attributable to noncontrolling interests	(2)	11	**26**
Net income attributable to Ford Motor Company	$ 7,373	$ 4,596	**$ 7,602**
EARNINGS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 8)			
Basic income	$ 1.86	$ 1.16	**$ 1.91**
Diluted income	1.84	1.15	**1.90**
Cash dividends declared	0.60	0.85	**0.65**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the years ended December 31,		
	2015	2016	**2017**
Net income	$ 7,371	$ 4,607	**$ 7,628**
Other comprehensive income/(loss), net of tax (Note 21)			
Foreign currency translation	(1,132)	(1,024)	**314**
Marketable securities	(6)	(8)	**(34)**
Derivative instruments	227	219	**(265)**
Pension and other postretirement benefits	(81)	56	**37**
Total other comprehensive income/(loss), net of tax	(992)	(757)	**52**
Comprehensive income	6,379	3,850	**7,680**
Less: Comprehensive income/(loss) attributable to noncontrolling interests	(2)	10	**24**
Comprehensive income attributable to Ford Motor Company	$ 6,381	$ 3,840	**$ 7,656**

The accompanying notes are part of the financial statements.

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

	December 31, 2016	**December 31, 2017**
ASSETS		
Cash and cash equivalents (Note 9)	$ 15,905	**$ 18,492**
Marketable securities (Note 9)	22,922	**20,435**
Financial Services finance receivables, net (Note 10)	46,266	**52,210**
Trade and other receivables, less allowances of $392 and $412	11,102	**10,599**
Inventories (Note 12)	8,898	**10,277**
Other assets	3,368	**3,889**
Total current assets	108,461	**115,902**
Financial Services finance receivables, net (Note 10)	49,924	**56,182**
Net investment in operating leases (Note 13)	28,829	**28,235**
Net property (Note 14)	32,072	**35,327**
Equity in net assets of affiliated companies (Note 15)	3,304	**3,085**
Deferred income taxes (Note 7)	9,705	**10,973**
Other assets	5,656	**8,104**
Total assets	$ 237,951	**$ 257,808**
LIABILITIES		
Payables	$ 21,296	**$ 23,282**
Other liabilities and deferred revenue (Note 16)	19,316	**19,697**
Automotive debt payable within one year (Note 18)	2,685	**3,356**
Financial Services debt payable within one year (Note 18)	46,984	**48,265**
Total current liabilities	90,281	**94,600**
Other liabilities and deferred revenue (Note 16)	24,395	**24,711**
Automotive long-term debt (Note 18)	13,222	**12,575**
Financial Services long-term debt (Note 18)	80,079	**90,091**
Deferred income taxes (Note 7)	691	**815**
Total liabilities	208,668	**222,792**
Redeemable noncontrolling interest (Note 20)	96	**98**
EQUITY		
Common Stock, par value $.01 per share (3,987 million shares issued of 6 billion authorized)	40	**40**
Class B Stock, par value $.01 per share (71 million shares issued of 530 million authorized)	1	**1**
Capital in excess of par value of stock	21,630	**21,843**
Retained earnings	15,634	**21,218**
Accumulated other comprehensive income/(loss) (Note 21)	(7,013)	**(6,959)**
Treasury stock	(1,122)	**(1,253)**
Total equity attributable to Ford Motor Company	29,170	**34,890**
Equity attributable to noncontrolling interests	17	**28**
Total equity	29,187	**34,918**
Total liabilities and equity	$ 237,951	**$ 257,808**

The following table includes assets to be used to settle liabilities of the consolidated variable interest entities ("VIEs"). These assets and liabilities are included in the consolidated balance sheet above. See Note 22 for additional information on our VIEs.

	December 31, 2016	**December 31, 2017**
ASSETS		
Cash and cash equivalents	$ 3,047	**$ 3,479**
Financial Services finance receivables, net	50,857	**56,250**
Net investment in operating leases	11,761	**11,503**
Other assets	25	**64**
LIABILITIES		
Other liabilities and deferred revenue	$ 5	**$ 2**
Debt	43,730	**46,437**

The accompanying notes are part of the financial statements.

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

	For the years ended December 31,		
	2015	2016	**2017**
Cash flows from operating activities			
Net income	$ 7,371	$ 4,607	**$ 7,628**
Depreciation and tooling amortization	7,993	9,023	**9,122**
Other amortization	(27)	(306)	**(669)**
Provision for credit and insurance losses	418	672	**717**
Pension and other postretirement employee benefits ("OPEB") expense/(income)	512	2,667	**(608)**
Equity investment (earnings)/losses in excess of dividends received	(333)	(178)	**240**
Foreign currency adjustments	710	283	**(403)**
Net (gain)/loss on changes in investments in affiliates	(42)	(139)	**(7)**
Stock compensation	199	210	**246**
Net change in wholesale and other receivables	(5,090)	(1,449)	**(836)**
Provision for deferred income taxes	2,120	1,478	**(232)**
Decrease/(Increase) in accounts receivable and other assets	(3,563)	(2,855)	**(2,297)**
Decrease/(Increase) in inventory	(1,155)	(815)	**(959)**
Increase/(Decrease) in accounts payable and accrued and other liabilities	7,758	6,595	**6,089**
Other	(645)	57	**65**
Net cash provided by/(used in) operating activities	16,226	19,850	**18,096**
Cash flows from investing activities			
Capital spending	(7,196)	(6,992)	**(7,049)**
Acquisitions of finance receivables and operating leases	(57,217)	(56,007)	**(59,354)**
Collections of finance receivables and operating leases	38,130	38,834	**44,641**
Purchases of equity and debt securities	(41,279)	(31,428)	**(27,567)**
Sales and maturities of equity and debt securities	40,766	29,354	**29,898**
Settlements of derivatives	134	825	**100**
Other	500	62	**(61)**
Net cash provided by/(used in) investing activities	(26,162)	(25,352)	**(19,392)**
Cash flows from financing activities			
Cash dividends	(2,380)	(3,376)	**(2,584)**
Purchases of common stock	(129)	(145)	**(131)**
Net changes in short-term debt	1,646	3,864	**1,229**
Proceeds from issuance of other debt	48,860	45,961	**45,801**
Principal payments on other debt	(33,358)	(38,797)	**(40,770)**
Other	(373)	(107)	**(151)**
Net cash provided by/(used in) financing activities	14,266	7,400	**3,394**
Effect of exchange rate changes on cash and cash equivalents	(815)	(265)	**489**
Net increase/(decrease) in cash and cash equivalents	$ 3,515	$ 1,633	**$ 2,587**
Cash and cash equivalents at January 1	$ 10,757	$ 14,272	**$ 15,905**
Net increase/(decrease) in cash and cash equivalents	3,515	1,633	**2,587**
Cash and cash equivalents at December 31	$ 14,272	$ 15,905	**$ 18,492**

The accompanying notes are part of the financial statements.

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

	Equity Attributable to Ford Motor Company							
	Capital Stock	**Cap. in Excess of Par Value of Stock**	**Retained Earnings/ (Accumulated Deficit)**	**Accumulated Other Comprehensive Income/(Loss) (Note 21)**	**Treasury Stock**	**Total**	**Equity Attributable to Non-controlling Interests**	**Total Equity**
Balance at December 31, 2014	$ 40	$ 21,089	$ 9,422	$ (5,265)	$ (848)	$ 24,438	$ 27	$ 24,465
Net income	—	—	7,373	—	—	7,373	(2)	7,371
Other comprehensive income/(loss), net of tax	—	—	—	(992)	—	(992)	—	(992)
Common stock issued (including share-based compensation impacts)	1	332	—	—	—	333	—	333
Treasury stock/other	—	—	(1)	—	(129)	(130)	(4)	(134)
Cash dividends declared	—	—	(2,380)	—	—	(2,380)	(6)	(2,386)
Balance at December 31, 2015	$ 41	$ 21,421	$ 14,414	$ (6,257)	$ (977)	$ 28,642	$ 15	$ 28,657
Balance at December 31, 2015	$ 41	$ 21,421	$ 14,414	$ (6,257)	$ (977)	$ 28,642	$ 15	$ 28,657
Net income	—	—	4,596	—	—	4,596	11	4,607
Other comprehensive income/(loss), net of tax	—	—	—	(756)	—	(756)	(1)	(757)
Common stock issued (including share-based compensation impacts)	—	209	—	—	—	209	—	209
Treasury stock/other	—	—	—	—	(145)	(145)	(3)	(148)
Cash dividends declared	—	—	(3,376)	—	—	(3,376)	(5)	(3,381)
Balance at December 31, 2016	$ 41	$ 21,630	$ 15,634	$ (7,013)	$ (1,122)	$ 29,170	$ 17	$ 29,187
Balance at December 31, 2016	**$ 41**	**$ 21,630**	**$ 15,634**	**$ (7,013)**	**$ (1,122)**	**$ 29,170**	**$ 17**	**$ 29,187**
Adoption of accounting standards (Note 3)	**—**	**6**	**566**	**—**	**—**	**572**	**—**	**572**
Net income	**—**	**—**	**7,602**	**—**	**—**	**7,602**	**26**	**7,628**
Other comprehensive income/(loss), net of tax	**—**	**—**	**—**	**54**	**—**	**54**	**(2)**	**52**
Common stock issued (including share-based compensation impacts)	**—**	**207**	**—**	**—**	**—**	**207**	**—**	**207**
Treasury stock/other	**—**	**—**	**—**	**—**	**(131)**	**(131)**	**(2)**	**(133)**
Cash dividends declared	**—**	**—**	**(2,584)**	**—**	**—**	**(2,584)**	**(11)**	**(2,595)**
Balance at December 31, 2017	**$ 41**	**$ 21,843**	**$ 21,218**	**$ (6,959)**	**$ (1,253)**	**$ 34,890**	**$ 28**	**$ 34,918**

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1. PRESENTATION

For purposes of this report, "Ford," the "Company," "we," "our," "us," or similar references mean Ford Motor Company, our consolidated subsidiaries, and our consolidated VIEs of which we are the primary beneficiary, unless the context requires otherwise. We also make reference to Ford Motor Credit Company LLC, herein referenced to as Ford Credit. Our financial statements are presented in accordance with U.S. generally accepted accounting principles ("GAAP").

Certain Transactions Between Automotive Segment, Financial Services Segment, and All Other

Intersegment transactions occur in the ordinary course of business. Additional detail regarding certain transactions and the effect on each segment at December 31 was as follows (in billions):

	2016			2017		
	Automotive	Financial Services	All Other	Automotive	Financial Services	All Other
Trade and other receivables (a)		$ 6.1			$ 5.8	
Unearned interest supplements and residual support (b)		(5.3)			(6.1)	
Finance receivables and other (c) (d)		0.7			1.9	
Net investment in operating leases (d)		0.9			—	
Intersegment receivables/(payables)	$ (1.7)	1.7	$ —	$ (2.7)	2.8	$ (0.1)

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(a) Automotive receivables (generated primarily from vehicle and parts sales to third parties) sold to Ford Credit.
(b) Automotive segment pays amounts to Ford Credit at the point of retail financing or lease origination which represent interest supplements and residual support.
(c) Primarily receivables with entities that are consolidated subsidiaries of Ford.
(d) Sale-leaseback agreement between Automotive and Financial Services relating primarily to vehicles that we lease to our employees. Effective January 1, 2017, the financing Ford Credit provides under this agreement is reflected on our balance sheet in *Finance receivables, net.* Previously, these amounts were reflected in *Net investment in operating leases.* At December 31, 2017, these amounts are reflected in *Finance Receivables and other* described above.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

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

Foreign Currency

We remeasure monetary assets and liabilities denominated in a currency that is different than a reporting entity's functional currency from the transactional currency to the legal entity's functional currency. The effect of this remeasurement process and the results of our foreign currency hedging activities are reported in *Cost of sales* and *Financial Services other income/(loss), net* and were $(524) million, $307 million, and $307 million, for the years ended 2015, 2016, and 2017, respectively.

Generally, our foreign subsidiaries use the local currency as their functional currency. We translate the assets and liabilities of our foreign subsidiaries from their respective functional currencies to U.S. dollars using end-of-period exchange rates. Changes in the carrying value of these assets and liabilities attributable to fluctuations in exchange rates are recognized in *Foreign currency translation*, a component of *Other comprehensive income/(loss), net of tax.* Upon sale or upon complete or substantially complete liquidation of an investment in a foreign subsidiary, the amount of accumulated foreign currency translation related to the entity is reclassified to income and recognized as part of the gain or loss on the investment.

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

Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in *Other assets* in the non-current assets section of our consolidated balance sheet. Our Automotive segment restricted cash balances primarily include various escrow agreements related to legal, insurance, customs, and environmental matters. Our Financial Services segment restricted cash balances primarily include cash held to meet certain local governmental and regulatory reserve requirements and cash held under the terms of certain contractual agreements. All Other restricted cash balances primarily include cash held under the terms of certain contractual agreements. Restricted cash does not include required minimum balances or cash securing debt issued through securitization transactions. The balance at December 31, 2016 and 2017 was immaterial.

Trade Receivables

Trade and other receivables consists primarily of Automotive segment receivables from contracts with customers for the sale of vehicles, parts, and accessories. Trade receivables initially are recorded at the transaction amount and are typically outstanding for less than 30 days. Each reporting period, we evaluate the collectability of the receivables and record an allowance for doubtful accounts representing our estimate of the probable losses. Additions to the allowance for doubtful accounts are made by recording charges to bad debt expense reported in *Selling, administrative, and other expenses.*

Net Intangible Assets and Goodwill

Indefinite-lived intangible assets and goodwill are not amortized, but are tested for impairment annually or more frequently if events or circumstances indicate the assets may be impaired. Goodwill impairment testing is also performed following an allocation of goodwill to a business to be disposed. We test for impairment by assessing qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset or the reporting unit allocated the goodwill is less than its carrying amount. If the qualitative assessment indicates a possible impairment, the carrying value of the asset or reporting unit is compared with its fair value. Fair value is measured relying primarily on the income approach by applying a discounted cash flow method. For the periods presented, we have not recorded any impairments. We capitalize and amortize our finite-lived intangible assets over their estimated useful lives.

Intangible assets are comprised primarily of licensing and advertising agreements, land rights, patents, customer contracts, and technology. The net carrying amount of our intangible assets was $198 million and $213 million at December 31, 2016 and 2017, respectively.

The net carrying amount of goodwill was $50 million and $75 million at December 31, 2016 and 2017, respectively.

The carrying amount of intangible assets and goodwill is reported in *Other assets* in the non-current asset section of our consolidated balance sheet.

Long-Lived Asset Impairment

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

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

Fair Value Measurements

Cash equivalents, marketable securities, and derivative financial instruments are remeasured and presented on our financial statements on a recurring basis at fair value, while other assets and liabilities are measured at fair value on a nonrecurring basis.

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

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

Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

Valuation Method

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

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

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

Realized gains and losses and interest income on all of our marketable securities and unrealized gains and losses on securities not classified as available for sale are recorded in *Non-Financial Services interest income and other income/(loss), net* and *Financial Services other income/(loss), net*. Unrealized gains and losses on available for sale securities are recognized in *Unrealized gains and losses on securities*, a component of *Other comprehensive income/(loss), net of tax*. Realized gains and losses and reclassifications of accumulated other comprehensive income into net income are measured using the specific identification method.

On a quarterly basis, we review our available for sale securities for impairment. If we conclude that any of these investments are impaired, we determine whether such impairment is other-than-temporary. Factors we consider to make such determination include the duration and severity of the impairment, the reason for the decline in value, and the potential recovery period and our intent to sell. If any impairment is considered other-than-temporary, we will write down the asset to its fair value and record the corresponding charge in *Non-Financial Services interest income and other income/(loss), net*.

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

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

Finance Receivables. We measure finance receivables at fair value for purposes of disclosure (see Note 10) using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to present value based on assumptions regarding credit losses, pre-payment speed, and applicable spreads to approximate current rates. Our assumptions regarding pre-payment speed and credit losses are based on historical performance. The fair value of finance receivables is categorized within Level 3 of the hierarchy.

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

The fair value of collateral for retail receivables is calculated by multiplying the outstanding receivable balances by the average recovery value percentage. The fair value of collateral for dealer loans is determined by reviewing various appraisals, which include total adjusted appraised value of land and improvements, alternate use appraised value, broker's opinion of value, and purchase offers.

Debt. We measure debt at fair value for purposes of disclosure (see Note 18) using quoted prices for our own debt with approximately the same remaining maturities. Where quoted prices are not available, we estimate fair value using discounted cash flows and market-based expectations for interest rates, credit risk, and the contractual terms of the debt instruments. For certain short-term debt with an original maturity date of one year or less, we assume that book value is a reasonable approximation of the debt's fair value. The fair value of debt is categorized within Level 2 of the hierarchy.

Employee Separation Actions and Exit and Disposal Activities

We record costs associated with voluntary separations at the time of employee acceptance, unless the acceptance requires explicit approval by the Company. We record costs associated with involuntary separation programs when management has approved the plan for separation, the affected employees are identified, and it is unlikely that actions required to complete the separation plan will change significantly. When a plan of separation requires approval by or consultation with the relevant labor organization or government, the costs are recorded after the required approval or consultation process is complete. Costs associated with benefits that are contingent on the employee continuing to provide service are accrued over the required service period.

Additionally, under certain labor agreements, we are required to pay transitional benefits to our employees who are idled. For employees who are temporarily idled, we expense the benefits on an as-incurred basis. For employees who are permanently idled, we expense all of the expected future benefit payments in the period when it is probable that the employees will be permanently idled. Our accrual for these future benefit payments to permanently idled employees takes into account several factors: the demographics of the population at each affected facility, redeployment alternatives, estimate of benefits to be paid, and recent experience relative to voluntary redeployments.

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

Finance and Lease Incentives

We offer special financing and lease incentives to customers who choose to finance or lease Ford or Lincoln vehicles with Ford Credit. The cost for these incentives is included in our estimate of variable consideration when the vehicle is sold to the dealer. Ford Credit records a reduction to the finance receivable or reduces the cost of the vehicle operating lease when it records the underlying finance contract and we transfer to it the amount of the incentive on behalf of the dealer's customer. See Note 1 for additional information regarding transactions between Automotive and Financial Services. The Financial Services segment recognized interest revenue of $1.3 billion, $1.6 billion, and $2 billion in 2015, 2016, and 2017, respectively, and lower depreciation of $1.5 billion, $1.9 billion, and $2.1 billion in 2015, 2016, and 2017, respectively, associated with these incentives.

Supplier Price Adjustments

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

Government Incentives

We receive incentives from U.S. and non-U.S. governmental entities in the form of tax rebates or credits, grants, and loans. Government incentives are recorded in the financial statements in accordance with their purpose, either as a reduction of expense, a reduction of the cost of the capital investment, or other income. The benefit is recorded when all conditions attached to the incentive have been met and there is reasonable assurance of receipt.

Selected Other Costs

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

	2015	2016	2017
Engineering, research, and development	$ 6.7	$ 7.3	$ 8.0
Advertising	4.3	4.3	4.1

NOTE 3. NEW ACCOUNTING STANDARDS

Adoption of New Accounting Standards

Accounting Standards Update ("ASU") 2016-09, Stock Compensation - Improvements to Employee Share-Based Payment Accounting. On January 1, 2017, we adopted the amendments to accounting standards codification ("ASC") 718 which simplify accounting for share-based payment transactions. Prior to this amendment, excess tax benefits resulting from the difference between the deduction for tax purposes and the compensation costs recognized for financial reporting were not recognized until the deduction reduced taxes payable. Under the new method, we will recognize excess tax benefits in the current accounting period. In addition, prior to January 1, 2017, the employee share-based compensation expense was recorded net of estimated forfeiture rates and subsequently adjusted at the vesting date, as appropriate. As part of the amendment, we have elected to recognize the actual forfeitures by reducing the employee share-based compensation expense in the same period as the forfeitures occur. We have adopted these changes in accounting method using the modified retrospective method by recognizing one-time adjustments to retained earnings for excess tax benefits previously unrecognized and the change in accounting for forfeited awards.

ASU 2014-09, Revenue - Revenue from Contracts with Customers. On January 1, 2017, we adopted the new accounting standard ASC 606, Revenue from Contracts with Customers and all the related amendments ("new revenue standard") to all contracts using the modified retrospective method. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We do not expect the adoption of the new revenue standard to have a material impact to our net income on an ongoing basis.

A majority of our sales revenue continues to be recognized when products are shipped from our manufacturing facilities. For certain vehicle sales where revenue was previously deferred, such as vehicles subject to a guaranteed resale value recognized as a lease and transactions in which a Ford-owned entity delivered vehicles, we now recognize revenue when vehicles are shipped in accordance with the new revenue standard.

The new revenue standard also provided additional clarity that resulted in reclassifications to or from *Revenue*, *Cost of sales*, and *Financial Services other income/(loss), net*.

The cumulative effect of the changes made to our consolidated January 1, 2017 balance sheet for the adoption of *ASU 2016-09, Stock Compensation - Improvements to Employee Share-Based Payment Accounting* and *ASU 2014-09, Revenue - Revenue from Contracts with Customers* were as follows (in millions):

	Balance at December 31, 2016	Adjustments Due to ASU 2016-09	Adjustments Due to ASU 2014-09	Balance at January 1, 2017
Balance sheet				
Assets				
Trade and other receivables	$ 11,102	$ —	$ (17)	$ 11,085
Inventories	8,898	—	(9)	8,889
Other assets, current	3,368	—	307	3,675
Net investment in operating leases	28,829	—	(1,078)	27,751
Deferred income taxes	9,705	536	(13)	10,228
Liabilities				
Payables	21,296	—	262	21,558
Other liabilities and deferred revenue, current	19,316	—	(1,429)	17,887
Automotive debt payable within one year	2,685	—	326	3,011
Other liabilities and deferred revenue, non-current	24,395	—	(5)	24,390
Equity				
Capital in excess of par value of stock	21,630	6	—	21,636
Retained earnings	15,634	530	36	16,200

NOTE 3. NEW ACCOUNTING STANDARDS *(Continued)*

As part of ASU 2016-09, we retrospectively reclassified cash paid to taxing authorities related to shares withheld for tax purposes from operating activities to financing activities on our consolidated statement of cash flows. Cash paid to taxing authorities related to shares withheld for tax purposes was $56 million, $58 million, and $57 million, for the years ended 2015, 2016, and 2017, respectively. This standard did not have a material impact on our 2017 consolidated income statement or December 31, 2017 consolidated balance sheet.

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated income statement and balance sheet was as follows (in millions):

	For the Year Ended December 31, 2017		
	As Reported	**Balances Without Adoption of ASC 606**	**Effect of Change** Higher/(Lower)
Income statement			
Revenues			
Automotive	$ 145,653	$ 145,163	$ 490
Financial Services	11,113	10,736	377
Costs and expenses			
Cost of sales	131,332	130,994	338
Interest expense on Automotive debt	1,133	1,061	72
Non-Financial Services other income/(loss), net	3,060	3,148	(88)
Financial Services other income/(loss), net	207	584	(377)
Provision for/(Benefit from) income taxes	520	527	(7)
Net income	7,628	7,629	(1)

	December 31, 2017		
	As Reported	**Balances Without Adoption of ASC 606**	**Effect of Change** Higher/(Lower)
Balance sheet			
Assets			
Trade and other receivables	$ 10,599	$ 10,642	$ (43)
Other assets, current	3,889	3,538	351
Net investment in operating leases	28,235	29,021	(786)
Deferred income taxes	10,973	10,979	(6)
Liabilities			
Payables	23,282	22,999	283
Other liabilities and deferred revenue, current	19,697	20,879	(1,182)
Automotive debt payable within one year	3,356	2,971	385
Other liabilities and deferred revenue, non-current	24,711	24,716	(5)
Deferred income taxes	815	815	—
Equity			
Retained earnings	21,218	21,183	35

NOTE 3. NEW ACCOUNTING STANDARDS *(Continued)*

ASU 2017-07, Retirement Benefits - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. On January 1, 2017, we adopted the amendments to ASC 715 that improve the presentation of net periodic pension and postretirement benefit costs. We retrospectively adopted the presentation of service cost separate from the other components of net periodic costs. The interest cost, expected return on assets, amortization of prior service costs, net remeasurement, and other costs have been reclassified from *Cost of sales* and *Selling, administrative, and other expenses* to *Non-Financial Services other income/(loss), net.* We elected to apply the practical expedient which allows us to reclassify amounts disclosed previously in the retirement benefits note as the basis for applying retrospective presentation for comparative periods as it is impracticable to determine the disaggregation of the cost components for amounts capitalized and amortized in those periods. On a prospective basis, the other components of net periodic benefit costs will not be included in amounts capitalized in inventory or property, plant, and equipment.

The effect of the retrospective presentation change related to the net periodic cost of our defined benefit pension and other postretirement employee benefits ("OPEB") plans on our consolidated income statement was as follows (in millions):

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2016		
	As Revised	**Previously Reported**	**Effect of Change** Higher/ (Lower)	**As Revised**	**Previously Reported**	**Effect of Change** Higher/ (Lower)
Income statement						
Cost of sales	$ 124,446	$ 124,041	$ 405	$ 126,183	$ 126,584	$ (401)
Selling, administrative, and other expenses	10,763	10,502	261	10,972	12,196	(1,224)
Non-Financial Services other income/(loss), net	1,854	1,188	666	(269)	1,356	(1,625)

We also adopted the following standards during 2017, none of which had a material impact to our financial statements or financial statement disclosures:

Standard		Effective Date
2017-05	Gains and Losses from the Derecognition of Nonfinancial Assets - Clarifying the Scope of Asset Derecognition Guidance	January 1, 2017
2017-04	Goodwill and Other - Simplifying the Test for Goodwill Impairment	January 1, 2017
2017-03	Accounting Changes and Error Corrections and Investments - Equity Method and Joint Ventures	January 1, 2017
2017-01	Business Combinations - Clarifying the Definition of a Business	January 1, 2017
2016-17	Consolidation - Interests Held through Related Parties That Are under Common Control	January 1, 2017
2016-07	Equity Method and Joint Ventures - Simplifying the Transition to the Equity Method of Accounting	January 1, 2017
2016-06	Derivatives and Hedging - Contingent Put and Call Options in Debt Instruments	January 1, 2017
2016-05	Derivatives and Hedging - Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships	January 1, 2017
2016-04	Extinguishments of Liabilities - Recognition of Breakage for Certain Prepaid Stored-Value Products	January 1, 2017
2017-09	Stock Compensation - Scope of Modification Accounting	April 1, 2017

Accounting Standards Issued But Not Yet Adopted

The following represent the standards that will, or are expected to, result in a significant change in practice and/or have a significant financial impact to Ford.

ASU 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments. In June 2016, the Financial Accounting Standards Board ("FASB") issued a new accounting standard which replaces the current incurred loss impairment method with a method that reflects expected credit losses. The new standard is effective as of January 1, 2020, and early adoption is permitted as of January 1, 2019. We will adopt the new credit loss guidance by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of *Retained earnings*. We anticipate adoption will increase the amount of expected credit losses reported in *Financial Services finance receivables, net* on our consolidated balance sheet and do not expect a material impact to our income statement.

NOTE 3. NEW ACCOUNTING STANDARDS *(Continued)*

ASU 2016-02, Leases. In February 2016, the FASB issued a new accounting standard which provides guidance on the recognition, measurement, presentation, and disclosure of leases. The new standard supersedes the present U.S. GAAP standard on leases and requires substantially all leases to be reported on the balance sheet as right-of-use assets and lease obligations. We plan to adopt the new standard on its effective date of January 1, 2019. We anticipate adoption of the standard will add between $1.5 billion and $2 billion in right-of-use assets and lease obligations to our balance sheet and will not significantly impact pre-tax profit. We plan to elect the practical expedients upon transition that will retain the lease classification and initial direct costs for any leases that exist prior to adoption of the standard. We will not reassess whether any contracts entered into prior to adoption are leases. We are in the process of cataloging our existing lease contracts and implementing changes to our systems.

ASU 2017-12, Derivatives and Hedging. In August 2017, the FASB issued a new accounting standard which aligns hedge accounting with risk management activities and simplifies the requirement to qualify for hedge accounting. We will adopt the new standard effective January 1, 2018. Adoption will require additional financial statement disclosures and may enable us to expand our risk management strategies.

ASU 2016-01, Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities. In January 2016, the FASB issued a new accounting standard that amends various aspects of the recognition, measurement, presentation, and disclosure of financial instruments. The new standard is effective January 1, 2018. The most significant impact to our consolidated financial statements will relate to the recognition of the change in fair value of our equity investments without readily determinable values (often referred to as cost method investments). The fair value of these investments will change when there is a change in the observable price for similar investments.

NOTE 4. REVENUE

The following table disaggregates our revenue by major source for the period ended December 31, 2017 (in millions):

	Automotive	Financial Services	All Other	Consolidated
Vehicles, parts, and accessories	$ 140,171	$ —	$ —	$ 140,171
Used vehicles	2,956	—	—	2,956
Extended service contracts	1,236	—	—	1,236
Other revenue (a)	815	219	10	1,044
Revenues from sales and services	145,178	219	10	145,407
Leasing income	475	5,552	—	6,027
Financing income	—	5,184	—	5,184
Insurance income	—	158	—	158
Total revenues	$ 145,653	$ 11,113	$ 10	$ 156,776

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(a) Primarily includes commissions and vehicle-related design and testing services.

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; generally this occurs with the transfer of control of our vehicles, parts, accessories, or services. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The expected costs associated with our base warranties and field service actions continue to be recognized as expense when the products are sold (see Note 23). We recognize revenue for vehicle service contracts that extend mechanical and maintenance coverages beyond our base warranties over the life of the contract. We do not have any material significant payment terms as payment is received at or shortly after the point of sale.

NOTE 4. REVENUE *(Continued)*

Automotive Segment

Vehicles, Parts, and Accessories. For the majority of vehicles, parts, and accessories, we transfer control and recognize a sale when we ship the product from our manufacturing facility to our customer (dealers and distributors). We receive cash equal to the invoice price for most vehicle sales at the time of wholesale. When the vehicle sale is financed by our wholly-owned subsidiary Ford Credit, the dealer pays Ford Credit when it sells the vehicle to the retail customer (see Note 10). Payment terms on part sales to dealers, distributors, and retailers range from 30 to 120 days. The amount of consideration we receive and revenue we recognize varies with changes in marketing incentives and returns we offer to our customers and their customers. When we give our dealers the right to return eligible parts and accessories, we estimate the expected returns based on an analysis of historical experience. We adjust our estimate of revenue at the earlier of when the most likely amount of consideration we expect to receive changes or when the consideration becomes fixed. During 2017, we recognized a decrease to revenue of $372 million related to sales recognized in 2016.

Depending on the terms of the arrangement, we may also defer the recognition of a portion of the consideration received because we have to satisfy a future obligation (e.g., free extended service contracts). We use an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. We have elected to recognize the cost for freight and shipping when control over vehicles, parts, or accessories have transferred to the customer as an expense in *Cost of sales*.

We sell vehicles to daily rental companies and guarantee that we will pay them the difference between an agreed amount and the value they are able to realize upon resale. At the time of transfer of vehicles to the daily rental companies, we record the probable amount we will pay under the guarantee to *Other liabilities and deferred revenue.*

Used Vehicles. We sell used vehicles both at auction and through our consolidated dealerships. Proceeds from the sale of these vehicles are recognized in *Automotive revenues* upon transfer of control of the vehicle to the customer and the related vehicle carrying value is recognized in *Cost of sales*.

Extended Service Contracts. We sell separately-priced service contracts that extend mechanical and maintenance coverages beyond our base warranty agreements to vehicle owners. The separately priced service contracts range from 12 to 120 months. We receive payment at the inception of the contract and recognize revenue over the term of the agreement in proportion to the costs expected to be incurred in satisfying the obligations under the contract. At January 1, 2017, $3.5 billion of unearned revenue associated with outstanding contracts was reported in *Other Liabilities and deferred revenue,* $1 billion of this was recognized as revenue during the year ended December 31, 2017. At December 31, 2017, the unearned amount was $3.8 billion. We expect to recognize approximately $1.1 billion of the unearned amount in 2018, $1 billion in 2019, and $1.7 billion thereafter. We record a premium deficiency reserve to the extent we estimate the future costs associated with these contracts exceed the unrecognized revenue. Amounts paid to dealers to obtain these contracts are deferred and recorded as *Other assets*. These costs are amortized to expense consistent with how the related revenue is recognized. We had a balance of $232 million in deferred costs as of December 31, 2017, and recognized $63 million of amortization during the year ended December 31, 2017.

Other Revenue. Other revenue consists primarily of net commissions received for serving as the agent in facilitating the sale of a third party's products or services to our customers and payments for vehicle-related design and testing services we perform for others. We have applied the practical expedient to recognize *Automotive revenues* for vehicle-related design and testing services over the two to three year term of these agreements in proportion to the amount we have the right to invoice.

Leasing Income. We sell vehicles to daily rental companies with an obligation to repurchase the vehicles for a guaranteed amount, exercisable at the option of the customer. The transactions are accounted for as operating leases. Upon the transfer of vehicles to the daily rental companies, we record proceeds received in *Other liabilities and deferred revenue.* The difference between the proceeds received and the guaranteed repurchase amount is recorded in *Automotive revenues* over the term of the lease using a straight-line method. The cost of the vehicle is recorded in *Net investment in operating leases* on our consolidated balance sheet and the difference between the cost of the vehicle and the estimated auction value is depreciated in *Cost of sales* over the term of the lease.

NOTE 4. REVENUE *(Continued)*

Financial Services Segment

Leasing Income. Ford Credit offers leasing plans to retail consumers through Ford and Lincoln dealers who originate the leases. Upon the purchase of a lease from the dealer, Ford Credit takes ownership of the vehicle and records an operating lease. The retail consumer makes lease payments representing the difference between Ford Credit's purchase price of the vehicle and the contractual residual value of the vehicle, plus lease fees that we recognize on a straight-line basis over the term of the lease agreement. Depreciation and the gain or loss upon disposition of the vehicle is recorded in *Financial Services interest, operating, and other expenses*.

Financing Income. Ford Credit originates and purchases finance installment contracts. Financing income represents interest earned on the finance receivables (including direct financing leases). Interest is recognized using the interest method, and includes the amortization of certain direct origination costs.

Insurance Income. Income from insurance contracts is recognized evenly over the term of the agreement. Insurance commission revenue is recognized on a net basis at the time of sale of the third party's product or service to our customer.

NOTE 5. OTHER INCOME/(LOSS)

Non-Financial Services

The amounts included in *Non-Financial Services other income/(loss), net* for the years ended December 31 were as follows (in millions):

	2015	2016	2017
Net periodic pension and OPEB income/(cost), excluding service cost	$ 666	$ (1,625)	$ 1,757
Investment-related interest income	233	217	346
Interest income/(expense) on income taxes	—	(5)	(3)
Realized and unrealized gains/(losses) on cash equivalents and marketable securities	46	(9)	(22)
Gains/(Losses) on changes in investments in affiliates	42	139	7
Gains/(Losses) on extinguishment of debt	1	—	—
Royalty income	666	714	678
Other	200	300	297
Total	$ 1,854	$ (269)	$ 3,060

Financial Services

The amounts included in *Financial Services other income/(loss), net* for the years ended December 31 were as follows (in millions):

	2015	2016	2017
Investment-related interest income	$ 76	$ 74	$ 113
Interest income/(expense) on income taxes	3	8	5
Insurance premiums earned	133	156	—
Other	160	200	89
Total	$ 372	$ 438	$ 207

NOTE 6. SHARE-BASED EMPLOYEE COMPENSATION

We issue to our employees restricted stock units ("RSUs"), which consist of time-based and performance-based awards. RSUs provide the recipients with the right to shares of Common Stock following a specified performance period and/or vesting period. Time-based awards generally have a vesting feature whereby one-third of each grant of RSUs vests after the first anniversary of the grant date, one-third after the second anniversary, and one-third after the third anniversary. Performance-based RSUs vest at the end of the specified performance period, generally three years, assuming required metrics are met. Performance-based RSUs have two components: one based on Ford's internal financial performance metrics, and the other based on Ford's total shareholder return relative to total shareholder returns of an industrial and automotive peer group. We issue new shares of Common Stock upon vesting of RSUs. At the time of vest, RSU awards are net settled (shares are withheld to cover the employee tax obligation).

The fair value of both the time-based and the portion of the performance-based RSUs pertaining to internal performance metrics is determined using the closing price of our Common Stock. The fair value of time-based RSUs is expensed over the shorter of the vesting period, using the graded vesting method, or the time period an employee becomes eligible to retain the award at retirement. The fair value of performance-based RSUs is expensed when it is probable and estimable as measured against the performance metrics over the shorter of the performance or required service periods. We have elected to recognize forfeitures as an adjustment to compensation expense for all RSUs in the same period as the forfeitures occur. Expense is recorded in *Selling, administrative, and other expenses*.

Share-based compensation awards outstanding at December 31, 2017 consist of awards granted to employees under two Long-Term Incentive Plans ("LTIP"): the 1998 LTIP and the 2008 LTIP. No further grants may be made under the 1998 LTIP. Under the 2008 LTIP, the number of shares that may be granted in any year is limited to 2% of our issued and outstanding Common Stock as of December 31 of the prior calendar year. Any unused portion is available for awards in later years. The limit may be increased up to 3% in any year, with a corresponding reduction in shares available for grants in future years. At December 31, 2017, the number of unused shares carried forward was 480 million shares.

The performance-based RSUs granted in March 2016 and 2017 include a relative Total Shareholder Return ("TSR") metric. We estimate the fair value of the TSR component of the performance-based RSUs using a Monte Carlo simulation. Inputs and assumptions used to calculate the fair value at grant date were as follows:

	2016	2017
Fair value per stock award	$ 15.56	$ 12.44
Grant date stock price	13.54	12.66
Assumptions:		
Ford's stock price expected volatility (a)	23.1%	23.4%
Expected average volatility of peer companies (a)	26.4%	26.0%
Risk-free interest rate	0.98%	1.57%
Dividend yield	4.43%	4.74%

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(a) Expected volatility based on three years of daily closing share price changes ending on the grant date.

During 2017, activity for RSUs was as follows (in millions, except for weighted average fair value):

	Shares	Weighted-Average Fair Value
Outstanding, beginning of year	33.4	$ 14.49
Granted	23.8	12.37
Vested	(11.8)	14.87
Forfeited	(1.0)	13.11
Outstanding, end of year	44.4	13.32
RSUs expected to vest	44.4	N/A

The table above also includes shares awarded to non-employee directors. At December 31, 2017, there were 455,996 shares vested, but unissued.

NOTE 6. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Additional information about RSUs for the years ended December 31 was as follows (in millions, except for weighted average fair value):

	2015	2016	2017
Fair value of vested shares	$ 126	$ 157	$ 175
Weighted average grant fair value (per unit)	15.86	13.54	12.37
Compensation cost (a)	125	135	193

(a) Net of tax benefit of $65 million, $72 million, and $52 million in 2015, 2016, and 2017, respectively.

As of December 31, 2017, there was approximately $113 million in unrecognized compensation cost related to non-vested RSUs. This expense will be recognized over a weighted average period of 1.9 years.

Stock Options

As of December 31, 2017, all of our outstanding stock options are fully vested. The last of our outstanding stock options will expire in July 2024, if not exercised sooner. We measure the fair value of our stock options using the Black-Scholes option-pricing model and record expense in *Selling, administrative, and other expenses*.

For the years ended December 31, 2016 and 2017, stock options outstanding were 35.5 million and 31.7 million, respectively, and stock options exercisable were 33.4 million and 31.7 million, respectively. For the year ended December 31, 2017, the intrinsic value for vested stock options was $50.1 million. The average remaining term for fully vested stock options was 3.8 years. We received approximately $16.9 million in proceeds from the exercise of stock options in 2017. An equivalent of approximately $42.3 million in new issues was used to settle exercised stock options.

NOTE 7. INCOME TAXES

We recognize income tax-related penalties in the *Provision for/(Benefit from) income taxes* on our consolidated income statement. We recognize income tax-related interest income and interest expense in *Non-Financial Services interest income and other income/(loss), net* and *Financial Services other income/(loss), net* on our consolidated income statement.

Valuation of Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards on a taxing jurisdiction basis. We measure deferred tax assets and liabilities using enacted tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid.

Our accounting for deferred tax consequences represents our best estimate of the likely future tax consequences of events that have been recognized on our financial statements or tax returns and their future probability. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. If, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized, we record a valuation allowance.

NOTE 7. INCOME TAXES *(Continued)*

Components of Income Taxes

Components of income taxes excluding cumulative effects of changes in accounting principles, other comprehensive income, and equity in net results of affiliated companies accounted for after-tax, for the years ended December 31 were as follows:

	2015	2016	2017
Income before income taxes (in millions)			
U.S.	$ 5,374	$ 5,266	$ 4,850
Non-U.S.	4,878	1,530	3,298
Total	$ 10,252	$ 6,796	$ 8,148
Provision for/(Benefit from) income taxes (in millions)			
Current			
Federal	$ 75	$ (122)	$ (125)
Non-U.S.	572	630	868
State and local	17	12	85
Total current	664	520	828
Deferred			
Federal	1,494	1,323	(1,096)
Non-U.S.	472	121	593
State and local	251	225	195
Total deferred	2,217	1,669	(308)
Total	$ 2,881	$ 2,189	$ 520
Reconciliation of effective tax rate			
U.S. statutory rate	35.0%	35.0%	35.0%
Non-U.S. tax rates under U.S. rates	(2.7)	(1.0)	(4.9)
State and local income taxes	1.7	2.3	2.2
General business credits	(3.0)	(3.1)	(3.6)
Dispositions and restructurings	0.4	7.4	(11.7)
U.S. tax on non-U.S. earnings	(3.0)	(5.6)	(7.0)
Prior year settlements and claims	(0.4)	—	(0.2)
Tax-exempt income	(2.0)	(0.9)	—
Enacted change in tax laws	0.1	(4.2)	(6.7)
Valuation allowances	3.6	2.7	5.6
Other	(1.6)	(0.4)	(2.3)
Effective rate	28.1%	32.2%	6.4%

On December 22, 2017, the Tax Cuts and Jobs Act (H.R. 1) was signed into law. This act includes, among other items, a permanent reduction to the U.S. corporate income tax rate from 35% to 21% effective January 1, 2018, and requires immediate taxation of accumulated, unremitted non-U.S. earnings. As a result, at December 31, 2017, we recognized a tax benefit of $617 million from revaluing U.S. net deferred tax liabilities and tax expense of $219 million to record U.S. tax on unremitted non-U.S. earnings.

Our 2016 tax provision includes a $300 million benefit for the recognition of deferred taxes resulting from a 2016 change in U.S. tax law related to the taxation of foreign currency gains and losses for our non-U.S. branch operations.

At December 31, 2017, $5.9 billion of non-U.S. earnings are considered indefinitely reinvested in operations outside the United States, for which deferred taxes have not been provided. Repatriation of these earnings in their entirety would result in incremental tax liability of about $100 million.

NOTE 7. INCOME TAXES *(Continued)*

Components of Deferred Tax Assets and Liabilities

The components of deferred tax assets and liabilities at December 31 were as follows (in millions):

	2016	2017
Deferred tax assets		
Employee benefit plans	$ 6,870	$ 5,293
Net operating loss carryforwards	1,764	2,235
Tax credit carryforwards	5,860	9,122
Research expenditures	1,469	577
Dealer and dealers' customer allowances and claims	2,500	1,442
Other foreign deferred tax assets	28	430
All other	2,289	1,591
Total gross deferred tax assets	20,780	20,690
Less: valuation allowances	(909)	(1,492)
Total net deferred tax assets	19,871	19,198
Deferred tax liabilities		
Leasing transactions	4,523	4,049
Deferred income	807	253
Depreciation and amortization (excluding leasing transactions)	3,175	2,646
Finance receivables	593	523
Other foreign deferred tax liabilities	371	842
All other	1,388	727
Total deferred tax liabilities	10,857	9,040
Net deferred tax assets/(liabilities)	$ 9,014	$ 10,158

At December 31, 2017, we have a valuation allowance of $1.5 billion primarily related to deferred tax assets in various non-U.S. operations.

Deferred tax assets for net operating losses and other temporary differences related to certain non-U.S. operations have not been recorded as a result of elections to tax these operations simultaneously in U.S. tax returns. Reversal of these elections would result in the recognition of $8.3 billion of deferred tax assets, subject to valuation allowance testing.

Operating loss carryforwards for tax purposes were $6.1 billion at December 31, 2017, resulting in a deferred tax asset of $2.2 billion. There is no expiration date for $4.5 billion of these losses. A substantial portion of the remaining losses will expire beyond 2021. Tax credits available to offset future tax liabilities are $9.1 billion. A substantial portion of these credits have a remaining carryforward period of five years or more. Tax benefits of operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and available tax planning strategies.

NOTE 7. INCOME TAXES *(Continued)*

Other

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31 were as follows (in millions):

	2016	2017
Beginning balance	$ 1,601	$ 1,586
Increase – tax positions in prior periods	12	716
Increase – tax positions in current period	69	44
Decrease – tax positions in prior periods	(67)	(22)
Settlements	(23)	(263)
Lapse of statute of limitations	(3)	(10)
Foreign currency translation adjustment	(3)	12
Ending balance	$ 1,586	$ 2,063

The amount of unrecognized tax benefits that would affect the effective tax rate if recognized were $1.5 billion and $2 billion at December 31, 2016 and 2017, respectively.

Examinations by tax authorities have been completed through 2004 in Germany, 2008 in Canada, 2011 in the United States, and 2014 in China and the United Kingdom. Although examinations have been completed in these jurisdictions, limited transfer pricing disputes exist for years dating back to 2005.

Net interest income on income taxes was $3 million, $3 million, and $2 million for the years ended December 31, 2015, 2016, and 2017, respectively. These were reported in *Non-Financial Services other income/(loss), net* and *Financial Services other income/(loss), net* in our consolidated income statement. Net payables for tax related interest were $67 million and $70 million as of December 31, 2016 and 2017, respectively.

We paid income taxes of $585 million, $740 million, and $586 million in 2015, 2016, and 2017, respectively.

NOTE 8. CAPITAL STOCK AND EARNINGS PER SHARE

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

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

We present both basic and diluted earnings per share (“EPS”) amounts in our financial reporting. Basic EPS excludes dilution and is computed by dividing income available to Common and Class B Stock holders by the weighted-average number of Common and Class B Stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur from our share-based compensation, including “in-the-money” stock options and unvested RSUs. Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

NOTE 8. CAPITAL STOCK AND EARNINGS PER SHARE *(Continued)*

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

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

	2015	2016	2017
Basic and Diluted Income Attributable to Ford Motor Company			
Basic income	$ 7,373	$ 4,596	$ 7,602
Diluted income	7,373	4,596	7,602
Basic and Diluted Shares			
Basic shares (average shares outstanding)	3,969	3,973	3,975
Net dilutive options and unvested restricted stock units	33	26	23
Diluted shares	4,002	3,999	3,998

NOTE 9. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES

The fair values of cash, cash equivalents, and marketable securities measured at fair value on a recurring basis on our balance sheet were as follows (in millions):

		December 31, 2016			
	Fair Value Level	Automotive	Financial Services	All Other	Consolidated
Cash and cash equivalents					
U.S. government	1	$ 888	$ 924	$ —	$ 1,812
U.S. government agencies	2	—	—	—	—
Non-U.S. government and agencies	2	200	142	—	342
Corporate debt	2	100	—	—	100
Total marketable securities classified as cash equivalents		1,188	1,066	—	2,254
Cash, time deposits, and money market funds		6,632	7,011	8	13,651
Total cash and cash equivalents		$ 7,820	$ 8,077	$ 8	$ 15,905
Marketable securities					
U.S. government	1	$ 8,099	$ 1,634	$ —	$ 9,733
U.S. government agencies	2	2,244	505	—	2,749
Non-U.S. government and agencies	2	4,751	632	—	5,383
Corporate debt	2	4,329	475	—	4,804
Equities	1	165	—	—	165
Other marketable securities	2	54	34	—	88
Total marketable securities		$ 19,642	$ 3,280	$ —	$ 22,922

		December 31, 2017			
	Fair Value Level	Automotive	Financial Services	All Other	Consolidated
Cash and cash equivalents					
U.S. government	1	$ 913	$ —	$ —	$ 913
U.S. government agencies	2	433	300	—	733
Non-U.S. government and agencies	2	—	703	—	703
Corporate debt	2	55	25	—	80
Total marketable securities classified as cash equivalents		1,401	1,028	—	2,429
Cash, time deposits, and money market funds		7,529	8,530	4	16,063
Total cash and cash equivalents		$ 8,930	$ 9,558	$ 4	$ 18,492
Marketable securities					
U.S. government	1	$ 5,580	$ 966	$ —	$ 6,546
U.S. government agencies	2	2,484	384	—	2,868
Non-U.S. government and agencies	2	5,270	660	—	5,930
Corporate debt	2	4,031	848	—	4,879
Equities	1	138	—	—	138
Other marketable securities	2	51	23	—	74
Total marketable securities		$ 17,554	$ 2,881	$ —	$ 20,435

NOTE 9. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES *(Continued)*

The cash equivalents and marketable securities accounted for as available-for-sale ("AFS") securities on our balance sheet were as follows (in millions):

	December 31, 2016						
					Fair Value of Securities with Contractual Maturities		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Within 1 Year	After 1 Year through 5 Years	After 5 Years through 10 Years
Automotive							
U.S. government	$ 3,703	$ 2	$ (14)	$ 3,691	$ 727	$ 2,776	$ 188
U.S. government agencies	308	—	(2)	306	—	306	—
Non-U.S. government and agencies	1,443	1	(11)	1,433	148	1,285	—
Corporate debt	1,079	—	—	1,079	1,031	48	—
Other marketable securities	—	—	—	—	—	—	—
Total	$ 6,533	$ 3	$ (27)	$ 6,509	$ 1,906	$ 4,415	$ 188

	December 31, 2017						
					Fair Value of Securities with Contractual Maturities		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Within 1 Year	After 1 Year through 5 Years	After 5 Years through 10 Years
Automotive							
U.S. government	$ 3,669	$ —	$ (18)	$ 3,651	$ 1,377	$ 2,274	$ —
U.S. government agencies	1,915	—	(15)	1,900	265	1,620	15
Non-U.S. government and agencies	4,021	—	(28)	3,993	197	3,771	25
Corporate debt	1,716	1	(8)	1,709	194	1,509	6
Other marketable securities	17	—	—	17	—	16	1
Total	$ 11,338	$ 1	$ (69)	$ 11,270	$ 2,033	$ 9,190	$ 47

Sales proceeds and gross realized gains/(losses) from the sale of AFS securities prior to maturity, recorded in the income statement for the years ended December 31 were as follows (in millions):

	2015	2016	2017
Automotive			
Sales proceeds	$ 1	$ 69	$ 3,315
Gross realized gains	—	1	3
Gross realized losses	—	—	(8)

NOTE 9. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES *(Continued)*

The present fair values and gross unrealized losses for cash equivalents and marketable securities accounted for as AFS securities that were in an unrealized loss position, aggregated by investment category and the length of time that individual securities have been in a continuous loss position were as follows (in millions):

	December 31, 2016					
	Less than 1 year		1 Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Automotive						
U.S. government	$ 1,474	$ (14)	$ —	$ —	$ 1,474	$ (14)
U.S. government agencies	261	(2)	—	—	261	(2)
Non-U.S. government and agencies	1,137	(11)	—	—	1,137	(11)
Corporate debt	—	—	—	—	—	—
Total	$ 2,872	$ (27)	$ —	$ —	$ 2,872	$ (27)

	December 31, 2017					
	Less than 1 year		1 Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Automotive						
U.S. government	$ 2,382	$ (9)	$ 903	$ (9)	$ 3,285	$ (18)
U.S. government agencies	1,625	(12)	260	(3)	1,885	(15)
Non-U.S. government and agencies	3,148	(20)	510	(8)	3,658	(28)
Corporate debt	1,396	(8)	—	—	1,396	(8)
Total	$ 8,551	$ (49)	$ 1,673	$ (20)	$ 10,224	$ (69)

We determine other-than-temporary impairments on cash equivalents and marketable securities using a specific identification method. During the years ended December 31, 2016 and 2017, we did not recognize any other-than-temporary impairment loss.

Other Securities

Investments in entities that we do not control and over which we do not have the ability to exercise significant influence are recorded at cost and reported in *Other assets* in the non-current assets section of our consolidated balance sheet. These cost method investments were $219 million and $363 million at December 31, 2016 and 2017, respectively.

NOTE 10. FINANCIAL SERVICES FINANCE RECEIVABLES

Our Financial Services segment, primarily Ford Credit, manages finance receivables as "consumer" and "non-consumer" portfolios. The receivables are generally secured by the vehicles, inventory, or other property being financed.

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

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

Non-Consumer Portfolio. Receivables in this portfolio include products offered to automotive dealers. Dealer financing includes wholesale loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing, as well as loans to dealers to finance working capital and improvements to dealership facilities, finance the purchase of dealership real estate, and finance other dealer programs. Wholesale financing is approximately 92% of our dealer financing.

Finance receivables, net at December 31 were as follows (in millions):

	2016	2017
Consumer		
Retail financing, gross	$ 68,121	$ 78,331
Unearned interest supplements	(2,783)	(3,280)
Consumer finance receivables	65,338	75,051
Non-Consumer		
Dealer financing	31,336	33,938
Non-Consumer finance receivables	31,336	33,938
Total recorded investment	$ 96,674	$ 108,989
Recorded investment in finance receivables	$ 96,674	$ 108,989
Allowance for credit losses	(484)	(597)
Finance receivables, net	$ 96,190	$ 108,392
Current portion	$ 46,266	$ 52,210
Non-current portion	49,924	56,182
Finance receivables, net	$ 96,190	$ 108,392
Net finance receivables subject to fair value (a)	$ 94,066	$ 105,106
Fair value	94,785	104,521

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(a) At December 31, 2016 and 2017, *Finance receivables, net* includes $2.1 billion and $3.3 billion, respectively, of direct financing leases that are not subject to fair value disclosure requirements. The fair value of finance receivables is categorized within Level 3 of the fair value hierarchy.

Excluded from finance receivables at December 31, 2016 and 2017, was $223 million and $240 million, respectively, of accrued uncollected interest, which is reported as *Other assets* in the current assets section of our consolidated balance sheet.

NOTE 10. FINANCIAL SERVICES FINANCE RECEIVABLES *(Continued)*

Included in the recorded investment in finance receivables at December 31, 2016 and 2017 were consumer receivables of $32.5 billion and $38.9 billion, respectively, and non-consumer receivables of $26 billion and $24.5 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be reported in our consolidated financial statements. The receivables are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay the other obligations or the claims of Ford Credit's other creditors. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions (see Note 22).

Contractual maturities of total finance receivables outstanding at December 31, 2017 reflect contractual repayments due from customers or borrowers as follows (in millions):

	Due in Year Ending December 31,				
	2018	2019	2020	Thereafter	Total
Consumer					
Retail financing, gross (a)	$ 22,902	$ 20,380	$ 16,162	$ 18,887	$ 78,331
Non-Consumer					
Dealer financing	30,498	1,941	185	1,314	33,938
Total finance receivables	$ 53,400	$ 22,321	$ 16,347	$ 20,201	$ 112,269

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(a) Contractual maturities of retail financing, gross include $436 million of estimated unguaranteed residual values related to direct financing leases.

Our finance receivables are generally pre-payable without penalty, so prepayments may cause actual maturities to differ from contractual maturities. For wholesale receivables, which are included in dealer financing, maturities stated above are estimated based on historical trends, as maturities on outstanding amounts are scheduled upon the sale of the underlying vehicle by the dealer.

Aging

For all finance receivables, we define "past due" as any payment, including principal and interest, that is at least 31 days past the contractual due date. The recorded investment of consumer receivables greater than 90 days past due and still accruing interest was $21 million and $24 million at December 31, 2016 and 2017, respectively. The recorded investment of non-consumer receivables greater than 90 days past due and still accruing interest was de minimis and $1 million at December 31, 2016 and 2017, respectively.

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

	2016	2017
Consumer		
31-60 days past due	$ 760	$ 748
61-90 days past due	114	113
91-120 days past due	34	36
Greater than 120 days past due	39	37
Total past due	947	934
Current	64,391	74,117
Consumer finance receivables	65,338	75,051
Non-Consumer		
Total past due	107	122
Current	31,229	33,816
Non-Consumer finance receivables	31,336	33,938
Total recorded investment	$ 96,674	$ 108,989

NOTE 10. FINANCIAL SERVICES FINANCE RECEIVABLES *(Continued)*

Credit Quality

Consumer Portfolio. When originating all classes of consumer receivables (i.e., retail and lease products), we use a proprietary scoring system that measures credit quality using information in the credit application, proposed contract terms, credit bureau data, and other information. After a proprietary risk score is generated, we decide whether to originate a contract using a decision process based on a judgmental evaluation of the applicant, the credit application, the proposed contract terms, credit bureau information (e.g., FICO score), proprietary risk score, and other information. Our evaluation emphasizes the applicant's ability to pay and creditworthiness focusing on payment, affordability, applicant credit history, and stability as key considerations.

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

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

Consumer receivables credit quality ratings are as follows:

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

Non-Consumer Portfolio. We extend credit to dealers primarily in the form of lines of credit to purchase new Ford and Lincoln vehicles as well as used vehicles. Payment is required when the dealer has sold the vehicle. Each non-consumer lending request is evaluated by considering the borrower's financial condition and the underlying collateral securing the loan. We use a proprietary model to assign each dealer a risk rating. This model uses historical dealer performance data to identify key factors about a dealer that we consider most significant in predicting a dealer's ability to meet its financial obligations. We also consider numerous other financial and qualitative factors of the dealer's operations, including capitalization and leverage, liquidity and cash flow, profitability, and credit history with ourselves and other creditors.

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

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

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

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

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

NOTE 10. FINANCIAL SERVICES FINANCE RECEIVABLES *(Continued)*

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

	2016	2017
Dealer Financing		
Group I	$ 24,315	$ 26,252
Group II	5,552	5,908
Group III	1,376	1,640
Group IV	93	138
Total recorded investment	$ 31,336	$ 33,938

Impaired Receivables. Impaired consumer receivables include accounts that have been rewritten or modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code that are considered to be Troubled Debt Restructurings ("TDRs"), as well as all accounts greater than 120 days past due. Impaired non-consumer receivables represent accounts with dealers that have weak or poor financial metrics or dealer financing that has been modified in TDRs. The recorded investment of consumer receivables that were impaired at December 31, 2016 and 2017 was $367 million, or 0.6% of consumer receivables, and $386 million, or 0.5% of consumer receivables, respectively. The recorded investment of non-consumer receivables that were impaired at December 31, 2016 and 2017 was $107 million, or 0.3% of non-consumer receivables, and $138 million, or 0.4% of the non-consumer receivables, respectively. Impaired finance receivables are evaluated both collectively and specifically.

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

A restructuring of debt constitutes a TDR if we grant a concession to a debtor for economic or legal reasons related to the debtor's financial difficulties that we otherwise would not consider. Consumer and non-consumer receivables that have a modified interest rate below market rate or that were modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code, except non-consumer receivables that are current with minimal risk of loss, are considered to be TDRs. We do not grant concessions on the principal balance of our receivables. If a receivable is modified in a reorganization proceeding, all payment requirements of the reorganization plan need to be met before remaining balances are forgiven. Finance receivables involved in TDRs are specifically assessed for impairment.

NOTE 11. FINANCIAL SERVICES ALLOWANCE FOR CREDIT LOSSES

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

Additions to the allowance for credit losses are made by recording charges to *Financial Services interest, operating, and other expenses* on the income statement. The uncollectible portion of finance receivables are charged to the allowance for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is 120 days delinquent, taking into consideration the financial condition of the customer, borrower, or lessee, the value of the collateral, recourse to guarantors, and other factors.

In the event we repossess the collateral, the receivable is charged off and we record the collateral at its estimated fair value less costs to sell and report it in *Other assets* on the balance sheet. Charge-offs on finance receivables include uncollected amounts related to principal, interest, late fees, and other allowable charges. Recoveries on finance receivables previously charged off as uncollectible are credited to the allowance for credit losses.

Consumer

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

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

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

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

NOTE 11. FINANCIAL SERVICES ALLOWANCE FOR CREDIT LOSSES *(Continued)*

Our largest markets also use a loss projection model to estimate losses inherent in the portfolio. The loss projection model applies recent monthly performance metrics, stratified by contract type (retail or lease), contract term, and risk rating to our active portfolio to estimate the losses that have been incurred.

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

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

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

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

Non-Consumer

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

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

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

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

NOTE 11. FINANCIAL SERVICES ALLOWANCE FOR CREDIT LOSSES *(Continued)*

An analysis of the allowance for credit losses related to finance receivables for the years ended December 31 were as follows (in millions):

	2016		
	Consumer	Non-Consumer	Total
Allowance for credit losses			
Beginning balance	$ 357	$ 16	$ 373
Charge-offs	(435)	(8)	(443)
Recoveries	116	6	122
Provision for credit losses	436	2	438
Other (a)	(5)	(1)	(6)
Ending balance (b)	$ 469	$ 15	$ 484
Analysis of ending balance of allowance for credit losses			
Collective impairment allowance	$ 450	$ 13	$ 463
Specific impairment allowance	19	2	21
Ending balance (b)	469	15	484
Analysis of ending balance of finance receivables			
Collectively evaluated for impairment	64,971	31,229	96,200
Specifically evaluated for impairment	367	107	474
Recorded investment	65,338	31,336	96,674
Ending balance, net of allowance for credit losses	$ 64,869	$ 31,321	$ 96,190

(a) Primarily represents amounts related to translation adjustments.
(b) Total allowance, including reserves for operating leases, was $548 million.

	2017		
	Consumer	Non-Consumer	Total
Allowance for credit losses			
Beginning balance	$ 469	$ 15	$ 484
Charge-offs	(510)	(7)	(517)
Recoveries	139	9	148
Provision for credit losses	471	(2)	469
Other (a)	13	—	13
Ending balance (b)	$ 582	$ 15	$ 597
Analysis of ending balance of allowance for credit losses			
Collective impairment allowance	$ 560	$ 13	$ 573
Specific impairment allowance	22	2	24
Ending balance (b)	582	15	597
Analysis of ending balance of finance receivables			
Collectively evaluated for impairment	74,665	33,800	108,465
Specifically evaluated for impairment	386	138	524
Recorded investment	75,051	33,938	108,989
Ending balance, net of allowance for credit losses	$ 74,469	$ 33,923	$ 108,392

(a) Primarily represents amounts related to translation adjustments.
(b) Total allowance, including reserves for operating leases, was $668 million.

NOTE 12. INVENTORIES

All inventories are stated at the lower of cost and net realizable value. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out ("LIFO") basis. LIFO was used for 30% of total inventories at both December 31, 2016 and 2017. Cost of other inventories is determined by costing methods that approximate a first-in, first-out ("FIFO") basis.

Inventories at December 31 were as follows (in millions):

	2016	2017
Raw materials, work-in-process, and supplies	$ 3,843	$ 4,397
Finished products	5,943	6,779
Total inventories under FIFO	9,786	11,176
LIFO adjustment	(888)	(899)
Total inventories	$ 8,898	$ 10,277

NOTE 13. NET INVESTMENT IN OPERATING LEASES

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

The net investment in operating leases at December 31 was as follows (in millions):

	2016	2017
Automotive Segment		
Vehicles, net of depreciation	$ 1,620	$ 1,574
Financial Services Segment		
Vehicles and other equipment, at cost (a)	32,823	32,659
Accumulated depreciation	(5,550)	(5,927)
Allowance for credit losses	(64)	(71)
Total Financial Services Segment	27,209	26,661
Total	$ 28,829	$ 28,235

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(a) Includes Ford Credit's operating lease assets of $11.8 billion and $11.5 billion at December 31, 2016 and 2017, respectively, which have been included in certain lease securitization transactions. These net investments in operating leases are available only for payment of the debt or other obligations issued or arising in the securitization transactions; they are not available to pay other obligations or the claims of other creditors.

Financial Services Segment

Included in *Financial Services interest, operating, and other expense* is operating lease depreciation expense (which includes gains and losses on disposal of assets). Operating lease depreciation expense for the years ended December 31 was as follows (in millions):

	2015	2016	2017
Operating lease depreciation expense	$ 3,640	$ 4,330	$ 4,135

Included in *Financial Services revenues* are rents on operating leases. The amounts contractually due for minimum rentals on operating leases at December 31, 2017 were as follows (in millions):

	2018	2019	2020	2021	Thereafter	Total
Minimum rentals on operating leases	$ 4,585	$ 2,797	$ 977	$ 74	$ 6	$ 8,439

NOTE 14. NET PROPERTY AND LEASE COMMITMENTS

Net Property

Net property is reported at cost, net of accumulated depreciation and impairments. We capitalize new assets when we expect to use the asset for more than one year. Routine maintenance and repair costs are expensed when incurred.

Property and equipment are depreciated primarily using the straight-line method over the estimated useful life of the asset. Useful lives range from 3 years to 36 years. The estimated useful lives generally are 14.5 years for machinery and equipment, 8 years for software, 30 years for land improvements, and 36 years for buildings. Tooling generally is amortized over the expected life of a product program using a straight-line method.

Net property at December 31 was as follows (in millions):

	2016	2017
Land	$ 391	$ 411
Buildings and land improvements	10,308	11,096
Machinery, equipment, and other	34,149	37,533
Software	2,803	3,118
Construction in progress	2,170	2,608
Total land, plant and equipment, and other	49,821	54,766
Accumulated depreciation	(27,804)	(29,862)
Net land, plant and equipment, and other	22,017	24,904
Tooling, net of amortization	10,055	10,423
Total	$ 32,072	$ 35,327

Property-related expenses excluding net investment in operating leases for the years ended December 31 were as follows (in millions):

	2015	2016	2017
Depreciation and other amortization	$ 2,049	$ 2,130	$ 2,292
Tooling amortization	2,304	2,563	2,695
Total	$ 4,353	$ 4,693	$ 4,987
Maintenance and rearrangement	$ 1,656	$ 1,801	$ 1,970

Conditional Asset Retirement Obligations

Conditional asset retirement obligations relate to legal obligations associated with the retirement, abandonment, or disposal of tangible long-lived assets. Estimates of the fair value liabilities for our conditional asset retirement obligations that are recorded in *Other liabilities and deferred revenue* in the non-current liabilities section of our consolidated balance sheet at December 31 were as follows (in millions):

	2016	2017
Beginning balance	$ 216	$ 186
Liabilities settled	(2)	(2)
Revisions to estimates	(28)	(52)
Ending balance	$ 186	$ 132

NOTE 14. NET PROPERTY AND LEASE COMMITMENTS *(Continued)*

Lease Commitments

We lease land, buildings, and equipment under agreements that expire over various contractual periods. Minimum non-cancellable operating lease commitments at December 31, 2017 were as follows (in millions):

	Operating Lease Commitments
2018	$ 337
2019	289
2020	207
2021	136
2022	100
Thereafter	337
Total	$ 1,406

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

	Operating Lease Expense
2015	$ 460
2016	474
2017	526

NOTE 15. EQUITY IN NET ASSETS OF AFFILIATED COMPANIES

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

Our carrying value and ownership percentages of our equity method investments at December 31 were as follows (in millions, except percentages):

	Investment Balance		Ownership Percentage
	2016	2017	2017
Changan Ford Automobile Corporation, Limited	$ 1,315	$ 1,144	50.0%
Jiangling Motors Corporation, Limited	623	675	32.0
AutoAlliance (Thailand) Co., Ltd.	476	439	50.0
Ford Otomotiv Sanayi Anonim Sirketi	306	329	41.0
Getrag Ford Transmissions GmbH	194	222	50.0
Changan Ford Mazda Engine Company, Ltd.	80	84	25.0
FFS Finance South Africa (Pty) Limited	59	71	50.0
DealerDirect LLC	27	33	97.7
RouteOne LLC	20	24	30.0
Ionity Holding GmbH & Co. KG	—	12	25.0
Thirdware Solutions Limited	9	12	20.0
Automotive Fuel Cell Cooperation Corporation	9	10	49.9
Percepta, LLC	8	8	45.0
CNF-Administradora de Consorcio Nacional Ltda.	6	6	33.3
Chongqing ANTE Trading Co., Ltd.	4	5	10.0
U.S. Council for Automotive Research LLC	5	5	33.3
Blue Diamond Parts, LLC	3	3	25.0
Crash Avoidance Metrics Partnership LLC	2	3	50.0
ZF Transmission Tech, LLC	—	—	49.0
Forso Nordic AB (a)	68	—	—
Velodyne LiDAR, Inc. (b)	75	—	—
ZoomCar, Inc. (b)	15	—	—
Total	$ 3,304	$ 3,085	

(a) Forso Nordic AB was consolidated in the third quarter of 2017.
(b) Velodyne LiDAR, Inc. and ZoomCar, Inc. were converted to cost method investments in the third quarter of 2017.

NOTE 15. EQUITY IN NET ASSETS OF AFFILIATED COMPANIES *(Continued)*

We received $1.5 billion, $1.6 billion, and $1.4 billion of dividends from these affiliated companies for the years ended December 31, 2015, 2016, and 2017, respectively.

A summary of the total financial results, as reported by our equity method investees, in the aggregate at December 31 was as follows (in millions):

Summarized Balance Sheet	**2016**	**2017**
Current assets	$ 10,368	$ 10,191
Non-current assets	9,956	9,796
Total assets	$ 20,324	$ 19,987
Current liabilities	$ 10,690	$ 10,557
Non-current liabilities	2,934	3,022
Total liabilities	$ 13,624	$ 13,579
Equity attributable to noncontrolling interests	$ 14	$ 10

	For the years ended December 31,		
Summarized Income Statement	**2015**	**2016**	**2017**
Total revenue	$ 35,623	$ 36,992	$ 35,172
Income before income taxes	4,525	4,401	2,980
Net income	3,894	3,747	2,584

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

Transactions with equity method investees reported on our consolidated income statement and balance sheet at December 31 were as follows (in millions):

	For the years ended December 31,		
Income Statement	**2015**	**2016**	**2017**
Sales	$ 4,426	$ 4,367	$ 4,481
Purchases	7,780	8,665	9,422
Royalty income	610	649	583

Balance Sheet	**2016**	**2017**
Receivables	$ 722	$ 769
Payables	603	850

NOTE 16. OTHER LIABILITIES AND DEFERRED REVENUE

Other liabilities and deferred revenue at December 31 were as follows (in millions):

	2016	2017
Current		
Dealer and dealers' customer allowances and claims	$ 9,542	$ 10,902
Deferred revenue	3,866	2,107
Employee benefit plans	1,469	1,661
Accrued interest	974	1,057
OPEB	349	348
Pension	247	229
Other	2,869	3,393
Total current other liabilities and deferred revenue	$ 19,316	$ 19,697
Non-current		
Pension	$ 10,150	$ 9,932
OPEB	5,516	5,821
Dealer and dealers' customer allowances and claims	2,564	2,471
Deferred revenue	3,687	3,829
Employee benefit plans	1,063	1,139
Other	1,415	1,519
Total non-current other liabilities and deferred revenue	$ 24,395	$ 24,711

NOTE 17. RETIREMENT BENEFITS

Defined benefit pension and OPEB plan obligations are remeasured at least annually as of December 31 based on the present value of projected future benefit payments for all participants for services rendered to date. The measurement of projected future benefits is dependent on the provisions of each specific plan, demographics of the group covered by the plan, and other key measurement assumptions. For plans that provide benefits dependent on salary assumptions, we include a projection of salary growth in our measurements. No assumption is made regarding any potential future changes to benefit provisions beyond those to which we are presently committed (e.g., in existing labor contracts).

Net periodic benefit costs, including service cost, interest cost, and expected return on assets are determined using assumptions regarding the benefit obligation and the fair value of plan assets (where applicable) as of the beginning of each year. We have elected to use a fair value of plan assets to calculate the expected return on assets in net periodic benefit cost. The funded status of the benefit plans, which represents the difference between the benefit obligation and fair value of plan assets, is calculated on a plan-by-plan basis. The benefit obligation and related funded status are determined using assumptions as of the end of each year. Actuarial gains and losses resulting from plan remeasurement are recognized in net periodic benefit cost in the period of the remeasurement. The impact of a retroactive plan amendment is recorded in *Accumulated other comprehensive income/(loss)*, and is amortized as a component of net periodic cost generally over the remaining service period of the active employees. The service cost component is included in *Cost of sales* and *Selling, administrative and other expenses*. Other components of net periodic benefit cost/(income) are included in *Non-Financial Services other income/(loss), net* of our consolidated income statement.

A curtailment results from an event that significantly reduces the expected years of future service or eliminates the accrual of defined benefits for the future services of a significant number of employees. A curtailment gain is recorded when the employees who are entitled to a benefit terminate their employment, or when a plan suspension or amendment that results in a curtailment gain is adopted. A curtailment loss is recorded when it becomes probable a curtailment loss will occur. We recognize settlement expense when the costs associated with all settlements during the year exceed the interest component of net periodic cost for the affected plan. Expense from curtailments and settlements is recorded in *Non-Financial Services other income/(loss), net*.

NOTE 17. RETIREMENT BENEFITS *(Continued)*

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

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

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

Defined Contribution and Savings Plans. We also have defined contribution and savings plans for hourly and salaried employees in the United States and other locations. Company contributions to these plans, if any, are made from general Company cash and are expensed as incurred. The expense for our worldwide defined contribution and savings plans was $291 million, $340 million, and $377 million for the years ended December 31, 2015, 2016, and 2017, respectively. This includes the expense for Company-matching contributions to our primary employee savings plan in the United States of $124 million, $132 million, and $142 million for the years ended December 31, 2015, 2016, and 2017, respectively.

Defined Benefit Plans – Expense and Status

The assumptions used to determine benefit obligation and net periodic benefit cost/(income) were as follows:

	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2016	2017	2016	2017	2016	2017
Weighted Average Assumptions at December 31						
Discount rate	4.03%	3.60%	2.44%	2.33%	4.00%	3.61%
Average rate of increase in compensation	3.50	3.50	3.38	3.37	3.51	3.44
Weighted Average Assumptions Used to Determine Net Benefit Cost for the Year Ended December 31						
Discount rate - Service Cost	4.60%	4.18%	3.36%	2.51%	4.53%	4.15%
Effective interest rate on benefit obligation	3.46	3.40	2.72	2.07	3.48	3.41
Expected long-term rate of return on assets	6.75	6.75	5.56	5.19	—	—
Average rate of increase in compensation	3.80	3.50	3.40	3.38	3.81	3.44

The pre-tax net periodic benefit cost/(income) for our defined benefit pension and OPEB plans for the years ended December 31 was as follows (in millions):

	Pension Benefits								
	U.S. Plans			Non-U.S. Plans			Worldwide OPEB		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Service cost	$ 586	$ 510	$ 534	$ 532	$ 483	$ 566	$ 60	$ 49	$ 49
Interest cost	1,817	1,524	1,525	936	782	671	236	194	197
Expected return on assets	(2,928)	(2,693)	(2,734)	(1,480)	(1,339)	(1,375)	—	—	—
Amortization of prior service costs/(credits)	155	170	143	47	38	37	(204)	(142)	(120)
Net remeasurement (gain)/loss	1,964	900	(538)	(974)	1,876	407	(292)	220	293
Separation programs/other	17	12	74	39	81	18	1	—	2
Settlements and curtailments	—	—	(354)	—	2	(3)	—	—	—
Net periodic benefit cost/(income)	$ 1,611	$ 423	$ (1,350)	$ (900)	$ 1,923	$ 321	$ (199)	$ 321	$ 421

NOTE 17. RETIREMENT BENEFITS *(Continued)*

Beginning in 2016, we changed the method used to estimate the service and interest costs for pension and OPEB plans that use a yield curve approach. We now apply the specific spot rates along the yield curve to the relevant cash flows instead of using a single effective discount rate. Service and interest costs in 2016 and 2017 were about $580 million lower and about $450 million lower, respectively, under the new method. This refinement had no effect on the measurement of our plan obligations or on full year net periodic benefit cost/(income) as lower service and interest costs recorded quarterly are offset in net remeasurement (gain)/loss.

We recognized a curtailment gain of $354 million related to an amendment to our principal salaried defined benefit pension plan in the United States. Effective December 31, 2019, the plan will have a 35-year limit for service and pay for purposes of determining the pension benefit. The curtailment gain reflects the one-time reduction in projected benefit obligation.

NOTE 17. RETIREMENT BENEFITS *(Continued)*

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

	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2016	2017	2016	2017	2016	2017
Change in Benefit Obligation						
Benefit obligation at January 1	$ 44,936	$ 45,746	$ 29,639	$ 30,624	$ 5,701	$ 5,865
Service cost	510	534	483	566	49	49
Interest cost	1,524	1,525	782	671	194	197
Amendments	—	—	—	—	14	—
Separation programs/other	(30)	35	71	17	—	1
Curtailments	—	(356)	2	(3)	—	—
Settlements	—	—	(131)	(52)	—	—
Plan participant contributions	27	24	22	20	20	24
Benefits paid	(2,966)	(3,267)	(1,252)	(1,316)	(382)	(368)
Foreign exchange translation	—	—	(2,576)	3,323	49	108
Actuarial (gain)/loss	1,745	2,099	3,584	248	220	293
Benefit obligation at December 31	45,746	46,340	30,624	34,098	5,865	6,169
Change in Plan Assets						
Fair value of plan assets at January 1	41,252	41,939	25,141	25,549	—	—
Actual return on plan assets	3,538	5,371	3,041	1,216	—	—
Company contributions	130	133	1,346	1,624	—	—
Plan participant contributions	27	24	22	20	—	—
Benefits paid	(2,966)	(3,267)	(1,252)	(1,316)	—	—
Settlements	—	—	(131)	(52)	—	—
Foreign exchange translation	—	—	(2,612)	2,623	—	—
Other	(42)	(40)	(6)	(7)	—	—
Fair value of plan assets at December 31	41,939	44,160	25,549	29,657	—	—
Funded status at December 31	$ (3,807)	$ (2,180)	$ (5,075)	$ (4,441)	$ (5,865)	$ (6,169)
Amounts Recognized on the Balance Sheet						
Prepaid assets	$ —	$ 386	$ 1,515	$ 3,154	$ —	$ —
Other liabilities	(3,807)	(2,566)	(6,590)	(7,595)	(5,865)	(6,169)
Total	$ (3,807)	$ (2,180)	$ (5,075)	$ (4,441)	$ (5,865)	$ (6,169)
Amounts Recognized in Accumulated Other Comprehensive Loss (pre-tax)						
Unamortized prior service costs/(credits)	$ 383	$ 238	$ 213	$ 191	$ (322)	$ (209)
Pension Plans in which Accumulated Benefit Obligation Exceeds Plan Assets at December 31						
Accumulated benefit obligation	$ 26,170	$ 2,092	$ 10,039	$ 11,506		
Fair value of plan assets	23,204	155	4,700	5,287		
Accumulated Benefit Obligation at December 31	$ 44,513	$ 45,081	$ 27,166	$ 30,449		
Pension Plans in which Projected Benefit Obligation Exceeds Plan Assets at December 31						
Projected benefit obligation	$ 45,746	$ 22,378	$ 11,703	$ 13,385		
Fair value of plan assets	41,939	19,812	5,113	5,790		
Projected Benefit Obligation at December 31	$ 45,746	$ 46,340	$ 30,624	$ 34,098		

NOTE 17. RETIREMENT BENEFITS *(Continued)*

Pension Plan Contributions

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

In 2017, we contributed $1.4 billion (most of which were mandatory contributions) to our worldwide funded pension plans and made about $300 million of benefit payments to participants in unfunded plans. The contributions in 2017 included a pull ahead of about $500 million of 2018 planned funding into the fourth quarter of 2017 to achieve a cash tax benefit. During 2018, we expect to contribute about $500 million (most of which are mandatory contributions) from cash and cash equivalents to our worldwide funded pension plans and to make about $350 million of benefit payments to participants in unfunded plans, for a total of about $850 million. Based on current assumptions and regulations, we do not expect to have a legal requirement to contribute to our major U.S. pension plans in 2018.

Expected Future Benefit Payments and Amortization

The expected future benefit payments at December 31, 2017 were as follows (in millions):

	Benefit Payments		
	Pension		
	U.S. Plans	Non-U.S. Plans	Worldwide OPEB
2018	$ 2,960	$ 1,360	$ 350
2019	2,860	1,240	350
2020	2,850	1,260	340
2021	2,840	1,280	340
2022	2,820	1,290	340
2023-2027	14,200	6,850	1,690

The prior service cost/(credit) amounts in *Accumulated other comprehensive income/(loss)* that are expected to be recognized as components of net periodic benefit cost/(income) during 2018 are $143 million for U.S. pension plans, $26 million for non-U.S. pension plans, and $(110) million for worldwide OPEB plans.

Pension Plan Asset Information

Investment Objective and Strategies. Our investment objectives for the U.S. plans are to minimize the volatility of the value of our U.S. pension assets relative to U.S. pension obligations and to ensure assets are sufficient to pay plan benefits. Our U.S. target asset allocations are 80% fixed income and 20% growth assets (primarily alternative investments which include hedge funds, real estate, private equity, and public equity). Our largest non-U.S. plans (United Kingdom and Canada) have similar investment objectives to the U.S. plans and have made progress toward these objectives.

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

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

NOTE 17. RETIREMENT BENEFITS *(Continued)*

Alternative investments execute diverse strategies that provide exposure to a broad range of hedge fund strategies, equity investments in private companies, and investments in private property funds.

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

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

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

At year-end 2017, Ford securities comprised less than 1% of our plan assets.

Expected Long-Term Rate of Return on Assets. The long-term return assumption at year-end 2017 is 6.75% for the U.S. plans, 4.75% for the U.K. plans, and 5.06% for the Canadian plans, and averages 4.51% for all non-U.S. plans. A generally consistent approach is used worldwide to develop this assumption. This approach considers various sources, primarily inputs from a range of advisors for long-term capital market returns, inflation, bond yields, and other variables, adjusted for specific aspects of our investment strategy by plan. Historical returns also are considered where appropriate. The assumption is based on consideration of all inputs, with a focus on long-term trends to avoid short-term market influences.

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

Fixed Income. Fixed income securities are valued based on quotes received from independent pricing services or from dealers who make markets in such securities. Pricing services utilize matrix pricing, which considers prepayment speed assumptions, attributes of the collateral, yield or price of bonds of comparable quality, coupon, maturity, and type, as well as dealer-supplied prices, and generally are categorized as Level 2 inputs in the fair value hierarchy. Securities categorized as Level 3 typically are priced by dealers and pricing services that use proprietary pricing models which incorporate unobservable inputs. These inputs primarily consist of prepayment curves, discount rates, default assumptions, recovery rates, yield assumptions, and credit spread assumptions.

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

NOTE 17. RETIREMENT BENEFITS *(Continued)*

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

Alternative Assets. Hedge funds generally hold liquid and readily-priced securities, such as public equities, exchange-traded derivatives, and corporate bonds. Private equity and real estate investments are less liquid. External investment managers typically report valuations reflecting initial cost or updated appraisals, which are adjusted for cash flows, and realized and unrealized gains/losses. All alternative assets are valued using the NAV provided by the investment sponsor or third party administrator, as they do not have readily-available market quotations. Valuations may be lagged up to 6 months. The NAV will be adjusted for cash flows (additional investments or contributions, and distributions) through year-end. We may make further adjustments for any known substantive valuation changes not reflected in the NAV.

The Ford-Werke GmbH (“Ford-Werke”) defined benefit plan is primarily funded through a group insurance contract. We measure the fair value of the insurance asset by projecting expected future cash flows from the contract and discounting them to present value based on current market rates including an assessment for non-performance risk of the insurance company. The assumptions used to project expected future cash flows are based on actuarial estimates and are unobservable; therefore, the contract is Level 3.

NOTE 17. RETIREMENT BENEFITS *(Continued)*

The fair value of our defined benefit pension plan assets (including dividends and interest receivables of $345 million and $93 million for U.S. and non-U.S. plans, respectively) by asset category at December 31 was as follows (in millions):

	2016									
	U.S. Plans					Non-U.S. Plans				
	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Asset Category										
Equity										
U.S. companies	$ 2,353	$ 6	$ —	$ —	$ 2,359	$ 1,614	$ 93	$ —	$ —	$ 1,707
International companies	1,457	19	1	7	1,484	1,278	360	—	—	1,638
Total equity	3,810	25	1	7	3,843	2,892	453	—	—	3,345
Fixed Income										
U.S. government and agencies	5,157	3,030	—	—	8,187	433	57	—	—	490
Non-U.S. government	—	1,343	—	—	1,343	—	11,171	—	—	11,171
Corporate bonds	—	20,637	13	—	20,650	—	2,352	—	—	2,352
Mortgage/other asset-backed	—	855	—	—	855	—	242	—	—	242
Commingled funds	—	—	—	153	153	—	379	—	—	379
Derivative financial instruments, net	27	(213)	—	—	(186)	5	28	—	—	33
Total fixed income	5,184	25,652	13	153	31,002	438	14,229	—	—	14,667
Alternatives										
Hedge funds	—	—	—	2,802	2,802	—	—	—	1,383	1,383
Private equity	—	—	—	2,548	2,548	—	—	—	679	679
Real estate	—	—	—	1,135	1,135	—	—	—	485	485
Total alternatives	—	—	—	6,485	6,485	—	—	—	2,547	2,547
Cash and cash equivalents (b)	1,755	—	—	—	1,755	281	—	—	—	281
Other (c)	(1,146)	—	—	—	(1,146)	(543)	—	5,252	—	4,709
Total assets at fair value	$ 9,603	$ 25,677	$ 14	$ 6,645	$ 41,939	$ 3,068	$ 14,682	$ 5,252	$ 2,547	$ 25,549

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(a) Certain assets that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.
(b) Primarily short-term investment funds to provide liquidity to plan investment managers and cash held to pay benefits.
(c) For U.S. plans, amounts related to net pending security (purchases)/sales and net pending foreign currency purchases/(sales). For non-U.S plans, primarily Ford-Werke, plan assets (insurance contract valued at $4.5 billion at year-end 2016) and amounts related to net pending security (purchases)/sales and net pending foreign currency purchases/(sales).

NOTE 17. RETIREMENT BENEFITS *(Continued)*

The fair value of our defined benefit pension plan assets (including dividends and interest receivables of $344 million and $106 million for U.S. and non-U.S. plans, respectively) by asset category at December 31 was as follows (in millions):

	2017									
	U.S. Plans					Non-U.S.Plans				
	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Asset Category										
Equity										
U.S. companies	$ 2,135	$ 25	$ —	$ —	$ 2,160	$ 1,593	$ 143	$ —	$ —	$ 1,736
International companies	1,669	38	1	—	1,708	1,333	428	—	—	1,761
Total equity	3,804	63	1	—	3,868	2,926	571	—	—	3,497
Fixed Income										
U.S. government and agencies	6,603	2,842	—	—	9,445	495	98	—	—	593
Non-U.S. government	—	1,575	—	—	1,575	—	14,088	—	—	14,088
Corporate bonds	—	21,617	4	—	21,621	—	3,217	—	—	3,217
Mortgage/other asset-backed	—	590	—	—	590	—	301	—	—	301
Commingled funds	—	49	—	—	49	—	251	—	—	251
Derivative financial instruments, net	11	(24)	—	—	(13)	(2)	44	—	—	42
Total fixed income	6,614	26,649	4	—	33,267	493	17,999	—	—	18,492
Alternatives										
Hedge funds	—	—	—	3,060	3,060	—	—	—	1,179	1,179
Private equity	—	—	—	2,322	2,322	—	—	—	722	722
Real estate	—	—	—	1,216	1,216	—	—	—	461	461
Total alternatives	—	—	—	6,598	6,598	—	—	—	2,362	2,362
Cash and cash equivalents (b)	1,380	—	—	—	1,380	388	—	—	—	388
Other (c)	(953)	—	—	—	(953)	(715)	—	5,633	—	4,918
Total assets at fair value	$ 10,845	$ 26,712	$ 5	$ 6,598	$ 44,160	$ 3,092	$ 18,570	$ 5,633	$ 2,362	$ 29,657

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(a) Certain assets that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.
(b) Primarily short-term investment funds to provide liquidity to plan investment managers and cash held to pay benefits.
(c) For U.S. plans, amounts related to net pending security (purchases)/sales and net pending foreign currency purchases/(sales). For non-U.S plans, primarily Ford-Werke, plan assets (insurance contract valued at $4.8 billion at year-end 2017) and amounts related to net pending security (purchases)/sales and net pending foreign currency purchases/(sales).

NOTE 17. RETIREMENT BENEFITS *(Continued)*

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

	2016					
		Return on plan assets				
	Fair Value at January 1	Attributable to Assets Held at December 31	Attributable to Assets Sold	Net Purchases/ (Settlements)	Transfers Into/ (Out of) Level 3	Fair Value at December 31
U.S. Plans	$ 22	$ 5	$ —	$ (13)	$ —	$ 14
Non-U.S. Plans (a)	5,257	(5)	—	—	—	5,252

	2017					
		Return on plan assets				
	Fair Value at January 1	Attributable to Assets Held at December 31	Attributable to Assets Sold	Net Purchases/ (Settlements)	Transfers Into/ (Out of) Level 3	Fair Value at December 31
U.S. Plans	$ 14	$ (2)	$ 2	$ (9)	$ —	$ 5
Non-U.S. Plans (a)	5,252	381	—	—	—	5,633

(a) Primarily Ford-Werke plan assets (insurance contract valued at $4.5 billion and $4.8 billion at year-end 2016 and 2017, respectively).

NOTE 18. DEBT AND COMMITMENTS

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

Debt is reported on our balance sheet at par value adjusted for unamortized discount or premium, unamortized issuance costs, and adjustments related to designated fair value hedging (see Note 19). Discounts, premiums, and costs directly related to the issuance of debt are capitalized and amortized over the life of the debt or to the put date and are recorded in interest expense using the effective interest method. Gains and losses on the extinguishment of debt are recorded in *Non-Financial Services interest income and other income/(loss), net* and *Financial Services other income/ (loss), net*.

NOTE 18. DEBT AND COMMITMENTS *(Continued)*

The carrying value of Automotive and Financial Services debt at December 31 was as follows (in millions):

			Interest Rates			
			Average Contractual		Average Effective (a)	
Automotive Segment	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Debt payable within one year						
Short-term	$ 1,324	$ 1,396	10.3%	5.5%	10.3%	5.5%
Long-term payable within one year						
Public unsecured debt securities	—	361				
U.S. Department of Energy Advanced Technology Vehicles Manufacturing ("DOE ATVM") Incentive Program	591	591				
Other debt	827	1,031				
Unamortized (discount)/premium	(57)	(23)				
Total debt payable within one year	2,685	3,356				
Long-term debt payable after one year						
Public unsecured debt securities	9,394	9,033				
DOE ATVM Incentive Program	2,651	2,060				
Other debt	1,573	1,848				
Adjustments						
Unamortized (discount)/premium	(320)	(290)				
Unamortized issuance costs	(76)	(76)				
Total long-term debt payable after one year	13,222	12,575	5.5% (b)	5.1% (b)	6.2% (b)	5.8% (b)
Total Automotive Segment	$ 15,907	$ 15,931				
Fair value of Automotive Segment debt (c)	$ 17,433	$ 17,976				
Financial Services Segment						
Debt payable within one year						
Short-term	$ 15,330	$ 17,153	2.3%	3.0%	2.3%	3.0%
Long-term payable within one year						
Unsecured debt	12,369	13,298				
Asset-backed debt	19,286	17,817				
Adjustments						
Unamortized (discount)/premium	(2)	1				
Unamortized issuance costs	(16)	(16)				
Fair value adjustments (d)	17	12				
Total debt payable within one year	46,984	48,265				
Long-term debt payable after one year						
Unsecured debt	49,912	56,291				
Asset-backed debt	30,112	34,052				
Adjustments						
Unamortized (discount)/premium	(9)	(5)				
Unamortized issuance costs	(197)	(214)				
Fair value adjustments (d)	261	(33)				
Total long-term debt payable after one year	80,079	90,091	2.4% (b)	2.5% (b)	2.5% (b)	2.6% (b)
Total Financial Services Segment	$ 127,063	$ 138,356				
Fair value of Financial Services Segment debt (c)	$ 128,777	$ 140,406				

(a) Average effective rates reflect the average contractual interest rate plus amortization of discounts, premiums, and issuance costs.
(b) Includes interest on long-term debt payable within one year and after one year.
(c) At December 31, 2016 and 2017, the fair value of debt includes $1.1 billion of Automotive segment short-term debt and $14.3 billion and $16.4 billion of Financial Services segment short-term debt, respectively, carried at cost which approximates fair value. All debt is categorized within Level 2 of the fair value hierarchy.
(d) Adjustments related to designated fair value hedging of unsecured debt.

NOTE 18. DEBT AND COMMITMENTS *(Continued)*

The fair value of debt reflects interest accrued but not yet paid. Interest accrued on Automotive debt was $258 million and $267 million at December 31, 2016 and 2017, respectively. Interest accrued on Financial Services debt was $676 million and $735 million at December 31, 2016 and 2017, respectively. Accrued interest is reported in *Other liabilities and deferred revenue* in the current liabilities section of our consolidated balance sheet. See Note 2 for fair value method.

We paid interest of $693 million, $780 million, and $1.1 billion in 2015, 2016, and 2017, respectively, on Automotive debt. We paid interest of $2.4 billion, $2.6 billion, and $2.9 billion in 2015, 2016, and 2017, respectively, on Financial Services debt.

Maturities

Debt maturities at December 31, 2017 were as follows (in millions):

	2018	2019	2020	2021	2022	Thereafter	Adjustments	Total Debt Maturities
Automotive Segment								
Public unsecured debt securities	$ 361	$ —	$ —	$ —	$ 86	$ 8,947	$ (203)	$ 9,191
DOE ATVM Incentive Program	591	591	591	591	287	—	—	2,651
Short-term and other debt (a)	2,427	820	319	290	147	272	(186)	4,089
Total	$ 3,379	$ 1,411	$ 910	$ 881	$ 520	$ 9,219	$ (389)	$ 15,931
Financial Services Segment								
Unsecured debt	$ 29,665	$ 13,424	$ 13,953	$ 11,308	$ 7,952	$ 9,655	$ (185)	$ 85,772
Asset-backed debt	18,603	15,667	10,635	3,391	3,608	750	(70)	52,584
Total	$ 48,268	$ 29,091	$ 24,588	$ 14,699	$ 11,560	$ 10,405	$ (255)	$ 138,356

(a) Primarily non-U.S. affiliate debt.

NOTE 18. DEBT AND COMMITMENTS *(Continued)*

Automotive Segment

Public Unsecured Debt Securities

Our public, unsecured debt securities outstanding at December 31 were as follows (in millions):

	Aggregate Principal Amount Outstanding	
Title of Security	**2016**	**2017**
6 1/2% Debentures due August 1, 2018	$ 361	$ 361
8 7/8% Debentures due January 15, 2022	86	86
7 1/8% Debentures due November 15, 2025	209	209
7 1/2% Debentures due August 1, 2026	193	193
6 5/8% Debentures due February 15, 2028	104	104
6 5/8% Debentures due October 1, 2028 (a)	638	638
6 3/8% Debentures due February 1, 2029 (a)	260	260
7.45% GLOBLS due July 16, 2031 (a)	1,794	1,794
8.900% Debentures due January 15, 2032	151	151
9.95% Debentures due February 15, 2032	4	4
7.75% Debentures due June 15, 2043	73	73
7.40% Debentures due November 1, 2046	398	398
9.980% Debentures due February 15, 2047	181	181
7.70% Debentures due May 15, 2097	142	142
4.346% Notes due December 8, 2026	1,500	1,500
5.291% Notes due December 8, 2046	1,300	1,300
4.75% Notes due January 15, 2043	2,000	2,000
Total public unsecured debt securities (b)	$ 9,394	$ 9,394

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(a) Listed on the Luxembourg Exchange and on the Singapore Exchange.
(b) Excludes 9.215% *Debentures due September 15, 2021* with an outstanding balance at December 31, 2017 of $180 million. The proceeds from these securities were on-lent by Ford to Ford Holdings to fund Financial Services activity and are reported as *Financial Services long-term debt*.

DOE ATVM Incentive Program

In September 2009, we entered into a Loan Arrangement and Reimbursement Agreement with the DOE, under which we borrowed through multiple draws $5.9 billion to finance certain costs for fuel-efficient, advanced-technology vehicles. At December 31, 2017, an aggregate $2.7 billion was outstanding. The principal amount of the ATVM loan bears interest at a blended rate based on the U.S. Treasury yield curve at the time each draw was made (with the weighted-average interest rate on all such draws being about 2.3% per annum). The ATVM loan is repayable in equal quarterly installments of $148 million, which began in September 2012 and will end in June 2022.

Automotive Credit Facilities

Total committed Automotive credit lines at December 31, 2017 were $12.1 billion, consisting of $10.4 billion of our corporate credit facility and $1.7 billion of local credit facilities available to non-U.S. Automotive affiliates. At December 31, 2017, the utilized portion of the corporate credit facility was about $35 million, representing amounts utilized for letters of credit. At December 31, 2017, the utilized portion of the local credit facilities was about $1.1 billion.

Lenders under our corporate credit facility have commitments to us totaling $13.4 billion, with 75% of the commitments maturing on April 30, 2022 and 25% of the commitments maturing on April 30, 2020. We have allocated $3 billion of commitments to Ford Credit on an irrevocable and exclusive basis to support its liquidity. Any borrowings by Ford Credit under the corporate credit facility would be guaranteed by us.

NOTE 18. DEBT AND COMMITMENTS *(Continued)*

The corporate credit facility is unsecured and free of material adverse change conditions to borrowing, restrictive financial covenants (for example, interest or fixed charge coverage ratio, debt-to-equity ratio, and minimum net worth requirements), and credit rating triggers that could limit our ability to obtain funding. The corporate credit facility contains a liquidity covenant that requires us to maintain a minimum of $4 billion in aggregate of domestic cash, cash equivalents, and loaned and marketable securities and/or availability under the facility. If our senior, unsecured, long-term debt does not maintain at least two investment grade ratings from Fitch, Moody's, and S&P, the guarantees of certain subsidiaries will be required.

Financial Services Segment

Asset-Backed Debt

At December 31, 2017, the carrying value of our asset-backed debt was $52.6 billion. This secured debt is issued by Ford Credit and includes asset-backed securities used to fund operations and maintain liquidity. Assets securing the related debt issued as part of all our securitization transactions are included in our consolidated results and are based upon the legal transfer of the underlying assets in order to reflect legal ownership and the beneficial ownership of the debt holder. The third-party investors in the securitization transactions have legal recourse only to the assets securing the debt and do not have such recourse to us, except for the customary representation and warranty provisions or when we are counterparty to certain derivative transactions of the special purpose entities ("SPEs"). In addition, the cash flows generated by the assets are restricted only to pay such liabilities; Ford Credit retains the right to residual cash flows. See Note 22 for additional information.

Although not contractually required, we regularly support our wholesale securitization programs by repurchasing receivables of a dealer from a SPE when the dealer's performance is at risk, which transfers the corresponding risk of loss from the SPE to us. In order to continue to fund the wholesale receivables, we also may contribute additional cash or wholesale receivables if the collateral falls below required levels. The balances of cash related to these contributions were $0 at December 31, 2016 and 2017, and ranged from $0 to $12 million during 2016 and $0 to $9 million during 2017.

SPEs that are exposed to interest rate or currency risk may reduce their risks by entering into derivative transactions. In certain instances, we have entered into derivative transactions with the counterparty to protect the counterparty from risks absorbed through derivative transactions with the SPEs. Derivative income/(expense) related to the derivative transactions that support Ford Credit's securitization programs were $2 million, $(29) million, and $60 million for the years ended December 31, 2015, 2016, and 2017, respectively. See Note 19 for additional information regarding the accounting for derivatives.

Interest expense on securitization debt was $630 million, $773 million, and $955 million in 2015, 2016, and 2017, respectively.

The assets and liabilities related to our asset-backed debt arrangements included on our financial statements at December 31 were as follows (in billions):

	2016	2017
Assets		
Cash and cash equivalents	$ 3.4	$ 3.8
Finance receivables, net	58.3	63.2
Net investment in operating leases	11.8	11.5
Liabilities		
Debt (a)	$ 50.4	$ 52.6

(a) Debt is net of unamortized discount and issuance costs.

NOTE 18. DEBT AND COMMITMENTS *(Continued)*

Committed Credit Facilities

At December 31, 2017, Ford Credit's committed capacity totaled $39.7 billion of which $21.1 billion is available for use. Ford Credit's committed capacity is primarily comprised of unsecured credit facilities with financial institutions, committed asset-backed security lines from bank-sponsored commercial paper conduits and other financial institutions, and allocated commitments under the corporate credit facility.

NOTE 19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

Derivative Financial Instruments and Hedge Accounting. Derivatives are recorded on the balance sheet at fair value and presented on a gross basis. Derivative assets are reported in *Other assets* and derivative liabilities are reported in *Payables* and *Other liabilities and deferred revenue.*

We have elected to apply hedge accounting to certain derivatives. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period. Some derivatives do not qualify for hedge accounting; for others, we elect not to apply hedge accounting.

Cash Flow Hedges. Our Automotive segment has designated certain forward contracts as cash flow hedges of forecasted transactions with exposure to foreign currency exchange and commodity price risks.

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

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

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

NOTE 19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(Continued)*

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

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

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

Income Effect of Derivative Financial Instruments

The gains/(losses), by hedge designation, recorded in income for the years ended December 31 were as follows (in millions):

	2015	2016	2017
Cash flow hedges (a)			
Reclassified from AOCI to net income	$ (239)	$ 537	$ 456
Fair value hedges			
Interest rate contracts			
Net interest settlements and accruals excluded from the assessment of hedge effectiveness	370	367	217
Ineffectiveness (b)	3	4	(1)
Derivatives not designated as hedging instruments			
Foreign currency exchange contracts	425	257	(662)
Cross-currency interest rate swap contracts	100	398	103
Interest rate contracts	(58)	(9)	58
Commodity contracts	(64)	7	74
Total	$ 537	$ 1,561	$ 245

(a) For 2015, 2016, and 2017, a $123 million gain, a $770 million gain, and a $134 million gain, respectively, were recorded in *Other comprehensive income/(loss), net of tax*.
(b) For 2015, 2016, and 2017, hedge ineffectiveness reflects the net change in fair value on derivatives of $72 million gain, $120 million loss, and $268 million loss, respectively, and a change in value on hedged debt attributable to the change in benchmark interest rates of $69 million loss, $124 million gain, and $267 million gain, respectively.

NOTE 19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(Continued)*

Balance Sheet Effect of Derivative Financial Instruments

Derivative assets and liabilities are recorded on the balance sheet at fair value and are presented on a gross basis. The notional amounts of the derivative instruments do not necessarily represent amounts exchanged by the parties and are not a direct measure of our financial exposure. We also enter into master agreements with counterparties that may allow for netting of exposures in the event of default or breach of the counterparty agreement.

The fair value of our derivative instruments and the associated notional amounts, presented gross, at December 31 were as follows (in millions):

	2016			2017		
	Notional	Fair Value of Assets	Fair Value of Liabilities	Notional	Fair Value of Assets	Fair Value of Liabilities
Cash flow hedges						
Foreign currency exchange contracts	$ 19,091	$ 620	$ 257	$ 19,595	$ 407	$ 306
Fair value hedges						
Interest rate contracts	33,175	487	80	28,008	248	135
Derivatives not designated as hedging instruments						
Foreign currency exchange contracts	17,227	379	194	20,679	172	302
Cross-currency interest rate swap contracts	3,201	242	8	4,006	408	28
Interest rate contracts	61,689	156	74	60,504	276	137
Commodity contracts	531	11	6	660	37	4
Total derivative financial instruments, gross (a) (b)	$ 134,914	$ 1,895	$ 619	$ 133,452	$ 1,548	$ 912
Current portion		$ 1,108	$ 371		$ 802	$ 568
Non-current portion		787	248		746	344
Total derivative financial instruments, gross		$ 1,895	$ 619		$ 1,548	$ 912

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(a) At December 31, 2016 and 2017, we held collateral of $15 million, and we posted collateral of $12 million and $38 million, respectively.
(b) At December 31, 2016 and 2017, the fair value of assets and liabilities available for counterparty netting was $554 million and $618 million, respectively. All derivatives are categorized within Level 2 of the fair value hierarchy.

NOTE 20. REDEEMABLE NONCONTROLLING INTEREST

We formed the Ford Sollers joint venture with Sollers OJSC ("Sollers") in October 2011 to operate in Russia. On March 31, 2015, we and Sollers agreed to certain changes to the structure of the joint venture and the related shareholders' agreement to support the business in the near term and provide a platform for future growth in this important market. The changes included Ford providing additional funding to the joint venture and gaining a controlling interest in the joint venture through the acquisition of preferred shares. As a result, effective March 31, 2015, we consolidated the joint venture for financial reporting purposes.

The value of the redeemable noncontrolling interest, reflecting the redemption features embedded in the 50% equity interest in the joint venture that is held by Sollers, reported in the mezzanine section of our balance sheet at December 31, 2016 and 2017 was $96 million and $98 million, respectively. The redeemable noncontrolling interest is exercisable beginning on January 1, 2019.

NOTE 21. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The changes in the balances for each component of accumulated other comprehensive income/(loss) attributable to Ford Motor Company for the years ended December 31 were as follows (in millions):

	2015	2016	2017
Foreign currency translation			
Beginning balance	$ (2,438)	$ (3,570)	$ (4,593)
Gains/(Losses) on foreign currency translation	(969)	(494)	38
Less: Tax/(Tax benefit) (a)	177	537	(294)
Net gains/(losses) on foreign currency translation	(1,146)	(1,031)	332
(Gains)/Losses reclassified from AOCI to net income (b)	14	8	(16)
Other comprehensive income/(loss), net of tax	(1,132)	(1,023)	316
Ending balance	$ (3,570)	$ (4,593)	$ (4,277)
Marketable securities			
Beginning balance	$ —	$ (6)	$ (14)
Gains/(Losses) on available for sale securities	(10)	(13)	(53)
Less: Tax/(Tax benefit)	(4)	(10)	(15)
Net gains/(losses) on available for sale securities	(6)	(3)	(38)
(Gains)/Losses reclassified from AOCI to net income	—	(1)	5
Less: Tax/(Tax benefit)	—	4	1
Net (gains)/losses reclassified from AOCI to net income	—	(5)	4
Other comprehensive income/(loss), net of tax	(6)	(8)	(34)
Ending balance	$ (6)	$ (14)	$ (48)
Derivative instruments			
Beginning balance	$ (163)	$ 64	$ 283
Gains/(Losses) on derivative instruments	123	770	134
Less: Tax/(Tax benefit)	50	144	80
Net gains/(losses) on derivative instruments	73	626	54
(Gains)/Losses reclassified from AOCI to net income	239	(537)	(456)
Less: Tax/(Tax benefit)	85	(130)	(137)
Net (gains)/losses reclassified from AOCI to net income (c)	154	(407)	(319)
Other comprehensive income/(loss), net of tax	227	219	(265)
Ending balance	$ 64	$ 283	$ 18
Pension and other postretirement benefits			
Beginning balance	$ (2,664)	$ (2,745)	$ (2,689)
Prior service (costs)/credits arising during the period	(104)	(16)	5
Less: Tax/(Tax benefit)	(41)	(4)	—
Net prior service (costs)/credits arising during the period	(63)	(12)	5
Amortization and recognition of prior service costs/(credits) (d)	(2)	66	60
Less: Tax/(Tax benefit)	6	22	20
Net prior service costs/(credits) reclassified from AOCI to net income	(8)	44	40
Translation impact on non-U.S. plans	(10)	24	(8)
Other comprehensive income/(loss), net of tax	(81)	56	37
Ending balance	$ (2,745)	$ (2,689)	$ (2,652)
Total AOCI ending balance at December 31	$ (6,257)	$ (7,013)	$ (6,959)

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(a) We do not recognize deferred taxes for a majority of the foreign currency translation gains and losses because we do not anticipate reversal in the foreseeable future. However, we have made elections to tax certain non-U.S. operations simultaneously in U.S. tax returns, and have recorded deferred taxes for temporary differences that will reverse, independent of repatriation plans, on U.S. tax returns. Taxes or tax benefits resulting from foreign currency translation of the temporary differences are recorded in *Other comprehensive income/(loss), net of tax*.
(b) Reclassified to *Non-Financial Services other income/(loss), net.*
(c) Reclassified to *Cost of sales*. During the next twelve months we expect to reclassify existing net gains on cash flow hedges of $49 million. See Note 19 for additional information.
(d) *Amortization and recognition of prior service costs/(credits)* is included in the computation of net periodic pension cost/(income). See Note 17 for additional information.

NOTE 22. VARIABLE INTEREST ENTITIES

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support, or (ii) has equity investors who lack the characteristics of a controlling financial interest. We consolidate VIEs of which we are the primary beneficiary. We consider ourselves the primary beneficiary of a VIE when we have both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against our general assets. Liabilities recognized as a result of consolidating these VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs.

We have the power to direct the significant activities of an entity when our management has the ability to make key operating decisions, such as decisions regarding capital or product investment or manufacturing production schedules. For securitization entities, we have the power to direct significant activities when we have the ability to exercise discretion in the servicing of financial assets (including general collection activity on current and non-current accounts and loss mitigation efforts including repossession and sale of collateral), issue additional debt, exercise a unilateral call option, add assets to revolving structures, or control investment decisions.

VIEs of Which We are Not the Primary Beneficiary

Certain of our joint ventures are VIEs, in which the power to direct economically significant activities is shared with the joint venture partner. Our investments in these joint ventures are accounted for as equity method investments. Our maximum exposure to any potential losses associated with these joint ventures is limited to our investment, including loans, and was $262 million and $222 million at December 31, 2016 and 2017, respectively.

VIEs of Which We are the Primary Beneficiary

Securitization Entities. Through Ford Credit, we securitize, transfer, and service financial assets associated with consumer finance receivables, operating leases, and wholesale loans. Our securitization transactions typically involve the legal transfer of financial assets to bankruptcy remote SPEs. We generally retain economic interests in the asset-backed securitization transactions, which are retained in the form of senior or subordinated interests, cash reserve accounts, residual interests, and servicing rights. For accounting purposes, we are precluded from recording the transfers of assets in securitization transactions as sales.

In most cases, the bankruptcy remote SPEs meet the definition of VIEs for which we have determined we have both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, and would therefore also be consolidated. We account for all securitization transactions as if they were secured financing and therefore the assets, liabilities, and related activity of these transactions are consolidated in our financial results and are included in amounts presented on the face of our consolidated balance sheet. See Note 18 for additional information on the accounting for asset-backed debt and the assets securing this debt.

NOTE 23. COMMITMENTS AND CONTINGENCIES

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

Guarantees and Indemnifications

The maximum potential payments and the carrying value of recorded liabilities related to guarantees and limited indemnities at December 31 were as follows (in millions):

	2016	2017
Maximum potential payments	$ 177	$ 1,397
Carrying value of recorded liabilities related to guarantees and limited indemnities	23	408

Guarantees and indemnifications are recorded at fair value at their inception. We regularly review our performance risk under these arrangements, and in the event it becomes probable we will be required to perform under a guarantee or indemnity, the amount of probable payment is recorded.

We guarantee the resale value of vehicles sold in certain arrangements to daily rental companies. The maximum potential payment of $1.2 billion as of December 31, 2017 included in the table above represents the total proceeds we guarantee the rental company will receive on re-sale. Reflecting our present estimate of proceeds the rental companies will receive on resale from third parties, we have recorded $392 million as our best estimate of the amount we will have to pay under the guarantee. See Note 3 for additional information on the adoption of the new revenue standard.

We also guarantee debt and lease obligations of certain joint ventures, as well as certain financial obligations of outside third parties, including suppliers, to support our business and economic growth. Expiration dates vary through 2033, and guarantees will terminate on payment and/or cancellation of the underlying obligation. A payment by us would be triggered by failure of the joint venture or other third party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from a third party amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full, and may be limited in the event of insolvency of the third party or other circumstances.

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

Litigation and Claims

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

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

NOTE 23. COMMITMENTS AND CONTINGENCIES *(Continued)*

We accrue for matters when losses are deemed probable and reasonably estimable. In evaluating matters for accrual and disclosure purposes, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood that we will prevail, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time.

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

For the remaining matters, where our historical experience with similar matters is of more limited value (i.e., "non-pattern matters"), we evaluate the matters primarily based on the individual facts and circumstances. For non-pattern matters, we evaluate whether there is a reasonable possibility of a material loss in excess of any accrual that can be estimated. Our estimate of reasonably possible loss in excess of our accruals for all material matters currently reflects indirect tax and customs matters, for which we estimate the aggregate risk to be a range of up to about $600 million.

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

Warranty and Field Service Actions

We accrue obligations for warranty costs and field service actions (i.e., safety recalls, emission recalls, and other product campaigns) at the time of sale using a patterned estimation model that includes historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. Warranty and field service action obligations are reported in *Other liabilities and deferred revenue*. We reevaluate the adequacy of our accruals on a regular basis.

We recognize the benefit from a recovery of the costs associated with our warranty and field service actions when specifics of the recovery have been agreed with our supplier and the amount of the recovery is virtually certain. Recoveries are reported in *Trade and other receivables* and *Other assets.*

The estimate of our future warranty and field service action costs, net of estimated supplier recoveries, for the years ended December 31 were as follows (in millions):

	2016	2017
Beginning balance	$ 4,558	$ 4,960
Payments made during the period	(3,286)	(3,457)
Changes in accrual related to warranties issued during the period	2,326	2,260
Changes in accrual related to pre-existing warranties	1,360	1,415
Foreign currency translation and other	2	118
Ending balance	$ 4,960	$ 5,296

Revisions to our estimated costs are reported as changes in accrual related to pre-existing warranties in the table above.

NOTE 24. SEGMENT INFORMATION

In conjunction with our expanded business model to become an automotive, financial services, and mobility company, beginning with the second quarter of 2016, we changed our reportable segment disclosures. Reflecting the manner in which our Chief Operating Decision Maker manages our businesses, including resource allocation and performance assessment, we have four operating segments that represent the primary businesses reported in our consolidated financial statements. These operating segments are: Automotive, Financial Services, Ford Smart Mobility LLC, and Central Treasury Operations.

Automotive and Financial Services comprise separate reportable segments. Ford Smart Mobility LLC and Central Treasury Operations did not meet the quantitative thresholds in this reporting period to qualify as reportable segments; therefore, these operating segments are combined and disclosed below as All Other. Prior period amounts were adjusted retrospectively to reflect the change to our reportable segments.

Below is a description of our reportable segments and the business activities included in All Other.

Automotive Segment

Our Automotive segment primarily includes the sale of Ford and Lincoln vehicles, service parts, and accessories worldwide, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories. The segment includes five regional business units: North America, South America, Europe, Middle East & Africa, and Asia Pacific.

Financial Services Segment

The Financial Services segment primarily includes our vehicle-related financing and leasing activities at Ford Credit.

All Other

All Other is a combination of two operating segments that did not meet the quantitative thresholds in this reporting period to qualify as reportable segments. All Other consists of our Central Treasury Operations (formerly Other Automotive) and Ford Smart Mobility LLC. The Central Treasury Operations segment is primarily engaged in decision making for investments, risk management activities, and providing financing for the Automotive segment. Interest income (excluding interest earned on our extended service contract portfolio that is included in our Automotive segment), interest expense, gains and losses on cash equivalents and marketable securities, and foreign exchange derivatives associated with intercompany lending are included in the results of Central Treasury Operations. The underlying assets and liabilities, primarily cash and cash equivalents, marketable securities, debt, and derivatives, remain with the Automotive segment.

Ford Smart Mobility LLC is a subsidiary formed to design, build, grow, and invest in mobility services. Designed to compete like a start-up company, Ford Smart Mobility LLC designs and builds mobility services on its own, and collaborates with start-ups and tech companies.

Special Items

Our results include special items that consist of (i) pension and OPEB remeasurement gains and losses, (ii) significant personnel and dealer-related costs stemming from our efforts to match production capacity and cost structure to market demand and changing model mix, and (iii) certain infrequent significant items that we generally do not consider to be indicative of our ongoing operating activities. Our management excludes these items from its review of the results of the operating segments for purposes of measuring segment profitability and allocating resources. Special items are presented as a separate reconciling item.

NOTE 24. SEGMENT INFORMATION *(Continued)*

Key operating data for the years ended or at December 31 were as follows (in millions):

	Automotive	Financial Services	All Other	Special Items	Adjustments		Total
2015							
Revenues	$ 140,566	$ 8,992	$ —	$ —	$ —		$ 149,558
Pre-tax results - income/(loss)	9,568	2,028	(796)	(548)	—		10,252
Depreciation and tooling amortization	4,332	3,661	—	—	—		7,993
Interest expense	—	2,454	773	—	—		3,227
Investment-related interest income	42	76	191	—	—		309
Equity in net income/(loss) of affiliated companies	1,786	32	—	—	—		1,818
Cash outflow for capital spending	7,147	49	—	—	—		7,196
Cash, cash equivalents, and marketable securities	23,567	11,609	—	—	—		35,176
Total assets	91,959	137,026	—	—	(4,060)	(a)	224,925
Debt	12,839	120,015	—	—	—		132,854
Operating cash flows	7,285	3,876	—	—	5,065	(b)	16,226
2016							
Revenues	$ 141,546	$ 10,253	$ 1	$ —	$ —		$ 151,800
Pre-tax results - income/(loss)	9,422	1,820	(867)	(3,579)	—		6,796
Depreciation and tooling amortization	4,667	4,356	—	—	—		9,023
Interest expense	—	2,808	894	—	—		3,702
Investment-related interest income	75	74	142	—	—		291
Equity in net income/(loss) of affiliated companies	1,747	33	—	—	—		1,780
Cash outflow for capital spending	6,947	45	—	—	—		6,992
Cash, cash equivalents, and marketable securities	27,462	11,357	8	—	—		38,827
Total assets	96,929	146,252	69	—	(5,299)	(a)	237,951
Debt	15,907	127,063	—	—	—		142,970
Operating cash flows	6,385	8,754	(7)	—	4,718	(b)	19,850
2017							
Revenues	$ 145,653	$ 11,113	$ 10	$ —	$ —		$ 156,776
Pre-tax results - income/(loss)	7,259	2,248	(1,070)	(289)	—		8,148
Depreciation and tooling amortization	4,963	4,159	—	—	—		9,122
Interest expense	—	3,231	1,133	—	—		4,364
Investment-related interest income	93	113	253	—	—		459
Equity in net income/(loss) of affiliated companies	1,169	32	—	—	—		1,201
Cash outflow for capital spending	7,001	45	3	—	—		7,049
Cash, cash equivalents, and marketable securities	26,484	12,439	4	—	—		38,927
Total assets	102,885	160,338	96	—	(5,511)	(a)	257,808
Debt	15,931	138,356	—	—	—		154,287
Operating cash flows	3,908	9,244	(74)	—	5,018	(b)	18,096

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(a) Includes deferred tax netting and eliminations of intersegment transactions occurring in the ordinary course of business.

(b) We measure and evaluate our Automotive segment operating cash flow on a different basis than *Net cash provided by/(used in) operating activities* in our consolidated statement of cash flows. Automotive segment operating cash flow includes additional elements management considers to be related to our Automotive operating activities, primarily capital spending and non-designated derivatives, and excludes outflows for funded pension contributions, separation payments, and other items that are considered operating cash flows under U.S. GAAP. The table below quantifies these reconciling adjustments to *Net cash provided by/(used in) operating activities* for the years ended December 31 (in millions):

	2015	2016	2017
Automotive capital spending	$ 7,147	$ 6,947	$ 7,001
Settlements of derivatives	76	(610)	(217)
Funded pension contributions	(1,115)	(1,155)	(1,434)
Separation payments	(613)	(336)	(281)
Other	(430)	(128)	(51)
Total operating cash flow adjustments	$ 5,065	$ 4,718	$ 5,018

NOTE 24. SEGMENT INFORMATION *(Continued)*

Geographic Information

We report revenue on a “where-sold” basis, which reflects the revenue within the country in which the ultimate sale or financing is made to our external customer.

Total Company revenues and long-lived assets, split geographically by our country of domicile (the United States) and other countries where our major subsidiaries are domiciled, for the years ended December 31 were as follows (in millions):

	2015		2016		2017	
	Revenues	Long-Lived Assets (a)	Revenues	Long-Lived Assets (a)	Revenues	Long-Lived Assets (a)
United States	$ 93,142	$ 39,853	$ 93,433	$ 42,946	$ 93,844	$ 42,504
United Kingdom	11,451	1,490	10,041	1,302	9,619	1,691
Canada	8,978	3,814	10,028	4,264	10,580	4,771
Germany	6,950	2,203	7,322	2,254	7,265	3,182
All Other	29,037	9,896	30,976	10,135	35,468	11,414
Total Company	$ 149,558	$ 57,256	$ 151,800	$ 60,901	$ 156,776	$ 63,562

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(a) Includes *Net property* and *Net investment in operating leases* from our consolidated balance sheet.

NOTE 25. SELECTED QUARTERLY FINANCIAL DATA (unaudited)

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

	2016				2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	$ 37,718	$ 39,485	$ 35,943	$ 38,654	$ 39,146	$ 39,853	$ 36,451	$ 41,326
Income/(Loss) before income taxes	3,651	2,875	1,387	(1,117)	2,243	2,259	1,757	1,889
Amounts Attributable to Ford Motor Company Common and Class B Shareholders								
Net income/(loss)	$ 2,452	$ 1,970	$ 957	$ (783)	$ 1,587	$ 2,042	$ 1,564	$ 2,409
Common and Class B per share from income from continuing operations								
Basic	$ 0.62	$ 0.50	$ 0.24	$ (0.20)	$ 0.40	$ 0.51	$ 0.39	$ 0.61
Diluted	0.61	0.49	0.24	(0.20)	0.40	0.51	0.39	0.60

Certain of the quarterly results identified in the table above include material unusual or infrequently occurring items as follows on a pre-tax basis, except for tax items:

The fourth quarter 2016 results include a pension and OPEB net remeasurement loss of $3 billion.

The fourth quarter 2016 net income includes a tax benefit of $300 million for the recognition of deferred taxes resulting from a 2016 change in U.S. tax law related to taxation of foreign currency gains and losses for our non-U.S. branch operations.

The fourth quarter 2017 results include a curtailment gain of $354 million relating to a plan amendment to our principal salaried defined benefit pension plan in the United States.

The fourth quarter 2017 net income includes tax benefits of $398 million and $484 million related to U.S. tax legislation in the Tax Cuts and Jobs Act of 2017 and non-U.S. restructuring, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
Schedule II — Valuation and Qualifying Accounts
(in millions)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
For the Year Ended December 31, 2015				
Allowances deducted from assets				
Credit losses	$ 384	$ 347	$ 294 (a)	$ 437
Doubtful receivables	455	(7)	76 (b)	372
Inventories (primarily service part obsolescence)	254	(29) (c)	—	225
Deferred tax assets	1,604	227 (d)	—	1,831
Total allowances deducted from assets	$ 2,697	$ 538	$ 370	$ 2,865
For the Year Ended December 31, 2016				
Allowances deducted from assets				
Credit losses	$ 437	$ 551	$ 421 (a)	$ 567
Doubtful receivables	372	24	19 (b)	377
Inventories (primarily service part obsolescence)	225	(33) (c)	—	192
Deferred tax assets	1,831	209 (d)	1,131 (e)	909
Total allowances deducted from assets	$ 2,865	$ 751	$ 1,571	$ 2,045
For the Year Ended December 31, 2017				
Allowances deducted from assets				
Credit losses	$ 567	$ 595	$ 483 (a)	$ 679
Doubtful receivables	377	24	(3) (b)	404
Inventories (primarily service part obsolescence)	192	14 (c)	—	206
Deferred tax assets	909	583 (d)	—	1,492
Total allowances deducted from assets	$ 2,045	$ 1,216	$ 480	$ 2,781

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(a) Finance receivables and lease investments deemed to be uncollectible and other changes, principally amounts related to finance receivables sold and translation adjustments.

(b) Accounts and notes receivable deemed to be uncollectible as well as translation adjustments.

(c) Net change in inventory allowances, including translation adjustments.

(d) Includes $(142) million, $26 million, and $127 million in 2015, 2016, and 2017, respectively, of valuation allowance for deferred tax assets through *Accumulated other comprehensive income/(loss),* including translation adjustments and $369 million, $183 million, and $456 million in 2015, 2016, and 2017, respectively, of valuation allowance for deferred tax assets through the income statement.

(e) During 2016 we elected to tax a significant portion of our South American operations simultaneously in U.S. tax returns resulting in a $1.1 billion reduction in deferred tax assets and related valuation allowance.

FORD MOTOR COMPANY ANNUAL INCENTIVE COMPENSATION PLAN
(Amended and Restated as of March 1, 2018)

1. Purpose. This Plan, which shall be known as the "Ford Motor Company Annual Incentive Compensation Plan" and is hereinafter referred to as the "Plan," is intended to provide annual incentive compensation to Plan participants based on the achievement of established performance objectives.

2. Definitions. As used in the Plan, the following terms shall have the following meanings, respectively:

(a) The term "Affiliate" shall mean, as applied with respect to any person or legal entity specified, a person or legal entity that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the person or legal entity specified.

(b) The term "Annual Incentive Compensation Committee" shall mean the committee comprised of two or more officers of the Company designated members of such Committee by the Compensation Committee.

(c) The term "Award" shall mean the cash compensation awarded under the Plan with respect to a Performance Period to a participant eligible under Section 5(b).

(d) The term "Committee" shall mean, unless the context otherwise requires:

(i) The Compensation Committee for all matters affecting any Section 16 Person.

(ii) The Annual Incentive Compensation Committee for all matters affecting employees other than Section 16 Persons.

(e) The term "Company" or "Ford" generally shall mean Ford Motor Company. When used in the Plan with respect to employment, the term "Company" shall include subsidiaries of the Company.

(f) The term "Compensation Committee" shall mean the Compensation Committee of the Board of Directors of the Company.

(g) The term "DC Plan" shall mean the Company's Deferred Compensation Plan, as amended.

(h) The term "Employee" shall mean any person who is regularly employed by the Company or one of its Subsidiaries at a salary (as distinguished from a pension, retirement allowance, severance pay, retainer, commission, fee under a contract or other arrangement, or hourly, piecework or other wage) and is enrolled on the active employment rolls of the Company or a Subsidiary, including, but without limitation, any employee who also is an officer or director of the Company or one of its Subsidiaries.

(i) The term "Exceptional Contribution Fund" shall mean, with respect to Awards for a Performance Period, the dollar amount designated by the Compensation Committee pursuant to Section 13 for purposes of increasing the amount of Awards based on exceptional individual, unit, group or Company performance.

(j) The term "Key Employee" shall mean an Employee of the Company determined by the Committee to be a Key Employee for purposes of the Plan.

(k) The term "Maximum Award Pool" shall mean the maximum aggregate amount of all Awards which may be made to participants for a Performance Period determined by the Compensation Committee pursuant to Section 12.

(l) The term "Maximum Individual Award" shall mean the maximum amount of an Award for a Performance Period, as set forth in Section 10.

(m) The term "participant" shall mean a Key Employee selected by the Committee to participate in the Plan for a Performance Period.

(n) The term "Performance Criteria" shall mean, with respect to any Award for a Performance Period, one or more of the following objective business criteria established by the Compensation Committee with respect to the Company and/or any Subsidiary, division, business unit or component thereof upon which the Performance Goals for a Performance Period are based: asset charge, asset turnover, automotive return on sales, capacity utilization, capital employed in the business, capital spending, cash flow, cost structure improvements, complexity reductions, customer loyalty, diversity, earnings growth, earnings per share, economic value added, environmental health and safety, facilities and tooling spending, hours per vehicle, increase in customer base, inventory turnover, market price appreciation, market share, net cash balance, net income, net income margin, net operating cash flow, operating profit margin, order to delivery time, plant capacity, process time, profits before tax, quality/customer satisfaction, return on assets, return on capital, return on equity, return on net operating assets, return on sales, revenue growth, sales margin, sales volume, total shareholder return, vehicles per employee, warranty performance to budget, variable margin, working capital, and any other criteria based on individual, business unit, group or Company performance selected by the Compensation Committee.

(o) The term "Performance Goals" shall mean the one or more goals established by the Compensation Committee based on one or more Performance Criteria pursuant to Section 7 for the purpose of measuring performance in determining the amount, if any, of an Award for a Performance Period.

(p) The term "Performance Formula" shall mean, with respect to a Performance Period, the one or more objective formulas established by the Compensation Committee pursuant to Section 7 and applied against the Performance Goals in determining whether and the extent to which Awards have been earned for the Performance Period.

(q) The term "Performance Period" or "Period" shall mean, with respect to which a particular Award may be made under the Plan, the Company's fiscal year or other twelve consecutive month period designated by the Compensation Committee for the purpose of measuring performance against Performance Goals.

(r) The term "Pro Forma Award Amount" shall mean, with respect to an Award to be made for a Performance Period, the amount determined by the Committee pursuant to Section 9.

(s) The term "SC Plan" shall mean the Company's Supplemental Compensation Plan, as amended.

(t) The term "Section 16 Person" shall mean any employee who is subject to the reporting requirements of Section 16(a) or the liability provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended.

(u) The term "Subsidiary" shall mean (i) any corporation a majority of the voting stock of which is owned or controlled, directly or indirectly, by the Company or (ii) any limited liability company a majority of the membership interest of which is owned or controlled, directly or indirectly, by the Company.

(v) The term "Target Award" shall mean, with respect to a Performance Period, the Target Award amount established for each applicable Leadership Level, band or other group of participants by the Committee pursuant to Section 6 hereof.

(w) The term "Total Pro Forma Award Pool" shall mean, with respect to Awards for a Performance Period, the amount described in Section 11.

3. Effective Date. The Plan shall be effective as of January 1, 1998.

4. Administration. Except as otherwise expressly provided, the Compensation Committee shall have full power and authority to construe, interpret and administer the Plan. The Compensation Committee shall make all decisions relating to matters affecting Section 16 Persons, but may otherwise delegate any of its authority under the Plan. The Compensation Committee and the Annual Incentive Compensation Committee each may at any time adopt or terminate, and may from time to time, amend, modify or suspend such rules, regulations, policies and practices as they in their sole discretion may determine in connection with the administration of, or the performance of their respective responsibilities under, the Plan.

5. Eligibility.

(a) Eligibility to Participate. All Key Employees are eligible to be selected to participate in the Plan. The Committee shall, in its sole discretion, designate which Key Employees will be participants for the applicable Performance Period.

(b) Eligibility for Awards. An Award with respect to a Performance Period may be made pursuant to Section 14 of the Plan to (i) participants for such Performance Period who shall have been an employee at any time during such Performance Period, or to (ii) the beneficiary or beneficiaries or legal representatives, as the Committee in its sole discretion shall determine, of any such person whose employment shall have been terminated by reason of his or her death during such Performance Period.

(c) Eligibility of Compensation Committee Members. No person while a member of the Compensation Committee shall be eligible to participate under the Plan or receive an Award.

6. Determination of Target Awards. Within 90 days of the commencement of a Performance Period, the Committee shall establish the Target Award for each applicable Leadership Level, band or other group of Key Employees selected to participate in the Plan with respect to a Performance Period, subject to any limitations established by the Compensation Committee. The fact that a Target Award is established for a participant's Leadership Level, band or other group for a Performance Period shall not entitle such participant to receive an Award.

7. Selection of Performance Criteria and Establishment of Performance Goals and Performance Formula; Minimum Threshold Objective. Within 90 days of the commencement of a Performance Period, the Compensation Committee shall select the Performance Criteria and establish the related Performance Goals be used to measure performance for a Performance Period and the Performance Formula to be used to determine what portion, if any, of an Award has been earned for the Performance Period. The Performance Criteria may be expressed in absolute terms or relate to the performance of other companies or to an index. Within that same 90 day period, the Compensation Committee may establish a minimum threshold objective for any Performance Goal for any Performance Period, which if not met, would result in no Award being made to any participant with such Performance Goal for such Performance Period.

8. Adjustments to Performance Goals, Performance Formula or Performance Criteria. For purposes of determining Awards for participants who are not Covered Employees, the Compensation Committee may adjust or modify any of the Performance Goals, Performance Formula and/or the

Performance Criteria for any Performance Period in order to prevent the dilution or enlargement of the rights of such participants under the Plan (i) in the event of, or in anticipation of, any unusual or extraordinary item, transaction, event or development, (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring event affecting the Company or the financial statements of the Company or Ford Motor Credit Company LLC, or in anticipation of, changes in applicable laws, regulations, accounting principles or business conditions, and (iii) for any other reason or circumstance deemed relevant to the Compensation Committee in its sole discretion. For purposes of this Section 8, the term "Covered Employee" shall mean a Key Employee who is a "covered employee" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

9. Determination of Pro Forma Award Amount. As soon as practicable following, but not later than the December 31st immediately following, the end of a Performance Period, the Committee shall determine the Pro Forma Award Amount for any Award to be made to a participant for a Performance Period by applying the applicable Performance Formula for the participant for the Performance Period against the accomplishment of the related Performance Goals for such participant.

10. Maximum Individual Award. The Maximum Individual Award for a Performance Period is $10,000,000.

11. Total Pro Forma Award Pool. The Total Pro Forma Award Pool for all Awards for a Performance Period shall equal the sum of the Pro Forma Award Amounts for all participants for the Performance Period.

12. Determination of Maximum Award Pool. The Compensation Committee shall determine the amount of the Maximum Award Pool for a Performance Period which shall not exceed the sum of the Total Pro Forma Award Pool plus the amount of the Exceptional Contribution Fund for such Period.

13. Determination of Exceptional Contribution Fund. The Compensation Committee shall determine the amount of the Exceptional Contribution Fund, if any, which may be used for increasing the size of Awards for a Performance Period above the applicable Pro Forma Award Amount. Unless otherwise determined by the Compensation Committee, the amount of the Exceptional Contribution Fund shall not exceed 15% of the Total Pro Forma Award Pool for the applicable Performance Period.

14. Determination of Individual Awards. Subject to achievement of any applicable minimum threshold objectives established under Section 7, fulfillment of the conditions set forth in Section 17, and compliance with the Maximum Individual Award limitation under Section 10 and the eligibility requirements set forth in Section 5(b), the Committee shall, as soon as practicable following, but not later than the December 31st immediately following, the end of a Performance Period, determine the amount of each Award to be made to a participant under the Plan for the Performance Period, which amount shall, except as otherwise provided below, be the Pro Forma Award Amount determined for such participant for such Period pursuant to Section 9. The Committee may, in its sole discretion, reduce the amount of any Award that otherwise would be awarded to any participant for any Performance Period. In addition, the Committee may, in its sole discretion, increase the amount of any Award that otherwise would be awarded to any participant for a Performance Period to an amount that is higher than the applicable Pro Forma Award Amount based on exceptional individual, unit, group or Company performance; provided, however, that the total amount of all Awards made for a Performance Period shall not exceed the related Maximum Award Pool. Individual Award amounts may be less than or greater than 100% of the related Target Award. The determinations by the Annual Incentive Compensation Committee of individual Award amounts for Employees who are not Section 16 Persons shall be subject to a maximum funding amount and any other limitations specified by the Compensation Committee. Notwithstanding anything contained in the Plan to the contrary, the Committee may determine in its sole discretion not to make an Award to a particular participant or to all participants selected to participate in the Plan for any Performance Period.

15. Distribution and Form of Awards.

(a) General. Except as otherwise provided in Section 15(b) or in Section 17, distribution of Awards for a Performance Period shall be made on, or as soon as practicable after, the distribution date for such Awards determined by the Compensation Committee, which date shall be on or before March 15 following the end of the applicable Performance Period, but in no event shall such date be later than the December 31 immediately following such March 15, and shall be payable in cash.

(b) Deferral of Awards. Subject to the terms, conditions and eligibility requirements of the DC Plan, Key Employees who receive an Award under the Plan are eligible to defer payment of all or part of such Award under the DC Plan under the same terms as if such Award had been an award of supplemental compensation made under the SC Plan. In no event may any deferral election made under the DC Plan pursuant to this paragraph be made later than the last day of the sixth month of the applicable Performance Period. Additionally, no deferral election may be made under the DC Plan pursuant to this paragraph if, at the time of such election, the amount of any Award subject to such deferral election is substantially certain.

(c) Mandatory Deferral of Awards. The Compensation Committee shall determine whether, and the extent to which, any Awards under the Plan will be mandatorily deferred and the terms of any such deferral. Unless otherwise determined by the Compensation Committee, Awards may be mandatorily deferred by such Committee in the same manner as if they had been awards of supplemental compensation made under the SC Plan. In no event may any mandatory deferral pursuant to this paragraph be made later than the last day of the sixth month of the applicable Performance Period. Additionally, no mandatory deferral may be made pursuant to this paragraph if, at the time of such mandatory deferral, the amount of any Award subject to such mandatory deferral is substantially certain.

16. Designation of Beneficiaries and Effect of Death.

(a) Designation of Beneficiaries. A participant may file with the Company a written designation of a beneficiary or beneficiaries (subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries and such other limitations as the Compensation Committee from time to time may prescribe) to receive, in the event of the death of the participant, undistributed amounts of any Award that would have been payable to such participant had he or she been living and that was not deferred under any Company deferral arrangement or plan. A participant shall be deemed to have designated as beneficiary or beneficiaries under the Plan the person or persons who receive such participant's life insurance proceeds under the basic Company Life Insurance Plan unless such participant shall have assigned such life insurance or shall have filed with the Company a written designation of a different beneficiary or beneficiaries under the Plan. A participant may from time to time revoke or change any such designation of beneficiary and any designation of beneficiary under the Plan shall be controlling over any testamentary or other disposition; provided, however, that if the Committee shall be in doubt as to the right of any such beneficiary to receive any such payment, or if applicable law requires the Company to do so, the same may be paid to the legal representatives of the participant, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone.

(b) Distribution upon Death. Subject to the provisions of Section 15, Section 16(a) and, if applicable, the DC Plan or any other deferral plan or arrangement, in the event of the death of any participant prior to distribution of an Award, the total value of such participant's Award shall be distributed in cash in one lump sum in accordance with Section 15(a) to any beneficiary or beneficiaries designated or deemed designated by the participant pursuant to Section 16(a) who shall survive such participant (to the extent such designation is effective and enforceable at the time of such participant's death) or, in the absence of such designation or such surviving beneficiary, or if applicable law requires the Company to do so, to the legal representative of such person, at such time (or as soon thereafter as practicable) and otherwise as if such person were living and had fulfilled all applicable conditions as to earning out set forth in, or established pursuant to Section 17 and, if applicable, the DC Plan or any other deferral plan or arrangement, provided such conditions shall have been fulfilled by such person until the time of his or her death.

17. Conditions to Payment of Awards.

(a) Effect of Competitive Activity. Anything in the Plan notwithstanding, and subject to paragraph (c) hereof and, if applicable, any conditions under the DC Plan or any other deferral plan or arrangement relating to payment of an Award, if the employment of any participant shall terminate, for any reason other than death, prior to the distribution date established pursuant to Section 15(a) for payment of an Award, such participant shall receive payment of an Award only if, during the entire period from the making of an Award until such distribution date, such participant shall have earned out such Award

(i) by continuing in the employ of the Company or a Subsidiary thereof, or

(ii) if his or her employment shall have been terminated for any reason other than death, by (a) making himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any Subsidiary thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or any Subsidiary thereof, and (b) refraining from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any Subsidiary thereof.

(b) Nonfulfillment of Competitive Activity Conditions; Waiver of Conditions Under the Plan. In the event of a participant's nonfulfillment of any condition set forth in paragraph (a) above, such participant's rights under the Plan to receive or defer payment of an Award under the Plan shall be forfeited and canceled; provided, however, that the nonfulfillment of such condition may at any time (whether before, at the time of or subsequent to termination of employment) be waived in the following manner:

(i) with respect to a participant who at any time shall have been a Section 16 Person, such waiver may be granted by the Compensation Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any Subsidiary thereof; and

(ii) with respect to any other participant, such waiver may be granted by the Annual Incentive Compensation Committee (or any committee appointed by it) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

(c) Effect of Inimical Conduct. Anything in the Plan to the contrary, the right of a participant, following termination of such participant's employment with the Company, to receive payment or to defer payment of an Award under Section 15 shall terminate on and as of the date on which it his been determined that such participant at any time (whether before or subsequent to termination of such participant's employment) acted in a manner inimical to the best interests of the Company. Any such determination shall be made by (i) the Compensation Committee with respect to any participant who at any time shall have been a Section 16 Person, and (ii) the Annual Incentive Compensation Committee (or any committee appointed by it for the purpose) with respect to any other participant. Such Committee (or any such other committee) may make such determination at any time prior to payment in full of an Award. Conduct which constitutes engaging in any activity that is directly or indirectly in competition with any activity of the Company or any Subsidiary thereof shall be governed by Section 17(a)(ii) and shall not be subject to any determination under this paragraph (c).

18. Limitations. A participant shall not have any interest in any Award until it is distributed in accordance with the Plan. The fact that a Key Employee has been selected to be a participant for a Performance Period shall not in any manner entitle such participant to receive an Award for such period. The determination as to whether or not such participant shall be paid an Award for such Performance Period shall be determined solely in accordance with the provisions of Sections 14 and 17 hereof. All payments and distributions to be made thereunder shall be paid from the general assets of the Company. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any employee, former employee or any other person. The Plan shall not constitute part of any participant's or employee's employment contract with the Company or any participating subsidiary. Participation in the Plan shall not create or imply a right to continued employment.

19. Withholding of Taxes, etc. The Company shall have the right to withhold an amount sufficient to satisfy any federal, state or local income taxes, FICA or Medicare taxes or other amounts that the Company may be required by law to pay with respect to any Award, including withholding payment from a participant's current compensation. The Company has no duty to design its compensation policies in a manner that minimizes an individual's tax liabilities, including tax liabilities arising as a result of any distribution or Awards under the Plan. No claim shall be made against the Plan relating to tax liabilities arising from employment with the Company and/or any compensation or benefit arrangements sponsored or maintained by the Company, including this Plan.

20. No Assignment of Benefits. No rights or benefits under the Plan shall, except as otherwise specifically provided by law, be subject to assignment (except for the designation of beneficiaries pursuant to Section 16(a)), nor shall such rights or benefits be subject to attachment or legal process for or against a participant or his or her beneficiary or beneficiaries, as the case may be.

21. Administration Expense. The entire expense of offering and administering the Plan shall be borne by the Company and its participating Subsidiaries.

22. Access of Independent Certified Public Accountants and Committee to Information. The Company's independent certified public accountants shall have full access to the books and records of the Company and its Subsidiaries, and the Company shall furnish to such accountants such information as to the financial condition and operations of the Company and its Subsidiaries as such accountants may from time to time request, in order that such accountants may take any action required or requested to be taken by them under the Plan. The Chief Financial Officer or, in the event of his or her absence or disability to act, the principal accounting officer of the Company shall furnish to the Committee such information as the Committee may request to assist it in carrying out or interpreting this Plan. Neither such accountants, in reporting amounts required or requested under the Plan, nor the Chief Financial Officer, or any other director, officer or employee of the Company, in furnishing information to such accountants or to the Committee, shall be liable for any error therein, if such accountants or other person, as the case may be, shall have acted in good faith.

23. Amendment, Modification, Suspension and Termination of the Plan; Rescissions and Corrections. The Compensation Committee, at any time may terminate, and at any time and from time to time, and in any respect, may amend or modify the Plan or suspend any of its provisions; provided, however, that no such amendment, modification, suspension or termination shall, without the consent of a participant, adversely affect any right or obligation with respect to any Award theretofore made. The Committee at any time may rescind or correct any actions made in error or that jeopardize the intended tax status or legal compliance of the Plan.

24. Indemnification and Exculpation.

(a) Indemnification. Each person who is or shall have been a member of the Compensation Committee or a member of the Annual Incentive Compensation Committee shall be indemnified and held harmless by the Company against and from any and all loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be or become a party or in which such person may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof (with the Company's written approval) or paid by such person in satisfaction of a judgment in any such action, suit or proceeding, except a judgment in favor of the Company based upon a finding of such person's lack of good faith; subject, however, to the condition that upon the institution of any claim, action, suit or proceeding against such person, such person shall in writing give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's behalf. The right of indemnification shall not be exclusive of any other right to which such person may be entitled as a matter of law or otherwise, or any power that the Company may have to indemnify or hold such person harmless.

(b) Exculpation. Each member of the Compensation Committee and each member of the Annual Incentive Compensation Committee shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan or any appropriate person or persons other than such person. In no event shall any person who is or shall have been a member of the Compensation Committee or a member of the Annual Incentive Compensation Committee be held liable for any determination made or other action taken or any omission to act in reliance upon any such information, or for any action (including the furnishing of information) taken or any failure to act, if in good faith.

25. Finality of Determinations. Each determination, interpretation or other action made or taken pursuant to the provisions of the Plan by the Compensation Committee or the Annual Incentive Compensation Committee shall be final and shall be binding and conclusive for all purposes and upon all persons, including, but without limitation thereto, the Company, its stockholders, the Compensation Committee and each of the members thereof, the Annual Incentive Compensation Committee and each of the members thereof, and the directors, officers, and employees of the Company, the Plan participants, and their respective successors in interest.

26. Code Section 409A. All Awards are intended to be exempt from, or in compliance with, Section 409A of the Internal Revenue Code of 1986, as amended ("Code"), and the regulations issued thereunder, and the Plan is to be construed accordingly. The Company reserves the right to take such action as the Company deems necessary or desirable to ensure Awards are exempt from, or comply with, Code Section 409A, and the regulations issued thereunder. Notwithstanding the foregoing, any employee or beneficiary receiving a distribution of cash, Stock, or Other Stock-Based Award shall be responsible for any taxes related to such distribution, including any taxes under Code Section 409A.

27. Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of Michigan.

Terms and Conditions of Stock Option Agreement
Ford Motor Company Long Term Incentive Plan

Effective for Options and/or Stock Appreciation Rights granted under the Ford Motor Company Long-Term Incentive Plan.

1. The Option may not be exercised prior to the date one year from the date of the Stock Option Agreement of which these terms and conditions are a part (the Agreement). Thereafter, the Option may be exercised in installments as follows:

   (a) Beginning on the date one year from the date of the Agreement, the Option may be exercised to the extent of 33% of the shares originally covered thereby;

   (b) Beginning on the date two years from the date of the Agreement, the Option may be exercised to the extent of an additional 33% of the shares originally covered thereby;

   (c) Beginning on the date three years from the date of the Agreement, the Option may be exercised to the extent of an additional 34% of the shares originally covered thereby; and

   (d) To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part;

   all subject to the Agreement and these terms and conditions and any rules and regulations established by the Committee pursuant to the Plan.

   Notwithstanding the foregoing, if your stock option grant included an incentive stock option (ISO), the ISO portion of the grant would be maximized within permissible regulatory limits. This could result in a different number of options vesting on the first three anniversary dates of the grant under the nonqualified option (NQO) and/or the ISO portion of the grant than the number indicated by the schedule above. In any event, the total number of NQOs and ISOs in the grant, will, as a whole, vest according to the schedule above. Your grant information (available online via Morgan Stanley's Benefit Access website - www.benefitaccess.com or through a Morgan Stanley phone representative) will reflect the specific number of ISOs and NQOs vesting on the specific dates.

2. The Stock Appreciation Right, if any, granted by the Company to the Optionee under the Agreement shall entitle the Optionee to receive, without payment to the Company and as the Optionee may elect, either (a) that number of shares of Stock determined by dividing (i) the total number of shares of Stock subject to the Option (or the portion or portions thereof which the Optionee from time to time elects to use for purposes of this clause (a)), multiplied by the amount by which the fair market value of a share of Stock on the day this right is exercised exceeds the option price set forth in the Agreement (such amount being hereinafter referred to as the Spread), by (ii) the fair market value of a share of Stock on the exercise date; or (b) cash in an amount determined by multiplying (i) the total number of shares of Stock subject to the Option (or the portion or portions thereof which the Optionee from time to time elects to use for purposes of this clause (b)), by (ii) the amount of the Spread; or (c) a combination of shares of Stock and cash, in amounts determined as set forth in clauses (a) and (b) above; all subject to the terms and conditions set forth herein and any rules and regulations established by the Committee pursuant to the Plan.

   The right of the Optionee to exercise any Stock Appreciation Right shall be cancelled if and to the extent that the Option is exercised. The right of the Optionee to exercise the Option shall be cancelled if and to the extent that shares covered by the Option are used to calculate shares or cash received upon exercise of any Stock Appreciation Right.

Fair market value shall mean the closing price at which Stock shall have been reported on the New York Stock Exchange on the date as of which such computation is to be made or, if no such closing price shall have been reported on such day, on the next preceding day on which such closing price of Stock shall have been reported on such Exchange.

If any fractional share of Stock would otherwise be deliverable to the Optionee upon exercise of any Stock Appreciation Right, the Optionee shall be paid a cash amount equal to the same fraction of the fair market value of the Stock on the date of exercise.

Any Stock Appreciation Right shall become and remain exercisable by the Optionee only to the extent that the Option becomes and remains exercisable.

3. Except as provided in the immediately following two paragraphs, if, prior to the date one year from the date of the Agreement, the Optionee's employment with the Company shall be terminated by the Company, with or without cause, or by the act, death, incapacity or retirement of the Optionee, the Optionee's right to exercise the Option and any Stock Appreciation Right shall terminate on the date of such termination of employment and all rights hereunder and under the Agreement shall cease.

Notwithstanding the provisions of the next preceding paragraph, if the Optionee's employment with the Company shall be terminated by reason of retirement, release because of disability or death, and the Optionee had remained in the employ of the Company for at least six months following the date of the Agreement, and subject to the provisions of Article 4 hereof, all the Optionee's rights hereunder and under the Agreement shall continue in effect or continue to accrue until the date ten years after the date of the Agreement, subject, in the event of the Optionee's death during such ten-year period, to the provisions of the sixth paragraph of this Article and subject to any other limitation contained herein or in the Agreement on the exercise of the Option or any Stock Appreciation Right in effect at the date of exercise.

Notwithstanding anything to the contrary set forth herein or in the Agreement, if the Optionee's employment with the Company shall be terminated at any time by reason of a sale or other disposition (including, without limitation, a transfer to a Joint Venture (as hereinafter defined)) of the division, operation or subsidiary in which the Optionee was employed or to which the Optionee was assigned, all the Optionee's rights under the Option and any Stock Appreciation Right granted to him or her shall become immediately exercisable and continue in effect until the date five years after the date of such termination (but not later than the date ten years from the date of grant of the Option), provided the Optionee shall satisfy both of the following conditions:

(a) the Optionee, at the date of such termination, had remained in the employ of the Company for at least three months following the grant of the Option and any Stock Appreciation Right, and

(b) the Optionee continues to be or becomes employed in such division, operation or subsidiary following such sale or other disposition and remains in such employ until the date of exercise of the Option or any Stock Appreciation Right (unless the Committee, or any committee appointed by it for the purpose, shall waive this condition (b)).

Upon termination of the Optionee's employment with such (former) division, operation or subsidiary following such sale or other disposition, any then existing right of the Optionee to exercise the Option or any Stock Appreciation Right shall be subject to the following limitations: (i) if the Optionee's employment is terminated by reason of disability, death or retirement with the approval of his or her employer, the Optionee's rights shall continue as provided in the preceding sentence with the same effect as if his or her employment had not terminated; (ii) if the Optionee's employment is terminated by reason of discharge or voluntary quit, the Optionee's rights shall terminate on the date of such termination of employment and all rights under the Option and any Stock Appreciation Right shall cease; and (iii) if the Optionee's employment is terminated for any reason other than a reason set forth in the preceding clauses (i) and (ii), the Optionee shall have the right, within three months after such termination, to exercise the Option or any Stock Appreciation Right to the extent that it or any installment thereof shall have accrued at the date of such termination and shall not have been exercised, subject in the case of any such termination to the provisions of Article 4 hereof and any other limitation on the exercise of the Option and any Stock Appreciation Right in effect at the date of exercise. For purposes of this paragraph, the term Joint Venture shall mean any joint venture corporation or partnership, or comparable entity, in which the Company has a substantial equity interest.

If, on or after the date one year from the date of the Agreement, the Optionee's employment with the Company shall be terminated for any reason except retirement, release because of disability, death, release because of a sale or other disposition of the division, operation or subsidiary in which the Optionee was employed or to which the Optionee was assigned, discharge, release in the best interest of the Company or voluntary quit, the Optionee shall have the right, within three months after such termination, to exercise the Option or any Stock Appreciation Right to the extent that it or any installment thereof shall have accrued at the date of such termination of employment and shall not have been exercised, subject to the provisions of Article 4 hereof and any other limitation contained herein or in the Agreement on the exercise of the Option or any Stock Appreciation Right in effect at the date of exercise.

If the Optionee's employment with the Company shall be terminated at any time by reason of discharge, release in the best interest of the Company or voluntary quit, the Optionee's right to exercise the Option or any Stock Appreciation Right shall terminate on the date of such termination of employment and all rights hereunder and under the Agreement shall cease.

If the Optionee shall die within the applicable period specified in the second, third, or fourth paragraph of this Article, the beneficiary designated pursuant to Article 7 hereof or, if no such designation is in effect, the executor or administrator of the estate of the decedent or the person or persons to whom the Option or any Stock Appreciation Right shall have been validly transferred by the executor or the administrator pursuant to will or the laws of descent and distribution shall have the right, within the same period of time as the period during which the Optionee would have been entitled to exercise the Option or any Stock Appreciation Right if the Optionee had not died, to exercise the Option or any Stock Appreciation Right (except that, if the fourth paragraph of this Article shall apply to the Optionee, the Option or any Stock Appreciation Right may be exercised only to the extent that it or any installment thereof shall have accrued at the date of death and shall not have been exercised, and except that the period of time within which the Option or any Stock Appreciation Right shall be exercisable following the date of the Optionee's death shall not be less than one year (unless the Option by its terms expires earlier)), subject to the provision that neither the Option nor any Stock Appreciation Right shall be exercised under any circumstances beyond ten years from the date of the Agreement and to any other limitation on the exercise of the Option or any Stock Appreciation Right in effect at the date of exercise.

Notwithstanding anything to the contrary set forth in the Agreement or in these terms and conditions, neither the Option nor any Stock Appreciation Right shall be exercised on or after the date ten years from the date of the Agreement.

4. Anything contained herein or in the Agreement to the contrary notwithstanding, the right of the Optionee to exercise the Option or any Stock Appreciation Right following termination of the Optionee's employment with the Company shall remain effective only if, during the entire period from the date of the Optionee's termination to the date of such exercise, the Optionee shall have earned out such right by (i) making himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any subsidiary thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any subsidiary thereof, and (ii) refraining from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof.

   In the event of the Optionee's nonfulfillment of the condition set forth in the immediately preceding paragraph, the Optionee's right to exercise the Option or any Stock Appreciation Right shall cease; provided, however, that the nonfulfillment of such condition may at any time (whether before, at the time of or subsequent to termination of his or her employment) be waived in the following manner:

   (1) if the Optionee at any time shall have been subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act) or the liability provisions of Section 16(b) of the Exchange Act (any such Optionee being hereinafter called a Section 16 Person), such waiver may be granted by the Committee upon its determination that in its sole judgment there shall not have been and will not be anysubstantial adverse effect upon the Company or any subsidiary thereof by reason of the nonfulfillment of such condition; and

   (2) if the Optionee shall not at any time have been a Section 16 Person, such waiver may be granted by the Committee (or any committee appointed by it for the purpose) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

   Anything contained herein or in the Agreement to the contrary notwithstanding, the right of the Optionee to exercise the Option or any Stock Appreciation Right following termination of the Optionee's employment with the Company shall cease on and as of the date on which it has been determined by the Committee that the Optionee at any time (whether before or subsequent to termination of the Optionee's employment) acted in a manner inimical to the best interests of the Company. Conduct which constitutes engaging in an activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof shall be governed by the four immediately preceding paragraphs of this Article and shall not be subject to any determination under this paragraph.

5. Payment for any shares of Stock purchased upon exercise of the Option shall be made in full at the time of exercise. Such payment may be made in cash, by wire, by delivery of shares of Stock beneficially owned by the Optionee or by a combination of cash and Stock, at the election of the Optionee; provided, however, that any shares of Stock so delivered shall have been beneficially owned by the Optionee for a period of not less than six months (or 12 months if the stock being surrendered was acquired through the exercise of an ISO) prior to the date of such exercise. Any shares of Stock so delivered shall be valued at their fair market value (determined as provided in Article 2 hereof) on the date of such exercise.

   The Optionee, from time to time during the period when the Option and any Stock Appreciation Right may by their terms be exercised (a) may exercise the Option in whole or in part by delivering to the Company or its designee (i) a written notice signed by the Optionee stating the number of shares that the Optionee has elected to purchase at that time from the Company, and (ii) a check in an amount, or (in accordance with the preceding paragraph) shares of Stock having a value, equal to the purchase price of the shares then to be purchased, or a combination of shares of Stock and cash, or (b) may exercise any Stock Appreciation Right in whole or in part by delivering to the Company a written notice signed by the Optionee stating (i) the number of shares covered by the Option he or she has elected to use to compute the number of shares, and/or (ii) the number of shares covered by the Option he or she has elected to use to compute the amount of cash, to be received from the Company pursuant to exercise of any Stock Appreciation Right. The Committee, if it shall deem it necessary or desirable for any reason connected with any law or regulation of any governmental authority relating to the regulation of securities, may require the Optionee to execute and file with it such evidence as it may deem necessary that the Optionee is acquiring any shares of Stock for investment and not with a view to their distribution and, by way of the adoption of rules and regulations or otherwise, impose conditions as to the time and manner of exercise of any Stock Appreciation Right by any person or class of persons.

As soon as practicable after receipt by the Company or its designee of such notice, check and/or shares of Stock (if the Option is exercised in whole or in part) and such evidence of intent to acquire for investment as may be required by the Committee, the Company shall issue the appropriate number of shares in the name of the Optionee and deliver the certificate therefor to the Optionee and/or deliver a check payable to the order of the Optionee for the appropriate amount of cash. The number of shares shall be adjusted appropriately, or other appropriate arrangements shall be made, for any taxes required to be withheld by federal, state or local law.

6. As a condition of the granting of the Option and any Stock Appreciation Right, the Optionee and the Optionee's successors and assigns agree that any dispute or disagreement which shall arise under or as a result of the Agreement or these terms and conditions shall be determined by the Committee in its sole discretion and judgment and that any such determination and any interpretation by the Committee of the Agreement or of these terms and conditions shall be final and shall be binding and conclusive for all purposes.

7. Unless the Committee determines otherwise, neither the Option nor any Stock Appreciation Right is transferable by the Optionee otherwise than by will or the laws of descent and distribution, and, during the Optionee's lifetime, each is exercisable only by the Optionee or the Optionee's guardian or legal representative. Once transferred by will or by the laws of descent and distribution, neither the Option nor any Stock Appreciation Right shall be further transferable. Any transferee of the Option and any Stock Appreciation Right shall take the same subject to the terms and conditions set forth herein. No such transfer of the Option and any Stock Appreciation Right shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and/or such other evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions set forth herein. No assignment or transfer of the Option and any Stock Appreciation Right, or of the rights represented thereby, other than as provided in this Article, shall vest in the purported assignee or transferee any interest or right therein whatsoever.

   Notwithstanding anything to the contrary set forth herein, the Optionee may file with the Company or its designee a written designation of beneficiary or beneficiaries (subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries and such other limitations as the Committee from time to time may prescribe) to exercise, in the event of the Optionee's death, the Option or any Stock Appreciation Right subject to the terms and conditions set forth herein and to receipt by the Company of such evidence as the Committee may deem necessary to establish the acceptance by the beneficiary or beneficiaries of the terms and conditions set forth herein. The Optionee shall be deemed to have designated as beneficiary or beneficiaries the person or persons who receive the Optionee's life insurance proceeds under the basic Company Life Insurance Plan unless the Optionee shall have assigned such life insurance or shall have filed with the Company a written designation of a different beneficiary or beneficiaries. The

Optionee may from time to time revoke or change any such designation of beneficiary and any designation of beneficiary by the Optionee shall be controlling over any other disposition, testamentary or otherwise; provided, however, that if the Committee shall be in doubt as to the entitlement of any such beneficiary to exercise the Option or any Stock Appreciation Right, the Committee may determine to recognize only an exercise by the legal representative of the Optionee, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone.

8. The Optionee, a beneficiary designated pursuant to Article 7 hereof or a transferee of the Option and any Stock Appreciation Right shall have no rights as a stockholder with respect to any share covered by the Option or any Stock Appreciation Right until such person shall have become the holder of record of such share, and, except as provided in Article 10 hereof, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash or securities or other property) or distributions or other rights in respect of such share for which the record date is prior to the date upon which such person shall become the holder of record thereof.

9. The existence of the Option or any Stock Appreciation Right shall not affect in any way the right or power of the Company or its stockholders to make or authorize any adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceedings whether of a similar character or otherwise.

10. The shares covered by the Option and any Stock Appreciation Right are shares of Stock as presently constituted, but if, and whenever, prior to the delivery by the Company of all of the shares of Stock and/or cash deliverable upon exercise of the Option or any Stock Appreciation Right, the Company shall effect the payment of a stock dividend on Stock payable in shares of Stock, a subdivision or combination of the shares of Stock, or a reclassification of Stock, the number and price of shares remaining under the Option and any Stock Appreciation Right shall be appropriately adjusted. Such adjustment shall be made by the Committee, whose determination as to what adjustment shall be made, and the extent thereof, shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the Option.

11. Except as hereinbefore expressly provided, (a) the issue by the Company of shares of Stock of any class, or securities convertible into shares of Stock of any class, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefore, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, or (b) the payment of a stock dividend on any other class of the Company's stock, or (c) any subdivision or combination of the shares of any other class of the Company's stock, or (d) any reclassification of any other class of the Company's stock, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to the Option or any Stock Appreciation Right.

12. After any merger of one or more corporations into the Company, or after any consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, the Optionee shall, at no additional cost, be entitled upon any exercise of the Option or any exercise of any Stock Appreciation Right for Stock, to receive (subject to any required action by stockholders), in lieu of the number of shares as to which the Option or any Stock Appreciation Right shall then be so exercised, the number and class of shares of stock or other securities to which the Optionee would have been entitled pursuant to the terms of the agreement of merger or consolidation if at the time of such merger or consolidation the Optionee had been a holder of record of a number of shares of Stock equal to the number of shares as to which such Option or Stock Appreciation Right shall then be so exercised. Comparable rights shall accrue to the

Optionee in the event of successive mergers or consolidations of the character described above or in the event of any exercise of any Stock Appreciation Right for cash following any such merger or consolidation. Anything contained herein or in the Agreement to the contrary notwithstanding, upon the dissolution or liquidation of the Company, or upon any merger or consolidation in which the Company is not the surviving corporation, the Option and any Stock Appreciation Right shall terminate; but if a period of one year from the date of the Agreement shall have expired, the Optionee shall have the right, immediately prior to such dissolution, liquidation, merger or consolidation, to exercise the Option or any Stock Appreciation Right in whole or in part to the extent it shall not have been exercised, without regard to the installment provisions of Article 1 hereof but subject to any other limitation contained herein or in the Agreement on the exercise of the Option and any Stock Appreciation Right in effect on the date of exercise. In the event of any other event affecting Stock, an appropriate adjustment shall be made in the number and price of shares remaining under, and other terms and provisions of, the Option and any Stock Appreciation Right. The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion, and such determination shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the Option.

13. ***Optionee acknowledges and agrees that, in order for the Company to perform its requirements under the Plan, the Company may process, for an indefinite period of time, personal data about Optionee. Such data includes, but is not limited to, the information provided in the Option grant materials and any changes thereto, and other appropriate personal data about Optionee, including information about Optionee's participation in the Plan and options exercised under the Plan from time to time. Optionee also hereby gives for an indefinite period of time Optionee's explicit consent to the Company to collect, use, store and transfer any such personal data for use in the United States of America or any other required location. The legal persons for whom the personal data is intended include Ford and any of its subsidiaries, the outside plan administrator as selected by the Company from time to time and any other person that the Company may deem appropriate in its administration of the Plan. Optionee has been informed of Optionee's right to access and correct Optionee's personal data by contacting Optionee's local Human Resources Representative. Optionee has been informed of Optionee's right to withdraw at any time Optionee's consent to the processing of personal data. Optionee has been informed that the provision of personal data is voluntary. Optionee understands that the transfer of the information outlined here is important to the administration of the Plan. Optionee's consent is given freely and is valid as long as it is needed for administration of the Plan or to comply with applicable legal requirements. Optionee's failure to consent to the Company's collection, use, storage and transfer of such personal data may limit Optionee's right to participate in the Plan. For purposes of this paragraph, the term "Company" shall be deemed to include Ford Motor Company, Optionee's employer, and any other affiliate of Ford Motor Company involved in the administration of the Plan.***

14. Optionee acknowledges that the Company is entitled to terminate the Plan unilaterally, and Optionee hereby waives any right to receive Plan benefits in the event that the Plan is terminated or Optionee's right to exercise the Option otherwise terminates under the terms of the Agreement. Optionee further acknowledges that the Company's grant of the option to Optionee is not an element of the Optionee's compensation and that the option is awarded in the Company's discretion. Optionee further acknowledges that receipt of the Option does not entitle Optionee to any further grants of an Option in the future, and that the Company does not guarantee that benefits under the Plan will have a particular value or be granted to Optionee in the future.

15. Notwithstanding any of the other provisions of the Agreement or these terms and conditions, the Optionee agrees not to exercise the Option or any Stock Appreciation Right, and that the Company will not be obligated to issue any shares or deliver any cash pursuant to the Agreement, if the exercise of the Option or any Stock Appreciation Right or the issuance of such shares or delivery of such cash would constitute a violation by the Optionee or by the Company of any provisions of any law or regulation of any governmental authority. Any determination of the Committee in this connection shall be final and shall be binding and conclusive for all purposes. The Company shall in no event be obligated to take any affirmative action in order to cause the exercise of the Option or any Stock Appreciation Right or the issuance of shares or delivery of cash pursuant thereto to comply with any law or any regulation of any governmental authority.

16. Every notice relating to the Agreement shall be in writing and shall be given by registered mail with return receipt requested. All notices to the Company shall be addressed to:

    Morgan Stanley
    Ford Service Center
    1001 Page Mill Road
    Bldg. 4, Suite 101
    Palo Alto, CA 94304, USA
    Phone No.:
    877-664-FORD (3673) (U.S.)
    212-615-7009 (Non-U.S.)
    Fax No.:650-494-2561

    All notices by the Company to the Optionee shall be addressed to the current address of the Optionee as shown on the records of the Company. Either party by notice to the other may designate a different address to which notices shall be addressed. Any notice given by the Company to the Optionee at his or her last designated address shall be effective to bind any other person who shall acquire rights under the Agreement.

17. Whenever the term Optionee is used in any provision of the Agreement or these terms and conditions under circumstances such that the provision should logically apply to any other person or persons designated as a beneficiary pursuant to the provisions of Article 7 hereof, or to whom the Option and any Stock Appreciation Right, in accordance with the provisions of Article 7 hereof, may be transferred, the term Optionee shall be deemed to include such person or persons.

18. The Agreement has been made in and it and these terms and conditions shall be construed in accordance with the laws of the State of Michigan.

Stock Option Agreement under Ford Motor Company Long-Term Incentive Plan
Nonqualified Option

This AGREEMENT made as of this ____ day of ___________, 20__, by and between Ford Motor Company, a Delaware corporation (the "Company"), and (the "Optionee"), WITNESSETH:

WHEREAS, the Optionee is now employed by the Company, or one of its subsidiaries, in a responsible capacity and the Company desires to provide an incentive to the Optionee, to encourage the Optionee to remain in the employ of the Company or of one or more of its subsidiaries and to increase the Optionee's interest in the Company's long-term success; and as an inducement thereto, the Company has adopted the Company's Long-Term Incentive Plan (the "Plan"), to be administered by the Compensation Committee (the "Committee"), and has determined to grant to the Optionee the option herein provided for,

NOW, THEREFORE, IT IS AGREED BETWEEN THE PARTIES as follows:

Subject to the terms and conditions set forth herein, in the Plan, in the "Terms and Conditions of Stock Option Agreement" (the "Terms and Conditions") and in any rules and regulations established by the Committee pursuant to the Plan (all of which are incorporated by reference into this Agreement as though set forth in full herein), the Company hereby grants to the Optionee the right and option to purchase from the Company up to, but not exceeding in the aggregate, ____ shares of the Company's Common Stock of the par value of $0.01 per share ("Stock"), at a price of $______ per share (the "Option").

The Optionee agrees to remain in the employ of the Company or of one or more of its subsidiaries for a period ending on the later of (a) the date one year from the date of this Agreement or (b) one year from the latest date to which the Optionee is obligated to remain in such employ under any option granted to the Optionee under the Plan or any Stock Option Plan of the Company or under any amendment to any such option; provided, however, that, if the second or third paragraph of Article 3 of the Terms and Conditions shall apply to the Optionee, such period shall be limited to six months from the date of this Agreement; and provided, further, that nothing contained herein or in the Terms and Conditions shall restrict the right of the Company or any of its subsidiaries to terminate the employment of the Optionee at any time, with or without cause. The term "Company" as used in this Agreement and in the Terms and Conditions with reference to employment shall include subsidiaries of the Company. The term "subsidiary" as used in this paragraph shall mean (i) any corporation a majority of the voting stock of which is owned directly or indirectly by the Company or (ii) any limited liability company a majority or the membership interest of which is owned directly or indirectly by the Company.

The grant of the Option to the Optionee is completely discretionary and does not create any rights to receive future stock option grants. The Company may amend, modify or terminate the Plan at any time, subject to limitations set forth in the Plan.

IN WITNESS THEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AUTHENTICATED
as of the above date

FORD MOTOR COMPANY

Optionee
Optionee ID:
____

Stock Option Agreement under Ford Motor Company Long-Term Incentive Plan
Incentive Option

This AGREEMENT made as of this ____ day of _____________, 20__, by and between Ford Motor Company, a Delaware corporation (the "Company"), and (the "Optionee"), WITNESSETH:

WHEREAS, the Optionee is now employed by the Company, or one of its subsidiaries, in a responsible capacity and the Company desires to provide an incentive to the Optionee, to encourage the Optionee to remain in the employ of the Company or of one or more of its subsidiaries and to increase the Optionee's interest in the Company's long-term success; and as an inducement thereto, the Company has adopted the Company's Long-Term Incentive Plan (the "Plan"), to be administered by the Compensation Committee (the "Committee"), and has determined to grant to the Optionee the option herein provided for,

NOW, THEREFORE, IT IS AGREED BETWEEN THE PARTIES as follows:

Subject to the terms and conditions set forth herein, in the Plan, in the "Terms and Conditions of Stock Option Agreement" (the "Terms and Conditions") and in any rules and regulations established by the Committee pursuant to the Plan (all of which are incorporated by reference into this Agreement as though set forth in full herein), the Company hereby grants to the Optionee the right and option to purchase from the Company up to, but not exceeding in the aggregate, ___ shares of the Company's Common Stock of the par value of $0.01 per share ("Stock"), at a price of $_______ per share (the "Option").

The Optionee agrees to remain in the employ of the Company or of one or more of its subsidiaries for a period ending on the later of (a) the date one year from the date of this Agreement or (b) one year from the latest date to which the Optionee is obligated to remain in such employ under any option granted to the Optionee under the Plan or any Stock Option Plan of the Company or under any amendment to any such option; provided, however, that, if the second or third paragraph of Article 2 of the Terms and Conditions shall apply to the Optionee, such period shall be limited to six months from the date of this Agreement; and provided, further, that nothing contained herein or in the Terms and Conditions shall restrict the right of the Company or any of its subsidiaries to terminate the employment of the Optionee at any time, with or without cause. The term "Company" as used in this Agreement and in the Terms and Conditions with reference to employment shall include subsidiaries of the Company. The term "subsidiary" as used in this paragraph shall mean (i) any corporation a majority of the voting stock of which is owned directly or indirectly by the Company or (ii) any limited liability company a majority or the membership interest of which is owned directly or indirectly by the Company.

The Option is intended to be an incentive stock option.

The grant of the Option to the Optionee is completely discretionary and does not create any rights to receive future stock option grants. The Company may amend, modify or terminate the Plan at any time, subject to limitations set forth in the Plan.

IN WITNESS THEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AUTHENTICATED
as of the above date

FORD MOTOR COMPANY

Optionee
Optionee ID:

____

Exhibit 10-P-5

Stock Option Agreement under Ford Motor Company Long-Term Incentive Plan
Approved United Kingdom Rules
U.K. Nonqualified Option

This AGREEMENT made as of this ____ day of _________, 20__, by and between Ford Motor Company, a Delaware corporation (the "Company"), and (the "Optionee"), WITNESSETH:

WHEREAS, the Optionee is now employed by the Company, or one of its subsidiaries, in a responsible capacity and the Company desires to provide an incentive to the Optionee, to encourage the Optionee to remain in the employ of the Company or of one or more of its subsidiaries and to increase the Optionee's interest in the Company's long-term success; and as an inducement thereto the Company has adopted the Company's Long-Term Incentive Plan (the "Plan") and the Approved United Kingdom Rules (the "United Kingdom Rules"), to be administered by the Compensation Committee (the "Committee"), and has determined to grant to the Optionee the option herein provided for;

NOW, THEREFORE, IT IS AGREED BETWEEN THE PARTIES as follows:
Subject to the terms and conditions set forth herein, in the Plan, in the "Terms and Conditions of Stock Option Agreement" (the "Terms and Conditions") and in any rules and regulations established by the Committee pursuant to the Plan (all of which are incorporated by reference into this Agreement as though set forth in full herein), the Company hereby grants to the Optionee the right and option to purchase from the Company up to, but not exceeding in the aggregate, ___ shares of the Company's Common Stock of the par value of $0.01 per share ("Stock"), at a price of $______ per share (the "Option").

The Optionee agrees to remain in the employ of the Company or of one or more of its subsidiaries for a period ending on the later of (a) the date one year from the date of this Agreement or (b) one year from the latest date to which the Optionee is obligated to remain in such employ under any option granted to the Optionee under the Plan or any Stock Option Plan of the Company or under any amendment to any such option; provided, however, that, if the second or third paragraph of Article 2 of the Terms and Conditions shall apply to the Optionee, such period shall be limited to six months from the date of this Agreement; and provided, further, that nothing contained herein or in the Terms and Conditions shall restrict the right of the Company or any of its subsidiaries to terminate the employment of the Optionee at any time, with or without cause. The term "Company" as used in this Agreement and in the Terms and Conditions with reference to employment shall include subsidiaries of the Company. The term "subsidiary" as used in this paragraph shall mean (i) any corporation a majority of the voting stock of which is owned directly or indirectly by the Company or (ii) any limited liability company a majority of the membership interest of which is owned directly or indirectly by the Company.

The grant of the Option to the Optionee is completely discretionary and does not create any rights to receive future stock option grants. The Company may amend, modify or terminate the Plan at any time, subject to limitations set forth in the Plan and the United Kingdom Rules.

IN WITNESS THEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AUTHENTICATED
as of the above date

FORD MOTOR COMPANY

Optionee
Optionee ID: _______________

Terms and Conditions of Stock Option Agreement (U.K. Nonqualified Opinion)
Ford Motor Company Long Term Incentive Plan

Effective for options granted under the Ford Motor Company Long-Term Incentive Plan.

1. The Option may not be exercised prior to the date one year from the date of the Stock Option Agreement of which these terms and conditions are a part (the "Agreement"). Thereafter, the Option may be exercised in installments as follows:

    (a) Beginning on the date one year from the date of the Agreement, the Option may be exercised to the extent of 33% of the shares originally covered thereby;

    (b) Beginning on the date two years from the date of the Agreement, the Option may be exercised to the extent of an additional 33% of the shares originally covered thereby;

    (c) Beginning on the date three years from the date of the Agreement, the Option may be exercised to the extent of an additional 34% of the shares originally covered thereby;

    (d) To the extent not exercised installments shall be cumulative and may be exercised in whole or in part; and

    all subject to the Agreement and these terms and conditions and any rules and regulations established by the Committee pursuant to the Plan or the United Kingdom Rules.

    Notwithstanding the foregoing, if your stock option grant included an incentive stock option (ISO), the ISO portion of the grant would be maximized within permissible regulatory limits. This could result in a different number of options vesting on the first three anniversary dates of the grant under the nonqualified option (NQO) and/or the ISO portion of the grant than the number indicated by the schedule above. In any event, the total number of NQOs and ISOs in the grant, will, as a whole, vest according to the schedule above. Your grant information (available online via Morgan Stanley's Benefit Access website - www.benefitaccess.com or through a Morgan Stanley phone representative) will reflect the specific number of ISOs and NQOs vesting on the specific dates.

2. Except as provided in the immediately following two paragraphs, if, prior to the date one year from the date of the Agreement, the Optionee's employment with the Company shall be terminated by the Company, with or without cause, or by the act, death, incapacity or retirement of the Optionee, the Optionee's right to exercise the Option shall terminate on the date of such termination of employment and all rights hereunder and under the Agreement shall cease.

    Notwithstanding the provisions of the next preceding paragraph, if the Optionee's employment with the Company shall be terminated by reason of retirement, release because of disability or death, and the Optionee had remained in the employ of the Company for at least six months following the date of the Agreement, and subject to the provisions of Article 3 hereof, all the Optionee's rights hereunder and under the Agreement shall continue in effect or continue to accrue until the date ten years after the date of the Agreement, subject, in the event of the Optionee's death during such ten year period, to the provisions of the sixth paragraph of this Article and subject to any other limitation contained herein or in the Agreement on the exercise of the Option in effect at the date of exercise.

Notwithstanding anything to the contrary set forth herein or in the Agreement, if the Optionee's employment with the Company shall be terminated at any time by reason of a sale or other disposition (including, without limitation, a transfer to a "Joint Venture" (as hereinafter defined)) of the division, operation or subsidiary in which the Optionee was employed or to which the Optionee was assigned, all the Optionee's rights under the Option shall become immediately exercisable and continue in effect until the date five years after the date of such termination (but not later than the date ten years from the date of grant of the Option), provided the Optionee shall satisfy both of the following conditions:

(a) the Optionee, at the date of such termination, had remained in the employ of the Company for at least three months following the grant of the Option, and

(b) the Optionee continues to be or becomes employed in such division, operation or subsidiary following such sale or other disposition and remains in such employ until the date of exercise of the Option (unless the Committee, or any committee appointed by it for the purpose, shall waive this condition (b)).

Upon termination of the Optionee's employment with such (former) division, operation or subsidiary following such sale or other disposition, any then existing right of the Optionee to exercise the Option shall be subject to the following limitations: (i) if the Optionee's employment is terminated by reason of disability, death or retirement with the approval of his or her employer, the Optionee's rights shall continue as provided in the preceding sentence with the same effect as if his or her employment had not terminated; (ii) if the Optionee's employment is terminated by reason of discharge or voluntary quit, the Optionee's rights shall terminate on the date of such termination of employment and all rights under the Option shall cease; and (iii) if the Optionee's employment is terminated for any reason other than a reason set forth in the preceding clauses (i) and (ii), the Optionee shall have the right, within three months after such termination, to exercise the Option to the extent that it or any installment thereof shall have accrued at the date of such termination and shall not have been exercised, subject in the case of any such termination to the provisions of Article 3 hereof and any other limitation on the exercise of the Option in effect at the date of exercise. For purposes of this paragraph, the term "Joint Venture" shall mean any joint venture corporation or partnership, or comparable entity, in which the Company has a substantial equity interest.

If, on or after the date one year from the date of the Agreement, the Optionee's employment with the Company shall be terminated for any reason except retirement, release because of disability, death, release because of a sale or other disposition of the division, operation or subsidiary in which the Optionee was employed or to which the Optionee was assigned, discharge, release in the best interest of the Company or voluntary quit, the Optionee shall have the right, within three months after such termination, to exercise the Option to the extent that it or any installment thereof shall have accrued at the date of such termination of employment and shall not have been exercised, subject to the provisions of Article 3 hereof and any other limitation contained herein or in the Agreement on the exercise of the Option in effect at the date of exercise.

If the Optionee's employment with the Company shall be terminated at any time by reason of discharge, release in the best interest of the Company or voluntary quit, the

Optionee's right to exercise the Option shall terminate on the date of such termination of employment and all rights hereunder and under the Agreement shall cease.

If the Optionee shall die within the applicable period specified in the second, third, or fourth paragraph of this Article, the beneficiary designated pursuant to Article 6 hereof or, if no such designation is in effect, the executor or administrator of the estate of the decedent or the person or persons to whom the Option shall have been validly transferred by the executor or the administrator pursuant to will or the laws of descent and distribution shall have the right, within the same period of time as the period during which the Optionee would have been entitled to exercise the Option if the Optionee had not died, to exercise the Option (except that, if the fourth paragraph of this Article shall apply to the Optionee, the Option may be exercised only to the extent that it or any installment thereof shall have accrued at the date of death and shall not have been exercised, and except that the period of time within which the Option shall be exercisable following the date of the Optionee's death shall not be more than one year or less than one year (unless the Option by its terms expires earlier)), subject to the provision that the Option shall not be exercised under any circumstances beyond ten years from the date of the Agreement and to any other limitation on the exercise of the Option in effect at the date of exercise.

Notwithstanding anything to the contrary set forth in the Agreement or in these terms and conditions, the Option shall not be exercised on or after the date ten years from the date of the Agreement.

3. Anything contained herein or in the Agreement to the contrary notwithstanding, the right of the Optionee to exercise the Option following termination of the Optionee's employment with the Company shall remain effective only if, during the entire period from the date of the Optionee's termination to the date of such exercise, the Optionee shall have earned out such right by (i) making himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any subsidiary thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any subsidiary thereof, and (ii) refraining from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof.

In the event of the Optionee's nonfulfillment of the condition set forth in the immediately preceding paragraph, the Optionee's right to exercise the Option shall cease; provided, however, that the nonfulfillment of such condition may at any time (whether before, at the time of or subsequent to termination of his or her employment) be waived in the following manner:

(1) if the Optionee at any time shall have been subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or the liability provisions of Section 16(b) of the Exchange Act (any such Optionee being hereinafter called a "Section 16 Person"), such waiver may be granted by the Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any subsidiary thereof by reason of the nonfulfillment of such condition; and

(2) if the Optionee shall not at any time have been a Section 16 Person, such waiver may be granted by the Committee (or any committee appointed by it for the purpose) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

Anything contained herein or in the Agreement to the contrary notwithstanding, the right of the Optionee to exercise the Option following termination of the Optionee's employment with the Company shall cease on and as of the date on which it has been determined by the Committee that the Optionee at any time (whether before or subsequent to termination of the Optionee's employment) acted in a manner inimical to the best interests of the Company. Conduct which constitutes engaging in an activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof shall be governed by the four immediately preceding paragraphs of this Article and shall not be subject to any determination under this paragraph.

4. Payment for any shares of Stock purchased upon exercise of the Option shall be made in full at the time of exercise. Such payment must be made in cash.

The Optionee, from time to time during the period when the Option may by its terms be exercised, may exercise the Option in whole or in part by delivering to the Company: (i) a written notice signed by the Optionee stating the number of shares that the Optionee has elected to purchase at that time from the Company, and (ii) a check in an amount equal to the purchase price of the shares then to be purchased. The Committee, if it shall deem it necessary or desirable for any reason connected with any law or regulation of any governmental authority relating to the regulation of securities, may require the Optionee to execute and file with it such evidence as it may deem necessary that the Optionee is acquiring any shares of Stock for investment and not with a view to their distribution.

As soon as practicable after receipt by the Company of such notice and check (if the Option is exercised in whole or in part) and such evidence of intent to acquire for investment as may be required by the Committee, the Company shall issue the appropriate number of shares in the name of the Optionee and deliver the certificate therefore to the Optionee. The number of shares shall be adjusted appropriately, or other appropriate arrangements shall be made, for any taxes required to be withheld by United Kingdom or United States federal, state or local law.

5. As a condition of the granting of the Option, the Optionee and the Optionee's successors and assigns agree that any dispute or disagreement which shall arise under or as a result of the Agreement or these terms and conditions shall be determined by the Committee in its sole discretion and judgment and that any such determination and any interpretation by the Committee of the Agreement or of these terms and conditions shall be final and shall be binding and conclusive for all purposes.

6. The option is not transferable by the Optionee and, during the Optionee's lifetime, the Option is exercisable only by the Optionee or the Optionee's legal representative.

7. The Optionee, or the Optionee's legal representative shall have no rights as a stockholder with respect to any share covered by the Option until such person shall have become the holder of record of such share, and, except as provided in Article 9 hereof, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash or securities or other property) or distributions or other rights in respect of such share for

which the record date is prior to the date upon which such person shall become the holder of record thereof.

8. The existence of the Option shall not affect in any way the right or power of the Company or its stockholders to make or authorize any adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceedings whether of a similar character or otherwise.

9. The shares covered by the Option are shares of Stock as presently constituted, but if, and whenever, prior to the delivery by the Company of all of the shares of Stock deliverable upon exercise of the Option, the Company shall effect the payment of a stock dividend on Stock payable in shares of Stock, a subdivision or combination of the shares of Stock, or a reclassification of Stock, the number and price of shares remaining under the Option shall be appropriately adjusted, provided that the adjustment is permitted by paragraph 29, Schedule 9 t the Income and Corporation Taxes Act 1988 and also provided that the adjustment will not be effective until and unless it is approved by the Board of the Inland Revenue. Such adjustment shall be made by the Committee, whose determination as to what adjustment shall be made, and the extent thereof, shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the Option.

10. Except as hereinbefore expressly provided, (a) the issue by the Company of shares of Stock of any class, or securities convertible into shares of Stock of any class, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefore, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, or (b) the payment of a stock dividend on any other class of the Company's stock, or (c) any subdivision or combination of the shares of any other class of the Company's stock, or (d) any reclassification of any other class of the Company's stock, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to the Option.

11. Subject to Rule 6 of the United Kingdom Rules, after any merger of one or more corporations into the Company, or after any consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, the Optionee shall, at no additional cost, be entitled upon any exercise of the Option, to receive (subject to any required action by stockholders), in lieu of the number of shares as to which the Option shall then be so exercised, the number and class of shares of Stock or other securities to which the Optionee would have been entitled pursuant to the terms of the agreement of merger or consolidation if at the time of such merger or consolidation the Optionee had been a holder of record of a number of shares of Stock equal to the number of shares as to which such Option shall then be so exercised. Comparable rights shall accrue to the Optionee in the event of successive mergers or consolidations of the character described above. Anything contained herein or in the Agreement to the contrary notwithstanding, upon the dissolution or liquidation of the Company, or upon any merger or consolidation in which the Company is not the surviving corporation, the Option shall terminate; but if a period of one year from the date of the Agreement shall have expired, the Optionee shall have the right, immediately prior to such dissolution, liquidation, merger or consolidation, to exercise the Option in whole or in part to the extent it shall not have been exercised, without regard to the installment provisions of Article 1 hereof but

subject to any other limitation contained herein or in the Agreement on the exercise of the Option in effect on the date of exercise. In the event of any other event affecting Stock, an appropriate adjustment shall be made in the number and price of shares remaining under, and other terms and provisions of, the Option. The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion, and such determination shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the Option.

12. ***Optionee acknowledges and agrees that, in order for the Company to perform its requirements under the Plan, the Company may process, for an indefinite period of time, personal data about Optionee. Such data includes, but is not limited to, the information provided in the Option grant materials and any changes thereto, and other appropriate personal data about Optionee, including information about Optionee's participation in the Plan and options exercised under the Plan from time to time. Optionee also hereby gives for an indefinite period of time Optionee's explicit consent to the Company to collect, use, store and transfer any such personal data for use in the United States of America or any other required location. The legal persons for whom the personal data is intended include Ford and any of its subsidiaries, the outside plan administrator as selected by the Company from time to time and any other person that the Company may deem appropriate in its administration of the Plan. Optionee has been informed of Optionee's right to access and correct Optionee's personal data by contacting Optionee's local Human Resources Representative. Optionee has been informed of Optionee's right to withdraw at any time Optionee's consent to the processing of personal data. Optionee has been informed that the provision of personal data is voluntary. Optionee understands that the transfer of the information outlined here is important to the administration of the Plan. Optionee's consent is given freely and is valid as long as it is needed for administration of the Plan or to comply with applicable legal requirements. Optionee's failure to consent to the Company's collection, use, storage and transfer of such personal data may limit Optionee's right to participate in the Plan. For purposes of this paragraph, the term "Company" shall be deemed to include Ford Motor Company, Optionee's employer, and any other affiliate of Ford Motor Company involved in the administration of the Plan.***

13. Optionee acknowledges that the Company is entitled to terminate the Plan unilaterally, and Optionee hereby waives any right to receive Plan benefits in the event that the Plan is terminated or Optionee's right to exercise the Option otherwise terminates under the terms of the Agreement. Optionee further acknowledges that the Company's grant of the option to Optionee is not an element of the Optionee's compensation and that the option is awarded in the Company's discretion. Optionee further acknowledges that receipt of the Option does not entitle Optionee to any further grants of an Option in the future, and that the Company does not guarantee that benefits under the Plan will have a particular value or be granted to Optionee in the future.

14. Notwithstanding any of the other provisions of the Agreement or these terms and conditions, the Optionee agrees not to exercise the Option, and that the Company will not be obligated to issue any shares pursuant to the Agreement, if the exercise of the Option or the issuance of such shares would constitute a violation by the Optionee or by the Company of any provisions of any law or regulation of any governmental authority. Any determination of the Committee in this connection shall be final and shall be binding and conclusive for all purposes. The Company shall in no event be obligated to take any affirmative action in order to cause the exercise of the Option or the issuance of shares pursuant thereto to comply with any law or any regulation of any governmental authority.

15. Every notice relating to the Agreement shall be in writing and shall be given by registered mail with return receipt requested. All notices to the Company shall be addressed to:

Morgan Stanley
Ford Service Center
1001 Page Mill Road
Bldg. 4, Suite 101
Palo Alto, CA 94304, USA
Phone No.:
877-664-FORD (3673) (U.S.)
212-615-7009 (Non-U.S.)
Fax No.:650-494-2561

All notices by the Company to the Optionee shall be addressed to the current address of the Optionee as shown on the records of the Company. Either party by notice to the other may designate a different address to which notices shall be addressed. Any notice given by the Company to the Optionee at his or her last designated address shall be effective to bind any other person who shall acquire rights under the Agreement.

16. The Agreement has been made in and it and these terms and conditions shall be construed in accordance with the laws of the State of Michigan.

17. No U.K. income tax will be payable on the grant of the Option. The Company will, however, inform the U.K. Inland Revenue of the grant of the Option. No U.K. income tax will be payable on the exercise of the Option, provided that the scheme retains its U.K. Inland Revenue approved status and:

(a) the Option is exercised more than 3 years and not more than 10 years from the date of grant; and

(b) it is not exercised within 3 years of the date when the Optionee last exercised a right obtained under any U.K. Inland Revenue approved discretionary share option scheme (whether run by the Optionee's present employer or any other company whatsoever) and in respect of which the Optionee obtained relief from U.K. income tax. All Options exercised on the same day count as one exercise for this purpose.

World Headquarters, Room 538
One American Road
Dearborn, MI 48126-2798

DATE

Mr./Ms. [Name]:

Pursuant to the Ford Motor Company's (Ford or the Company) Long-Term Incentive Plan (LTIP Plan), the Compensation Committee approved a grant of [ ] restricted shares effective [Date]. Accordingly, restricted shares of Ford Common Stock* have been credited to a book entry account in your name at Computershare.

These shares are restricted from sale, transfer, or other disposition until [one/two/three/four/five] year/s from the date of grant on [Date]. At that time, the restrictions will be lifted and, as soon as practicable thereafter, an appropriate number of shares will be withheld to cover any tax liability on the value of the grant at that time.

Alternatively, in the U.S., you have the option now to make a "Section 83(b) Election". This election allows you to include the value of the grant in your current earnings and pay taxes now on the value as compensation. However, future appreciation on the grant would be taxed as capital gains. If you choose to make this election, a written confirmation of the election and your tax payment to the Company must be provided to the Company by [Date]. You should consult with your tax advisor if you would like to make this election. To obtain a form for this election and arrange for the tax payments, please contact [Name] at [Phone Number].

During the restriction period, you are the stockholder of record of the shares and are entitled to vote the shares.

If approved by the Board of Directors, quarterly dividend payments will be paid in cash by Computershare. Unless you have made a "Section 83(b) Election, the Company will report quarterly dividends paid during the restriction period as income on a Form W-2. In the event you would like to change the election on your account, please contact Computershare. Attached is a document with Computershare's contact information.

Your Restricted Stock grant is made under Ford's Long-Term Incentive Plan and is subject to its terms and conditions. If you have further questions regarding your award, please contact [Name] at [Phone Number].

Your continued leadership is greatly appreciated and is essential to the success of achieving critical Company priorities.

Regards,

[Name]

Attachment

The Fair Market Value of Ford Common Stock on [Date] was $[XX.XX]/share.

RESTRICTED STOCK AWARD

What is Restricted Stock?

Shares of Restricted Stock are actual shares of Ford Common Stock that are subject to restrictions on the sale and transfer of the stock for a certain period of time as detailed in your award letter. The stock will be registered in your name and held in a book entry account at Computershare Trust Company, N.A., the Company's transfer agent. You will have all rights and privileges of a stockholder during the restriction period, including the right to vote the Restricted Stock and the right to receive dividends if approved by the Board of Directors. The Restricted Stock cannot be sold, transferred, assigned, pledged, or otherwise encumbered during the restriction period.

Will I receive dividends on my Restricted Stock?

Under the terms of this program, any dividends will be paid in cash and sent to you by Computershare, unless you contact Computershare and request dividend reinvestment.

What about Taxes?

The shares of Restricted Stock will not be recognized as taxable income at the time the grant is made. At the time the stock becomes **unrestricted**, as detailed in your award letter, the value of the award will be taxed by the Company via share withholding. The value of the award is equal to the fair market value of the stock on the date of unrestriction, multiplied by the number of shares awarded. The fair market value of Ford Common Stock is the closing price at which the Company's stock is traded on the New York Stock Exchange on the date the restrictions lapse.

If quarterly dividends are paid during the restriction period, they will be reported as earnings. Alternatively, for U.S. employees, you have the option to make a "Section 83(b) Election" (as detailed in your award letter). This election requires you to include the value of this grant **at the time of grant** in your current earnings and pay taxes now on the value as compensation. However, future appreciation on the grant would be taxed as capital gains. Consult your tax advisor if you have questions or would like to make this election. If you choose to make this election, a written confirmation of the election and your tax payment to the Company must be provided to the Company (_____________ at _______________ by the deadline specified in your award letter.

Are there any other conditions related to the Restricted Stock?

There are several other conditions related to the Restricted Stock:

1) You must remain an active employee for a period of six months following the date of the grant or the date specified in your grant agreement, whichever is later. If you should terminate your employment before the applicable period expires, your grant will automatically be forfeited.

2) If your employment should terminate for any reason other than death and under the terms of the LTIP you are allowed to keep your grant, you must refrain from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof. In the event of nonfulfillment of this condition, your right to receive your Restricted Stock Award will be forfeited and cancelled.

3) Your right to receive your Restricted Stock Award will terminate if it is determined that you have acted in a manner inimical to the best interests of the Company.

Your Restricted Stock Award is made under Ford's Long-Term Incentive Plan and is subject to its terms and conditions.

Compensation and Executive Personnel

Exhibit 10-P-8

World Headquarters, Room 538
One American Road
Dearborn, MI 48126-2798

[Date]

Dear [Name],

In recognition of Company and individual performance in [Year], and in anticipation of your continued leadership and ongoing efforts in [Year], the Compensation Committee of the Board of Directors has approved the following incentive compensation for you:

Your Performance-based Restricted Stock Unit grant was a maximum opportunity having a [one/two/three-year] performance period ending December 31, [Year]. The performance metrics for the [Year] grant were:

- [Describe applicable metrics]

Based on performance against these metrics, the Compensation Committee has approved the following:

PB-RSU Opportunity:	**[ ]**
PB-RSU Payout:	**[ ]**
Final Award:	**[ ] of the original grant**

The Final Award will be [Restricted Stock Units (RSUs) restricted for [one/two/three-] years] [unrestricted shares of Ford Common Stock]. As soon as practicable [on or after [date]] [after the restriction lapses], you will be issued shares of Ford Common Stock, less shares withheld to cover any tax liability on the value of the grant.

All stock-based awards are subject to the terms of Ford's Long-Term Incentive Plan. Additional information regarding all of your stock-based awards is available on HR ONLINE. If you have further questions regarding your awards, please contact [Name] at [Phone Number].

Thank you for all your efforts and continued leadership.

Exhibit 10-P-9

World Headquarters, Room 538
One American Road
Dearborn, MI 48126-2798

[Date]

Dear [Name],

In recognition of Company and individual performance in [Year], and in anticipation of your continued leadership and ongoing efforts in [Year], the Compensation Committee of the Board of Directors has approved the following incentive compensation for you:

[Year] Performance-Based Restricted Stock Units (performance-based RSU) and Time-base Restricted Stock Units [(RSUs)Stock Options] – Annual Grant

The total value of your [Year] stock-based award is delivered through __% Performance-Based Restricted Stock Units (RSUs), __% RSUs, [and __% stock options]:

Total value:

Performance-Based RSU value:	**[ ]**
Number of Performance-Based RSUs*:	**[ ]**
Time-based RSUs Value:	**[ ]**
Number of Time-based RSUs	**[ ]**
Stock option value:	**[ ]**
Number of stock options:	**[ ]**

The number of performance-based RSUs and Time-based RSUs stock options is based on the FMV of [ ] and Black-Scholes value of [ ] on [Date of Grant] truncated to the nearest whole share.

The performance-based RSU grant has a maximum opportunity of [200]% of the amount specified above and has having a [one/two/three-] year performance period, after which the Compensation Committee will determine the final RSU award based on performance-to-objective on the following metrics:

- [Describe applicable metrics]

[You will be entitled to accrue dividend equivalents equal to the cash that you would have received if, on each record date during the performance period beginning with the grant date relating to the performance-based RSU, you had been the holder of record of a number of shares of Common Stock equal to the number of performance-based RSUs specified above. You will receive the accrued dividend equivalents in cash as soon as practicable following the date on which the final award for the performance-based RSUs, if any, is paid and the payment will be equal to the amount of the dividend equivalents accrued multiplied by the performance factor for the performance-based RSU grant, less any applicable taxes, including federal, state or local withholding taxes.]

The final RSU award for the performance-based RSUs will be [unrestricted shares of Ford Common Stock] [restricted for [one/two/three- years]. As soon as practicable on or after the final award date specified by the Compensation Committee [after the restriction lapses], you will be issued shares of Ford Common Stock, less shares withheld to cover any tax liability on the value of the grant.

All stock-based awards, including dividend equivalents, are subject to the terms of Long-Term Incentive Plan. Additional information regarding all of your stock-based awards is available on HR ONLINE. If you have further questions regarding your awards, please contact [Name] at [Phone Number].

Thank you for all your efforts and continued leadership.

***The Compensation Committee of the Board of Directors adopted a recoupment policy that applies to: (i) awards paid in the current and future years pursuant to the Annual Incentive Compensation Plan and (ii) Final Awards of Common Stock or Time-Based Restricted Stock Units for Performance-Based Restricted Stock Units in the current performance period and future performance periods (the "Awards"). The Awards will be subject to recoupment by the Company from an officer under the following circumstances: (i) the Company issues a material restatement of its financial statements and such restatement was caused by such officer's intentional misconduct; (ii) such officer was found to be in violation of non-compete provisions of any plan or agreement; (iii) such officer has committed ethical or criminal violations; or (iv) as otherwise required by law, rule, or regulation. The Compensation Committee will consider all relevant factors and exercise business judgment in determining any appropriate amounts to recoup up to 100% of any Awards.**

In the event of a change-in-control of the Company, any outstanding Performance-Based Restricted Stock Unit whose grant date is at least six months prior to the date of the change-in-control, will convert to Time-Based Restricted Stock Units in proportion to the performance-to-metrics as of the date of the change-in-control as determined by the Compensation Committee of the Board of Directors in its sole discretion. Such Time-Based Restricted Stock Units will be subject to the Terms and Conditions of the Final Award of Performance-Based Restricted Stock Unit Agreements then in effect.

World Headquarters, Room 538
One American Road
Dearborn, MI 48126-2798

[Date]

Dear [Name],

In recognition of Company and individual performance in [Year], and in anticipation of your continued leadership and ongoing efforts in [Year], the Compensation Committee of the Board of Directors has approved the following incentive compensation for you:

[Year] Performance-Based Restricted Stock Units (performance-based-RSU), time-base Restricted Stock Units (RSUs), [and Stock Options] – Annual Grant

The total value of your [Year] stock-based award is delivered through __% performance-based RSUs and __% time-based RSUs, [and __% stock options]:

Total value:

Performance-based RSU value:	**[ ]**
Number of Performance-based RSUs*:	**[ ]**
Time-based RSUs Value:	**[ ]**
Number of Time-based RSUs	**[ ]**
Stock option value:	**[ ]**
Number of stock options:	**[ ]**

The number of performance-based RSUs and time-based RSUs stock options is based on the FMV of [ ] and Black-Scholes value of [ ] on [Date of Grant] truncated to the nearest whole share.

The performance-based RSU grant has a maximum opportunity of 200% of the amount specified above and has a [one/two/three-]year performance period, after which the Compensation Committee will determine the final award based on performance-to-objective on the following metrics:

- [Describe applicable metrics]

[You will receive the value of dividends paid on Common Stock as if, on each record date during the performance period beginning with the grant date of such performance-based RSU, you had been a holder of record of a number of shares of Common Stock equal to the number of performance-based RSUs specified above (“dividend equivalents”). Such dividend equivalents shall accrue as additional Restricted Stock Units (“Additional RSUs”), equal in number to (x) divided by (y), where (x) equals the number of performance-based RSUs specified above plus any previously accrued Additional Restricted Stock Units on such record date multiplied by the cash dividend paid per share of Common Stock, and (y) equals the Fair Market Value of a share of Common Stock on the dividend payment date of the related Common Stock dividend. Such Additional RSUs will be paid in shares of Common Stock on the final award date of the related performance-based RSU in an amount equal to the number of Additional RSUs (any fractional Additional RSU resulting from such dividend equivalent calculations will be disregarded) multiplied by the performance factor of the related performance-based RSU, less such number of shares of Common Stock required to satisfy payment of applicable taxes, including federal, state or local withholding taxes. Any shares of Stock so paid shall be treated as final awards, subject to the terms and conditions of the Plan.]

The final award will be [unrestricted shares of Ford Common Stock] [RSUs restricted for [one/two/three-years]. As soon as practicable on [or after the final award date specified by the Compensation Committee] [after the restriction lapses], you will be issued shares of Ford Common Stock, less shares withheld to cover any tax liability on the value of the grant.

All stock-based awards, including dividend equivalents, are subject to the terms of Long-Term Incentive Plan. Additional information regarding all of your stock-based awards is available on HR ONLINE. If you have further questions regarding your awards, please contact [Name] at [Phone Number].

Thank you for all your efforts and continued leadership.

***The Compensation Committee of the Board of Directors adopted a recoupment policy that applies to: (i) awards paid in the current and future years pursuant to the Annual Incentive Compensation Plan and (ii) Final Awards of Common Stock or Time-Based Restricted Stock Units for Performance-Based Restricted Stock Units in the current performance period and future performance periods (the "Awards"). The Awards will be subject to recoupment by the Company from an officer under the following circumstances: (i) the Company issues a material restatement of its financial statements and such restatement was caused by such officer's intentional misconduct; (ii) such officer was found to be in violation of non-compete provisions of any plan or agreement; (iii) such officer has committed ethical or criminal violations; or (iv) as otherwise required by law, rule, or regulation. The Compensation Committee will consider all relevant factors and exercise business judgment in determining any appropriate amounts to recoup up to 100% of any Awards.**

In the event of a change-in-control of the Company, any outstanding Performance-Based Restricted Stock Unit whose grant date is at least six months prior to the date of the change-in-control, will convert to Time-Based Restricted Stock Units in proportion to the performance-to-metrics as of the date of the change-in-control as determined by the Compensation Committee of the Board of Directors in its sole discretion. Such Time-Based Restricted Stock Units will be subject to the Terms and Conditions of the Final Award of Performance-Based Restricted Stock Unit Agreements then in effect.

Restricted Stock Unit Agreement under Ford Motor Company's Long-Term Incentive Plan

This AGREEMENT made as of this [ ] day of May 20__ (the "RSU Agreement"), by and between Ford Motor Company, a Delaware corporation (the "Company"), and [Name of Grantee] (the "Grantee"), WITNESSETH:

WHEREAS, the Grantee is now employed by the Company, or one of its subsidiaries, in a responsible capacity and the Company desires to provide an incentive to the Grantee to encourage the Grantee to remain in the employ of the Company or of one or more of its subsidiaries and to increase the Grantee's interest in the Company's long-term success; and as an inducement thereto, the Company has adopted Ford's Long-Term Incentive Plan (the "Plan"), to be administered by the Compensation Committee (the "Committee"), and has determined to grant to the Grantee the restricted stock units herein provided for,

NOW, THEREFORE, IT IS AGREED BETWEEN THE PARTIES as follows:

Subject to the terms and conditions set forth herein, in the Plan, in the "Terms and Conditions of Restricted Stock Unit Agreement" (the "RSU Terms and Conditions") and in any rules and regulations established by the Committee pursuant to the Plan (all of which are incorporated by reference into this Agreement as though set forth in full herein), the Company hereby grants to the Grantee [ ] restricted stock units (the "RSU Grant"). The RSU Grant will vest after [one, two, three] year/s from the date of grant; [x]% of the RSU Grant will vest after one year from the date of grant; [x]% of the RSU Grant will vest after two years from the date of grant; and [x]% of the RSU Grant will vest after three years from the date of grant

The Grantee agrees to remain in the employ of the Company or of one or more of its subsidiaries for a period ending on the later of (a) the date six months from the date of this Agreement or (b) the latest date to which the Grantee is obligated to remain in such employ under any restricted stock unit granted to the Grantee under the Plan or any Restricted Stock Unit Plan of the Company or under any amendment to any such restricted stock unit; provided, however, that, if the second paragraph of Article 3 of the RSU Terms and Conditions shall apply to the Grantee, such period shall be limited to three months from the date of this Agreement; and provided, further, that nothing contained herein or in the RSU Terms and Conditions shall restrict the right of the Company or any of its subsidiaries to terminate the employment of the Grantee at any time, with or without cause. The term "Company" as used in this Agreement and the RSU Terms and Conditions with reference to employment shall include subsidiaries of the Company. The term "subsidiary" as used in this paragraph shall mean (i) any corporation a majority of the voting stock of which is owned directly or indirectly by the Company or (ii) any limited liability company a majority of the membership interest of which is owned directly or indirectly by the Company.

The grant of the RSU Grant is completely discretionary and does not create any rights to receive future restricted stock unit grants. The Company may amend, modify or terminate the Plan at any time, subject to limitations set forth in the Plan.

IN WITNESS THEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AUTHENTICATED

FORD MOTOR COMPANY

____

Grantee
Grantee ID: __________________

Terms and Conditions of Restricted Stock Unit Agreement
Ford Motor Company Long-Term Incentive Plan (the "Plan")

Effective for Time-based Restricted Stock Units ("RSUs") granted under the Ford Motor Company Long-Term Incentive Plan.

1. The rights of Grantees with respect to the RSUs shall remain forfeitable at all times prior to the date on which such rights become vested, and the restrictions with respect to the RSUs lapse, in accordance with Articles 2, 3, or 4.

   No shares of Ford Common Stock ("Stock") shall be issued to Grantee prior to the date on which the RSUs vest, and the restrictions with respect to the RSUs lapse, in accordance with Articles 2, 3, or 4. Neither this Article 1 nor any action taken pursuant to or in accordance with this Article 1 shall be construed to create a trust of any kind. After any RSUs vest, and the restrictions with respect to the RSUs lapse, in accordance with Articles 2, 3, or 4, the Company shall promptly cause to be issued shares of Stock to an account that will be set up in the Grantee's name with Morgan Stanley, Inc., or such other administrator as the Company shall appoint, [unless such payment of Stock is deferred in accordance with the terms and conditions of the Company's non-qualified deferred compensation plan].

2. Subject to the terms and conditions of any applicable RSU Agreement, the Plan and the terms and conditions set forth herein, the RSU will vest according to the terms specified in such Agreement.

3. Except as provided in the following two paragraphs, if, prior to the date six months from the date of the applicable RSU Agreement, the Grantee's employment with the Company shall be terminated by the Company, with or without cause, or by the act, death, incapacity or retirement of the Grantee, the RSU shall terminate on the date of such termination of employment and all rights hereunder and under the applicable RSU Agreement shall cease.

   Notwithstanding anything to the contrary set forth herein or in the applicable RSU Agreement, if the Grantee's employment with the Company shall be terminated at any time by reason of a sale or other disposition (including, without limitation, a transfer to a Joint Venture (as hereinafter defined)) of the division, operation or subsidiary in which the Grantee was employed or to which the Grantee was assigned, the RSU shall continue under the vesting schedule provided in Article 2, provided the Grantee, at the date of such termination, had remained in the employ of the Company for at least three months following the RSU.

   If the Grantee's employment with the Company shall be terminated at any time by reason of discharge, release in the best interest of the Company, release under mutually satisfactory conditions, termination under a voluntary or involuntary Company separation program or career transition program, voluntary quit, or retirement without the approval of the Company, prior to the vesting of all or any portion of the RSU, the Grantee shall forfeit the unvested portion of such RSU.

4. Anything herein or in the applicable RSU Agreement to the contrary notwithstanding, the vesting of any unvested RSUs shall continue only if the Grantee satisfies each of the following conditions: (i) makes himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to, and otherwise cooperate with the Company or any subsidiary thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the company or of any subsidiary

thereof, and (ii) he or she refrains from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof.

In the event of the Grantee's nonfulfillment of either condition set forth in the immediately preceding paragraph, the Grantee shall forfeit any unvested RSUs; provided, however, that the nonfulfillment of such condition may at any time (whether before, at the time of, or subsequent to termination of his or her employment) be waived in the following manner:

A. if the Grantee at any time shall have been subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or the liability provisions of Section 16(b) of the Exchange Act (any such Grantee being hereinafter called a "Section 16 Person"), such waiver may be granted by the Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any subsidiary thereof by reason of the nonfulfillment of such condition; and
B. if the Grantee shall not at any time have been a Section 16 Person, such waiver may be granted by the Committee (or any committee appointed by it for the purpose) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

Anything contained herein or in the applicable RSU Agreement to the contrary notwithstanding, the vesting of RSUs following termination of the Grantee's employment with the Company shall cease on and as of the date on which it has been determined by the Committee that the Grantee at any time (whether before or subsequent to termination of the Grantee's employment) acted in a manner inimical to the best interests of the Company. Conduct which constitutes engaging in an activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof shall be governed by the two immediately preceding paragraphs of this Article and shall not be subject to any determination under this paragraph.

5. As a condition of the granting of the RSU, the Grantee and the Grantee's successors and assignees agree that any dispute or disagreement which shall arise under or as a result of the applicable RSU Agreement or these terms and conditions shall be determined by the Committee in its sole discretion and judgment and that any such determination and any interpretation by the Committee of the applicable RSU Agreement or of these terms and conditions shall be final and shall be binding and conclusive for all purposes.

6. Unless the Committee determines otherwise, unvested RSUs shall not be transferable by the Grantee otherwise than by will or the laws of descent and distribution, and, during the Grantee's lifetime, unvested RSUs may only vest in the Grantee or the Grantee's guardian or legal representative. Once transferred by will or by the laws of descent and distribution, any unvested RSU shall not be further transferable. Any permitted transferee of an unvested RSU shall take the same subject to the terms and conditions set forth herein. No such transfer of any unvested RSU shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and/or such other evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferees of the terms and conditions set forth herein. No assignment or transfer of an unvested RSU, or of the rights represented thereby, other than as provided in this Article, shall vest in the purported assignee or transferee any interest or right therein whatsoever.

Notwithstanding anything to the contrary set forth herein, the Grantee may file with the Company or its designee a written designation of beneficiary or beneficiaries acceptable to the Company, in its sole discretion (subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries and such other limitations as the Committee from time to time may prescribe), to hold, in the event of the Grantee's death, an unvested RSU subject to the terms and conditions set forth herein and to receipt by the Company of such evidence as the Committee may deem necessary to establish the acceptance by the beneficiary or beneficiaries of the terms and conditions set forth herein. The Grantee may from time to time revoke or change any such designation of beneficiary and any designation of beneficiary by the Grantee shall be controlling over any other disposition, testamentary or otherwise; provided, however, that if the Committee shall be in doubt as to the entitlement of any such beneficiary to hold an unvested RSU, the Committee may determine to recognize only the legal representative of the Grantee, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone.

7. The Grantee, a beneficiary designated pursuant to Article 6 hereof, or a transferee of the unvested RSU shall have no rights as a stockholder with respect to any share covered by an unvested RSU until such person have become the holder of record of such share, and, except as provided in Article 9 hereof and in the immediately following sentences of this Article 7, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash or securities or other property) or distributions or other rights in respect of such share for which the record date is prior to the date upon which such person shall become the holder of record thereof. [Grantee shall be entitled to receive the value of dividends paid on Stock as if, on each record date during the entire restriction period relating to such RSU, such Grantee had been a holder of record of a number of shares of Stock equal to the number of RSUs specified in the applicable RSU Agreement ("dividend equivalents"). Such dividend equivalents shall be paid as an award of additional Restricted Stock Units and the Company shall credit to Grantee's account an additional number of Restricted Stock Units ("Additional RSUs"), equal to (x) divided by (y), where (x) equals the related RSUs granted under the applicable RSU Agreement and previously accrued Additional Restricted Stock Units, if any, on the record date of the related dividend declaration on Stock multiplied by the dollar amount of the cash dividend paid per share of Stock on the payment date of the related Stock dividend, and (y) equals the Fair Market Value of a share of Stock on the payment date of the related Stock dividend. Such Additional RSUs will accrue during the restriction period related to such RSUs, but not less frequently than annually, and be paid in shares of Stock on, or as soon as practicable following the vesting date of the related RSUs (any fractional Additional RSU resulting from such calculation will be disregarded). Any shares of Stock so paid shall be treated as Final Awards, subject to the terms and conditions of the Plan, including, without limitation, the provisions of paragraphs (b), (d), and (e) of Article 4 and Articles 8, 9, and 11.] [Grantee shall be entitled to receive payment of the same amount of cash that such Grantee would have received as cash dividends if, on each record date during the entire restriction period relating to such RSU, such Grantee had been the holder of record of a number of shares of Stock equal to the number of RSUs specified in the applicable RSU Agreement (as adjusted pursuant to Article 11) ("dividend equivalents"). Such cash dividend equivalents will accrue on each of the dividend payment dates of the related Stock dividends during the restriction period of such RSU, but not less frequently than annually, and be paid in cash on, or as soon as practical following, the vesting date of such RSU.] For purposes of designating the time and form of payments under the Plan in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, the accrual and payment of any dividend equivalents hereunder shall be treated separately from the right to receive any amount of RSUs, shares of Stock or cash under any RSU to which the dividend equivalents relate.

8. The existence of the RSU shall not affect in any way the right or power of the Company or its stockholders to make or authorize any adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceedings whether of a similar character or otherwise.

9. The shares covered by an RSU are shares of Stock as presently constituted, but if, and whenever, prior to the delivery by the Company of all of the shares of Stock and/or cash deliverable upon the vesting of an RSU, the Company shall effect the payment of a stock dividend on Stock payable in shares of Stock, a subdivision or combination of the shares of Stock, or a reclassification of Stock, the number and price of shares under the RSU shall be appropriately adjusted. Such adjustment shall be made by the Committee, whose determination as to what adjustment shall be made, and the extent thereof, shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the RSU.

10. Except as hereinbefore expressly provided, (a) the issue by the Company of shares of Stock of any class, or securities convertible into shares of Stock of any class, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefore, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, or (b) the payment of a stock dividend on any other class of the Company's stock, or (c) any subdivision or combination of the shares of any other class of the Company's stock, or (d) any reclassification of any other class of the Company's stock, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to the RSU.

11. After any merger of one or more corporations into the Company, or after any consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, the Grantee shall, at no additional cost, be entitled upon any vesting of a RSU, to receive (subject to any required action by stockholders), in lieu of the number of shares as to which the RSU shall then be so vested, the number and class of shares of stock or other securities to which the Grantee would have been entitled pursuant to the terms of the agreement of merger or consolidation if at the time of such merger or consolidation the Grantee had been a holder of record of a number of shares of Stock equal to the number of shares as to which such RSU shall then be so vested. Comparable rights shall accrue to the Grantee in the event of successive mergers or consolidations of the character described above.

Anything contained herein or in the applicable RSU Agreement to the contrary notwithstanding, upon any merger or consolidation in which the Company is not the surviving corporation, any unvested RSU shall terminate; but if a period of six months from the date of the applicable RSU Agreement shall have expired and the newly formed entity has not replaced the RSU with a comparable award from the acquiring corporation, or if the Grantee has been terminated or there is a reduction in the responsibilities of a Grantee who was an LL1 officer, immediately prior to such merger or consolidation, the RSU shall convert to shares of Stock, without regard to the installment provisions of Article 2 hereof but subject to any other limitation contained herein or in the applicable RSU Agreement on the vesting of the RSU in effect on the date of conversion.

Anything contained herein or in the applicable RSU Agreement to the contrary notwithstanding, upon the dissolution or liquidation of the Company, the unvested RSU shall terminate; but if a period of six months from the date of the applicable RSU Agreement shall have expired immediately prior to such dissolution or liquidation the RSU shall convert to shares of Stock, without regard to the installment provisions of Article 2 hereof but subject to any other limitation contained herein or in the applicable RSU Agreement on the vesting of the RSU in effect on the date of conversion.

In the event of any other event affecting Stock, an appropriate adjustment shall be made in the number and price of shares remaining under, and other terms and provisions of, the RSU. The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion, and such determination shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the RSU.

12. **Grantee acknowledges and agrees that, in order for the Company to perform its requirements under the Plan, and to calculate any tax liability that Grantee may have relating to the RSU, the Company may process, for an indefinite period of time personal data about Grantee. Such data includes, but is not limited to, the information provided in the grant materials and any changes thereto, and other appropriate personal data about Grantee, including information about Grantee's participation in the Plan, grants under the Plan, and Grantee's individual tax rate, income, and/or other information used in determining Grantee's applicable tax rate from time to time. Grantee also hereby gives for an indefinite period of time explicit consent to the Company to collect, use, store and transfer any such personal data for use in the United States of America or any other required location. The legal persons for whom the personal data is intended include the Company and any of its subsidiaries, the outside Plan or program administrator(s) as selected by the Company form time to time, the Company's independent registered public accounting firm, and any other person that the Company may deem appropriate in its administration of the Plan. Grantee agrees that he or she has been informed that the provision of personal data is voluntary. Grantee understands that the transfer of the information outlined here is important to the administration of the Plan. Grantee's consent is given freely and is valid as long as it is needed for the administration of the Plan or to comply with applicable legal requirements. Grantee's failure to consent to the Company's collection, use, storage and transfer of such personal data may limit Grantee's right to participate in the Plan. For purposes of this paragraph, the term "Company" shall be deemed to include Ford Motor Company, my employer, and any other affiliate of Ford Motor Company involved in the administration of the Plan.**

13. Grantee acknowledges that the Company is entitled to terminate the Plan unilaterally, and Grantee hereby waives any right to receive Plan benefits in the event that the Plan is terminated or Grantee's right to receive shares of Stock from any unvested RSUs otherwise terminates under the terms of the applicable RSU Agreement. Grantee further acknowledges that the Company's grant of the RSUs to the Grantee is not an element of the Grantee's compensation and that the RSU is awarded in the Company's discretion. The value of the RSU shall not be included as compensation, earnings, salaries, or other similar terms used when calculating the Grantee's benefits under any employee benefit plan sponsored by the Company except as such plan otherwise expressly provides. Grantee further acknowledges that receipt of the RSU does not entitle Grantee to any further grants of RSUs in the future, and that the Company does not guarantee that benefits under the Plan will have a particular value or be granted to Grantee in the future.

14. Notwithstanding any of the other provisions of the applicable Agreement or these terms and conditions, the Company will not be obligated to issue any shares or deliver any cash pursuant to the applicable RSU Agreement if issuance of such shares or delivery of such cash would constitute a violation by the Grantee or by the Company of any provisions of any law or regulation of any governmental authority. Any determination of the Committee in this connection shall be final and shall be binding and conclusive for all purposes. The Company shall in no event be obligated to take any affirmative action in order to cause the issuance of shares or delivery of cash pursuant to the vesting of any RSU to comply with any law or any regulation of any governmental authority.

15. Every notice relating to the applicable RSU Agreement shall be in writing and shall be given by registered mail with return receipt requested. All notices to the Company shall be addressed to:

    Morgan Stanley, Inc.
    Ford Service Center
    1001 Page Mill Road
    Bldg. 4, Suite 101
    Palo Alto, CA 94304, USA

    Phone No.:
    1-877-664-FORD (3673) (U.S.)
    1-212-615-7009 (Non-U.S.)
    Fax No.: 1-650-494-2561

    All notices by the Company to the Grantee shall be addressed to the current address of the Grantee as shown on the records of the Company. Either party by notice to the other may designate a different address to which notices shall be addressed. Any notice given by the Company to the Grantee at his or her last designated address shall be effective to bind any other person who shall acquire rights under the applicable RSU Agreement.

16. Whenever the term Grantee is used in any provision of the applicable RSU Agreement or these terms and conditions under circumstances such that the provision should logically apply to any other person or persons designated as a beneficiary pursuant to the provisions of Article 6 hereof, or to whom the RSU, in accordance with the provisions of Article 7 hereof, may be transferred, the term Grantee shall be deemed to include such person or persons.

17. The applicable RSU Agreement has been made in and it and these terms and conditions shall be construed in accordance with the laws of the State of Michigan.

Restricted Stock Unit Final Award Agreement for 20__ Performance-Based Restricted Stock Unit ("PB-RSU") Grant under the Ford Motor Company Long-Term Incentive Plan

This AGREEMENT made as of this [day of ________ 20_-], by and between Ford Motor Company, a Delaware corporation (the "Company"), and [Name of Grantee] (the "Grantee"), WITNESSETH:

WHEREAS, the Grantee is now, or was, employed by the Company, or one of its subsidiaries, in a responsible capacity during all or part of the performance period related to the grant of 20__ PB-RSUs under the Company's Long-Term Incentive Plan (the "Plan"), which is administered by the Compensation Committee (the "Committee"), and the Company has determined that, based on the Company's accomplishment of certain objectives relating to the 20— PB-RSU grant, the Grantee has earned a final award of restricted stock units herein provided for,

NOW, THEREFORE, IT IS AGREED BETWEEN THE PARTIES as follows:

Subject to the terms and conditions set forth herein, in the Plan, in the "Terms and Conditions of Restricted Stock Unit Final Award Agreement" (the "Final Award Terms and Conditions") and in any rules and regulations established by the Committee pursuant to the Plan (all of which are incorporated by reference into this Agreement as though set forth in full herein), the Company hereby grants to the Grantee [   ] restricted stock units (the "RSU Grant"). The RSU Grant will vest after [one, two, three] year/s from the date of grant; [x]% of the RSU Grant will vest after one year from the date of grant; [x]% of the RSU Grant will vest after two years from the date of grant; and [x]% of the RSU Grant will vest after three years from the date of grant.

The Grantee agrees: (i) to refrain from engaging in activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof; (ii) to refrain engaging in conduct that is inimical to the best interests of the Company; and (iii) make himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to, and otherwise cooperate with the Company or any subsidiary thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or any subsidiary thereof. In the event of non-fulfillment of condition (i), (ii), or (iii) above, the Grantee's rights in the RSU Grant, including the right to have any Final Award converted to shares of Ford Common stock at the end of applicable restriction period, shall be forfeited and cancelled. Furthermore, nothing contained herein or in the Final Award Terms and Conditions shall restrict the right of the Company or any of its subsidiaries to terminate the employment of the Grantee at any time, with or without cause. The term "Company" as used in this Agreement and the Final Award Terms and Conditions with reference to employment shall include subsidiaries of the Company. The term "subsidiary" as used in this paragraph shall mean (i) any corporation a majority of the voting stock of which is owned directly or indirectly by the Company or (ii) any limited liability company a majority of the membership interest of which is owned directly or indirectly by the Company.

The grant of the RSU Grant is completely discretionary and does not create any rights to receive future restricted stock unit grants. The Company may amend, modify or terminate the Plan at any time, subject to limitations set forth in the Plan.

IN WITNESS THEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AUTHENTICATED	FORD MOTOR COMPANY
	____________________
	Grantee
	Grantee ID:
	______________________________

Terms and Conditions of Restricted Stock Unit Final Award Agreement
Ford Motor Company Long-Term Incentive Plan (the "Plan")

Effective for time-based Restricted Stock Units ("RSUs") granted as final awards relating to Performance-Based Restricted Stock Units granted pursuant to the Plan.

1. The rights of Grantees with respect to the RSUs shall remain forfeitable at all times prior to the date on which such rights become vested, and the restrictions with respect to the RSUs lapse, in accordance with Articles 2, 3, or 4.

   No shares of Ford Common Stock ("Stock") shall be issued to Grantee prior to the date on which the RSUs vest, and the restrictions with respect to the RSUs lapse, in accordance with Articles 2, 3, or 4. Neither this Article 1, nor any action taken pursuant to, or in accordance with, this Article 1, shall be construed to create a trust of any kind. After any RSUs vests, and the restrictions with respect to the RSUs lapse, in accordance with Articles 2, 3, or 4, the Company shall promptly cause to be issued shares of Stock to an account that will be set up in the Grantee's name with Morgan Stanley, Inc., or such other administrator as the Company shall appoint.

2. Subject to the terms and conditions of an applicable RSU Agreement, the Plan and the terms and conditions set forth herein, the final award RSU will vest according to the terms specified in such RSU Agreement.

3. If the Grantee's employment with the Company shall be terminated at any time by reason of discharge, release in the best interest of the Company, release under mutually satisfactory conditions, termination under a voluntary or involuntary Company separation program or career transition program, voluntary quit, or retirement without the approval of the Company, prior to the vesting of all or any portion of the RSU, the Grantee shall forfeit the unvested portion of such RSU.

4. Anything herein or in the RSU Agreement to the contrary notwithstanding, the vesting of any unvested RSUs shall continue only if the Grantee satisfies each of the following conditions: (i) makes himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to, and otherwise cooperate with the Company or any subsidiary thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the company or of any subsidiary thereof, and (ii) he or she refrains from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof.

   In the event of the Grantee's nonfulfillment of either condition set forth in the immediately preceding paragraph, the Grantee shall forfeit any unvested RSUs; provided, however, that the nonfulfillment of such condition may at any time (whether before, at the time of, or subsequent to termination of his or her employment) be waived in the following manner:

   A. if the Grantee at any time shall have been subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or the liability provisions of Section 16(b) of the Exchange Act (any such Grantee being hereinafter called a "Section 16 Person"), such waiver may be granted by the Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any subsidiary thereof by reason of the nonfulfillment of such condition; and

B. if the Grantee shall not at any time have been a Section 16 Person, such waiver may be granted by the Committee (or any committee appointed by it for the purpose) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

Anything contained herein or in the applicable RSU Agreement to the contrary notwithstanding, the vesting of RSUs following termination of the Grantee's employment with the Company shall cease on and as of the date on which it has been determined by the Committee that the Grantee at any time (whether before or subsequent to termination of the Grantee's employment) acted in a manner inimical to the best interests of the Company. Conduct which constitutes engaging in an activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof shall be governed by the two immediately preceding paragraphs of this Article and shall not be subject to any determination under this paragraph.

5. As a condition of the granting of the RSU, the Grantee and the Grantee's successors and assignees agree that any dispute or disagreement which shall arise under, or as a result of, the applicable RSU Agreement or these terms and conditions shall be determined by the Committee in its sole discretion and judgment and that any such determination and any interpretation by the Committee of the applicable RSU Agreement or of these terms and conditions shall be final and shall be binding and conclusive for all purposes.

6. Unless the Committee determines otherwise, unvested RSUs shall not be transferable by the Grantee otherwise than by will or the laws of descent and distribution, and, during the Grantee's lifetime, unvested RSUs may only vest in the Grantee or the Grantee's guardian or legal representative. Once transferred by will or by the laws of descent and distribution, any unvested RSU shall not be further transferable. Any permitted transferee of an unvested RSU shall take the same subject to the terms and conditions set forth herein. No such transfer of any unvested RSU shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and/or such other evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferees of the terms and conditions set forth herein. No assignment or transfer of an unvested RSU, or of the rights represented thereby, other than as provided in this Article, shall vest in the purported assignee or transferee any interest or right therein whatsoever.

Notwithstanding anything to the contrary set forth herein, the Grantee may file with the Company or its designee a written designation of beneficiary or beneficiaries acceptable to the Company, in its sole discretion (subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries and such other limitations as the Committee from time to time may prescribe), to hold, in the event of the Grantee's death, an unvested RSU subject to the terms and conditions set forth herein and to receipt by the Company of such evidence as the Committee may deem necessary to establish the acceptance by the beneficiary or beneficiaries of the terms and conditions set forth herein. The Grantee may from time to time revoke or change any such designation of beneficiary and any designation of beneficiary by the Grantee shall be controlling over any other disposition, testamentary or otherwise; provided, however, that if the Committee shall be in doubt as to the entitlement of any such beneficiary to hold an unvested RSU, the Committee may determine to recognize only the legal representative of the Grantee, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone.

7. The Grantee, a beneficiary designated pursuant to Article 6 hereof, or a transferee of the unvested RSU shall have no rights as a stockholder with respect to any share covered by an unvested RSU until such person have become the holder of record of such share, and, except as provided in Article 9 hereof and in the immediately following sentences of this Article 7, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash or securities or

other property) or distributions or other rights in respect of such share for which the record date is prior to the date upon which such person shall become the holder of record thereof. [Grantee shall be entitled to receive the value of dividends paid on Stock as if, on each record date during the entire restriction period relating to such RSU, such Grantee had been a holder of record of a number of shares of Stock equal to the number of RSUs specified in the applicable RSU Agreement ("dividend equivalents"). Such dividend equivalents shall be paid as an award of additional Restricted Stock Units and the Company shall credit to Grantee's account an additional number of Restricted Stock Units ("Additional RSUs") equal to (x), divided by (y), where (x) equals the related RSUs granted under the applicable RSU Agreement and previously accrued Additional Restricted Stock Units, if any, on the record date of the related dividend declaration on Stock, multiplied by the dollar amount of the cash dividend paid per share of Stock on the payment date of the related Stock dividend, and (y) equals the Fair Market Value of a share of Stock on the payment date of the related Stock dividend. Such Additional RSUs will accrue during the restriction period related to such RSUs, but not less frequently than annually, and be paid in shares of Stock on, or as soon as practicable following, the vesting date of the related RSUs (any fractional Additional RSU resulting from such calculation will be disregarded). Any shares of Stock so paid shall be treated as Final Awards, subject to the terms and conditions of the Plan, including, without limitation, the provisions of paragraphs (b), (d), and (e) of Article 4 and Articles 8, 9, and 11.] [Grantee shall be entitled to receive payment of the same amount of cash that such Grantee would have received as cash dividends if, on each record date during the entire restriction period relating to such RSU, such Grantee had been the holder of record of a number of shares of Stock equal to the number of RSUs specified in the applicable RSU Agreement (as adjusted pursuant to Article 11) ("dividend equivalents"). Such cash dividend equivalents will accrue on each of the dividend payment dates of the related Stock dividends during the restriction period of such RSU, but not less frequently than annually, and be paid in cash on, or as soon as practicable following, the vesting date of such RSU.] For purposes of designating the time and form of payments under the Plan in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, the accrual and payment of any dividend equivalents hereunder shall be treated separately from the right to receive any amount of RSUs, shares of Stock or cash under any RSUs to which the dividend equivalents relate.

8. The existence of the RSU shall not affect in any way the right or power of the Company or its stockholders to make or authorize any adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceedings whether of a similar character or otherwise.

9. The shares covered by an RSU are shares of Stock as presently constituted, but if, and whenever, prior to the delivery by the Company of all of the shares of Stock and/or cash deliverable upon the vesting of an RSU, the Company shall effect the payment of a stock dividend on Stock payable in shares of Stock, a subdivision or combination of the shares of Stock, or a reclassification of Stock, the number and price of shares under the RSU shall be appropriately adjusted. Such adjustment shall be made by the Committee, whose determination as to what adjustment shall be made, and the extent thereof, shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the RSU.

10. Except as hereinbefore expressly provided, (a) the issue by the Company of shares of Stock of any class, or securities convertible into shares of Stock of any class, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefore, or upon conversion of shares or obligations of the Company convertible into such

shares or other securities, or (b) the payment of a stock dividend on any other class of the Company's stock, or (c) any subdivision or combination of the shares of any other class of the Company's stock, or (d) any reclassification of any other class of the Company's stock, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to the RSU.

11. After any merger of one or more corporations into the Company, or after any consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, the Grantee shall, at no additional cost, be entitled upon any vesting of a RSU, to receive (subject to any required action by stockholders), in lieu of the number of shares as to which the RSU shall then be so vested, the number and class of shares of stock or other securities to which the Grantee would have been entitled pursuant to the terms of the agreement of merger or consolidation if at the time of such merger or consolidation the Grantee had been a holder of record of a number of shares of Stock equal to the number of shares as to which such RSU shall then be so vested. Comparable rights shall accrue to the Grantee in the event of successive mergers or consolidations of the character described above.

Anything contained herein or in the applicable RSU Agreement to the contrary notwithstanding, upon any merger or consolidation in which the Company is not the surviving corporation, any unvested RSU shall terminate; but if a period of six months from the date of the applicable RSU Agreement shall have expired and the newly formed entity has not replaced the RSU with a comparable award from the acquiring corporation, or if the Grantee has been terminated or there is a reduction in the responsibilities of a Grantee who was an LL1 officer, immediately prior to such merger or consolidation, the RSU shall convert to shares of Stock, without regard to the installment provisions of Article 2 hereof but subject to any other limitation contained herein or in the applicable RSU Agreement on the vesting of the RSU in effect on the date of conversion.

Anything contained herein or in the applicable RSU Agreement to the contrary notwithstanding, upon the dissolution or liquidation of the Company, the unvested RSU shall terminate; but if a period of six months from the date of the applicable RSU Agreement shall have expired immediately prior to such dissolution or liquidation the RSU shall convert to shares of Stock, without regard to the installment provisions of Article 2 hereof but subject to any other limitation contained herein or in the applicable RSU Agreement on the vesting of the RSU in effect on the date of conversion.

In the event of any other event affecting Stock, an appropriate adjustment shall be made in the number and price of shares remaining under, and other terms and provisions of, the RSU. The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion, and such determination shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the RSU.

12. **Grantee acknowledges and agrees that, in order for the Company to perform its requirements under the Plan, and to calculate any tax liability that Grantee may have relating to the RSU, the Company may process, for an indefinite period of time personal data about Grantee. Such data includes, but is not limited to, the information provided in the grant materials and any changes thereto, and other appropriate personal data about Grantee, including information about Grantee's participation in the Plan, grants under the Plan, and Grantee's individual tax rate, income, and/or other information used in determining Grantee's applicable tax rate from time to time. Grantee also hereby gives for an indefinite period of time explicit consent to the Company to collect, use, store and transfer any such personal data for use in the United States of America or any other required location. The legal persons for whom the personal data is intended include the Company and any of its subsidiaries, the outside Plan or program administrator(s) as**

selected by the Company form time to time, the Company's independent registered public accounting firm, and any other person that the Company may deem appropriate in its administration of the Plan. Grantee agrees that he or she has been informed that the provision of personal data is voluntary. Grantee understands that the transfer of the information outlined here is important to the administration of the Plan. Grantee's consent is given freely and is valid as long as it is needed for the administration of the Plan or to comply with applicable legal requirements. Grantee's failure to consent to the Company's collection, use, storage and transfer of such personal data may limit Grantee's right to participate in the Plan. For purposes of this paragraph, the term "Company" shall be deemed to include Ford Motor Company, my employer, and any other affiliate of Ford Motor Company involved in the administration of the Plan.

13. Grantee acknowledges that the Company is entitled to terminate the Plan unilaterally, and Grantee hereby waives any right to receive Plan benefits in the event that the Plan is terminated or Grantee's right to receive shares of Stock from any unvested RSUs otherwise terminates under the terms of the applicable RSU Agreement. Grantee further acknowledges that the Company's grant of the RSUs to the Grantee is not an element of the Grantee's compensation and that the RSU is awarded in the Company's discretion. The value of the RSU shall not be included as compensation, earnings, salaries, or other similar terms used when calculating the Grantee's benefits under any employee benefit plan sponsored by the Company except as such plan otherwise expressly provides. Grantee further acknowledges that receipt of the RSU does not entitle Grantee to any further grants of RSUs in the future, and that the Company does not guarantee that benefits under the Plan will have a particular value or be granted to Grantee in the future.

14. Notwithstanding any of the other provisions of the applicable RSU Agreement or these terms and conditions, the Company will not be obligated to issue any shares or deliver any cash pursuant to the applicable RSU Agreement if issuance of such shares or delivery of such cash would constitute a violation by the Grantee or by the Company of any provisions of any law or regulation of any governmental authority. Any determination of the Committee in this connection shall be final and shall be binding and conclusive for all purposes. The Company shall in no event be obligated to take any affirmative action in order to cause the issuance of shares or delivery of cash pursuant to the vesting of any RSU to comply with any law or any regulation of any governmental authority.

15. Every notice relating to the applicable RSU Agreement shall be in writing and shall be given by registered mail with return receipt requested. All notices to the Company shall be addressed to:

    Morgan Stanley, Inc.
    Ford Service Center
    1001 Page Mill Road
    Bldg. 4, Suite 101
    Palo Alto, CA 94304, USA

    Phone No.:
    1-877-664-FORD (3673) (U.S.)
    1-212-615-7009 (Non-U.S.)
    Fax No.: 1-650-494-2561

    All notices by the Company to the Grantee shall be addressed to the current address of the Grantee as shown on the records of the Company. Either party by notice to the other may designate a different address to which notices shall be addressed. Any notice given by the Company to the Grantee at his or her last designated address shall be effective to bind any other person who shall acquire rights under the applicable RSU Agreement.

16. Whenever the term Grantee is used in any provision of the applicable RSU Agreement or these terms and conditions under circumstances such that the provision should logically apply to any other person or persons designated as a beneficiary pursuant to the provisions of Article 6 hereof, or to whom the RSU, in accordance with the provisions of Article 7 hereof, may be transferred, the term Grantee shall be deemed to include such person or persons.

17. The applicable RSU Agreement has been made in and it and these terms and conditions shall be construed in accordance with the laws of the State of Michigan.

Exhibit 10-P-15

World Headquarters, Room 538
One American Road
Dearborn, MI 48126-2798

[Date]

To: [Name]

Subject: Incentive Grant Opportunity

The Compensation Committee of the Board of Directors approved a new incentive opportunity to be delivered as a stock-based award within the framework of the Long-Term Incentive program. You have been selected to participate in this program because of your role in leading efforts toward achieving the Company's critical priorities.

Stock-Based Award Value
The total value of your award opportunity will be delivered in time-based Restricted Stock Units (RSUs):

Total value:

Time-Based RSU value:	**[ ]**
Number of Time-Based RSUs*:	**[ ]**

The RSUs will vest after [one/two/three-] year/s from the date of grant/[x]% of the RSU Grant will vest after one year from the date of grant; [x]% of the RSU Grant will vest after two years from the date of grant; and [x]% of the RSU Grant will vest after three years from the date of grant. As soon as feasible after the end of the restriction period, the RSUs will be converted to shares of Ford Motor Company Common Stock, less shares withheld to cover applicable taxes. The resulting shares will be placed in an account in your name.

Your RSU award is made under the Company's Long-Term Incentive Plan and is subject to its terms and conditions, the RSU Agreement and the RSU Terms and Conditions. These documents and additional information regarding all of your stock-based awards is available on HR ONLINE. If you have further questions regarding your award, please contact [Name] at [Phone Number].

Your continued leadership is greatly appreciated and is essential to the success of achieving critical Company priorities.

*The number of time-based RSUs is based on the FMV of [ ] of Ford Common Stock on [date of grant] truncated to the nearest whole share.

Exhibit 12

FORD MOTOR COMPANY AND SUBSIDIARIES
CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in millions)

	2013	2014	2015	2016	2017
Earnings					
Income before income taxes	$ 14,371	$ 1,234	$ 10,252	$ 6,796	$ 8,148
Add/(Deduct):					
Equity in net income of affiliated companies	(1,069)	(1,275)	(1,818)	(1,780)	(1,201)
Dividends from affiliated companies	529	1,463	1,485	1,613	1,444
Fixed charges excluding capitalized interest	3,861	3,671	3,380	3,860	4,539
Amortization of capitalized interest	41	39	38	37	37
Earnings	$ 17,733	$ 5,132	$ 13,337	$ 10,526	$ 12,967
Fixed Charges					
Interest expense	$ 3,689	$ 3,496	$ 3,227	$ 3,702	$ 4,364
Interest portion of rental expense (a)	172	175	153	158	175
Capitalized interest	18	21	20	27	35
Total fixed charges	$ 3,879	$ 3,692	$ 3,400	$ 3,887	$ 4,574
Ratios					
Ratio of earnings to fixed charges	4.6	1.4	3.9	2.7	2.8

(a) One-third of all rental expense is deemed to be interest.

Exhibit 21

SUBSIDIARIES OF FORD MOTOR COMPANY AS OF JANUARY 31, 2018*

Organization	Jurisdiction
Blue Oval Holdings	England
CAB East LLC	Delaware, U.S.A.
CAB West LLC	Delaware, U.S.A.
Canadian Road Leasing Company	Canada
FCE Bank plc	England
FCIF Holdings LP	Canada
FCSH GmbH	Switzerland
FMC Automobiles SAS	France
Ford Argentina S.C.A.	Argentina
Ford Asia Pacific Automotive Holdings Ltd.	Mauritius
Ford Auto Securitization Trust	Canada
Ford Automotive Finance (China) Limited	China
Ford Credit Auto Owner Trust 2014-REV1	Delaware, U.S.A.
Ford Credit Auto Owner Trust 2014-REV2	Delaware, U.S.A.
Ford Credit Auto Owner Trust 2015-REV1	Delaware, U.S.A.
Ford Credit Auto Owner Trust 2016-REV1	Delaware, U.S.A.
Ford Credit Auto Owner Trust 2016-REV2	Delaware, U.S.A.
Ford Credit Auto Owner Trust 2017-REV1	Delaware, U.S.A.
Ford Credit Auto Owner Trust 2017-REV2	Delaware, U.S.A.
Ford Credit Canada Company	Canada
Ford Credit CP Auto Receivables LLC	Delaware, U.S.A.
Ford Credit Floorplan Master Owner Trust A	Delaware, U.S.A.
Ford Credit International LLC	Delaware, U.S.A.
Ford Deutschland Holding GmbH	Germany
Ford Espana S.L.	Spain
Ford European Holdings LLC	Delaware, U.S.A.
Ford Floorplan Auto Securitization Trust	Canada
Ford Global Technologies, LLC	Delaware, U.S.A.
Ford Holdings LLC	Delaware, U.S.A.
Ford India Private Limited	India
Ford International Capital LLC	Delaware, U.S.A.
Ford Italia S.p.A.	Italy
Ford Lease Trust	Canada
Ford Mexico Holdings LLC	Delaware, U.S.A.
Ford Motor (China) Ltd.	China
Ford Motor Company Brasil Ltda.	Brazil
Ford Motor Company Limited	England
Ford Motor Company of Australia Limited	Australia
Ford Motor Company of Canada, Limited	Canada
Ford Motor Company of Southern Africa (Pty) Limited	South Africa
Ford Motor Company, S.A. de C.V.	Mexico
Ford Motor Credit Company LLC	Delaware, U.S.A.
Ford Motor Service Company	Michigan, U.S.A.

Organization	Jurisdiction
Ford Retail Group Limited	England
Ford Sales and Service (Thailand) Co., Ltd.	Thailand
Ford Sollers Holding LLC	Russia
Ford Trading Company, LLC	Delaware, U.S.A.
Ford VH Limited	England
Ford VHC AB	Sweden
Ford-Werke GmbH	Germany
Global Investments 1 Inc.	Delaware, U.S.A.

101	Other U.S. Subsidiaries
142	Other Non-U.S. Subsidiaries

* Other subsidiaries are not shown by name in the above list because, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ford Motor Company Registration Statement Nos. 33-62227, 333-02735, 333-20725, 333-31466, 333-47733, 333-56660, 333-57596, 333-65703, 333-71380, 333-74313, 333-85138, 333-87619, 333-104063, 333-113584, 333-123251, 333-138819, 333-138821, 333-149453, 333-149456, 333-153815, 333-153816, 333-156630, 333-156631, 333-157584, 333-162992, 333-162993, 333-165100, 333-172491, 333-179624, 333-186730, 333-193999, 333-194000, 333-203697, and 333-210978 on Form S-8 and 333-194060 on Form S-3.

We hereby consent to the incorporation by reference in the aforementioned Registration Statements of Ford Motor Company of our report dated February 8, 2018 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan
February 8, 2018

Exhibit 24

FORD MOTOR COMPANY

Certificate of Secretary

The undersigned, Jonathan E. Osgood, Secretary of Ford Motor Company, a Delaware corporation (the “Company”), DOES HEREBY CERTIFY that the following resolutions were adopted at a meeting of the Board of Directors of the Company duly called and held on February 7, 2018 and that the same are in full force and effect:

WHEREAS, pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, James P. Hackett, President and Chief Executive Officer of the Company, and Bob Shanks, Executive Vice President and Chief Financial Officer of the Company, each will execute certifications with respect to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (“Form 10-K Report”), which certifications are to be set forth in the Form 10-K Report; and

WHEREAS, such certifications are made, in part, on reliance of the assurances given by the Company’s Disclosure Committee, co-chaired by Bradley M. Gayton, Group Vice President, Chief Administrative Officer and General Counsel of the Company, and John T. Lawler, Vice President and Controller & Chief Financial Officer, Global Markets, of the Company, which committee oversees the preparation of the Company’s annual and quarterly reports.

NOW, THEREFORE, BE IT:

RESOLVED, That the draft Form 10-K Report presented to this meeting to be filed with the Securities and Exchange Commission (the “Commission”) under the Securities Exchange Act of 1934, as amended, be and hereby is in all respects authorized and approved; that the directors and appropriate officers of the Company, and each of them, be and hereby are authorized to sign and execute in their own behalf, or in the name and on behalf of the Company, or both, as the case may be, the Form 10-K Report, and any and all amendments thereto, with such changes therein as such directors or officers may deem necessary, appropriate or desirable, as conclusively evidenced by their execution thereof; and that the appropriate officers of the Company, and each of them, be and hereby are authorized to cause the Form 10-K Report and any such amendments, so executed, to be filed with the Commission.

RESOLVED, That each officer and director who may be required to sign and execute the Form 10-K Report or any amendment thereto or document in connection therewith (whether in the name and on behalf of the Company, or as an officer or director of the Company, or otherwise), be and hereby is authorized to execute a power of attorney appointing B. M. Gayton, J. T. Lawler, J. E. Osgood, and C. M. MacGillivray, and each of them, severally, his or her true and lawful attorney or attorneys to sign in his or her name, place, and stead in any such capacity the Form 10-K Report and any and all amendments thereto and documents in connection therewith, and to file the same with the Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform in the name and on behalf of each of said officers and directors who shall have executed such power of attorney, every act whatsoever which such attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as such officers or directors might or could do in person.

WITNESS my hand as of this 8th day of February, 2018.

/s/ Jonathan E. Osgood

Jonathan E. Osgood
Secretary

(SEAL)

POWER OF ATTORNEY WITH RESPECT TO ANNUAL REPORT OF FORD MOTOR COMPANY ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2017

Each of the undersigned, a director or officer of Ford Motor Company ("Ford"), appoints each of B. M. Gayton, J. T. Lawler, J. E. Osgood, and C. M. MacGillivray, his or her true and lawful attorney and agent to do any and all acts and things and execute any and all instruments which the attorney and agent may deem necessary or advisable in order to enable Ford to comply with the Securities Exchange Act of 1934, and any requirements of the Securities and Exchange Commission, in connection with the filing of Ford's Annual Report on Form 10-K for the year ended December 31, 2017 and any and all amendments thereto, as authorized at a meeting of the Board of Directors of Ford duly called and held on February 7, 2018 including, but not limited to, power and authority to sign his or her name (whether on behalf of Ford, or as a director or officer of Ford, or by attesting the seal of Ford, or otherwise) to such instruments and to such Annual Report and any amendments thereto, and to file them with the Securities and Exchange Commission. Each of the undersigned ratifies and confirms all that any of the attorneys and agents shall do or cause to be done by virtue hereof. Any one of the attorneys and agents shall have, and may exercise, all the powers conferred by this instrument. Each of the undersigned has signed his or her name as of the 7th day of February, 2018:

/s/ William Clay Ford, Jr. (William Clay Ford, Jr.)	/s/ John C. Lechleiter (John C. Lechleiter)
/s/ Stephen G. Butler (Stephen G. Butler)	/s/ Ellen R. Marram (Ellen R. Marram)
/s/ Kimberly A. Casiano (Kimberly A. Casiano)	/s/ John L. Thornton (John L. Thornton)
/s/ Anthony F. Earley, Jr. (Anthony F. Earley, Jr.)	/s/ John B. Veihmeyer (John B. Veihmeyer)
/s/ Edsel B. Ford II (Edsel B. Ford II)	/s/ Lynn M. Vojvodich (Lynn M. Vojvodich)
/s/ James P. Hackett (James P. Hackett)	/s/ John S. Weinberg (John S. Weinberg)
/s/ William W. Helman IV (William W. Helman IV)	/s/ Bob Shanks (Bob Shanks)
/s/ William E. Kennard (William E. Kennard)	/s/ John T. Lawler (John T. Lawler)

Exhibit 31.1

CERTIFICATION

I, James P. Hackett, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2017 of Ford Motor Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 8, 2018

/s/ James P. Hackett

James P. Hackett
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Bob Shanks, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2017 of Ford Motor Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 8, 2018

/s/ Bob Shanks

Bob Shanks
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James P. Hackett, President and Chief Executive Officer of Ford Motor Company (the “Company”), hereby certify pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that to my knowledge:

1. The Company’s Annual Report on Form 10-K for the period ended December 31, 2017, to which this statement is furnished as an exhibit (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 8, 2018

/s/ James P. Hackett
James P. Hackett
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Bob Shanks, Executive Vice President and Chief Financial Officer of Ford Motor Company (the "Company"), hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that to my knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2017, to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 8, 2018

/s/ Bob Shanks
Bob Shanks
Executive Vice President and
Chief Financial Officer

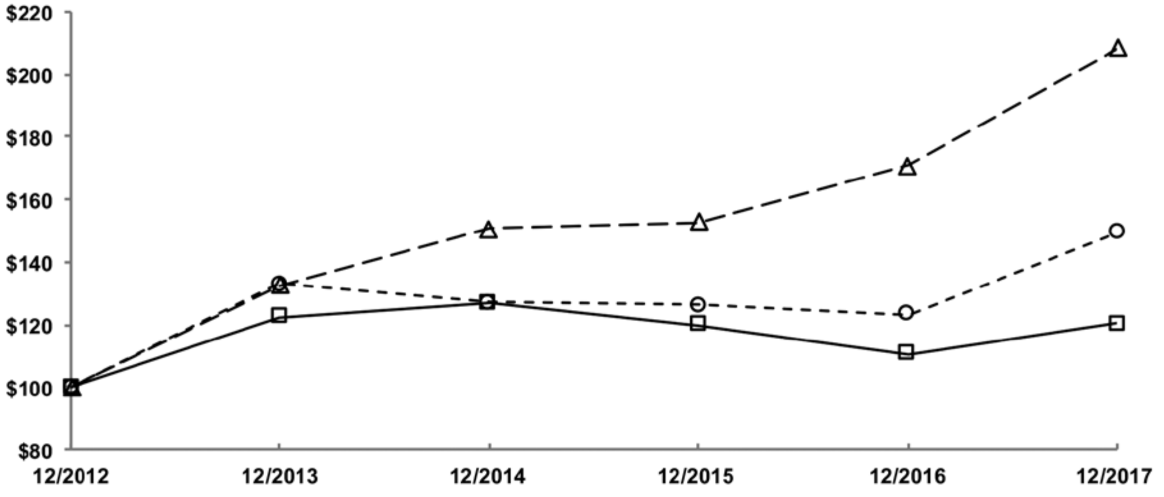
New York Stock Exchange Required Disclosures

On May 25, 2017, Ford's Chief Executive Officer certified that he was not aware of any violations by the Company of the New York Stock Exchange Corporate Governance listing standards, other than has been notified to the Exchange pursuant to Section 303A.12(b), of which there was none.

Stock Performance Graph

The graph below shows over the past five years, the performance of our common stock against the Standard & Poor's 500 Stock Index and the Dow Jones Automobiles & Parts Titans 30 Index.

COMPARISON OF CUMULATIVE FIVE-YEAR TOTAL RETURN



Total Return To Shareholders (Includes reinvestment of dividends)

	Base Period	Years Ending				
Company / Index	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Ford Motor Company	100	122	127	120	110	120
S&P 500	100	132	151	153	171	208
Dow Jones Automobiles & Parts Titans 30	100	133	127	126	123	149

Shareholder information

Corporate Headquarters

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

Shareholder Account Assistance

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

Overnight Mail Delivery
Computershare Investor Services
211 Quality Circle, Suite 210
College Station, TX 77845 United States

Regular Mail Delivery
Computershare Investor Services
P.O. Box 30170
College Station, TX 77842 United States

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

Stock Exchanges

Ford Common Stock is listed and traded on
the New York Stock Exchange in the United States.

The NYSE trading symbol is:

F Listed NYSE THE NEW YORK STOCK EXCHANGE F Common Stock

Investor Information

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

Alternatively, individual investors may contact us at:

Ford Motor Company
Shareholder Relations
P.O. Box 6248
Dearborn, MI 48126

Telephone: (800) 555-5259 (U.S. and Canada)
(313) 845-8540 (International)
Fax: (313) 845-6073
E-mail: stockinf@ford.com

Security analysts and institutional investors may contact:

Ford Motor Company
Investor Relations
P.O. Box 6248
Dearborn, MI 48126

Equity Investment

Telephone: (313) 845-2868
E-mail: fordir@ford.com

Fixed Income

Telephone: (313) 621-0965
E-mail: fixedinc@ford.com

Annual Meeting

The 2018 Annual Meeting of Shareholders will be held as a virtual-only meeting on May 10, 2018. A notice of the meeting and instructions for participation and voting will be mailed to shareholders in advance.

Company Information

Automotive Brand	Customer Assistance	Automotive Brand	Customer Assistance
Ford	800.392.3673 Ford.com FordOwner.com	THE LINCOLN MOTOR COMPANY	800.521.4140 Lincoln.com LincolnOwner.com

Financial Services	Operations	Customer Assistance
FORD CREDIT LINCOLN AUTOMOTIVE FINANCIAL SERVICES	**Ford Motor Credit Company** • A leading automotive financial services company founded in 1959 • Provides a wide variety of dealer and customer financing products and services globally in support of Ford Motor Company vehicle sales • As of year-end 2017, Ford Credit was financing about 5,000 Ford and Lincoln dealers and more than 5 million customer contracts around the world	800.727.7000 FordCredit.com 888.498.8801 LincolnAFS.com

Customer Services	Operations	Customer Assistance
FORD SERVICE THE LINCOLN MOTOR COMPANY	**Service** A total service experience for Ford and Lincoln owners available only at Ford and Lincoln stores — designed to deliver customer satisfaction and loyalty • Ford and Motorcraft-engineered parts and tools designed specifically to fit your Ford and Lincoln vehicle • Factory-trained and certified technicians specifically on Ford and Lincoln vehicles • One-stop service for all vehicle maintenance and repair needs	Locate Ford and Lincoln Dealer Service at: FordOwner.com LincolnOwner.com
Quick Lane TIRE & AUTO CENTER	**Quick Lane Tire & Auto Center** Ford Motor Company's all-makes quick maintenance and service brand successfully occupies a unique niche in the marketplace by offering customers "fast and dependable auto service." Fast comes in the form of all-makes-all-models service capabilities, no-appointment-necessary, service while you wait, evening and weekend hours, and competitive prices. Dependable comes in the form of factory-trained technicians and quality Motorcraft parts	Locate Quick Lane Tire & Auto Center at: Quicklane.com
FORD PARTS Motorcraft Omnicraft	**Ford Parts, Motorcraft and Omnicraft** New and remanufactured parts recommended by Ford Motor Company and available in Ford and Lincoln stores, Ford authorized distributors and thousands of major retail and repair locations	Order Motorcraft and Ford Parts at: FordParts.com Find out more about our Motorcraft and Omnicraft brands at: Motorcraft.com and Omnicraftautoparts.com
FORD ACCESSORIES LINCOLN ACCESSORIES	**Ford and Lincoln Accessories** Wide variety of original and licensed accessories are available, all designed to personalize Ford and Lincoln vehicles	Original and licensed accessories at: accessories.ford.com accessories.lincoln.com
FORD PROTECT® Lincoln Protect	**Ford Protect and Lincoln Protect Extended Service Plans** Provides comprehensive vehicle service contracts and maintenance programs to support dealer and direct mail sales to Ford, Lincoln and competitive-make owners	Ford Protect and Lincoln Protect 800.521.4144 Fordprotect.ford.com Lincolnprotect.lincoln.com
FORD FLEET	**Ford Fleet/Commercial Vehicles** Ford Fleet brings together fleet-specific vehicles, offers and programs, along with a team of experts.	See more at: fleet.ford.com
Fleet Service Operations	**Fleet Service Operations** Trusting Ford and Lincoln Parts and Service to maintain fleet vehicles can enhance performance and reliability, help extend the life of vehicles and improve resale value.	See more at: fleet.ford.com

About Ford Motor Company

Ford Motor Company is a global company based in Dearborn, Michigan. The company designs, manufactures, markets and services a full line of Ford cars, trucks, SUVs, electrified vehicles and Lincoln luxury vehicles, provides financial services through Ford Motor Credit Company and is pursuing leadership positions in electrification, autonomous vehicles and mobility solutions. Ford employs approximately 202,000 people worldwide. For more information regarding Ford, its products and Ford Motor Credit Company, please visit www.corporate.ford.com

Ford Motor Company
One American Road
Dearborn, MI 48126

www.corporate.ford.com

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Ford encourages you to please recycle this document.